



**Raiffeisen Bank
International**

Third Quarter Report 2017

Survey of key data

Raiffeisen Bank International (RBI)				
Monetary values in € million	2017	2016	Change	2016
	1/1-30/9	pro forma		published
	1/1-30/9	1/1-30/9		1/1-30/9
Income statement				
Net interest income	2,391	2,340	2.2%	2,187
Net provisioning for impairment losses	(160)	(501)	(68.1)%	(503)
Net fee and commission income	1,271	1,180	7.7%	1,097
Net trading income	183	140	30.2%	136
General administrative expenses	(2,291)	(2,294)	(0.1)%	(2,100)
Profit/loss before tax	1,301	781	66.6%	746
Profit/loss after tax	1,012	524	93.2%	480
Consolidated profit/loss	910	433	109.9%	394
Statement of financial position	30/9	31/12		31/12
Loans and advances to banks	16,711	10,981	52.2%	9,900
Loans and advances to customers	81,102	79,769	1.7%	70,514
Deposits from banks	27,123	24,060	12.7%	12,816
Deposits from customers	83,766	80,325	4.3%	71,538
Equity	11,055	9,752	13.4%	9,232
Assets	139,963	134,804	3.8%	111,864
Key ratios	1/1-30/9	1/1-30/9		1/1-30/9
Return on equity before tax	17.5%	11.7%	5.9 PP	11.7%
Consolidated return on equity	13.3%	6.9%	6.4 PP	6.6%
Cost/income ratio	58.9%	61.4%	(2.5) PP	60.5%
Return on assets before tax	1.35%	0.76%	0.59 PP	0.89%
Net interest margin (average interest-bearing assets)	2.46%	2.41%	0.06 PP	2.76%
Provisioning ratio (average loans and advances to customers)	0.26%	0.82%	(0.56) PP	0.93%
Bank-specific information	30/9	31/12		31/12
NPL ratio	6.7%	8.7%	(2.0) PP	9.2%
NPE ratio	5.9%	8.1%	(2.2) PP	8.6%
NPL coverage ratio	69.4%	75.2%	(5.8) PP	75.6%
NPE coverage ratio	59.5%	66.3%	(6.8) PP	66.7%
Risk-weighted assets (total RWA)	69,670	67,911	2.6%	60,061
Total capital requirement	5,574	5,433	2.6%	4,805
Total capital	12,532	11,804	6.2%	11,537
Common equity tier 1 ratio (transitional)	12.7%	12.7%	0.0 PP	13.9%
Common equity tier 1 ratio (fully loaded)	12.5%	12.4%	0.1 PP	13.6%
Total capital ratio (transitional)	18.0%	17.4%	0.6 PP	19.2%
Total capital ratio (fully loaded)	17.9%	17.1%	0.8 PP	18.9%
Stock data	1/1-30/9	1/1-30/9		1/1-30/9
Earnings per share in €	2.74	1.32	107.6%	1.35
Closing price in € (30/9)	28.36	-	-	13.56
High (closing prices) in €	28.67	-	-	14.17
Low (closing prices) in €	17.67	-	-	10.21
Number of shares in million (30/9)	328.94	-	-	292.98
Market capitalization in € million (30/9)	9,327	-	-	3,971
Resources	30/9	31/12		31/12
Employees as at reporting date (full-time equivalents)	49,445	50,203	(1.5)%	48,556
Business outlets	2,410	2,522	(4.4)%	2,506
Customers in million	16.5	17.0	(2.9)%	14.1

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).

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

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

RBI in the capital markets

Performance of RBI stock

RBI's stock opened the third quarter at a share price of € 22.10 and closed the quarter at € 28.36. This represents a gain of 28 per cent, significantly outperforming the European EURO STOXX Banks Index (up 6 per cent) and the Austrian ATX stock index (up 7 per cent). The publication of RBI's preliminary results for the first half of 2017 on 25 July was positively received by the market and led to a considerable 7 per cent increase on the day. This upward trend continued to the end of the third quarter. RBI's share price gained 63 per cent over the first three quarters, whereas the EURO STOXX Banks and ATX advanced 18 per cent and 27 per cent, respectively.

As at 9 November (editorial deadline for this report), RBI's stock traded at € 29.22.

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



Active capital market communications

On 10 August, RBI published its final figures for the second quarter. Some 200 international analysts and institutional investors participated in the subsequent conference call.

The conference call and the investor presentation are available online at www.rbinternational.com → Investor Relations → Presentations & Webcasts.

In the first half of September, RBI's Management Board and the Investor Relations team participated in a number of conferences and met with numerous investors in Taipei, Hong Kong, Los Angeles, San Francisco, New York, Boston and London during a two-week international road show. Moreover, in late September, a meeting with debt analysts took place in London, as did the annual meeting with equity analysts which was followed by individual and group discussions with investors. Sales force briefings were also held with seven international brokers.

A total of 24 equity analysts and 18 debt analysts regularly provide investment recommendations on RBI, making RBI the Austrian company with the largest number of analyst teams regularly reporting on it.

Stock data and details

RBI's stock has been listed on the Vienna Stock Exchange since 25 April 2005. At the end of the third quarter of 2017, the regional Raiffeisen banks held approximately 58.8 per cent of RBI shares, with the remaining shares in free float.

Share price as at 30 September 2017	€ 28.36
High/low (closing price) in the third quarter of 2017	€ 28.67/21.37
Earnings per share from 1 January to 30 September 2017	€ 2.74
Book value per share as at 30 September 2017	€ 29.71
Market capitalization as at 30 September 2017	€ 9.3 billion
Average daily trading volume in the third quarter of 2017	426,426 shares
Stock exchange turnover in the third quarter of 2017	€ 695 million
Free float as at 30 September 2017	approximately 41.2%
ISIN	AT0000606306
Ticker symbols	RBI (Vienna Stock Exchange) RBI AV (Bloomberg) RBIV.VI (Reuters)
Market segment	Prime Market
Number of shares issued as at 30 September 2017	328,939,621

Rating details

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

Financial Calendar 2018

14 February 2018	Start of Quiet Period
14 March 2018	Annual Report 2017, Conference Call
15 March 2018	RBI Investor Presentation, London
1 May 2018	Start of Quiet Period
15 May 2018	First Quarter Report, Conference Call
11 June 2018	Record Date Annual General Meeting
21 June 2018	Annual General Meeting
28 June 2018	Ex-Dividend Date
29 June 2018	Record Date Dividends
2 July 2018	Dividend Payment Date
26 July 2018	Start of Quiet Period
9 August 2018	Semi-Annual Financial Report, Conference Call
31 October 2018	Start of Quiet Period
14 November 2018	Third Quarter Report, Conference Call

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Group management report

Market development

The real gross domestic product (GDP) in the euro area recorded average quarterly growth of 0.6 per cent in the first three quarters of 2017. Reliable early economic indicators such as sentiment surveys are pointing to similarly strong growth at end-2017/early-2018. Euro area growth looks set to run at roughly 2.2 per cent for both 2017 and 2018, nearly 1 percentage point above the potential growth rate. Despite the rising level of employment for some time and associated falling unemployment rate, the impact on wage growth and thus mid-term inflationary pressure has been minimal. The continuing economic upturn, however, should allow wages as well as the scope for companies to hike prices to increase incrementally. The inflation rate is expected to near the European Central Bank (ECB) target of just below 2 per cent p.a. by 2019.

The ECB decided to continue its bond purchase program until at least September 2018. The average monthly volume will halve to € 30 billion from January 2018. Following the conclusion of the bond purchases, according to official statements, the key interest rates should also remain unchanged for a longer period of time. The cautious stance of the ECB implies that the first hike in its main refinancing rate will not take place before the first quarter of 2019. In contrast, the US Federal Reserve has signaled further key interest rate hikes in the coming quarters. Consequently, the US dollar should not depreciate against the euro until at least early 2018. It is anticipated that the euro's strength will continue, so that a fair level in line with purchasing power parity of slightly above 1.30 EUR/USD by 2019, could be reached.

The Austrian economy is poised to record 2.8 per cent real GDP growth in 2017, followed by a 2.2 per cent increase expected in 2018. This not only represents a significant acceleration compared to 2016, when real growth was 1.5 per cent, but also that expected growth for 2017 would exceed that of the euro area as a whole for the first time since 2013. Economic growth momentum in 2017 and 2018 should also be more broadly based than in 2016, driven both by domestic demand and foreign trade.

In Central Europe (CE), leading indicators and GDP data published for the second quarter suggest continuing strong economic growth. In the second quarter, the Czech Republic's economy grew well above expectations at 4.7 per cent year-on-year, while in Slovenia it expanded 4.4 percent and in Poland increased 3.9 per cent. GDP growth rates in Hungary and Slovakia also came in at just above 3 per cent in the second quarter of 2017. The broad-based growth is being driven by rising demand among private households, investment growth and increasing foreign trade. Leading and economic indicators also show strength in the third quarter. Consequently, growth in the CE region should reach 4.0 per cent for full-year 2017. This is mainly due to the strong 4.0 per cent growth outlook for Poland's economy in 2017. This year's forecast for the Czech Republic is as high as 4.3 per cent. Strong growth of 3.4 per cent in CE is also expected for 2018.

The situation in Southeastern Europe (SEE) also looks positive. The region's largest economy - Romania - is booming, mainly driven by domestic consumption, which in turn is supported by wage increases and tax reductions. Second quarter growth in Romania was 5.9 per cent year-on-year. The full-year forecast is 5.7 per cent, higher than the previous year's rate of 4.8 per cent. However, strong growth and expansionary fiscal policy also harbor risks in the event of a cyclical downturn. Economic momentum in Bulgaria likewise continues uninterrupted, whereas both Serbia and Croatia registered somewhat lower growth rates in the first half-year. Nevertheless, overall momentum in SEE will remain strong with expected GDP growth of 4.4 per cent for full-year 2017 and substantial growth of 3.5 per cent for the region also forecast for 2018.

In Eastern Europe (EE), the economic recovery in Russia is worth noting in particular. Following year-on-year growth of 0.5 per cent in the first quarter of 2017, economic output increased by 2.5 per cent in the second quarter of 2017, somewhat stronger than expected. Performance continued in the second half of the year, so that Russia looks set to achieve economic growth of at least 1.8 per cent this year. Economic conditions are also improving in Belarus, returning to earlier levels of growth with its GDP expected to expand 1.5 per cent in 2017, following two years of recession. Lastly, in Ukraine, fears in light of an economic blockade in eastern regions of the country have not been confirmed. Driven by a recovery in private consumption and investment spending, Ukraine's economy grew 2.4 per cent in the second quarter, with growth of 1.5 per cent forecast for 2017. Overall, the economic outlook for EE is moderate, with growth of 1.8 per cent forecast for 2017. Forecasted GDP growth of 1.5 per cent in Russia for 2017, and gaining momentum in Ukraine, should allow the EE region to expand by 1.6 per cent in 2018.

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

Region/country	2016	2017 ^e	2018 ^f	2019 ^f
Czech Republic	2.3	4.3	3.4	3.1
Hungary	2.0	3.8	3.6	3.2
Poland	2.7	4.0	3.2	2.8
Slovakia	3.3	3.3	4.0	4.0
Slovenia	3.1	4.8	3.5	2.6
Central Europe	2.6	4.0	3.4	3.0
Albania	3.5	4.0	4.0	4.0
Bosnia and Herzegovina	3.1	2.5	3.0	3.5
Bulgaria	3.4	4.0	3.7	3.6
Croatia	3.0	2.9	2.3	2.5
Kosovo	3.6	3.5	3.5	3.5
Romania	4.8	5.7	4.0	3.5
Serbia	2.8	1.8	2.5	2.5
Southeastern Europe	4.0	4.4	3.5	3.3
Russia	(0.2)	1.8	1.5	1.5
Belarus	(2.6)	1.5	1.5	2.0
Ukraine	2.3	1.5	3.0	3.0
Eastern Europe	(0.1)	1.8	1.6	1.6
Austria	1.5	2.8	2.2	1.4
Germany	1.9	2.1	1.8	1.6
Euro area	1.8	2.2	2.2	1.7

Source: Raiffeisen Research

Significant events in the reporting period

Completion of merger with RZB AG

Following the Extraordinary General Meeting of RBI AG in January 2017, which approved the merger with Raiffeisen Zentralbank Österreich AG (RZB AG) by a majority of 99.4 per cent, the merger was entered in the commercial register on 18 March 2017, thereby taking 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 in 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. The effect of the merger on equity amounted to € 519 million. Further details are given in the notes in the consolidated group section and in the statement of changes in equity.

Placement of additional tier 1 capital (AT1)

In order to further optimize its capital structure RBI placed perpetual additional tier 1 capital (AT1) of € 650 million at the end of June 2017 with 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 on 15 December and 15 June of each year are discretionary. Under IFRS, on the basis of the terms and conditions of the issue the AT1 capital is classified as equity.

Postponement of IPO in Poland

RBI postponed the IPO of its Polish subsidiary, Raiffeisen Bank Polska S.A. The IPO results from a commitment made by RBI to the Polish Financial Supervisory 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 Financial Supervisory Authority to float shares of Raiffeisen Bank Polska on the Warsaw Stock Exchange. The Polish Financial Supervisory Authority has set a new deadline of May 2018 for the IPO.

Earnings and financial performance

The merger of RZB AG into RBI AG took place in March 2017. Consequently, the constituent items from the statement of financial position and income statement, as well as the consolidated subsidiaries of RZB AG, 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 income statement. 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.

The good overall macroeconomic conditions and favorable market environment helped to more than double consolidated profit compared to the same period in the previous year; it rose € 476 million to € 910 million. In addition to a € 154 million higher operating result, net provisioning for impairment losses contributed in particular to this improvement, which at € 160 million was € 341 million below the previous year's level. This was primarily attributable to a significant 39 per cent reduction in new provisioning. The NPL ratio was 6.7 per cent at the end of the first nine months of the year, 2.0 percentage points lower than at the beginning of the year. Alongside a reduction in the provisions required for defaulted loans, this was due to a clean-up of the non-performing loan portfolio. In addition to derecognition of loans, non-performing loans in the amount of € 729 million were sold above the carrying amount.

Operating income posted an increase of 4 per cent year-on-year, or € 151 million, to € 3,889 million, with all earnings components contributing to the rise. Net interest income rose 2 per cent to € 2,391 million, driven by a 6 basis point improvement in the interest margin to 2.46 per cent. Additionally, 3 per cent growth in the Group's interest-bearing assets was attributable to an increase in short-term receivables. The improved interest margin was due to foreign currency effects in Russia and to the optimization of the interest margin in Russia, the Czech Republic and Poland. Net fee and commission income also increased (up € 90 million), as did net trading income (up € 42 million), supported by the effects of the Russian rouble appreciation and higher income from payment transfer business.

General administrative expenses were down € 3 million year-on-year to € 2,291 million. Declines occurred mainly in Poland (due to the sale of the leasing subsidiary and to the ongoing rightsizing program) as well as a result of downscaling in Asia. However, these positive effects were offset by currency appreciation in Russia. The average number of employees (full-time equivalents) reduced year-on-year by 3,014 to 50,042. Staff expenses decreased € 4 million to € 1,145 million. In contrast, other administrative expenses were up 2 per cent, or € 18 million, to € 908 million as a result of higher advertising expenses and higher IT and

security expenses. The number of business outlets decreased 196 year-on-year to 2,410, mainly due to the rightsizing program and to the sale of leasing activities in Poland (down 82 branches) as well as ongoing branch closures in Ukraine (down 34). As a result, office space expenses also reduced (down 9 per cent).

Since the start of the year, total assets rose € 5,158 million to € 139,963 million, with loans and advances to customers up € 1,333 million to € 81,102 million. The increase was primarily attributable to short-term positions in the form of repurchase and securities lending transactions. Loans to corporate customers (large and mid-market corporates) decreased 2 per cent, or € 1,039 million, to € 44,466 million. On the other hand, loans and advances to retail customers (private individuals as well as small and medium-sized entities) rose 4 per cent, or € 1,196 million, to € 33,213 million, with the largest increases occurring in the Czech Republic, Slovakia and Russia.

Equity including capital attributable to non-controlling interests posted an increase of € 1,822 million to € 11,055 million, of which € 519 million resulted from the merger of RBI AG and RZB AG. RBI successfully placed € 650 million of additional perpetual tier 1 capital (AT1) at the beginning of the third quarter, which is classified as equity under IFRS based on the terms of the issue. In addition to profit after tax of € 1,012 million, other comprehensive income amounted to minus € 189 million, mainly consisting of a valuation result from own liabilities measured at fair value of minus € 116 million.

In terms of regulatory capital, the key metrics changed as follows: Common equity tier 1 (after deductions) was € 8,839 million at the end of the period, € 235 million higher than at end-2016. Total capital pursuant to the CRR came to € 12,532 million, representing an increase of € 728 million compared to the 2016 year-end figure. Total risk-weighted assets increased € 1,760 million to € 69,670 million. Based on total risk, the common equity tier 1 ratio (transitional) was 12.7 per cent as at 30 September 2017 and the total capital ratio (transitional) was 18.0 per cent. Excluding the transitional provisions as defined in the CRR, the common equity tier 1 ratio (fully loaded) stood at 12.5 per cent, and the total capital ratio (fully loaded) was 17.9 per cent.

Comparison of results year-on-year

in € million	1/1-30/9/2017	1/1-30/9/2016 pro forma	Change	1/1-30/9/2016 published
Net interest income	2,391	2,340	52	2,187
Net fee and commission income	1,271	1,180	90	1,097
Net trading income	183	140	42	136
Recurring other net operating income	44	77	(34)	49
Operating income	3,889	3,737	151	3,470
Staff expenses	(1,145)	(1,149)	4	(1,048)
Other administrative expenses	(908)	(890)	(18)	(815)
hereof regulatory other administrative expenses	(130)	(130)	0	(123)
Depreciation	(239)	(255)	17	(237)
General administrative expenses	(2,291)	(2,294)	3	(2,100)
Operating result	1,597	1,444	154	1,370
Net provisioning for impairment losses	(160)	(501)	341	(503)
Other results	(136)	(162)	25	(122)
Profit/loss before tax	1,301	781	520	746
Income taxes	(290)	(258)	(32)	(266)
Profit/loss after tax	1,012	524	488	480
Profit attributable to non-controlling interests	(102)	(90)	(12)	(86)
Consolidated profit/loss	910	433	476	394

The pro forma figures were neither audited nor reviewed by an auditor.

Operating income

Net interest income

In the first nine months of 2017, net interest income increased 2 per cent year-on-year, or € 52 million, to € 2,391 million. This was mainly attributable to a € 62 million currency-related increase in net interest income in Russia, whereas small declines were booked in other markets due to continuing low interest rates.

The net interest margin rose 6 basis points year-on-year to 2.46 per cent, of which 5 basis points were attributable to exchange rate effects in the Eastern Europe segment. While the persistently low interest rate level weighed on most markets, RBI constantly worked on optimizing interest rate positions. Especially in Poland, a reduction in excess liquidity facilitated a significant improvement in the margin.

In the Central Europe segment, net interest income was up 44 per cent, or € 217 million, to € 713 million. Most of the increase was attributable to the reclassification of Poland from the Non-Core segment to the Central Europe segment (€ 199 million). In Hungary, net interest income rose € 23 million, mainly owing to liquidity optimization. In Slovakia, net interest income declined € 6 million due to lower interest rates. The Southeastern Europe segment reported a decrease in net interest income of 2 per cent, or € 11 million, to € 544 million. All the countries in this segment – except Romania (up € 2 million) – reported a decline in net interest income. In the Eastern Europe segment, net interest income increased 10 per cent, or € 65 million, to € 700 million. The largest rise was in Russia, with a currency-related increase of € 62 million. Ukraine also posted an increase in net interest income of € 14 million, mainly attributable to the adjustment of interest rates on customer deposits. In Belarus, in contrast, net interest income was down € 11 million year-on-year due to a fall in market interest rates. Net interest income in the Group Corporates & Markets segment continued to decline (down € 14 million) as a result of persistently low interest rates, early loan repayments and a reduction in new building society business.

Net fee and commission income

Net fee and commission income improved 8 per cent year-on-year, or € 90 million, to € 1,271 million due to currency appreciation in Eastern Europe and higher revenues. Net income from the payment transfer business posted the largest increase of 13 per cent, or € 61 million, to € 539 million driven by volumes and margins in Russia (particularly in the credit card business), in Ukraine, at RBI AG and in Kosovo. Net income from the securities business also rose, by € 14 million to € 108 million, with the largest contributions coming from RBI AG, Raiffeisen Centrobank AG and Russia. Net income from the management of investment and pension funds was up € 8 million to € 128 million due to higher volumes, particularly at Raiffeisen Capital Management and in Croatia. Net income from the sale of own and third party products also increased 14 per cent, or € 6 million, to € 52 million, largely due to developments in the Czech Republic and Russia.

Net trading income

Net trading income increased € 42 million year-on-year to € 183 million. Net income from equity- and index-based transactions rose € 41 million to € 16 million due to higher revenues at Raiffeisen Centrobank AG from the issuance and sales of certificates (particularly partial protection and guarantee certificates). Net income from currency-based transactions improved € 27 million to € 99 million, mainly driven by valuation gains from derivatives and foreign currency positions in Russia and at RBI AG, as well as an increase in the Czech Republic following the removal of the minimum exchange rate for the Czech koruna. In contrast, a € 4 million decline was posted in Croatia due to lower income as well as a decrease in net income from open foreign currency positions; the latter also applied to Belarus and Poland. Net income from interest-based business fell € 33 million to € 63 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 Poland, while an increase was posted in the Czech Republic.

Recurring other net operating income

Recurring other net operating income fell € 34 million year-on-year to € 44 million. In addition to an increase of € 22 million in sundry operating expenses, primarily in Serbia and at RBI AG, as well as the disposal of a service subsidiary (€ 7 million), the following changes in various individual items were posted: In the Czech Republic, recurring other net operating income fell year-on-year (€ 6 million) as the previous year's period had included the sale of the card acquiring business (€ 8 million). In Poland, the disposal of the Polish leasing company resulted in a € 8 million reduction in income from leasing activities. In Hungary, net proceeds from the disposal of tangible and intangible fixed assets declined € 6 million. In contrast, € 6 million in provisions for litigation were released in Slovakia. The expenditure for other taxes fell € 10 million at RBI AG and in Hungary.

General administrative expenses

Compared to the same period of the previous year, general administrative expenses declined € 3 million to € 2,291 million. The cost/income ratio improved 2.5 percentage points to 58.9 per cent, largely due to higher operating income.

Staff expenses

Staff expenses declined € 4 million year-on-year to € 1,145 million. In Poland, the sale of the leasing company and ongoing rightsizing measures taken by the bank reduced staff expenses by € 17 million to € 93 million. Staff expenses declined € 17 million due to exiting operations in Asia and the US, and the sale of the Slovenian subsidiary bank resulted in a decrease of € 5 million. This contrasted with higher staff expenses in Russia (up € 34 million), primarily caused by the appreciation of the Russian rouble, and also by salary adjustments and increased staffing levels.

The average number of staff (full-time equivalents) fell 3,014 year-on-year to 50,042. The largest decline was posted in Ukraine (down 1,277); other reductions resulted from the disposal of Group assets.

Other administrative expenses

Other administrative expenses increased 2 per cent, or € 18 million, to € 908 million. Contributions to the bank resolution fund, which were booked for the entire year in the first quarter, rose € 12 million due to its implementation in Poland. Advertising, PR and promotional expenses increased € 12 million, mainly as a result of various advertising campaigns supporting the launch of new retail products in Russia. IT expenses were up € 9 million, as higher costs for external services were incurred at RBI AG. Moreover, security expenses increased € 9 million, especially in Romania and Russia. In contrast, office space expenses were down € 17 million, due to higher expenses in the previous year relating to the closure of branches in Asia and a reduction in expenses in the reporting period following branch and location optimizations in Poland. The number of business outlets decreased 196 year-on-year to 2,410, mainly due to the rightsizing program and to the sale of leasing activities in Poland (down 82 branches), as well as ongoing branch closures in Ukraine (down 34).

Depreciation of tangible and intangible fixed assets

Depreciation of tangible and intangible fixed assets decreased 7 per cent, or € 17 million, to € 239 million. In the same period in the previous year, an impairment of the brand in Poland was recognized in the amount of € 26 million. In the reporting period, an amount of € 13 million in impairment charges was posted in relation to buildings in the Raiffeisen Immobilienfonds portfolio.

Net provisioning for impairment losses

Net provisioning for impairment losses fell 68 per cent overall year-on-year, or € 341 million, to € 160 million. Most of the decline was attributable to a € 340 million reduction in individual loan loss provisioning to € 200 million. This was primarily due to a significant 39 per cent reduction in new provisioning. The positive developments contrasted with a large impairment case in Southeastern Europe, which affected several Group units. There was a net release of € 15 million of portfolio-based loan loss provisions in the reporting period, compared to a net release of € 32 million in the same period of the previous year. Net provisioning for impairment losses in the reporting period included € 102 million in relation to corporate customers (previous year's period: € 346 million), and € 85 million in relation to retail customers (previous year's period: € 141 million).

The largest declines in net provisioning for impairment losses were recorded at RBI AG, where the provisioning requirement fell € 144 million to € 65 million, and in Russia, where it fell € 56 million to € 18 million. The declines were the result of higher allocations in the previous year's period, particularly for large individual cases in the corporate customer business. Net provisioning for impairment losses also improved significantly in Ukraine, primarily supported by sales of non-performing loans, with a net release of € 45 million in the reporting period compared to net provisioning of € 1 million in the previous year's period. In Albania, a net release of € 4 million stood in contrast to the previous year's period, in which the default of several large corporate customers resulted in net provisioning of € 47 million. The risk situation also improved in Hungary, where a net release of € 48 million was recorded for the reporting period (previous year's period: net release of € 8 million), in the Czech Republic, where net provision

ing for impairment losses fell € 17 million to € 12 million, and in Belarus, where net provisioning declined € 14 million to € 3 million. In Croatia, in contrast, the default of a large corporate customer led to a € 44 million increase in net provisioning to € 45 million. In Poland, net provisioning increased € 25 million to € 54 million due to several individual cases in the corporate customer business. In Romania, net provisioning rose € 10 million to € 67 million for retail and corporate customers, albeit this was connected with a provision for a voluntary conversion offer relating to foreign currency loans.

The portfolio of non-performing loans decreased € 1,468 million since the start of the year to € 5,443 million. Currency developments resulted in a € 191 million decrease. The actual reduction in non-performing loans on a currency-adjusted basis was therefore € 1,277 million. In addition to sales of non-performing loans, the clean-up of uncollectible loans led to derecognition of a larger number of them. The largest declines were reported in the Group Corporates & Markets segment (down € 473 million), Ukraine (down € 364 million), Hungary (down € 150 million), Russia (down € 99 million), the Czech Republic (down € 85 million), Serbia (down € 46 million), Albania (down € 43 million), and Bulgaria (down € 33 million), whereas Croatia (up € 38 million) reported an increase. Compared to year-end 2016, the NPL ratio improved 2.0 percentage points to 6.7 per cent. Non-performing loans compared to loan loss provisions amounting to € 3,778 million, resulting in a NPL coverage ratio of 69.4 per cent, in comparison to 75.2 per cent at year-end 2016.

The provisioning ratio of 0.26 per cent, calculated based on the average volume of loans and advances to customers, was significantly below the previous year's ratio of 0.82 per cent.

Other results

Other results - consisting of net income from derivatives and liabilities, net income from financial investments, bank levies reported in sundry operating income/expenses, non-recurring effects, goodwill impairments and income from the release of negative goodwill, as well as net income from the disposal of Group assets - increased € 25 million year-on-year to minus € 136 million.

Net income from derivatives and liabilities

Net income from derivatives and liabilities increased from minus € 290 million in the previous year's period to plus € 4 million in the reporting period. This increase was due to improved 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 2017, the change in the credit spread on own liabilities will be reported directly in equity (previous year's period: minus € 60 million).

Net income from financial investments

Net income from financial investments fell € 350 million year-on-year to minus € 54 million. This was primarily attributable to net valuation losses on government bonds hedged by interest rate swaps (down € 185 million), and to gains from the sale of Visa Europe shares in the previous year (€ 132 million).

Bank levies and non-recurring effects

The expense for bank levies fell € 27 million year-on-year to € 104 million. This was largely due to a € 20 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 slightly (down € 1 million).

In Romania, a provision of € 21 million was released in the first quarter of 2017 after the Constitutional Court ruled that the Walk-away Law could not be applied retrospectively. In the previous year, a provision of € 39 million had been formed for the law, which was new at that time.

Net income from the disposal of Group assets

In the reporting period, net income from the disposal of Group assets amounted to minus € 4 million (previous year's period: € 11 million). The deconsolidation of entities in the reporting period resulted mainly from immateriality.

Income taxes

Income tax expense increased 12 per cent year-on-year, or € 32 million, to € 290 million. The tax rate decreased from 33 per cent in the previous year's period to 22 per cent. This significant decline in the tax rate was the result of utilizing unrecognized loss carryforwards at several Group units (RBI AG, Hungary, and Albania) which had considerably higher net income for the period. The tax rate also fell in Poland following higher tax expenses in the previous year's period due to the intragroup sale of the Polish leasing company.

Comparison of results with the previous quarter

in € million	Q3/2017	Q2/2017	Change	
Net interest income	803	792	11	1.4%
Net fee and commission income	429	433	(4)	(0.8)%
Net trading income	50	69	(19)	(27.7)%
Recurring other net operating income	9	6	3	48.5%
Operating income	1,291	1,300	(8)	(0.7)%
Staff expenses	(365)	(392)	26	(6.7)%
Other administrative expenses	(272)	(286)	14	(4.8)%
hereof regulatory other administrative expenses	(17)	(16)	(1)	7.8%
Depreciation	(81)	(81)	0	(0.6)%
General administrative expenses	(718)	(758)	40	(5.3)%
Operating result	573	541	32	5.9%
Net provisioning for impairment losses	(84)	4	(87)	-
Other results	(37)	(26)	(11)	43.7%
Profit/loss before tax	452	519	(67)	(12.8)%
Income taxes	(97)	(118)	22	(18.2)%
Profit/loss after tax	356	401	(45)	(11.2)%
Profit attributable to non-controlling interests	(33)	(34)	0	(0.6)%
Consolidated profit/loss	322	367	(45)	(12.2)%

Operating income

Net interest income

Compared to the second quarter, net interest income increased 1 per cent, or € 11 million, to € 803 million in the third quarter of 2017. This was attributable to a € 7 million reduction in interest expenses for debt securities at RBI AG due to the lower volume and to a € 3 million increase in interest income in both the Czech Republic (higher interest rates on central bank balances) and Slovakia (increased credit volumes). The net interest margin rose 4 basis points quarter-on-quarter to 2.47 per cent, with positive effects due to the 20 basis point rise in key rates in the Czech Republic, the optimization of deposits in Poland and a higher volume of local loans in Russia.

Net fee and commission income

Net fee and commission income declined 1 per cent quarter-on-quarter, or € 4 million, to € 429 million. This reduction was largely attributable to seasonally lower revenues from various services. The largest decline - 10 per cent, or € 4 million, to € 34 million - was in net income from the securities business, caused by lower volumes, particularly at RBI AG, in Hungary and at Raiffeisen Centробank AG.

Net trading income

Compared to the previous quarter, net trading income declined 28 percent, or € 19 million, to € 50 million. Net income from equity- and index-based transactions fell € 12 million due to seasonally lower revenues at Raiffeisen Centробank AG from the issuance and sale of certificates (particularly partial protection and guarantee certificates). Net income from currency-based transactions fell € 11 million to € 28 million, primarily due to valuation losses on derivatives and foreign currency positions in Russia and in Ukraine.

Recurring other net operating income

In the third quarter of 2017, recurring other net operating income increased € 3 million quarter-on-quarter to € 9 million, mainly due to releases of provisions for litigation in Slovakia.

General administrative expenses

In the third quarter of 2017, general administrative expenses were down 5 per cent quarter-on-quarter, or € 40 million, at € 718 million.

Staff expenses fell 7 per cent, or € 26 million, to € 365 million, due to the release of vacation accruals at RBI AG and currency effects in Russia. Other administrative expenses declined 5 per cent, or € 14 million, to € 272 million, driven by lower advertising and office space expenses, lower deposit insurance fees and a release of contributions to the bank resolution fund.

Depreciation of tangible and intangible fixed assets remained almost unchanged at € 81 million. As in the second quarter (€ 6 million), there was an impairment charge relating to buildings in the portfolio held by Raiffeisen Immobilienfonds in the third quarter (€ 7 million).

Net provisioning for impairment losses

In the third quarter of 2017, net provisioning for impairment losses amounted to € 84 million, whereas in the second quarter a net release of € 4 million – supported by NPL sales and releases of provisions for impairment losses – was posted. In the third quarter, the highest net provisioning for impairment losses occurred in Poland (€ 32 million), at RBI AG (€ 27 million) and in Romania (€ 21 million).

The portfolio of non-performing loans fell € 490 million in the third quarter to € 5,443 million, compared to a decline of € 876 million in the previous quarter. Currency developments were responsible for a reduction of € 55 million in the third quarter; therefore on a currency-adjusted basis, the decline was € 436 million. The largest decreases were reported in Russia (down € 106 million), Ukraine (down € 92 million), in the Group Corporates & Markets segment (down € 55 million), the Czech Republic (down € 51 million), Hungary (down € 45 million), Serbia (down € 32 million), and Croatia (down € 28 million). The NPL ratio fell 0.6 percentage points from the previous quarter to 6.7 per cent, while the NPL coverage ratio reduced from 70.5 per cent to 69.4 per cent.

Other results and taxes

Other results fell € 11 million, from minus € 26 million in the second quarter of 2017, to minus € 37 million in the third quarter of 2017.

Net income from derivatives and liabilities

Net income from derivatives and liabilities declined from € 18 million in the second quarter to minus € 22 million in the third quarter as a result of the valuation of bank book derivatives and own issues.

Net income from financial investments

Net income from financial investments improved € 31 million quarter-on-quarter to € 5 million. This increase was largely attributable to the valuation of government bonds at RBI AG.

Bank levies

Bank levies remained almost unchanged at € 16 million in the third quarter of 2017 (previous quarter: € 17 million).

Income taxes

Income taxes fell € 22 million quarter-on-quarter to € 97 million, mainly due to the recognition of withholding tax on dividend income at RBI AG in the second quarter and the recognition of a loss carryforward in Croatia in the third quarter. The tax rate decreased 2 percentage points to 21 per cent.

Statement of financial position

Since the start of the year, RBI's total assets rose by almost 4 per cent, or € 5,158 million, to € 139,963 million. Currency movements – predominantly the depreciation of the US dollar and Belarusian rouble by 11 per cent, the Ukrainian hryvnia by 9 per cent and the Russian rouble by 6 per cent – had a negative impact of € 1,902 million.

Assets

in € million	30/9/2017	Share	31/12/2016 pro forma	Share	31/12/2016 published	Share
Loans and advances to banks (less impairment losses)	16,700	11.9%	10,931	8.1%	9,850	8.8%
Loans and advances to customers (less impairment losses)	77,324	55.2%	74,574	55.3%	65,609	58.7%
Financial investments	22,684	16.2%	24,524	18.2%	16,972	15.2%
Other assets	23,256	16.6%	24,775	18.4%	19,433	17.4%
Total assets	139,963	100.0%	134,804	100.0%	111,864	100.0%

The pro forma figures were neither audited nor reviewed by an auditor.

Since the beginning of the year, loans and advances to banks before deduction of impairment losses increased 52 per cent, or € 5,730 million, to € 16,711 million. This was mainly due to a total rise of € 6,013 million in short-term positions (repurchase and securities lending transactions) to € 9,388 million in connection with liquidity position optimization, mainly in the Czech Republic and at RBI AG.

Loans and advances to customers before deduction of impairment losses rose 2 per cent, or € 1,333 million, to € 81,102 million. Short-term positions (repurchase and securities lending transactions) increased € 1,131 million to € 2,606 million. In contrast, loans to corporate customers (large and mid-market corporates) decreased 2 per cent, or € 1,039 million, to € 44,466 million. The largest declines were recorded at RBI AG due to scheduled or early repayments of loans and advances to corporate customers, as well as the depreciation of the US dollar; corporate customer business in Russia also declined (currency related). Increases occurred, however, in the Czech Republic and Slovakia. Loans and advances to retail customers (private individuals as well as small and medium-sized entities) rose 4 per cent, or € 1,196 million, to € 33,213 million, with the largest increases registered in the Czech Republic and Slovakia.

The item financial investments decreased € 1,841 million to € 22,684 million – primarily at RBI AG, and in Poland and Russia. The decline in other assets resulted from a reduction in positive fair values of trading and banking book derivatives as well as in the cash reserve.

Equity and liabilities

in € million	30/9/2017	Share	31/12/2016 pro forma	Share	31/12/2016 published	Share
Deposits from banks	27,123	19.4%	24,060	17.8%	12,816	11.5%
Deposits from customers	83,766	59.8%	80,325	59.6%	71,538	64.0%
Equity and subordinated capital	15,126	10.8%	13,989	10.4%	13,436	12.0%
Other liabilities	13,947	10.0%	16,431	12.2%	14,073	12.6%
Total equity and liabilities	139,963	100.0%	134,804	100.0%	111,864	100.0%

The pro forma figures were neither audited nor reviewed by an auditor.

The volume of Group financing from banks (mainly commercial banks) was up – predominantly at RBI AG – 13 per cent, or € 3,063 million, to € 27,123 million. The increase is related to short-term transactions (repurchase agreements).

Deposits from customers increased 4 per cent, or € 3,441 million, to € 83,766 million. This included a € 2,003 million rise in deposits from corporate customers to € 33,426 million, mainly as a result of increases at RBI AG (driven by repurchase agreements), in the Czech Republic and Russia. Deposits from retail customers were up € 1,049 million to € 48,477 million, notably in the Czech Republic, Slovakia and Romania.

Other liabilities fell € 2,483 million to € 13,947 million, with debt securities issued down by a net amount of € 1,859 million – mainly as a result of scheduled repayments of maturing issues – and a reduction in negative fair values of trading and banking book derivatives, predominantly at RBI AG.

For information relating to funding, please refer to note (39) Risks arising from financial instruments, in the risk report section of the consolidated financial statements.

Equity on the statement of financial position

Equity including capital attributable to non-controlling interests posted an increase of € 1,822 million to € 11,055 million, of which € 1,164 million was attributable to capital transactions and € 823 million to total comprehensive income for the period.

There was a positive impact of € 519 million on equity on the statement of financial position – consisting of consolidated equity, consolidated profit/loss and non-controlling interests – from the merger of RZB AG and RBI AG. In turn, RZB's shareholders received new RBI shares at the applicable exchange ratio.

RBI successfully placed perpetual additional tier 1 capital (AT1) of € 650 million at the beginning of the third quarter. After deducting issuance costs, capital increased € 645 million. Under IFRS, on the basis of the terms and conditions of the issue, the AT1 capital is classified as equity.

A total of € 90 million was transferred to capital attributable to non-controlling interests of subsidiaries (notably in the Czech Republic, Ukraine and Slovakia).

Total comprehensive income of € 823 million comprised profit after tax of € 1,012 million and other comprehensive income of minus € 189 million. A valuation loss on liabilities designated at fair value of € 116 million represented the largest item in other comprehensive income. This is reported from the 2017 financial year onward in other comprehensive income (instead of in the income statement as was previously the case) due to the early application of IFRS 9.7.1.2. The effect of currency conversion on the Group's results was minus € 88 million. The most significant currency effects resulted from the depreciation of the Russian rouble (minus € 120 million) and the appreciation of the Czech koruna (€ 48 million). A further negative contribution of € 23 million came from other changes in equity of companies valued at equity. In contrast, valuation changes in assets available for sale as well as deferred taxes each resulted in an increase in other comprehensive income of € 13 million while the cash flow hedge had a positive impact of € 12 million.

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

The following consolidated figures have been calculated in accordance with the provisions of the Capital Requirements Regulation (CRR) and the Austrian Banking Act (BWG).

Total capital amounted to € 12,532 million as at 30 September 2017. This corresponds to an increase of € 728 million compared to the 2016 year-end figure. Common equity tier 1 (after deductions) was up € 235 million over the same period, mainly due to the inclusion of the 2017 half-year results eligible for retention. In contrast, the application of the transitional provisions for 2017 had a negative impact, which was partly offset by the revised 2017 minimum capital requirements. Aside from the positive contribution to capital resulting from the merger of RZB AG and RBI AG, there were negative effects due to the offsetting of intra-Group transactions. Tier 1 capital (after deductions) increased € 826 million to € 9,430 million and was due in particular to the placement of € 650 million in perpetual additional tier 1 capital in July 2017. Tier 2 capital was down € 97 million to € 3,103 million due to capital instruments maturing.

Total capital compared to a total capital requirement of € 5,574 million. The total capital requirement for credit risk amounted to € 4,551 million, corresponding to an increase of € 61 million. The increase was mainly attributable to new business in the Czech Republic and Slovakia and was partly offset by the devaluation of the Russian rouble. The total capital requirement for position risk in bonds, equities, commodities and currencies showed an increase of € 85 million, largely attributable to exchange rate fluctuations in the internal model and to the increase in bond positions in Russia. The total capital requirement for operational risk remained relatively unchanged and amounted to € 723 million.

Based on total risk, the common equity tier 1 ratio (transitional) was 12.7 per cent and the total capital ratio (transitional) was 18.0 per cent.

Excluding the transitional provisions as defined in the CRR, the common equity tier 1 ratio (fully loaded) stood at 12.5 per cent and the total capital ratio (fully loaded) was 17.9 per cent.

Taking account of the results for the third quarter of 2017, the capital ratios would be 0.4 percentage points higher in each case.

Risk management

For further information on risk management, please refer to note (39) Risks arising from financial instruments, in the risk report section of the interim consolidated financial statements.

Events after the reporting date

There were no significant events after the reporting date.

Outlook

We target a CET1 ratio (fully loaded) of around 13 per cent in the medium term.

After stabilizing loan volumes, we look to resume growth with an average yearly percentage increase in the low single digit area.

We expect net provisioning for impairment losses for 2017 to be significantly below the level of 2016 (€ 758 million), supported by a high level of recoveries and gains on NPL sales.

After reaching the previous goal of approximately 8 per cent ahead of schedule, we expect the NPL ratio to reduce further in the medium term.

We aim to achieve a cost/income ratio of between 50 and 55 per cent in the medium term, unchanged from our previous target.

Our medium term return on equity before tax target is unchanged at approximately 14 per cent, with a consolidated return on equity target of approximately 11 per cent.

Segment report

Segmentation principles

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

This results in the following segments:

- Central Europe: Czech Republic, Hungary, Poland, Slovakia, and Slovenia
- Southeastern Europe: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania, and Serbia
- Eastern Europe: Belarus, Russia and Ukraine
- Group Corporates & Markets: Austrian and international corporate customers, Markets, Financial Institutions & Sovereigns, business with the Raiffeisen Banking Group (RBG) and specialized financial institution subsidiaries
- Corporate Center: central control functions in RBI AG (e.g. Treasury), other Group units and minority interests (including UNIQA Insurance Group AG, and LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG)

The segmentation has changed as a result of the merger of RBI AG and RZB AG. RBI's previous 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. This primarily comprises financing business with Austrian and international corporate customers serviced from Vienna, Markets, Financial Institutions & Sovereigns, and business with the institutions of the Raiffeisen Banking Group. Also included in the segment are specialized financial institution subsidiaries such as Raiffeisen Centrobank, Kathrein Privatbank, Raiffeisen Leasing, Raiffeisen Factorbank, Raiffeisen Bausparkasse and Raiffeisen Capital Management.

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.

These changes have resulted in a shift from a mixed system to an exclusively regional segmentation, as all of the operating business booked in each region is now consolidated into one segment.

The following description uses pro forma figures for 2016 in the year-on-year comparison (to adjust for changes resulting from the merger). The pro forma figures do not, however, incorporate the changes in segmentation resulting from the dissolution of the Non-Core segment. RBI AG merged with RZB AG in the first quarter of 2017.

Central Europe

in € million	1/1-30/9 2017	1/1-30/9 2016 pro forma	Change	Q3/2017	Q2/2017	Change
Net interest income	713	496	43.8%	243	235	3.0%
Net fee and commission income	411	288	42.8%	137	140	(2.1)%
Net trading income	48	18	161.3%	17	17	(0.3)%
Recurring other net operating income	(9)	(6)	53.0%	0	(3)	(96.4)%
Operating income	1,164	797	46.1%	396	389	1.7%
General administrative expenses	(679)	(478)	42.1%	(217)	(210)	3.5%
Operating result	485	319	52.0%	179	180	(0.4)%
Net provisioning for impairment losses	(29)	(29)	0.2%	(37)	18	-
Other results	(50)	38	-	(10)	(14)	(27.5)%
Profit/loss before tax	406	328	23.5%	131	183	(28.3)%
Income taxes	(68)	(58)	17.1%	(28)	(28)	(2.1)%
Profit/loss after tax	337	270	24.9%	104	155	(33.1)%

This period's figures are not directly comparable to the previous year's pro forma figures as the segment now includes Poland, which until the end of 2016 was reported in the Non-Core segment. Poland was reclassified as the intended sale of the Polish units could not be completed in the case of the bank. The Polish leasing business, however, was sold at the end of November 2016.

Profit after tax in the segment rose € 67 million to € 337 million, with € 28 million of the increase attributable to the aforementioned inclusion of the Polish bank. In addition, much of the increase was driven by higher profit in Hungary - primarily resulting from higher net releases of loan loss provisions - and in the Czech Republic, due to an improved credit risk situation.

Operating income

Net interest income rose 44 per cent year-on-year, or € 217 million, to € 713 million. The increase was mainly due to the inclusion of Poland, which contributed net interest income of € 199 million to the segment. On a segment level, the margin remained unaffected by the inclusion of Poland; the net interest margin decreased 1 basis point to 2.21 per cent. In Poland itself, the margin improved by 33 basis points to 2.29 per cent as a result of changes to the terms governing customer deposits, as well as from a reduction of excess liquidity. In Hungary, net interest income was up € 23 million due mainly to lower interest-like expenses and lower interest expenses for deposits from customers. In contrast, net interest income declined € 6 million in Slovakia as a consequence of lower interest rates.

Net fee and commission income rose 43 per cent year-on-year, or € 123 million, to € 411 million, including a positive effect of € 103 million from the inclusion of Poland in the segment. In the Czech Republic, net fee and commission income was up € 8 million to € 96 million, primarily due to better margins in the foreign currency, notes/coins, and precious metals business and higher net income from the sale of own and third party products, as well as from the payment transfer business. Hungary also reported a largely margin-driven increase of € 7 million to € 96 million.

Net trading income rose € 30 million to € 48 million. In the Czech Republic, net trading income increased € 20 million year-on-year to € 23 million, largely as a consequence of the removal of the minimum exchange rate for the Czech koruna and net valuation gains on interest-based derivatives. In Slovakia, currency-based transactions rose € 4 million, primarily driven by higher income from derivatives. Hungary reported an increase of € 2 million in interest-based transactions, mainly due to higher service fees from trading assets and liabilities.

Recurring other net operating income fell € 3 million to minus € 9 million. Aside from the inclusion of Poland (negative contribution of € 5 million), the reduction was primarily attributable to a decline of € 6 million in the Czech Republic resulting largely from the sale of the card acquiring business (POS terminals) in the previous year, which generated € 8 million in proceeds. In contrast, € 6 million in provisions for litigation were released in Slovakia.

General administrative expenses

General administrative expenses rose 42 per cent year-on-year, or € 201 million, to € 679 million, including € 185 million attributable to the inclusion of Poland. Staff expenses were up 43 per cent, or € 101 million, to € 340 million, mainly driven by the inclusion of Poland (€ 93 million). The remaining increase resulted from salary increases and higher bonus accruals. The increase of 4,434 to 13,603 in the average number of staff was also largely the result of the reclassification of Poland to the segment. Other administrative expenses rose 43 per cent, or € 82 million, to € 271 million, with Poland accounting for € 80 million of the increase. Depreciation of tangible and intangible fixed assets rose 36 per cent, or € 18 million, to € 69 million, attributable again to the inclusion of Poland. The number of business outlets in the segment amounted to 628. There was a reduction of 83 business outlets in Poland to 237 as a result of the ongoing rightsizing program and the sale of the leasing business. The cost/income ratio improved 1.6 percentage points to 58.3 per cent.

Net provisioning for impairment losses

The segment's net provisioning for impairment losses amounted to € 29 million in the reporting period, unchanged from the level of the previous year's period due to the inclusion of Poland (€ 54 million). In Hungary, net releases amounted to € 48 million (up € 40 million), as a result of an improved risk situation in the retail customer business. In the Czech Republic, net provisioning for impairment losses fell to € 12 million, compared to € 29 million in the previous year's period to cover defaults on the part of several large corporate customers. In Slovakia, in contrast, net provisioning for impairment losses rose € 3 million to € 11 million and was mainly for corporate customers. In Poland, net provisioning increased € 25 million to € 54 million; this was caused by several individual cases in the corporate customer business.

At the end of the third quarter of 2017, the proportion of non-bank non-performing loans in the Central Europe segment's loan portfolio stood at 5.2 per cent. The NPL coverage ratio was 67.4 per cent.

Other results and taxes

Other results in the Central Europe segment decreased € 89 million year-on-year to minus € 50 million.

The decrease was mainly driven by net income from financial investments, which fell € 58 million year-on-year. In the previous year's period, the sale of Visa shares generated € 56 million in proceeds (€ 31 million in Slovakia, € 19 million in the Czech Republic and € 6 million in Hungary).

Net income from the disposal of Group assets amounted to € 7 million in the same period of the previous year, and mainly resulted from the sale of a real estate leasing project in the Czech Republic and the disposal of several Group units in Hungary. In the reporting period, net income from the disposal of Group assets amounted to € 1 million.

The bank levies contained in other results increased € 18 million to € 51 million, primarily due to the inclusion of Poland (€ 24 million). In Hungary, expenses declined € 6 million as a result of a change in the assessment base, while bank levies remained essentially unchanged in Slovakia at € 15 million.

The segment's income taxes increased € 10 million year-on-year to € 68 million. The tax rate was 17 per cent (down 1 percentage point year-on-year). The inclusion of Poland (tax rate of 28 per cent) increased the tax rate; this was offset by utilizing loss carryforwards in Hungary.

Detailed results of individual countries in the segment:

1/1-30/9/2017 in € million	Czech Republic	Hungary	Poland	Slovakia
Net interest income	208	100	199	207
Net fee and commission income	96	96	103	117
Net trading income	23	15	2	9
Recurring other net operating income	9	(25)	(5)	10
Operating income	336	186	298	342
General administrative expenses	(191)	(118)	(185)	(184)
Operating result	145	69	113	157
Net provisioning for impairment losses	(12)	48	(54)	(11)
Other results	7	(21)	(20)	(15)
Profit/loss before tax	140	96	38	131
Income taxes	(28)	(3)	(11)	(26)
Profit/loss after tax	112	93	28	105
Return on equity before tax	16.5%	21.0%	3.5%	16.4%
Return on equity after tax	13.2%	20.4%	2.5%	13.1%
Net interest margin (average interest-bearing assets)	1.78%	2.07%	2.29%	2.40%
Cost/income ratio	56.7%	63.1%	62.1%	54.0%
Loan/deposit ratio (net)	83.9%	58.9%	100.8%	96.4%
Provisioning ratio (average loans and advances to customers)	0.17%	(2.09)%	0.88%	0.16%
NPL ratio	3.0%	9.3%	8.4%	3.1%
NPL coverage ratio	80.7%	67.3%	60.9%	74.4%
Assets	16,417	7,098	11,359	12,038
Liabilities	15,166	6,435	9,869	10,972
Risk-weighted assets (total RWA)	6,437	3,400	6,542	5,622
Equity	1,251	663	1,490	1,066
Loans and advances to customers	10,303	3,102	8,211	9,411
hereof corporate %	38.4%	67.8%	33.6%	42.8%
hereof retail %	61.2%	30.1%	66.1%	57.1%
hereof foreign currency %	15.0%	42.5%	53.5%	1.5%
Deposits from customers	11,981	4,911	7,727	9,535
Business outlets	131	71	237	188
Employees as at reporting date	3,307	1,968	3,935	3,882
Customers	1,162,756	537,345	801,340	893,225

Southeastern Europe

in € million	1/1-30/9 2017	1/1-30/9 2016 pro forma	Change	Q3/2017	Q2/2017	Change
Net interest income	544	555	(1.9)%	180	186	(3.0)%
Net fee and commission income	298	292	2.1%	106	100	5.1%
Net trading income	26	46	(43.6)%	7	7	2.9%
Recurring other net operating income	19	18	2.3%	3	7	(53.9)%
Operating income	886	911	(2.7)%	296	301	(1.5)%
General administrative expenses	(510)	(500)	1.9%	(167)	(164)	2.1%
Operating result	377	410	(8.2)%	129	137	(5.7)%
Net provisioning for impairment losses	(92)	(98)	(6.0)%	(26)	(32)	(20.3)%
Other results	26	(3)	-	1	1	(23.4)%
Profit/loss before tax	311	310	0.3%	104	106	(1.5)%
Income taxes	(46)	(47)	(2.0)%	(13)	(20)	(33.2)%
Profit/loss after tax	265	263	0.7%	91	86	6.0%

The segment's profit after tax was up slightly to € 265 million. A decline in the operating result – driven by net trading income and net interest income – and a normalized level of net income from financial investments (proceeds were reported in 2016 from the sale of Visa shares) was offset by releases of provisions in connection with the Walkaway Law in Romania.

Operating Income

Net interest income fell 2 per cent, or € 11 million, year-on-year to € 544 million. The largest decline was reported in Croatia due to lower interest income on loans to customers (down € 5 million), followed by Bulgaria and Albania (both down € 4 million). In contrast, Romania reported the largest increase in the segment, a rise of € 2 million, which was driven by lower interest expenses for deposits from customers. In Bosnia and Herzegovina as well as Serbia, net interest income was almost unchanged. The segment's net interest margin fell 18 basis points overall to 3.36 per cent, with all countries reporting declines. The largest decrease of 39 basis points was in Serbia, where interest rate adjustments in the customer business were required as a result of the reduction in benchmark rates.

Net fee and commission income was up 2 per cent, or € 6 million, to € 298 million. Net income from the payment transfer business rose € 6 million to € 160 million – largely as a result of higher margins in Kosovo, Albania and Serbia. Net income from the foreign currency, notes/coins and precious metals business was also up, by € 3 million to € 65 million, mainly driven by developments in Serbia, Croatia, Bulgaria and Romania. In contrast, net income from the loan and guarantee business fell € 2 million to € 13 million due to lower fee and commission income in Romania and Serbia.

Net trading income in Southeastern Europe decreased 44 per cent, or € 20 million, to € 26 million. The € 17 million decline in interest-based business to € 1 million was mainly due to volume-related lower interest income and lower valuation results from securities positions and derivatives in Albania, Romania and Croatia.

Recurring other net operating income in the segment remained more or less unchanged at € 19 million.

General administrative expenses

General administrative expenses increased 2 per cent, or € 9 million, year-on-year to € 510 million. Staff expenses were up € 2 million, while the average headcount was down 235 to 14,908. The increase, above all in Croatia and Bulgaria, was a consequence of adjustments to the staffing structure and one-off effects in the previous year. The segment's other administrative expenses were up 3 per cent, or € 6 million, to € 226 million. This was primarily attributable to increased security and advertising expenses in Romania. Depreciation of tangible and intangible fixed assets also increased 3 per cent, or € 2 million, to € 60 million, mainly in Romania and Bulgaria. The number of business outlets decreased year-on-year by 54 to 984, largely due to branch closures in Romania and Bulgaria. The cost/income ratio increased 2.6 percentage points to 57.5 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses decreased € 6 million to € 92 million. Net provisioning in the reporting period mainly related to one large case for which provisioning was necessary, above all in Croatia, but also in Serbia and Bosnia and Herzegovina.

The overall decline was primarily due to the improvement in the risk situation in Albania. In the reporting period, Albania recorded net releases of € 4 million compared to exceptionally high net provisioning of € 47 million for impairment losses in the comparable period of the previous year due to the default of several large corporate customers. In Bulgaria, increased collection activities resulted in a net release of € 14 million compared to € 9 million in the comparable period of the previous year. In contrast, an increase of € 10 million in net provisioning to € 67 million was reported in Romania for retail and corporate customers. This included provisions for voluntary conversions of foreign currency loans. In Croatia, the provisioning requirement rose to € 45 million, an increase of € 44 million, due to a large corporate customer default.

The share of non-performing loans to non-banks in the segment's loan portfolio was 9.4 per cent (down 1.7 percentage points year-on-year) at 30 September 2017. The NPL coverage ratio stood at 77.8 per cent, up 3.3 percentage points year-on-year.

Other results and taxes

Other results increased from minus € 3 million in the comparable period of the previous year to plus € 26 million in the reporting period. Provisions amounting to € 21 million were released in Romania in connection with the Walkaway Law after € 39 million was allocated to provisions in the first nine months of 2016.

Net income from derivatives and liabilities was up € 7 million, mainly reflecting the positive valuation of interest-based derivatives held for hedging purposes in Croatia. In contrast, net income from financial investments fell € 46 million year-on-year to € 2 million following receipt of proceeds of € 38 million from the sale of Visa shares in the previous year (Romania: € 21 million, Croatia: € 10 million, Bulgaria: € 7 million), and also due to lower gains on sale and results from the valuation of securities in the fair value portfolios in Croatia, Albania and Romania.

The segment's income tax expense fell € 1 million year-on-year to € 46 million. The tax rate remained unchanged at 15 per cent.

Detailed results of individual countries:

1/1-30/9/2017 in € million	Albania	Bosnia and Herzegovina	Bulgaria
Net interest income	40	50	80
Net fee and commission income	11	29	34
Net trading income	1	1	2
Recurring other net operating income	1	0	2
Operating income	53	81	118
General administrative expenses	(31)	(39)	(66)
Operating result	22	43	52
Net provisioning for impairment losses	4	(5)	14
Other results	0	(1)	0
Profit/loss before tax	26	36	66
Income taxes	0	(5)	(6)
Profit/loss after tax	26	32	60
Return on equity before tax	18.1%	19.0%	20.0%
Return on equity after tax	18.0%	16.6%	18.1%
Net interest margin (average interest-bearing assets)	2.96%	3.36%	3.19%
Cost/income ratio	58.8%	47.7%	56.0%
Loan/deposit ratio (net)	43.5%	68.4%	84.1%
Provisioning ratio (average loans and advances to customers)	(0.72)%	0.58%	(0.84)%
NPL ratio	17.9%	7.3%	5.2%
NPL coverage ratio	79.4%	85.0%	81.9%
Assets	1,838	2,090	3,606
Liabilities	1,622	1,817	3,143
Risk-weighted assets (total RWA)	1,395	1,659	1,794
Equity	216	273	463
Loans and advances to customers	771	1,228	2,326
hereof corporate %	57.1%	31.3%	41.6%
hereof retail %	42.9%	67.8%	58.0%
hereof foreign currency %	51.8%	47.9%	44.5%
Deposits from customers	1,519	1,684	2,647
Business outlets	78	98	137
Employees as at reporting date	1,222	1,278	2,580
Customers	514,833	429,659	612,974

1/1-30/9/2017 in € million	Croatia	Kosovo	Romania	Serbia
Net interest income	91	28	194	60
Net fee and commission income	55	10	128	30
Net trading income	7	0	10	4
Recurring other net operating income	10	1	3	2
Operating income	163	39	335	96
General administrative expenses	(99)	(19)	(201)	(54)
Operating result	64	20	134	43
Net provisioning for impairment losses	(45)	(3)	(67)	10
Other results	4	0	22	0
Profit/loss before tax	23	17	89	53
Income taxes	(11)	(2)	(15)	(7)
Profit/loss after tax	12	15	74	46
Return on equity before tax	4.7%	20.3%	16.3%	14.8%
Return on equity after tax	2.4%	18.0%	13.6%	12.9%
Net interest margin (average interest-bearing assets)	2.95%	4.25%	3.50%	3.85%
Cost/income ratio	60.7%	49.9%	60.1%	55.9%
Loan/deposit ratio (net)	70.2%	73.8%	74.9%	73.7%
Provisioning ratio (average loans and advances to customers)	2.16%	0.62%	1.87%	(1.10)%
NPL ratio	17.6%	5.0%	7.6%	5.2%
NPL coverage ratio	78.1%	74.1%	73.7%	79.7%
Assets	4,482	913	7,795	2,239
Liabilities	3,845	789	7,018	1,749
Risk-weighted assets (total RWA)	2,791	590	4,616	1,663
Equity	637	124	777	490
Loans and advances to customers	2,715	562	4,921	1,266
hereof corporate %	38.7%	36.2%	32.0%	54.1%
hereof retail %	59.5%	63.8%	66.3%	45.8%
hereof foreign currency %	52.8%	0.0%	35.6%	62.4%
Deposits from customers	3,335	733	6,172	1,646
Business outlets	75	48	460	88
Employees as at reporting date	2,110	727	5,372	1,520
Customers	528,362	257,275	2,297,187	728,727

Eastern Europe

in € million	1/1-30/9 2017	1/1-30/9 2016 pro forma	Change	Q3/2017	Q2/2017	Change
Net interest income	700	635	10.2%	226	237	(4.5)%
Net fee and commission income	341	278	22.7%	115	117	(1.5)%
Net trading income	69	44	56.2%	14	32	(54.8)%
Recurring other net operating income	(9)	(8)	14.7%	(3)	(3)	(10.7)%
Operating income	1,102	950	15.9%	353	383	(7.7)%
General administrative expenses	(444)	(358)	24.1%	(142)	(150)	(5.4)%
Operating result	657	592	11.0%	211	233	(9.2)%
Net provisioning for impairment losses	24	(93)	-	(1)	7	-
Other results	10	13	(24.4)%	7	0	-
Profit/loss before tax	691	513	34.7%	217	239	(9.3)%
Income taxes	(147)	(109)	34.2%	(47)	(52)	(8.9)%
Profit/loss after tax	544	404	34.8%	170	187	(9.4)%

As in the previous year, the Eastern Europe segment was again affected by a high level of currency volatility in the reporting period. The average exchange rate of the Russian rouble appreciated 16 per cent year-on-year, while that of the Belarusian rouble rose 4 per cent. In contrast, the reporting date exchange rates of the Belarusian rouble and Russian rouble were down 11 per cent and 6 per cent respectively from the start of 2017.

The 35 per cent increase in profit after tax in the segment to € 544 million was mainly attributable to lower loan loss provisioning and to some extent the currency appreciation referred to above. In Russia, net income increased due to a largely currency-related increase in net interest income and releases of loan loss provisions. Higher net income in Ukraine was mainly attributable to lower loan loss provisioning, whereas in Belarus, the lower operating result was only partially offset by lower allocations to loan loss provisions.

Operating income

Net interest income was up 10 per cent, or € 65 million, year-on-year to € 700 million. The largest increase was in Russia, which posted a mainly currency-related rise of € 62 million. Ukraine also reported an increase of € 14 million in net interest income, mostly reflecting adjustments to interest rates on customer deposits in local currency and the termination of subordinated liabilities. In contrast, net interest income in Belarus was down € 11 million year-on-year as a result of lower market interest rates. The segment's net interest margin fell 9 basis points year-on-year to 6.49 per cent. This was due primarily to the steep decline in the benchmark interest rate in Belarus.

Net fee and commission income was up 23 per cent, or € 63 million, to € 341 million. Net income from the payment transfer business rose 25 per cent, or € 33 million, to € 165 million, mainly as a result of exchange rate movements, but also due to higher volumes and margins in Russia and Ukraine. Net income from the sale of own and third party products rose to € 14 million, reflecting a change in the allocation of an earnings component. Net income from the foreign currency, notes/coins and precious metals business improved 13 per cent, or € 10 million, to € 89 million, due to currency, volume and margin effects in Russia and Ukraine.

Net trading income rose from € 44 million in the comparable period of the previous year to € 69 million. Net income from currency-based transactions increased € 22 million to € 54 million. Russia reported a € 20 million rise due to valuation gains from derivative financial instruments and foreign currency positions. Ukraine also posted an increase of € 5 million as a result of the more limited devaluation of the Ukrainian hryvnia. In contrast, Belarus posted a € 3 million decline due to a valuation-driven decrease in net income from open foreign currency positions. Net income from interest-based business improved € 2 million to € 14 million, driven by higher gains from securities positions in Russia and Ukraine.

Recurring other net operating income declined € 1 million to minus € 9 million.

General administrative expenses

General administrative expenses rose 24 per cent, or € 86 million, year-on-year to € 444 million. Russia accounted for most of the increase, which was primarily caused by the appreciation of the Russian rouble. Staff expenses in the segment were up € 40 million to € 229 million driven by currency effects. An increase of 256 full-time equivalents in the headcount and salary adjustments in Russia also contributed to the rise. Other administrative expenses increased € 38 million to € 159 million. Advertising expenses in Russia were up € 10 million relating to various campaigns accompanying the introduction of new retail products, while at the same time, legal, advisory and consulting expenses increased, as did deposit insurance fees and, for currency-related reasons, office space expenses. Depreciation was up € 8 million as a result of currency effects and higher intangible fixed assets in Russia. The number of business outlets in the segment was down 35 to 773, primarily as a result of further closures in Ukraine. The cost/income ratio increased 2.7 percentage points to 40.3 per cent.

Net provisioning for impairment losses

In the reporting period, there was a net release of provisions for impairment losses of € 24 million, whereas net provisioning amounted to € 93 million in the same period of the previous year. In Russia, net provisioning for impairment losses fell € 56 million to € 18 million after higher new allocations were necessary in the comparable period of the previous year to cover larger individual cases in the corporate customer business. The credit risk situation also improved considerably in Ukraine; a net release of € 45 million was reported in the period, supported by the sale of non-performing loans, after net provisioning of € 1 million was recognized in the comparable period of the previous year. In Belarus, provisioning of € 3 million for impairment losses was required in the reporting period, whereas in the same period of the previous year net provisioning amounted to € 17 million, mainly for defaults in the corporate customer business.

The share of non-performing loans to non-banks in the segment's loan portfolio amounted to 9.5 per cent (down 6.9 percentage points year-on-year) at the end of the third quarter. The NPL coverage ratio was 81.6 per cent (down 2.0 percentage points year-on-year).

Other results and taxes

Other results fell € 3 million year-on-year to € 10 million. This was primarily due to net income from financial investments, which declined € 10 million to almost zero, driven by lower valuation gains mainly on fixed income, US dollar-indexed government bonds in Ukraine. In contrast, an improvement of € 7 million in net income from derivatives was reported.

The segment's tax expense increased € 37 million to € 147 million due to higher net income. The tax rate remained steady at 21 per cent.

Detailed results of individual countries:

1/1-30/9/2017 in € million	Belarus	Russia	Ukraine
Net interest income	85	478	137
Net fee and commission income	39	234	68
Net trading income	3	54	12
Recurring other net operating income	(2)	(8)	1
Operating income	126	758	218
General administrative expenses	(56)	(296)	(92)
Operating result	70	462	125
Net provisioning for impairment losses	(3)	(18)	45
Other results	0	11	(1)
Profit/loss before tax	66	456	169
Income taxes	(17)	(99)	(30)
Profit/loss after tax	49	357	139
Return on equity before tax	26.4%	35.9%	103.7%
Return on equity after tax	19.5%	28.1%	85.0%
Net interest margin (average interest-bearing assets)	8.20%	5.72%	9.80%
Cost/income ratio	44.7%	39.0%	42.5%
Loan/deposit ratio (net)	97.8%	83.8%	73.8%
Provisioning ratio (average loans and advances to customers)	0.45%	0.29%	(3.48)%
NPL ratio	7.7%	4.7%	33.3%
NPL coverage ratio	81.8%	69.9%	89.3%
Assets	1,441	11,904	2,038
Liabilities	1,135	10,106	1,770
Risk-weighted assets (total RWA)	1,335	8,208	1,793
Equity	306	1,799	268
Loans and advances to customers	942	7,639	1,631
hereof corporate %	68.6%	55.8%	63.3%
hereof retail %	31.4%	44.2%	36.7%
hereof foreign currency %	58.6%	29.9%	35.1%
Deposits from customers	902	8,787	1,552
Business outlets	90	184	499
Employees as at reporting date	1,919	7,966	7,939
Customers	759,109	2,420,229	2,551,163

Group Corporates & Markets

in € million	1/1-30/9 2017	1/1-30/9 2016 pro forma	Change	Q3/2017	Q2/2017	Change
Net interest income	390	405	(3.6)%	122	134	(8.7)%
Net fee and commission income	234	215	8.8%	75	84	(11.6)%
Net trading income	119	94	26.9%	38	39	(3.7)%
Recurring other net operating income	68	92	(25.6)%	19	23	(18.8)%
Operating income	812	806	0.8%	253	281	(9.7)%
General administrative expenses	(496)	(469)	5.8%	(159)	(178)	(10.6)%
Operating result	316	337	(6.2)%	94	103	(8.1)%
Net provisioning for impairment losses	(54)	(82)	(34.1)%	(15)	16	-
Other results	2	(25)	-	(5)	7	-
Profit/loss before tax	264	230	14.9%	75	126	(40.8)%
Income taxes	(48)	(34)	41.3%	(10)	(38)	(73.5)%
Profit/loss after tax	215	195	10.3%	65	88	(26.9)%

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

Profit after tax in the segment increased 10 per cent year-on-year, or € 20 million, to € 215 million. This was the result of several factors: Operating income declined, mainly as a result of the disposal of Group assets at the start of the year; whereas general administrative expenses increased, driven by higher depreciation and staff expenses. Net provisioning for impairment losses amounted to € 54 million in the reporting period, due to the default of several large corporate customers, notably lower than the € 82 million level in the previous year. Other results improved € 27 million owing to a higher valuation result from derivatives and lower bank levy expenses.

The following table shows the main profit contributors by sub-segment:

Profit/loss after tax	1/1-30/9 2017	1/1-30/9 2016 pro forma	Change	Q3/2017	Q2/2017	Change
in € million						
Corporates Vienna	68	71	(4.2)%	15	50	(70.2)%
Markets Vienna	59	32	86.4%	14	15	(3.5)%
Specialized financial institution subsidiaries and other	89	93	(4.1)%	35	23	51.0%
Group Corporates & Markets	215	195	10.3%	65	88	(26.9)%

Operating income

Net interest income declined 4 per cent, or € 14 million, to € 390 million, predominantly due to the continuing low interest rate level. The segment's net interest margin also continues to suffer from the low interest rate environment. The decline of 29 basis points to 1.37 per cent in the reporting period was primarily due to early repayments of loans and advances to corporate customers and a lower volume of new building society business.

In contrast, net fee and commission income improved 9 per cent, or € 19 million, to € 234 million. Higher fee and commission income was primarily reported in the payment transfer business, investment banking (share and bond issues), from lending and project finance, in the investment and pension fund management business, and in the securities business.

Net trading income rose € 25 million year-on-year to € 119 million. The main increases occurred in banknote trading, market making in the capital markets business and in the structured products business.

Recurring other net operating income fell € 23 million to € 68 million, due predominantly to the discontinuation of profit contributions as a result of the disposal of various Group units at the beginning of the year.

General administrative expenses

General administrative expenses increased 6 per cent, or € 27 million, to € 496 million. Staff expenses rose € 3 million, driven by RBI AG's staff expenses, which increased slightly as a result of higher staffing levels and salary adjustments. Other administrative expenses rose € 13 million due to the inclusion of the Group units which were shown in Non-Core in the previous year and to the higher cost allocation at RBI AG. This was offset by a decline due to the disposal of various Group units at the beginning of the year. Depreciation was up € 11 million owing to impairment charges relating to buildings. The segment's cost/income ratio increased 1.9 percentage points to 61.1 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses amounted to € 54 million in the reporting period, due to the default of several large corporate customers, compared to € 82 million in the same period of the previous year.

At the end of the third quarter of 2017, the proportion of non-bank non-performing loans in the segment's loan portfolio amounted to 5.7 per cent. The NPL coverage ratio was 56.1 per cent.

Other results and taxes

Other results improved € 27 million to € 2 million. This was mainly driven by a € 52 million improvement in valuation results from derivatives. In contrast, net income from financial investments was down € 45 million due to positive effects from gains on the sale of bonds and valuation gains in the securities portfolio in the previous year. Net income from the disposal of group assets was slightly negative in the first nine months of 2017, following net income of € 8 million in the same period of the previous year.

Expenses for bank levies declined € 29 million to € 8 million due to a change in an allocation rule. The one-off payment which is stipulated in the amended law and distributed over four years is allocated entirely to the Corporate Center segment.

Income tax expense increased € 14 million to € 48 million primarily due to higher net income at RBI AG and to the change in deferred tax on valuation results on derivatives at a Group unit.

Corporate Center

in € million	1/1-30/9 2017	1/1-30/9 2016 pro forma	Change	Q3/2017	Q2/2017	Change
Net interest income	970	362	167.9%	227	681	(66.6)%
Net fee and commission income	(7)	12	-	0	(5)	(96.1)%
Net trading income	(62)	(25)	143.9%	(19)	(26)	(27.8)%
Recurring other net operating income	59	57	3.8%	18	9	97.8%
Operating income	960	405	136.8%	226	660	(65.7)%
General administrative expenses	(246)	(248)	(0.7)%	(62)	(86)	(27.6)%
Operating result	713	157	353.8%	164	574	(71.4)%
Net provisioning for impairment losses	(4)	(8)	(51.2)%	(4)	0	>500.0%
Other results	(161)	(171)	(5.7)%	(27)	(58)	(53.5)%
Profit/loss before tax	548	(22)	-	134	516	(74.1)%
Income taxes	20	24	(16.4)%	(17)	39	-
Profit/loss after tax	568	2	>500.0%	117	555	(79.0)%

This segment essentially comprises net income from Group head office's governance functions and other Group units. As a result, its net income is generally more volatile. Profit after tax increased € 566 million to € 568 million year-on-year as a result of improved net interest income due to higher dividend income from other segments.

Operating income

Net interest income increased € 608 million year-on-year to € 970 million. This positive development was particularly due to higher dividend income (up € 493 million). Dividends received originated mostly from Group units in other segments and are therefore ultimately intra-Group payments.

In contrast, net fee and commission income declined € 19 million year-on-year to minus € 7 million. The decline resulted mainly from lower guarantee income. Net trading income decreased € 37 million year-on-year to minus € 62 million, primarily driven by valuation losses on derivatives at RBI AG. Recurring other net operating income improved € 2 million to € 59 million due to increased income from intra-Group service charges.

General administrative expenses

General administrative expenses in the segment decreased 1 per cent, or € 2 million, to € 246 million due to a decline in other administrative expenses.

Net provisioning for impairment losses

The net provisioning requirement in the reporting period was € 4 million, whereas net provisioning totaled € 8 million in the same period of the previous year.

Other results and taxes

Other results improved € 10 million to minus € 161 million. The expenses for bank levies reported in the segment amounted to € 45 million, which was € 6 million higher than in the same period of the previous year.

Net income from financial investments declined € 223 million due mainly to the valuation of government bonds. This was offset by an improvement of € 239 million in net income from derivatives (primarily due to the hedging of the government bonds with interest rate swaps).

Net income from the disposal of Group assets fell € 1 million year-on-year to minus € 5 million.

Imputed tax income of € 20 million was posted in the reporting period, compared to € 24 million in the previous year.

Interim consolidated financial statements

(Interim report as at 30 September 2017)

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 consolidated group section of the notes. The reporting date of 31 December 2016 and the results for the 2016 financial year correspond to the results published by RBI prior to the merger since the management has decided not to show the transaction retroactively.

Statement of comprehensive income

Income statement

in € million	Notes	1/1-30/9/2017	1/1-30/9/2016	Change
Interest income		3,202	3,040	5.4%
Current income from associates		46	0	-
Interest expenses		(857)	(853)	0.5%
Net interest income	[2]	2,391	2,187	9.3%
Net provisioning for impairment losses	[3]	(160)	(503)	(68.2)%
Net interest income after provisioning		2,231	1,684	32.5%
Fee and commission income		1,824	1,462	24.7%
Fee and commission expense		(553)	(365)	51.5%
Net fee and commission income	[4]	1,271	1,097	15.8%
Net trading income	[5]	183	136	34.2%
Net income from derivatives and liabilities	[6]	4	(133)	-
Net income from financial investments	[7]	(54)	166	-
General administrative expenses	[8]	(2,291)	(2,100)	9.1%
Other net operating income	[9]	(39)	(107)	(63.6)%
Net income from disposal of group assets	[10]	(4)	2	-
Profit/loss before tax		1,301	746	74.5%
Income taxes	[11]	(290)	(266)	8.8%
Profit/loss after tax		1,012	480	110.8%
Profit attributable to non-controlling interests		(102)	(86)	18.5%
Consolidated profit/loss		910	394	131.0%

Earnings per share

in € million	1/1-30/9/2017	1/1-30/9/2016
Consolidated profit/loss	910	394
Dividend on additional tier 1 capital	(9)	0
Consolidated profit/loss attributable to ordinary shares	900	394
Average number of ordinary shares outstanding in million	328	292
Earnings per share in €	2.74	1.35

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

Other comprehensive income and total comprehensive income

in € million	Total		Group equity		Non-controlling interests	
	1/1-30/9 2017	1/1-30/9 2016	1/1-30/9 2017	1/1-30/9 2016	1/1-30/9 2017	1/1-30/9 2016
Profit/loss after tax	1,012	480	910	394	102	86
Items which are not reclassified to profit and loss	(115)	(5)	(115)	(5)	0	0
Remeasurements of defined benefit plans	3	(6)	3	(6)	0	0
Changes in equity of companies valued at equity which are not reclassified to profit and loss	(2)	0	(2)	0	0	0
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their default risk	(116)	0	(116)	0	0	0
Deferred taxes on items which are not reclassified to profit and loss	0	2	0	2	0	0
Items that may be reclassified subsequently to profit or loss	(74)	77	(76)	92	3	(15)
Exchange differences	(88)	156	(89)	166	1	(10)
Capital hedge	(3)	(27)	(3)	(27)	0	0
Net gains (losses) on derivatives hedging fluctuating cash flows	12	2	11	3	1	0
Changes in equity of companies valued at equity	(21)	0	(21)	0	0	0
Net gains (losses) on financial assets available-for-sale	13	(65)	13	(59)	0	(6)
Deferred taxes on income and expenses directly recognized in equity	13	11	13	9	0	2
Other comprehensive income	(189)	73	(192)	87	3	(15)
Total comprehensive income	823	552	718	481	105	71

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. Under IAS 39, they were booked in the income statement. The amount booked directly in other comprehensive income for the first three quarters of 2017 was minus € 116 million.

Exchange rate developments since the start of the year produced a negative effect of € 88 million. The 6 per cent depreciation of the Russian rouble with a negative effect of € 120 million and the 11 per cent depreciation of the Belarusian rouble with a negative effect of € 39 million were partly offset by the 4 per cent appreciation of the Czech koruna with a positive effect of € 48 million and the 2 per cent appreciation of the Polish zloty with a positive effect of € 35 million.

There was a negative result from position capital hedge of € 3 million. The appreciation of the Polish zloty produced a negative effect of € 7 million, while the depreciation of the Russian rouble resulted in a positive effect of € 4 million.

Quarterly results

in € million	Q4/2016	Q1/2017	Q2/2017	Q3/2017
Net interest income	748	796	792	803
Net provisioning for impairment losses	(251)	(80)	4	(84)
Net interest income after provisioning	497	716	795	720
Net fee and commission income	400	409	433	429
Net trading income	78	64	69	50
Net income from derivatives and liabilities	(55)	8	18	(22)
Net income from financial investments	(13)	(32)	(26)	5
General administrative expenses	(749)	(815)	(758)	(718)
Other net operating income	(35)	(22)	(11)	(6)
Net income from disposal of group assets	17	0	0	(4)
Profit/loss before tax	140	330	519	452
Income taxes	(46)	(75)	(118)	(97)
Profit/loss after tax	94	255	401	356
Profit attributable to non-controlling interests	(25)	(35)	(34)	(33)
Consolidated profit/loss	69	220	367	322

in € million	Q4/2015	Q1/2016	Q2/2016	Q3/2016
Net interest income	832	718	738	732
Net provisioning for impairment losses	(469)	(106)	(297)	(100)
Net interest income after provisioning	363	612	440	632
Net fee and commission income	390	347	372	378
Net trading income	29	28	56	52
Net income from derivatives and liabilities	(15)	(27)	(34)	(71)
Net income from financial investments	0	26	145	(6)
General administrative expenses	(813)	(718)	(694)	(687)
Other net operating income	15	(41)	(61)	(6)
Net income from disposal of group assets	34	2	(3)	4
Profit/loss before tax	3	229	221	296
Income taxes	(83)	(91)	(91)	(84)
Profit/loss after tax	(81)	138	130	212
Profit attributable to non-controlling interests	(2)	(24)	(34)	(28)
Consolidated profit/loss	(83)	114	96	184

Statement of financial position

Assets in € million	Notes	30/9/2017	31/12/2016	Change
Cash reserve	[13]	16,292	12,242	33.1%
Loans and advances to banks	[14, 42]	16,711	9,900	68.8%
Loans and advances to customers	[15, 42]	81,102	70,514	15.0%
Impairment losses on loans and advances	[16]	(3,790)	(4,955)	(23.5)%
Trading assets	[17, 42]	4,740	4,986	(4.9)%
Derivatives	[18, 42]	977	1,429	(31.6)%
Financial investments	[19, 42]	19,333	14,639	32.1%
Investments in associates	[20, 42]	732	0	-
Intangible fixed assets	[21]	663	598	10.8%
Tangible fixed assets	[22]	1,613	1,393	15.8%
Other assets	[23, 42]	1,588	1,117	42.3%
Total assets		139,963	111,864	25.1%

Equity and liabilities in € million	Notes	30/9/2017	31/12/2016	Change
Deposits from banks	[24, 42]	27,123	12,816	111.6%
Deposits from customers	[25, 42]	83,766	71,538	17.1%
Debt securities issued	[26, 42]	6,669	6,645	0.4%
Provisions for liabilities and charges	[27, 42]	957	756	26.6%
Trading liabilities	[28, 42]	4,598	5,120	(10.2)%
Derivatives	[29, 42]	457	787	(41.9)%
Other liabilities	[30, 42]	1,266	765	65.5%
Subordinated capital	[31, 42]	4,072	4,204	(3.1)%
Equity	[32]	11,055	9,232	19.7%
Consolidated equity		8,862	8,188	8.2%
Consolidated profit/loss		910	463	96.5%
Non-controlling interests		637	581	9.6%
Additional tier 1		645	0	-
Total equity and liabilities		139,963	111,864	25.1%

Statement of changes in equity

in € million	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit/loss	Non-controlling interests	Additional tier 1	Total
Equity as at 1/1/2017	892	4,994	2,301	463	581	0	9,232
Merger effect	110	0	336	0	74	0	519
Equity as at 1/1/2017	1,002	4,994	2,637	463	655	0	9,752
Capital increases/decreases	0	0	0	0	0	645	645
Transferred to retained earnings	0	0	463	(463)	0	0	0
Dividend payments	0	0	0	0	(90)	0	(90)
Total comprehensive income	0	0	(192)	910	105	0	823
Own shares/share incentive program	0	(2)	2	0	0	0	0
Other changes	0	0	(42)	0	(33)	0	(75)
Equity as at 30/9/2017	1,002	4,992	2,868	910	637	645	11,055

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 increased subscribed capital by € 110 million. The remaining effects of the merger are recognized in retained earnings and non-controlling interests. The increase in non-controlling interests resulted mainly from the minority interests of the Valida subgroup and the Raiffeisen Bausparkasse subgroup. The total impact of the merger on equity amounted to € 519 million. Details on the merger are provided in the consolidated group section of the notes.

In order to further optimize its capital structure, RBI issued additional tier 1 capital (AT1) of € 650 million on 5 July 2017. Under IFRS, on the basis of the terms and conditions of the issue, the additional tier 1 capital is classified as equity. After deducting the costs of issue, equity increased by € 645 million.

in € million	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit/loss	Non-controlling interests	Additional tier 1	Total
Equity as at 1/1/2016	892	4,994	1,702	379	535	0	8,501
Capital increases/decreases	0	0	0	0	0	0	0
Transferred to retained earnings	0	0	379	(379)	0	0	0
Dividend payments	0	0	0	0	(40)	0	(40)
Total comprehensive income	0	0	87	394	71	0	552
Own shares/share incentive program	0	0	0	0	0	0	0
Other changes	0	0	31	0	(22)	0	8
Equity as at 30/9/2016	892	4,994	2,199	394	543	0	9,022

Statement of cash flows

in € million	Notes	1/1-30/9/2017	1/1-30/9/2016
Cash and cash equivalents at the end of previous period¹	[12, 13]	12,242	13,483
Merger effect		4,596	0
Cash and cash equivalents from disposal of subsidiaries		(49)	(152)
Net cash from operating activities		(1,606)	(2,757)
Net cash from investing activities		720	(336)
Net cash from financing activities		498	(138)
Effect of exchange rate changes		(110)	180
Cash and cash equivalents at the end of period	[12, 13]	16,292	10,279

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.

Segment reporting

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

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. This primarily comprises financing business with Austrian and international corporate customers serviced from Vienna, Group Markets, Financial Institutions & Sovereigns, and business with the institutions of the Austrian Raiffeisen Banking Group (RBG). Also included in the segment are specialized financial institution subsidiaries such as Raiffeisen Centrobank, Kathrein Privatbank, Raiffeisen Leasing, Raiffeisen Factorbank, Raiffeisen Bausparkasse, and Raiffeisen Capital Management.

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. 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.

This results in the following segments:

- Central Europe: Czech Republic, Hungary, Poland, Slovakia and Slovenia
- Southeastern Europe: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia
- Eastern Europe: Belarus, Russia and Ukraine
- Group Corporates & Markets: corporate customer business operated from Vienna with Austrian and multinational customers, Group Markets, Financial Institutions & Sovereigns, RBG and specialized financial institution subsidiaries
- Corporate Center: central control functions at RBI AG (e.g. Treasury), RBI AG's equity participations, i.e. other Group units and minority interests (including UNIQA Insurance Group AG and LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG)

These changes resulted in a shift from a mixed system to an exclusively regional segmentation since all of the operating business booked in each region is now consolidated into one segment. These changes took effect in the first quarter of 2017.

The presentation of the comparable period of the previous year is based on the former segmentation.

1/1-30/9/2017 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	713	544	700	390
Net fee and commission income	411	298	341	234
Net trading income	48	26	69	119
Recurring other net operating income	(9)	19	(9)	68
Operating income	1,164	886	1,102	812
General administrative expenses	(679)	(510)	(444)	(496)
Operating result	485	377	657	316
Net provisioning for impairment losses	(29)	(92)	24	(54)
Other results	(50)	26	10	2
Profit/loss before tax	406	311	691	264
Income taxes	(68)	(46)	(147)	(48)
Profit/loss after tax	337	265	544	215
Profit attributable to non-controlling interests	(45)	0	(49)	2
Profit/loss after deduction of non-controlling interests	292	265	495	218
Return on equity before tax	19.1%	19.4%	52.6%	12.1%
Return on equity after tax	15.9%	16.5%	41.4%	9.9%
Net interest margin (average interest-bearing assets)	2.21%	3.36%	6.49%	1.37%
Cost/income ratio	58.3%	57.5%	40.3%	61.1%
Loan/deposit ratio	87.7%	71.9%	83.5%	113.0%
Provisioning ratio (average loans and advances to customers)	0.13%	0.90%	(0.30)%	0.27%
NPL ratio	5.2%	9.4%	9.5%	5.7%
NPL coverage ratio	67.4%	77.8%	81.6%	56.1%
Assets	46,134	22,961	15,382	43,346
Liabilities	41,663	19,983	13,010	46,416
Risk-weighted assets (total RWA)	22,096	14,508	11,336	20,209
Average equity	2,829	2,134	1,751	2,912
Loans and advances to customers	31,066	13,788	10,211	26,737
Deposits from customers	34,154	17,736	11,241	22,571
Business outlets	628	984	773	25
Employees as at reporting date (full-time equivalents)	13,105	14,809	17,824	2,696
Customers in million	3.4	5.4	5.7	2.0

1/1-30/9/2017 in € million	Corporate Center	Reconciliation	Total
Net interest income	970	(927)	2,391
Net fee and commission income	(7)	(7)	1,271
Net trading income	(62)	(17)	183
Recurring other net operating income	59	(85)	44
Operating income	960	(1,036)	3,889
General administrative expenses	(246)	85	(2,291)
Operating result	713	(950)	1,597
Net provisioning for impairment losses	(4)	(5)	(160)
Other results	(161)	38	(136)
Profit/loss before tax	548	(918)	1,301
Income taxes	20	0	(290)
Profit/loss after tax	568	(918)	1,012
Profit attributable to non-controlling interests	0	(9)	(102)
Profit/loss after deduction of non-controlling interests	568	(927)	910
Return on equity before tax	-	-	17.5%
Return on equity after tax	-	-	13.6%
Net interest margin (average interest-bearing assets)	-	-	2.46%
Cost/income ratio	-	-	58.9%
Loan/deposit ratio	-	-	91.3%
Provisioning ratio (average loans and advances to customers)	-	-	0.26%
NPL ratio	-	-	6.7%
NPL coverage ratio	-	-	69.4%
Assets	42,756	(30,617)	139,963
Liabilities	23,735	(15,898)	128,908
Risk-weighted assets (total RWA)	13,856	(12,335)	69,670
Average equity	2,226	(1,953)	9,899
Loans and advances to customers	1,171	(1,872)	81,102
Deposits from customers	527	(2,462)	83,766
Business outlets	-	-	2,410
Employees as at reporting date (full-time equivalents)	1,011	-	49,445
Customers in million	-	-	16.5

1/1-30/9/2016 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates	Group Markets
Net interest income	470	555	637	223	45
Net fee and commission income	283	291	278	42	83
Net trading income	18	44	48	6	87
Recurring other net operating income	(4)	14	(5)	1	7
Operating income	767	904	958	273	222
General administrative expenses	(465)	(495)	(357)	(115)	(158)
Operating result	303	409	601	158	64
Net provisioning for impairment losses	(31)	(97)	(93)	(56)	(27)
Other results	34	(3)	13	(1)	12
Profit/loss before tax	305	308	522	101	49
Income taxes	(55)	(47)	(109)	(24)	(11)
Profit/loss after tax	250	262	413	77	38
Profit attributable to non-controlling interests	(45)	0	(36)	(1)	0
Profit/loss after deduction of non-controlling interests	205	262	377	75	38
Return on equity before tax	22.4%	21.5%	44.2%	11.7%	12.7%
Net interest margin (average interest-bearing assets)	2.32%	3.57%	6.60%	2.08%	0.56%
Cost/income ratio	60.6%	54.8%	37.3%	42.1%	71.2%
Provisioning ratio (average loans and advances to customers)	0.21%	0.98%	1.23%	0.53%	1.45%
NPL ratio	6.7%	11.2%	16.4%	5.0%	2.3%
NPL coverage ratio	70.9%	74.5%	83.7%	61.1%	38.6%
Assets	29,054	22,182	14,589	14,822	14,027
Liabilities	26,549	19,171	12,353	11,735	15,652
Risk-weighted assets (total RWA)	13,728	14,253	11,483	8,922	3,249
Average equity	1,815	1,913	1,575	1,143	514
Loans and advances to customers	19,737	13,330	10,232	14,542	2,269
Deposits from customers	21,146	16,449	10,252	11,327	2,550
Business outlets	412	1,037	808	1	5

1/1-30/9/2016 in € million	Corporate Center	Non-Core	Reconciliation	Total
Net interest income	338	254	(335)	2,187
Net fee and commission income	22	119	(22)	1,097
Net trading income	(28)	1	(41)	136
Recurring other net operating income	86	7	(57)	49
Operating income	419	381	(454)	3,470
General administrative expenses	(246)	(321)	57	(2,100)
Operating result	173	60	(397)	1,370
Net provisioning for impairment losses	(8)	(187)	(3)	(503)
Other results	(164)	(8)	(5)	(122)
Profit/loss before tax	0	(135)	(405)	746
Income taxes	13	(33)	0	(266)
Profit/loss after tax	14	(167)	(405)	480
Profit attributable to non-controlling interests	(3)	0	(1)	(86)
Profit/loss after deduction of non-controlling interests	10	(167)	(405)	394
Return on equity before tax	-	-	-	11.7%
Net interest margin (average interest-bearing assets)	-	2.10%	-	2.76%
Cost/income ratio	-	84.2%	-	60.5%
Provisioning ratio (average loans and advances to customers)	-	2.21%	-	0.93%
NPL ratio	-	16.5%	-	10.2%
NPL coverage ratio	-	68.3%	-	72.0%
Assets	22,249	16,130	(19,214)	113,838
Liabilities	17,861	14,125	(12,629)	104,817
Risk-weighted assets (total RWA)	14,136	9,272	(12,966)	62,078
Average equity	2,016	1,402	(1,847)	8,532
Loans and advances to customers	2,572	10,812	(3,704)	69,791
Deposits from customers	464	9,442	(1,177)	70,454
Business outlets	-	327	-	2,590

Notes

Company

RBI is a universal bank focusing on corporate and retail customers in Central and Eastern Europe (CEE) and exclusively on corporate customers in Austria. In CEE, RBI maintains a closely-knit network of subsidiary banks, leasing companies and numerous specialized financial service providers with around 2,400 outlets. In Austria, RBI specializes in corporate banking and investment banking business. It is the corporate finance bank in Austria and provides service to the country's top 1,000 companies. The RBI companies are also active in private banking, capital investment, leasing and real estate, and other bank-related services. In addition, numerous major international and multinational clients and finance companies trust in its extensive range of services.

The interim report as at 30 September 2017 did not undergo either a complete audit or a review by the certified auditor.

Merger with RZB

On 23 and 24 January, 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 commercial 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 and thereby increased its total number of shares 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 comparable period was not adjusted. The statement of financial position as of 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 of 1 January 2017.

Principles underlying the consolidated financial statements

Principles of preparation

The condensed interim consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the international accounting standards adopted by the EU on the basis of IAS Regulation (EC) 1606/2002 including the applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC). The condensed consolidated interim financial statements as at 30 September 2017 are prepared in accordance with IAS 34.

Some IFRS explanatory notes which are included outside the interim consolidated financial statements are 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 IAS 34, IFRS 8 "Operating Segments" and IFRS 7 "Financial Instruments Disclosures".

The same recognition and measurement principles and consolidation methods were fundamentally applied in the interim reporting as those used in preparing the consolidated financial statements 2016 (see Annual Report 2016, page 211 ff). With regard to the earlier application of IFRS 9.7.1.2, please refer to the chapter "Application of new and revised standards". Standards and interpretations to be applied in the EU from 1 January 2017 onward were accounted for in this interim report.

Critical accounting judgements and key sources of estimation uncertainty

If estimates or assessments are necessary for accounting and measuring under IAS/IFRS rules, they are made in accordance with the respective standards. They are based on past experience and other factors, such as planning and expectations or forecasts of future events that appear likely from the current perspective.

This primarily affects impairment losses in the credit business, the fair value and the impairment of financial instruments, deferred taxes, provisions for pensions and pension-related liabilities, and calculations used to determine the recoverability of goodwill and the intangible asset values capitalized in the course of the initial consolidation. The actual values may deviate from the estimated figures.

Application of new and revised standards

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 for the first three quarters of 2017 was minus € 116 million. The cumulative change in fair value attributable to the change in own default risk was minus € 43 million 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 € 577 million. There have been no significant transfers within equity or derecognition of liabilities designated at fair value in the reporting period.

A number of new or revised standards became applicable for the first time for the period under review. The first-time application of the new and revised IFRS standards had no material impact on the interim consolidated financial statements as the amendments were only applicable to a limited extent.

Standards and interpretations not yet applicable

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

IFRS 9 contains requirements for the classification, measurement, derecognition of and accounting for hedging relationships. Key requirements of IFRS 9 are:

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

IFRS 9 also includes an irrevocable option to recognize subsequent changes in the fair value of an equity instrument (not held for trading purposes) in other comprehensive income and to recognize only dividend income in the income statement.

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

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

It is expected that overall, IFRS 9 will increase the level of risk provisions. This estimate is based on the requirement to recognize a risk provision in the amount of the expected loan defaults for the first twelve months even for those instruments where the credit risk has not increased significantly since initial recognition. Moreover, it is based on the estimate that the volume of assets for which the "lifetime expected loss" is applied is probably larger than the volume of assets where loss events pursuant to IAS 39 have already occurred. In addition to transitional provisions, IFRS 9 also includes extensive disclosure requirements both during transition and during ongoing application. New provisions relate in particular to impairment. The mandatory date of the initial application of IFRS 9 will be 1 January 2018.

RBI is implementing a centrally managed IFRS 9 program ("IFRS 9 Implementation") which is sponsored by the Group's Chief Financial Officer and Chief Risk Officer and for which experts provide support in matters relating to methodology, data acquisition and modelling, IT processes and accounting. Overall steering is the responsibility of an IFRS 9 steering committee ("Steering Committee IFRS9 Business Policy & Group Implementation"), whose members include Finance and Risk employees together with the board members with relevant responsibility. Policies and training on IFRS 9 are being provided across all Group units and Group functions as part of the IFRS 9 program in order to prepare for IFRS 9's entry into force for the Group as of 1 January 2018. During the 2016 financial year, RBI also further developed the relevant technical concepts and associated implementation guidelines. As part of the project, steps were commenced to conduct Group-wide iterative impact analyses with regard to classification and measurement ("SPPI test" and "benchmark test") and impairment of financial instruments. In 2017 the focus of the centrally managed IFRS 9 program has shifted to the implementation of the necessary changes due to the implementation of IFRS 9. These changes affect not only central and local IT systems and their applications, but also processes, internal workflows, and internal policies. In view of the ongoing fine tuning of market practices ("best practice"), the continued evaluations of the methods used, as well as ongoing calibrations, a reliable quantification of the first-time application effects for the third quarter of 2017 cannot yet be provided. Ongoing analysis leads RBI to believe that the overall effect due to the first-time application of IFRS 9 is below the market average published by EBA.

RBI also assumes that IFRS 9 will have consequences for the classification and measurement of financial instruments. Following a detailed analysis, it was established with regard to classification and measurement that for certain contractual cash flows of financial assets an insignificant part of the portfolio will have to be re-measured at fair value through profit or loss.

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. In addition, RBI will adapt the structure of the consolidated financial statements due to the first-time application of IFRS 9 and resulting changes to IFRS 7 to match the disclosure layout of EBA (FINREP).

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

For all contracts with customers, the accounting standard specifies how and when income is recognized, based on a five-step model, but does not have any consequences for the recognition of income arising in connection with financial instruments within the scope of IFRS 9. IFRS 15 replaces several other IFRS standards such as IAS 18 (Revenue), IAS 11 (Construction Contracts) and interpretations, which determine the timing of recognition under IFRS. The standard also requires entities to provide users of financial statements with more informative, relevant disclosures in the notes. The application of IFRS 15 is not expected to have a material impact on the consolidated financial statements of RBI. In the Official Journal published on the 29 October 2016, the European Union published Regulation (EC) No 1126/2008 from the 22 September 2016 which amends Regulation (EC) No 1126/2008, thereby adopting IFRS 15 Revenue from contracts with customers.

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

For lessees, the new standard establishes an accounting model which does not distinguish between financial leasing and operating leasing. In future, most lease agreements will have to be recognized in the statement of financial position. The standard requires lessees to recognize assets and liabilities in the statement of financial position for all leases of more than 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. The consequences for the Group are still being analyzed. The standard still has to be adopted into European law by the EU.

Currencies

Rates in units per €	2017		2016	
	As at 30/9	Average 1/1-30/9	As at 31/12	Average 1/1-30/9
Albanian lek (ALL)	133.680	134.427	135.400	137.731
Belarusian rouble (BYN)	2.314	2.134	2.068	2.216
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)	7.495	7.453	7.560	7.547
Czech koruna (CZK)	25.981	26.580	27.021	27.043
Hungarian forint (HUF)	310.670	308.681	309.830	312.911
Kazakh tenge (KZT) ¹	-	-	352.622	381.899
Polish zloty (PLN)	4.304	4.271	4.410	4.357
Romanian leu (RON)	4.599	4.552	4.539	4.489
Russian rouble (RUB)	68.252	65.199	64.300	75.841
Serbian dinar (RSD)	119.050	121.903	123.410	122.916
Singapore dollar (SGD)	1.603	1.547	1.523	1.527
Swiss franc (CHF)	1.146	1.097	1.074	1.094
Ukrainian hryvnia (UAH)	31.389	29.573	28.599	28.308
US-Dollar (USD)	1.181	1.115	1.054	1.111

¹ Due to deconsolidation, the consolidated group for the 2017 financial year no longer contained any entity with the Kazakh tenge as its functional currency.

Consolidated group

Number of units	Fully consolidated		Equity method	
	30/9/2017	31/12/2016	30/9/2017	31/12/2016
As at beginning of period	106	120	0	0
Included in the course of merger	175	0	9	0
Included for the first time in the financial period	2	3	0	0
Merged in the financial period	0	(1)	0	0
Excluded in the financial period	(45)	(16)	0	0
As at end of period	238	106	9	0

RZB AG was incorporated into RBI AG in the reporting year. Details are provided in the merger section below.

The entities included for the first time are active in the leasing business. 41 entities who mainly did leasing business were excluded from the consolidated group due to immateriality; three others were sold and one entity discontinued its operations.

Merger

The following entities were added to the consolidated financial statements in the reporting year as a result of incorporating RZB AG into RBI AG:

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
Other	38	2
Total	175	9

The entities included in the course of the merger of RZB AG into RBI AG are specialized financial institution subsidiaries. The main units are Raiffeisen Leasing, Raiffeisen Factorbank, Raiffeisen Bausparkasse and Raiffeisen Capital Management. Minority interests valued at equity include mainly UNIGA Insurance Group AG and LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG.

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 € million	31/12/2016	Change	1/1/2017
Cash reserve	12,242	4,596	16,839
Loans and advances to banks	9,900	1,081	10,981
Loans and advances to customers	70,514	9,255	79,769
Impairment losses on loans and advances	(4,955)	(290)	(5,245)
Trading assets	4,986	(42)	4,944
Derivatives	1,429	(168)	1,261
Financial investments	14,639	6,791	21,430
Investments in associates	0	775	775
Intangible fixed assets	598	78	677
Tangible fixed assets	1,393	449	1,843
Other assets	1,117	414	1,531
Total assets	111,864	22,941	134,804

Equity and liabilities in € million	31/12/2016	Change	1/1/2017
Deposits from banks	12,816	11,243	24,060
Deposits from customers	71,538	8,787	80,325
Debt securities issued	6,645	1,882	8,527
Provisions for liabilities and charges	756	279	1,036
Trading liabilities	5,120	(52)	5,068
Derivatives	787	(7)	779
Other liabilities	765	255	1,020
Subordinated capital	4,204	34	4,238
Equity	9,232	519	9,752
Consolidated equity	8,188	445	8,633
Consolidated profit/loss	463	0	463
Non-controlling interests	581	74	655
Total equity and liabilities	111,864	22,941	134,804

Notes to the income statement

(1) Income statement according to measurement categories

in € million	1/1-30/9/2017	1/1-30/9/2016
Net income from financial assets and liabilities held-for-trading	60	224
Net income from financial assets and liabilities at fair value through profit or loss	134	42
Net income from financial assets available-for-sale	46	161
Net income from loans and advances	2,642	2,100
Net income from financial assets held-to-maturity	105	110
Net income from financial liabilities measured at acquisition cost	(834)	(853)
Net income from derivatives (hedging)	127	115
Net revaluations from exchange differences	50	(43)
Sundry operating income and expenses	(1,028)	(1,109)
Profit/loss before tax	1,301	746

(2) Net interest income

in € million	1/1-30/9/2017	1/1-30/9/2016
Interest and interest-like income, total	3,202	3,040
Interest income	3,196	3,011
from balances at central banks	12	17
from loans and advances to banks	183	106
from loans and advances to customers	2,539	2,358
from financial investments	251	207
from leasing claims	90	118
from derivative financial instruments - economic hedge	0	84
from derivative financial instruments - hedge accounting	120	120
Current income	29	25
from shares and other variable-yield securities	1	0
from shares in affiliated companies	15	22
from other interests	14	3
Interest-like income	11	11
Negative interest from financial assets	(33)	(7)
Current income from associates	46	0
Interest expenses and interest-like expenses, total	(857)	(853)
Interest expenses	(863)	(836)
on deposits from central banks	(11)	(12)
on deposits from banks	(135)	(122)
on deposits from customers	(427)	(465)
on debt securities issued	(149)	(114)
on subordinated capital	(118)	(123)
on derivative financial instruments - economic hedge	(23)	0
Interest-like expenses	(21)	(27)
Negative interest from financial liabilities	27	10
Total	2,391	2,187

Current income from associates results from the associates that were incorporated in the course of the merger of RZB AG into RBI AG. These were mainly LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna, UNIQA Insurance Group AG, Vienna, and Raiffeisen Informatik GmbH, Vienna. There were no investments in associates in the comparable period. Note (20) Investments in associates contains the full list of associates.

(3) Net provisioning for impairment losses

in € million	1/1-30/9/2017	1/1-30/9/2016
Individual loan loss provisions	(200)	(543)
Allocation to provisions for impairment losses	(721)	(1,162)
Release of provisions for impairment losses	507	603
Direct write-downs	(78)	(51)
Income received on written-down claims	92	67
Portfolio-based loan loss provisions	15	32
Allocation to provisions for impairment losses	(143)	(141)
Release of provisions for impairment losses	159	173
Gains from loan termination or sale	25	7
Total	(160)	(503)

(4) Net fee and commission income

in € million	1/1-30/9/2017	1/1-30/9/2016
Payment transfer business	539	475
Loan and guarantee business	117	124
Securities business	108	99
Foreign currency, notes/coins, and precious metals business	290	286
Management of investment and pension funds	128	28
Sale of own and third party products	52	46
Other banking services	37	39
Total	1,271	1,097

(5) Net trading income

in € million	1/1-30/9/2017	1/1-30/9/2016
Interest-based transactions	63	93
Currency-based transactions	99	72
Equity-/index-based transactions	16	(25)
Credit derivatives business	(3)	(3)
Other transactions	8	0
Total	183	136

The refinancing expenses for trading assets that are included in net trading income amounted to € 23 million (comparable period: € 18 million).

(6) Income from derivatives and liabilities

in € million	1/1-30/9/2017	1/1-30/9/2016
Net income from hedge accounting	7	(6)
Net income from other derivatives	(50)	(39)
Net income from liabilities designated at fair value	47	(88)
Total	4	(133)

Net income from other derivatives includes valuation results from derivatives, which are held to hedge against market risks (except trading assets/liabilities). They are based on a non-homogeneous portfolio and 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 € 116 million 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 from the first quarter 2017 on. The net income of € 47 million consists solely of changes in market interest rates. The previous period contains a loss from changes in own default risk of minus € 60 million as well as a loss from changes in market interest rates of minus € 28 million.

(7) Net income from financial investments

in € million	1/1-30/9/2017	1/1-30/9/2016
Net income from securities held-to-maturity	7	13
Net proceeds from sales of securities	7	13
Net income from equity participations	1	136
Net valuations of equity participations	(4)	(6)
Net proceeds from sales of equity participations	5	143
Net income from securities at fair value through profit and loss	(67)	19
Net valuations of securities	(65)	21
Net proceeds from sales of securities	(2)	(2)
Net income from available-for-sale securities	6	(3)
Total	(54)	166

Net proceeds from sales of equity participations dropped € 138 million, primarily because the previous year's period included the sale of shares in Visa Europe Ltd. to Visa Inc. Net valuations of securities at fair value through profit and loss fell € 86 million largely as a result of valuation losses on government bonds.

(8) General administrative expenses

in € million	1/1-30/9/2017	1/1-30/9/2016
Staff expenses	(1,145)	(1,048)
Other administrative expenses	(908)	(815)
hereof operating other administrative expenses	(778)	(692)
hereof regulatory other administrative expenses	(130)	(123)
Depreciation of tangible and intangible fixed assets	(239)	(237)
Total	(2,291)	(2,100)

Regulatory other administrative expenses included levies of € 18 million (previous year's period: € 17 million) for the fourth quarter that had to be recognized in full at the beginning of the year according to IFRIC 21.

Staff expenses

in € million	1/1-30/9/2017	1/1-30/9/2016
Wages and salaries	(886)	(807)
Social security costs and staff-related taxes	(208)	(188)
Other voluntary social expenses	(29)	(28)
Sundry staff expenses	(22)	(24)
Total	(1,145)	(1,048)

Other administrative expenses

in € million	1/1-30/9/2017	1/1-30/9/2016
Office space expenses	(170)	(183)
IT expenses	(226)	(197)
Communication expenses	(49)	(51)
Legal, advisory and consulting expenses	(79)	(61)
Advertising, PR and promotional expenses	(88)	(64)
Office supplies	(18)	(16)
Car expenses	(11)	(11)
Security expenses	(34)	(26)
Traveling expenses	(13)	(11)
Training expenses for staff	(10)	(9)
Sundry administrative expenses	(79)	(62)
Operating other administrative expenses	(778)	(692)
Deposit insurance fees	(66)	(71)
Resolution fund	(64)	(51)
Regulatory other administrative expenses	(130)	(123)
Total	(908)	(815)

Depreciation of tangible and intangible fixed assets

in € million	1/1-30/9/2017	1/1-30/9/2016
Tangible fixed assets	(105)	(83)
Intangible fixed assets	(110)	(131)
Leased assets (operating lease)	(23)	(23)
Total	(239)	(237)

Intangible fixed assets included impairments of € 13 million for buildings owned by the subsidiary Raiffeisen Immobilienfonds, Vienna. In the previous year, this position included a € 26 million impairment of the Polbank brand.

(9) Other net operating income

in € million	1/1-30/9/2017	1/1-30/9/2016
Net income arising from non-banking activities	25	21
Rental income from operating lease (vehicles and equipment)	26	24
Rental income from investment property incl. operating lease (real estate)	35	31
Net proceeds from disposal of tangible and intangible fixed assets	(5)	4
Other taxes	(48)	(56)
Net expense from allocation and release of other provisions	7	(11)
Sundry operating income and expenses	5	35
Recurring other net operating income	44	49
Bank levies	(104)	(115)
Profit/loss from banking business due to governmental measures	22	(41)
Total	(39)	(107)

Provisions of € 21 million relating to the "Walkaway Law" in Romania were released in the reporting period and shown on the position Profit/loss from banking business due to governmental measures. In the previous year, a provision of € 39 million was recognized for the "Walkaway Law". Bank levies include levies of € 13 million (previous year's period: € 5 million) for the fourth quarter that had to be recognized in full at the beginning of the year according to IFRIC 21.

(10) Net income from disposal of group assets

In the reporting period, 41 subsidiaries who mainly did leasing business were excluded from the consolidated group due to immateriality; three other subsidiaries were sold and one entity discontinued its operations. Net income from disposal of group assets amounted to minus € 4 million (previous year's period: € 2 million).

Income from disposal of group assets breaks down as follows:

in € million	RLKZ	RBIIA	ZUNO	Others	Gesamt
Assets	3	1	13	368	385
Liabilities	0	2	2	194	199
Total identifiable net assets	3	(1)	11	173	186
Non-controlling interests	0	0	0	73	73
Net assets after non-controlling interests	3	(1)	11	100	113
Selling price/carrying amount	0	0	6	99	105
Effect from deconsolidations	(3)	1	(5)	(1)	(8)
FX reserve reclassified to income statement	(1)	4	0	2	4
Net income from disposal of group assets	(5)	5	(5)	0	(4)

RLKZ: TOO Raiffeisen Leasing Kazakhstan, Almaty
 RBIIA: RB International Investment Asia Limited, Labuan F.T.
 ZUNO: ZUNO BANK AG, Vienna

The position Others primarily contains Raiffeisen Real Estate Fund, Budapest, RL Flussschiffahrts GmbH & Co KG, Vienna, and R.B.T. Beteiligungsgesellschaft m.b.H., Vienna.

(11) Income taxes

in € million	1/1-30/9/2017	1/1-30/9/2016
Current income taxes	(239)	(181)
Austria	(29)	(22)
Foreign	(210)	(160)
Deferred taxes	(50)	(85)
Total	(290)	(266)

Tax expenses were lower relative to the increased profit in the period under review largely because of the application (use) of loss carryforwards in Hungary and Albania as well as a one-off effect from an intra-group sale in Poland in the previous period.

Notes to the statement of financial position

(12) Statement of financial position according to measurement categories

Assets according to measurement categories in € million	30/9/2017	31/12/2016
Cash reserve	16,292	12,242
Trading assets	5,180	5,770
Financial assets at fair value through profit or loss	6,268	3,963
Investments in associates	732	0
Financial assets available-for-sale	5,692	4,117
Loans and advances	95,437	76,482
Financial assets held-to-maturity	7,373	6,559
Derivatives (hedging)	538	645
Other assets	2,450	2,085
Total assets	139,963	111,864

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 € million	30/9/2017	31/12/2016
Trading liabilities	4,807	5,481
Financial liabilities	120,293	93,185
Liabilities at fair value through profit and loss	2,603	2,784
Derivatives (hedging)	248	425
Provisions for liabilities and charges	957	756
Equity	11,055	9,232
Total equity and liabilities	139,963	111,864

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 € million	30/9/2017	31/12/2016
Cash in hand	3,085	2,975
Balances at central banks	13,207	9,267
Total	16,292	12,242

(14) Loans and advances to banks

Loans and advances to banks classified regionally (counterparty's seat) are as follows:

in € million	30/9/2017	31/12/2016
Austria	3,537	2,264
Foreign	13,174	7,636
Total	16,711	9,900

(15) Loans and advances to customers

in € million	30/9/2017	31/12/2016
Credit business	44,443	44,077
Money market business	6,186	4,378
Mortgage loans	24,931	17,501
Purchased loans	2,024	2,223
Leasing claims	2,904	1,841
Claims evidenced by paper	613	493
Total	81,102	70,514

in € million	30/9/2017	31/12/2016
Sovereigns	817	659
Corporate customers - large corporates	43,993	41,676
Corporate customers - mid market	3,079	2,600
Retail customers - private individuals	30,714	23,393
Retail customers - small and medium-sized entities	2,499	2,185
Total	81,102	70,514

Loans and advances to customers classified regionally (counterparty's seat) are as follows:

in € million	30/9/2017	31/12/2016
Austria	12,656	5,109
Foreign	68,446	65,405
Total	81,102	70,514

(16) Impairment losses on loans and advances

in € million	30/9/2017	31/12/2016
Banks	11	50
Sovereigns	4	5
Corporate customers - large corporates	2,051	2,930
Corporate customers - mid market	152	216
Retail customers - private individuals	1,347	1,515
Retail customers - small and medium-sized entities	224	239
Total	3,790	4,955

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

(17) Trading assets

in € million	30/9/2017	31/12/2016
Bonds, notes and other fixed-interest securities	2,360	2,168
Shares and other variable-yield securities	258	165
Positive fair values of derivative financial instruments	2,122	2,654
Total	4,740	4,986

Pledged securities which the transferee is entitled to sell or repledge shown under trading assets amounted to € 367 million (31/12/2016: € 64 million).

(18) Derivatives

in € million	30/9/2017	31/12/2016
Positive fair values of derivatives in fair value hedges (IAS 39)	521	642
Positive fair values of derivatives in cash flow hedges (IAS 39)	16	3
Positive fair values of other derivatives	439	784
Total	977	1,429

(19) Financial investments

in € million	30/9/2017	31/12/2016
Bonds, notes and other fixed-interest securities	18,685	14,353
Shares and other variable-yield securities	234	6
Equity participations	415	279
Total	19,333	14,639

Pledged securities which the transferee is entitled to sell or repledge shown under financial investments amounted to €4,043 million (31/12/2016: €598 million).

(20) Investments in associates

in € million	30/9/2017	31/12/2016
Investments in associates	732	0

The investments in associates were added into RBI as a result of incorporating RZB AG into RBI AG. There were no investments in associates in the comparable period. The investments in associates compose as follows:

Company, domicile (country)	Core business	Share of voting rights and equity 2017	Carrying amount in € million
card complete Service Bank AG, Vienna (AT)	Issue of credit cards and operating giro, guarantee and credit business	25.0%	14
LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)	Participation in entities of all kind and industrial, trading and other entities	33.1%	202
NOTARTREUHANDBANK AG, Vienna (AT)	Business from notarial trusteeships	26.0%	7
Österreichische Hotel- und Tourismusbank Ges.m.b.H., Vienna (AT)	Financial service provider for tourist enterprises and facilities	31.3%	10
Österreichische Kontrollbank AG, Vienna (AT)	Specialized credit institution	8.1%	59
Prva stavebna sporitelna a.s., Bratislava (SK)	Building society	32.5%	75
Raiffeisen Informatik GmbH, Vienna (AT)	Services provider for data processing as well as construction and operation of data processing center	47.6%	31
UNIQA Insurance Group AG, Vienna (AT)	Contract insurance and reinsurance	10.9%	334
Posojilnica Bank eGen, Klagenfurt (AT)	Bank and audit association	59.0%	0

(21) Intangible fixed assets

in € million	30/9/2017	31/12/2016
Software	534	531
Goodwill	95	40
Other intangible fixed assets	33	28
Total	663	598

(22) Tangible fixed assets

in € million	30/9/2017	31/12/2016
Land and buildings used by the Group for own purpose	586	481
Other land and buildings (investment property)	446	451
Office furniture, equipment and other tangible fixed assets	241	237
Leased assets (operating lease)	340	225
Total	1,613	1,393

(23) Other assets

in € million	30/9/2017	31/12/2016
Tax assets	269	211
Current tax assets	161	70
Deferred tax assets	108	142
Receivables arising from non-banking activities	98	58
Prepayments and other deferrals	122	129
Clearing claims from securities and payment transfer business	387	325
Lease in progress	22	41
Assets held for sale (IFRS 5)	45	29
Inventories	129	65
Valuation fair value hedge portfolio	63	38
Any other business	454	221
Total	1,588	1,117

(24) Deposits from banks

Deposits from banks classified regionally (counterparty's seat) break down as follows:

in € million	30/9/2017	31/12/2016
Austria	15,778	5,165
Foreign	11,345	7,652
Total	27,123	12,816

The increase in deposits from Austrian banks is mainly attributable to the merger of RZB AG into RBI AG. Most of the deposits are from the institutions of the Raiffeisen Banking Group, whose central institution is RBI AG following the merger with RZB AG.

(25) Deposits from customers

in € million	30/9/2017	31/12/2016
Sight deposits	48,439	44,461
Time deposits	24,168	23,345
Savings deposits	11,159	3,732
Total	83,766	71,538

in € million	30/9/2017	31/12/2016
Sovereigns	1,863	1,465
Corporate customers - large corporates	30,409	28,561
Corporate customers - mid market	3,017	2,984
Retail customers - private individuals	42,121	32,580
Retail customers - small and medium-sized entities	6,356	5,949
Total	83,766	71,538

Deposits from customers classified regionally (counterparty's seat) are as follows:

in € million	30/9/2017	31/12/2016
Austria	12,985	6,416
Foreign	70,782	65,122
Total	83,766	71,538

(26) Debt securities issued

in € million	30/9/2017	31/12/2016
Bonds and notes issued	6,651	6,604
Money market instruments issued	0	39
Other debt securities issued	17	2
Total	6,669	6,645

(27) Provisions for liabilities and charges

in € million	30/9/2017	31/12/2016
Severance payments and other	114	85
Retirement benefits	84	29
Taxes	140	130
Current	65	72
Deferred	75	57
Contingent liabilities and commitments	113	123
Pending legal issues	97	85
Overdue vacation	47	43
Bonus payments	140	147
Restructuring	12	14
Provisions for banking business due to governmental measures	1	15
Other	210	86
Total	957	756

Provisions for pending legal issues increased mainly because of contractual default interest that was reclassified from contingent liabilities and commitments to pending legal issues. No significant new litigation arose during the reporting period. The 2016 annual report contains details on significant pending litigation.

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

Other provisions include the provisions related to the resolution fund and bank levies.

(28) Trading liabilities

in € million	30/9/2017	31/12/2016
Negative fair values of derivative financial instruments	1,882	2,600
Interest-based transactions	1,227	1,835
Currency-based transactions	463	589
Equity-/index-based transactions	88	165
Credit derivatives business	2	1
Other transactions	102	11
Short-selling of trading assets	506	555
Certificates issued	2,210	1,964
Total	4,598	5,120

(29) Derivatives

in € million	30/9/2017	31/12/2016
Negative fair values of derivatives in fair value hedges (IAS 39)	112	133
Negative fair values of derivatives in cash flow hedges (IAS 39)	132	275
Negative fair values of derivatives in net investment hedge (IAS 39)	4	18
Negative fair values of other derivative financial instruments	209	362
Total	457	787

(30) Other liabilities

in € million	30/9/2017	31/12/2016
Liabilities from non-banking activities	118	73
Accruals and deferred items	285	195
Liabilities from dividends	2	1
Clearing claims from securities and payment transfer business	438	374
Valuation fair value hedge portfolio	49	58
Other liabilities	375	65
Total	1,266	765

(31) Subordinated capital

in € million	30/9/2017	31/12/2016
Hybrid tier 1 capital	397	397
Subordinated liabilities and supplementary capital	3,675	3,807
Total	4,072	4,204

(32) Equity

in € million	30/9/2017	31/12/2016
Consolidated equity	8,862	8,188
Subscribed capital	1,002	892
Capital reserves	4,992	4,994
Retained earnings	2,868	2,301
Consolidated profit/loss	910	463
Non-controlling interests	637	581
Additional tier 1	645	0
Total	11,055	9,232

As at 30 September 2017 subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 1,003 million. After deduction of 394,942 own shares, the stated subscribed capital totaled € 1,002 million.

A total of 35,960,583 no-par-value shares were issued in the course of the merger. Subscribed capital increased € 110 million. The remaining effects of the merger are recognized in retained earnings and non-controlling interests. Further details are provided in the consolidated group section.

In order to further optimize its capital structure, RBI issued additional tier 1 capital (AT1) of € 650 million on 5 July 2017. Under IFRS, on the basis of the terms and conditions of the issue, the additional tier 1 capital is classified as equity. After deducting the costs of issue, equity increased by € 645 million.

(33) Transferred assets

The following table shows the carrying amount of transferred assets:

30/9/2017	Transferred assets			Associated liabilities		
	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Loans and advances	63	0	63	55	0	55
Trading assets	337	0	337	292	0	292
Financial investments	3,412	0	3,412	2,944	0	2,944
Total	3,811	0	3,811	3,291	0	3,291

31/12/2016	Transferred assets			Associated liabilities		
	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Loans and advances	300	0	300	293	0	293
Trading assets	33	0	33	32	0	32
Financial investments	49	0	49	48	0	48
Total	382	0	382	372	0	372

(34) Assets pledged as collateral and received financial assets

Significant limitations regarding the access or use of Group assets:

in € million	30/9/2017		31/12/2016	
	Pledged	Otherwise restricted with liabilities	Pledged	Otherwise restricted with liabilities
Loans and advances ¹	8,186	973	6,730	1,338
Trading assets ²	367	0	64	29
Financial investments	4,257	155	679	386
Total	12,811	1,128	7,472	1,754

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

The Group received collateral which it is permitted to sell or repledge as long as no default occurs in connection with reverse repo transactions, securities lending, derivative or other transactions.

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

in € million	30/9/2017	31/12/2016
Securities and other financial assets accepted as collateral which can be sold or repledged	11,462	5,140
hereof which have been sold or repledged	1,585	418

(35) 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 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.

30/9/2017				Related amounts not set-off in the statement of financial position		Net amount
in € million	Gross amount		Net amount of recognized assets set-off in the statement of financial position	Financial instruments	Cash collateral received	
	of recognized assets set-off in the statement of financial position	of recognized liabilities set-off in the statement of financial position				
Derivatives (legally enforceable)	3,785	742	3,043	2,274	68	701
Reverse repurchase, securities lending & similar agreements (legally enforceable)	10,904	0	10,904	10,587	0	317
Other financial instruments (legally enforceable)	137	0	137	0	0	137
Total	14,826	742	14,084	12,862	68	1,154

30/9/2017				Related amounts not set-off in the statement of financial position		Net amount
in € million	Gross amount		Net amount of recognized liabilities set- off in the statement of financial position	Financial instruments	Cash collateral pledged	
	of recognized liabilities set-off in the statement of financial position	of recognized assets set-off in the statement of financial position				
Derivatives (legally enforceable)	3,031	742	2,288	996	35	1,257
Repurchase, securities lending & similar agreements (legally enforceable)	4,150	0	4,150	4,139	0	10
Other financial instruments (legally enforceable)	14	0	14	0	0	14
Total	7,195	742	6,452	5,136	35	1,282

31/12/2016		Gross amount			Related amounts not set-off in the statement of financial position		Net amount
		of recognized assets set-off in the statement of financial position	of recognized liabilities set-off in the statement of financial position	Net amount of recognized assets set-off in the statement of financial position	Financial instruments	Cash collateral received	
in € million							
Derivatives (legally enforceable)		4,501	734	3,768	2,632	39	1,097
Reverse repurchase, securities lending & similar agreements (legally enforceable)		3,681	0	3,681	3,681	0	0
Other financial instruments (legally enforceable)		188	0	188	0	0	188
Total		8,371	734	7,637	6,313	39	1,285

31/12/2016		Gross amount			Related amounts not set-off in the statement of financial position		Net amount
		of recognized liabilities set-off in the statement of financial position	of recognized assets set-off in the statement of financial position	Net amount of recognized liabilities set-off in the statement of financial position	Financial instruments	Cash collateral pledged	
in € million							
Derivatives (legally enforceable)		3,954	734	3,220	1,987	110	1,123
Repurchase, securities lending & similar agreements (legally enforceable)		448	0	448	434	0	14
Other financial instruments (legally enforceable)		10	0	10	0	0	10
Total		4,412	734	3,678	2,420	110	1,147

(36) Derivatives

30/9/2017	Nominal amount by maturity			Fair values		
	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Positive	Negative
in € million						
Interest rate contracts	36,012	70,016	49,178	155,206	2,233	(1,577)
Foreign exchange rate and gold contracts	40,142	8,953	1,785	50,881	744	(666)
Equity/index contracts	2,267	1,770	177	4,215	120	(88)
Commodities	112	53	0	165	2	(5)
Credit derivatives	89	31	79	199	0	(2)
Precious metals contracts	22	0	0	22	0	0
Total	78,644	80,823	51,220	210,688	3,099	(2,339)

31/12/2016	Nominal amount by maturity				Fair values	
	in € million	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Positive
Interest rate contracts	26,699	63,427	50,318	140,445	3,070	(2,141)
Foreign exchange rate and gold contracts ¹	36,879	9,413	1,828	48,120	914	(1,070)
Equity/index contracts	925	1,519	228	2,672	95	(165)
Commodities	96	96	0	192	3	(9)
Credit derivatives	896	86	0	981	1	(1)
Precious metals contracts	18	0	0	18	0	(1)
Total	65,512	74,541	52,375	192,428	4,082	(3,387)

¹ Adaptation of previous year figures in maturity of more than 5 years

(37) Fair value of financial instruments

Fair value of financial instruments reported at fair value

in € million	30/9/2017			31/12/2016		
	Level I	Level II	Level III	Level I	Level II	Level III
Trading assets	2,470	2,695	15	2,031	3,667	72
Positive fair values of derivatives ¹	108	2,452	1	94	3,343	1
Shares and other variable-yield securities	258	0	0	164	0	0
Bonds, notes and other fixed-interest securities	2,103	243	14	1,773	324	71
Financial assets at fair value through profit or loss	5,653	604	11	1,938	1,973	52
Shares and other variable-yield securities	119	0	1	3	0	1
Bonds, notes and other fixed-interest securities	5,534	604	10	1,935	1,973	51
Financial assets available-for-sale	5,001	187	125	3,750	44	74
Other interests ²	2	34	0	2	29	0
Bonds, notes and other fixed-interest securities	4,948	153	64	3,749	15	71
Shares and other variable-yield securities	51	0	62	0	0	3
Derivatives (hedging)	0	538	0	0	645	0
Positive fair values of derivatives from hedge accounting	0	538	0	0	645	0

¹ Including other derivatives

² Includes securities traded on the stock exchange as well as shares measured according to income approach

in € million	30/9/2017			31/12/2016		
	Level I	Level II	Level III	Level I	Level II	Level III
Trading liabilities	499	4,300	8	619	4,855	8
Negative fair values of derivative financial instruments ¹	69	2,021	0	135	2,826	0
Short-selling of trading assets	429	77	0	483	72	0
Certificates issued	0	2,203	8	0	1,956	7
Liabilities at fair value through profit and loss	0	2,603	0	0	2,784	0
Debt securities issued	0	1,226	0	0	1,373	0
Subordinated capital	0	746	0	0	659	0
Deposits from banks	0	632	0	0	752	0
Derivatives (hedging)	0	248	0	0	425	0
Negative fair values of derivatives from hedge accounting	0	248	0	0	425	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

Compared to year-end, the share of financial assets classified as Level II decreased. The decrease resulted from divestitures from the category "financial assets at fair value through profit and loss", in particular bonds, and derivative financial instruments in the trading book. Level I financial assets increased strongly compared to the comparative period due to the merger of RZB AG into RBI AG. Moreover, there was a shift from Level II to Level I. This was due to the fact that directly quoted market prices for these financial instruments were available at the reporting date.

Movements in Level III of financial instruments at fair value

The following tables show the changes in the fair value of financial instruments whose fair value can not be calculated on the basis of observable market data and are therefore subject to other measurement models. Financial instruments in this category have a value component which is unobservable 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 € million	As at 1/1/2017	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	72	0	2	2	(60)
Financial assets at fair value through profit or loss	52	0	0	0	0
Financial assets available-for-sale	74	59	2	32	(39)

in € million	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 30/9/2017
Trading assets	(1)	0	0	0	15
Financial assets at fair value through profit or loss	1	0	0	(42)	11
Financial assets available-for-sale	(2)	0	0	0	125

in € million	As at 1/1/2017	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading liabilities	8	0	0	1	0

in € million	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 30/9/2017
Trading liabilities	(1)	0	0	0	8

Qualitative information for the valuation of financial instruments in Level III

Financial assets	Type	Fair value in € million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Shares and other variable- yield securities	Closed end real estate fund	0	Net asset value	Haircuts	40-90%
Shares and other variable- yield securities	Shares, floating rate notes	63	Cost of aquisition, DCF - method	Realization rate Credit spread	10-40%
Other interests	Shares	0	Income approach	Prognosticated cash flows	-
Bonds, notes and other fixed-interest securities	Fixed coupon bonds	80	Discounted cash flow method	Credit spread	0.4-50%
Bonds, notes and other fixed-interest securities	Asset backed securities	8	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	Net present value method Internal model	Interest rate PD LGD	10-30% 0.25-100% 37-64%
Total		151			

Financial liabilities	Type	Fair value in € million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Negative fair value of banking book derivatives without hedge accounting	OTC options	0	Option model Net present value method	Closing period	2-5%
				Currency risk	0-5%
				LT volatility	0-3%
				Index category	0-5%
				Net interest rate	10-30%
Issued certificates for trading purposes	Certificates	8	Option model (Curran)	Closing period	0-3%
				Bid-Ask spread	0-3%
				LT volatility	0-3%
				Index category	0-2.5%
Total		8			

Fair value of financial instruments not reported at fair value

30/9/2017						
in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	16,292	0	16,292	16,292	0
Loans and advances to banks	5	9,662	7,035	16,702	16,700	2
Loans and advances to customers	0	17,329	58,270	75,600	77,324	(1,724)
Financial investments	5,388	2,060	966	8,414	8,486	(72)
Liabilities						
Deposits from banks	0	24,241	2,202	26,443	26,491	(48)
Deposits from customers	0	28,685	55,214	83,899	83,766	132
Debt securities issued	1,766	2,386	1,389	5,541	5,443	97
Subordinated capital	0	3,262	434	3,696	3,325	370

31/12/2016						
in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	12,242	0	12,242	12,242	0
Loans and advances to banks	0	8,262	1,647	9,909	9,850	59
Loans and advances to customers	0	17,216	47,723	64,939	65,609	(670)
Financial investments	5,249	1,459	194	6,901	6,810	92
Liabilities						
Deposits from banks	0	10,418	1,725	12,142	12,065	78
Deposits from customers	0	27,003	44,585	71,588	71,538	50
Debt securities issued	107	3,729	1,470	5,305	5,272	34
Subordinated capital	0	3,338	402	3,740	3,545	194

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

(38) Contingent liabilities and commitments

in € million	30/9/2017	31/12/2016
Contingent liabilities	9,855	9,055
Credit guarantees	5,784	5,398
Other guarantees	2,826	2,626
Letters of credit (documentary business)	1,216	994
Other contingent liabilities	28	37
Commitments	10,225	10,174
Irrevocable credit lines and stand-by facilities	10,225	10,174
Up to 1 year	2,487	2,819
More than 1 year	7,738	7,356

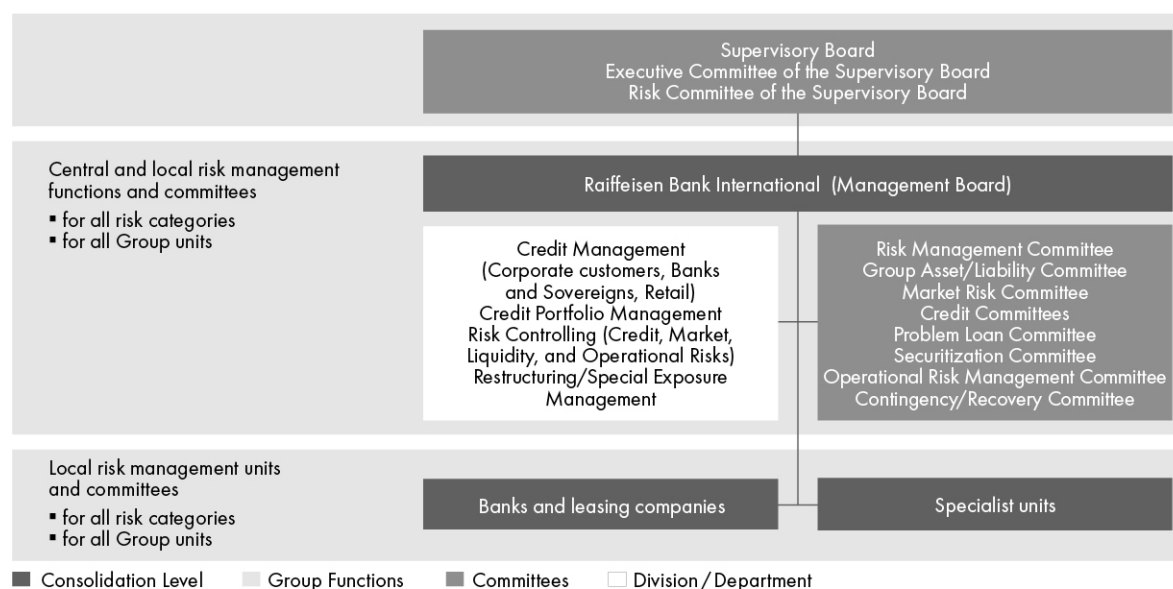
Risk report

(39) Risks arising from financial instruments

Active risk management is a core competency of the Group. In order to effectively identify, measure, and manage risks the Group continues to develop its comprehensive risk management system. Risk management is an integral part of overall bank management. In particular, in addition to legal and regulatory requirements, it takes into account the nature, scale and complexity of the business activities and the resulting risks. The principles and organization of risk management are disclosed in the relevant sections of the 2016 Annual Report, pages 148 ff. The comparative figures at year-end 2016 correspond to the published values of RBI prior to merger.

Organization of risk management

The organization of risk management and risk controlling was simplified and streamlined by the merger of RZB AG and RBI AG.



Economic capital

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

Risk contribution of individual risk types to economic capital:

in € million	30/9/2017	Share	31/12/2016	Share
Credit risk retail customers	1,408	25.2%	1,155	21.7%
Credit risk corporate customers	1,379	24.7%	1,479	27.8%
Operational risk	535	9.6%	590	11.1%
Credit risk sovereigns	421	7.5%	412	7.8%
Macroeconomic risk	406	7.3%	392	7.4%
Participation risk	304	5.5%	109	2.1%
Risk buffer	266	4.8%	253	4.8%
FX risk capital position	235	4.2%	276	5.2%
Market risk	207	3.7%	218	4.1%
Other tangible fixed assets	206	3.7%	191	3.6%
Credit risk banks	174	3.1%	191	3.6%
CVA risk	30	0.5%	30	0.6%
Liquidity risk	11	0.2%	15	0.3%
Total	5,584	100.0%	5,310	100.0%

Regional allocation of economic capital according to Group unit domicile:

in € million	30/9/2017	Share	31/12/2016	Share
Central Europe	1,882	33.7%	1,823	34.3%
Austria	1,515	27.1%	1,134	21.4%
Southeastern Europe	1,229	22.0%	1,208	22.7%
Eastern Europe	926	16.6%	1,133	21.3%
Rest of World	32	0.6%	12	0.2%
Total	5,584	100.0%	5,310	100.0%

The changes in the individual risk categories relative to the comparable period are predominantly due to the merger of RZB AG into RBI AG.

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

Credit risk

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

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

in € million	30/9/2017	31/12/2016
Cash reserve	13,207	9,267
Loans and advances to banks	16,711	9,900
Loans and advances to customers	81,102	70,514
Trading assets	4,740	4,986
Derivatives	977	1,429
Financial investments	18,685	14,353
Other assets	985	638
Contingent liabilities	9,855	9,055
Commitments	10,225	10,174
Revocable credit lines	18,405	16,890
Disclosure differences	(662)	(634)
Total¹	174,231	146,573

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

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

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

The following table shows the effect of the merger of RZB AG into RBI AG for corporate customers, banks, retail customers and sovereigns:

in € million	31/12/2016	Change	1/1/2017
Corporate customers	73,847	3,733	77,580
Banks	18,628	1,400	20,028
Retail customers	29,166	6,650	35,816
Sovereigns	24,933	9,715	34,648
Total	146,573	21,498	168,071

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

Credit portfolio – Corporates

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

in € million		30/9/2017	Share	31/12/2016	Share
1	Minimal risk	4,956	7.0%	5,805	8.8%
2	Excellent credit standing	8,674	12.3%	7,080	10.8%
3	Very good credit standing	8,459	12.0%	7,634	11.6%
4	Good credit standing	11,977	17.0%	10,488	15.9%
5	Sound credit standing	14,378	20.4%	13,150	20.0%
6	Acceptable credit standing	12,169	17.3%	10,812	16.4%
7	Marginal credit standing	4,607	6.6%	4,356	6.6%
8	Weak credit standing / sub-standard	1,229	1.7%	1,498	2.3%
9	Very weak credit standing / doubtful	594	0.8%	684	1.0%
10	Default	3,118	4.4%	4,026	6.1%
NR	Not rated	181	0.3%	226	0.3%
Total		70,342	100.0%	65,759	100.0%

The total credit exposure to corporate customers rose € 4,583 million compared to year-end 2016 (of which € 3,555 million was due to the merger of RZB AG into RBI AG) to € 70,342 million.

The credit exposure rated as good credit standing through to minimal risk increased € 3,059 million, corresponding to a share of 48.3 per cent (31/12/2016: 47.1 per cent). The proportion of exposure with marginal credit standing through to very weak credit profiles decreased from 9.9 per cent to 9.1 per cent.

The differences in the individual rating grades were mainly caused by the merger of RZB AG into RBI AG. Additionally, there were the following changes: The credit exposure in rating grade 1 decreased € 849 million to € 4,956 million due to facility and credit financing and due to guarantees given. Rating grade 2 increased € 1,594 million to € 8,674 million, largely due to facility financing and repo business. The rise in credit exposure in rating grade 4 of € 1,489 million to € 11,977 million resulted from credit financing. The decline in rating grade 10 of € 908 million to € 3,118 million was largely the result of derecognition and sales of non-performing loans.

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

in € million		30/9/2017	Share	31/12/2016	Share
6.1	Excellent project risk profile - very low risk	4,590	57.1%	4,530	56.0%
6.2	Good project risk profile - low risk	1,952	24.3%	1,851	22.9%
6.3	Acceptable project risk profile - average risk	647	8.1%	844	10.4%
6.4	Poor project risk profile - high risk	215	2.7%	247	3.0%
6.5	Default	630	7.8%	596	7.4%
NR	Not rated	5	0.1%	20	0.2%
Total		8,040	100.0%	8,087	100.0%

The merger of RZB AG into RBI AG resulted in a € 178 million increase in the credit exposure. As of 30 September 2017, however, the credit exposure to project finance showed a decline of € 47 million to € 8,040 million. The decline was mainly due to rating grades 6.3 and 6.4. The decline in rating grade 6.3, acceptable project risk profile - average risk, mainly resulted from the depreciation of the Russian rouble and from a rating improvement of individual Polish customers into rating grade 6.2, good project risk profile - low risk. Rating grade 6.4, poor project risk profile - high risk, declined due to the expiry of project financing in Russia and Poland.

At 81.4 per cent, the rating grades excellent project risk profile - very low risk and good project risk profile - low risk accounted for the majority of the portfolio. This mainly reflected the high level of collateralization in specialized lending transactions.

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

in € million	30/9/2017	Share	31/12/2016	Share
Central Europe	22,084	28.2%	20,922	28.3%
Austria	16,515	21.1%	12,897	17.5%
Western Europe	11,422	14.6%	10,972	14.9%
Eastern Europe	12,022	15.3%	12,321	16.7%
Southeastern Europe	11,353	14.5%	11,098	15.0%
Asia	1,518	1.9%	1,944	2.6%
Other	3,468	4.4%	3,692	5.0%
Total	78,382	100.0%	73,847	100.0%

The credit exposure was € 78,382 million, or € 4,535 million higher than at year-end 2016 (of which € 3,733 million was due to the merger of RZB AG into RBI AG).

Central Europe reported a € 1,162 million increase to € 22,084 million, which was due to the integration of Raiffeisen stavebni sporitelna a.s., Prague, as well as to an increase in corporate customer loans. Austria reported the largest increase of € 3,618 million to € 16,515 million, primarily due to the integration of the Raiffeisen Leasing Group and Raiffeisen Bausparkasse as well as facility and credit financing. Western Europe reported a € 450 million increase to € 11,422 million. This was due to the merger of RZB AG into RBI AG and to a rise in credit financing, which was, however, partly offset by a decline in money-market business. The € 299 million decline in Eastern Europe to € 12,022 million was largely attributable to sales of non-performing loans. The € 426 million decline in Asia to € 1,518 million was mainly due to a reduction in credit financing, which was, however, partly offset by an increase in documentary credits.

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

in € million	30/9/2017	Share	31/12/2016	Share
Manufacturing	16,049	20.5%	16,837	22.8%
Wholesale and retail trade	16,507	21.1%	15,888	21.5%
Financial intermediation	10,114	12.9%	7,746	10.5%
Real Estate	9,900	12.6%	8,351	11.3%
Construction	5,555	7.1%	5,378	7.3%
Freelance/technical services	4,676	6.0%	4,209	5.7%
Transport, storage and communication	3,283	4.2%	3,346	4.5%
Electricity, gas, steam and hot water supply	2,962	3.8%	3,046	4.1%
Other industries	9,336	11.9%	9,046	12.2%
Total	78,382	100.0%	73,847	100.0%

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

Credit portfolio – Retail customers

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

in € million	30/9/2017	Share	31/12/2016	Share
Retail customers – private individuals	34,468	92.0%	26,498	90.9%
Retail customers – small and medium-sized entities	2,991	8.0%	2,668	9.1%
Total	37,458	100.0%	29,166	100.0%
hereof non-performing loans	1,916	5.1%	2,139	7.3%
hereof individual loan loss provision	1,353	3.6%	1,522	5.2%
hereof portfolio-based loan loss provision	234	0.6%	249	0.9%

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

30/9/2017 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	17,452	7,820	4,194	5,002
Retail customers – small and medium-sized entities	1,514	678	364	434
Total	18,966	8,498	4,558	5,436
hereof non-performing loans	887	529	476	24
hereof individual loan loss provision	551	366	429	6
hereof portfolio-based loan loss provision	98	87	43	6

31/12/2016 in € million	Central Europe	Southeastern Europe	Eastern Europe	Non- Core	Group Markets
Retail customers – private individuals	9,954	7,335	4,004	5,192	13
Retail customers – small and medium-sized entities	1,002	739	403	523	1
Total	10,956	8,074	4,407	5,715	14
hereof non-performing loans	489	537	699	415	0
hereof individual loan loss provision	273	372	644	233	0
hereof portfolio-based loan loss provision	87	90	55	17	0

Compared to year-end 2016, the total retail credit exposure increased € 8,292 million (of which € 6,650 million was due to the merger of RZB AG into RBI AG) to € 37,458 million. The increase was mainly due to the integration of Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna, and to Raiffeisen stavebni sporitelna a.s., Prague.

The Central Europe segment reported the largest increase of € 8,010 million to € 18,966 million. The increase was on the one hand due to the reallocation of Raiffeisen Bank Polska S.A., Warsaw, from the Non-Core segment to the Central Europe segment and on the other hand to the integration of Raiffeisen stavebni sporitelna a.s., Prague.

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

in € million	30/9/2017	Share	31/12/2016	Share
Mortgage loans	22,120	59.1%	15,549	53.3%
Personal loans	7,699	20.6%	6,668	22.9%
Credit cards	3,209	8.6%	3,197	11.0%
Car loans	452	1.2%	496	1.7%
Overdraft	1,686	4.5%	1,647	5.6%
SME financing	2,292	6.1%	1,609	5.5%
Total	37,458	100.0%	29,166	100.0%

The integration of Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna, and Raiffeisen stavebni sporitelna a.s., Prague, resulted in an increase in credit exposure for mortgage loans, personal loans and SME financing.

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 not only the share of foreign currency loans but also the usually stricter lending criteria when granting the loan and - in several countries - the customer's matching foreign currency income.

in € million	30/9/2017	Share	31/12/2016	Share
Swiss franc	2,726	43.4%	3,099	43.8%
Euro	3,166	50.4%	3,403	48.1%
US-Dollar	386	6.1%	564	8.0%
Other foreign currencies	1	0.0%	2	0.0%
Loans in foreign currencies	6,278	100.0%	7,068	100.0%
Share of total loans	16.8%		24.2%	

The decrease in foreign currency loans denominated in Swiss francs resulted from currency fluctuations against the Swiss franc and from Romania and Serbia. The decline in foreign currency loans denominated in US dollars mainly occurred in Slovakia, in Hungary, and in Ukraine. The portfolio of foreign currency loans denominated in euro declined in Bosnia and Herzegovina (down € 52 million), in Romania (down € 51 million), in Poland (down € 50 million), in Croatia (down € 48 million) and in Bulgaria (down € 35 million).

Credit portfolio – Banks

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

in € million		30/9/2017	Share	31/12/2016	Share
1	Minimal risk	3,286	15.2%	2,521	13.5%
2	Excellent credit standing	3,230	14.9%	2,919	15.7%
3	Very good credit standing	11,820	54.6%	9,935	53.3%
4	Good credit standing	1,906	8.8%	1,391	7.5%
5	Sound credit standing	678	3.1%	1,042	5.6%
6	Acceptable credit standing	256	1.2%	218	1.2%
7	Marginal credit standing	242	1.1%	186	1.0%
8	Weak credit standing / sub-standard	159	0.7%	245	1.3%
9	Very weak credit standing / doubtful	16	0.1%	77	0.4%
10	Default	49	0.2%	84	0.4%
NR	Not rated	13	0.1%	9	0.0%
Total		21,655	100.0%	18,628	100.0%

The total credit exposure amounted to € 21,655 million. Compared to year-end 2016, this was an increase of € 3,027 million (of which € 1,400 million was due to the merger of RZB AG into RBI AG, noticeable in rating grades 1 and 2).

In addition to the merger of RZB AG into RBI AG there were the following changes: The increase in rating grade 3 of € 1,885 million to € 11,820 million was due to an increase in the portfolio of bonds, repo and money market business, and to a rating improvement of individual customers, offset by the decline in facility financing and swap business. The changes in rating grades 4 and 5 were mainly due to rating shifts.

The Group continues to pursue the strategy of reducing the unsecured exposure in this asset class. New business in this asset class therefore mainly stems from credit exposure from derivatives and short-term money market deposits. Credit business with other banks in the Austrian Raiffeisen Banking Group, which participate in a joint risk monitoring system, is not subject to this restriction.

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

in € million		30/9/2017	Share	31/12/2016	Share
Repo		5,975	27.6%	3,755	20.2%
Bonds		3,990	18.4%	2,585	13.9%
Loans		4,355	20.1%	5,071	27.2%
Derivatives		3,030	14.0%	3,802	20.4%
Money market		2,805	13.0%	2,068	11.1%
Other		1,499	6.9%	1,347	7.2%
Total		21,655	100.0%	18,628	100.0%

Compared to year-end 2016, the credit exposure split by product class increased € 3,027 million (of which € 1,400 million was due to the merger of RZB AG into RBI AG, mainly seen in the product class bonds).

Additionally, there was an increase in repo business and a decrease in facility financing in Austria.

Credit portfolio – Sovereigns

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

in € million		30/9/2017	Share	31/12/2016	Share
A1	Excellent credit standing	1,485	4.0%	1,919	7.7%
A2	Very good credit standing	12,699	34.6%	2,805	11.3%
A3	Good credit standing	7,891	21.5%	5,950	23.9%
B1	Sound credit standing	3,813	10.4%	3,826	15.3%
B2	Average credit standing	3,190	8.7%	2,690	10.8%
B3	Mediocre credit standing	5,030	13.7%	4,627	18.6%
B4	Weak credit standing	1,391	3.8%	1,564	6.3%
B5	Very weak credit standing	684	1.9%	837	3.4%
C	Doubtful/high default risk	548	1.5%	712	2.9%
D	Default	0	0.0%	2	0.0%
NR	Not rated	3	0.0%	1	0.0%
Total		36,735	100.0%	24,933	100.0%

Compared to year-end 2016, the credit exposure to sovereigns increased € 11,802 million (of which € 9,715 million was attributable to the merger of RZB AG into RBI AG, mainly seen in the rating grades A2, A3 and B2) to € 36,735 million. It accounted for 21.1 per cent (31/12/2016: 17.0 per cent) of the total credit exposure.

The differences result in part from the merger of RZB AG into RBI AG. Additionally, there were the following changes: The increase in rating grade A2 - very good credit standing - resulted mainly from an increase in deposits at the Austrian National Bank and from an increase in the portfolio of bonds issued by the Republic of Austria. The intermediate rating grades, good credit standing (A3 rating) to mediocre credit standing (B3 rating), accounted for the highest share at 54.3 per cent of the total credit exposure. The high level of exposure in the intermediate rating grades was due among other factors to bonds issued by central banks and central governments in Central Europe, Eastern Europe and Southeastern Europe. The intermediate rating grades were also influenced by money market and repo business as well as by bonds. The increase in rating grade A3 - good credit standing - was due to a rise in the portfolio of bonds and in repo business. The increase was offset by a decline in money market business. The increase in rating grade B2 - average credit standing - mainly resulted from bonds in Romania and Spain. The increase was offset by a decrease in the minimum reserve held at the Romanian National Bank. Rating grade 3 - mediocre credit standing - reported an increase, mainly due to the portfolio of Russian government bonds, and to deposits at the Russian central bank.

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

in € million	30/9/2017	Share	31/12/2016 ¹	Share
Bonds	16,987	46.2%	13,191	52.9%
Loans	14,037	38.2%	7,017	28.1%
Repo	4,600	12.5%	18	0.1%
Money market	1,026	2.8%	4,201	16.8%
Derivatives	79	0.2%	488	2.0%
Other	7	0.0%	19	0.1%
Total	36,735	100.0%	24,933	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 € million	30/9/2017	Share	31/12/2016	Share
Hungary	2,136	27.9%	2,120	27.4%
Russia	1,052	13.7%	555	7.2%
Croatia	931	12.2%	1,047	13.5%
Bulgaria	780	10.2%	854	11.0%
Albania	578	7.6%	792	10.2%
Serbia	573	7.5%	501	6.5%
Bosnia and Herzegovina	427	5.6%	492	6.4%
Ukraine	344	4.5%	494	6.4%
Belarus	179	2.3%	189	2.4%
Vietnam	156	2.0%	164	2.1%
Other	501	6.5%	534	6.9%
Total	7,657	100.0%	7,743	100.0%

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

Compared to year-end 2016, the credit exposure decreased € 86 million to € 7,657 million. Declines in deposits, credit financing, minimum reserves and money market business were largely offset by an increase in the portfolio of bonds. Russia reported an increase of € 497 million to € 1,052 million, which was mainly attributable to Russian government bonds, and to deposits at the Russian central bank.

Credit risk mitigation

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 tables:

30/9/2017	Maximum credit exposure		Fair value of collateral
	Net exposure	Commitments/ guarantees issued	
in € million			
Banks	16,700	2,441	4,540
Sovereigns	812	637	248
Corporate customers - large corporates	41,941	30,337	24,159
Corporate customers - mid market	2,927	1,041	2,123
Retail customers - private individuals	29,367	4,069	19,266
Retail customers - small and medium-sized entities	2,276	527	1,383
Total	94,023	39,051	51,720

31/12/2016	Maximum credit exposure		Fair value of collateral
	Net exposure	Commitments/ guarantees issued	
in € million			
Banks	9,850	3,502	2,925
Sovereigns	654	758	420
Corporate customers - large corporates	38,746	27,215	23,049
Corporate customers - mid market	2,384	1,087	1,773
Retail customers - private individuals	21,878	3,464	13,069
Retail customers - small and medium-sized entities	1,947	509	1,312
Total	75,459	36,535	42,549

Non-performing exposure (NPE)

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

in € million	NPE		NPE ratio		NPE coverage ratio	
	30/9/2017	31/12/2016	30/9/2017	31/12/2016	30/9/2017	31/12/2016
Corporate customers	3,632	4,450	7.6%	9.9%	57.3%	68.2%
Retail customers	2,119	2,376	6.4%	9.3%	63.7%	64.0%
Sovereigns	0	2	0.0%	0.3%	>100%	>100%
Banks	32	77	0.2%	0.8%	33.5%	62.5%
Total	5,784	6,904	5.9%	8.6%	59.5%	66.7%

Forborne exposure

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

The crucial aspect in deciding whether a loan is forborne in the non-retail business is the financial situation of a customer at the time the terms or loan conditions are altered. If based on the customer's creditworthiness (taking the internal early warning system into account) it can be assumed, at the point when the loan terms or conditions are altered, that the customer is in financial difficul-

ties 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 is 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 restructured forborne exposure. This is achieved either by, despite the restructuring, continuing to use those variables based on the days past due (DPD) before restructuring which were 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 portfolio 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 in observation to the living portfolio. Those credit exposures already overdue for more than 180 days prior to the re-negotiation or those customers who did not meet the re-negotiated terms remain in the portfolio which is fully impaired.

The following tables show the forborne exposure according to segments:

in € million	30/9/2017	Share
Central Europe	150	49%
Southeastern Europe	82	27%
Eastern Europe	9	3%
Group Corporates & Markets	67	22%
Total	309	100%
hereof non-banks	309	100%

in € million	31/12/2016 ¹	Share
Central Europe	110	32%
Southeastern Europe	120	35%
Eastern Europe	17	5%
Group Corporates	43	13%
Group Markets	0	0%
Corporate Center	0	0%
Non-Core	51	15%
Total	341	100%
hereof non-banks	341	100%

¹ Adaptation of previous year figures

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

in € million	Refinancing		Instruments with modified time and modified conditions		NPE total	
	30/9/2017	31/12/2016	30/9/2017	31/12/2016	30/9/2017	31/12/2016
Corporate customers	3	12	83	75	86	87
Retail customers	13	24	210	230	223	254
Total	16	36	293	306	309	341

In the corporate customer business, financial difficulties are measured by means of an internal early warning system which is based on numerous representative and accepted input factors for customer risk classification (e.g. overdue days, rating downgrade etc.). 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 forbore 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, twelve different indicators are used to identify a default event. For example, a default event applies if a customer is involved in insolvency or similar proceedings, if it has been necessary to apply an impairment or direct write-down of a customer loan or if credit risk management has judged a customer account receivable to be not wholly recoverable or the Workout Unit is considering a restructuring.

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

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

The following table shows the 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 € million	As at 1/1/2017	Consolidation/ Exchange rate	Additions	Disposals	As at 30/9/2017
Corporate customers	4,357	192	715	(1,717)	3,547
Retail customers	2,127	43	342	(614)	1,896
Sovereigns	2	0	0	(2)	0
Total non-banks	6,486	234	1,057	(2,333)	5,443
Banks	77	(4)	20	(60)	32
Total	6,563	230	1,076	(2,394)	5,475

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):

in € million	NPL		NPL ratio		NPL coverage ratio	
	30/9/2017	31/12/2016	30/9/2017	31/12/2016	30/9/2017	31/12/2016
Corporate customers	3,547	4,357	6.5%	9.3%	63.6%	71.5%
Retail customers	1,896	2,127	6.8%	8.3%	80.3%	82.2%
Sovereigns	0	2	0.0%	0.6%	>100%	>100%
Total non-banks	5,443	6,486	6.7%	9.2%	69.4%	75.6%
Banks	32	77	0.1%	0.5%	35.7%	65.4%
Total	5,475	6,563	5.6%	8.2%	69.2%	75.5%

The volume of non-performing loans to non-banks fell € 1,043 million. An organic decrease of € 1,277 million, largely attributable to the sale of non-performing loans and the derecognition of commercially uncollectible debts in Ukraine, at RBI AG and at

Raiffeisen Leasing Group contrasted with an increase of € 425 million due to the merger of RZB AG into RBI AG. Currency developments resulted in a further decrease of € 191 million. The NPL ratio based on total exposure decreased 2.6 percentage points to 5.6 per cent.

Since the start of the year, corporate customers posted a € 811 million decrease to € 3,547 million, mainly due to sales and derecognition. The ratio of non-performing loans to credit exposure decreased 2.8 percentage points to 6.5 per cent; the NPL coverage ratio declined 7.9 percentage points to 63.6 per cent. In the retail portfolio, non-performing loans decreased 10.8 per cent, or € 230 million, to € 1,896 million, also due to sales and derecognition. The ratio of non-performing loans to credit exposure decreased 1.6 percentage points to 6.8 per cent; the NPL coverage ratio decreased 1.9 percentage points to 80.3 per cent. For banks, non-performing loans at the end of the third quarter amounted to € 32 million, € 45 million down on the year-end 2016; the NPL coverage ratio decreased 29.8 percentage points to 35.7 per cent.

The following tables show 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) by segment:

30/9/2017			
in € million	NPL	NPL ratio	NPL coverage ratio
Central Europe	1,630	4.3%	66.6%
Southeastern Europe	1,297	8.5%	77.8%
Eastern Europe	974	7.5%	81.7%
Group Corporates & Markets	1,542	4.5%	55.2%
Corporate Center	32	0.6%	93.2%
Total	5,475	5.6%	69.2%
hereof non-banks	5,443	6.7%	69.4%

31/12/2016			
in € million	NPL	NPL ratio	NPL coverage ratio
Central Europe	1,078	5.0%	71.0%
Southeastern Europe	1,421	9.9%	79.7%
Eastern Europe	1,576	12.0%	85.9%
Group Corporates	688	4.5%	65.9%
Group Markets	131	1.9%	71.9%
Corporate Center	34	0.5%	87.8%
Non-Core	1,634	16.7%	66.6%
Total	6,563	8.2%	75.5%
hereof non-banks	6,486	9.2%	75.6%

In Central Europe, non-performing loans increased € 552 million to € 1,630 million, including € 670 million from the reclassification of Poland from the Non-Core segment and € 44 million from integrating Raiffeisen stavebni sporitelna a.s., Prague, in the course of the merger of RZB AG into RBI AG. In contrast, non-performing loans decreased € 149 million in Hungary due to sales and derecognition. The NPL ratio amounted to 4.3 per cent and the NPL coverage ratio was 66.6 per cent.

In Southeastern Europe, non-performing loans decreased € 123 million compared to the start of the year to € 1,297 million. Whereas declines totaling € 128 million were reported in Albania, Serbia and Bulgaria, non-performing loans in Croatia increased € 38 million mainly due to a defaulted large corporate customer. The NPL ratio fell 1.4 percentage points to 8.5 per cent and the NPL coverage ratio fell 1.9 percentage points to 77.8 per cent.

The Eastern Europe segment reported a decline in non-performing loans of 38.2 per cent, or € 602 million, to € 974 million, mainly attributable to sales of non-performing loans amounting to € 225 million in Ukraine and derecognition of uncollectible

loans and currency depreciation in Ukraine and Russia. The ratio of non-performing loans to credit exposure fell 4.5 percentage points to 7.5 per cent and the NPL coverage ratio decreased 4.2 percentage points to 81.7 per cent.

Non-performing loans in the Group Corporates & Markets segment comprise the former segments Group Corporates, Group Markets and parts of Non-Core and an effect related to the merger of RZB AG into RBI AG with € 380 million, and amounted to € 1,542 million. Non-performing loans decreased € 474 million at RBI AG and € 180 million at Raiffeisen Leasing Group in the period under review due to derecognition of uncollectible loans. The NPL ratio at the end of the third quarter amounted to 4.5 per cent, and the NPL coverage ratio to 55.2 per cent.

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

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

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

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

in € million	As at 1/1/2016	Change in consolidated group	Allocation ¹	Release	Usage ²	Transfers, exchange differences	As at 30/9/2016
Individual loan loss provisions	5,772	1	1,145	(603)	(1,237)	(76)	5,003
Portfolio-based loan loss provisions	382	1	141	(173)	0	(3)	347
Total	6,154	2	1,286	(776)	(1,237)	(79)	5,350

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

Concentration risk

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

As part of the strategic realignment, the limit structures related to concentration risk for each customer segment were also reviewed.

The regional breakdown of the loans reflects the broad diversification of credit business in the European markets of the Group.

The following table shows the regional distribution of the credit exposure of all asset classes by the borrower's home country and grouped by regions:

in € million	30/9/2017	Share	31/12/2016 ¹	Share
Central Europe	55,183	31.7%	50,177	34.2%
Czech Republic	20,018	11.5%	15,047	10.3%
Slovakia	14,307	8.2%	14,138	9.6%
Poland	13,820	7.9%	14,083	9.6%
Hungary	6,632	3.8%	6,471	4.4%
Other	407	0.2%	438	0.3%
Austria	38,662	22.2%	19,936	13.6%
Southeastern Europe	25,858	14.8%	25,659	17.5%
Romania	9,861	5.7%	9,452	6.4%
Croatia	4,809	2.8%	5,091	3.5%
Bulgaria	4,051	2.3%	3,998	2.7%
Serbia	2,739	1.6%	2,467	1.7%
Bosnia and Herzegovina	2,067	1.2%	2,077	1.4%
Albania	1,557	0.9%	1,830	1.2%
Other	774	0.4%	743	0.5%
Other European Union	25,788	14.8%	21,139	14.4%
Germany	8,203	4.7%	6,354	4.3%
Great Britain	5,877	3.4%	5,275	3.6%
France	3,507	2.0%	3,086	2.1%
Netherlands	1,902	1.1%	1,828	1.2%
Spain	969	0.6%	595	0.4%
Italy	967	0.6%	883	0.6%
Other	4,363	2.5%	3,118	2.1%
Eastern Europe	20,060	11.5%	19,814	13.5%
Russia	15,074	8.7%	14,262	9.7%
Ukraine	3,004	1.7%	3,380	2.3%
Belarus	1,494	0.9%	1,635	1.1%
Other	487	0.3%	536	0.4%
Asia	3,039	1.7%	3,499	2.4%
North America	2,551	1.5%	3,051	2.1%
Switzerland	1,963	1.1%	2,193	1.5%
Rest of World	1,128	0.6%	1,105	0.8%
Total	174,231	100.0%	146,573	100.0%

¹ Adaptation of previous year figures due to modified allocation

The credit exposure of all asset classes posted a € 27,658 million increase compared to year-end 2016 to € 174,231 million (of which € 21,498 million was due to the merger of RZB AG into RBI AG in the regions Austria, Central Europe and Other European Union). The largest increase of € 18,726 million to € 38,662 million in Austria was mainly due to the integration of Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna, as well as to a rise in deposits at the Austrian National Bank and an increase in the portfolio of Republic of Austria bonds. The Czech Republic reported an increase of € 4,971 million to € 20,018 million, which was largely the result of repo business and the portfolio of bonds. The increase was, however, partly offset by a decline in money market business. Germany reported an increase of € 1,849 million to € 8,203 million resulting primarily from an increase in the portfolio of bonds, credit financing and repo business.

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

in € million	30/9/2017	Share	31/12/2016	Share
Banking and insurance	50,453	29.0%	39,183	26.7%
Private households	34,636	19.9%	26,589	18.1%
Public administration and defence and social insurance institutions	17,337	10.0%	11,844	8.1%
Wholesale trade and commission trade (except car trading)	12,203	7.0%	11,976	8.2%
Other manufacturing	11,039	6.3%	11,426	7.8%
Real estate activities	10,181	5.8%	8,386	5.7%
Construction	5,751	3.3%	5,551	3.8%
Other business activities	4,934	2.8%	4,438	3.0%
Retail trade except repair of motor vehicles	4,010	2.3%	3,675	2.5%
Electricity, gas, steam and hot water supply	2,971	1.7%	3,056	2.1%
Manufacture of basic metals	1,653	0.9%	2,183	1.5%
Other transport	1,935	1.1%	1,905	1.3%
Land transport, transport via pipelines	1,838	1.1%	1,896	1.3%
Manufacture of food products and beverages	1,957	1.1%	1,834	1.3%
Manufacture of machinery and equipment	1,668	1.0%	1,694	1.2%
Sale of motor vehicles	1,022	0.6%	916	0.6%
Extraction of crude petroleum and natural gas	606	0.3%	776	0.5%
Other industries	10,038	5.8%	9,247	6.3%
Total	174,231	100.0%	146,573	100.0%

The merger of RZB AG into RBI AG resulted in an increase of € 21,498 million, mainly in the industries private households, banking and insurance, as well as public administration and defence and social insurance institutions.

Market risk

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

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

Total VaR 99% 1d in € million	VaR as at 30/9/2017	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2016
Currency risk	17	21	15	29	24
Interest rate risk	13	18	10	35	16
Credit spread risk	14	12	9	16	8
Share price risk	1	1	1	1	1
Vega risk	1	2	1	5	1
Basis risk	4	4	3	6	n.a.
Total	29	37	26	49	36

Exchange rate risk on total bank level also includes equity of subsidiaries denominated in foreign currency. The structural exchange rate risk resulting from equity capital is managed independently from the mainly short-term trading positions.

Liquidity management

Funding structure

The Group's funding structure is highly focused on retail business in Central and Eastern Europe. In addition, as a result of the Austrian Raiffeisen Banking Group's strong local market presence, the Group also benefits from funding through the 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 from supranationals). The Group units also use interbank loans from third party banks, partly due to tight country limits and partly due to beneficial pricing.

in € million

Cash reserve	16,292	
Reverse repurchase agreement/Securities borrowing	11,993	
Short-term interbank business	5,643	
Trading book bonds	2,619	
Positive fair values of derivatives	3,162	
Other liquid assets	1,526	
Long-term interbank business	1,681	
Loans and advances to customers (net)	74,706	91.3% Loan/Deposit Ratio
Banking book bonds	18,918	
Other illiquid assets	3,423	
Total assets	139,963	
		21,391 Short-term bank deposits
		506 Trading liabilities
		2,388 Negative fair value of derivatives
		4,100 Other liquid liabilities
		988 Multilateral development banks
		4,745 Wholesale funding
		46,514 Sight deposits customers
		24,168 Time deposits customers
		11,159 Savings deposits customers
		6,669 Debt securities issued
		2,210 Trading certificates
		4,072 Subordinated capital
		11,055 Equity incl. profit/loss
		139,963 Total equity and liabilities

Liquidity position

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

in € million	30/9/2017		31/12/2016	
	1 month	1 year	1 month	1 year
Liquidity gap	22,189	24,689	21,066	24,517
Liquidity ratio	145%	125%	160%	131%

Liquidity coverage ratio

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

The calculation of expected inflows and outflows of funds and the HQLAs is based on regulatory specifications. In 2017 a regulatory minimum ratio for the LCR of 80 per cent is applicable which will be raised to 100 per cent by 2018.

in € million	30/9/2017	31/12/2016
Average liquid assets	24,083	12,977
Net outflows	17,961	7,071
Inflows	11,579	11,186
Outflows	29,540	18,257
Liquidity Coverage Ratio	134%	184%

As intended, RBI's LCR is lower than at year-end 2016 and remains well above internal and regulatory limits. This change was mainly driven by a decrease in excess liquidity at RBI and a considerable increase in the liquidity positions transferred during the merger of RZB AG into RBI AG.

Net Stable Funding Ratio

The NSFR is defined as the ratio of available stable funding to required stable funding. This ratio should continuously be at least 100 per cent, although no regulatory limit has yet been set. Available stable funding is defined as the portion of equity and liabilities which is expected to be a reliable source of funds over the time horizon of one year applicable for the NSFR. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its exposures off the statement of financial position. RBI Group targets a balanced funding position. The regulatory provisions are currently undergoing review by the authorities.

in € million	30/9/2017	31/12/2016
Required stable funding	100,139	73,730
Available stable funding	112,183	86,230
Net Stable Funding Ratio	112%	117%

Additional notes

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

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

The so-called Pillar 2 requirement is calculated based on the business model, risk management or capital situation, for example. In addition, the RBI Group is subject to the minimum requirements of the CRR and the combined buffer requirement. The combined buffer requirement for the RBI Group currently contains a capital conservation buffer, a systemic risk buffer and a countercyclical buffer. As at 30 September 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.

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

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

The interim half-year profit was included in the calculation of total capital, based on a review by the auditor.

The comparative figures as at year-end 2016 correspond to the results published by RBI prior to the merger.

Total capital

in € million	30/9/2017	31/12/2016
Paid-in capital	5,994	5,886
Earned capital	3,139	2,585
Non-controlling interests	338	445
Common equity tier 1 (before deductions)	9,471	8,916
Deduction intangible fixed assets/goodwill	(555)	(520)
Deduction provision shortage for IRB positions	(53)	(34)
Deduction securitizations	(22)	(21)
Deduction deferred tax assets	0	0
Deduction loss carry forwards	(2)	(2)
Deduction insurance and other investments	0	0
Common equity tier 1 (after deductions)	8,839	8,339
Additional tier 1	716	90
Non-controlling interests	20	(1)
Deduction intangible fixed assets/goodwill	(139)	(78)
Deduction provision shortage for IRB positions	(7)	(11)
Deduction securitizations	0	0
Deduction insurance and other investments	0	0
Tier 1	9,430	8,339
Long-term subordinated capital	2,899	3,047
Non-controlling interests	19	(9)
Provision excess of internal rating approach positions	185	159
Provision excess of standardized approach positions	0	0
Deduction securitizations	0	0
Deduction insurance and other investments	0	0
Tier 2 (after deductions)	3,103	3,198
Total capital	12,532	11,537
Total capital requirement	5,574	4,805
Common equity tier 1 ratio (transitional)	12.7%	13.9%
Common equity tier 1 ratio (fully loaded)	12.5%	13.6%
Tier 1 ratio (transitional)	13.5%	13.9%
Tier 1 ratio (fully loaded)	13.4%	13.6%
Total capital ratio (transitional)	18.0%	19.2%
Total capital ratio (fully loaded)	17.9%	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. The CRR Supplementary Regulation (CRR-BV) published by the FMA were also used as a basis.

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

Total capital requirement and risk-weighted assets

in € million	30/9/2017	31/12/2016
Total capital requirement for credit risk	4,551	3,907
Internal rating approach	2,550	2,275
Standardized approach	1,971	1,602
CVA risk	30	31
Basel 1 floor	0	0
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	301	214
Total capital requirement for operational risk	723	683
Total capital requirement	5,574	4,805
Risk-weighted assets (total RWA)	69,670	60,061

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

in € million	30/9/2017	31/12/2016
Risk-weighted assets according to standardized approach	24,633	20,025
Central governments and central banks	955	1,925
Regional governments	98	60
Public administration and non-profit organizations	45	12
Multilateral development banks	0	0
Banks	261	293
Corporate customers	9,170	7,909
Retail customers	9,526	7,241
Equity exposures	1,993	397
Covered bonds	24	0
Mutual funds	44	4
Securitization position	2	0
Items associated with particular high risk	0	0
Other positions	2,516	2,184
Risk-weighted assets according to internal rating approach	31,879	28,435
Central governments and central banks	966	244
Banks	1,511	1,995
Corporate customers	23,845	21,454
Retail customers	5,250	4,390
Equity exposures	158	123
Securitization position	149	229
CVA risk	371	381
Basel 1 floor	0	0
Risk-weighted assets (credit risk)	56,882	48,841
Total capital requirement (credit risk)	4,551	3,907

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 only for information purposes.

in € million	30/9/2017	31/12/2016
Leverage exposure	167,204	122,843
Tier 1	9,430	8,339
Leverage ratio (transitional)	5.6%	6.8%
Leverage ratio (fully loaded)	5.6%	6.6%

(41) Average number of staff

Full-time equivalents	1/1-30/9/2017	1/1-30/9/2016
Austria	3,539	2,763
Foreign	46,503	48,667
Total	50,042	51,430

(42) Related parties

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

RZB AG was incorporated into RBI AG during the reporting period. As of this point in time, the 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, the largest single shareholder, and its parent company, Raiffeisen-Holding Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, Vienna. Under affiliated companies, affiliated companies that are not consolidated due to immateriality are shown.

30/9/2017 in € million	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	968	0	221	63
Loans and advances to customers	0	122	617	147
Trading assets	34	1	23	42
Financial investments	0	214	0	224
Investments in associates	0	0	732	0
Other assets (incl. derivatives)	17	7	3	11
Deposits from banks	2,482	4	2,871	323
Deposits from customers	0	141	983	103
Debt securities issued	0	1	0	0
Provisions for liabilities and charges	0	2	3	0
Trading liabilities	66	21	7	12
Other liabilities including derivatives	0	2	2	0
Subordinated capital	0	0	4	0
Guarantees given	21	91	268	23
Guarantees received	11	0	33	37

31/12/2016 in € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	686	65	353	46
Loans and advances to customers	0	659	37	133
Trading assets	0	42	0	2
Financial investments	0	198	0	88
Other assets (incl. derivatives)	60	14	0	1
Deposits from banks	333	297	2,592	75
Deposits from customers	0	554	402	89
Debt securities issued	0	1	0	0
Provisions for liabilities and charges	0	0	0	0
Trading liabilities	0	65	6	0
Other liabilities including derivatives	1	2	1	0
Subordinated capital	68	0	0	0
Guarantees given	0	148	0	8
Guarantees received	556	204	47	38

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

1/1-30/9/2016 in € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Interest income	34	10	5	7
Interest expenses	(8)	(5)	(28)	(1)
Dividends income	0	22	0	3
Fee and commission income	0	28	6	4
Fee and commission expense	(3)	(1)	0	(1)

Events after the reporting date

There were no significant events after the reporting date.

Alternative Performance Measures

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

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

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

Cost/income ratio is an economic metric and shows the company's costs in relation to its income. The ratio gives a clear view of operational efficiency. Banks use the cost/income ratio as an efficiency measure for steering the bank and for easily comparing its efficiency with other financial institutions. General administrative expenses in relation to operating income are calculated. General administrative expenses comprise staff expenses, other administrative expenses and depreciation/amortization of intangible and tangible fixed assets. Operating income comprises net interest income, net fee and commission income, net trading income and recurring other net operating income (i.e. other net operating income less bank levies, impairments of goodwill, releases of negative goodwill, and profit/loss from banking business due to governmental measures).

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

Loan/deposit ratio indicates a bank's ability to refinance its loans by deposits rather than wholesale funding. It is calculated with loans and advances to customers less impairment losses, in relation to deposits from customers (in each case less claims and obligations from (reverse) repurchase agreements and securities lending).

Loan to local stable funding ratio (LLSFR) – This ratio includes a wide range of refinancing options and informs on the extent to which a bank can continue to be stably funded. LLSFR is used as a measure for the prudence of a bank indicating the

local refinancing structure of subsidiary banks. It is calculated with the sum of total loans and advances to customers less impairment losses on loans and advances to customers, divided by the sum of deposits from non-banks, funding from supra-national institutions, capital from third parties and the total outstanding bonds (with an original maturity of at least one year issued by a subsidiary bank to investors outside the bank's consolidated group).

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

NPE – Non-performing exposure. Non-performing loans according to the applicable definition of the EBA document 'Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures)'.

NPL – Non-performing loans. A loan is classified as non-performing when it is expected that a specific debtor is unlikely to pay its credit obligations to the bank in full, or the debtor is overdue by 90 days or more on any material credit obligation to the bank (RBI has defined twelve default indicators).

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

NPL ratio is an economic ratio to demonstrate the proportion of loans that have been classified as non-performing in relation to the entire loan portfolio of customers. The ratio reflects the quality of the loan portfolio of the bank and provides an indicator for the performance of the bank's credit risk management.

NPE coverage ratio describes to which extent non-performing exposure have been covered by impairments thus expressing also the ability of a bank to absorb losses from its non-performing exposure. It is calculated with individual impairment losses on loans and advances to customers and banks set in relation to non-performing exposure to customers and banks.

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

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

Operating income comprises net interest income, net fee and commission income, net trading income and other net operating income (less bank levies, impairments of goodwill, releases of negative goodwill and profit/loss from banking business due to governmental measures).

Other results consists of net income from derivatives and liabilities, net income from financial investments, expenses for bank levies, impairment of goodwill, releases of negative goodwill, net income from disposal of Group assets and profit/loss from banking business due to governmental measures reported under other net operating income.

Provisioning ratio is an indicator for development of risk costs and provisioning policy of an enterprise. It is computed by dividing net provisioning for impairment losses by average loans and advances to customers.

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

Return on equity (ROE before/after tax) provides a profitability measure for both management and investors by expressing the net profit for the period as presented in the income statement as a percentage of the respective underlying (either equity related or asset related). Return on equity demonstrates

the profitability of the bank on the capital invested by its shareholders and thus the success of their investment. Return on equity is a useful measure to easily compare the profitability of a bank with other financial institutions. Return on the total equity including non-controlling interests, i.e. profit before tax respectively after tax in relation to average equity on the statement of financial position. Average equity is calculated on month-end figures including non-controlling interests and does not include current year profit.

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

Return on tangible equity (ROTE) is used to measure the rate of return on the tangible common equity. It is computed by dividing consolidated profit less depreciation of intangible assets and less impairment of goodwill by average consolidated equity less intangible assets. Average equity is calculated using month-end figures for the period.

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