Raiffeisen Bank International

First Quarter Report 2017

Survey of key data

Raiffeisen Bank International (RBI)

Monetary values in € million	2017	2016 pro forma	Change	2016 published
Income statement	**1/1-31/3**	**1/1-31/3**		**1/1-31/3**
Net interest income	796	761	4.7%	718
Net provisioning for impairment losses	(80)	(105)	(24.1)%	(106)
Net fee and commission income	409	372	9.9%	347
Net trading income	64	37	72.8%	28
General administrative expenses	(815)	(781)	4.4%	(718)
Profit/loss before tax	330	231	42.5%	229
Profit/loss after tax	255	137	86.1%	138
Consolidated profit/loss	220	111	98.5%	114
Statement of financial position	**31/3**	**31/12**		**31/12**
Loans and advances to banks	12,877	10,981	17.3%	9,900
Loans and advances to customers	81,655	79,769	2.4%	70,514
Deposits from banks	26,952	24,060	12.0%	12,816
Deposits from customers	81,381	80,325	1.3%	71,538
Equity	10,067	9,752	3.2%	9,232
Assets	138,489	134,804	2.7%	111,864
Key ratios	**1/1-31/3**	**1/1-31/3**		**1/1-31/3**
Return on equity before tax	13.4%	10.3%	3.1 PP	10.8%
Consolidated return on equity	9.6%	5.3%	4.3 PP	5.8%
Cost/income ratio	62.8%	65.4%	(2.6) PP	65.0%
Return on assets before tax	1.17%	0.67%	0.50 PP	0.87%
Net interest margin (average interest-bearing assets)	2.49%	2.35%	0.15 PP	2.73%
Provisioning ratio (average loans and advances to customers)	0.40%	0.41%	(0.01) PP	0.46%
Bank-specific information	**31/3**	**31/12**		**31/12**
NPL ratio	8.3%	8.7%	(0.3) PP	9.2%
NPE ratio	7.6%	8.1%	(0.5) PP	8.6%
NPL coverage ratio	74.0%	75.2%	(1.1) PP	75.6%
NPE coverage ratio	65.5%	66.3%	(0.8) PP	66.7%
Risk-weighted assets (total RWA)	69,864	67,911	2.9%	60,061
Total capital requirement	5,589	5,433	2.9%	4,805
Total capital	11,880	11,804	0.6%	11,537
Common equity tier 1 ratio (transitional)	12.4%	12.7%	(0.2) PP	13.9%
Common equity tier 1 ratio (fully loaded)	12.2%	12.4%	(0.2) PP	13.6%
Total capital ratio (transitional)	17.0%	17.4%	(0.4) PP	19.2%
Total capital ratio (fully loaded)	16.8%	17.1%	(0.3) PP	18.9%
Stock data	**1/1-31/3**	**1/1-31/3**		**1/1-31/3**
Earnings per share in €	0.67	0.34	98.5%	0.39
Closing price in € (31/3)	21.16	–	–	13.32
High (closing prices) in €	23.13	–	–	13.95
Low (closing prices) in €	17.67	–	–	10.21
Number of shares in million (31/3)	328.94	–	–	292.98
Market capitalization in € million (31/3)	6,959	–	–	3,901
Resources	**31/3**	**31/12**		**31/12**
Employees as at reporting date (full-time equivalents)	50,094	50,203	(0.2)%	48,556
Business outlets	2,500	2,522	(0.9)%	2,506
Customers in million	16.6	17.0	(2.5)%	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).

Content

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

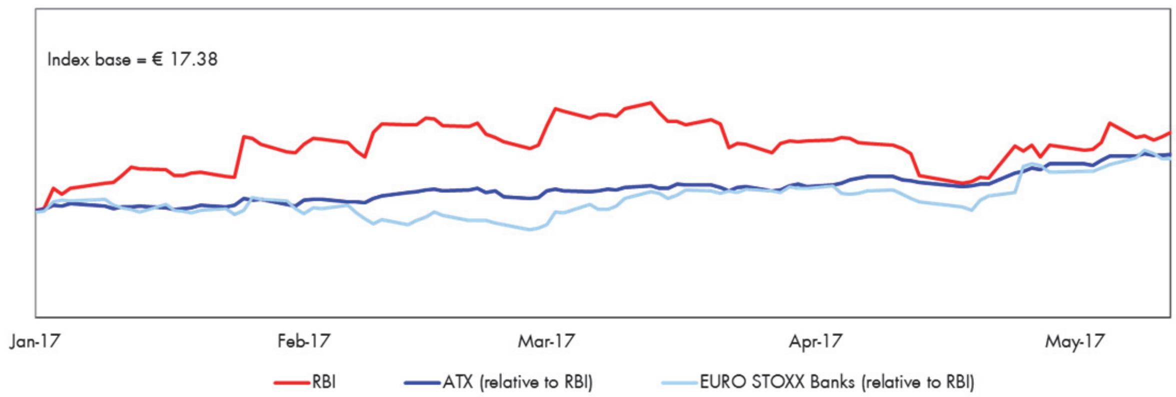
Adding and subtracting rounded amounts in tables and charts may lead to minor discrepancies. Changes in tables are not based on rounded amounts.

RBI in the capital markets

Performance of RBI stock

RBI's stock opened the first quarter at a share price of € 17.38 and closed the quarter on 31 March 2017 at € 21.16. This represented a gain of 22 per cent for the stock, which was more than double that of the Austrian ATX and EURO STOXX Banks indices (up 8 per cent each). The main reasons for the sustained upbeat stock market environment were predominantly strong corporate earnings for the past financial year and continued very low interest rate levels in Europe. The RBI share price rallied on the release of its preliminary and final 2016 results, with a higher-than-expected capital ratio, and also benefited from the successful completion of the merger with RZB. On 12 May (editorial deadline for this report), RBI's stock traded at € 21.60.

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



Completion of merger of RBI and RZB

Extraordinary General Meetings to pass a resolution on the merger were held by RZB and RBI on 23 and 24 January 2017, respectively (the latter is available as a webcast online at www.rbinternational.com → Investor Relations → Presentations & Webcasts). The requisite majorities were obtained by a clear margin in each case. The merger was entered in the commercial register as planned on 18 March 2017.

In order to provide consideration to RZB shareholders for their shares in RZB, RBI issued new shares, with the number of shares increasing from 292,979,038 to 328,939,621 as a result. The higher number of RBI shares in free float has also increased the weighting in indices in which the stock is included. The RBI stock was once again included in the ATX five, which comprises the five largest listed Austrian companies, based on their weighting in the ATX.

Active capital market communications

On 8 February 2017, RBI announced its preliminary figures for the 2016 financial year. To mark the occasion of the release of RBI's final results for the 2016 financial year on 15 March, the Management Board met with investors in Vienna and also held a conference call with over 200 participants. On the following day, RBI invited institutional investors and analysts to its investor presentation in London. The event, which has been held the day after the full-year results publication for a number of years, was met with a great deal of interest among the more than 60 participants.

RBI also offered interested investors an opportunity to obtain first-hand information at road shows in Frankfurt and London, as well as in Linz and Zürs in Austria.

Webcasts of the telephone conference and the investor presentation in London are available online at www.rbinternational.com → Investor Relations → Presentations & Webcasts.

A total of 25 equity analysts and 19 debt analysts (as at 31 March 2017) 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 first 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 31 March 2017	€ 21.16
High/low (closing prices) in the first quarter of 2017	€ 23.13/€ 17.67
Earnings per share from 1 January 2017 to 31 March 2017	€ 0.67
Bookvalue per share as at 31 March 2017	€ 28.49
Market capitalization as at 31 March 2017	€ 7.0 billion
Average daily trading volume (single count) in the first quarter of 2017	714,135 shares
Stock exchange turnover (single count) in the first quarter of 2017	€ 963 million
Free float as at 31 March 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 31 March 2017	328,939,621

Rating details

Rating agency	Long-term rating	Outlook	Short-term rating
Moody's Investors Service	Baa1	stable	P-2
Standard & Poor's	BBB+	negative	A-2

Financial Calendar 2017

17 May 2017	First Quarter Report, Conference Call
12 June 2017	Record Date Annual General Meeting
22 June 2017	Annual General Meeting
27 July 2017	Start of Quiet Period
10 August 2017	Semi-Annual Report, Conference Call
31 October 2017	Start of Quiet Period
14 November 2017	Third Quarter Report, Conference Call

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Group management report

Market development

Global sentiment indicators have been steadily improving since mid-2016. Since the election of Donald Trump as US president and despite all the political risks, the US ISM purchasing managers' index and corresponding indices in Europe have risen to multi-year highs. Business sentiment surveys in emerging markets are also showing the best results in a good five years. Even when taking the weaker correlation between leading indicators and GDP growth compared to the past into account, there is much to suggest that the positive growth estimates for 2017 are well founded. In a number of European countries, estimates were adjusted slightly upwards in the first quarter of 2017, with the euro area GDP growth forecast being moderately raised to 1.9 per cent (from 1.5 per cent previously). The outlook for the US continues to remain positive, with a forecast of 2.4 per cent. After the US administration sets out its economic plans in more detail, the GDP estimates for 2018 will be subject to a review.

With the rise in commodity and especially oil prices, inflation has also accelerated, as expected. However, following the above-average economic momentum, the rise in inflation came earlier than anticipated. As a result, forecasts for the rise in consumer prices in 2017, have been raised for both the US (from 2.2 per cent to 2.5 per cent) and for the euro area (from 1.5 per cent to 1.8 per cent). An end to the rising oil price would bring about an earlier reversal in inflation trend. Consequently, monetary policy responses are varied. The interest rate trend in the US should settle at a higher level, whereas the ECB will keep the current level of key rates on hold in 2017. From mid-year onwards, however, the ECB will inevitably also start discussing a rethink of its bond purchase program (quantitative easing) and at least the deposit facility rate for banks (currently at minus 0.4 per cent).

The Austrian economy should post real GDP growth of 1.7 per cent in 2017. This represents an acceleration compared to 2016, when real growth of 1.5 per cent was achieved. In 2017, the economic recovery should also be driven to a significant extent by domestic demand, with foreign trade now likely to lend stronger support to growth.

The growth outlook in Central Europe (CE) looks promising. The 2017 growth forecast for Poland has been raised from 3.0 per cent to 3.3 per cent, and for 2018, the estimate has been revised up 0.5 percentage point to 3.0 per cent, as stronger investment stimulus is now expected. This stimulus is based on measures taken by the current administration, which are currently being perceived as somewhat less negative for the business climate. The 2017 growth forecasts for the Czech Republic and Hungary remain unchanged at 2.7 per cent and 3.2 per cent, respectively. As in 2016, the Slovakian economy is expected to achieve 3.3 per cent growth in 2017, with GDP growth for 2018 projected to accelerate to 4.0 per cent. Slovenia should post growth of 2.7 per cent in 2017 and 2.5 per cent in 2018. The economic output for the entire CE region is expected to increase 3.1 per cent in 2017 and 3.0 per cent in 2018.

Economic momentum in Southeastern Europe (SEE) surprised on the upside last year and the trend looks set to continue. Thus the 2017 growth forecast for Romania has been revised upward from 3.6 per cent to 4.2 per cent, while the outlook for 2018 has been raised from 3.0 per cent to 3.5 per cent. This resulted from an expansionary government spending policy and an increase in minimum wages. However, the Romanian budget deficit, which is expected to significantly exceed the Maastricht criteria limits, can be seen as a negative side effect. The Bulgarian economy is also on the right track, with projected GDP growth of 3.3 per cent in 2017. The growth forecast for Croatia has been raised from 3.0 per cent to 3.3 per cent in 2017, following the strong GDP growth of 2.9 per cent recorded in 2016. At present, Bosnia and Herzegovina faces predominantly political risks, which could have a negative impact on its cooperation with the IMF and the country's economic development. As a whole, the SEE region is expected to achieve 3.7 per cent growth in 2017 and 3.3 per cent growth in 2018.

Similarly, the economy in Eastern Europe (EE) is on the road to recovery. In Russia, the recession is practically over, with the country's economic output having declined only a marginal 0.2 per cent in 2016. Ukraine surprised with strong year-on-year GDP growth of 4.7 per cent in the fourth quarter of 2016 (due in part to a good harvest), which resulted in annual GDP growth of 2.2 per cent in 2016. Nevertheless, a relatively halting economic recovery continues to be expected both in Russia, with projected GDP growth of 1.0 per cent in 2017, and in Ukraine, with a 2017 GDP growth forecast of 2.0 per cent. In contrast, the Belarus economy could witness a third year of recession due to structural and economic weaknesses. As a whole, the EE region is projected to register growth of 1.0 per cent in 2017 and 1.6 per cent in 2018.

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

Region/country	2015	2016	2017e	2018f
Czech Republic	4.6	2.3	2.7	2.5
Hungary	3.1	2.0	3.2	3.4
Poland	3.9	2.8	3.3	3.0
Slovakia	3.8	3.3	3.3	4.0
Slovenia	2.3	2.5	2.7	2.5
Central Europe	**3.9**	**2.6**	**3.1**	**3.0**
Albania	2.6	3.5	4.0	4.0
Bosnia and Herzegovina	3.0	2.5	3.0	3.5
Bulgaria	3.6	3.4	3.3	3.3
Croatia	1.6	2.9	3.3	2.8
Kosovo	4.1	3.5	3.5	3.5
Romania	3.9	4.8	4.2	3.5
Serbia	0.7	2.8	3.0	3.0
Southeastern Europe	**3.1**	**3.9**	**3.7**	**3.3**
Russia	(2.8)	(0.2)	1.0	1.5
Belarus	(3.8)	(2.6)	(0.5)	1.5
Ukraine	(9.9)	2.2	2.0	3.0
Eastern Europe	**(3.3)**	**(0.1)**	**1.0**	**1.6**
Austria	**1.0**	**1.5**	**1.7**	**1.5**
Germany	**1.5**	**1.8**	**1.7**	**1.5**
Euro area	**2.0**	**1.8**	**1.9**	**1.7**

Source: Raiffeisen Research

Significant events

Completion of merger with RZB

Follwing the Extraordinary General Meeting of RBI in January 2017, which approved the merger with Raiffeisen Zentralbank Österreich AG (RZB) 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 capital increase, which was also entered in the commercial register, the shareholders of RZB were given new shares by way of consideration for the assets transferred in the merger. The total number of RBI shares issued is therefore now 328,939,621 compared to 292,979,038 previously.

The appointment of the new Management Board also took effect with the entry of the merger in the commercial register, the composition of which is as follows: Johann Strobl (CEO), Klemens Breuer (Deputy CEO and Retail Banking & Markets), Martin Grüll (CFO), Andreas Gschwenter (COO/CIO), Peter Lennkh (Corporate Banking), and Hannes Mösenbacher (CRO).

Earnings and financial performance

The merger of RZB AG into RBI AG was completed in the first quarter of 2017. As of 1 January 2017, 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 for better comparability. 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 contrast, the comparable figures in the consolidated financial statements section are to be reported in accordance with IFRS based on the previous year's published figures.

The first quarter of 2017 proved to be positive for RBI as, on the one hand, operating income was significantly above the level for the same quarter of the previous year and, on the other, loan loss provisions continued to decline. The Group's business volumes changed only marginally, with the focus on moderate credit growth in several markets as well as on the optimization of liquidity positions. Earnings and total assets were also positively impacted by the appreciation of Eastern European currencies. For example, the relevant average exchange rate of the Russian rouble – used for the calculation of the income statement – appreciated 29 per cent year-on-year and 7 per cent year-to-date.

Consolidated profit nearly doubled year-on-year and was up € 109 million to € 220 million. This increase was mainly due to the € 70 million improvement in the operating result. Net provisioning for impairment losses, which declined € 25 million to € 80 million, also materially contributed to the improved results, with a positive impact in particular from lower provisions in Russia and Albania, as well as net releases in Ukraine.

Operating income showed an increase of 9 per cent, or € 104 million year-on-year, to € 1,298 million, with all earnings components contributing to the rise. In the net interest income, the improvement in the interest margin was due not only to foreign currency effects in Russia but also to liquidity optimization and a one-off effect (€ 15 million) in the contribution to earnings from participations valued at equity. Net interest income rose 5 per cent to € 796 million, driven by a 15 basis point improvement in the interest margin. Net fee and commission income also improved (up € 37 million), as did net trading income (up € 27 million), supported by the effects of the Russian rouble appreciation.

General administrative expenses increased € 34 million to € 815 million, mainly as a result of the year-on-year appreciation of the rouble. The average number of employees (full-time equivalents) was reduced by 2,877 year-on-year to 50,408. Nevertheless, staff expenses increased 3 per cent to € 388 million due to the currency developments. Other administrative expenses were up 7 per cent, or € 22 million, to € 350 million. This was primarily due to a € 21 million increase in regulatory expenses, whereas office space expenses were down due to branch closures in the previous year. Regulatory expenses for deposit insurance fees and the resolution fund amounted to € 97 million, up from € 76 million in the previous year. The number of business outlets decreased 183 year-on-year to 2,500.

Since the start of the year, total assets rose € 3.7 billion to € 138.5 billion, with loans to customers up € 1.9 billion to € 81.7 billion. In the retail business, the € 0.7 billion rise resulted primarily from currency-related increases in Russia and from new mortgage lending business. Loans and advances to corporate customers also grew, up € 1.2 billion, due to short-term repurchase agreements at RBI AG as well as currency effects in Russia. On the liabilities side, customer deposits rose € 1.1 billion to € 81.4 billion. This included € 0.2 billion growth in retail customer deposits, primarily in Slovakia. The increase in deposits from corporate customers (up € 0.5 billion) was due to currency appreciation effects in Russia.

Equity including capital attributable to non-controlling interests showed an increase of € 316 million to € 10,067 million. Equity increased € 519 million as a result of the merger of RBI and RZB. Alongside profit after tax of € 255 million, other comprehensive income amounted to € 87 million. Positive currency effects of € 205 million were set against a valuation result from own liabilities measured at fair value of minus € 81 million, which 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.

In terms of regulatory capital, the key metrics changed as follows: Common equity tier 1 (after deductions) was € 8,685 million at the end of the period, € 81 million higher than at year-end 2016. Total capital pursuant to the CRR came to € 11,880 million, representing an increase of € 76 million compared to the 2016 year-end figure. Total risk-weighted assets increased € 1,953 million to € 69,864 million. Based on total risk, the common equity tier 1 ratio (transitional) was 12.4 per cent while the total capital ratio (transitional) was 17.0 per cent. Excluding the transitional provisions as defined in the CRR, the common equity tier 1 ratio (fully loaded) stood at 12.2 per cent, and the total capital ratio (fully loaded) was 16.8 per cent.

Comparison of results year-on-year

in € million	1/1-31/3/2017	1/1-31/3/2016 pro forma	Change	1/1-31/3/2016 published
Net interest income	796	761	35	718
Net fee and commission income	409	372	37	347
Net trading income	64	37	27	28
Recurring other net operating income	28	23	5	11
Operating income	**1,298**	**1,193**	**104**	**1,104**
Staff expenses	(388)	(379)	(9)	(347)
Other administrative expenses	(350)	(328)	(22)	(302)
hereof regulatory other administrative expenses	(97)	(76)	(21)	(75)
Depreciation	(76)	(74)	(2)	(68)
General administrative expenses	**(815)**	**(781)**	**(34)**	**(718)**
Operating result	**483**	**413**	**70**	**386**
Net provisioning for impairment losses	(80)	(105)	25	(106)
Other results	(73)	(76)	3	(52)
Profit/loss before tax	**330**	**231**	**98**	**229**
Income taxes	(75)	(94)	20	(91)
Profit/loss after tax	**255**	**137**	**118**	**138**
Profit attributable to non-controlling interests	(35)	(26)	(9)	(24)
Consolidated profit/loss	**220**	**111**	**109**	**114**

Operating income

Net interest income

In the first three months of 2017, net interest income increased 5 per cent, or € 35 million, to € 796 million. This was mainly attributable to a € 31 million currency-related increase in net interest income in Russia. In addition, a € 21 million increase in current income from companies valued at equity (including a one-off effect of € 15 million from the adjustment of the previous year's financial results for an equity participation) also contributed to the improvement in net interest income.

The net interest margin rose 15 basis points year-on-year to 2.49 per cent, 8 basis points of which were due to exchange rate effects in the Eastern Europe segment. The higher contribution from companies valued at equity also played a role in the improvement.

In the Central Europe segment, net interest income was up 39 per cent, or € 67 million, to € 235 million. The increase mainly resulted from the reclassification of Poland from the Non-Core segment to the Central Europe segment (€ 62 million). In Hungary, net interest income rose € 4 million, primarily due to liquidity optimization. The € 4 million increase in the Czech Republic primarily resulted from the Czech building society. In Slovakia, net interest income declined € 3 million due to lower interest rates. In the Southeastern Europe segment, net interest income also fell slightly – by 1 per cent, or € 2 million, to € 179 million. In the Eastern Europe segment, net interest income increased 17 per cent, or € 35 million, to € 237 million. Russia posted the largest rise, with a currency-related increase of € 31 million. Ukraine also posted € 5 million growth in net interest income, mainly attributable to interest rate adjustments relating to customer deposits and to the termination of subordinated liabilities. In the Group Corporates & Markets segment, net interest income continued to decline due to the ongoing low interest rate level (down € 5 million).

Net fee and commission income

Net fee and commission income improved 10 per cent year-on-year, or € 37 million, to € 409 million, due to currency appreciation in Eastern Europe as well as higher volumes. The largest increase of 15 per cent, or € 21 million, to € 167 million was in net income from the payment transfer business, driven by higher volumes and margins, especially in Russia and Ukraine. Net income from the securities business also increased € 7 million to € 36 million, most notably in RBI AG and in Hungary. Net income from the loan and guarantee business rose € 6 million to € 43 million; aside from the currency effects, this was also due to higher insurance income and early loan repayments mainly in Russia. Net income from the foreign currency, notes/coins and precious metals business increased 6 per cent, or € 5 million, to € 93 million, notably due to margin effects in the Czech Republic. In contrast, net income from other banking services declined € 3 million to € 14 million.

Net trading income

Net trading income increased € 27 million year-on-year to € 64 million. Net income from currency-based transactions improved € 15 million to € 32 million, mainly due to valuation gains from derivatives and foreign currency positions in Russia and RBI AG, as well as a more limited devaluation of the Ukrainian hryvnia than in the previous year. In contrast, Belarus posted a € 7 million decline due to a valuation-driven decrease in net income from open foreign currency positions. Net income from equity and index-based transactions increased € 7 million to minus € 1 million as a result of higher volumes from issuance activities. In contrast, net income from interest-based business fell € 5 million to € 30 million, primarily due to lower interest income and valuation gains from securities positions in Albania, Croatia and Romania, while the Czech Republic posted an increase.

Recurring other net operating income

Recurring other net operating income improved € 5 million year-on-year to € 28 million. The € 8 million increase in net income from the allocation and release of other provisions and € 6 million decline in other operating expenses contributed to the positive performance. In RBI AG and Hungary, other taxes which are not related to income fell € 6 million. In contrast, net income arising from non-banking activities declined € 7 million, and net income from the disposal of tangible and intangible fixed assets fell € 6 million, primarily in Hungary and in Poland.

General administrative expenses

Compared to the same period of the previous year, general administrative expenses rose € 34 million to € 815 million, mainly due to currency effects. The cost/income ratio improved 2.6 percentage points to 62.8 per cent, notably due to higher operating income.

Staff expenses

Staff expenses, which constituted the largest item within general administrative expenses (48 per cent), increased 3 per cent, or € 9 million, to € 388 million. The rise mainly resulted from higher staff expenses in Russia (up € 15 million), primarily caused by the appreciation of the Russian rouble and to a lesser extent by increased staffing levels. In RBI AG, salary adjustments and a slight increase in staffing levels resulted in a € 3 million rise. In Poland, in contrast, the sale of the leasing company and the reduction in staffing levels at the bank led to a € 4 million decline in staff expenses.

The average number of staff (full-time equivalents) fell 2,877 year-on-year to 50,408. The largest decline was posted in Ukraine (down 1,477); other reductions resulted from the disposal of Group assets.

Other administrative expenses

Other administrative expenses increased 7 per cent, or € 22 million, to € 350 million. This increase was primarily due to a € 23 million rise in the contributions to the bank resolution fund, which are booked in the first quarter for the entire year. In addition, advertising, PR and promotional expenses increased € 4 million as a result of an advertising campaign in Russia and legal, advisory and consultancy expenses increased € 3 million mainly in RBI AG. This contrasted with a € 6 million decline in office space expenses, which was mainly attributable to a relocation in Poland, and a € 5 million reduction in IT expenses.

Depreciation of tangible and intangible fixed assets

Depreciation of tangible and intangible fixed assets increased 3 per cent, or € 2 million, year-on-year to € 76 million. The rise resulted from higher depreciation of intangible fixed assets in Russia.

Net provisioning for impairment losses

Net provisioning for impairment losses fell 24 per cent overall year-on-year, or € 25 million, to € 80 million. The decline was attributable to a € 43 million reduction in individual loan loss provisioning to € 74 million. There was a net allocation of € 7 million of portfolio-based provisions in the reporting period compared to a net release of € 11 million in the same period of the prior year.

Net provisioning for impairment losses in the reporting period included € 64 million (previous year's period: € 75 million) in relation to corporate customers, and € 23 million in relation to retail customers (previous year's period: € 41 million).

The largest decline in net provisioning for impairment losses was recorded in Russia, where the provisioning requirement fell € 46 million year-on-year to € 4 million. This was because higher allocations, particularly for large individual cases in the corporate customer business, were necessary in the previous year's period. Net provisioning for impairment losses also improved significantly in Ukraine, supported by loan sales and increased collection activities. There was a net release of € 22 million in the reporting period compared to provisioning of € 10 million in the prior year period. In Albania, net provisioning for impairment losses amounted to € 1 million, following net provisioning of € 30 million in the same period of the prior year due to the default of several large corporate customers. The situation differed in the Group Corporates & Markets segment, where net provisioning for corporate customers in the reporting period amounted to € 55 million (previous year's period: net release of € 2 million). In Romania, net provisioning increased € 24 million to € 32 million for retail and corporate customers, with the majority attributable to a provision for voluntary conversion offers relating to loans denominated in Swiss francs.

Since the start of the year the portfolio of non-performing loans to customers decreased by € 101 million to € 6,809 million. Currency developments resulted in a € 12 million increase. The actual reduction in non-performing loans on a currency-adjusted basis was therefore € 113 million. The largest declines were reported in Ukraine (down € 138 million) and in Bulgaria (down € 31 million), whereas Croatia (up € 33 million) and Poland (up € 21 million) reported increases. The NPL ratio improved 0.3 percentage points to 8.3 per cent compared to year-end 2016. Non-performing loans compared to loan loss provisions amounting to € 5,042 million, resulting in an NPL coverage ratio of 74.0 per cent, compared to 75.2 per cent at the year-end.

The provisioning ratio, based on the average volume of loans and advances to customers, was slightly below the previous year's ratio of 0.41 per cent at 0.40 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 – improved € 3 million year-on-year to minus € 73 million.

Net income from derivatives and liabilities

Net income from derivatives and liabilities increased from minus € 112 million in the previous year's period to plus € 8 million in the reporting period. This increase was due to positive valuation results from bank book derivatives, notably interest rate swaps used to hedge government bonds in the fair value securities portfolio, and from own issues.

Net income from financial investments

Net income from financial investments fell € 119 million year-on-year to minus € 32 million. This was primarily attributable to a negative valuation result on government bonds, which were hedged by interest rate swaps.

Bank levies and non-recurring effects

The expense for bank levies rose € 17 million year-on-year to € 71 million. This was mainly due to a € 21 million increase in expenses in Austria, which primarily resulted from the one-off payment made by RBI AG in the amount of € 41 million in the first quarter. This is the first of a total of four annual payments, which in accordance with requirements is to be booked in its entirety in the first quarter. Hungary reported a reduction of € 6 million due to the change in the assessment basis.

In Romania in the first quarter, following the Constitutional Court's decision that the Walkaway Law cannot be applied retrospectively, there was a release of the related provision in the amount of € 22 million.

Net income from the disposal of Group assets

In the reporting period, net income from the disposal of Group assets amounted to less than € 1 million (previous year's period: € 9 million). The deconsolidation of entities in the reporting period resulted mainly from immateriality.

Income taxes

Income tax expense decreased 21 per cent year-on-year, or € 20 million, to € 75 million. The decline was mainly due to tax expenses of € 15 million, booked in the first quarter of 2016 for prior periods in RBI AG, and to a € 22 million reduction in the tax expense in Poland in the reporting period. In the prior year period, the intra-Group sale of the Polish leasing company resulted in higher tax expense in Poland. This contrasted with higher tax expense in Russia and Ukraine due to higher taxable profits. The tax rate was 23 per cent in the reporting period (previous year's period: 41 per cent). The reduction was primarily attributable to negative earnings contributions of individual Group units in the same period in the previous year.

Comparison of results with the previous quarter

in € million	Q1/2017	Q4/2016 pro forma	Change	Q4/2016 published
Net interest income	796	858	(61)	748
Net fee and commission income	409	419	(10)	400
Net trading income	64	79	(15)	78
Recurring other net operating income	28	19	9	(4)
Operating income	**1,298**	**1,374**	**(77)**	**1,222**
Staff expenses	(388)	(403)	15	(362)
Other administrative expenses	(350)	(324)	(26)	(293)
hereof regulatory other administrative expenses	(97)	(22)	(75)	(21)
Depreciation	(76)	(120)	43	(94)
General administrative expenses	**(815)**	**(847)**	**33**	**(749)**
Operating result	**483**	**527**	**(44)**	**474**
Net provisioning for impairment losses	(80)	(257)	177	(251)
Other results	(73)	(105)	32	(82)
Profit/loss before tax	**330**	**165**	**165**	**140**
Income taxes	(75)	(52)	(23)	(46)
Profit/loss after tax	**255**	**113**	**142**	**94**
Profit attributable to non-controlling interests	(35)	(26)	(9)	(25)
Consolidated profit/loss	**220**	**87**	**134**	**69**

Operating income

Net interest income

Compared to the fourth quarter of 2016, net interest income fell 7 per cent, or € 61 million, to € 796 million in the first quarter of 2017. The net interest margin (calculated based on interest-bearing assets) declined 18 basis points from the previous quarter to 2.49 per cent. The primary cause of this decrease was dividend income from an unconsolidated affiliated company amounting to € 60 million, received in the fourth quarter of 2016, which originally derived from the sale of a hotel building in Vienna. In the underlying business there were only minor changes and the interest margin was stable, though interest income remained under pressure due to the continuing low interest rate level in RBI's markets.

Net fee and commission income

Net fee and commission income declined 2 per cent compared to the fourth quarter, or € 10 million, to € 409 million. This reduction was largely attributable to seasonally lower revenues. Net income from the foreign currency, notes/coins and precious metals business posted the largest decline of 12 per cent, or € 13 million, to € 93 million, due to seasonal effects in Poland, Romania, Russia and RBI AG. Net income from the payment transfer business decreased 6 per cent, or € 11 million, to € 167 million, as a result of seasonally lower fee and commission income in Romania, Russia and Ukraine. In contrast, net income from the loan and guarantee business improved € 10 million to € 43 million and was caused by lower fee and commission expenses, primarily in the Austrian building society business, Romania and Russia.

Net trading income

Compared to the previous quarter, net trading income declined € 15 million to € 64 million. Net income from currency-based transactions fell € 12 million to € 32 million, primarily due to exchange-rate related valuation losses on foreign currency positions in RBI AG. This contrasted with valuation gains on foreign currency positions and from derivatives, especially in Hungary and Ukraine. Net income from equity and index-based transactions posted a € 7 million decrease as a result of an adjustment of the yield curve due to changed market conditions. Net income from interest-based transactions increased € 4 million to € 30 million, primarily due to valuation gains on securities positions in Russia.

Recurring other net operating income

In the first quarter of 2017, recurring other net operating income increased € 9 million compared to the previous quarter to € 28 million. Net income from the allocation and release of other provisions rose € 14 million, mainly due to the allocation for litigation in Slovakia in the fourth quarter of 2016. This contrasted with a € 6 million decline in net income from the sale of tangible fixed assets.

General administrative expenses

In the first quarter of 2017, general administrative expenses were € 815 million, down 4 per cent, or € 33 million, on the previous quarter.

Staff expenses fell 4 per cent, or € 15 million, to € 388 million in the first quarter of 2017, due to lower expenses relating to severance and future bonus payments. Other administrative expenses increased 8 per cent, or € 26 million, to € 350 million. The increase was due to the contributions to the bank resolution fund in the amount of € 70 million, which were booked in the first quarter for the entire year. This contrasted with declines in other administrative expenses due to seasonal effects. Legal and advisory and consultancy expenses decreased € 21 million and advertising expenses fell € 19 million.

Depreciation of tangible and intangible fixed assets fell 36 per cent quarter-on-quarter, or € 43 million, to € 76 million, mainly due to an impairment charge on a Raiffeisen Immobilienfonds investment property and higher depreciation in Slovakia and Russia in the fourth quarter of 2016.

Net provisioning for impairment losses

Compared to the previous quarter, net provisioning for impairment losses declined € 177 million to € 80 million. This large reduction was mainly seasonally driven; lower provisioning is to be expected in the first quarter due to the period for adjusting events which follows the reporting date for the annual financial statements. The largest declines occurred in the Eastern Europe segment (€ 89 million) – especially in Russia (€ 67 million) – as well as in the Southeastern Europe segment (€ 43 million) and Asia (€ 60 million).

Since the start of the year the portfolio of non-performing loans decreased by € 101 million to € 6,809 million. On a currency-adjusted basis, the decline was € 113 million. The largest falls were reported in Ukraine (down € 138 million) and in Bulgaria (down € 31 million). In contrast, Croatia (up € 33 million) and Poland (up € 21 million) reported increases. The NPL ratio declined 0.3 percentage points to 8.3 per cent, compared to the previous quarter, while the NPL coverage ratio decreased from 75.2 per cent to 74.0 per cent.

Other results and taxes

Other results improved € 32 million – from minus € 105 million in the fourth quarter of 2016 – to minus € 73 million in the first quarter of 2017.

Net income from derivatives and liabilities

Net income from derivatives and liabilities declined € 22 million compared to the previous quarter to € 8 million as a result of the valuation of bank book derivatives and own issues.

Net income from financial investments

Net income from financial investments improved € 85 million compared to the previous quarter to minus € 32 million. This increase was largely attributable to the valuation of government bonds and significantly lower impairment charges on equity participations.

Bank levies and non-recurring effects

Bank levies amounted to € 71 million in the first quarter of 2017 (previous quarter: € 44 million). The largest increase resulted from the one-off payment made by RBI AG in the amount of € 41 million in the first quarter. This is the first of a total of four annual payments, which is to be booked in its entirety in the first quarter in accordance with requirements. In Hungary, the bank levies for the full year were booked in the first quarter of 2017 resulting in expenses of € 13 million.

In the first quarter of 2017, a provision of € 22 million was released in Romania relating to the "Walkaway Law"; in the fourth quarter of 2016, related releases amounted to € 12 million.

Net income from the disposal of Group assets

In the first quarter of 2017, net income from the disposal of Group assets amounted to less than € 1 million. In the fourth quarter of 2016, € 17 million was recognized, which mainly resulted from the sale of the Polish leasing company.

Income tax expense increased € 23 million quarter-on-quarter to € 75 million, primarily due to higher taxable profits in Russia and in Ukraine.

Statement of financial position

Since the start of the year, RBI's total assets rose € 3,685 million to € 138,489 million. Currency developments – predominantly the appreciation of the Russian rouble by around 7 per cent and of the Polish zloty by more than 4 per cent – resulted in € 515 million of the increase.

Assets

in € million	31/3/2017	Share	31/12/2016 pro forma	Share	31/12/2016 published	Share
Loans and advances to banks (less impairment losses)	12,828	9.3%	10,931	8.1%	9,850	8.8%
Loans and advances to customers (less impairment losses)	76,613	55.3%	74,574	55.3%	65,609	58.7%
Financial investments	24,145	17.4%	24,524	18.2%	16,972	15.2%
Other assets	24,903	18.0%	24,775	18.4%	19,433	17.4%
Total assets	**138,489**	**100.0%**	**134,804**	**100.0%**	**111,864**	**100.0%**

Since the beginning of the year, loans and advances to banks before deduction of impairment losses increased 17 per cent, or € 1,895 million, to € 12,877 million. This was mainly due to an increase in short-term positions in the form of repurchase agreements totaling € 1,686 million to € 5,060 million, mainly at RBI AG.

Loans and advances to customers before deduction of impairment losses rose 2 per cent, or € 1,886 million, to € 81,655 million. This included an increase in loans to corporate customers (large and mid-market corporates) of 3 per cent, or € 1,224 million, to € 48,204 million, mainly driven by a rise in short-term receivables, in particular repurchase and securities lending transactions at RBI AG, and largely currency-driven gains in Russia. Loans and advances to retail customers (private individuals, as well as small and medium-sized entities) rose 2 per cent, or € 677 million, to € 32,694 million, which was also largely currency-driven in Russia.

Equity and liabilities

in € million	31/3/2017	Share	31/12/2016 pro forma	Share	31/12/2016 published	Share
Deposits from banks	26,952	19.5%	24,060	17.8%	12,816	11.5%
Deposits from customers	81,381	58.8%	80,325	59.6%	71,538	64.0%
Equity and subordinated capital	14,328	10.3%	13,989	10.4%	13,436	12.0%
Other liabilities	15,829	11.4%	16,431	12.2%	14,073	12.6%
Total equity and liabilities	**138,489**	**100.0%**	**134,804**	**100.0%**	**111,864**	**100.0%**

The volume of Group financing from banks (mainly commercial banks) was up 12 per cent, or € 2,892 million, to € 26,952 million, predominantly at RBI AG, in Russia and the Czech Republic.

Deposits from customers increased 1 per cent, or € 1,056 million, to € 81,381 million. This included growth in deposits from corporate customers of € 461 million to € 31,884 million, mainly driven by currency-related gains in Russia. Deposits from retail customers were up € 228 million to € 47,656 million, notably in Slovakia. Similarly, public sector deposits – predominantly in the Czech Republic and Croatia – rose € 367 million to € 1,841 million.

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

Due to the merger of RBI and RZB, equity on the statement of financial position – consisting of consolidated equity, consolidated profit/loss and non-controlling interests – registered a positive effect of € 519 million.

Additionally, equity on the statement of financial position rose 3 per cent compared to year-end 2016, or € 316 million, to € 10,067 million. The increase was mainly attributable to total comprehensive income.

Total comprehensive income of € 342 million comprised profit after tax of € 255 million and other comprehensive income of € 87 million. Exchange rate differences of € 205 million represented the largest item in other comprehensive income. Key drivers were the around 7 per cent appreciation of the Russian rouble (up € 126 million) and the more than 4 per cent appreciation of the Polish zloty (up € 62 million). There was a € 81 million negative impact on other comprehensive income from the early application of IFRS 9.7.1.2 with respect to the recognition of gains and losses on liabilities designated at fair value. In addition, the capital hedge had a negative result of € 33 million, caused in particular by the appreciation of the Russian rouble. A further negative contribution of € 11 million came from other changes in equity of companies valued at equity. In contrast, financial assets available for sale resulted in an increase in other comprehensive income of € 4 million, and the cash flow hedge had a positive impact of € 2 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 € 11,880 million as at 31 March 2017. This corresponds to an increase of € 76 million compared to the 2016 year-end figure, largely due to positive exchange rate differences. In contrast, the application of the transitional provisions for 2017 had a negative impact, which was partly compensated for by the revised 2017 minimum capital requirements. Common equity tier 1 (after deductions) was up € 81 million. On the one hand, exchange rate movements led to a positive effect of € 205 million, above all the appreciation of the Russian rouble which had an impact of € 126 million. Aside from the postive contribution to capital resulting from the merger of RZB and RBI, there were negative effects due to the offset of intra-Group transactions. Tier 2 capital came to € 3,194 million.

Total capital compared to a total capital requirement of € 5,589 million. The total capital requirement for credit risk amounted to € 4,571 million, corresponding to an increase of € 82 million. This was mainly attributable to the positive development of the Russian rouble and Polish zloty, as well as to new business in Russia. The total capital requirement for position risk in bonds, equities, commodities and currencies showed an increase of € 61 million, largely attributable to exchange rate fluctuations in the internal model and to the increase in bond positions in Russia. The updated total capital requirement under the advanced measurement approach, as well as updated operating income under the standardized approach, led to an increase in the total capital requirement for operational risk of € 13 million to € 740 million.

Based on total risk, the common equity tier 1 ratio (transitional) was 12.4 per cent while the total capital ratio (transitional) was 17.0 per cent.

Excluding the transitional provisions as defined in the CRR, the common equity tier 1 ratio (fully loaded) stood at 12.2 per cent and the total capital ratio (fully loaded) was 16.8 per cent.

Taking account of net income for the first 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.

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 below the level of 2016 (€758 million).

We expect an NPL ratio of around 8 per cent by the end of 2017, and over the medium term we expect this to reduce further.

We further 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 and Leipnik-Lundenburger Invest Beteiligungs AG)

The segmentation has changed as a result of the merger of RBI and RZB. 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 merged with RZB in the first quarter of 2017.

Central Europe

in € million	1/1-31/3 2017	1/1-31/3 2016 pro forma	Change	Q1/2017	Q4/2016 pro forma	Change
Net interest income	235	169	39.4%	235	171	37.9%
Net fee and commission income	135	90	49.6%	135	101	33.0%
Net trading income	15	5	170.9%	15	10	47.3%
Recurring other net operating income	(6)	3	–	(6)	(22)	(72.5)%
Operating income	**379**	**267**	**41.9%**	**379**	**260**	**45.5%**
General administrative expenses	(253)	(170)	49.0%	(253)	(182)	39.3%
Operating result	**126**	**97**	**29.6%**	**126**	**79**	**59.8%**
Net provisioning for impairment losses	(9)	(4)	161.6%	(9)	(6)	50.6%
Other results	(26)	(15)	69.4%	(26)	(14)	83.4%
Profit/loss before tax	**91**	**78**	**15.8%**	**91**	**59**	**55.0%**
Income taxes	(12)	(14)	(10.9)%	(12)	(10)	26.9%
Profit/loss after tax	**79**	**65**	**21.4%**	**79**	**49**	**60.5%**

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.

Profit after tax rose € 14 million to € 79 million. Much of this gain was attributable to higher profit in Hungary resulting from higher net releases of loan loss provisions (loan sales and collection activities). In the Czech Republic, net income from financial investments increased in particular due to bond sales.

Operating income

Net interest income increased 39 per cent year-on-year, or € 67 million, to € 235 million. The increase was largely the product of adding Poland and its net interest income of € 62 million to the segment. In Hungary, net interest income was up € 4 million due mainly to lower interest expenses for deposits from central banks. The gain of € 4 million in the Czech Republic was primarily volume-related. In Slovakia, net interest income declined € 3 million as a consequence of lower interest rates. The net interest margin rose slightly by 2 basis points year-on-year to 2.34 per cent.

Net fee and commission income rose 50 per cent year-on-year, or € 45 million, to € 135 million. Of this amount, € 33 million resulted from the inclusion of Poland in the segment. In the Czech Republic, net fee and commission income was up € 7 million to € 33 million, primarily due to better margins in the foreign currency, notes/coins, and precious metals business. Hungary also reported an increase of € 4 million to € 31 million as a result of lower fee and commission expense and margin-related gains in the securities business, the foreign currency, notes/coins, and precious metals business and the loan and guarantee business.

Net trading income rose € 9 million to € 15 million. In the Czech Republic, net trading income increased € 7 million year-on-year to € 5 million, largely as a consequence of positive valuation results for interest-based derivatives. In Hungary, net income from interest-based transactions improved € 2 million, primarily due to higher income from trading assets and liabilities. The effect of adding Poland to the segment was € 1 million.

Recurring other net operating income fell € 9 million to minus € 6 million. Aside from the inclusion of Poland (minus € 3 million), the reduction was primarily attributable to a decline of € 8 million in sundry operating income in the Czech Republic resulting from the sale of the card acquiring business (POS terminals) in the previous year’s quarter.

General administrative expenses

The segment's general administrative expenses rose 49 per cent year-on-year, or € 83 million, to € 253 million. Staff expenses were up 52 per cent, or € 40 million, to € 118 million, driven by the inclusion of Poland (€ 34 million) and the acquisition of Citibank's retail and credit card business in the Czech Republic in March 2016. The increase of 4,953 to 13,912 in the average number of staff was largely the result of adding Poland to the segment. Other administrative expenses rose 50 per cent, or € 38 million, to € 114 million, with Poland accounting for € 36 million of the increase. In the Czech Republic there was an increase in deposit insurance fees, advertising expenses and contributions to the bank resolution fund. Depreciation of tangible and intangible fixed assets rose 30 per cent, or € 5 million, to € 21 million, and was also attributable to Poland. The number of business outlets in the segment amounted to 698. The cost/income ratio increased 3.2 percentage points to 66.7 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses in the Central Europe segment was € 9 million in the reporting period, € 6 million higher than in the same period the previous year. The largest change, of € 13 million, came from adding Poland to the Central Europe segment. In Slovakia, net provisioning for impairment losses rose € 2 million to € 5 million and was mainly for corporate customers . In Hungary, in contrast, net releases rose € 8 million to € 14 million, due to an improved risk situation in the retail customer business, loan sales and collection activities. In the Czech Republic, net provisioning for impairment losses remained unchanged at € 6 million.

At the end of the first quarter of 2017, the proportion of non-bank non-performing loans in the Central Europe segment's loan portfolio stood at 6.2 per cent. The NPL coverage ratio was 65.7 per cent.

Other results and taxes

The Central Europe segment's other results decreased € 11 million year-on-year to minus € 26 million.

In the previous year's period, net income from disposal of group assets was € 8 million and resulted mainly from the sale of a real estate leasing project in the Czech Republic and the disposal of several Group units in Hungary; there were no effects in the segment during the period under review.

The bank levies contained in other results increased € 3 million to € 26 million, primarily due to the inclusion of Poland (€ 2 million rise in expenses to € 9 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 € 5 million.

The segment's income taxes decreased € 1 million year-on-year to € 12 million. The tax rate was 13 per cent, down from 17 per cent in the comparable quarter of the previous year.

Detailed results of individual countries in the segment:

1/1-31/3/2017 in € million	Czech Republic	Hungary	Poland	Slovakia
Net interest income	69	34	62	69
Net fee and commission income	33	31	33	39
Net trading income	5	6	1	2
Recurring other net operating income	0	(8)	(3)	4
Operating income	**108**	**63**	**93**	**113**
General administrative expenses	(70)	(38)	(74)	(70)
Operating result	**38**	**25**	**19**	**44**
Net provisioning for impairment losses	(6)	14	(13)	(5)
Other results	6	(19)	(8)	(5)
Profit/loss before tax	**38**	**21**	**(2)**	**33**
Income taxes	(8)	(2)	5	(7)
Profit/loss after tax	**30**	**18**	**4**	**26**
Return on equity before tax	13.7%	13.8%	-	11.3%
Return on equity after tax	10.9%	12.3%	1.0%	8.8%
Net interest margin (average interest-bearing assets)	1.89%	2.22%	2.12%	2.45%
Cost/income ratio	64.9%	60.3%	79.7%	61.4%
Loan/deposit ratio (net)	83.5%	59.3%	97.0%	94.9%
Provisioning ratio (average loans and advances to customers)	0.25%	(1.88)%	0.62%	0.24%
NPL ratio	3.9%	13.9%	8.6%	3.4%
NPL coverage ratio	74.5%	73.4%	56.9%	70.8%
Assets	15,734	6,795	11,959	11,597
Liabilities	14,572	6,165	10,474	10,502
Risk-weighted assets (total RWA)	6,017	3,625	6,421	5,100
Equity	1,162	630	1,485	1,095
Loans and advances to customers	9,677	3,052	8,310	8,883
hereof corporate %	36.9%	66.9%	32.1%	43.7%
hereof retail %	62.6%	31.3%	67.6%	56.2%
hereof foreign currency %	15.3%	44.7%	55.8%	1.0%
Deposits from customers	11,237	4,604	8,146	9,137
Business outlets	132	72	299	194
Employees as at reporting date	3,362	2,006	4,157	4,049
Customers	1,183,894	542,322	775,891	936,965

Southeastern Europe

in € million	1/1-31/3 2017	1/1-31/3 2016 pro forma	Change	Q1/2017	Q4/2016 pro forma	Change
Net interest income	179	180	(0.9)%	179	183	(2.3)%
Net fee and commission income	92	91	0.7%	92	100	(8.3)%
Net trading income	12	20	(41.0)%	12	8	53.3%
Recurring other net operating income	8	6	34.3%	8	9	(12.8)%
Operating income	**290**	**297**	**(2.3)%**	**290**	**299**	**(3.2)%**
General administrative expenses	(179)	(170)	5.3%	(179)	(181)	(1.2)%
Operating result	**110**	**126**	**(12.7)%**	**110**	**118**	**(6.3)%**
Net provisioning for impairment losses	(34)	(24)	45.0%	(34)	(78)	(56.0)%
Other results	24	(2)	–	24	11	111.7%
Profit/loss before tax	**100**	**101**	**(0.7)%**	**100**	**52**	**94.2%**
Income taxes	(12)	(16)	(25.8)%	(12)	(15)	(20.3)%
Profit/loss after tax	**88**	**85**	**4.2%**	**88**	**36**	**142.4%**

Profit after tax was up € 4 million, to € 88 million. A decline in the operating result – driven by regulatory expenses and a reduction in net trading income – and increased loan loss provisioning requirements were fully offset by reversals of provisions in connection with the Walkaway Law in Romania.

Operating income

Net interest income slightly fell year-on-year by 1 per cent, or € 2 million, to € 179 million. The largest reduction was reported in Bulgaria (minus €2 million), followed by Albania (minus € 1 million).The largest rise in the segment was reported in Romania (plus € 2 million), due to lower interest expenses for deposits from customers. In Bosnia and Herzegovina, as well as Croatia, net interest income was almost unchanged. The segment's net interest margin declined 13 basis points to 3.32 per cent.

Net fee and commission income was up 1 per cent, or € 1 million, to € 92 million. Net income from the securities business increased € 1 million to € 5 million, as a result of higher income primarily from a bond issue in Croatia. Net income from the loan and guarantee business was up € 1 million to € 6 million, mainly in Romania. Net income from the foreign currency, notes/coins and precious metals business also rose € 1 million to € 20 million, primarily in Bosnia and Herzegovina, Bulgaria and Romania. In contrast, net income from the sale of own and third party products declined € 2 million to € 5 million due to lower net fee and commission income in Romania.

Net trading income declined 41 per cent year-on-year, or € 8 million, to € 12 million. Lower interest income and valuation losses on securities positions in Albania, Croatia and Romania were mainly responsible for the € 7 million reduction in interest-based business to € 1 million.

Recurring other net operating income improved € 2 million to € 8 million, mainly as a result of lower sundry operating expenses.

General administrative expenses

General administrative expenses increased 5 percent, or € 9 million, year-on-year to € 179 million. Staff expenses remained unchanged at € 74 million. The average headcount fell by 251 to 14,927. The segment's other administrative expenses were up 11 per cent, or € 9 million, to € 86 million. This was attributable mainly to deposit insurance fees and the bank resolution fund in Bulgaria (€ 5 million and € 3 million respectively), which were booked in the first quarter for the full year. Depreciation of tangible and intangible fixed assets increased 3 per cent, or € 1 million, to € 20 million, mainly in Romania and Bulgaria. The number of business outlets declined by 49 year-on-year to 1,008, primarily as a result of a reduction in the number of outlets in Romania and Bulgaria. The cost/income ratio increased 4.5 percentage points to 61.9 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses increased € 11 million to € 34 million. This was primarily due to a € 24 million rise in net provisioning for impairment losses for corporate and retail customers in Romania, which mainly reflected a provision for offers relating to voluntary conversion of Swiss franc loans. In Croatia, the provisioning requirement amounted to € 7 million due to corporate customer defaults, after net releases of € 4 million in the comparable period of the previous year. In contrast, net provisioning for impairment losses amounted to € 1 million in Albania in the reporting period. The decline of € 29 million was attributable to the default of several large corporate customers in the same period of the previous year.

The share of non-performing loans to non-banks in the segment's loan portfolio was 10.5 per cent, while the NPL coverage ratio stood at 79.1 per cent.

Other results and taxes

Other results increased from minus € 2 million in the comparable period of the previous year to plus € 24 million in the reporting period. In the first quarter of 2017, provisions of € 22 million were released in Romania in connection with the Walkaway Law.

Net income from derivatives and liabilities improved € 4 million, which mainly reflected the positive valuation of interest-based derivatives held for hedging purposes in Croatia. Net income from financial investments fell € 3 million year-on-year to € 2 million, largely as a result of lower net income from sales of government bonds in Romania.

The income tax expense in the segment decreased € 4 million year-on-year to € 12 million, mainly in Croatia and Romania, reflecting lower net income. The tax rate declined 4 percentage points to 12 per cent.

Detailed results of individual countries:

1/1-31/3/2017 in € million	Albania	Bosnia and Herzegovina	Bulgaria
Net interest income	13	17	26
Net fee and commission income	4	9	10
Net trading income	3	0	1
Recurring other net operating income	1	0	1
Operating income	**20**	**26**	**38**
General administrative expenses	(10)	(12)	(27)
Operating result	**10**	**14**	**11**
Net provisioning for impairment losses	(1)	(2)	7
Other results	1	0	0
Profit/loss before tax	**10**	**12**	**18**
Income taxes	0	(1)	(2)
Profit/loss after tax	**10**	**10**	**17**
Return on equity before tax	21.1%	17.6%	15.2%
Return on equity after tax	20.9%	15.6%	13.7%
Net interest margin (average interest-bearing assets)	2.96%	3.37%	3.13%
Cost/income ratio	50.0%	46.9%	70.4%
Loan/deposit ratio (net)	40.9%	67.3%	84.6%
Provisioning ratio (average loans and advances to customers)	0.44%	0.57%	(1.30)%
NPL ratio	22.7%	8.7%	5.6%
NPL coverage ratio	79.3%	76.7%	96.7%
Assets	1,952	2,091	3,440
Liabilities	1,752	1,816	2,955
Risk-weighted assets (total RWA)	1,527	1,572	1,765
Equity	200	275	485
Loans and advances to customers	801	1,205	2,199
hereof corporate %	60.4%	31.7%	41.1%
hereof retail %	39.6%	67.6%	58.4%
hereof foreign currency %	57.2%	59.1%	46.3%
Deposits from customers	1,608	1,670	2,458
Business outlets	81	98	136
Employees as at reporting date	1,252	1,271	2,584
Customers	523,503	433,933	647,389

1/1-31/3/2017 in € million	Kosovo	Croatia	Romania	Serbia
Net interest income	9	31	63	20
Net fee and commission income	2	16	41	9
Net trading income	0	3	4	1
Recurring other net operating income	0	5	(1)	1
Operating income	**12**	**56**	**107**	**31**
General administrative expenses	(6)	(34)	(72)	(18)
Operating result	**6**	**21**	**35**	**14**
Net provisioning for impairment losses	0	(7)	(32)	0
Other results	0	2	22	0
Profit/loss before tax	**6**	**16**	**24**	**14**
Income taxes	(1)	(3)	(4)	(2)
Profit/loss after tax	**5**	**13**	**21**	**12**
Return on equity before tax	18.4%	9.6%	13.0%	12.0%
Return on equity after tax	16.3%	7.8%	11.0%	10.6%
Net interest margin (average interest-bearing assets)	4.16%	2.96%	3.40%	3.93%
Cost/income ratio	53.3%	61.7%	67.4%	56.4%
Loan/deposit ratio (net)	70.4%	73.4%	76.0%	68.3%
Provisioning ratio (average loans and advances to customers)	0.15%	0.97%	2.69%	(0.16)%
NPL ratio	5.8%	16.8%	8.1%	10.1%
NPL coverage ratio	62.2%	79.3%	74.9%	80.0%
Assets	907	4,637	7,670	2,137
Liabilities	793	3,944	6,899	1,655
Risk-weighted assets (total RWA)	556	2,797	4,311	1,681
Equity	113	693	771	482
Loans and advances to customers	538	2,830	4,733	1,194
hereof corporate %	37.9%	40.5%	32.6%	52.5%
hereof retail %	62.1%	57.4%	65.9%	47.4%
hereof foreign currency %	0.0%	51.0%	38.9%	62.4%
Deposits from customers	736	3,306	5,838	1,607
Business outlets	48	78	480	87
Employees as at reporting date	732	2,119	5,368	1,528
Customers	263,485	528,494	2,309,141	709,722

Eastern Europe

in € million	1/1-31/3 2017	1/1-31/3 2016 pro forma	Change	Q1/2017	Q4/2016 pro forma	Change
Net interest income	237	202	17.2%	237	229	3.6%
Net fee and commission income	109	86	27.1%	109	113	(3.5)%
Net trading income	22	16	39.9%	22	14	61.1%
Recurring other net operating income	(3)	(1)	186.6%	(3)	(2)	60.4%
Operating income	**366**	**303**	**20.7%**	**366**	**354**	**3.3%**
General administrative expenses	(152)	(119)	28.5%	(152)	(162)	(6.1)%
Operating result	**213**	**184**	**15.7%**	**213**	**192**	**11.3%**
Net provisioning for impairment losses	19	(67)	–	19	(71)	–
Other results	3	9	(66.0)%	3	3	(0.3)%
Profit/loss before tax	**235**	**127**	**85.0%**	**235**	**124**	**89.5%**
Income taxes	(48)	(25)	94.3%	(48)	(16)	194.9%
Profit/loss after tax	**187**	**102**	**82.7%**	**187**	**108**	**73.6%**

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 and Belarus rouble appreciated 29 per cent and 11 per cent respectively.

The 83 per cent increase in profit after tax to € 187 million was mainly attributable to currency appreciation and lower loan loss provisioning. In Russia, net income almost doubled due to lower net provisioning for impairment losses and a largely currency-related increase in net interest income. The rise in net income in Ukraine resulted from lower loan loss provisioning. In contrast, net income fell year-on-year in Belarus due to a lower valuation result from foreign currency positions.

Operating income

Net interest income was up 17 per cent, or € 35 million, year-on-year to € 237 million. The largest increase was in Russia, which posted a mainly currency-related rise of € 31 million. Ukraine also reported a € 5 million rise in net interest income, which mostly reflected lower interest expenses for customer deposits. In Belarus, net interest income was € 2 million lower than in the previous year due to a fall in market interest rates. The segment's net interest margin improved year-on-year 5 basis points to 6.49 per cent.

Net fee and commission income improved 27 per cent, or € 23 million, year-on-year to € 109 million. Net income from the payment transfer business was up 41 per cent, or € 15 million, to € 53 million, mainly as a result of exchange rate developments, but also due to higher volumes and margins in Russia and Ukraine. Net income from the loan and guarantee business also rose – primarily in Russia – € 7 million to € 18 million.

Net trading income increased from € 16 million in the corresponding period of the previous year to € 22 million. Net income from interest-based transactions improved by € 3 million to € 6 million, due to higher income from derivative financial instruments and securities positions in Russia and Ukraine. Net income from currency-based transactions was up € 4 million to € 16 million. Russia posted a rise of € 5 million due to valuation gains on derivative financial instruments and from foreign currency positions. Ukraine reported an increase of € 7 million as a result of the more limited depreciation of the Ukrainian hryvnia. In contrast, there was a decline of € 7 million in Belarus due to a valuation-related fall in net income from open foreign currency positions.

Recurring other net operating income was down € 2 million year-on-year to minus € 3 million, mainly as a result of a decline in Russia.

General administrative expenses

General administrative expenses increased 29 per cent, or € 34 million, year-on-year to € 152 million. Russia accounted for most of the rise, which was primarily caused by the appreciation of the Russian rouble. Staff expenses in the segment rose € 18 million for currency-related reasons. In addition, an increase in the headcount in Russia led to higher staff expenses. Other administrative expenses were up € 9 million to € 50 million. This reflected higher advertising expenses in Russia relating to a campaign for a new mobile application. Furthermore, the deposit insurance fees, office space expenses and costs of office supplies rose as a result of currency movements. Depreciation was up € 7 million due to an increase in intangible fixed assets in Russia. The number of business outlets in the segment fell 86 to 770. The reduction related mostly to Ukraine. The cost/income ratio increased 2.5 percentage points to 41.7 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses declined € 85 million year-on-year, with a net release of € 19 million in the reporting period. In Russia, net provisioning for impairment losses fell € 46 million to € 4 million. This was attributable to the need for higher net provisioning in the comparable period of the previous year predominantly for large individual cases in the corporate customer business. The credit risk situation also improved considerably in Ukraine; supported by loan sales and increased collection activities, a net release of € 22 million was reported in the period after net allocations of € 10 million were required in the comparable period of the previous year. In Belarus, no provisioning for impairments was needed, whereas in the same period of the previous year net provisioning amounted to € 7 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 12.4 per cent, while the NPL coverage ratio was 85.3 per cent.

Other results and taxes

Other results fell € 6 million year-on-year to € 3 million. In particular, net income from financial investments declined € 7 million to € 1 million, driven by lower valuation gains mainly on fixed income, US dollar-indexed government bonds in Ukraine. Net income from derivative financial instruments improved € 1 million to € 2 million, as a result of the valuation of interest rate swaps used to mitigate interest rate structure risk in Russia.

The segment's tax expense increased € 23 million to € 48 million due to higher net income. The tax rate was 20 per cent compared to 19 per cent in the same period of the previous year.

Detailed results of individual countries:

1/1-31/3/2017 in € million	Belarus	Russia	Ukraine
Net interest income	31	161	45
Net fee and commission income	13	75	21
Net trading income	(1)	18	5
Recurring other net operating income	0	(2)	0
Operating income	**43**	**252**	**70**
General administrative expenses	(20)	(100)	(32)
Operating result	**23**	**152**	**38**
Net provisioning for impairment losses	0	(4)	22
Other results	0	2	1
Profit/loss before tax	**24**	**151**	**61**
Income taxes	(5)	(32)	(11)
Profit/loss after tax	**19**	**118**	**50**
Return on equity before tax	25.7%	32.0%	81.2%
Return on equity after tax	20.3%	25.2%	66.8%
Net interest margin (average interest-bearing assets)	8.80%	5.66%	9.88%
Cost/income ratio	45.6%	39.8%	46.1%
Loan/deposit ratio (net)	101.4%	89.8%	64.3%
Provisioning ratio (average loans and advances to customers)	(0.06)%	0.19%	(4.99)%
NPL ratio	8.8%	5.6%	47.4%
NPL coverage ratio	72.0%	76.1%	92.0%
Assets	1,533	13,073	2,073
Liabilities	1,158	11,004	1,745
Risk-weighted assets (total RWA)	1,479	9,338	1,893
Equity	375	2,069	329
Loans and advances to customers	998	8,655	1,770
hereof corporate %	71.2%	59.6%	58.7%
hereof retail %	28.8%	40.4%	41.3%
hereof foreign currency %	65.1%	31.7%	45.8%
Deposits from customers	922	9,115	1,553
Business outlets	90	182	498
Employees as at reporting date	2,000	7,895	8,039
Customers	761,824	2,401,872	2,553,260

Group Corporates & Markets

in € million	1/1-31/3 2017	1/1-31/3 2016 pro forma	Change	Q1/2017	Q4/2016 pro forma	Change
Net interest income	135	139	(3.4)%	135	204	(34.1)%
Net fee and commission income	76	70	7.8%	76	70	7.7%
Net trading income	42	31	37.7%	42	36	15.6%
Recurring other net operating income	26	38	(32.3)%	26	46	(44.2)%
Operating income	**278**	**278**	**0.0%**	**278**	**357**	**(22.1)%**
General administrative expenses	(160)	(156)	2.3%	(160)	(196)	(18.4)%
Operating result	**119**	**122**	**(3.0)%**	**119**	**162**	**(26.7)%**
Net provisioning for impairment losses	(55)	2	–	(55)	(30)	80.2%
Other results	0	(9)	(95.1)%	0	(20)	(97.9)%
Profit/loss before tax	**63**	**115**	**(45.0)%**	**63**	**111**	**(42.9)%**
Income taxes	(1)	(26)	(96.8)%	(1)	(18)	(95.2)%
Profit/loss after tax	**63**	**89**	**(29.6)%**	**63**	**93**	**(32.9)%**

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

Operating income was unchanged year-on-year while general administrative expenses increased marginally. Due to the default of several large corporate customers, net provisioning for impairment losses amounted to € 55 million whereas there were no allocations in the previous year. The decline in income tax expense was due to 45 per cent lower profit before tax as well as tax expenses for prior periods at RBI AG booked in the first quarter of 2016.

The following table shows the main profit contributors by sub-segment, with the Corporates Vienna sub-segment negatively affected by provisioning for individual large corporate customers.

Profit/loss after tax in € million	1/1-31/3 2017	1/1-31/3 2016 pro forma	Change
Corporates Vienna	2	46	(94.7)%
Markets Vienna	30	22	38.6%
Specialized financial institution subsidiaries and other	30	21	44.4%
Group Corporates & Markets	**63**	**89**	**(29.6)%**

Operating income

Net interest income declined 3 per cent, or € 5 million, to € 135 million, predominantly due to the continuing low interest rate level. The segment's net interest margin fell 37 basis points to 1.43 per cent, resulting from higher average interest-bearing assets attributable to short-term deposits in the Markets business.

In contrast, net fee and commission income increased 8 per cent, or € 5 million, to € 76 million. Higher fee and commission income was primarily reported in the payment transfer business, investment and pension funds management business and in the securities business.

Net trading income rose € 12 million year-on-year to € 42 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 € 12 million to € 26 million, due predominantly to the disposal of various Group units.

General administrative expenses

General administrative expenses increased – 2 per cent, or € 4 million, to € 160 million – due to RBI AG's staff expenses, which rose slightly on the back of higher staffing levels and salary adjustments. The segment's cost/income ratio increased 1.3 percentage points to 57.4 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses amounted to € 55 million in the reporting period, due to the default of several large corporate customers, compared to a net release of € 2 million booked in the same period of the previous year.

In the first quarter of 2017, the proportion of non-bank non-performing loans in the segment's loan portfolio amounted to 7.5 per cent. The NPL coverage ratio was 71.8 per cent.

Other results and taxes

Other results were up € 8 million to almost zero. This mainly resulted from a € 22 million improvement in valuation results from derivatives; while net income from financial investments was € 14 million lower, primarily due to gains from the sale of bonds booked in the previous year. Net income from the disposal of group assets was slightly negative in the reporting period in contrast to net income of € 7 million in the same period of the previous year.

Expenses for bank levies declined € 9 million to € 3 million.

Tax expenses declined € 26 million to € 1 million. On the one hand, the decline was due to the 45 per cent lower profit before tax and, on the other, to tax expenses for prior periods at RBI AG booked in the first quarter of 2016.

Corporate Center

in € million	1/1-31/3 2017	1/1-31/3 2016 pro forma	Change	Q1/2017	Q4/2016 pro forma	Change
Net interest income	61	24	157.6%	61	26	137.8%
Net fee and commission income	(2)	2	–	(2)	15	–
Net trading income	(17)	(32)	(47.5)%	(17)	7	–
Recurring other net operating income	32	6	469.6%	32	28	13.6%
Operating income	**74**	**(1)**	**–**	**74**	**75**	**(1.5)%**
General administrative expenses	(99)	(103)	(4.3)%	(99)	(109)	(8.9)%
Operating result	**(25)**	**(104)**	**(75.7)%**	**(25)**	**(34)**	**(25.3)%**
Net provisioning for impairment losses	0	13	(100.0)%	0	(1)	–
Other results	(77)	(51)	50.9%	(77)	(66)	16.1%
Profit/loss before tax	**(102)**	**(142)**	**(28.1)%**	**(102)**	**(101)**	**0.8%**
Income taxes	(2)	6	–	(2)	15	–
Profit/loss after tax	**(103)**	**(136)**	**(23.8)%**	**(103)**	**(86)**	**20.0%**

This segment essentially comprises net income from Group head office's governance functions and from other Group units. As a result, its net income is generally more volatile. Profit after tax increased by € 32 million year-on-year to minus € 103 million in the reporting period, resulting from improved net interest income due to higher dividend income, as well as higher current income from companies valued at equity. In contrast, expenses for bank levies amounted to € 42 million and were therefore € 30 million higher than in the same period in the previous year. The main reason for this development was the one-off payment of € 41 million by RBI AG in the first quarter. This was the first of four annual payments, which are required to be booked in full in the first quarter.

Operating income

Net interest income increased € 37 million year-on-year to € 61 million. This was mainly due to higher current income from companies valued at equity (one-off effect of € 15 million from the adjustment of the prior year results of an equity participation) and higher dividend income.

In contrast, net fee and commission income declined € 4 million year-on-year to minus € 2 million. The decline resulted mainly from lower guarantee income.

Net trading income improved 48 per cent year-on-year, or € 15 million, to minus € 17 million. This was due mainly to valuation gains on derivatives at RBI AG.

Recurring other net operating income improved € 26 million to € 32 million. The increase was due mainly to higher income from intra-Group service charges.

General administrative expenses

General administrative expenses declined 4 per cent, or € 4 million, to € 99 million, caused by lower other administrative expenses due to a lower cost allocation.

Net provisioning for impairment losses

There was no provisioning requirement in the reporting period, whereas there was a net release of € 13 million in the same period of the previous year.

Other results and taxes

Other results declined € 26 million to minus € 77 million. The expenses for bank levies reported in the segment amounted to € 42 million, € 30 million higher than in the same period in the previous year. This development was mainly due to the one-off payment of € 41 million made by RBI AG in the first quarter. Following the revision of the bank levy regulation, starting in 2017, RBI AG is to make a one-off payment – spread over a four-year period – which is to be fully booked for the current year in the first quarter.

Net income from financial investments declined € 95 million due mainly to the valuation of government bonds. This was almost completely offset by a € 93 million improvement in net income from derivatives (hedging of the government bonds with interest rate swaps).

In the same period of the previous year, net income from the disposal of Group assets was minus € 6 million; in the reporting period it was zero.

Income tax expense in the reporting period amounted to € 2 million, while there was tax income of € 6 million in the same period of the previous year. This was due to a change in the allocation of RBI AG's income tax to the respective segments.

Interim consolidated financial statements

(Interim report as at 31 March 2017)

RZB AG was merged downstream into RBI AG on 18 March 2017 with registration in the Companies Register. 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.

Statement of comprehensive income

Income statement

in € million	Notes	1/1-31/3/2017	1/1-31/3/2016	Change
Interest income		1,062	1,031	3.0%
Current income from associates		28	0	–
Interest expenses		(293)	(313)	(6.3)%
Net interest income	**[2]**	**796**	**718**	**11.0%**
Net provisioning for impairment losses	[3]	(80)	(106)	(24.3)%
Net interest income after provisioning		**716**	**612**	**17.1%**
Fee and commission income		578	446	29.5%
Fee and commission expense		(169)	(99)	70.0%
Net fee and commission income	**[4]**	**409**	**347**	**17.9%**
Net trading income	[5]	64	28	126.4%
Net income from derivatives and liabilities	[6]	8	(27)	–
Net income from financial investments	[7]	(32)	26	–
General administrative expenses	[8]	(815)	(718)	13.5%
Other net operating income	[9]	(22)	(41)	(46.8)%
Net income from disposal of group assets	[10]	0	2	(95.5)%
Profit/loss before tax		**330**	**229**	**44.0%**
Income taxes	[11]	(75)	(91)	(18.2)%
Profit/loss after tax		**255**	**138**	**85.1%**
Profit attributable to non-controlling interests		(35)	(24)	47.8%
Consolidated profit/loss		**220**	**114**	**92.7%**

Earnings per share

in €	1/1-31/3/2017	1/1-31/3/2016	Change
Earnings per share	0.67	0.39	0.28

Earnings per share are obtained by dividing consolidated profit by the average number of ordinary shares outstanding. As at 31 March 2017, the average number of ordinary shares outstanding was 328.4 million (31 March 2016: 292.4 million). As there were no conversion rights or options outstanding, a dilution of earnings per share did not occur.

Other comprehensive income and total comprehensive income

	Total		Group equity		Non-controlling interests	
in € million	1/1-31/3 2017	1/1-31/3 2016	1/1-31/3 2017	1/1-31/3 2016	1/1-31/3 2017	1/1-31/3 2016
Profit/loss after tax	**255**	**138**	**220**	**114**	**35**	**24**
Items which are not reclassified to profit and loss	**(81)**	**0**	**(81)**	**0**	**0**	**0**
Remeasurements of defined benefit plans	3	0	3	0	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	(81)	0	(81)	0	0	0
Deferred taxes on items which are not reclassified to profit and loss	(1)	0	(1)	0	0	0
Items that may be reclassified subsequently to profit or loss	**168**	**35**	**169**	**47**	**0**	**(12)**
Exchange differences	205	28	205	41	0	(12)
Capital hedge	(33)	(13)	(33)	(13)	0	0
Net gains (losses) on derivatives hedging fluctuating cash flows	2	9	2	9	0	0
Changes in equity of companies valued at equity	(8)	0	(8)	0	0	0
Net gains (losses) on financial assets available-for-sale	4	9	4	9	0	0
Deferred taxes on income and expenses directly recognized in equity	(1)	1	(1)	1	0	0
Other comprehensive income	**87**	**35**	**87**	**47**	**0**	**(12)**
Total comprehensive income	**342**	**173**	**308**	**162**	**35**	**11**

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 amount booked directly in other comprehensive income for the first quarter 2017 was minus € 81 million.

The development of exchange differences was driven particularly by the Russian rouble appreciating 7 per cent with a positive effect of € 126 million and the Polish zloty appreciating 4 per cent with a positive effect of € 62 million.

There was a negative result from position capital hedge of € 33 million, which was also attributable to the appreciation of the Russian rouble and the Polish zloty.

Quarterly results

in € million	Q2/2016	Q3/2016	Q4/2016	Q1/2017
Net interest income	738	732	748	796
Net provisioning for impairment losses	(297)	(100)	(251)	(80)
Net interest income after provisioning	**440**	**632**	**497**	**716**
Net fee and commission income	372	378	400	409
Net trading income	56	52	78	64
Net income from derivatives and liabilities	(34)	(71)	(55)	8
Net income from financial investments	145	(6)	(13)	(32)
General administrative expenses	(694)	(687)	(749)	(815)
Other net operating income	(61)	(6)	(35)	(22)
Net income from disposal of group assets	(3)	4	17	0
Profit/loss before tax	**221**	**296**	**140**	**330**
Income taxes	(91)	(84)	(46)	(75)
Profit/loss after tax	**130**	**212**	**94**	**255**
Profit attributable to non-controlling interests	(34)	(28)	(25)	(35)
Consolidated profit/loss	**96**	**184**	**69**	**220**

in € million	Q2/2015	Q3/2015	Q4/2015	Q1/2016
Net interest income	861	814	832	718
Net provisioning for impairment losses	(343)	(191)	(469)	(106)
Net interest income after provisioning	**518**	**623**	**363**	**612**
Net fee and commission income	385	384	390	347
Net trading income	64	(14)	29	28
Net income from derivatives and liabilities	(29)	20	(15)	(27)
Net income from financial investments	(3)	7	0	26
General administrative expenses	(697)	(713)	(813)	(718)
Other net operating income	33	(64)	15	(41)
Net income from disposal of group assets	(3)	10	34	2
Profit/loss before tax	**267**	**253**	**3**	**229**
Income taxes	(53)	(52)	(83)	(91)
Profit/loss after tax	**214**	**202**	**(81)**	**138**
Profit attributable to non-controlling interests	(22)	(16)	(2)	(24)
Consolidated profit/loss	**192**	**186**	**(83)**	**114**

Statement of financial position

Assets in € million	Notes	31/3/2017	31/12/2016	Change
Cash reserve	[13]	17,246	12,242	40.9%
Loans and advances to banks	[14, 42]	12,877	9,900	30.1%
Loans and advances to customers	[15, 42]	81,655	70,514	15.8%
Impairment losses on loans and advances	[16]	(5,090)	(4,955)	2.7%
Trading assets	[17, 42]	5,085	4,986	2.0%
Derivatives	[18, 42]	1,136	1,429	(20.5)%
Financial investments	[19, 42]	20,746	14,639	41.7%
Investments in associates	[20, 42]	790	0	-
Intangible fixed assets	[21]	665	598	11.1%
Tangible fixed assets	[22]	1,838	1,393	31.9%
Other assets	[23, 42]	1,542	1,117	38.1%
Total assets		**138,489**	**111,864**	**23.8%**

Equity and liabilities in € million	Notes	31/3/2017	31/12/2016	Change
Deposits from banks	[24, 42]	26,952	12,816	110.3%
Deposits from customers	[25, 42]	81,381	71,538	13.8%
Debt securities issued	[26, 42]	8,146	6,645	22.6%
Provisions for liabilities and charges	[27, 42]	1,045	756	38.2%
Trading liabilities	[28, 42]	4,912	5,120	(4.1)%
Derivatives	[29, 42]	561	787	(28.8)%
Other liabilities	[30, 42]	1,164	765	52.1%
Subordinated capital	[31, 42]	4,261	4,204	1.4%
Equity	[32]	10,067	9,232	9.0%
Consolidated equity		9,153	8,188	11.8%
Consolidated profit/loss		220	463	(52.4)%
Non-controlling interests		694	581	19.4%
Total equity and liabilities		**138,489**	**111,864**	**23.8%**

Statement of changes in equity

in € million	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit/loss	Non-controlling interests	Total
Equity as at 1/1/2017	**892**	**4,994**	**2,301**	**463**	**581**	**9,232**
Merger effect	110	0	336	0	74	519
Equity as at 1/1/2017	**1,002**	**4,994**	**2,637**	**463**	**655**	**9,752**
Capital increases/decreases	0	0	0	0	0	0
Transferred to retained earnings	0	0	463	(463)	0	0
Dividend payments	0	0	0	0	(3)	(3)
Total comprehensive income	0	0	87	220	35	342
Own shares/share incentive program	0	0	0	0	0	0
Other changes	0	0	(31)	0	7	(24)
Equity as at 31/3/2017	**1,002**	**4,994**	**3,157**	**220**	**694**	**10,067**

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 increase in non-controlling interests was mainly attributable to minority interests in the Valida subgroup and the Raiffeisen Bausparkasse subgroup.

in € million	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit/loss	Non-controlling interests	Total
Equity as at 1/1/2016	**892**	**4,994**	**1,702**	**379**	**535**	**8,501**
Capital increases/decreases	0	0	0	0	0	0
Transferred to retained earnings	0	0	379	(379)	0	0
Dividend payments	0	0	0	0	(3)	(3)
Total comprehensive income	0	0	47	114	11	173
Own shares/share incentive program	0	0	0	0	0	0
Other changes	0	0	(16)	0	2	(13)
Equity as at 31/3/2016	**892**	**4,994**	**2,112**	**114**	**545**	**8,658**

Statement of cash flows

in € million	Notes	1/1-31/3/2017	1/1-31/3/2016
Cash and cash equivalents at the end of previous period[1]	**[12, 13]**	**12,242**	**13,483**
Merger effect		4,596	0
Cash and cash equivalents from disposal of subsidiaries		0	0
Net cash from operating activities		291	(5,127)
Net cash from investing activities		148	73
Net cash from financing activities		(46)	9
Effect of exchange rate changes		14	(16)
Cash and cash equivalents at the end of period[1]	**[12, 13]**	**17,246**	**8,421**

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 either a country or a business activity. 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. Also included in the segment are financial service providers and specialized companies 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, financial service providers and specialized companies
- 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 result 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 take effect in the first quarter of 2017.

The presentation of the comparable quarter of the previous year continues to be based on the former segmentation.

1/1-31/3/2017 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	235	179	237	135
Net fee and commission income	135	92	109	76
Net trading income	15	12	22	42
Recurring other net operating income	(6)	8	(3)	26
Operating income	**379**	**290**	**366**	**278**
General administrative expenses	(253)	(179)	(152)	(160)
Operating result	**126**	**110**	**213**	**119**
Net provisioning for impairment losses	(9)	(34)	19	(55)
Other results	(26)	24	3	0
Profit/loss before tax	**91**	**100**	**235**	**63**
Income taxes	(12)	(12)	(48)	(1)
Profit/loss after tax	**79**	**88**	**187**	**63**
Profit attributable to non-controlling interests	(12)	0	(19)	1
Profit/loss after deduction of non-controlling interests	**67**	**88**	**168**	**64**
Return on equity before tax	14.9%	18.2%	52.3%	8.7%
Return on equity after tax	12.9%	16.0%	41.6%	8.6%
Net interest margin (average interest-bearing assets)	2.34%	3.32%	6.49%	1.43%
Cost/income ratio	66.7%	61.9%	41.7%	57.4%
Loan/deposit ratio	86.7%	71.6%	87.3%	114.4%
Provisioning ratio (average loans and advances to customers)	0.14%	1.01%	(0.67)%	0.84%
NPL ratio	6.2%	10.5%	12.4%	7.5%
NPL coverage ratio	65.7%	79.1%	85.3%	71.8%
Assets	45,424	22,832	16,677	44,892
Liabilities	41,051	19,812	13,904	43,603
Risk-weighted assets (total RWA)	21,264	14,210	12,712	19,953
Average equity	2,446	2,204	1,799	2,904
Loans and advances to customers	29,966	13,499	11,423	27,593
Deposits from customers	33,125	17,223	11,590	21,235
Business outlets	698	1,008	770	24
Employees as at reporting date (full-time equivalents)	13,590	14,854	17,934	2,712
Customers in million	3.4	5.4	5.7	2.0

1/1-31/3/2017 in € million	Corporate Center	Reconciliation	Total
Net interest income	61	(50)	796
Net fee and commission income	(2)	0	409
Net trading income	(17)	(10)	64
Recurring other net operating income	32	(28)	28
Operating income	**74**	**(89)**	**1,298**
General administrative expenses	(99)	28	(815)
Operating result	**(25)**	**(60)**	**483**
Net provisioning for impairment losses	0	0	(80)
Other results	(77)	2	(73)
Profit/loss before tax	**(102)**	**(58)**	**330**
Income taxes	(2)	0	(75)
Profit/loss after tax	**(103)**	**(58)**	**255**
Profit attributable to non-controlling interests	0	(5)	(35)
Profit/loss after deduction of non-controlling interests	**(103)**	**(63)**	**220**
Return on equity before tax	–	–	13.4%
Return on equity after tax	–	–	10.4%
Net interest margin (average interest-bearing assets)	–	–	2.49%
Cost/income ratio	–	–	62.8%
Loan/deposit ratio	–	–	91.7%
Provisioning ratio (average loans and advances to customers)	–	–	0.40%
NPL ratio	–	–	8.3%
NPL coverage ratio	–	–	74.0%
Assets	40,103	(31,439)	138,489
Liabilities	26,279	(16,228)	128,422
Risk-weighted assets (total RWA)	15,513	(13,788)	69,864
Average equity	2,420	(1,964)	9,810
Loans and advances to customers	1,408	(2,234)	81,655
Deposits from customers	526	(2,319)	81,381
Business outlets	0	–	2,500
Employees as at reporting date (full-time equivalents)	1,004	–	50,094
Customers in million	0.0	–	16.6

1/1-31/3/2016 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates	Group Markets
Net interest income	161	180	203	86	16
Net fee and commission income	89	91	86	16	26
Net trading income	5	19	20	3	27
Recurring other net operating income	4	4	(1)	0	2
Operating income	**259**	**294**	**308**	**106**	**71**
General administrative expenses	(165)	(169)	(118)	(35)	(51)
Operating result	**93**	**125**	**189**	**70**	**20**
Net provisioning for impairment losses	(3)	(23)	(67)	(3)	4
Other results	(15)	(2)	9	(5)	10
Profit/loss before tax	**75**	**100**	**132**	**63**	**33**
Income taxes	(13)	(16)	(25)	(16)	(8)
Profit/loss after tax	**61**	**83**	**107**	**47**	**25**
Profit attributable to non-controlling interests	(15)	(1)	(12)	0	0
Profit/loss after deduction of non-controlling interests	**47**	**83**	**95**	**46**	**25**
Return on equity before tax	17.4%	22.2%	32.2%	22.6%	22.9%
Net interest margin (average interest-bearing assets)	2.46%	3.49%	6.45%	2.46%	0.62%
Cost/income ratio	63.9%	57.4%	38.5%	33.5%	72.4%
Provisioning ratio (average loans and advances to customers)	0.1%	0.6%	2.1%	0.1%	–
NPL ratio	7.5%	11.8%	18.8%	8.0%	2.8%
NPL coverage ratio	69.3%	72.0%	83.2%	59.5%	88.9%
Assets	27,644	21,664	13,598	14,358	15,797
Liabilities	25,143	18,640	11,778	12,639	16,541
Risk-weighted assets (total RWA)	13,688	14,210	10,964	8,210	4,243
Average equity	1,725	1,800	1,637	1,108	572
Loans and advances to customers	19,213	13,214	9,820	14,102	3,160
Deposits from customers	20,234	15,891	9,329	12,470	2,947
Business outlets	405	1,056	856	1	5

1/1-31/3/2016 in € million	Corporate Center	Non-Core	Reconciliation	Total
Net interest income	17	86	(31)	718
Net fee and commission income	5	39	(4)	347
Net trading income	(36)	6	(17)	28
Recurring other net operating income	16	1	(15)	11
Operating income	**3**	**132**	**(67)**	**1,104**
General administrative expenses	(101)	(102)	23	(718)
Operating result	**(98)**	**30**	**(44)**	**386**
Net provisioning for impairment losses	13	(11)	(16)	(106)
Other results	(45)	(6)	2	(52)
Profit/loss before tax	**(129)**	**13**	**(57)**	**229**
Income taxes	6	(19)	0	(91)
Profit/loss after tax	**(122)**	**(6)**	**(57)**	**138**
Profit attributable to non-controlling interests	(3)	0	8	(24)
Profit/loss after deduction of non-controlling interests	**(126)**	**(6)**	**(50)**	**114**
Return on equity before tax	–	3.6%	–	10.8%
Net interest margin (average interest-bearing assets)	–	2.08%	–	2.73%
Cost/income ratio	–	77.1%	–	65.0%
Provisioning ratio (average loans and advances to customers)	–	0.3%	–	0.5%
NPL ratio	–	15.3%	–	11.4%
NPL coverage ratio	–	64.3%	–	70.2%
Assets	24,374	17,825	(20,749)	114,511
Liabilities	19,563	15,724	(14,173)	105,854
Risk-weighted assets (total RWA)	15,288	10,638	(14,148)	63,093
Average equity	2,011	1,484	(1,856)	8,480
Loans and advances to customers	2,575	11,455	(2,663)	70,875
Deposits from customers	468	8,489	(1,721)	68,107
Business outlets	0	371	–	2,667

Notes

Merger with RZB

On 23 and 24 January, RZB AG and RBI AG held Extraordinary General Meetings to pass resolutions on the merger. The required majorities were achieved by a wide margin in both cases. The merger was entered in the commercial register as planned on 18 March 2017. In order to provide consideration to RZB's shareholders for their RZB shares, RBI issued new shares and thereby increased its total number of shares from 292,979,038 to 328,939,621.

The merger constitutes a transaction under common control. Management took the decision to show this retroactively as of 1 January 2017 on the basis of immateriality i.e. RZB AG including its fully consolidated subsidiaries are included as from 1 January. The reporting date of 31 December 2016 and also the results for the 2016 financial year correspond to the published results prior to the merger. For the business areas taken over from RZB AG, the method to carrying over book values was used pursuant to IAS 8.10. The provisions of IFRS 3 were not applicable to this transaction.

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 31 March 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.

The interim report as at 31 March 2017 did not undergo either a complete audit or a review by the certified auditor.

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 transfer amount was calculated.

The amount booked directly in other comprehensive income for the first quarter 2017 was minus € 81 million. The cumulative change in fair value attributable to the change in own default risk was minus € 8 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 € 551 million. There have been no transfers within equity or derecognition of liabilities designated at fair value in the reporting period.

A number of new or amended 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.

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. 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. RBI will complete the analyses in stages in 2017 and move the project into its implementation phase.

RBI also anticipates that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. 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.

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 there is a risk that parts 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 and regulatory requirements (especially (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. RBI is currently analyzing the consequences of IFRS 15. 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

	2017		2016	
	As at	Average	As at	Average
Rates in units per €	**31/3**	**1/1-31/3**	**31/12**	**1/1-31/3**
Albanian lek (ALL)	136.090	135.720	135.400	138.243
Belarusian rouble (BYN)	2.003	2.026	2.068	2.246
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)	7.447	7.480	7.560	7.612
Czech koruna (CZK)	27.030	27.023	27.021	27.039
Hungarian forint (HUF)	307.620	309.085	309.830	313,348
Kazakh tenge (KZT)[1]	–	–	352.622	385.698
Polish zloty (PLN)	4,227	4.319	4.410	4.329
Romanian leu (RON)	4.553	4.529	4.539	4.502
Russian rouble (RUB)	60.313	62.700	64.300	80.617
Serbian dinar (RSD)	123.780	123.760	123.410	122.825
Singapore dollar (SGD)	1.494	1.505	1.523	1.540
Swiss franc (CHF)	1.070	1.069	1.074	1.096
Ukrainian hryvnia (UAH)	28.845	28.842	28.599	28.278
US-Dollar (USD)	1.069	1.065	1.054	1.102

1 Due to deconsolidation the Kazakh tenge was no longer in use in the 2017 financial year.

Consolidated group

	Fully consolidated		Equity method	
Number of units	**31/3/2017**	**31/12/2016**	**31/3/2017**	**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	0	3	0	0
Merged in the financial period	0	(1)	0	0
Excluded in the financial period	(41)	(16)	0	0
As at end of period	**240**	**106**	**9**	**0**

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

41 entities were excluded due to immateriality.

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
As at 31/12/2016	**106**	**0**
Banks	7	6
Financial institutions	123	0
Companies rendering bank-related ancillary services	3	0
Financial holding companies	4	0
Other	38	3
As at 1/1/2017	**281**	**9**

The merger of RZB AG into RBI AG affected the consolidated statement of financial position as of 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
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	1/1-31/3/2017	1/1-31/3/2016
Net income from financial assets and liabilities held-for-trading	103	113
Net income from financial assets and liabilities at fair value through profit or loss	36	25
Net income from financial assets available-for-sale	3	8
Net income from loans and advances	845	779
Net income from financial assets held-to-maturity	43	46
Net income from financial liabilities measured at acquisition cost	(289)	(313)
Net income from derivatives (hedging)	45	43
Net revaluations from exchange differences	(55)	(61)
Sundry operating income and expenses	(401)	(410)
Profit/loss before tax	**330**	**229**

(2) Net interest income

in € million	1/1-31/3/2017	1/1-31/3/2016
Interest and interest-like income, total	**1,062**	**1,031**
Interest income	1,068	1,023
from balances at central banks	6	7
from loans and advances to banks	56	39
from loans and advances to customers	844	797
from financial investments	89	69
from leasing claims	30	40
from derivative financial instruments - economic hedge	0	30
from derivative financial instruments - hedge accounting	43	40
Current income	5	7
from shares and other variable-yield securities	0	1
from shares in affiliated companies	1	5
from other interests	4	0
Interest-like income	2	4
Negative interest from financial assets	(13)	(3)
Current income from associates	**28**	**0**
Interest expenses and interest-like expenses, total	**(293)**	**(313)**
Interest expenses	(294)	(307)
on deposits from central banks	(2)	(7)
on deposits from banks	(47)	(50)
on deposits from customers	(149)	(170)
on debt securities issued	(56)	(37)
on subordinated capital	(36)	(43)
on derivative financial instruments - hedge accounting	(5)	0
Interest-like expenses	(7)	(9)
Negative interest from financial liabilities	7	3
Total	**796**	**718**

Current income from associates results from the associates that were incorporated in the course of the merger of RZB AG into RBI AG, mainly from UNIQA Insurance Group AG, Vienna, and Raiffeisen Informatik GmbH, Vienna. There were no investments in associates in the comparative period.

(3) Net provisioning for impairment losses

in € million	1/1-31/3/2017	1/1-31/3/2016
Individual loan loss provisions	**(74)**	**(117)**
Allocation to provisions for impairment losses	(263)	(379)
Release of provisions for impairment losses	176	252
Direct write-downs	(10)	(9)
Income received on written-down claims	23	19
Portfolio-based loan loss provisions	**(7)**	**11**
Allocation to provisions for impairment losses	(107)	(85)
Release of provisions for impairment losses	101	96
Gains from loan termination or sale	**1**	**1**
Total	**(80)**	**(106)**

(4) Net fee and commission income

in € million	1/1-31/3/2017	1/1-31/3/2016
Payment transfer business	167	146
Loan and guarantee business	43	41
Securities business	36	31
Foreign currency, notes/coins, and precious metals business	93	88
Management of investment and pension funds	42	9
Sale of own and third party products	13	15
Other banking services	14	17
Total	**409**	**347**

(5) Net trading income

in € million	1/1-31/3/2017	1/1-31/3/2016
Interest-based transactions	30	26
Currency-based transactions	32	16
Equity-/index-based transactions	(1)	(8)
Credit derivatives business	(1)	(3)
Other transactions	4	(3)
Total	**64**	**28**

The refinancing expenses for trading assets that are included in net trading income amounted to € 7 million (comparable period: € 7 million).

(6) Income from derivatives and liabilities

in € million	1/1-31/3/2017	1/1-31/3/2016
Net income from hedge accounting	2	3
Net income from other derivatives	(12)	(7)
Net income from liabilities designated at fair value	19	(23)
Total	**8**	**(27)**

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 € 81 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 € 19 million is purely from changes in market interest rates. The previous period contains a loss from changes in own credit risk of minus € 2 million as well as a loss from changes in market interest rates of minus € 21 million.

(7) Net income from financial investments

in € million	1/1-31/3/2017	1/1-31/3/2016
Net income from securities held-to-maturity	**8**	**13**
Net proceeds from sales of securities	8	13
Net income from equity participations	**(4)**	**1**
Net valuations of equity participations	(5)	0
Net proceeds from sales of equity participations	1	1
Net income from securities at fair value through profit and loss	**(36)**	**11**
Net valuations of securities	(34)	9
Net proceeds from sales of securities	(2)	2
Net income from available-for-sale securities	**0**	**2**
Total	**(32)**	**26**

The valuation result from securities is mainly attributable to higher valuation losses from government bonds.

(8) General administrative expenses

in € million	1/1-31/3/2017	1/1-31/3/2016
Staff expenses	(388)	(347)
Other administrative expenses	(350)	(302)
hereof operating other administrative expenses	(253)	(227)
hereof regulatory other administrative expenses	(97)	(75)
Depreciation of tangible and intangible fixed assets	(76)	(68)
Total	**(815)**	**(718)**

Staff expenses

in € million	1/1-31/3/2017	1/1-31/3/2016
Wages and salaries	(299)	(270)
Social security costs and staff-related taxes	(71)	(63)
Other voluntary social expenses	(10)	(9)
Sundry staff expenses	(8)	(5)
Total	**(388)**	**(347)**

Other administrative expenses

in € million	1/1-31/3/2017	1/1-31/3/2016
Office space expenses	(60)	(63)
IT expenses	(71)	(68)
Communication expenses	(17)	(19)
Legal, advisory and consulting expenses	(26)	(18)
Advertising, PR and promotional expenses	(26)	(18)
Office supplies	(6)	(5)
Car expenses	(4)	(4)
Security expenses	(9)	(7)
Traveling expenses	(4)	(3)
Training expenses for staff	(3)	(2)
Sundry administrative expenses	(28)	(19)
Operating other administrative expenses	**(253)**	**(227)**
Deposit insurance fees	(27)	(29)
Resolution fund	(70)	(46)
Regulatory other administrative expenses	**(97)**	**(75)**
Total	**(350)**	**(302)**

Depreciation of tangible and intangible fixed assets

in € million	1/1-31/3/2017	1/1-31/3/2016
Tangible fixed assets	(31)	(28)
Intangible fixed assets	(38)	(33)
Leased assets (operating lease)	(7)	(8)
Total	**(76)**	**(68)**

(9) Other net operating income

in € million	1/1-31/3/2017	1/1-31/3/2016
Net income arising from non-banking activities	11	9
Rental income from operating lease (vehicles and equipment)	9	7
Rental income from investment property incl. operating lease (real estate)	13	11
Net proceeds from disposal of tangible and intangible fixed assets	(4)	2
Other taxes	(15)	(21)
Net expense from allocation and release of other provisions	6	(1)
Sundry operating income and expenses	9	4
Recurring other net operating income	**28**	**11**
Bank levies	(71)	(49)
Profit/loss from banking business due to governmental measures	21	(3)
Total	**(22)**	**(41)**

Provisions of € 22 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.

(10) Net income from disposal of group assets

In the reporting period, 41 subsidiaries were excluded from the consolidated group due to immateriality. Net income from disposal of group assets amounted to € 0 million.

(11) Income taxes

in € million	1/1-31/3/2017	1/1-31/3/2016
Current income taxes	(88)	(72)
Austria	(4)	(16)
Foreign	(84)	(56)
Deferred taxes	14	(19)
Total	**(75)**	**(91)**

The decline of income taxes was mainly driven by tax expenses of € 15 million booked in the first quarter of 2016 for prior periods in RBI AG and to a € 22 million reduction in the tax expense in Poland in the reporting period.

Notes to the statement of financial position

(12) Statement of financial position according to measurement categories

Assets according to measurement categories in € million	31/3/2017	31/12/2016
Cash reserve	17,246	12,242
Trading assets	5,628	5,770
Financial assets at fair value through profit or loss	7,573	3,963
Investments in associates	790	0
Financial assets available-for-sale	5,132	4,117
Loans and advances	90,864	76,482
Financial assets held-to-maturity	8,042	6,559
Derivatives (hedging)	593	645
Other assets	2,622	2,085
Total assets	**138,489**	**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 provisions for impairment losses.

Equity and liabilities according to measurement categories in € million	31/3/2017	31/12/2016
Trading liabilities	5,172	5,481
Financial liabilities	119,018	93,185
Liabilities at fair value through profit and loss	2,885	2,784
Derivatives (hedging)	301	425
Provisions for liabilities and charges	1,045	756
Equity	10,067	9,232
Total equity and liabilities	**138,489**	**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	31/3/2017	31/12/2016
Cash in hand	2,882	2,975
Balances at central banks	14,364	9,267
Total	**17,246**	**12,242**

(14) Loans and advances to banks

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

in € million	31/3/2017	31/12/2016
Austria	3,732	2,264
Foreign	9,144	7,636
Total	**12,877**	**9,900**

(15) Loans and advances to customers

in € million	31/3/2017	31/12/2016
Credit business	45,527	44,077
Money market business	6,279	4,378
Mortgage loans	24,240	17,501
Purchased loans	2,094	2,223
Leasing claims	2,932	1,841
Claims evidenced by paper	582	493
Total	**81,655**	**70,514**

in € million	31/3/2017	31/12/2016
Sovereigns	757	659
Corporate customers – large corporates	45,144	41,676
Corporate customers – mid market	3,060	2,600
Retail customers – private individuals	30,375	23,393
Retail customers – small and medium-sized entities	2,319	2,185
Total	**81,655**	**70,514**

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

in € million	31/3/2017	31/12/2016
Austria	12,220	5,109
Foreign	69,435	65,405
Total	**81,655**	**70,514**

(16) Impairment losses on loans and advances

in € million	31/3/2017	31/12/2016
Banks	49	50
Sovereigns	5	5
Corporate customers – large corporates	2,999	2,930
Corporate customers – mid market	240	216
Retail customers – private individuals	1,554	1,515
Retail customers – small and medium-sized entities	243	239
Total	**5,090**	**4,955**

(17) Trading assets

in € million	31/3/2017	31/12/2016
Bonds, notes and other fixed-interest securities	2,332	2,168
Shares and other variable-yield securities	277	165
Positive fair values of derivative financial instruments	2,476	2,654
Total	**5,085**	**4,986**

Pledged securities which the transferee is entitled to sell or repledge shown under trading assets amounted to € 44 million (31/12/2016: € 64 million).

(18) Derivatives

in € million	31/3/2017	31/12/2016
Positive fair values of derivatives in fair value hedges (IAS 39)	586	642
Positive fair values of derivatives in cash flow hedges (IAS 39)	7	3
Positive fair values of other derivatives	543	784
Total	**1,136**	**1,429**

(19) Financial investments

in € million	31/3/2017	31/12/2016
Bonds, notes and other fixed-interest securities	20,115	14,353
Shares and other variable-yield securities	176	6
Equity participations	455	279
Total	**20,746**	**14,639**

Pledged securities which the transferee is entitled to sell or repledge shown under financial investments amounted to € 834 million (31/12/2016: € 598 million).

(20) Investments in associates

in € million	31/3/2017	31/12/2016
Investments in associates	790	0
hereof goodwill	78	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 comparative period. The investments in associates compose as follows:

Company, domicile (country)	Nature of relationship	Ownership interest 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%	35
LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)	Participation in entities of all kind and industrial, trading and other entities	33.1%	197
NOTARTREUHANDBANK AG, Vienna (AT)	Business from notarial trusteeships	26.0%	6
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)	All kind of bank transactions except of deposit business	8.1%	61
Prva stavebna sporitelna a.s., Bratislava (SK)	Building society	32.5%	80
Raiffeisen Informatik GmbH, Vienna (AT)	Services provider for data processing as well as construction and operation of data processing center	47.6%	42
UNIQA Insurance Group AG, Vienna (AT)	Contract insurance and reinsurance	10.9%	359
Posojilnica Bank eGen, Klagenfurt (AT)	All kind of bank transactions	58.0%	0

(21) Intangible fixed assets

in € million	31/3/2017	31/12/2016
Software	538	531
Goodwill	93	40
Other intangible fixed assets	33	28
Total	**665**	**598**

(22) Tangible fixed assets

in € million	31/3/2017	31/12/2016
Land and buildings used by the Group for own purpose	633	481
Other land and buildings (investment property)	619	451
Office furniture, equipment and other tangible fixed assets	247	237
Leased assets (operating lease)	339	225
Total	**1,838**	**1,393**

(23) Other assets

in € million	31/3/2017	31/12/2016
Tax assets	337	211
Current tax assets	155	70
Deferred tax assets	182	142
Receivables arising from non-banking activities	76	58
Prepayments and other deferrals	154	129
Clearing claims from securities and payment transfer business	321	325
Lease in progress	79	41
Assets held for sale (IFRS 5)	29	29
Inventories	91	65
Valuation fair value hedge portfolio	23	38
Any other business	432	221
Total	**1,542**	**1,117**

(24) Deposits from banks

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

in € million	31/3/2017	31/12/2016
Austria	17,137	5,165
Foreign	9,815	7,652
Total	**26,952**	**12,816**

(25) Deposits from customers

in € million	31/3/2017	31/12/2016
Sight deposits	45,605	44,461
Time deposits	24,714	23,345
Savings deposits	11,061	3,732
Total	**81,381**	**71,538**

in € million	31/3/2017	31/12/2016
Sovereigns	1,841	1,465
Corporate customers – large corporates	29,030	28,561
Corporate customers – mid market	2,854	2,984
Retail customers – private individuals	41,716	32,580
Retail customers – small and medium-sized entities	5,940	5,949
Total	**81,381**	**71,538**

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

in € million	31/3/2017	31/12/2016
Austria	12,903	6,416
Foreign	68,478	65,122
Total	**81,381**	**71,538**

(26) Debt securities issued

in € million	31/3/2017	31/12/2016
Bonds and notes issued	8,124	6,604
Money market instruments issued	5	39
Other debt securities issued	18	2
Total	**8,146**	**6,645**

(27) Provisions for liabilities and charges

in € million	31/3/2017	31/12/2016
Severance payments and other	117	85
Retirement benefits	86	29
Taxes	142	130
Current	61	72
Deferred	81	57
Contingent liabilities and commitments	119	123
Pending legal issues	103	85
Overdue vacation	55	43
Bonus payments	160	147
Restructuring	19	14
Provisions for banking business due to governmental measures	1	15
Other	243	86
Total	**1,045**	**756**

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

The change in provisions for banking business due to governmental measures results from the release in connection with the "Walkaway Law" in Romania.

Significant outstanding litigation is detailed in the 2016 Annual Report.

(28) Trading liabilities

in € million	31/3/2017	31/12/2016
Negative fair values of derivative financial instruments	**2,255**	**2,600**
Interest-based transactions	1,488	1,835
Currency-based transactions	513	589
Equity-/index-based transactions	145	165
Credit derivatives business	1	1
Other transactions	108	11
Short-selling of trading assets	**563**	**555**
Certificates issued	**2,095**	**1,964**
Total	**4,912**	**5,120**

(29) Derivatives

in € million	31/3/2017	31/12/2016
Negative fair values of derivatives in fair value hedges (IAS 39)	77	133
Negative fair values of derivatives in cash flow hedges (IAS 39)	207	275
Negative fair values of derivatives in net investment hedge (IAS 39)	18	18
Negative fair values of other derivative financial instruments	259	362
Total	**561**	**787**

(30) Other liabilities

in € million	31/3/2017	31/12/2016
Liabilities from non-banking activities	116	73
Accruals and deferred items	302	195
Liabilities from dividends	4	1
Clearing claims from securities and payment transfer business	415	374
Valuation fair value hedge portfolio	35	58
Other liabilities	293	65
Total	**1,164**	**765**

(31) Subordinated capital

in € million	31/3/2017	31/12/2016
Hybrid tier 1 capital	397	397
Subordinated liabilities and supplementary capital	3,864	3,807
Total	**4,261**	**4,204**

(32) Equity

in € million	31/3/2017	31/12/2016
Consolidated equity	9,153	8,188
Subscribed capital	1,002	892
Capital reserves	4,994	4,994
Retained earnings	3,157	2,301
Consolidated profit/loss	220	463
Non-controlling interests	694	581
Total	**10,067**	**9,232**

As at 31 March 2017 subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 1,003 million. After deduction of 509,977 own shares, the stated subscribed capital totaled € 1,002 million.

(33) Transferred assets

The following table shows the carrying amount of transferred assets:

31/3/2017	Transferred assets			Associated liabilities		
in € million	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	16	0	16	17	0	17
Financial investments	263	0	263	261	0	261
Total	**342**	**0**	**342**	**333**	**0**	**333**

31/12/2016	Transferred assets			Associated liabilities		
in € million	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	31/3/2017 Pledged	31/3/2017 Otherwise restricted with liabilities	31/12/2016 Pledged	31/12/2016 Otherwise restricted with liabilities
Loans and advances[1]	8,110	1,071	6,730	1,338
Trading assets[2]	44	28	64	29
Financial investments	1,043	238	679	386
Total	**9,198**	**1,337**	**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 the course of reverse repo transactions, securities lending, derivative or other transactions.

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

in € million	31/3/2017	31/12/2016
Securities and other financial assets accepted as collateral which can be sold or repledged	6,802	5,140
hereof which have been sold or repledged	1,289	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.

31/3/2017	Gross amount		Net amount	Related amounts not set-off in the statement of financial position		Net amount
in € million	of recognized assets set-off in the statement of financial position	of recognized liabilities set-off in the statement of financial position	of recognized assets set-off in the statement of financial position	Financial instruments	Cash collateral received	
Derivatives (legally enforceable)	4,184	686	3,498	2,655	33	810
Reverse repurchase, securities lending & similar agreements (legally enforceable)	5,975	0	5,975	5,584	0	391
Other financial instruments (legally enforceable)	108	0	108	0	0	108
Total	**10,268**	**686**	**9,582**	**8,240**	**33**	**1,309**

31/3/2017	Gross amount		Net amount	Related amounts not set-off in the statement of financial position		Net amount
in € million	of recognized liabilities set-off in the statement of financial position	of recognized assets set-off in the statement of financial position	of recognized liabilities set-off in the statement of financial position	Financial instruments	Cash collateral pledged	
Derivatives (legally enforceable)	3,402	686	2,716	1,300	63	1,354
Repurchase, securities lending & similar agreements (legally enforceable)	384	0	384	370	0	14
Other financial instruments (legally enforceable)	10	0	10	0	0	10
Total	**3,796**	**686**	**3,109**	**1,669**	**63**	**1,377**

31/12/2016	Gross amount		Net amount	Related amounts not set-off in the statement of financial position		Net amount
in € million	of recognized assets set-off in the statement of financial position	of recognized liabilities set-off in the statement of financial position	of recognized assets set-off in the statement of financial position	Financial instruments	Cash collateral received	
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		Net amount	Related amounts not set-off in the statement of financial position		Net amount
in € million	of recognized liabilities set-off in the statement of financial position	of recognized assets set-off in the statement of financial position	of recognized liabilities set-off in the statement of financial position	Financial instruments	Cash collateral pledged	
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

31/3/2017	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	Negative
Interest rate contracts	30,898	66,239	48,555	145,692	2,667	(1,871)
Foreign exchange rate and gold contracts	41,517	9,343	1,871	52,731	811	(792)
Equity/index contracts	1,113	1,620	234	2,966	129	(145)
Commodities	77	98	0	175	4	(6)
Credit derivatives	865	31	75	971	0	(1)
Precious metals contracts	21	0	0	21	0	0
Total	**74,492**	**77,331**	**50,734**	**202,557**	**3,612**	**(2,815)**

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	Negative
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**	**55,375**	**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	31/3/2017 Level I	Level II	Level III	31/12/2016 Level I	Level II	Level III
Trading assets	**2,432**	**3,176**	**20**	**2,031**	**3,667**	**72**
Positive fair values of derivatives[1]	126	2,892	1	94	3,343	1
Shares and other variable-yield securities	276	1	0	164	0	0
Bonds, notes and other fixed-interest securities	2,029	284	19	1,773	324	71
Financial assets at fair value through profit or loss	**6,073**	**1,490**	**11**	**1,938**	**1,973**	**52**
Shares and other variable-yield securities	118	0	1	3	0	1
Bonds, notes and other fixed-interest securities	5,954	1,489	9	1,935	1,973	51
Financial assets available-for-sale	**4,378**	**222**	**111**	**3,750**	**44**	**74**
Other interests[2]	2	32	0	2	29	0
Bonds, notes and other fixed-interest securities	4,322	189	109	3,749	15	71
Shares and other variable-yield securities	54	0	3	0	0	3
Derivatives (hedging)	**0**	**593**	**0**	**0**	**645**	**0**
Positive fair values of derivatives from hedge accounting	0	593	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	31/3/2017 Level I	Level II	Level III	31/12/2016 Level I	Level II	Level III
Trading liabilities	**625**	**4,539**	**8**	**619**	**4,855**	**8**
Negative fair values of derivatives[1]	119	2,394	0	135	2,826	0
Short-selling of trading assets	503	60	0	483	72	0
Certificates issued	2	2,085	8	0	1,956	7
Liabilities at fair value through profit and loss	**0**	**2,885**	**0**	**0**	**2,784**	**0**
Debt securities issued	0	1,446	0	0	1,373	0
Subordinated capital	0	710	0	0	659	0
Deposits from banks	0	729	0	0	752	0
Derivatives (hedging)	**0**	**301**	**0**	**0**	**425**	**0**
Negative fair values of derivatives from hedge accounting	0	301	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 slight shift from Level I to Level II. This was due to the fact that no 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	3	2	(4)
Financial assets at fair value through profit or loss	52	0	0	0	(1)
Financial assets available-for-sale	74	0	3	41	(4)
Derivatives (hedging)	0	0	0	0	0

in € million	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 31/3/2017
Trading assets	(53)	0	0	0	20
Financial assets at fair value through profit or loss	0	0	0	(41)	11
Financial assets available-for-sale	(2)	1	0	(1)	111
Derivatives (hedging)	0	0	0	0	0

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

in € million	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 31/3/2017
Trading liabilities	0	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	4	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	130	Discounted cash flow method	Credit spread	0,4-50%
Bonds, notes and other fixed-interest securities	Asset backed securities	7	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		**142**			

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 Currency risk LT volatility Index category Net interest rate	2-5% 0-5% 0-3% 0-5% 10-30%
Issued certificates for trading purposes	Certificates	8	Option model (Curran)	Closing period Bid-Ask spread LT volatility Index category	0-3% 0-3% 0-3% 0-2.5%
Total		**8**			

Fair value of financial instruments not reported at fair value

31/3/2017 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	17,246	0	17,246	17,246	0
Loans and advances to banks	0	9,958	2,897	12,855	12,828	27
Loans and advances to customers	0	17,467	58,146	75,613	76,638	(1,026)
Financial investments	6,102	2,164	1,045	9,311	9,254	57
Liabilities						
Deposits from banks	0	23,673	2,629	26,302	26,223	78
Deposits from customers	0	27,706	53,870	81,576	81,381	195
Debt securities issued	1,602	3,609	1,565	6,776	6,700	76
Subordinated capital	0	3,573	407	3,980	3,550	430

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	31/3/2017	31/12/2016
Contingent liabilities	**9,679**	**9,055**
Credit guarantees	5,694	5,398
Other guarantees	2,718	2,626
Letters of credit (documentary business)	1,234	994
Other contingent liabilities	34	37
Commitments	**9,850**	**10,174**
Irrevocable credit lines and stand-by facilities	9,850	10,174
Up to 1 year	2,524	2,819
More than 1 year	7,326	7,356

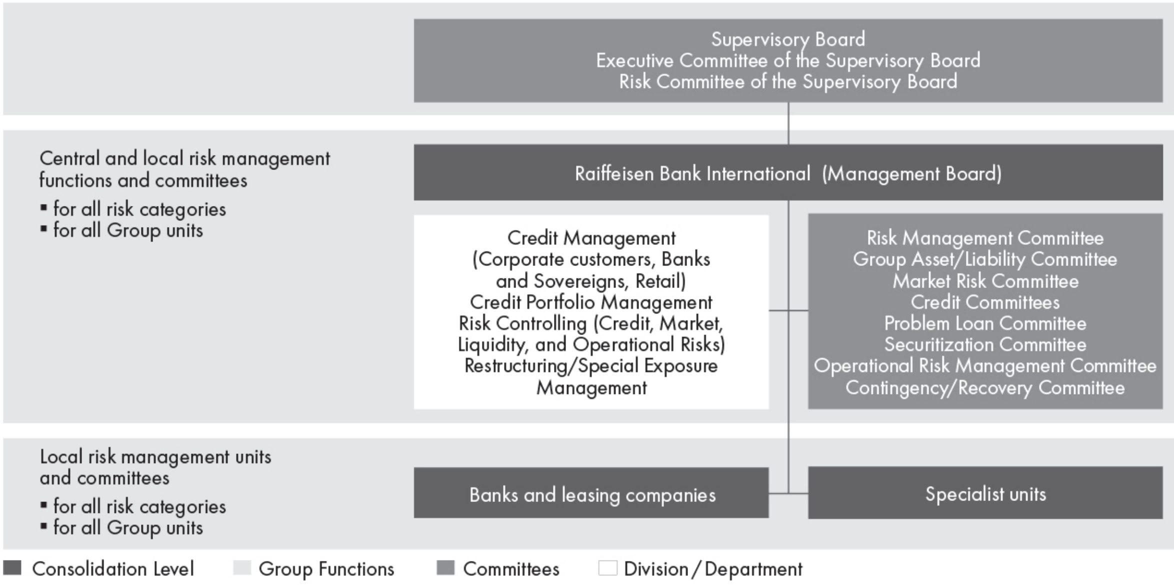
Risk report

(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	31/3/2017	Share	31/12/2016	Share
Credit risk corporate customers	1,410	24.9%	1,479	27.8%
Credit risk retail customers	1,249	22.1%	1,155	21.7%
Operational risk	565	10.0%	590	11.1%
Macroeconomic risk	419	7.4%	392	7.4%
Credit risk sovereigns	387	6.8%	412	7.8%
Participation risk	327	5.8%	109	2.1%
Market risk	275	4.9%	218	4.1%
Risk buffer	270	4.8%	253	4.8%
FX risk capital position	265	4.7%	276	5.2%
Other tangible fixed assets	235	4.2%	191	3.6%
Credit risk banks	208	3.7%	191	3.6%
CVA risk	32	0.6%	30	0.6%
Liquidity risk	18	0.3%	15	0.3%
Total	**5,660**	**100.0%**	**5,310**	**100.0%**

Regional allocation of economic capital according to Group unit domicile:

in € million	31/3/2017	Share	31/12/2016	Share
Austria	1,714	30.3%	1,134	21.4%
Central Europe	1,676	29.6%	1,823	34.3%
Southeastern Europe	1,132	20.0%	1,208	22.7%
Eastern Europe	1,102	19.5%	1,133	21.3%
Rest of World	35	0.6%	12	0.2%
Total	**5,660**	**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	31/3/2017	31/12/2016
Cash reserve	14,364	9,267
Loans and advances to banks	12,877	9,900
Loans and advances to customers	81,655	70,514
Trading assets	5,085	4,986
Derivatives	1,136	1,429
Financial investments	20,115	14,353
Other assets	1,023	638
Contingent liabilities	9,820	9,055
Commitments	9,850	10,174
Revocable credit lines	17,697	16,890
Disclosure differences	(298)	(634)
Total[1]	**173,325**	**146,573**

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

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**

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).

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		31/3/2017	Share	31/12/2016	Share
1	Minimal risk	5,603	8.0%	5,805	8.8%
2	Excellent credit standing	8,396	11.9%	7,080	10.8%
3	Very good credit standing	8,338	11.8%	7,634	11.6%
4	Good credit standing	11,432	16.2%	10,488	15.9%
5	Sound credit standing	13,251	18.8%	13,150	20.0%
6	Acceptable credit standing	11,909	16.9%	10,812	16.4%
7	Marginal credit standing	4,413	6.3%	4,356	6.6%
8	Weak credit standing / sub-standard	1,530	2.2%	1,498	2.3%
9	Very weak credit standing / doubtful	791	1.1%	684	1.0%
10	Default	4,264	6.1%	4,026	6.1%
NR	Not rated	448	0.6%	226	0.3%
Total		**70,376**	**100.0%**	**65,759**	**100.0%**

Compared to year-end 2016, the total credit exposure to corporate customers increased € 4,617 million (of which € 3,555 million was due to the merger of RZB AG into RBI AG) to € 70,376 million. The credit exposure rated as good credit standing through to minimal risk increased € 2,762 million, corresponding to a share of 47.9 per cent (31/12/2016: 47.1 per cent). The proportion of exposure with marginal credit standing through to very weak/doubtful credit profiles decreased from 9.9 per cent to 9.6 per cent.

The differences result in part from the merger of RZB AG into RBI AG. Additionally, there were the following changes: The increase in credit exposure in rating grade 2 mainly resulted from credit and facility financing in the Group Corporates & Markets segment, and from the appreciation of the Russian rouble. The credit exposure in rating grade 3 increased due to a rise in deposits with corporate customers and to facility financing and guarantees given in the Group Corporates & Markets segment. The credit exposure in rating grade 3 in the Eastern Europe increased due to the appreciation of the Russian rouble. The rise in credit exposure in rating grade 4 resulted from new business and an increase in credit financing. The credit exposure in rating grade 6 increased due to deposits with corporate customers.

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		31/3/2017	Share	31/12/2016	Share
6.1	Excellent project risk profile – very low risk	4,656	56.5%	4,530	56.0%
6.2	Good project risk profile – low risk	1,869	22.7%	1,851	22.9%
6.3	Acceptable project risk profile – average risk	736	8.9%	844	10.4%
6.4	Poor project risk profile – high risk	358	4.3%	247	3.0%
6.5	Default	616	7.5%	596	7.4%
NR	Not rated	6	0.1%	20	0.2%
Total		**8,240**	**100.0%**	**8,087**	**100.0%**

At the end of the first quarter, the credit exposure to project finance amounted to € 8,240 million, corresponding to a € 153 million rise (of which € 178 million was attributable to the merger of RZB AG into RBI AG). At 79.2 per cent, projects rated in the two best 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 increase in credit exposure in rating grade 6.1 – excellent project risk profile – very low risk – was due both to the merger of RZB AG into RBI AG and to new customers in Germany and Slovakia. The decline in rating grade 6.3 – acceptable project risk profile – average risk was mainly attributable to the Czech Republic, Poland and Russia. The increase in rating grade 6.4 – poor project risk profile – high risk was due to new customers in the Czech Republic and to a rating downgrade of specific customers in Austria.

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	31/3/2017	Share	31/12/2016	Share
Central Europe	21,542	27.4%	20,922	28.3%
Austria	16,010	20.4%	12,897	17.5%
Western Europe	11,890	15.1%	10,972	14.9%
Eastern Europe	12,661	16.1%	12,321	16.7%
Southeastern Europe	11,020	14.0%	11,098	15.0%
Asia	2,035	2.6%	1,944	2.6%
Other	3,458	4.4%	3,692	5.0%
Total	**78,615**	**100.0%**	**73,847**	**100.0%**

Compared to year-end 2016, the credit exposure increased € 4,768 million (of which € 3,733 million was attributable to the merger of RZB AG into RBI AG) to € 78,615 million. Central Europe reported a € 620 million increase, which was due to the reallocation of Raiffeisen Bank Polska S.A., Warsaw, from the Non-Core segment to the Central Europe segment and to the integration of Raiffeisen stavebni sporitelna, a.s., Prague, as well as to an increase in deposits with corporate customers. This was, however, partly offset by a decline in credit financing. Austria reported the largest increase of € 3,113 million in the first quarter to € 16,010 million, primarily due to the integration of Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna, as well as facility financing, guarantees given and an increase in the portfolio of bonds. Western Europe reported a € 918 million increase to € 11,890 million. This was due to the merger of RZB AG into RBI AG and to a rise in deposits with corporate customers, partly offset by a decline in facility financing.

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

in € million	31/3/2017	Share	31/12/2016	Share
Manufacturing	17,265	22.0%	16,837	22.8%
Wholesale and retail trade	16,443	20.9%	15,888	21.5%
Financial intermediation	8,836	11.2%	7,746	10.5%
Real estate	9,834	12.5%	8,351	11.3%
Construction	5,627	7.2%	5,378	7.3%
Freelance/technical services	4,456	5.7%	4,209	5.7%
Transport, storage and communication	3,453	4.4%	3,346	4.5%
Electricity, gas, steam and hot water supply	3,094	3.9%	3,046	4.1%
Other industries	9,607	12.2%	9,046	12.2%
Total	**78,615**	**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	31/3/2017	Share	31/12/2016	Share
Retail customers – private individuals	33,685	92.1%	26,498	90.9%
Retail customers – small and medium-sized entities	2,882	7.9%	2,668	9.1%
Total	**36,567**	**100.0%**	**29,166**	**100.0%**
hereof non-performing loans	2,204	6.0%	2,139	7.3%
hereof individual loan loss provision	1,559	4.3%	1,522	5.2%
hereof portfolio-based loan loss provision	257	0.7%	249	0.9%

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

31/3/2017 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	16,839	7,542	4,425	4,879
Retail customers – small and medium-sized entities	1,441	645	379	417
Total	**18,280**	**8,187**	**4,803**	**5,297**
hereof non-performing loans	958	539	679	28
hereof individual loan loss provision	544	370	615	10
hereof portfolio-based loan loss provision	103	93	55	5

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 € 7,401 million (of which € 6,650 million was attributable to the merger of RZB AG into RBI AG) to € 36,567 million in the first quarter. 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 € 7,324 million to € 18,280 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	31/3/2017	Share	31/12/2016	Share
Mortgage loans	21,578	59.0%	15,549	53.3%
Personal loans	7,423	20.3%	6,668	22.9%
Credit cards	3,286	9.0%	3,197	11.0%
Car loans	489	1.3%	496	1.7%
Overdraft	1,681	4.6%	1,647	5.6%
SME financing	2,110	5.8%	1,609	5.5%
Total	**36,567**	**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	31/3/2017	Share	31/12/2016	Share
Swiss franc	3,049	44.7%	3,099	43.8%
Euro	3,241	47.5%	3,403	48.1%
US-Dollar	529	7.8%	564	8.0%
Other foreign currencies	1	0.0%	2	0.0%
Loans in foreign currencies	**6,820**	**100.0%**	**7,068**	**100.0%**
Share of total loans	**18.7%**		**24.2%**	

The decrease in foreign currency loans denominated in Swiss francs mainly resulted from the legal regulations related to the mandatory conversion of loans at historical rates at the time of lending in Croatia. The decline in foreign currency loans denominated in US dollars was mainly attributable to Russia and Ukraine. The reduction in euro denominated foreign currency loans was attributable to Poland with € 22 million, Croatia with € 98 million and Bosnia and Herzegovina with € 23 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		31/3/2017	Share	31/12/2016	Share
1	Minimal risk	3,402	15.2%	2,521	13.5%
2	Excellent credit standing	3,564	15.9%	2,919	15.7%
3	Very good credit standing	11,407	51.0%	9,935	53.3%
4	Good credit standing	1,865	8.3%	1,391	7.5%
5	Sound credit standing	1,266	5.7%	1,042	5.6%
6	Acceptable credit standing	383	1.7%	218	1.2%
7	Marginal credit standing	221	1.0%	186	1.0%
8	Weak credit standing / sub-standard	182	0.8%	245	1.3%
9	Very weak credit standing / doubtful	6	0.0%	77	0.4%
10	Default	57	0.3%	84	0.4%
NR	Not rated	24	0.1%	9	0.0%
Total		**22,376**	**100.0%**	**18,628**	**100.0%**

The total credit exposure amounted to € 22,376 million at the end of the first quarter. Compared to year-end 2016, this was an increase of € 3,748 million (of which € 1,400 million was attributable to the merger of RZB AG into RBI AG, noticeable in rating grades 1 and 2).

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 2 – excellent credit standing – resulted from facility financing, guarantees given and repo business, as well as from an increase in the portfolio of bonds. Rating grade 3 recorded the largest rise of € 1,472 million to € 11,407 million. This was due to an increase in deposits at banks, in the portfolio of bonds and in repo business, offset by the decline in facility and credit financing, and in swap business.

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	31/3/2017	Share	31/12/2016	Share
Repo	5,574	24.9%	3,755	20.2%
Bonds	4,196	18.8%	2,585	13.9%
Loans	4,662	20.8%	5,071	27.2%
Derivatives	3,423	15.3%	3,802	20.4%
Money market	2,780	12.4%	2,068	11.1%
Other	1,741	7.8%	1,347	7.2%
Total	**22,376**	**100.0%**	**18,628**	**100.0%**

Compared to year-end 2016, the credit exposure split by product class increased € 3,748 million (of which € 1,400 million was due to the merger of RZB AG into RBI AG, mainly seen in the product class derivatives).

Additionally, there were the following changes: The rise in repo business resulted from an increase in new customers. The decline in the product class loans was largely attributable to credit and 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		31/3/2017	Share	31/12/2016	Share
A1	Excellent credit standing	1,702	4.8%	1,919	7.7%
A2	Very good credit standing	9,733	27.2%	2,805	11.3%
A3	Good credit standing	7,831	21.9%	5,950	23.9%
B1	Sound credit standing	4,360	12.2%	3,826	15.3%
B2	Average credit standing	3,615	10.1%	2,690	10.8%
B3	Mediocre credit standing	5,404	15.1%	4,627	18.6%
B4	Weak credit standing	1,553	4.3%	1,564	6.3%
B5	Very weak credit standing	738	2.1%	837	3.4%
C	Doubtful/high default risk	827	2.3%	712	2.9%
D	Default	0	0.0%	2	0.0%
NR	Not rated	1	0.0%	1	0.0%
Total		**35,766**	**100.0%**	**24,933**	**100.0%**

Compared to year-end 2016, the credit exposure to sovereigns increased € 10,833 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 € 35,766 million. It accounted for 20.6 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 59.3 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. The intermediate rating grades were also influenced by money market business, bonds and deposits. The increase in rating grade A3 – good credit standing – was due to a rise in money market business with the Czech National Bank and repo business. The increase was offset by a decline in the minimum reserve at the Slovakian National Bank. The increase in rating grade B2 – average credit standing – resulted from growth in the portfolio of bonds in Italy and Spain.

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

in € million	31/3/2017	Share	31/12/2016	Share
Bonds	18,324	51.2%	13,191	52.9%
Loans	16,515	46.2%	11,218	45.0%
Derivatives	455	1.3%	488	2.0%
Other	472	1.3%	37	0.1%
Total	**35,766**	**100.0%**	**24,933**	**100.0%**

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

in € million	31/3/2017	Share	31/12/2016	Share
Hungary	2,174	25.5%	2,120	27.4%
Croatia	1,190	14.0%	1,047	13.5%
Russia	985	11.6%	555	7.2%
Bulgaria	837	9.8%	854	11.0%
Albania	728	8.5%	792	10.2%
Ukraine	556	6.5%	494	6.4%
Serbia	540	6.3%	501	6.5%
Bosnia and Herzegovina	485	5.7%	492	6.4%
Belarus	252	3.0%	189	2.4%
Vietnam	162	1.9%	164	2.1%
Other	616	7.2%	534	6.9%
Total	**8,524**	**100.0%**	**7,743**	**100.0%**

Compared to year-end 2016, the credit exposure to sovereigns in non-investment grade increased € 781 million to € 8,524 million. This resulted mainly from an increase in the portfolio of bonds and from an increase in the minimum reserve.

The credit exposure was mainly due to 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.

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:

31/3/2017	Maximum credit exposure		Fair value of collateral
in € million	Net exposure	Commitments/ guarantees issued	
Banks	12,828	2,627	4,180
Sovereigns	753	663	502
Corporate customers – large corporates	42,145	29,073	25,007
Corporate customers – mid market	2,819	1,058	2,140
Retail customers – private individuals	28,821	3,998	18,855
Retail customers – small and medium-sized entities	2,076	495	1,361
Total	**89,441**	**37,915**	**52,044**

31/12/2016	Maximum credit exposure		Fair value of collateral
in € million	Net exposure	Commitments/ guarantees issued	
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.

	NPE		NPE ratio		NPE coverage ratio	
in € million	31/3/2017	31/12/2016	31/3/2017	31/12/2016	31/3/2017	31/12/2016
Corporate customers	4,691	4,450	8.4%	9.9%	68.3%	68.2%
Retail customers	2,442	2,376	7.5%	9.3%	61.9%	64.0%
Sovereigns	0	2	0.0%	0.3%	>100%	260.5%
Banks	51	77	0.3%	0.8%	3.1%	62.5%
Total	**7,184**	**6,904**	**7.6%**	**8.6%**	**65.5%**	**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 difficulties and if the modification is assessed as a concession, such loans are designated as forborne. If such a modification for a loan previously considered as non-performing is carried out, then the loan is assessed as non-performing exposure (NPE) irrespective of whether a reason for default pursuant to Article 178 CRR exists. The decision on whether a loan is classified as forborne/NPE does not trigger an individual loan loss provision in respect of the customer; this 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 portfolios and/or delinquencies, whether or not the loan was more than 180 days overdue prior to the renegotiation is taken into account. In those cases where the customer concerned meets the re-negotiated terms and the credit exposure was not overdue for 180 days before the re-negotiation, the credit exposure is transferred from the portfolio 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	31/3/2017	Share
Central Europe	166	51%
Southeastern Europe	112	34%
Eastern Europe	14	4%
Group Corporates & Markets	32	10%
Total	**324**	**100%**
hereof non-banks	324	100%

in € million	31/12/2016	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:

	Refinancing		Instruments with modified time and modified conditions		NPE total	
in € million	31/3/2017	31/12/2016	31/3/2017	31/12/2016	31/3/2017	31/12/2016
Corporate customers	3	12	68	75	71	87
Retail customers	19	24	234	230	252	254
Total	**22**	**36**	**302**	**306**	**324**	**341**

1 Adaptation of previous year figures

In the non-retail sector, financial difficulties are measured by means of an internal early warning system which is based on numerous representative and accepted input factors for customer risk classification (e.g. overdue days, rating 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 forborne exposures to the living portfolio is not automatically carried out after the determined monitoring period. Additionally, an expert opinion has to be obtained confirming that the circumstances of the customer concerned have improved.

Non-performing loans (NPL) and provisioning

According to Article 178 CRR, a default and thus a non-performing loan (NPL) applies if it can be assumed that a customer is unlikely to fulfill all of its credit obligations to the bank, or if the debtor is overdue at least 90 days on any material credit obligation to the bank. For non-retail customers, 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 segments, 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	Change in consolidated group/ Exchange differences	Additions	Disposals	As at 31/3/2017
Corporate customers	4,357	320	296	(346)	4,628
Retail customers	2,127	71	171	(188)	2,181
Sovereigns	2	0	0	(1)	0
Total non-banks	**6,486**	**391**	**468**	**(535)**	**6,809**
Banks	77	(1)	1	(27)	51
Total	**6,563**	**391**	**469**	**(562)**	**6,860**

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

	NPL		NPL ratio		NPL coverage ratio	
in € million	31/3/2017	31/12/2016	31/3/2017	31/12/2016	31/3/2017	31/12/2016
Corporate customers	4,628	4,357	8.3%	9.3%	70.7%	71.5%
Retail customers	2,181	2,127	7.9%	8.3%	80.9%	82.2%
Sovereigns	0	2	0.1%	0.6%	>100%	283.8%
Total non-banks	**6,809**	**6,486**	**8.3%**	**9.2%**	**74.0%**	**75.6%**
Banks	51	77	0.3%	0.5%	96.6%	65.4%
Total	**6,860**	**6,563**	**7.3%**	**8.2%**	**74.2%**	**75.5%**

The volume of non-performing loans to non-banks increased € 324 million, on the one hand due to the merger of RZB AG into RBI AG amounting to € 425 million and on the other hand mainly due to an organic decrease, notably due to derecognition of uncollectible loans in Ukraine. The NPL ratio based on total exposure decreased 0.9 percentage points to 7.3 per cent.

Since the start of the year, corporate customers posted a € 271 million increase to € 4,628 million. The ratio of non-performing loans to credit exposure decreased 1.0 percentage point to 8.3 per cent; the NPL coverage ratio declined 0.8 percentage points to 70.7 per cent. In the retail portfolio, non-performing loans increased 2.6 per cent, or € 54 million, to € 2,181 million. The ratio of non-performing loans to credit exposure decreased 0.4 percentage points to 7.9 per cent; the NPL coverage ratio decreased 1.3 percentage points to 80.9 per cent. For banks, non-performing loans at the end of the first quarter amounted to € 51 million, € 27 million down on the year-end 2016; the NPL coverage ratio increased 31.2 percentage points to 96.6 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:

31/3/2017 in € million	NPL	NPL ratio	NPL coverage ratio
Central Europe	1,848	5.6%	65.7%
Southeastern Europe	1,423	9.6%	79.1%
Eastern Europe	1,414	10.1%	85.4%
Group Corporates & Markets	2,126	6.0%	72.4%
Corporate Center	49	0.9%	13.3%
Total	**6,860**	**7.3%**	**74.2%**
hereof non-banks	6,809	8.3%	74.0%

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 € 770 million to € 1,848 million, including € 670 million from the reclassification of Poland from the Non-Core segment, € 36 million mainly as a result of increases in Poland in the reporting period, and € 44 million due to the merger of RZB AG into RBI AG. The NPL ratio amounted to 5.6 per cent and the NPL coverage ratio to 65.7 per cent.

In Southeastern Europe, non-performing loans remained almost unchanged from the year-end at € 1,423 million. Whereas declines of € 41 million were reported in Bulgaria and Romania, non-performing loans in Croatia and Serbia increased € 45 million. The NPL ratio fell 0.3 percentage points to 9.6 per cent and the NPL coverage ratio fell 0.6 percentage points to 79.1 per cent.

The Eastern Europe segment reported a decline in non-performing loans of 10 per cent, or € 162 million, to € 1,414 million, mainly attributable to sales of non-performing loans in the amount of € 86 million in Ukraine. The ratio of non-performing loans to credit exposure fell 1.9 percentage points to 10.1 per cent and the NPL coverage ratio decreased 0.5 percentage points to 85.4 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 € 2,126 million. The NPL ratio at the end of the first quarter amounted to 6.0 per cent, and the NPL coverage ratio to 72.4 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 31/3/2017
Individual loan loss provisions	4,697	243	250	(176)	(220)	2	4,797
Portfolio-based loan loss provisions	381	24	107	(101)	0	1	412
Total	**5,078**	**267**	**358**	**(277)**	**(220)**	**3**	**5,210**

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 claims. The changes in consolidated group 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	31/3/2017	Share	31/12/2016	Share
Austria	**35,546**	**20.5%**	**19,936**	**13.6%**
Central Europe	**54,363**	**31.4%**	**50,177**	**34.2%**
Czech Republic	19,198	11.1%	15,047	10.3%
Poland	14,522	8.4%	14,083	9.6%
Slovakia	13,660	7.9%	14,138	9.6%
Hungary	6,585	3.8%	6,471	4.4%
Other	398	0.2%	438	0.3%
Other European Union	**26,570**	**15.3%**	**21,139**	**14.4%**
Germany	7,845	4.5%	6,354	4.3%
Great Britain	5,724	3.3%	5,275	3.6%
France	3,536	2.0%	3,086	2.1%
Netherlands	2,025	1.2%	1,828	1.2%
Spain	1,207	0.7%	595	0.4%
Italy	1,551	0.9%	883	0.6%
Other	4,683	2.7%	3,118	2.1%

in € million	31/3/2017	Share	31/12/2016	Share
Southeastern Europe	**25,821**	**14.9%**	**25,659**	**17.5%**
Romania	9,435	5.4%	9,452	6.4%
Croatia	5,235	3.0%	5,091	3.5%
Bulgaria	4,039	2.3%	3,998	2.7%
Serbia	2,535	1.5%	2,467	1.7%
Bosnia and Herzegovina	2,079	1.2%	2,077	1.4%
Albania	1,742	1.0%	1,830	1.2%
Other	755	0.4%	743	0.5%
Asia	**3,669**	**2.1%**	**3,499**	**2.4%**
China	974	0.6%	936	0.6%
Other	2,695	1.6%	2,564	1.7%
Eastern Europe	**21,434**	**12.4%**	**19,814**	**13.5%**
Russia	15,792	9.1%	14,262	9.7%
Ukraine	3,394	2.0%	3,380	2.3%
Belarus	1,581	0.9%	1,635	1.1%
Other	667	0.4%	536	0.4%
North America	**2,802**	**1.6%**	**3,051**	**2.1%**
Switzerland	**2,104**	**1.2%**	**2,193**	**1.5%**
Rest of World	**1,015**	**0.6%**	**1,105**	**0.8%**
Total	**173,325**	**100.0%**	**146,573**	**100.0%**

The credit exposure of all asset classes posted a € 26,752 million increase compared to the end of 2016 to € 173,325 million (of which € 21,498 million was attributable to the merger of RZB AG into RBI AG in the regions Austria, Central Europe and Other European Union). The largest increase of € 15,610 million to € 35,546 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 following table shows the Group's total credit exposure based on customer industry classification:

in € million	31/3/2017	Share	31/12/2016	Share
Banking and insurance	48,945	28.2%	39,183	26.7%
Private households	33,794	19.5%	26,589	18.1%
Public administration and defence and social insurance institutions	17,214	9.9%	11,844	8.1%
Wholesale trade and commission trade (except car trading)	12,075	7.0%	11,976	8.2%
Other manufacturing	11,880	6.9%	11,426	7.8%
Real estate activities	10,124	5.8%	8,386	5.7%
Construction	5,808	3.4%	5,551	3.8%
Other business activities	4,694	2.7%	4,438	3.0%
Retail trade except repair of motor vehicles	4,073	2.3%	3,675	2.5%
Electricity, gas, steam and hot water supply	3,104	1.8%	3,056	2.1%
Manufacture of basic metals	2,071	1.2%	2,183	1.5%
Other transport	2,011	1.2%	1,905	1.3%
Land transport, transport via pipelines	1,916	1.1%	1,896	1.3%
Manufacture of food products and beverages	1,837	1.1%	1,834	1.3%
Manufacture of machinery and equipment	1,739	1.0%	1,694	1.2%
Sale of motor vehicles	1,004	0.6%	916	0.6%
Extraction of crude petroleum and natural gas	740	0.4%	776	0.5%
Other industries	10,295	5.9%	9,247	6.3%
Total	**173,325**	**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. 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 VaR is dominated by 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 31/3/2017	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2016
Currency risk	20	21	17	26	24
Interest rate risk	15	19	15	22	16
Credit spread risk	13	13	10	16	8
Share price risk	1	1	1	3	1
Vega risk	4	3	2	5	1
Total	36	38	33	47	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.

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 off-balance positions and the effects of a market downturn relating to positions that affect the counterbalancing capacity.

in € million	31/3/2017		31/12/2016	
Maturity	1 month	1 year	1 month	1 year
Liquidity gap	22,357	25,856	21,066	24,517
Liquidity ratio	146%	127%	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	31/3/2017	31/12/2016
Average liquid assets	**21,924**	**12,977**
Net outflows	**14,137**	**7,071**
Inflows	15,161	11,186
Outflows	29,297	18,257
Liquidity Coverage Ratio	**155%**	**184%**

RBI's LCR was lower in comparison to year-end 2016, at 155 per cent (31/12/2016: 184 per cent). The decline resulted from the merger of RZB AG into RBI AG. The LCR of RZB AG was lower than that of RBI AG due to the absence of retail deposits.

Both the outflows and the HQLAs increased as a consequence of the merger of RZB AG and 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	31/3/2017	31/12/2016
Required stable funding	101,432	73,730
Available stable funding	112,985	86,230
Net Stable Funding Ratio	**111%**	**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 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 I.

The so-called SREP minimum capital ratio currently contains a capital conservation and systemic risk buffer in addition to the minimum requirements of the CRR and the SREP add-on. Within the framework of the Supervisory Review and Revaluation Process ECB implicitly set CET 1 ratio to 8.5 per cent (SREP requirement). A breach of the combined buffer requirement would induce constraints, for example in relation to dividend distributions and coupon payments on certain capital instruments.

Additionally, national supervisors can determine national 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 systemic risk buffers for twelve large banks located in Austria, including RBI. This came into force as of the beginning of 2016 through the FMA. The systemic risk buffer 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 progressively increases to 2 per cent by 2019.

Moreover, a countercyclical buffer can be implemented by member states 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 comparative figures as at year-end 2016 correspond to the results published by RBI prior to the merger.

Total capital

in € million	31/3/2017	31/12/2016
Paid-in capital	5,996	5,886
Earned capital	2,968	2,585
Non-controlling interests	395	445
Common equity tier 1 (before deductions)	**9,359**	**8,916**
Deduction intangible fixed assets/goodwill	(598)	(520)
Deduction provision shortage for IRB positions	(53)	(34)
Deduction securitizations	(21)	(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)	**8,685**	**8,339**
Additional tier 1	90	90
Non-controlling interests	15	(1)
Deduction intangible fixed assets/goodwill	(99)	(78)
Deduction provision shortage for IRB positions	(7)	(11)
Deduction securitizations	0	0
Deduction insurance and other investments	0	0
Tier 1	**8,685**	**8,339**
Long-term subordinated capital	3,010	3,047
Non-controlling interests	17	(9)
Provision excess of internal rating approach positions	167	159
Provision excess of standardized approach positions	0	0
Deduction securitizations	0	0
Deduction insurance and other investments	0	0
Tier 2 (after deductions)	**3,194**	**3,198**
Total capital	**11,880**	**11,537**
Total capital requirement	**5,589**	**4,805**
Common equity tier 1 ratio (transitional)	12.4%	13.9%
Common equity tier 1 ratio (fully loaded)	12.2%	13.6%
Tier 1 ratio (transitional)	12.4%	13.9%
Tier 1 ratio (fully loaded)	12.3%	13.6%
Total capital ratio (transitional)	17.0%	19.2%
Total capital ratio (fully loaded)	16.8%	18.9%

The transitional ratios are the currently applicable ratios according to CRR requirements under consideration of the applicable transitional provisions for the current calendar year set out in Part 10 of the CRR. 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	31/3/2017	31/12/2016
Total capital requirement for credit risk	4,571	3,907
Internal rating approach	2,320	2,275
Standardized approach	2,219	1,602
CVA risk	32	31
Basel 1 floor	0	0
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	277	214
Total capital requirement for operational risk	740	683
Total capital requirement	**5,589**	**4,805**
Risk-weighted assets (total RWA)	**69,864**	**60,061**

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

in € million	31/3/2017	31/12/2016
Risk-weighted assets according to standardized approach	**27,740**	**20,025**
Central governments and central banks	1,987	1,925
Regional governments	109	60
Public administration and non-profit organizations	84	12
Multilateral development banks	0	0
Banks	338	293
Corporate customers	9,994	7,909
Retail customers	10,105	7,241
Equity exposures	2,195	397
Covered bonds	24	0
Mutual funds	46	4
Securitization position	0	0
Other positions	2,858	2,184
Risk-weighted assets according to internal rating approach	**29,001**	**28,435**
Central governments and central banks	318	244
Banks	2,057	1,995
Corporate customers	21,873	21,454
Retail customers	4,344	4,390
Equity exposures	148	123
Securitization position	261	229
CVA risk	**400**	**381**
Basel 1 floor	**0**	**0**
Risk-weighted assets (credit risk)	**57,141**	**48,841**
Total capital requirement (credit risk)	**4,571**	**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	31/3/2017	31/12/2016
Leverage exposure	153,198	122,843
Tier 1	8,685	8,339
Leverage ratio (transitional)	5.7%	6.8%
Leverage ratio (fully loaded)	5.6%	6.6%

(41) Average number of staff

Full-time equivalents	1/1-31/3/2017	1/1-31/3/2016
Austria	3,522	2,731
Foreign	46,886	48,975
Total	**50,408**	**51,706**

(42) Related parties

Transactions with related parties that are natural persons 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 indirect 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.

31/3/2017 in € million	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	401	0	181	20
Loans and advances to customers	1	129	31	153
Trading assets	10	0	4	5
Financial investments	1	256	0	223
Investments in associates	0	0	790	0
Other assets (incl. derivatives)	1	6	0	123
Deposits from banks	2,747	7	2,461	315
Deposits from customers	0	168	544	85
Debt securities issued	0	1	0	0
Provisions for liabilities and charges	0	0	1	0
Trading liabilities	0	20	5	0
Other liabilities including derivatives	1	6	2	0
Subordinated capital	0	0	4	0
Guarantees given	24	81	0	0
Guarantees received	15	0	42	27

31/12/2016 in € millionen	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

1/1-31/3/2017 in € million	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Interest income	2	1	2	2
Interest expenses	(7)	0	(8)	0
Dividends income	0	1	28	4
Fee and commission income	1	6	2	2
Fee and commission expense	0	(4)	(2)	(1)

1/1-31/3/2016 in € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Interest income	8	13	2	(1)
Interest expenses	(2)	(5)	(11)	0
Dividends income	0	5	0	0
Fee and commission income	0	11	0	(1)
Fee and commission expense	(1)	(2)	1	0

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 is 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 wider range of refinancing considering further stable funding. 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 supranational 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 caulcauted 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 'Implemnting 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 – It 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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