Raiffeisen Bank International

Semi-Annual Financial Report as of 30 June 2017

Survey of key data

Raiffeisen Bank International (RBI)

Monetary values in € million	2017	2016 pro forma	Change	2016 published
Income statement	**1/1-30/6**	**1/1-30/6**		**1/1-30/6**
Net interest income	1,588	1,567	1.3%	1,455
Net provisioning for impairment losses	(76)	(403)	(81.1)%	(403)
Net fee and commission income	842	773	8.9%	719
Net trading income	133	88	51.1%	84
General administrative expenses	(1,573)	(1,541)	2.1%	(1,412)
Profit/loss before tax	849	474	79.1%	450
Profit/loss after tax	656	297	121.1%	268
Consolidated profit/loss	587	236	149.1%	210
Statement of financial position	**30/6**	**31/12**		**31/12**
Loans and advances to banks	12,851	10,981	17.0%	9,900
Loans and advances to customers	81,101	79,769	1.7%	70,514
Deposits from banks	27,458	24,060	14.1%	12,816
Deposits from customers	81,595	80,325	1.6%	71,538
Equity	10,234	9,752	4.9%	9,232
Assets	138,603	134,804	2.8%	111,864
Key ratios	**1/1-30/6**	**1/1-30/6**		**1/1-30/6**
Return on equity before tax	17.4%	10.5%	6.9 PP	10.6%
Consolidated return on equity	12.9%	5.6%	7.3 PP	5.3%
Cost/income ratio	60.6%	62.4%	(1.8) PP	61.8%
Return on assets before tax	1.36%	0.69%	0.68 PP	0.82%
Net interest margin (average interest-bearing assets)	2.46%	2.40%	0.06 PP	2.76%
Provisioning ratio (average loans and advances to customers)	0.19%	0.99%	(0.80) PP	1.11%
Bank-specific information	**30/6**	**31/12**		**31/12**
NPL ratio	7.3%	8.7%	(1.3) PP	9.2%
NPE ratio	6.7%	8.1%	(1.4) PP	8.6%
NPL coverage ratio	70.5%	75.2%	(4.6) PP	75.6%
NPE coverage ratio	61.3%	66.3%	(5.1) PP	66.7%
Risk-weighted assets (total RWA)	69,021	67,911	1.6%	60,061
Total capital requirement	5,522	5,433	1.6%	4,805
Total capital	12,100	11,804	2.5%	11,537
Common equity tier 1 ratio (transitional)	12.9%	12.7%	0.3 PP	13.9%
Common equity tier 1 ratio (fully loaded)	12.8%	12.4%	0.4 PP	13.6%
Total capital ratio (transitional)	17.5%	17.4%	0.1 PP	19.2%
Total capital ratio (fully loaded)	17.4%	17.1%	0.3 PP	18.9%
Stock data	**1/1-30/6**	**1/1-30/6**		**1/1-30/6**
Earnings per share in €	1.79	0.72	149.1%	0.72
Closing price in € (30.6.)	22.10	–	–	11.28
High (closing prices) in €	24.44	–	–	14.17
Low (closing prices) in €	17.67	–	–	10.21
Number of shares in million (30/6)	328.94	–	–	292.98
Market capitalization in € million (30/6)	7,270	–	–	3,303
Resources	**30/6**	**31/12**		**31/12**
Employees as at reporting date (full-time equivalents)	49,688	50,203	(1.0)%	48,556
Business outlets	2,425	2,522	(3.8)%	2,506
Customers in million	16.5	17.0	(3.2)%	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.

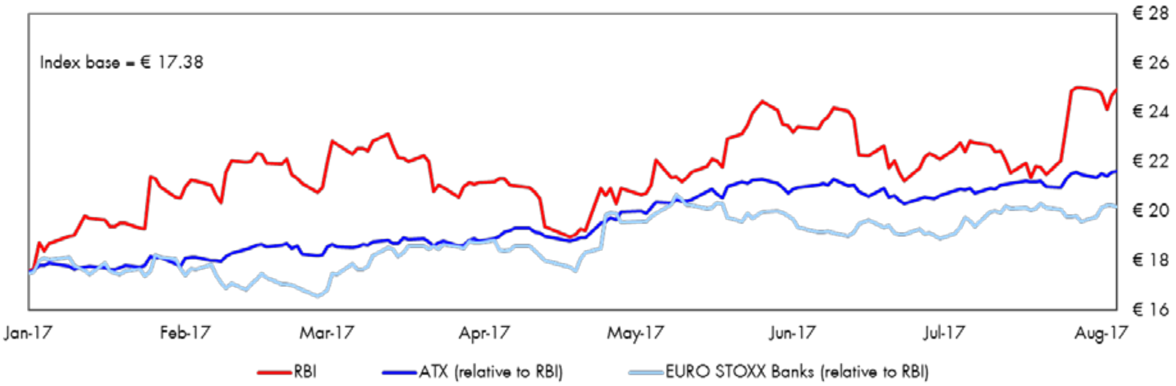
Adding and subtracting rounded amounts in tables and charts may lead to minor discrepancies. Changes in tables are not based on rounded amounts.

RBI in the capital markets

Performance of RBI stock

RBI's stock opened the second quarter at a share price of € 21.16 and closed the quarter on 30 June 2017 at € 22.10. This represented a gain of 4.5 per cent for the stock over the quarter, somewhat stronger than that of the European EURO STOXX Banks Index (up 2.9 per cent). The Austrian ATX stock index advanced 9.8 per cent during the same period. The favorable stock market conditions since the beginning of the year thus continued in the second quarter. Equities remain firmly in focus for investors thanks to positive economic and corporate data, as well as persistently low interest rate levels in the euro area and a decidedly relaxed political environment in Europe following the presidential elections in France. The publication of the preliminary results for the first half of 2017 on 25 July was positively received by the market and lead to a considerable 7 per cent increase on the day. As at 4 August (editorial deadline for this report), RBI's stock traded at € 24.95.

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



Additional tier 1 capital issued

To further optimize its capital structure, RBI placed € 650 million of perpetual additional tier 1 capital (AT1) on 28 June 2017. It has a coupon of 6.125 per cent p.a. until December 2022, which will be reset thereafter. The transaction was preceded by numerous investor meetings at various destinations across Europe. In the course of a non-deal related roadshow from end-May to mid-June with meetings in Amsterdam, Copenhagen, The Hague, London, Madrid, Milan, Rotterdam and Zurich, market participants were briefed on the latest developments at RBI. A deal-related roadshow followed in late June in the run-up to the planned transaction and further information needs on the part of the more than 100 interested investors after the deal was announced were met by three RBI teams. At the same time, the teams visited investors in Amsterdam, Frankfurt, London, Paris, Vienna and Zurich. Furthermore, conference calls were held with investors from Asia, the Middle East, North America and several sovereign wealth funds. An online presentation given by the Management Board was also met with considerable interest among the more than 125 participants. Investor feedback from these discussions was highly positive, not only with regard to the volume to be placed but also with regard to the terms and conditions. This was also evidenced by the fact that the transaction was three times subscribed in just a few hours. Orders came in particular from investors in the UK and continental Europe.

Annual General Meeting

RBI's Annual General Meeting that took place on 22 June 2017 approved all resolutions proposed under the individual agenda items. Erwin Hameseder (President of Raiffeisen-Holding NÖ-Wien Beteiligungs GmbH) was elected new Chairman of the RBI Supervisory Board. The Supervisory Board mandates of Heinrich Schaller (CEO of RLB OÖ) and Günther Reibersdorfer (CEO of Raiffeisenverband Salzburg) were extended. Peter Gauper (CEO of RLB Kärnten), Wilfried Hopfner (CEO of RLB Vorarlberg), Rudolf Könighofer (CEO of RLB Burgenland) and Johannes Ortner (CEO of RLB Tirol) were newly elected to the Supervisory Board. Also new to the Supervisory Board are Eva Eberhartinger, Chair of Tax Management in the Department of Finance, Accounting, and Statistics at the Vienna University of Economics and Business, and Birgit Noggler, an independent tax advisor with financial expertise gained in previous positions, including as CFO of an ATX listed company. Each member of the Supervisory

Board was elected until the end of the Annual General Meeting which will resolve on the granting of discharge for the 2021 financial year.

Active capital market communications

On 17 May 2017, RBI published its figures for the first quarter of the current financial year. Some 180 international analysts and investors participated in the subsequent conference call.

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

In the second quarter, RBI offered interested investors an opportunity to obtain first-hand information at roadshows and conferences in Amsterdam, Budapest, Copenhagen, Frankfurt, The Hague, London, Madrid, Milan, Paris, Rotterdam, Vienna and Zurich.

In July, it was decided to suspend the Initial Public Offering (IPO) of the Polish subsidiary Raiffeisen Bank Polska S.A.

A total of 24 equity analysts and 18 debt analysts (as at 30 June) 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 second quarter of 2017, the regional Raiffeisen banks held approximately 58.8 per cent of RBI shares, with the remaining shares in free float.

Share price as at 30 June 2017	€ 22.10
High/Low (closing prices) in the second quarter of 2017	€ 24.44/€ 18.95
Earnings per share for the first half of 2017	€ 1.79
Bookvalue per share as at 30 June 2017	€ 29.05
Market capitalization as at 30 June 2017	€ 7.3 billion
Average daily trading volume in the second quarter of 2017	745,814 shares
Stock exchange turnover in the second quarter of 2017	€ 960 million
Free float as at 30 June 2017	approximately 41.2%
ISIN	AT0000606306
Ticker symbols	RBI (Vienna Stock Exchange)
	RBI AV (Bloomberg)
	RBIV.VI (Reuters)
Market segment	Prime Market
Number of shares issued as at 30 June 2017	328,939,621

Rating details

Ratings	Moody's Investors Service	Standard & Poor's
Long-term rating	Baa1	BBB+
Outlook	stable	positive
Short-term rating	P-2	A-2
Subordinated (Tier 2)	Ba1	BBB-
Additional Tier 1	B1 (hyb)	BB
Junior Subordinated (Legacy Tier 1)	B1	BB+

Financial calendar 2017 / 2018

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

Contact for equity and debt investors

E-mail: ir@rbinternational.com
Internet: www.rbinternational.com → Investor Relations
Phone: +43-1-71 707-2089
Fax: +43-1-71 707-2138

Raiffeisen Bank International AG
Group Investor Relations
Am Stadtpark 9
1030 Vienna, Austria

Group management report

Market development

Highly developed economies continued to record improved growth in the first half of 2017. In addition, sentiment indicators, which are in significant positive territory across the board, underpin the prospect of a growth period extending well into 2018. The labor markets in the US and the euro area are also characterized by markedly rising employment. This supports private consumption as a pillar of economic growth. The euro area is expected to achieve GDP growth of 2.1 per cent for full-year 2017. The economic growth forecast for the euro area in 2018 is somewhat weaker (1.7 per cent), with growth momentum likely to have already peaked by then.

Following a positive start to the year with inflation rates rising significantly both in the US and in the euro area, the upward trend in prices subsided again towards mid-year. This was attributable to the renewed decline in commodity prices, notably in the oil price. As a result, core inflation (headline inflation excluding energy and food prices) should only move higher at a slow pace. Consequently, no material change is foreseeable in monetary policy. The Federal Reserve is continuing on its path of normalizing monetary policy, with four rate hikes anticipated in the US by end-2018. In contrast, the ECB is still in no hurry to tighten its monetary stance. Nevertheless, given that the risks of deflation and recession have now faded, clarification is expected by the fall of this year with respect to tapering of the bond purchase program in 2018.

The Austrian economy should register an increase in real GDP of at least 2.2 per cent in 2017, with growth of 1.7 per cent forecast for 2018. Not only does this represent a rise compared to 2016, when real growth of 1.5 per cent was reached, but economic growth momentum in 2017 and 2018 also looks set to be more broadly based than it was in 2016 and should be driven by both domestic demand and foreign trade.

In Central Europe (CE) sentiment indicators such as purchasing managers indices reached levels in the first half-year that signal more rapid economic growth. This was subsequently also reinforced by strong GDP growth data for the first quarter of 2017. The economies of Poland and Hungary each grew by roughly 4 per cent compared to the previous year's quarter, with the Slovenian economy even expanding by as much as 5.3 per cent. Growth rates for the first quarter of 2017 were roughly 3 per cent in both the Czech Republic and in Slovakia. Moreover, recent growth has been broadly based and driven not only by rising demand among private households but also by investment growth and increasing foreign trade. Growth in the CE region should consequently reach 3.6 per cent for full-year 2017. This is mainly due to the strong outlook for growth of 3.8 per cent for Poland's economy in 2017. This year's forecast for Slovenia is high at 4.6 per cent. Growth of over 3 per cent in CE is also expected for 2018.

The situation in Southeastern Europe (SEE) likewise looks positive. The region's largest economy – Romania – is booming, mainly driven by domestic consumption, which in turn is buoyed by wage increases and tax reductions. First-quarter growth in Romania was 5.7 per cent year-on-year while the full-year forecast is 4.9 per cent, even higher than the previous year's rate of 4.8 per cent. However, its strong growth and expansionary fiscal policy also harbor risks in the event of a cyclical downturn. Economic momentum in Bulgaria similarly continues to persist whereas both Serbia and Croatia registered somewhat lower growth rates in the first quarter. Nevertheless, overall growth momentum in SEE will remain strong for full-year 2017, with 4.1 per cent GDP growth expected. For 2018, strong growth of 3.5 per cent is also forecast for the region.

In Eastern Europe (EE) the end of the recession in Russia is particularly noteworthy. Following year-on-year growth of 0.3 per cent in the fourth quarter of 2016, economic output increased by 0.5 per cent in the first quarter of 2017, somewhat stronger than expected. The latest data releases already point to a stronger second quarter. Economic conditions are also improving in Belarus, which resumed weak growth following two years of recession. In addition, the settlement of a dispute with Russia over oil and gas shipments reduces the country's economic risks. Accordingly, moderately positive GDP growth is expected for 2017, with a further recovery anticipated for 2018. In Ukraine, in contrast, the outlook has weakened somewhat in light of the economic blockade in eastern Ukraine. Overall, the economic outlook for EE is moderate, with growth of 1 per cent forecast for 2017. Thanks to the region's upside potential, however, the chances of an acceleration in growth momentum next year look good at present.

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	3.8	3.6
Poland	3.8	2.7	3.8	3.1
Slovakia	3.8	3.3	3.3	4.0
Slovenia	2.3	2.5	4.6	3.3
Central Europe	**3.8**	**2.6**	**3.6**	**3.1**
Albania	2.2	3.5	4.0	4.0
Bosnia and Herzegovina	3.0	2.5	2.5	3.0
Bulgaria	3.6	3.4	3.7	3.7
Croatia	2.2	2.9	2.9	2.3
Kosovo	4.1	3.5	3.5	3.5
Romania	3.9	4.8	4.9	3.8
Serbia	0.7	2.8	3.0	3.0
Southeastern Europe	**3.2**	**4.0**	**4.1**	**3.5**
Russia	(2.8)	(0.2)	1.0	1.5
Belarus	(3.8)	(2.6)	0.5	1.5
Ukraine	(9.8)	2.3	1.5	3.0
Eastern Europe	**(3.3)**	**(0.1)**	**1.0**	**1.6**
Austria	**1.0**	**1.5**	**2.2**	**1.7**
Germany	**1.5**	**1.8**	**1.7**	**1.5**
Euro area	**2.0**	**1.8**	**2.1**	**1.7**

Source: Raiffeisen Research

Significant events

Completion of merger with RZB AG

Following the Extraordinary General Meeting of RBI AG in January 2017, which approved the merger with Raiffeisen Zentralbank Österreich AG (RZB AG) by a majority of 99.4 per cent, the merger was entered in the commercial register on 18 March 2017, thereby taking effect. In the course of the RBI AG capital increase, which was also entered in the commercial register, the shareholders of RZB AG were given new shares by way of consideration for the assets transferred in the merger. The total number of RBI AG shares issued is therefore now 328,939,621 compared to 292,979,038 previously.

The merger of RZB AG into RBI AG increased the number of consolidated companies by 175 specialized financial institution subsidiaries. The effect of the merger on equity amounted to € 519 million. Further details are given in the notes in the consolidated group section and in the statement of changes in equity.

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).

Placement of additional tier 1 capital (AT1)

In order to further optimize its capital structure RBI placed perpetual additional tier 1 capital (AT1) of € 650 million at the end of June 2017 with a value date of 5 July 2017. The coupon is 6.125 per cent p.a. until December 2022, after which it will be reset. Semi-annual coupon payments on scheduled coupon dates on 15 December and 15 June of each year are discretionary. Under

IFRS, on the basis of the terms and conditions of the issue the AT1 capital is classified as equity. Due to the value date the AT1 capital will not be included in the consolidated financial statements until the third quarter. Inclusion of the AT1 capital as at end-June 2017 would have increased the tier 1 ratio (transitional) by 94 basis points.

Earnings and financial performance

The merger of RZB AG into RBI AG took place in March 2017. Consequently, the constituent items from the statement of financial position and income statement, as well as the consolidated subsidiaries of RZB AG, were integrated into the RBI Group. The integration took place on 24 January 2017 following the resolutions of the Extraordinary General Meetings. For reasons of materiality, the effects of the merger were reflected as of 1 January 2017. The figures for the previous year's comparable period and reporting date are stated on a pro forma basis in this section – as though the merged company had already existed in this form in the previous year. In particular, all effects in connection with the sale and valuation of UNIQA Insurance Group AG were eliminated in the income statement. The pro forma figures were neither audited nor reviewed by an auditor. In contrast, the comparable figures in the consolidated financial statements section are based on the previous year's published figures in accordance with IFRS.

The focus in the first half of 2017 was on the very positive developments relating to impairment losses. Net provisioning for impairment losses was down 81 per cent, significantly below the previous year's level. The good overall macroeconomic situation also had a positive impact on non-performing loans. The NPL ratio was 7.3 per cent at mid-year, 1.3 percentage points lower than at the beginning of the year. This resulted from a reduction in the provisions required for non-performing loans and from derecognition of uncollectible loans. In addition, non-performing loans of € 469 million were sold above the carrying amount. The Group's total interest-bearing assets increased 1 per cent driven by short-term receivables, with the focus on optimizing liquidity positions as well as on moderate credit growth in some markets. Consolidated net profit improved € 352 million year-on-year to € 587 million. The increase was mainly due to the decline in net provisioning for impairment losses of € 327 million to € 76 million. The € 96 million rise in the operating result also contributed materially to the improved results.

Operating income posted an increase of 5 per cent year-on-year, or €129 million, to € 2,597 million, with all earnings components contributing to the rise. In net interest income, the improved interest margin was due to foreign currency effects in Russia and to liquidity position optimization. Net interest income rose 1 per cent to € 1,588 million, driven by a 6 basis point improvement in the interest margin to 2.46 per cent. Net fee and commission income also increased (up € 69 million), as did net trading income (up € 45 million), supported by the effects of the Russian rouble appreciation and higher income from payment transfer business.

General administrative expenses were up € 32 million year-on-year to € 1,573 million, mainly as a result of the appreciation of the Russian rouble. The average number of employees (full-time equivalents) reduced by 2,904 year-on-year to 50,330. Nevertheless, staff expenses increased 2 per cent to € 780 million due to currency developments. Other administrative expenses were up 3 per cent, or € 16 million, to € 636 million. This was primarily due to a € 7 million increase in regulatory expenses, whereas office space expenses reduced due to branch closures in the previous year. Regulatory expenses for deposit insurance fees and the resolution fund amounted to € 113 million in total, up from € 105 million in the previous year. The number of business outlets decreased 232 year-on-year to 2,425, mainly due to the optimization program and the sale of leasing activities in Poland (down 82), as well as ongoing branch optimization in Ukraine (down 73).

Total assets rose € 3,798 million since the start of the year to € 138,603 million, with loans to customers up € 1,332 million to € 81,101 million. Short-term positions in the form of repurchase and securities lending transactions increased € 1,177 million, to € 2,651 million. Consequently loans to corporate customers (large and mid-market corporates) decreased 2 per cent, or € 881 million, to € 44,624 million. Loans and advances to retail customers (private individuals as well as small and medium-sized entities) rose 3 per cent, or € 1,051 million, to € 33,068 million, with the largest increases in the Czech Republic, Slovakia and Russia.

Equity including capital attributable to non-controlling interests posted an increase of € 1,002 million to € 10,234 million, with € 519 million resulting from the merger of RBI AG and RZB AG. Alongside profit after tax of € 656 million, other comprehensive income amounted to minus € 93 million, mainly consisting of a valuation result from own liabilities measured at fair value of minus € 86 million. This is reported from the 2017 financial year onward in other comprehensive income (instead of in the income statement as was previously the case) due to the early application of IFRS 9.7.1.2.

In terms of regulatory capital, the key metrics changed as follows: Common equity tier 1 (after deductions) was € 8,936 million at the end of the period, € 332 million higher than at year-end 2016. Total capital pursuant to the CRR came to € 12,100 million, representing an increase of € 296 million compared to the 2016 year-end figure.

Total risk-weighted assets increased € 1,110 million to € 69,021 million. Based on total risk, the common equity tier 1 ratio (transitional) was 12.9 per cent as at 30 June 2017 and the total capital ratio (transitional) was 17.5 per cent. Excluding the transitional provisions as defined in the CRR, the common equity tier 1 ratio (fully loaded) stood at 12.8 per cent and the total capital ratio (fully loaded) was 17.4 per cent.

Comparison of results year-on-year

in € million	1/1-30/6/2017	1/1-30/6/2016 pro forma	Change	1/1-30/6/2016 published
Net interest income	1,588	1,567	21	1,455
Net fee and commission income	842	773	69	719
Net trading income	133	88	45	84
Recurring other net operating income	34	41	(7)	25
Operating income	**2,597**	**2,469**	**129**	**2,284**
Staff expenses	(780)	(767)	(12)	(701)
Other administrative expenses	(636)	(620)	(16)	(569)
hereof regulatory other administrative expenses	(113)	(105)	(7)	(103)
Depreciation	(158)	(153)	(4)	(142)
General administrative expenses	**(1,573)**	**(1,541)**	**(32)**	**(1,412)**
Operating result	**1,024**	**928**	**96**	**871**
Net provisioning for impairment losses	(76)	(403)	327	(403)
Other results	(99)	(51)	(48)	(18)
Profit/loss before tax	**849**	**474**	**375**	**450**
Income taxes	(193)	(177)	(16)	(182)
Profit/loss after tax	**656**	**297**	**359**	**268**
Profit attributable to non-controlling interests	(68)	(61)	(8)	(58)
Consolidated profit/loss	**587**	**236**	**352**	**210**

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

Operating income

Net interest income

In the first six months of 2017, net interest income increased 1 per cent, or € 21 million, to € 1,588 million compared to the first half of 2016. This was mainly attributable to a € 52 million currency-related increase in net interest income in Russia; whereas small declines were booked in other markets due to persistently low interest rates.

The net interest margin rose 6 basis points year-on-year to 2.46 per cent, largely as a result of exchange rate effects in the Eastern Europe segment.

In the Central Europe segment, net interest income was up 39 per cent, or € 132 million, to € 471 million. Most of the increase was attributable to the reclassification of Poland from the Non-Core segment to the Central Europe segment (€ 131 million). In Hungary, net interest income rose € 7 million, mainly owing to liquidity optimization. In Slovakia, net interest income declined € 8 million due to lower interest rates. The Southeastern Europe segment reported a decrease in net interest income of 2 per cent, or € 8 million, to € 364 million. All the countries in this segment – except Romania (up € 2 million) – reported a decline in net interest income. In the Eastern Europe segment, net interest income increased 14 per cent, or € 56 million, to € 474 million. The largest rise was in Russia, with a currency-related increase of € 52 million. Ukraine also posted an increase in net interest income of € 8 million, mainly attributable to changes in interest rates on customer deposits. Net interest income in the Group Corporates & Markets segment continued to decline (down € 19 million) as a result of persistently low interest rates and early loan repayments.

Net fee and commission income

Net fee and commission income improved 9 per cent year-on-year, or € 69 million, to € 842 million due to currency appreciation in Eastern Europe and higher revenues. Net income from the payment transfer business posted the largest increase of 15 per cent, or € 45 million, to € 354 million driven by volumes and margins, particularly in the credit card business in Russia, Ukraine, Kosovo and at RBI AG. In addition, net income from the securities business rose € 12 million to € 74 million, with the largest contributions coming from RBI AG, Raiffeisen Centrobank AG and Russia. Net income from the management of investment and pension funds was up € 6 million to € 86 million due to higher volumes, particularly at Raiffeisen Capital Management and in Croatia. Net income from the foreign currency, notes/coins and precious metals business also increased 2 per cent, or € 4 million, to € 190 million, largely due to exchange rate effects in Russia.

Net trading income

Net trading income increased € 45 million year-on-year to € 133 million. Net income from equity- and index-based transactions rose € 39 million to € 14 million due to higher revenues at Raiffeisen Centrobank AG from issuance and sales of certificates (particularly partial protection and guarantee certificates). Net income from currency-based transactions improved € 22 million to € 71 million, mainly driven by valuation gains from derivatives and foreign currency positions in Russia and at RBI AG, an increase in the Czech Republic following the removal of the minimum exchange rate for the Czech koruna, and a more limited devaluation of the Ukrainian hryvnia than in the previous year. In contrast, a € 5 million decline was posted in Belarus – and also in Poland and Croatia – as net income from open foreign currency positions decreased for valuation reasons. Net income from interest-based business fell € 23 million to € 46 million, primarily due to a decline in interest income and valuation gains from derivatives and securities positions at RBI AG, as well as in Albania, Poland and Romania; while an increase was posted in the Czech Republic.

Recurring other net operating income

Recurring other net operating income fell € 7 million year-on-year to € 34 million. The net change was attributable to various individual items. In the Czech Republic, recurring other net operating income fell year-on-year as the previous year's period had included the sale of the card acquiring business (€ 8 million). In Poland, the disposal of the Polish leasing company resulted in a € 5 million reduction in income from leasing activities. In Hungary, net proceeds from the disposal of tangible and intangible fixed assets declined € 6 million. In contrast, € 6 million in provisions for litigation were released in Romania. The expenditure for other taxes fell € 10 million at RBI AG and in Hungary.

General administrative expenses

Compared to the same period of the previous year, general administrative expenses rose € 32 million to € 1,573 million, mainly due to currency effects. The cost/income ratio improved 1.8 percentage points to 60.6 per cent, largely due to higher operating income.

Staff expenses

Staff expenses rose 2 per cent, or € 12 million, year-on-year to € 780 million. The increase mainly resulted from higher staff expenses in Russia (up € 27 million), primarily caused by the appreciation of the Russian rouble and to a lesser extent by increased staffing levels. In Poland, in contrast, the sale of the leasing company and optimization measures taken by the bank reduced staff expenses by € 13 million to € 64 million.

The average number of staff (full-time equivalents) fell 2,904 year-on-year to 50,330. The largest decline was posted in Ukraine (down 1,411); other reductions resulted from the exclusion of Group units.

Other administrative expenses

Other administrative expenses increased 3 per cent, or € 16 million, to € 636 million. This increase was due to a € 12 million rise in contributions to the bank resolution fund, which were booked for the entire year in the first quarter. In addition, advertising, PR and promotional expenses increased € 11 million as a result of an advertising campaign supporting the launch of a new mobile application in Russia. In contrast, office space expenses were down € 13 million; mainly due to higher expenses in the previous year relating to the closure of branches in Asia and a reduction in expenses following the change of a location in Poland.

Depreciation of tangible and intangible fixed assets

Depreciation of tangible and intangible fixed assets increased 3 per cent, or € 4 million, to € 158 million due to impairment of buildings in the portfolio held by Raiffeisen Immobilienfonds.

Net provisioning for impairment losses

Net provisioning for impairment losses fell 81 per cent overall year-on-year, or € 327 million, to € 76 million. Most of the decline was attributable to a € 328 million reduction in individual loan loss provisioning to € 105 million. There was a net release of € 11 million of portfolio-based loan loss provisions in the reporting period compared to a net release of € 27 million in the same period of the previous year. Gains from loan termination or sale rose € 15 million year-on-year to € 17 million, predominantly in Poland. Net provisioning for impairment losses in the reporting period included € 54 million in relation to corporate customers (previous year's period: € 290 million), and € 51 million in relation to retail customers (previous year's period: € 104 million).

The largest declines in net provisioning for impairment losses were recorded at RBI AG, where the provisioning requirement fell € 129 million to € 38 million, and in Russia, where it fell € 52 million to € 11 million. The declines were the result of higher allocations in the previous year's period, particularly for large individual cases in the corporate customer business. Net provisioning for impairment losses also improved significantly in Ukraine, primarily supported by sales of non-performing loans, with a net release of € 36 million recorded in the reporting period compared to net provisioning of € 6 million in the previous year's period. In Albania, a net release of € 10 million stood in contrast to the previous year's period, in which the default of several large corporate customers resulted in net provisioning of € 35 million. The risk situation also improved in Hungary, where a net release of € 41 million was recorded for the reporting period (previous year's period: net provisioning of € 2 million), in the Czech Republic, where net provisioning for impairment losses fell € 23 million to € 4 million in the reporting period, and in Belarus, where net provisioning dropped € 10 million to almost zero. In Croatia, in contrast, the default of a large corporate customer led to a € 30 million increase in net provisioning to € 39 million. In Romania, net provisioning rose € 20 million to € 46 million for retail and corporate customers, mostly due to a provision for voluntary conversion offers relating to loans denominated in Swiss francs. In Poland, the increase in net provisioning was largely attributable to worse recovery rates for mortgage loans in the retail customer business, was partially offset by € 14 million in gains from loan termination or sale.

The portfolio of non-performing loans decreased € 978 million to € 5,933 million since the start of the year. Currency developments resulted in a € 136 million decrease. The actual reduction in non-performing loans on a currency-adjusted basis was therefore € 841 million. In particular, uncollectible loans were derecognized and there were also sales of non-performing loans. The largest declines were reported in the Group Corporates & Markets segment (down € 418 million), Ukraine (down € 272 million), Hungary (down € 105 million), Albania (down € 38 million), the Czech Republic (down € 34 million), and in Bulgaria (down € 26 million), whereas Croatia (up € 65 million) reported an increase. Compared to year-end 2016, the NPL ratio improved 1.3 percentage points to 7.3 per cent. Non-performing loans compared to loan loss provisions amounting to € 4,184 million, resulting in a NPL coverage ratio of 70.5 per cent, in comparison to 75.2 per cent at the year-end.

The provisioning ratio of 0.19 per cent, calculated based on the average volume of loans and advances to customers, was significantly below the previous year's ratio of 0.99 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 – was down € 48 million year-on-year to minus € 99 million.

Net income from derivatives and liabilities

Net income from derivatives and liabilities increased from minus € 201 million in the previous year's period to plus € 26 million in the reporting period. This increase was due to improved valuation results from bank book derivatives, particularly interest rate swaps used to hedge government bonds in the fair value securities portfolio, as well as from own issues.

Net income from financial investments

Net income from financial investments fell € 346 million year-on-year to minus € 58 million. This was primarily attributable to net valuation losses on government bonds, which were hedged by interest rate swaps, and to gains from the sale of Visa shares in the previous year (€ 132 million).

Bank levies and non-recurring effects

The expense for bank levies fell € 4 million year-on-year to € 88 million. This was largely due to a € 6 million decrease in expenses in Hungary resulting from changes in the basis of calculation.

In Romania, a provision of € 22 million was released in the first quarter of 2017 after the Constitutional Court ruled that the Walk-away Law could not be applied retrospectively.

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: € 6 million). The deconsolidation of entities in the reporting period resulted mainly from immateriality.

Income taxes

Income tax expense increased 9 per cent year-on-year, or € 16 million, to € 193 million; whereas the tax rate decreased from 37 per cent in the previous year's period to 23 per cent. This significant decline in the tax rate was the result of utilizing unrecognized loss carryforwards at several Group units (RBI AG, Hungary, Albania) to the considerably higher net income for the period. The tax rate also fell in Poland following higher tax expenses in the previous year's period due to the intragroup sale of the Polish leasing company.

Comparison of results with the previous quarter

in € million	Q2/2017	Q1/2017	Change	
Net interest income	792	796	(4)	(0.6)%
Net fee and commission income	433	409	24	5.8%
Net trading income	69	64	5	7.7%
Recurring other net operating income	6	28	(22)	(78.2)%
Operating income	**1,300**	**1,298**	**2**	**0.2%**
Staff expenses	(392)	(388)	(3)	0.8%
Other administrative expenses	(286)	(350)	65	(18.4)%
hereof regulatory other administrative expenses	(16)	(97)	81	(83.7)%
Depreciation	(81)	(76)	(5)	6.6%
General administrative expenses	**(758)**	**(815)**	**56**	**(6.9)%**
Operating result	**541**	**483**	**58**	**12.0%**
Net provisioning for impairment losses	4	(80)	83	–
Other results	(26)	(73)	48	(64.9)%
Profit/loss before tax	**519**	**330**	**189**	**57.4%**
Income taxes	(118)	(75)	(44)	58.3%
Profit/loss after tax	**401**	**255**	**146**	**57.1%**
Profit attributable to non-controlling interests	(34)	(35)	1	(3.4)%
Consolidated profit/loss	**367**	**220**	**147**	**66.7%**

Operating income

Net interest income

Net interest income fell 1 percent quarter-on-quarter, or € 4 million, to € 792 million in the second quarter of 2017. Interest income remained under pressure from persistently low interest rates in RBI's markets. Companies valued at equity provided a one-off earnings contribution of € 15 million in the first quarter of 2017. The net interest margin (calculated based on interest-bearing assets) declined 6 basis points from the previous quarter to 2.43 per cent.

Net fee and commission income

Net fee and commission income rose 6 per cent quarter-on-quarter, or € 24 million, to € 433 million. This increase was largely attributable to seasonally higher revenues. The largest increase – 11 per cent, or € 19 million, to € 186 million – was in net income from the payment transfer business, caused by higher volumes, particularly in Russia, Romania, and Bosnia and Herzegovina. Net income from the sale of own and third party products was up € 8 million to € 21 million, with the strongest growth recorded in Russia and Romania. Net income from the foreign currency, notes/coins and precious metals business rose 5 per cent, or € 5 million, to € 98 million, and was also due to seasonal effects in Russia, Poland and Romania. Net income from the loan and guarantee business, in contrast, fell € 7 million to € 36 million, particularly in Russia and Romania, while RBI AG and the Austrian building society business posted increases.

Net trading income

Compared to the previous quarter, net trading income improved 8 per cent, or € 5 million, to € 69 million. Net income from equity- and index-based transactions rose € 16 million due to higher revenues at Raiffeisen Centrobank from issuance and sales of certificates (particularly partial protection and guarantee certificates). Net income from interest-based transactions, in contrast, fell € 14 million to € 16 million, largely due to valuation losses on securities positions and derivatives at RBI AG, as well as in Albania and Russia. Net income from currency-based transactions increased € 7 million to € 39 million, mainly driven by valuation gains on derivatives and foreign currency positions in Russia and the Czech Republic following the removal of the minimum exchange rate for the Czech koruna. In contrast, valuation losses were booked on foreign currency positions particularly in Albania and Hungary.

Recurring other net operating income

In the second quarter of 2017, recurring other net operating income dropped € 22 million quarter-on-quarter to € 6 million, mainly due to releases of provisions for litigation in the first quarter as well as various individual items and consolidation effects.

General administrative expenses

In the second quarter of 2017, general administrative expenses were € 758 million, down 7 per cent, or € 56 million, quarter-on-quarter.

Other administrative expenses declined 18 per cent, or € 65 million, to € 286 million. The decline was driven by contributions to the bank resolution fund and deposit insurance fees, which are to be booked for the entire year in the first quarter (€ 79 million), due to specific regulations.

Depreciation of tangible and intangible fixed assets rose 7 per cent quarter-on-quarter, or € 5 million, to € 81 million, mainly due to the impairment of buildings in the portfolio held by Raiffeisen Immobilienfonds.

Net provisioning for impairment losses

In the first quarter of 2017, net provisioning for impairment losses amounted to € 80 million. In the second quarter, however, a net release of € 4 million was posted. The credit risk situation improved in the following Group units and countries: Net provisioning at RBI AG fell € 26 million to € 6 million, which was attributable to higher net provisioning in the first quarter following rating downgrades for several corporate customers. In Romania, net provisioning for impairment losses declined € 18 million to € 14 million, as net provisioning to cover the voluntary conversion of loans denominated in Swiss francs was significantly higher in the first quarter. Albania reported a net release of € 11 million, mainly in the corporate customer business, while net provisioning in the first quarter amounted to € 1 million. In Hungary, net releases rose € 12 million to € 26 million, primarily due to the corporate customer business.

In Croatia, in contrast, the default of a large corporate customer resulted in an increase of € 25 million to € 32 million in net provisioning for impairment losses.

The portfolio of non-performing loans fell € 876 million quarter-on-quarter to € 5,933 million, compared to a decline of € 102 million in the previous quarter. Currency developments were responsible for € 148 million of the reduction in the second quarter; on a currency-adjusted basis, the decrease was € 728 million, which was mostly attributable to the derecognition of uncollectible loans. The largest declines were reported in the Group Corporates & Markets segment (down € 444 million), Ukraine (down € 135 million), Hungary (down € 90 million) and Albania (down € 34 million), whereas Croatia (up € 32 million) reported increases. The NPL ratio was down 1.0 percentage point from the previous quarter to 7.3 per cent. At the same time, the NPL coverage ratio reduced from 74.0 per cent to 70.5 per cent.

Other results and taxes

Other results improved by € 48 million, from minus € 73 million in the first quarter of 2017, to minus € 26 million in the second quarter of 2017.

Net income from derivatives and liabilities

Net income from derivatives and liabilities rose € 9 million quarter-on-quarter to € 18 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 € 6 million quarter-on-quarter to minus € 26 million. This increase was largely attributable to the valuation of securities in the fair value portfolio and lower impairment charges on equity participations. Net proceeds from sales of securities in the securities held-to-maturity portfolio were lower than in the previous quarter.

Bank levies and non-recurring effects

Bank levies amounted to € 17 million in the second quarter of 2017 (previous quarter: € 71 million). The largest decline resulted from the first instalment of a one-off payment of € 41 million that RBI AG made in the first quarter of 2017. This is the first of a total of four annual payments that are to be booked in their entirety in the first quarter according to current regulations. In Hungary, € 13 million in bank levies for the full year were also posted in the first quarter of 2017.

In the first quarter of 2017, a provision of € 22 million was released in Romania relating to the "Walkaway Law".

Income taxes

Income taxes increased € 44 million quarter-on-quarter to € 118 million, largely due to higher taxable profits in Poland, the Czech Republic and Romania, and the recognition of withholding tax on dividend income at RBI AG in the second quarter. Tax expenses increased in Croatia due to the utilization of recognized loss carryforwards.

Statement of financial position

Since the start of the year, RBI's total assets rose € 3,798 million to € 138,603 million. Currency developments – predominantly the depreciation of the Russian rouble by 5 per cent and of the US dollar by 8 per cent – had a negative impact of € 1,086 million.

Assets

in € million	30/6/2017	Share	31/12/2016 pro forma	Share	31/12/2016 published	Share
Loans and advances to banks (less impairment losses)	12,839	9.3%	10,931	8.1%	9,850	8.8%
Loans and advances to customers (less impairment losses)	76,917	55.5%	74,574	55.3%	65,609	58.7%
Financial investments	22,986	16.6%	24,524	18.2%	16,972	15.2%
Other assets	25,861	18.7%	24,775	18.4%	19,433	17.4%
Total assets	**138,603**	**100.0%**	**134,804**	**100.0%**	**111,864**	**100.0%**

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

Since the beginning of the year, loans and advances to banks before deduction of impairment losses increased 17 per cent, or € 1,870 million, to € 12,851 million. This was mainly due to a total rise of € 2,154 million in short-term positions in the form of repurchase and securities lending transactions to € 5,528 million, notably at RBI AG.

Loans and advances to customers before deduction of impairment losses rose 2 per cent, or € 1,332 million, to € 81,101 million. Short-term positions in the form of repurchase and securities lending transactions increased € 1,177 million to € 2,651 million. Consequently, loans to corporate customers (large and mid-market corporates) decreased 2 per cent, or € 881 million, to € 44,624 million. The largest reductions were recorded at RBI AG due to scheduled and early repayments and to the decline in the value of the US dollar, as well as in Russia (currency-related) and in Ukraine due to loan sales. Increases occurred in the Czech Republic and in Slovakia. Loans and advances to retail customers (private individuals, as well as small and medium-sized entities) rose 3 per cent, or € 1,051 million, to € 33,068 million, with the largest increases in the Czech Republic, Slovakia and Russia.

The item financial investments decreased € 1,538 million to € 22,986 million, primarily at RBI AG and in Poland and Russia. The rise under other assets resulted from an increase of the cash reserve at RBI AG.

Equity and liabilities

in € million	30/6/2017	Share	31/12/2016 pro forma	Share	31/12/2016 published	Share
Deposits from banks	27,458	19.8%	24,060	17.8%	12,816	11.5%
Deposits from customers	81,595	58.9%	80,325	59.6%	71,538	64.0%
Equity and subordinated capital	14,428	10.4%	13,989	10.4%	13,436	12.0%
Other liabilities	15,121	10.9%	16,431	12.2%	14,073	12.6%
Total equity and liabilities	**138,603**	**100.0%**	**134,804**	**100.0%**	**111,864**	**100.0%**

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

The volume of Group financing from banks (mainly commercial banks) was up – predominantly at RBI AG – 14 per cent, or € 3,399 million, to € 27,458 million.

Deposits from customers increased 2 per cent, or € 1,270 million, to € 81,595 million. This included a € 273 million rise in deposits from corporate customers to € 31,696 million, mainly driven by growth in the Czech Republic and Russia. Deposits from retail customers were up € 849 million to € 48,277 million, notably in the Czech Republic, Slovakia and Romania.

Other liabilities fell € 1,309 million to € 15,121 million, with debt securities issued down by a net amount of € 840 million – mainly as a result of the lower refinancing requirement – while the reduction in negative fair values of trading and banking book derivatives occurred predominantly at RBI AG.

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

Equity on the statement of financial position

There was a positive impact of € 519 million on equity on the statement of financial position – consisting of consolidated equity, consolidated profit/loss and non-controlling interests – from the merger of RZB AG and RBI AG.

Additionally, equity on the statement of financial position rose 5 per cent compared to year-end 2016, or € 482 million, to € 10,234 million. The increase was mainly attributable to total comprehensive income.

Total comprehensive income of € 563 million comprised profit after tax of € 656 million and other comprehensive income of minus € 93 million. A loss of € 86 million 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 represented the largest item in other comprehensive income. A further negative contribution of € 9 million came from other changes in equity of companies valued at equity. In contrast, the cash flow hedge had a positive impact of € 6 million on other comprehensive income.

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

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

Total capital amounted to € 12,100 million as at 30 June 2017. This corresponds to an increase of € 296 million compared to the 2016 year-end figure. Common equity tier 1 (after deductions) was up € 332 million, mainly due to the inclusion of the 2017 half-year results eligible for retention. In contrast, the application of the transitional provisions for 2017 had a negative impact, which was partly compensated by the revised 2017 minimum capital requirements. Aside from the positive contribution to capital resulting from the merger of RZB and RBI, there were negative effects due to the offsetting of intra-Group transactions. Tier 2 capital was down € 36 million to € 3,164 million due to matured capital instruments.

Total capital compared to a total capital requirement of € 5,522 million. The total capital requirement for credit risk amounted to € 4,503 million, corresponding to an increase of € 13 million. The increase was mainly attributable to new business in the Czech Republic and Slovakia and was partly offset by the devaluation of the Russian rouble in June 2017. The total capital requirement for position risk in bonds, equities, commodities and currencies showed an increase of € 75 million, largely attributable to exchange rate fluctuations in the internal model and to the increase in bond positions in Russia. The total capital requirement for operational risk remained unchanged at € 728 million.

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

Based on total risk, the common equity tier 1 ratio (transitional) was 12.9 per cent and the total capital ratio (transitional) was 17.5 per cent.

Excluding the transitional provisions as defined in the CRR, the common equity tier 1 ratio (fully loaded) stood at 12.8 per cent and the total capital ratio (fully loaded) was 17.4 per cent.

Risk management

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

Events after the reporting date

There were no significant events after the reporting date.

Outlook

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

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

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

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

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

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

Segment report

Segmentation principles

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

This results in the following segments:

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

The segmentation has changed as a result of the merger of RBI AG and RZB AG. RBI's previous segments – Central Europe, Southeastern Europe, Eastern Europe and Corporate Center – have been expanded to include the RZB areas. The Group Corporates & Markets segment has been introduced for operating business booked in Austria. This primarily comprises financing business with Austrian and international corporate customers serviced from Vienna, Markets, Financial Institutions & Sovereigns, and business with the institutions of the Raiffeisen Banking Group. Also included in the segment are specialized financial institution subsidiaries such as Raiffeisen Centrobank, Kathrein Privatbank, Raiffeisen Leasing, Raiffeisen Factorbank, Raiffeisen Bausparkasse and Raiffeisen Capital Management.

Separately to the above, the Non-Core segment was dissolved in the first quarter of 2017, due to the conclusion of the transformation program, with the remaining business allocated to the regional segments.

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

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

Central Europe

in € million	1/1-30/6 2017	1/1-30/6 2016 pro forma	Change	Q2/2017	Q1/2017	Change
Net interest income	471	338	39.1%	235	235	0.0%
Net fee and commission income	275	191	43.8%	140	135	3.5%
Net trading income	31	13	140.1%	17	15	14.8%
Recurring other net operating income	(9)	2	–	(3)	(6)	(56.7)%
Operating income	**768**	**544**	**41.1%**	**389**	**379**	**2.7%**
General administrative expenses	(462)	(323)	43.0%	(210)	(253)	(17.1)%
Operating result	**306**	**221**	**38.4%**	**180**	**126**	**42.5%**
Net provisioning for impairment losses	8	(33)	–	18	(9)	–
Other results	(40)	38	–	(14)	(26)	(45.8)%
Profit/loss before tax	**274**	**226**	**21.1%**	**183**	**91**	**101.9%**
Income taxes	(41)	(42)	(3.9)%	(28)	(12)	134.5%
Profit/loss after tax	**234**	**184**	**26.8%**	**155**	**79**	**96.9%**

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 in the segment rose € 49 million to € 234 million, with € 25 million of the increase attributable to the aforementioned inclusion of the Polish bank. In addition, much of the increase was driven by improved profit in Hungary, primarily resulting from higher net releases of loan loss provisions. In the Czech Republic, an improved credit risk situation was also responsible for increasing profits.

Operating income

Net interest income rose 39 per cent year-on-year, or € 132 million, to € 471 million. The increase was mainly due to the inclusion of Poland, which brought net interest income of € 131 million to the segment. In Hungary, net interest income was up € 7 million due mainly to lower interest expenses for deposits from customers and lower interest-like expenses. In contrast, net interest income declined € 8 million in Slovakia as a consequence of lower interest rates. The net interest margin decreased 7 basis points to 2.23 per cent. The decline was also due to a one-off effect in the Czech Republic, where the removal of the minimum exchange rate for the Czech koruna led to excess liquidity in the second quarter. There was no change to the margin through the newly included country Poland. In Poland itself, the margin improved by 39 basis points as a result of changes to the terms governing customer deposits and a reduction of excess liquidity.

Net fee and commission income rose 44 per cent year-on-year, or € 84 million, to € 275 million, including a positive effect of € 68 million from the inclusion of Poland in the segment. In the Czech Republic, net fee and commission income was up € 6 million to € 66 million, primarily due to better margins in the foreign currency, notes/coins, and precious metals business and higher net income from the payment transfer business. Hungary also reported an increase of € 6 million to € 64 million as a result of margin-related gains and lower fee and commission expense.

Net trading income rose € 18 million to € 31 million. In the Czech Republic, net trading income increased € 16 million year-on-year to € 17 million, largely as a consequence of the removal of the minimum exchange rate for the Czech koruna and net valuation gains on interest-based derivatives. In Slovakia, currency-based transactions increased € 2 million, primarily driven by higher income from derivatives.

Recurring other net operating income fell € 11 million to minus € 9 million. Aside from the inclusion of Poland (minus € 4 million), the reduction was primarily attributable to a decline of € 8 million in the Czech Republic resulting from the sale of the card acquiring business (POS terminals) in the previous year.

General administrative expenses

General administrative expenses rose 43 per cent year-on-year, or € 139 million, to € 462 million. Staff expenses were up 46 per cent, or € 72 million, to € 228 million, mainly driven by the inclusion of Poland (€ 64 million). The increase of 4,540 to 13,696 in the average number of staff was largely the result of the reclassification of Poland to the segment. Other administrative expenses rose 42 per cent, or € 57 million, to € 191 million, with Poland accounting for € 58 million of the increase. Depreciation of tangible and intangible fixed assets rose 30 per cent, or € 10 million, to € 44 million, attributable again to the inclusion of Poland. The number of business outlets in the segment amounted to 634. There was a reduction of 83 business outlets in Poland to 237 as a result of the optimization program and the sale of the leasing business. The cost/income ratio increased 0.8 percentage points to 60.2 per cent.

Net provisioning for impairment losses

Net releases of provisions for impairment losses amounted to € 8 million in the reporting period compared to € 33 million in net provisioning for the same period of the previous year. In Hungary, net releases amounted to € 41 million (up € 42 million), as a result of an improved risk situation in the retail customer business. In the Czech Republic, net provisioning for impairment losses fell to € 4 million, compared to € 27 million in the previous year's period to cover defaults on the part of several large corporate customers. In Slovakia, in contrast, net provisioning for impairment losses rose € 3 million to € 7 million and was mainly for corporate customers. In Poland, net provisioning was € 22 million in the reporting period (€ 16 million in the previous year's period). The € 6 million increase in Poland, which resulted from higher net provisioning for retail customers due to worse recovery rates for mortgage loans, was partly offset by gains on sales of non-performing loans.

At the end of the second quarter of 2017, the proportion of non-bank non-performing loans in the Central Europe segment's loan portfolio stood at 5.6 per cent. The NPL coverage ratio was 63.9 per cent.

Other results and taxes

Other results in the Central Europe segment decreased € 78 million year-on-year to minus € 40 million.

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

Net income from the disposal of Group assets amounted to € 7 million in the same period of the previous year, and mainly resulted from the sale of a real estate leasing project in the Czech Republic and the disposal of several Group units in Hungary. There were no such effects during the period under review.

The bank levies contained in other results increased € 11 million to € 39 million, primarily due to the inclusion of Poland (€ 16 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 € 10 million.

The segment's income taxes decreased € 2 million year-on-year to € 41 million. The tax rate was 15 per cent, down from 19 per cent in the comparable period of the previous year. The lower tax rate was the result of tax loss carryforward utilization.

Detailed results of individual countries in the segment:

1/1-30/6/2017 in € million	Czech Republic	Hungary	Poland	Slovakia
Net interest income	137	67	131	136
Net fee and commission income	66	64	68	77
Net trading income	17	10	(1)	5
Recurring other net operating income	6	(15)	(4)	3
Operating income	**226**	**125**	**194**	**222**
General administrative expenses	(129)	(76)	(131)	(125)
Operating result	**97**	**49**	**63**	**97**
Net provisioning for impairment losses	(4)	41	(22)	(7)
Other results	6	(22)	(13)	(10)
Profit/loss before tax	**99**	**68**	**28**	**79**
Income taxes	(20)	(1)	(3)	(17)
Profit/loss after tax	**79**	**67**	**25**	**62**
Return on equity before tax	17.6%	22.2%	3.8%	14.4%
Return on equity after tax	14.1%	21.9%	3.4%	11.3%
Net interest margin (average interest-bearing assets)	1.79%	2.12%	2.24%	2.40%
Cost/income ratio	57.2%	60.6%	67.6%	56.5%
Loan/deposit ratio (net)	83.0%	60.2%	98.8%	95.3%
Provisioning ratio (average loans and advances to customers)	0.08%	(2.67)%	0.53%	0.15%
NPL ratio	3.6%	10.9%	8.3%	3.2%
NPL coverage ratio	72.0%	64.3%	58.0%	72.2%
Assets	16,598	6,922	11,791	11,864
Liabilities	15,391	6,222	10,283	10,840
Risk-weighted assets (total RWA)	6,339	3,536	6,526	5,547
Equity	1,207	700	1,508	1,024
Loans and advances to customers	10,125	3,039	8,325	9,178
hereof corporate %	36.8%	67.0%	32.7%	43.5%
hereof retail %	62.8%	30.9%	67.0%	56.4%
hereof foreign currency %	15.3%	46.8%	54.0%	1.5%
Deposits from customers	11,887	4,669	8,022	9,414
Business outlets	131	71	237	194
Employees as at reporting date	3,309	1,991	4,054	3,896
Customers	1,160,998	540,369	784,830	887,447

Southeastern Europe

in € million	1/1-30/6 2017	1/1-30/6 2016 pro forma	Change	Q2/2017	Q1/2017	Change
Net interest income	364	372	(2.1)%	186	179	3.9%
Net fee and commission income	192	189	1.6%	100	92	9.4%
Net trading income	19	31	(39.1)%	7	12	(38.7)%
Recurring other net operating income	15	6	154.3%	7	8	(4.8)%
Operating income	**590**	**598**	**(1.3)%**	**301**	**290**	**3.7%**
General administrative expenses	(343)	(337)	1.8%	(164)	(179)	(8.7)%
Operating result	**247**	**261**	**(5.2)%**	**137**	**110**	**24.0%**
Net provisioning for impairment losses	(66)	(72)	(8.1)%	(32)	(34)	(5.9)%
Other results	25	(3)	–	1	24	(95.7)%
Profit/loss before tax	**206**	**186**	**10.9%**	**106**	**100**	**5.4%**
Income taxes	(32)	(28)	14.0%	(20)	(12)	64.9%
Profit/loss after tax	**174**	**158**	**10.3%**	**86**	**88**	**(2.8)%**

The segment's profit after tax was up € 16 million to € 174 million. A decline in the operating result – driven by net trading and net interest income – was offset by releases of provisions in connection with the Walkaway Law in Romania.

Operating Income

Net interest income fell 2 per cent, or € 8 million, year-on-year to € 364 million. Albania reported the steepest decline due to lower interest rates and volumes (down € 4 million), followed by Bulgaria and Croatia (both down € 2 million). In contrast, Romania reported the largest increase in the segment, a rise of € 2 million, which was driven by lower interest expenses for deposits from customers. In Bosnia and Herzegovina as well as Serbia, net interest income was almost unchanged. The segment's net interest margin fell 19 basis points to 3.38 per cent, with all countries reporting declines. The largest decrease of 50 basis points was in Serbia, which was mainly due to the reduction in interest rates in the customer business in line with benchmark rates.

Net fee and commission income was up 2 per cent, or € 3 million, to € 192 million. Net income from the payment transfer business rose € 4 million to € 104 million – largely as a result of higher margins and volumes in Kosovo, Albania, Serbia and Bulgaria. Net income from the foreign currency, notes/coins and precious metals business was also up € 2 million to € 42 million, mainly driven by developments in Bosnia and Herzegovina, Serbia, Croatia, and Romania. In contrast, net income from the sale of own and third party products fell € 3 million to € 10 million due to lower fee and commission income in Romania and Bosnia and Herzegovina.

Net trading income in Southeastern Europe decreased 39 per cent, or € 12 million, year-on-year to € 19 million. The € 11 million decline in interest-based business to € 2 million mainly reflected volume-related lower interest income and lower valuation results from securities positions in Albania, Romania and Croatia.

Recurring other net operating income improved € 9 million to € 15 million, mainly as a result of a € 6 million increase in net income from other provisions in Romania (release of other provisions in connection with litigation).

General administrative expenses

General administrative expenses increased 2 per cent, or € 6 million, year-on-year to € 343 million. Staff expenses remained more or less unchanged at € 148 million, while the average headcount was down 235 to 14,923. The segment's other administrative expenses were up 2 per cent, or € 3 million, to € 155 million. This was attributable above all to increased advertising and security expenses in Romania. Depreciation of tangible and intangible fixed assets increased 6 per cent, or € 2 million, to € 40 million, mainly in Romania and Bulgaria.

The number of business outlets decreased year-on-year by 60 to 995, largely due to branch closures in Romania and Bulgaria. The cost/income ratio increased 1.7 percentage points to 58.1 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses decreased € 6 million to € 66 million. This was mainly due to the improvement in the risk situation in Albania. In the reporting period, Albania recorded net releases of € 10 million compared to provisioning of € 35 million in the comparable period of the previous year due to the defaults of several large corporate customers. In Bulgaria, increased collection activities resulted in a net release of € 11 million compared to € 2 million in the comparable period of the previous year. In contrast, the offer related to the voluntary conversion of Swiss franc loans in Romania led to a rise of € 20 million to € 46 million. In Croatia, the provisioning requirement amounted to € 39 million (increase of € 30 million), due to a large default of a corporate customer.

The share of non-performing loans to non-banks in the segment's loan portfolio was 10.2 per cent at 30 June 2017. The NPL coverage ratio stood at 76.7 per cent.

Other results and taxes

Other results increased from minus € 3 million in the comparable period of the previous year to plus € 25 million in the reporting period. In the first half of 2017, provisions of € 22 million were released in Romania in connection with the Walkaway Law after € 43 million was allocated to provisions in the comparable period of 2016.

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

The segment's income tax expense increased € 4 million year-on-year to € 32 million, due to higher earnings above all in Romania. The tax rate rose slightly to 16 per cent.

Detailed results of individual countries:

1/1-30/6/2017 in € million	**Albania**	**Bosnia and Herzegovina**	**Bulgaria**
Net interest income	27	33	55
Net fee and commission income	7	20	22
Net trading income	0	1	1
Recurring other net operating income	0	0	2
Operating income	**34**	**54**	**80**
General administrative expenses	(21)	(25)	(46)
Operating result	**13**	**29**	**34**
Net provisioning for impairment losses	10	(1)	11
Other results	0	(1)	0
Profit/loss before tax	**24**	**27**	**45**
Income taxes	0	(3)	(4)
Profit/loss after tax	**24**	**24**	**40**
Return on equity before tax	25.1%	20.8%	19.5%
Return on equity after tax	25.0%	18.3%	17.5%
Net interest margin (average interest-bearing assets)	2.94%	3.36%	3.33%
Cost/income ratio	61.4%	46.4%	57.7%
Loan/deposit ratio (net)	42.2%	66.8%	85.5%
Provisioning ratio (average loans and advances to customers)	(2.62)%	0.17%	(0.97)%
NPL ratio	18.5%	8.1%	5.7%
NPL coverage ratio	76.2%	81.3%	83.3%
Assets	1,928	2,111	3,422
Liabilities	1,708	1,846	2,979
Risk-weighted assets (total RWA)	1,450	1,560	1,726
Equity	220	265	442
Loans and advances to customers	782	1,208	2,236
hereof corporate %	57.9%	31.6%	40.5%
hereof retail %	42.1%	67.8%	59.0%
hereof foreign currency %	52.3%	56.3%	45.2%
Deposits from customers	1,593	1,690	2,490
Business outlets	79	98	136
Employees as at reporting date	1,257	1,288	2,590
Customers	519,856	431,396	599,510

1/1-30/6/2017 in € million	Croatia	Kosovo	Romania	Serbia
Net interest income	62	19	129	40
Net fee and commission income	34	6	84	20
Net trading income	6	0	8	2
Recurring other net operating income	8	0	3	1
Operating income	**110**	**25**	**224**	**63**
General administrative expenses	(67)	(13)	(136)	(35)
Operating result	**43**	**12**	**88**	**28**
Net provisioning for impairment losses	(39)	(2)	(46)	1
Other results	3	0	22	0
Profit/loss before tax	**7**	**10**	**65**	**28**
Income taxes	(10)	(1)	(9)	(4)
Profit/loss after tax	**(3)**	**9**	**55**	**25**
Return on equity before tax	2.3%	17.4%	17.6%	12.0%
Return on equity after tax	–	15.4%	15.0%	10.4%
Net interest margin (average interest-bearing assets)	2.99%	4.20%	3.49%	3.85%
Cost/income ratio	60.5%	52.2%	60.6%	56.0%
Loan/deposit ratio (net)	73.8%	76.8%	74.9%	66.9%
Provisioning ratio (average loans and advances to customers)	2.78%	0.79%	1.91%	(0.10)%
NPL ratio	18.1%	5.2%	8.0%	8.0%
NPL coverage ratio	75.0%	72.3%	72.4%	90.3%
Assets	4,436	883	7,747	2,245
Liabilities	3,807	766	6,980	1,737
Risk-weighted assets (total RWA)	2,750	565	4,368	1,651
Equity	628	117	766	508
Loans and advances to customers	2,806	560	4,784	1,218
hereof corporate %	39.4%	36.9%	31.9%	52.2%
hereof retail %	58.2%	63.1%	66.8%	47.7%
hereof foreign currency %	53.1%	0.0%	37.0%	62.3%
Deposits from customers	3,297	702	6,018	1,689
Business outlets	78	48	469	87
Employees as at reporting date	2,110	732	5,330	1,523
Customers	528,912	272,050	2,299,845	719,568

Eastern Europe

in € million	1/1-30/6 2017	1/1-30/6 2016 pro forma	Change	Q2/2017	Q1/2017	Change
Net interest income	474	417	13.5%	237	237	0.0%
Net fee and commission income	226	179	26.5%	117	109	7.1%
Net trading income	54	32	69.8%	32	22	43.1%
Recurring other net operating income	(6)	(6)	(9.3)%	(3)	(3)	25.0%
Operating income	**748**	**622**	**20.4%**	**383**	**366**	**4.6%**
General administrative expenses	(302)	(236)	28.2%	(150)	(152)	(1.6)%
Operating result	**446**	**386**	**15.6%**	**233**	**213**	**9.0%**
Net provisioning for impairment losses	25	(79)	–	7	19	(63.6)%
Other results	3	12	(75.5)%	0	3	–
Profit/loss before tax	**474**	**318**	**49.0%**	**239**	**235**	**1.6%**
Income taxes	(100)	(67)	48.0%	(52)	(48)	7.9%
Profit/loss after tax	**374**	**251**	**49.3%**	**187**	**187**	**0.1%**

As in the previous year, the Eastern Europe segment was again affected by a high level of currency volatility in the reporting period. The average exchange rate of the Russian rouble appreciated 22 per cent year-on-year, while that of the Belarus rouble rose 8 per cent. In contrast, the reporting date exchange rate of the Russian rouble was 5 per cent lower than at the start of the year.

The 49 per cent increase in profit after tax in the segment to € 374 million was mainly attributable to lower loan loss provisioning and to some extent the currency appreciation referred to above. In Russia, net income increased due to releases of loan loss provisions and a largely currency-related rise in net interest income. Higher net income in Ukraine was entirely attributable to lower loan loss provisioning. In Belarus, a lower operating result was only partially offset by lower allocations to loan loss provisions.

Operating income

Net interest income was up 14 per cent, or € 56 million, year-on-year to € 474 million. The largest increase was in Russia, which posted a mainly currency-related rise of € 52 million. Ukraine also reported a rise of € 9 million in net interest income, mostly reflecting adjustments to interest rates on customer deposits and the termination of subordinated liabilities. In contrast, net interest income in Belarus was down € 5 million year-on-year as a result of lower market interest rates. The segment's net interest margin fell 7 basis points year-on-year to 6.49 per cent, primarily due to the steep decline in the benchmark interest rate in Belarus from 18 to 12 per cent.

Net fee and commission income was up 26 per cent, or € 47 million, year-on-year to € 226 million. Net income from the payment transfer business rose 30 per cent, or € 25 million, to € 110 million, mainly as a result of exchange rate movements, but also due to higher volumes and margins in Russia and Ukraine. Net income from the sale of own and third party products also increased € 9 million to € 10 million, primarily in Russia. Net income from the foreign currency, notes/coins and precious metals business improved 12 per cent, or € 6 million, to € 58 million, due to currency, volume and margin effects in Russia and Ukraine.

Net trading income rose from € 32 million in the comparable period of the previous year to € 54 million. Net income from currency-based transactions in particular increased € 21 million to € 46 million. Russia reported a € 20 million rise due to valuation gains from derivative financial instruments and foreign currency positions. Ukraine also posted an increase of €7 million as a result of the more limited devaluation of the Ukrainian hryvnia. In contrast, Belarus posted a € 5 million decline due to a valuation-driven decrease in net income from open foreign currency positions. Net income from interest-based business was up € 2 million to € 10 million, driven by higher gains from derivative financial instruments and securities positions in Russia and Ukraine.

Recurring other net operating income slightly rose year-on-year by € 1 million to minus € 6 million.

General administrative expenses

General administrative expenses rose 28 per cent, or € 67 million, year-on-year to € 302 million. Russia accounted for most of the increase, which was primarily caused by the appreciation of the Russian rouble. Staff expenses in the segment were up € 31 million due to currency effects and a higher headcount in Russia. Other administrative expenses increased € 27 million to € 106 million. This reflected higher advertising expenses in Russia related to a campaign for a new mobile application, while at the same time legal, advisory and consulting expenses increased, as did deposit insurance fees and, for currency-related reasons, office space expenses. Depreciation was up € 8 million due to an increase in intangible fixed assets in Russia. The number of business outlets in the segment was down 76 to 771, primarily as a result of a reduction in Ukraine. The cost/income ratio increased 2.5 percentage points to 40.4 per cent.

Net provisioning for impairment losses

In the reporting period, there was a net release of provisions for impairment losses of € 25 million. In contrast, in the same period of the previous year net provisioning amounted to € 79 million. In Russia, net provisioning for impairment losses fell € 52 million to € 11 million, after higher net provisioning was necessary in the comparable period of the previous year mainly for large individual cases in the corporate customer business. The credit risk situation also improved considerably in Ukraine; a net release of € 36 million was reported in the period, supported by the sale of non-performing loans, after net provisioning of € 6 million was required in the comparable period of the previous year. In Belarus, no provisioning for impairment losses was required in the reporting period; whereas in the same period of the previous year, mainly for defaults in the corporate customer business, net provisioning amounted to € 10 million.

The share of non-performing loans to non-banks in the segment's loan portfolio amounted to 11.7 per cent (down 5.8 percentage points year-on-year) at the end of the second quarter. The NPL coverage ratio was 83.0 per cent (down 1.1 percentage points year-on-year).

Other results and taxes

Other results fell € 9 million year-on-year to € 3 million. This was primarily due to net income from financial investments, which declined € 8 million to almost zero, driven by lower valuation gains mainly on fixed income, US dollar-indexed government bonds in Ukraine.

The segment's tax expense increased € 32 million to € 100 million due to higher net income. The tax rate remained steady at 21 per cent.

Detailed results of individual countries:

1/1-30/6/2017 **in € million**	**Belarus**	**Russia**	**Ukraine**
Net interest income	60	323	90
Net fee and commission income	26	157	43
Net trading income	2	42	11
Recurring other net operating income	(1)	(5)	1
Operating income	**87**	**517**	**144**
General administrative expenses	(39)	(202)	(62)
Operating result	**48**	**315**	**82**
Net provisioning for impairment losses	0	(11)	36
Other results	0	4	(1)
Profit/loss before tax	**49**	**308**	**117**
Income taxes	(12)	(67)	(21)
Profit/loss after tax	**37**	**241**	**96**
Return on equity before tax	23.7%	34.1%	92.8%
Return on equity after tax	17.9%	26.7%	76.3%
Net interest margin (average interest-bearing assets)	8.69%	5.69%	9.74%
Cost/income ratio	44.4%	39.0%	43.0%
Loan/deposit ratio (net)	97.4%	83.3%	63.7%
Provisioning ratio (average loans and advances to customers)	(0.08)%	0.27%	(4.13)%
NPL ratio	8.2%	6.1%	40.5%
NPL coverage ratio	76.0%	73.1%	90.8%
Assets	1,472	11,978	2,111
Liabilities	1,115	10,169	1,872
Risk-weighted assets (total RWA)	1,402	8,049	1,917
Equity	357	1,809	239
Loans and advances to customers	939	7,765	1,627
hereof corporate %	69.8%	56.9%	58.7%
hereof retail %	30.2%	43.1%	41.3%
hereof foreign currency %	63.7%	31.5%	39.8%
Deposits from customers	903	8,811	1,615
Business outlets	90	183	498
Employees as at reporting date	1,951	7,912	7,904
Customers	757,195	2,393,008	2,547,250

Group Corporates & Markets

in € million	1/1-30/6 2017	1/1-30/6 2016 pro forma	Change	Q2/2017	Q1/2017	Change
Net interest income	268	287	(6.5)%	134	135	(0.6)%
Net fee and commission income	160	143	11.8%	84	76	11.4%
Net trading income	81	59	37.7%	39	42	(6.8)%
Recurring other net operating income	49	70	(29.7)%	23	26	(9.4)%
Operating income	**559**	**559**	**(0.1)%**	**281**	**278**	**0.9%**
General administrative expenses	(337)	(322)	4.8%	(178)	(160)	11.4%
Operating result	**221**	**237**	**(6.7)%**	**103**	**119**	**(13.2)%**
Net provisioning for impairment losses	(39)	(55)	(29.8)%	16	(55)	–
Other results	7	(18)	–	7	0	–
Profit/loss before tax	**189**	**164**	**15.1%**	**126**	**63**	**98.7%**
Income taxes	(38)	(26)	45.3%	(38)	(1)	>500.0%
Profit/loss after tax	**151**	**138**	**9.4%**	**88**	**63**	**41.3%**

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

The profit after tax increased 9 per cent, or € 13 million, to € 151 million. The segment's operating income was unchanged year-on-year, while general administrative expenses increased. Net provisioning for impairment losses amounted to € 39 million in the reporting period, due to the default of several large corporate customers, compared to € 55 million in the previous year. Other results improved by € 24 million due to a higher valuation result from derivatives and a lower bank levy.

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

Profit/loss after tax in € million	1/1-30/6 2017	1/1-30/6 2016 pro forma	Change	Q2/2017	Q1/2017	Change
Corporates Vienna	53	31	68.3%	50	2	>500.0%
Markets Vienna	45	42	6.3%	15	30	(50.5)%
Specialized financial institution subsidiaries and other	54	65	(17.2)%	23	30	(22.4)%
Group Corporates & Markets	**151**	**138**	**9.4%**	**88**	**63**	**41.3%**

Operating income

Net interest income declined 7 per cent, or € 19 million, to € 268 million, predominantly due to the continuing low interest rate level. The segment's net interest margin also continues to suffer from the low interest rate environment. The decline of 37 basis points to 1.41 per cent is primarily due to early repayments of loans and advances to corporate customers and a lower volume of new building society business.

In contrast, net fee and commission income improved 12 per cent, or € 17 million, to € 160 million. Higher fee and commission income was primarily reported in the payment transfer business, investment banking (share and bond issues), in the investment and pension fund management business, as well as in the securities business.

Net trading income rose € 22 million year-on-year to € 81 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 € 21 million to € 49 million, due predominantly to the disposal of various Group units at the beginning of the year.

General administrative expenses

General administrative expenses increased 5 per cent, or € 15 million, to € 337 million. Staff expenses rose € 5 million. This was due to RBI AG's staff expenses, which increased slightly as a result of higher staffing levels and salary adjustments. Other administrative expenses rose € 4 million due to higher deposit insurance fees. Depreciation was up € 6 million owing to the impairment of buildings. The segment's cost/income ratio increased 2.8 percentage points to 60.4 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses amounted to € 39 million in the reporting period, due to the default of several large corporate customers, compared to € 55 million in the same period of the previous year.

In the second quarter of 2017, the proportion of non-bank non-performing loans in the segment's loan portfolio amounted to 5.8 per cent. The NPL coverage ratio was 63.2 per cent.

Other results and taxes

Other results improved € 24 million to € 7 million. This was mainly the result of a € 51 million improvement in valuation results from derivatives. In contrast, net income from financial investments was down € 40 million due to positive effects from gains on the sale of bonds and valuation gains in the securities portfolio in the previous year. Net income from the disposal of group assets was slightly negative in the first half of 2017, following net income of € 8 million in the same period of the previous year.

Expenses for bank levies declined € 22 million to € 5 million.

Income tax expense increased € 12 million to € 38 million due to higher net income.

Corporate Center

in € million	1/1-30/6 2017	1/1-30/6 2016 pro forma	Change	Q2/2017	Q1/2017	Change
Net interest income	742	274	171.1%	681	61	>500.0%
Net fee and commission income	(7)	2	–	(5)	(2)	123.2%
Net trading income	(43)	(18)	145.0%	(26)	(17)	55.1%
Recurring other net operating income	41	37	9.6%	9	32	(70.8)%
Operating income	**733**	**296**	**148.1%**	**660**	**74**	**>500.0%**
General administrative expenses	(184)	(179)	3.1%	(86)	(99)	(13.4)%
Operating result	**549**	**117**	**370.3%**	**574**	**(25)**	**–**
Net provisioning for impairment losses	0	(10)	(98.0)%	0	0	–
Other results	(134)	(94)	43.0%	(58)	(77)	(24.5)%
Profit/loss before tax	**414**	**13**	**>500.0%**	**516**	**(102)**	**–**
Income taxes	37	14	159.6%	39	(2)	–
Profit/loss after tax	**451**	**27**	**>500.0%**	**555**	**(103)**	**–**

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 € 424 million year-on-year to € 451 million as a result of improved net interest income due to higher dividend income. There was an increase of € 19 million to € 44 million in expenses for bank levies due to the one-off payment of € 41 million made by RBI AG in the first quarter. This was the first of four annual payments, which the regulations stipulate are to be booked in full in the first quarter.

Operating income

Net interest income increased € 469 million year-on-year to € 742 million. This positive development was mostly due to higher dividend income (increase of € 405 million).

In contrast, net fee and commission income declined € 9 million year-on-year to minus € 7 million. The decline resulted mainly from lower guarantee income.

Net trading income decreased € 25 million year-on-year to minus € 43 million, primarily driven by valuation losses on derivatives at RBI AG.

Recurring other net operating income improved € 4 million to € 41 million. The increase was due mainly to higher income from intra-Group service charges.

General administrative expenses

General administrative expenses in the segment increased 3 per cent, or € 6 million, to € 184 million, as a result of higher staff expenses due to increased staffing levels.

Net provisioning for impairment losses

The provisioning requirement in the reporting period was less than € 1 million, whereas net provisioning totaled € 10 million in the same period of the previous year.

Other results and taxes

Other results declined € 40 million to minus € 134 million. The expenses for bank levies reported in the segment amounted to € 44 million, € 19 million higher than in the same period in the previous year. This development was mainly due to the payment of € 41 million made by RBI AG in the first quarter.

Following the revision of the Austrian bank levy regulation, starting in 2017, RBI AG is to make a one-off payment – spread over a four-year period – which was to be fully booked in the first quarter for the current year.

Net income from financial investments declined € 211 million due mainly to the valuation of government bonds. This was largely offset by a € 182 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 € 8 million; in the reporting period it was zero.

Tax income of € 37 million was posted in the reporting period, compared to € 14 million in the previous year.

Interim consolidated financial statements

(Interim report as at 30 June 2017)

RZB AG was merged into RBI AG based on the resolutions passed by the extraordinary General Meetings of RZB AG and RBI AG on 23 January 2017 and 24 January 2017, respectively. RZB AG's results and that of its fully consolidated subsidiaries have been included in the consolidated financial statements for the 2017 financial year as from 1 January. Details on the merger are provided in the consolidated group section of the notes. The reporting date of 31 December 2016 and the results for the 2016 financial year correspond to the results published by RBI prior to the merger since the management has decided not to show the transaction retroactively.

Statement of comprehensive income

Income statement

in € million	Notes	1/1-30/6/2017	1/1-30/6/2016	Change
Interest income		2,164	2,051	5.5%
Current income from associates		35	0	–
Interest expenses		(611)	(595)	2.6%
Net interest income	**[2]**	**1,588**	**1,455**	**9.1%**
Net provisioning for impairment losses	[3]	(76)	(403)	(81.0)%
Net interest income after provisioning		**1,512**	**1,052**	**43.7%**
Fee and commission income		1,192	937	27.3%
Fee and commission expense		(350)	(217)	61.1%
Net fee and commission income	**[4]**	**842**	**719**	**17.0%**
Net trading income	[5]	133	84	57.5%
Net income from derivatives and liabilities	[6]	26	(62)	–
Net income from financial investments	[7]	(58)	171	–
General administrative expenses	[8]	(1,573)	(1,412)	11.4%
Other net operating income	[9]	(32)	(101)	(68.0)%
Net income from disposal of group assets	[10]	0	(2)	–
Profit/loss before tax		**849**	**450**	**88.5%**
Income taxes	[11]	(193)	(182)	5.7%
Profit/loss after tax		**656**	**268**	**145.0%**
Profit attributable to non-controlling interests		(68)	(58)	18.9%
Consolidated profit/loss		**587**	**210**	**179.6%**

Earnings per share

in €	1/1-30/6/2017	1/1-30/6/2016	Change
Earnings per share	1.79	0.72	1.07

Earnings per share are obtained by dividing consolidated profit by the average number of ordinary shares outstanding. As at 30 June 2017, the average number of ordinary shares outstanding was 328.5 million (30 June 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	1/1-30/6 2017	1/1-30/6 2016	1/1-30/6 2017	1/1-30/6 2016	1/1-30/6 2017	1/1-30/6 2016
Profit/loss after tax	**656**	**268**	**587**	**210**	**68**	**58**
Items which are not reclassified to profit and loss	**(86)**	**(3)**	**(86)**	**(3)**	**0**	**0**
Remeasurements of defined benefit plans	2	(4)	2	(4)	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	(86)	0	(86)	0	0	0
Deferred taxes on items which are not reclassified to profit and loss	0	1	0	1	0	0
Items that may be reclassified subsequently to profit or loss	**(6)**	**(11)**	**(11)**	**2**	**5**	**(13)**
Exchange differences	3	59	0	68	4	(9)
Capital hedge	(4)	(16)	(4)	(16)	0	0
Net gains (losses) on derivatives hedging fluctuating cash flows	6	9	4	8	1	1
Changes in equity of companies valued at equity	(9)	0	(9)	0	0	0
Net gains (losses) on financial assets available-for-sale	1	(73)	2	(67)	0	(6)
Deferred taxes on income and expenses directly recognized in equity	(3)	10	(3)	8	0	1
Other comprehensive income	**(93)**	**(14)**	**(97)**	**(1)**	**5**	**(13)**
Total comprehensive income	**563**	**254**	**490**	**209**	**73**	**45**

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 half-year of 2017 was minus € 86 million.

Exchange rate effects since the start of the year were neutral overall. The Russian rouble depreciated 5 per cent with a negative effect of € 94 million that was largely offset by the 4 per cent appreciation of the Polish zloty with a positive effect of € 62 million and the 3 per cent appreciation of the Czech koruna with a positive effect of € 30 million.

There was a negative result from position capital hedge of € 4 million. The appreciation of the Polish zloty produced a negative effect of € 11 million, while the depreciation of the Russian rouble resulted in a positive effect of € 6 million.

Quarterly results

in € million	Q3/2016	Q4/2016	Q1/2017	Q2/2017
Net interest income	732	748	796	792
Net provisioning for impairment losses	(100)	(251)	(80)	4
Net interest income after provisioning	**632**	**497**	**716**	**795**
Net fee and commission income	378	400	409	433
Net trading income	52	78	64	69
Net income from derivatives and liabilities	(71)	(55)	8	18
Net income from financial investments	(6)	(13)	(32)	(26)
General administrative expenses	(687)	(749)	(815)	(758)
Other net operating income	(6)	(35)	(22)	(11)
Net income from disposal of group assets	4	17	0	0
Profit/loss before tax	**296**	**140**	**330**	**519**
Income taxes	(84)	(46)	(75)	(118)
Profit/loss after tax	**212**	**94**	**255**	**401**
Profit attributable to non-controlling interests	(28)	(25)	(35)	(34)
Consolidated profit/loss	**184**	**69**	**220**	**367**

in € million	Q3/2015	Q4/2015	Q1/2016	Q2/2016
Net interest income	814	832	718	738
Net provisioning for impairment losses	(191)	(469)	(106)	(297)
Net interest income after provisioning	**623**	**363**	**612**	**440**
Net fee and commission income	384	390	347	372
Net trading income	(14)	29	28	56
Net income from derivatives and liabilities	20	(15)	(27)	(34)
Net income from financial investments	7	0	26	145
General administrative expenses	(713)	(813)	(718)	(694)
Other net operating income	(64)	15	(41)	(61)
Net income from disposal of group assets	10	34	2	(3)
Profit/loss before tax	**253**	**3**	**229**	**221**
Income taxes	(52)	(83)	(91)	(91)
Profit/loss after tax	**202**	**(81)**	**138**	**130**
Profit attributable to non-controlling interests	(16)	(2)	(24)	(34)
Consolidated profit/loss	**186**	**(83)**	**114**	**96**

Statement of financial position

Assets in € million	Notes	30/6/2017	31/12/2016	Change
Cash reserve	[13]	18,492	12,242	51.1%
Loans and advances to banks	[14, 42]	12,851	9,900	29.8%
Loans and advances to customers	[15, 42]	81,101	70,514	15.0%
Impairment losses on loans and advances	[16]	(4,197)	(4,955)	(15.3)%
Trading assets	[17, 42]	4,736	4,986	(5.0)%
Derivatives	[18, 42]	1,099	1,429	(23.1)%
Financial investments	[19, 42]	19,810	14,639	35.3%
Investments in associates	[20, 42]	742	0	–
Intangible fixed assets	[21]	665	598	11.1%
Tangible fixed assets	[22]	1,782	1,393	27.9%
Other assets	[23, 42]	1,521	1,117	36.2%
Total assets		**138,603**	**111,864**	**23.9%**

Equity and liabilities in € million	Notes	30/6/2017	31/12/2016	Change
Deposits from banks	[24, 42]	27,458	12,816	114.2%
Deposits from customers	[25, 42]	81,595	71,538	14.1%
Debt securities issued	[26, 42]	7,687	6,645	15.7%
Provisions for liabilities and charges	[27, 42]	944	756	24.8%
Trading liabilities	[28, 42]	4,716	5,120	(7.9)%
Derivatives	[29, 42]	531	787	(32.5)%
Other liabilities	[30, 42]	1,244	765	62.5%
Subordinated capital	[31, 42]	4,194	4,204	(0.2)%
Equity	[32]	10,234	9,232	10.8%
Consolidated equity		8,969	8,188	9.5%
Consolidated profit/loss		587	463	26.8%
Non-controlling interests		677	581	16.5%
Total equity and liabilities		**138,603**	**111,864**	**23.9%**

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**
Transferred to retained earnings	0	0	463	(463)	0	0
Dividend payments	0	0	0	0	(83)	(83)
Total comprehensive income	0	0	(97)	587	73	563
Own shares/share incentive program	0	(2)	2	0	0	0
Other changes	0	0	(30)	0	32	2
Equity as at 30/6/2017	**1,002**	**4,992**	**2,975**	**587**	**677**	**10,234**

In the course of the merger, RBI AG issued new shares in order to provide consideration to RZB AG's shareholders for their shares and increased subscribed capital by € 110 million. The remaining effects of the merger are recognized in retained earnings and non-controlling interests. The increase in non-controlling interests was mainly attributable to minority interests in the Valida subgroup and the Raiffeisen Bausparkasse subgroup. The total impact of the merger on equity amounted to € 519 million. Details on the merger are provided in the consolidated group section of the notes.

in € 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	(40)	(40)
Total comprehensive income	0	0	(1)	210	45	254
Own shares/share incentive program	0	0	0	0	0	0
Other changes	0	0	8	0	2	10
Equity as at 30/6/2016	**892**	**4,994**	**2,088**	**210**	**541**	**8,725**

Statement of cash flows

in € million	Notes	1/1-30/6/2017	1/1-30/6/2016
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	(152)
Net cash from operating activities		1,055	(3,614)
Net cash from investing activities		572	(280)
Net cash from financing activities		(30)	(122)
Effect of exchange rate changes		56	109
Cash and cash equivalents at the end of period	**[12, 13]**	**18,492**	**9,424**

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

Segment reporting

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

There is a change in the segmentation due to the merger of RBI and RZB. The previous RBI segments – Central Europe, Southeastern Europe, Eastern Europe and Corporate Center – have been expanded to include the RZB areas. The Group Corporates & Markets segment has been introduced for operating business booked in Austria. This primarily comprises financing business with Austrian and international corporate customers serviced from Vienna, Group Markets, Financial Institutions & Sovereigns, and business with the institutions of the Austrian Raiffeisen Banking Group (RBG). Also included in the segment are specialized financial institution subsidiaries such as Raiffeisen Centrobank, Kathrein Privatbank, Raiffeisen Leasing, Raiffeisen Factorbank, Raiffeisen Bausparkasse, and Raiffeisen Capital Management.

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

This results in the following segments:

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

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

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

1/1-30/6/2017 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	471	364	474	268
Net fee and commission income	275	192	226	160
Net trading income	31	19	54	81
Recurring other net operating income	(9)	15	(6)	49
Operating income	**768**	**590**	**748**	**559**
General administrative expenses	(462)	(343)	(302)	(337)
Operating result	**306**	**247**	**446**	**221**
Net provisioning for impairment losses	8	(66)	25	(39)
Other results	(40)	25	3	7
Profit/loss before tax	**274**	**206**	**474**	**189**
Income taxes	(41)	(32)	(100)	(38)
Profit/loss after tax	**234**	**174**	**374**	**151**
Profit attributable to non-controlling interests	(29)	0	(34)	1
Profit/loss after deduction of non-controlling interests	**204**	**174**	**340**	**152**
Return on equity before tax	20.9%	19.2%	53.5%	13.1%
Return on equity after tax	17.8%	16.2%	42.3%	10.5%
Net interest margin (average interest-bearing assets)	2.23%	3.38%	6.49%	1.41%
Cost/income ratio	60.2%	58.1%	40.4%	60.4%
Loan/deposit ratio	87.1%	71.7%	81.6%	112.8%
Provisioning ratio (average loans and advances to customers)	(0.06)%	0.98%	(0.46)%	0.29%
NPL ratio	5.6%	10.2%	11.7%	5.8%
NPL coverage ratio	63.9%	76.7%	83.0%	63.2%
Assets	46,338	22,770	15,558	44,434
Liabilities	41,897	19,823	13,153	44,547
Risk-weighted assets (total RWA)	22,046	14,070	11,368	19,961
Average equity	2,622	2,152	1,772	2,880
Loans and advances to customers	30,711	13,594	10,331	27,088
Deposits from customers	33,992	17,479	11,329	21,479
Business outlets	634	995	771	25
Employees as at reporting date (full-time equivalents)	13,264	14,830	17,767	2,675
Customers in million	3.4	5.4	5.7	2.0

1/1-30/6/2017 in € million	Corporate Center	Reconciliation	Total
Net interest income	742	(732)	1,588
Net fee and commission income	(7)	(4)	842
Net trading income	(43)	(10)	133
Recurring other net operating income	41	(57)	34
Operating income	**733**	**(802)**	**2,597**
General administrative expenses	(184)	57	(1,573)
Operating result	**549**	**(745)**	**1,024**
Net provisioning for impairment losses	0	(5)	(76)
Other results	(134)	41	(99)
Profit/loss before tax	**414**	**(709)**	**849**
Income taxes	37	(19)	(193)
Profit/loss after tax	**451**	**(728)**	**656**
Profit attributable to non-controlling interests	0	(6)	(68)
Profit/loss after deduction of non-controlling interests	**451**	**(734)**	**587**
Return on equity before tax	36.0%	–	17.4%
Return on equity after tax	39.2%	–	13.4%
Net interest margin (average interest-bearing assets)	–	–	2.46%
Cost/income ratio	–	–	60.6%
Loan/deposit ratio	–	–	91.7%
Provisioning ratio (average loans and advances to customers)	–	–	0.19%
NPL ratio	–	–	7.3%
NPL coverage ratio	–	–	70.5%
Assets	41,719	(32,217)	138,603
Liabilities	26,186	(17,237)	128,369
Risk-weighted assets (total RWA)	14,174	(12,599)	69,021
Average equity	2,303	(1,950)	9,778
Loans and advances to customers	1,405	(2,028)	81,101
Deposits from customers	525	(3,209)	81,595
Business outlets	–	–	2,425
Employees as at reporting date (full-time equivalents)	1,152	–	49,688
Customers in million	–	–	16.5

1/1-30/6/2016 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates	Group Markets
Net interest income	323	372	418	150	29
Net fee and commission income	188	189	179	29	57
Net trading income	13	30	34	4	55
Recurring other net operating income	2	3	(4)	1	5
Operating income	**525**	**594**	**627**	**184**	**145**
General administrative expenses	(314)	(334)	(235)	(75)	(104)
Operating result	**211**	**260**	**392**	**109**	**41**
Net provisioning for impairment losses	(33)	(72)	(79)	(62)	5
Other results	34	(3)	12	0	15
Profit/loss before tax	**212**	**186**	**324**	**47**	**61**
Income taxes	(40)	(28)	(67)	(11)	(15)
Profit/loss after tax	**172**	**157**	**257**	**36**	**46**
Profit attributable to non-controlling interests	(36)	0	(22)	(1)	0
Profit/loss after deduction of non-controlling interests	**136**	**157**	**234**	**35**	**46**
Return on equity before tax	24.0%	19.9%	40.1%	8.4%	21.9%
Net interest margin (average interest-bearing assets)	2.43%	3.61%	6.57%	2.13%	0.54%
Cost/income ratio	59.7%	56.1%	37.5%	40.8%	71.9%
Provisioning ratio (average loans and advances to customers)	0.34%	1.09%	1.59%	0.89%	(0.40)%
NPL ratio	7.1%	11.3%	17.4%	6.3%	1.4%
NPL coverage ratio	69.2%	72.9%	84.0%	47.2%	62.8%
Assets	28,055	21,777	14,397	14,602	15,185
Liabilities	25,645	18,774	12,344	11,170	17,085
Risk-weighted assets (total RWA)	13,241	14,210	11,315	8,352	3,490
Average equity	1,765	1,865	1,616	1,122	554
Loans and advances to customers	19,277	13,265	10,048	14,318	2,741
Deposits from customers	20,635	16,005	10,366	10,682	2,780
Business outlets	407	1,054	847	1	5

1/1-30/6/2016 in € million	Corporate Center	Non-Core	Reconciliation	Total
Net interest income	251	163	(251)	1,455
Net fee and commission income	9	81	(11)	719
Net trading income	(19)	2	(34)	84
Recurring other net operating income	55	0	(37)	25
Operating income	**296**	**247**	**(334)**	**2,284**
General administrative expenses	(178)	(209)	37	(1,412)
Operating result	**117**	**37**	**(297)**	**871**
Net provisioning for impairment losses	(10)	(149)	(3)	(403)
Other results	(86)	9	1	(18)
Profit/loss before tax	**21**	**(103)**	**(298)**	**450**
Income taxes	7	(29)	2	(182)
Profit/loss after tax	**28**	**(131)**	**(297)**	**268**
Profit attributable to non-controlling interests	(2)	0	4	(58)
Profit/loss after deduction of non-controlling interests	**26**	**(131)**	**(293)**	**210**
Return on equity before tax	3.4%	–	–	10.6%
Net interest margin (average interest-bearing assets)	–	2.00%	–	2.76%
Cost/income ratio	60.4%	84.9%	–	61.8%
Provisioning ratio (average loans and advances to customers)	–	2.59%	–	1.11%
NPL ratio	–	15.3%	–	10.4%
NPL coverage ratio	–	71.3%	–	72.1%
Assets	22,797	16,484	(19,328)	113,969
Liabilities	18,402	14,595	(12,770)	105,244
Risk-weighted assets (total RWA)	14,397	9,672	(12,954)	61,722
Average equity	2,005	1,450	(1,863)	8,514
Loans and advances to customers	2,572	11,013	(2,410)	70,825
Deposits from customers	464	9,109	(1,101)	68,941
Business outlets	–	327	–	2,641

Notes

Company

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

The interim report as at 30 June 2017 has been reviewed by the auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft.

Merger with RZB

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

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

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

Principles underlying the consolidated financial statements

Principles of preparation

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

Some IFRS explanatory notes which are included outside the interim consolidated financial statements are an integral part of the interim consolidated financial statements. These are mainly explanations on net income from segments, which are included in the notes on segment reporting. In addition to the disclosures pursuant to IFRS 7 which are included in the notes, the risk report section in particular contains detailed information on credit risk, concentration risk, market risk and liquidity risk. This information is presented in accordance with IAS 34, IFRS 8 "Operating Segments" and IFRS 7 "Financial Instruments Disclosures".

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

Application of new and revised standards

The IASB published the final version of IFRS 9 in the course of completion of the various phases on 24 July 2014 and it was ultimately incorporated into EU law through the EU Commission's adoption of Regulation (EU) No. 2016/2067 of 22 November 2016. With regard to measurement as financial liabilities designated at fair value through profit or loss, IFRS 9 allows the option of early adoption for recognizing fair value changes arising from changes in the credit risk of the reporting entity in other comprehensive income.

RBI has elected to adopt on an early basis the requirements of IFRS 9.7.1.2 regarding the presentation of gains and losses on financial liabilities designated at fair value through profit or loss. IFRS 9 requires changes in the fair value of these designated liabilities caused by a change in the default risk of RBI to be booked in other comprehensive income whereas previously, under IAS 39, they were booked in the income statement.

The liabilities are designated at fair value to avoid an accounting mismatch due to holding assets designated at fair value with a similar interest rate risk profile. The credit risk of RBI is however not reflected on the asset side and hence posting the changes in the fair value of the liabilities due to a change in the default risk of RBI in other comprehensive income reduces the accounting mismatch in the income statement. In order to fulfil the disclosure requirements the difference between the actual fair value of the liability – a hypothetical swap (which reflects the original credit curve) – and the cash payment amount was calculated.

The amount booked directly in other comprehensive income for the first half-year 2017 was minus € 86 million. The cumulative change in fair value attributable to the change in own default risk was minus € 14 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 € 546 million. There have been no significant transfers within equity or derecognition of liabilities designated at fair value in the reporting period.

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

Standards and interpretations not yet applicable

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

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

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

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

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

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

When there is an objective indication of an impairment, the interest in stage 3 must be recognized on the basis of the net carrying amount.

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

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

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

IFRS 9 grants accounting options for hedge accounting. RBI plans to continue to apply the provisions on hedge accounting pursuant to IAS 39 while, however, taking into account the changes in the disclosures in the notes pursuant to IFRS 7. In addition, RBI will adapt the structure of the consolidated financial statements due to the first-time application of IFRS 9 and resulting changes to IFRS 7 to match the disclosure layout of EBA (FINREP).

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

For all contracts with customers, the accounting standard specifies how and when income is recognized, based on a five-step model, but does not have any consequences for the recognition of income arising in connection with financial instruments within the scope of IFRS 9. IFRS 15 replaces several other IFRS standards such as IAS 18 (Revenue), IAS 11 (Construction Contracts) and interpretations, which determine the timing of recognition under IFRS. The standard also requires entities to provide users of financial statements with more informative, relevant disclosures in the notes. 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 €	**30/6**	**1/1-30/6**	**31/12**	**1/1-30/6**
Albanian lek (ALL)	132.370	134.904	135.400	138.097
Belarusian rouble (BYN)	2.212	2.065	2.068	2.233
Bosnian marka (BAM)	1.956	1.956	1.956	1.955
Bulgarian lev (BGN)	1.956	1.956	1.956	1.956
Croatian kuna (HRK)	7.410	7.459	7.560	7.568
Czech koruna (CZK)	26.197	26.805	27.021	27.050
Hungarian forint (HUF)	308.970	309.270	309.830	313.827
Kazakh tenge (KZT)[1]	-	-	352.622	381.334
Polish zloty (PLN)	4.226	4.271	4.410	4.362
Romanian leu (RON)	4.552	4.538	4.539	4.503
Russian rouble (RUB)	67.545	63.451	64.300	77.250
Serbian dinar (RSD)	120.410	122.980	123.410	122.839
Singapore dollar (SGD)	1.571	1.524	1.523	1.532
Swiss franc (CHF)	1.093	1.077	1.074	1.096
Ukrainian hryvnia (UAH)	29.717	29.083	28.599	28.204
US-Dollar (USD)	1.141	1.088	1.054	1.111

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	**30/6/2017**	**31/12/2016**	**30/6/2017**	**31/12/2016**
As at beginning of period	**106**	**120**	**0**	**0**
Included in the course of merger	175	0	9	0
Included for the first time in the financial period	2	3	0	0
Merged in the financial period	0	(1)	0	0
Excluded in the financial period	(42)	(16)	0	0
As at end of period	**241**	**106**	**9**	**0**

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

The entities included for the first time are active in the leasing business. 40 entities were excluded due to immateriality; two others were sold.

Merger

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

Number of units	Fully consolidated	Equity method
Banks	7	6
Financial institutions	123	0
Companies rendering bank-related ancillary services	3	1
Financial holding companies	4	0
Other	38	2
Total	**175**	**9**

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

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

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

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

Notes to the income statement

(1) Income statement according to measurement categories

in € million	1/1-30/6/2017	1/1-30/6/2016
Net income from financial assets and liabilities held-for-trading	77	195
Net income from financial assets and liabilities at fair value through profit or loss	74	44
Net income from financial assets available-for-sale	33	165
Net income from loans and advances	1,803	1,343
Net income from financial assets held-to-maturity	74	77
Net income from financial liabilities measured at acquisition cost	(594)	(595)
Net income from derivatives (hedging)	93	77
Net revaluations from exchange differences	25	(59)
Sundry operating income and expenses	(736)	(796)
Profit/loss before tax	**849**	**450**

(2) Net interest income

in € million	1/1-30/6/2017	1/1-30/6/2016
Interest and interest-like income, total	**2,164**	**2,051**
Interest income	2,156	2,024
from balances at central banks	6	12
from loans and advances to banks	119	74
from loans and advances to customers	1,710	1,578
from financial investments	173	137
from leasing claims	59	79
from derivative financial instruments - economic hedge	0	66
from derivative financial instruments - hedge accounting	89	78
Current income	23	24
from shares in affiliated companies	10	20
from other interests	13	3
Interest-like income	7	8
Negative interest from financial assets	(22)	(5)
Current income from associates	**35**	**0**
Interest expenses and interest-like expenses, total	**(611)**	**(595)**
Interest expenses	(610)	(583)
on deposits from central banks	(9)	(10)
on deposits from banks	(98)	(93)
on deposits from customers	(301)	(321)
on debt securities issued	(106)	(76)
on subordinated capital	(79)	(83)
on derivative financial instruments - economic hedge	(17)	0
Interest-like expenses	(17)	(19)
Negative interest from financial liabilities	16	6
Total	**1,588**	**1,455**

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 LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna, UNIQA Insurance Group AG, Vienna, and Raiffeisen Informatik GmbH, Vienna. There were no investments in associates in the comparable period. Note (20) Investments in associates contains the full list of associates.

(3) Net provisioning for impairment losses

in € million	1/1-30/6/2017	1/1-30/6/2016
Individual loan loss provisions	**(105)**	**(432)**
Allocation to provisions for impairment losses	(510)	(877)
Release of provisions for impairment losses	410	434
Direct write-downs	(49)	(37)
Income received on written-down claims	44	49
Portfolio-based loan loss provisions	**11**	**27**
Allocation to provisions for impairment losses	(124)	(116)
Release of provisions for impairment losses	136	143
Gains from loan termination or sale	**17**	**2**
Total	**(76)**	**(403)**

(4) Net fee and commission income

in € million	1/1-30/6/2017	1/1-30/6/2016
Payment transfer business	354	307
Loan and guarantee business	79	86
Securities business	74	65
Foreign currency, notes/coins, and precious metals business	190	187
Management of investment and pension funds	86	19
Sale of own and third party products	34	31
Other banking services	25	26
Total	**842**	**719**

(5) Net trading income

in € million	1/1-30/6/2017	1/1-30/6/2016
Interest-based transactions	46	66
Currency-based transactions	71	49
Equity-/index-based transactions	14	(25)
Credit derivatives business	(3)	(2)
Other transactions	5	(4)
Total	**133**	**84**

The refinancing expenses for trading assets that are included in net trading income amounted to € 13 million (comparable period: € 14 million).

(6) Income from derivatives and liabilities

in € million	1/1-30/6/2017	1/1-30/6/2016
Net income from hedge accounting	4	(2)
Net income from other derivatives	(14)	(14)
Net income from liabilities designated at fair value	36	(46)
Total	**26**	**(62)**

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 € 86 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 € 36 million is purely from changes in market interest rates. The previous period contains a loss from changes in own credit risk of minus € 14 million as well as a loss from changes in market interest rates of minus € 32 million.

(7) Net income from financial investments

in € million	1/1-30/6/2017	1/1-30/6/2016
Net income from securities held-to-maturity	**6**	**13**
Net proceeds from sales of securities	6	13
Net income from equity participations	**0**	**140**
Net valuations of equity participations	(1)	(3)
Net proceeds from sales of equity participations	1	143
Net income from securities at fair value through profit and loss	**(68)**	**18**
Net valuations of securities	(66)	14
Net proceeds from sales of securities	(2)	4
Net income from available-for-sale securities	**4**	**1**
Total	**(58)**	**171**

Net proceeds from sales of equity participations dropped € 142 million, primarily because the previous year's period included the sale of shares in Visa Europe Ltd. to Visa Inc. Net valuations of securities at fair value through profit and loss fell € 80 million largely as a result of valuation losses on government bonds.

(8) General administrative expenses

in € million	1/1-30/6/2017	1/1-30/6/2016
Staff expenses	(780)	(701)
Other administrative expenses	(636)	(569)
hereof operating other administrative expenses	(523)	(467)
hereof regulatory other administrative expenses	(113)	(103)
Depreciation of tangible and intangible fixed assets	(158)	(142)
Total	**(1,573)**	**(1,412)**

Regulatory other administrative expenses included levies of € 73 million (previous year's period: € 65 million) that had to be recognized in full at the beginning of the year according to IFRIC 21.

Staff expenses

in € million	1/1-30/6/2017	1/1-30/6/2016
Wages and salaries	(598)	(540)
Social security costs and staff-related taxes	(143)	(127)
Other voluntary social expenses	(20)	(19)
Sundry staff expenses	(18)	(15)
Total	**(780)**	**(701)**

Other administrative expenses

in € million	1/1-30/6/2017	1/1-30/6/2016
Office space expenses	(118)	(127)
IT expenses	(148)	(134)
Communication expenses	(33)	(34)
Legal, advisory and consulting expenses	(51)	(41)
Advertising, PR and promotional expenses	(61)	(41)
Office supplies	(12)	(11)
Car expenses	(8)	(8)
Security expenses	(21)	(17)
Traveling expenses	(9)	(7)
Training expenses for staff	(7)	(6)
Sundry administrative expenses	(56)	(41)
Operating other administrative expenses	**(523)**	**(467)**
Deposit insurance fees	(49)	(52)
Resolution fund	(64)	(51)
Regulatory other administrative expenses	**(113)**	**(103)**
Total	**(636)**	**(569)**

Depreciation of tangible and intangible fixed assets

in € million	1/1-30/6/2017	1/1-30/6/2016
Tangible fixed assets	(69)	(55)
Intangible fixed assets	(73)	(71)
Leased assets (operating lease)	(15)	(16)
Total	**(158)**	**(142)**

(9) Other net operating income

in € million	1/1-30/6/2017	1/1-30/6/2016
Net income arising from non-banking activities	20	16
Rental income from operating lease (vehicles and equipment)	17	15
Rental income from investment property incl. operating lease (real estate)	25	21
Net proceeds from disposal of tangible and intangible fixed assets	(3)	2
Other taxes	(32)	(38)
Net expense from allocation and release of other provisions	4	(12)
Sundry operating income and expenses	3	20
Recurring other net operating income	**34**	**25**
Bank levies	(88)	(82)
Profit/loss from banking business due to governmental measures	21	(44)
Total	**(32)**	**(101)**

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. Bank levies include levies of € 54 million (previous year's period: € 18 million) that had to be recognized in full at the beginning of the year according to IFRIC 21.

(10) Net income from disposal of group assets

In the reporting period, 40 subsidiaries were excluded from the consolidated group due to immateriality; two other subsidiaries were sold. Net income from disposal of group assets amounted to € 0 million (previous year's period: minus € 2 million).

(11) Income taxes

in € million	1/1-30/6/2017	1/1-30/6/2016
Current income taxes	(139)	(117)
Austria	(19)	(19)
Foreign	(120)	(98)
Deferred taxes	(54)	(66)
Total	**(193)**	**(182)**

Tax expenses were lower relative to the increased profit in the period under review largely because loss carryforwards were applied (used) in Hungary, Albania and Poland.

Notes to the statement of financial position

(12) Statement of financial position according to measurement categories

Assets according to measurement categories in € million	30/6/2017	31/12/2016
Cash reserve	18,492	12,242
Trading assets	5,317	5,770
Financial assets at fair value through profit or loss	6,440	3,963
Investments in associates	742	0
Financial assets available-for-sale	5,740	4,117
Loans and advances	91,097	76,482
Financial assets held-to-maturity	7,630	6,559
Derivatives (hedging)	518	645
Other assets	2,626	2,085
Total assets	**138,603**	**111,864**

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

Equity and liabilities according to measurement categories in € million	30/6/2017	31/12/2016
Trading liabilities	4,966	5,481
Financial liabilities	119,451	93,185
Liabilities at fair value through profit and loss	2,728	2,784
Derivatives (hedging)	280	425
Provisions for liabilities and charges	944	756
Equity	10,234	9,232
Total equity and liabilities	**138,603**	**111,864**

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

(13) Cash reserve

in € million	30/6/2017	31/12/2016
Cash in hand	3,101	2,975
Balances at central banks	15,391	9,267
Total	**18,492**	**12,242**

(14) Loans and advances to banks

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

in € million	30/6/2017	31/12/2016
Austria	3,528	2,264
Foreign	9,322	7,636
Total	**12,851**	**9,900**

(15) Loans and advances to customers

in € million	30/6/2017	31/12/2016
Credit business	44,637	44,077
Money market business	6,308	4,378
Mortgage loans	24,293	17,501
Purchased loans	2,248	2,223
Leasing claims	2,958	1,841
Claims evidenced by paper	656	493
Total	**81,101**	**70,514**

in € million	30/6/2017	31/12/2016
Sovereigns	758	659
Corporate customers – large corporates	44,192	41,676
Corporate customers – mid market	3,084	2,600
Retail customers – private individuals	30,676	23,393
Retail customers – small and medium-sized entities	2,392	2,185
Total	**81,101**	**70,514**

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

in € million	30/6/2017	31/12/2016
Austria	12,234	5,109
Foreign	68,867	65,405
Total	**81,101**	**70,514**

(16) Impairment losses on loans and advances

in € million	30/6/2017	31/12/2016
Banks	12	50
Sovereigns	4	5
Corporate customers – large corporates	2,311	2,930
Corporate customers – mid market	173	216
Retail customers – private individuals	1,458	1,515
Retail customers – small and medium-sized entities	238	239
Total	**4,197**	**4,955**

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

(17) Trading assets

in € million	30/6/2017	31/12/2016
Bonds, notes and other fixed-interest securities	2,231	2,168
Shares and other variable-yield securities	203	165
Positive fair values of derivative financial instruments	2,302	2,654
Total	**4,736**	**4,986**

Pledged securities which the transferee is entitled to sell or repledge shown under trading assets amounted to € 42 million (31/12/2016: € 64 million).

(18) Derivatives

in € million	30/6/2017	31/12/2016
Positive fair values of derivatives in fair value hedges (IAS 39)	509	642
Positive fair values of derivatives in cash flow hedges (IAS 39)	10	3
Positive fair values of other derivatives	581	784
Total	**1,099**	**1,429**

(19) Financial investments

in € million	30/6/2017	31/12/2016
Bonds, notes and other fixed-interest securities	19,231	14,353
Shares and other variable-yield securities	174	6
Equity participations	405	279
Total	**19,810**	**14,639**

Pledged securities which the transferee is entitled to sell or repledge shown under financial investments amounted to € 2,093 million (31/12/2016: € 598 million).

(20) Investments in associates

in € million	30/6/2017	31/12/2016
Investments in associates	742	0

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

Company, domicile (country)	Core business	Share of voting rights and equity 2017	Carrying amount in € million
card complete Service Bank AG, Vienna (AT)	Issue of credit cards and operating giro, guarantee and credit business	25.0%	13
LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)	Participation in entities of all kind and industrial, trading and other entities	33.1%	195
NOTARTREUHANDBANK AG, Vienna (AT)	Business from notarial trusteeships	26.0%	7
Österreichische Hotel- und Tourismusbank Ges.m.b.H., Vienna (AT)	Financial service provider for tourist enterprises and facilities	31.3%	10
Österreichische Kontrollbank AG, Vienna (AT)	Specialized credit institution	8.1%	61
Prva stavebna sporitelna a.s., Bratislava (SK)	Building society	32.5%	74
Raiffeisen Informatik GmbH, Vienna (AT)	Services provider for data processing as well as construction and operation of data processing center	47.6%	41
UNIQA Insurance Group AG, Vienna (AT)	Contract insurance and reinsurance	10.9%	341
Posojilnica Bank eGen, Klagenfurt (AT)	Bank and audit association	59.0 %	0

(21) Intangible fixed assets

in € million	30/6/2017	31/12/2016
Software	538	531
Goodwill	95	40
Other intangible fixed assets	32	28
Total	**665**	**598**

(22) Tangible fixed assets

in € million	30/6/2017	31/12/2016
Land and buildings used by the Group for own purpose	609	481
Other land and buildings (investment property)	588	451
Office furniture, equipment and other tangible fixed assets	238	237
Leased assets (operating lease)	347	225
Total	**1,782**	**1,393**

(23) Other assets

in € million	30/6/2017	31/12/2016
Tax assets	287	211
Current tax assets	177	70
Deferred tax assets	110	142
Receivables arising from non-banking activities	96	58
Prepayments and other deferrals	140	129
Clearing claims from securities and payment transfer business	359	325
Lease in progress	17	41
Assets held for sale (IFRS 5)	48	29
Inventories	131	65
Valuation fair value hedge portfolio	30	38
Any other business	413	221
Total	**1,521**	**1,117**

(24) Deposits from banks

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

in € million	30/6/2017	31/12/2016
Austria	16,914	5,165
Foreign	10,545	7,652
Total	**27,458**	**12,816**

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

(25) Deposits from customers

in € million	30/6/2017	31/12/2016
Sight deposits	46,561	44,461
Time deposits	23,866	23,345
Savings deposits	11,168	3,732
Total	**81,595**	**71,538**

in € million	30/6/2017	31/12/2016
Sovereigns	1,622	1,465
Corporate customers – large corporates	28,731	28,561
Corporate customers – mid market	2,965	2,984
Retail customers – private individuals	42,132	32,580
Retail customers – small and medium-sized entities	6,146	5,949
Total	**81,595**	**71,538**

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

in € million	30/6/2017	31/12/2016
Austria	12,570	6,416
Foreign	69,025	65,122
Total	**81,595**	**71,538**

(26) Debt securities issued

in € million	30/6/2017	31/12/2016
Bonds and notes issued	7,670	6,604
Money market instruments issued	0	39
Other debt securities issued	17	2
Total	**7,687**	**6,645**

(27) Provisions for liabilities and charges

in € million	30/6/2017	31/12/2016
Severance payments and other	117	85
Retirement benefits	85	29
Taxes	136	130
Current	59	72
Deferred	78	57
Contingent liabilities and commitments	112	123
Pending legal issues	99	85
Overdue vacation	54	43
Bonus payments	124	147
Restructuring	16	14
Provisions for banking business due to governmental measures	1	15
Other	199	86
Total	**944**	**756**

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

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

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

(28) Trading liabilities

in € million	30/6/2017	31/12/2016
Negative fair values of derivative financial instruments	**2,119**	**2,600**
Interest-based transactions	1,317	1,835
Currency-based transactions	557	589
Equity-/index-based transactions	137	165
Credit derivatives business	4	1
Other transactions	104	11
Short-selling of trading assets	**463**	**555**
Certificates issued	**2,133**	**1,964**
Total	**4,716**	**5,120**

(29) Derivatives

in € million	30/6/2017	31/12/2016
Negative fair values of derivatives in fair value hedges (IAS 39)	84	133
Negative fair values of derivatives in cash flow hedges (IAS 39)	190	275
Negative fair values of derivatives in net investment hedge (IAS 39)	7	18
Negative fair values of other derivative financial instruments	251	362
Total	**531**	**787**

(30) Other liabilities

in € million	30/6/2017	31/12/2016
Liabilities from non-banking activities	113	73
Accruals and deferred items	285	195
Liabilities from dividends	6	1
Clearing claims from securities and payment transfer business	453	374
Valuation fair value hedge portfolio	34	58
Other liabilities	352	65
Total	**1,244**	**765**

(31) Subordinated capital

in € million	30/6/2017	31/12/2016
Hybrid tier 1 capital	397	397
Subordinated liabilities and supplementary capital	3,798	3,807
Total	**4,194**	**4,204**

(32) Equity

in € million	30/6/2017	31/12/2016
Consolidated equity	8,969	8,188
Subscribed capital	1,002	892
Capital reserves	4,992	4,994
Retained earnings	2,975	2,301
Consolidated profit/loss	587	463
Non-controlling interests	677	581
Total	**10,234**	**9,232**

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

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

(33) Transferred assets

The following table shows the carrying amount of transferred assets:

30/6/2017	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	12	0	12	13	0	13
Financial investments	1,479	0	1,479	973	0	973
Total	**1,555**	**0**	**1,555**	**1,041**	**0**	**1,041**

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	30/6/2017 Pledged	30/6/2017 Otherwise restricted with liabilities	31/12/2016 Pledged	31/12/2016 Otherwise restricted with liabilities
Loans and advances[1]	7,892	1,021	6,730	1,338
Trading assets[2]	42	28	64	29
Financial investments	2,217	222	679	386
Total	**10,151**	**1,271**	**7,472**	**1,754**

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

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

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

in € million	30/6/2017	31/12/2016
Securities and other financial assets accepted as collateral which can be sold or repledged	8,414	5,140
hereof which have been sold or repledged	750	418

(35) Offsetting of financial assets and liabilities

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

30/6/2017	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)	4,010	692	3,318	2,493	39	787
Reverse repurchase, securities lending & similar agreements (legally enforceable)	7,107	0	7,107	6,506	0	601
Other financial instruments (legally enforceable)	114	0	114	0	0	114
Total	**11,231**	**692**	**10,539**	**8,999**	**39**	**1,501**

30/6/2017	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)	3,253	692	2,560	1,145	38	1,377
Repurchase, securities lending & similar agreements (legally enforceable)	1,173	0	1,173	1,163	0	10
Other financial instruments (legally enforceable)	10	0	10	0	0	10
Total	**4,435**	**692**	**3,743**	**2,307**	**38**	**1,397**

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

30/6/2017	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	29,540	64,844	49,595	143,979	2,373	(1,678)
Foreign exchange rate and gold contracts	45,059	9,832	1,783	56,674	888	(825)
Equity/index contracts	1,040	1,723	213	2,975	136	(137)
Commodities	116	51	0	167	4	(6)
Credit derivatives	324	156	0	480	0	(4)
Precious metals contracts	22	0	0	22	0	0
Total	**76,101**	**76,606**	**51,591**	**204,298**	**3,401**	**(2,650)**

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**	**52,375**	**192,428**	**4,082**	**(3,387)**

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

(37) Fair value of financial instruments

Fair value of financial instruments reported at fair value

in € million	30/6/2017 Level I	30/6/2017 Level II	30/6/2017 Level III	31/12/2016 Level I	31/12/2016 Level II	31/12/2016 Level III
Trading assets	**2,295**	**3,008**	**14**	**2,031**	**3,667**	**72**
Positive fair values of derivatives[1]	134	2,748	1	94	3,343	1
Shares and other variable-yield securities	203	0	0	164	0	0
Bonds, notes and other fixed-interest securities	1,958	260	13	1,773	324	71
Financial assets at fair value through profit or loss	**5,822**	**607**	**11**	**1,938**	**1,973**	**52**
Shares and other variable-yield securities	119	0	1	3	0	1
Bonds, notes and other fixed-interest securities	5,704	607	10	1,935	1,973	51
Financial assets available-for-sale	**5,128**	**176**	**65**	**3,750**	**44**	**74**
Other interests[2]	2	32	0	2	29	0
Bonds, notes and other fixed-interest securities	5,075	144	62	3,749	15	71
Shares and other variable-yield securities	51	0	3	0	0	3
Derivatives (hedging)	**0**	**518**	**0**	**0**	**645**	**0**
Positive fair values of derivatives from hedge accounting	0	518	0	0	645	0

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

in € million	30/6/2017 Level I	30/6/2017 Level II	30/6/2017 Level III	31/12/2016 Level I	31/12/2016 Level II	31/12/2016 Level III
Trading liabilities	**540**	**4,419**	**8**	**619**	**4,855**	**8**
Negative fair values of derivative financial instruments[1]	113	2,256	0	135	2,826	0
Short-selling of trading assets	421	42	0	483	72	0
Certificates issued	5	2,121	7	0	1,956	7
Liabilities at fair value through profit and loss	**0**	**2,728**	**0**	**0**	**2,784**	**0**
Debt securities issued	0	1,368	0	0	1,373	0
Subordinated capital	0	720	0	0	659	0
Deposits from banks	0	640	0	0	752	0
Derivatives (hedging)	**0**	**280**	**0**	**0**	**425**	**0**
Negative fair values of derivatives from hedge accounting	0	280	0	0	425	0

1 Including other derivatives

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

Movements between Level I and Level II

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

This was due to the fact that directly quoted market prices for these financial instruments were available at the reporting date.

Movements in Level III of financial instruments at fair value

The following tables show the changes in the fair value of financial instruments whose fair value can not be calculated on the basis of observable market data and are therefore subject to other measurement models. Financial instruments in this category have a value component which is unobservable on the market and which has a material impact on the fair value. Due to a change in the observable valuation parameters, certain financial instruments were reclassified from Level III. The reclassified financial instruments are shown under Level II as they are valued on the basis of market input parameters.

in € million	As at 1/1/2017	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	72	0	3	2	(62)
Financial assets at fair value through profit or loss	52	0	0	0	0
Financial assets available-for-sale	74	0	3	29	(39)
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 30/6/2017
Trading assets	(1)	0	0	0	14
Financial assets at fair value through profit or loss	0	0	0	(42)	11
Financial assets available-for-sale	(2)	0	0	0	65
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 30/6/2017
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	78	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		**90**			

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	7	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

30/6/2017 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	18,492	0	18,492	18,492	0
Loans and advances to banks	0	10,101	2,745	12,846	12,839	7
Loans and advances to customers	0	17,839	57,849	75,688	76,917	(1,229)
Financial investments	5,638	2,198	970	8,806	8,744	62
Liabilities						
Deposits from banks	0	24,319	2,534	26,853	26,818	35
Deposits from customers	0	26,807	54,804	81,611	81,595	16
Debt securities issued	1,768	3,288	1,527	6,583	6,319	264
Subordinated capital	0	3,457	407	3,864	3,474	390

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

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

(38) Contingent liabilities and commitments

in € million	30/6/2017	31/12/2016
Contingent liabilities	**9,595**	**9,055**
Credit guarantees	5,749	5,398
Other guarantees	2,768	2,626
Letters of credit (documentary business)	1,048	994
Other contingent liabilities	29	37
Commitments	**10,206**	**10,174**
Irrevocable credit lines and stand-by facilities	10,206	10,174
Up to 1 year	2,529	2,819
More than 1 year	7,677	7,356

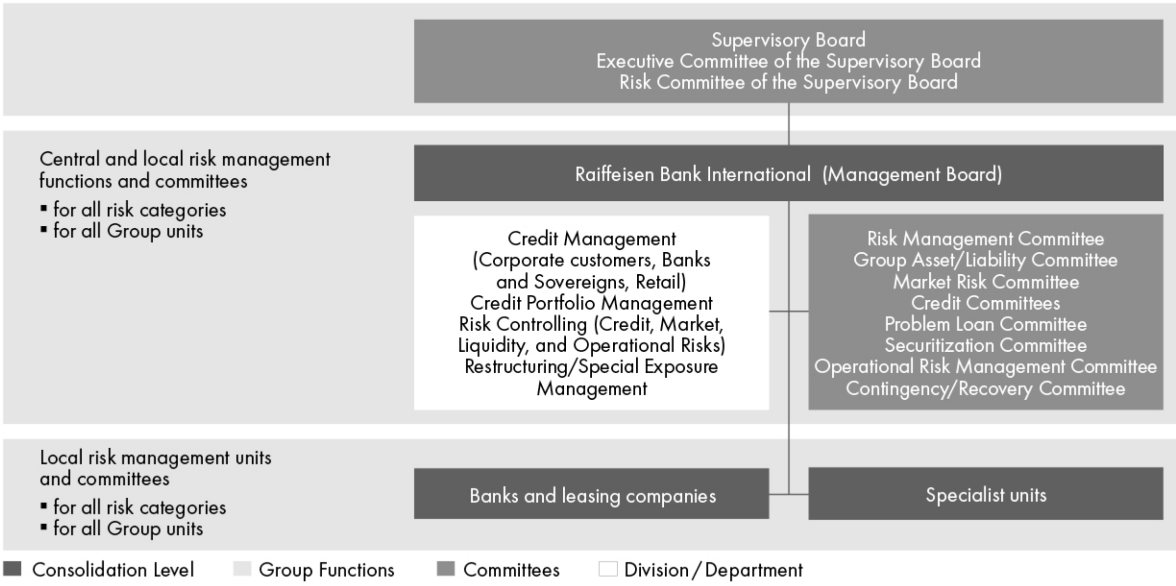
Risk report

(39) Risks arising from financial instruments

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

Organization of risk management

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



Economic capital

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

Risk contribution of individual risk types to economic capital:

in € million	30/6/2017	Share	31/12/2016	Share
Credit risk corporate customers	1,358	24.1%	1,479	27.8%
Credit risk retail customers	1,284	22.8%	1,155	21.7%
Operational risk	586	10.4%	590	11.1%
Credit risk sovereigns	439	7.8%	412	7.8%
Macroeconomic risk	406	7.2%	392	7.4%
Participation risk	303	5.4%	109	2.1%
Market risk	273	4.8%	218	4.1%
Risk buffer	268	4.8%	253	4.8%
FX risk capital position	240	4.3%	276	5.2%
Other tangible fixed assets	226	4.0%	191	3.6%
Credit risk banks	201	3.6%	191	3.6%
CVA risk	33	0.6%	30	0.6%
Liquidity risk	21	0.4%	15	0.3%
Total	**5,636**	**100.0%**	**5,310**	**100.0%**

Regional allocation of economic capital according to Group unit domicile:

in € million	30/6/2017	Share	31/12/2016	Share
Central Europe	1,893	33.6%	1,823	34.3%
Austria	1,551	27.5%	1,134	21.4%
Southeastern Europe	1,159	20.6%	1,208	22.7%
Eastern Europe	1,000	17.7%	1,133	21.3%
Rest of World	34	0.6%	12	0.2%
Total	**5,636**	**100.0%**	**5,310**	**100.0%**

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

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

Credit risk

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

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

in € million	30/6/2017	31/12/2016
Cash reserve	15,391	9,267
Loans and advances to banks	12,851	9,900
Loans and advances to customers	81,101	70,514
Trading assets	4,736	4,986
Derivatives	1,099	1,429
Financial investments	19,231	14,353
Other assets	977	638
Contingent liabilities	9,595	9,055
Commitments	10,206	10,174
Revocable credit lines	17,797	16,890
Disclosure differences	(530)	(634)
Total[1]	**172,455**	**146,573**

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

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

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

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

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

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

Credit portfolio – Corporates

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

in € million		30/6/2017	Share	31/12/2016	Share
1	Minimal risk	5,565	8.0%	5,805	8.8%
2	Excellent credit standing	7,306	10.6%	7,080	10.8%
3	Very good credit standing	8,733	12.6%	7,634	11.6%
4	Good credit standing	11,557	16.7%	10,488	15.9%
5	Sound credit standing	13,555	19.6%	13,150	20.0%
6	Acceptable credit standing	12,371	17.9%	10,812	16.4%
7	Marginal credit standing	4,173	6.0%	4,356	6.6%
8	Weak credit standing / sub-standard	1,511	2.2%	1,498	2.3%
9	Very weak credit standing / doubtful	604	0.9%	684	1.0%
10	Default	3,457	5.0%	4,026	6.1%
NR	Not rated	377	0.5%	226	0.3%
Total		**69,209**	**100.0%**	**65,759**	**100.0%**

The total credit exposure to corporate customers rose € 3,450 million compared to year-end 2016 (of which € 3,555 million was due to the merger of RZB AG into RBI AG) to € 69,209 million.

The credit exposure rated as good credit standing through to minimal risk increased € 2,154 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 credit profiles decreased from 9.9 per cent to 9.1 per cent.

The differences in the individual rating grades were partly caused by the merger of RZB AG into RBI AG. Additionally, there were the following changes: The credit exposure in rating grade 3 increased due to facility and credit financing and due to guarantees given in the Group Corporates & Markets segment. The rise in credit exposure in rating grade 4 resulted from new business and credit financing. The € 569 million decline in rating grade 10 was largely the result of derecognition and sales of non-performing loans.

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

in € million		30/6/2017	Share	31/12/2016	Share
6.1	Excellent project risk profile – very low risk	4,709	56.7%	4,530	56.0%
6.2	Good project risk profile – low risk	1,952	23.5%	1,851	22.9%
6.3	Acceptable project risk profile – average risk	727	8.8%	844	10.4%
6.4	Poor project risk profile – high risk	228	2.7%	247	3.0%
6.5	Default	674	8.1%	596	7.4%
NR	Not rated	11	0.1%	20	0.2%
Total		**8,301**	**100.0%**	**8,087**	**100.0%**

As of 30 June 2017, the credit exposure to project finance amounted to € 8,301 million, corresponding to a € 214 million rise (of which € 178 million was due to the merger of RZB AG into RBI AG). At 80.2 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, the Czech Republic and Slovakia. The decrease in rating grade 6.3 – acceptable project risk profile – average risk was largely due to the depreciation of the Russian rouble.

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

in € million	30/6/2017	Share	31/12/2016	Share
Central Europe	21,794	28.1%	20,922	28.3%
Austria	15,895	20.5%	12,897	17.5%
Western Europe	11,652	15.0%	10,972	14.9%
Eastern Europe	12,083	15.6%	12,321	16.7%
Southeastern Europe	11,039	14.2%	11,098	15.0%
Asia	1,697	2.2%	1,944	2.6%
Other	3,351	4.3%	3,692	5.0%
Total	**77,510**	**100.0%**	**73,847**	**100.0%**

The credit exposure was € 77,510 million, or € 3,663 million higher than at year-end 2016 (of which € 3,733 million was due to the merger of RZB AG into RBI AG).

Central Europe reported a € 872 million increase to € 21,794 million, which was due to the integration of Raiffeisen stavebni sporitelna, a.s., Prague, and an increase in corporate customer loans. This was, however, partly offset by a decline in facility financing. Austria reported the largest increase of € 2,998 million in the first half-year to € 15,895 million, primarily due to the integration of the Raiffeisen Leasing Group and Raiffeisen Bausparkasse as well as facility and credit financing, guarantees given and an increase in the portfolio of bonds. Western Europe reported a € 680 million increase to € 11,652 million. This was due to the merger of RZB AG into RBI AG and to a rise in credit financing. The € 238 million decline in Eastern Europe to € 12,083 million is largely attributable to sales of non-performing loans.

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

in € million	30/6/2017	Share	31/12/2016	Share
Manufacturing	16,375	21.1%	16,837	22.8%
Wholesale and retail trade	15,819	20.4%	15,888	21.5%
Financial intermediation	8,929	11.5%	7,746	10.5%
Real Estate	9,881	12.7%	8,351	11.3%
Construction	5,786	7.5%	5,378	7.3%
Freelance/technical services	4,790	6.2%	4,209	5.7%
Transport, storage and communication	3,288	4.2%	3,346	4.5%
Electricity, gas, steam and hot water supply	3,028	3.9%	3,046	4.1%
Other industries	9,613	12.4%	9,046	12.2%
Total	**77,510**	**100.0%**	**73,847**	**100.0%**

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

Credit portfolio – Retail customers

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

in € million	30/6/2017	Share	31/12/2016	Share
Retail customers – private individuals	34,117	92.0%	26,498	90.9%
Retail customers – small and medium-sized entities	2,977	8.0%	2,668	9.1%
Total	**37,095**	**100.0%**	**29,166**	**100.0%**
hereof non-performing loans	2,128	5.7%	2,139	7.3%
hereof individual loan loss provision	1,471	4.0%	1,522	5.2%
hereof portfolio-based loan loss provision	242	0.7%	249	0.9%

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

30/6/2017 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	17,295	7,685	4,227	4,910
Retail customers – small and medium-sized entities	1,509	671	369	429
Total	**18,805**	**8,355**	**4,596**	**5,339**
hereof non-performing loans	942	561	598	27
hereof individual loan loss provision	539	381	545	6
hereof portfolio-based loan loss provision	101	89	46	6

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

Compared to year-end 2016, the total retail credit exposure increased € 7,929 million (of which € 6,650 million was due to the merger of RZB AG into RBI AG) to € 37,095 million in the first half-year. 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 € 7,849 million to € 18,805 million. The increase was on the one hand due to the reallocation of Raiffeisen Bank Polska S.A., Warsaw, from the Non-Core segment to the Central Europe segment and on the other hand to the integration of Raiffeisen stavebni sporitelna a.s., Prague.

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

in € million	30/6/2017	Share	31/12/2016	Share
Mortgage loans	21,930	59.1%	15,549	53.3%
Personal loans	7,505	20.2%	6,668	22.9%
Credit cards	3,255	8.8%	3,197	11.0%
Car loans	469	1.3%	496	1.7%
Overdraft	1,678	4.5%	1,647	5.6%
SME financing	2,258	6.1%	1,609	5.5%
Total	**37,095**	**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 and personal loans.

The share of foreign currency loans in the retail portfolio provides an indication of the potential change in default rates if the exchange rate of the domestic currency changes. The internal risk assessment thus takes into account not only the share of foreign currency loans but also the usually stricter lending criteria when granting the loan and – in several countries – the customer's matching foreign currency income.

in € million	30/6/2017	Share	31/12/2016	Share
Swiss franc	2,914	44.1%	3,099	43.8%
Euro	3,238	49.0%	3,403	48.1%
US-Dollar	456	6.9%	564	8.0%
Other foreign currencies	1	0.0%	2	0.0%
Loans in foreign currencies	**6,609**	**100.0%**	**7,068**	**100.0%**
Share of total loans	**17.8%**		**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 and currency fluctuations against Swiss franc. The decline in foreign currency loans denominated in US dollars was mainly attributable to Slovakia and Hungary. The reduction in euro denominated foreign currency loans was attributable to Bosnia and Herzegovina (down € 41 million), Poland (down € 37 million), Romania (down € 33 million), Croatia (down € 29 million) and Bulgaria (down € 25 million).

Credit portfolio – Banks

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

in € million		30/6/2017	Share	31/12/2016	Share
1	Minimal risk	3,343	14.8%	2,521	13.5%
2	Excellent credit standing	3,472	15.4%	2,919	15.7%
3	Very good credit standing	12,353	54.9%	9,935	53.3%
4	Good credit standing	1,696	7.5%	1,391	7.5%
5	Sound credit standing	916	4.1%	1,042	5.6%
6	Acceptable credit standing	408	1.8%	218	1.2%
7	Marginal credit standing	123	0.5%	186	1.0%
8	Weak credit standing / sub-standard	128	0.6%	245	1.3%
9	Very weak credit standing / doubtful	27	0.1%	77	0.4%
10	Default	20	0.1%	84	0.4%
NR	Not rated	28	0.1%	9	0.0%
Total		**22,515**	**100.0%**	**18,628**	**100.0%**

The total credit exposure amounted to € 22,515 million in the first half-year. Compared to year-end 2016, this was an increase of € 3,887 million (of which € 1,400 million was due 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 guarantees given, repo business and an increase in the portfolio of bonds. Rating grade 3 recorded the largest rise of € 2,418 million to € 12,353 million. This was due to an increase in the portfolio of bonds, repo business, guarantees given and money market business, offset by the decline in facility financing and 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	30/6/2017	Share	31/12/2016	Share
Repo	6,442	28.6%	3,755	20.2%
Bonds	4,158	18.5%	2,585	13.9%
Loans	4,399	19.5%	5,071	27.2%
Derivatives	3,359	14.9%	3,802	20.4%
Money market	2,680	11.9%	2,068	11.1%
Other	1,477	6.6%	1,347	7.2%
Total	**22,515**	**100.0%**	**18,628**	**100.0%**

Compared to year-end 2016, the credit exposure split by product class increased € 3,887 million (of which € 1,400 million was due to the merger of RZB AG into RBI AG, mainly seen in the product class bonds).

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

Credit portfolio – Sovereigns

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

in € million		30/6/2017	Share	31/12/2016	Share
A1	Excellent credit standing	1,533	4.3%	1,919	7.7%
A2	Very good credit standing	10,460	29.6%	2,805	11.3%
A3	Good credit standing	8,123	23.0%	5,950	23.9%
B1	Sound credit standing	4,204	11.9%	3,826	15.3%
B2	Average credit standing	3,325	9.4%	2,690	10.8%
B3	Mediocre credit standing	4,666	13.2%	4,627	18.6%
B4	Weak credit standing	1,535	4.3%	1,564	6.3%
B5	Very weak credit standing	690	2.0%	837	3.4%
C	Doubtful/high default risk	798	2.3%	712	2.9%
D	Default	0	0.0%	2	0.0%
NR	Not rated	1	0.0%	1	0.0%
Total		**35,335**	**100.0%**	**24,933**	**100.0%**

Compared to year-end 2016, the credit exposure to sovereigns increased € 10,402 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 € 35,335 million. It accounted for 20.5 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 57.5 per cent of the total credit exposure. The high level of exposure in the intermediate rating grades was due among other factors to bonds issued by central banks and central governments in Central and Eastern Europe. The intermediate rating grades were also influenced by money market business and bonds. The increase in rating grade A3 – good credit standing – was due to a rise in the portfolio of bonds and in money market 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 bonds in Italy and Spain and an increase in money market business. The increase was offset by a decrease in the minimum reserve held at the Romanian National Bank.

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

in € million	30/6/2017	Share	31/12/2016	Share
Bonds	17,260	48.8%	13,191	52.9%
Loans	17,346	49.1%	11,218	45.0%
Derivatives	191	0.5%	488	2.0%
Other	538	1.5%	37	0.1%
Total	**35,335**	**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	30/6/2017	Share	31/12/2016	Share
Hungary	2,142	27.8%	2,120	27.4%
Croatia	995	12.9%	1,047	13.5%
Russia	524	6.8%	555	7.2%
Bulgaria	759	9.9%	854	11.0%
Albania	677	8.8%	792	10.2%
Ukraine	547	7.1%	494	6.4%
Serbia	572	7.4%	501	6.5%
Bosnia and Herzegovina	451	5.9%	492	6.4%
Belarus	231	3.0%	189	2.4%
Vietnam	158	2.1%	164	2.1%
Other	634	8.2%	534	6.9%
Total	**7,690**	**100.0%**	**7,743**	**100.0%**

Compared to year-end 2016, the credit exposure to sovereigns in non-investment grade decreased € 53 million to € 7,690 million. Declines in deposits, credit financing, minimum reserves and money market business were largely offset by an increase in the portfolio of bonds.

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:

30/6/2017	Maximum credit exposure		Fair value of collateral
in € million	Net exposure	Commitments/ guarantees issued	
Banks	12,839	2,568	5,053
Sovereigns	754	630	519
Corporate customers – large corporates	41,881	29,302	24,313
Corporate customers – mid market	2,911	1,070	2,105
Retail customers – private individuals	29,218	4,081	18,678
Retail customers – small and medium-sized entities	2,154	503	1,353
Total	**89,756**	**38,155**	**52,021**

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	30/6/2017	31/12/2016	30/6/2017	31/12/2016	30/6/2017	31/12/2016
Corporate customers	3,915	4,450	8.1%	9.9%	60.3%	68.2%
Retail customers	2,343	2,376	7.1%	9.3%	62.7%	64.0%
Sovereigns	0	2	0.0%	0.3%	>100%	>100%
Banks	14	77	0.1%	0.8%	80.4%	62.5%
Total	**6,272**	**6,904**	**6.7%**	**8.6%**	**61.3%**	**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	30/6/2017	Share
Central Europe	151	47%
Southeastern Europe	91	28%
Eastern Europe	16	5%
Group Corporates & Markets	67	21%
Total	**325**	**100%**
hereof non-banks	325	100%

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

1 Adaptation of previous year figures

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

	Refinancing		Instruments with modified time and modified conditions		NPE total	
in € million	30/6/2017	31/12/2016	30/6/2017	31/12/2016	30/6/2017	31/12/2016
Corporate customers	3	12	84	75	87	87
Retail customers	17	24	220	230	238	254
Total	**20**	**36**	**305**	**306**	**325**	**341**

In the corporate customer business, financial difficulties are measured by means of an internal early warning system which is based on numerous representative and accepted input factors for customer risk classification (e.g. overdue days, rating downgrade etc.). IAS 39 requires that impairments must be derived from an incurred loss event; defaults pursuant to Article 178 CRR are still the main indicators for individual and portfolio-based loan loss provisions. The transfer of 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 business, problem loan committees from each Group unit decide on allocating individual loan loss provisions. In the retail area, provisioning is determined by retail risk management departments in the individual Group units. They compute the required loan loss provisions according to defined calculation methods on a monthly basis. The provisioning amount is then approved by local accounting departments.

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

in € million	As at 1/1/2017	Consolidation/ Exchange rate	Additions	Disposals	As at 30/6/2017
Corporate customers	4,357	231	553	(1,314)	3,827
Retail customers	2,127	58	272	(351)	2,106
Sovereigns	2	0	0	(2)	0
Total non-banks	**6,486**	**289**	**825**	**(1,666)**	**5,933**
Banks	77	(3)	1	(61)	14
Total	**6,563**	**286**	**826**	**(1,727)**	**5,947**

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	30/6/2017	31/12/2016	30/6/2017	31/12/2016	30/6/2017	31/12/2016
Corporate customers	3,827	4,357	7.0%	9.3%	65.7%	71.5%
Retail customers	2,106	2,127	7.5%	8.3%	79.1%	82.2%
Sovereigns	0	2	0.0%	0.6%	>100%	>100%
Total non-banks	**5,933**	**6,486**	**7.3%**	**9.2%**	**70.5%**	**75.6%**
Banks	14	77	0.1%	0.5%	87.2%	65.4%
Total	**5,947**	**6,563**	**6.3%**	**8.2%**	**70.6%**	**75.5%**

The volume of non-performing loans to non-banks fell € 552 million due to an organic decrease largely attributable to derecognition of commercially uncollectible debts in Ukraine, at RBI AG and at Raiffeisen Leasing Group. The merger of RZB AG into RBI AG, in contrast, produced an increase of € 425 million. The NPL ratio based on total exposure decreased 1.9 percentage points to 7.3 per cent.

Since the start of the year, corporate customers posted a € 530 million decrease to € 3,827 million. The ratio of non-performing loans to credit exposure decreased 2.4 percentage points to 7.0 per cent; the NPL coverage ratio declined 5.8 percentage points to 65.7 per cent. In the retail portfolio, non-performing loans decreased 1.0 per cent, or € 21 million, to € 2,106 million. The ratio of non-performing loans to credit exposure decreased 0.8 percentage points to 7.5 per cent; the NPL coverage ratio decreased 3.0 percentage points to 79.1 per cent. For banks, non-performing loans at the end of the first half-year amounted to € 14 million, € 63 million down on the year-end 2016; the NPL coverage ratio increased 21.8 percentage points to 87.2 per cent.

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

30/6/2017 in € million	NPL	NPL ratio	NPL coverage ratio
Central Europe	1,709	5.1%	63.8%
Southeastern Europe	1,386	9.3%	76.7%
Eastern Europe	1,207	8.9%	83.0%
Group Corporates & Markets	1,590	4.5%	63.3%
Corporate Center	55	1.0%	61.9%
Total	**5,947**	**6.3%**	**70.6%**
hereof non-banks	5,933	7.3%	70.5%

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 € 631 million to € 1,709 million, including € 670 million from the reclassification of Poland from the Non-Core segment and € 44 million from integrating RZB AG in the course of its merger into RBI AG. Non-performing loans decreased € 105 million in Hungary due to sales and derecognition. The NPL ratio amounted to 5.1 per cent and the NPL coverage ratio was 63.8 per cent.

In Southeastern Europe, non-performing loans decreased € 35 million compared to the start of the year to € 1,386 million. Whereas declines totaling € 69 million were reported in Albania and Bulgaria, non-performing loans in Croatia increased € 68 million mainly due to a defaulted large corporate customer. The NPL ratio fell 0.6 percentage points to 9.3 per cent and the NPL coverage ratio fell 3.0 percentage points to 76.7 per cent.

The Eastern Europe segment reported a decline in non-performing loans of 23 per cent, or € 369 million, to € 1,207 million, mainly attributable to sales of non-performing loans amounting to € 185 million in Ukraine and derecognition of uncollectible loans and currency depreciation in Ukraine and Russia. The ratio of non-performing loans to credit exposure fell 3.1 percentage points to 8.9 per cent and the NPL coverage ratio decreased 2.8 percentage points to 83.0 per cent.

Non-performing loans in the Group Corporates & Markets segment comprise the former segments Group Corporates, Group Markets and parts of Non-Core and an effect related to the merger of RZB AG into RBI AG with € 380 million, and amounted to € 1,590 million. Non-performing loans decreased € 363 million at RBI AG and € 185 million at Raiffeisen Leasing Group in the period under review due to derecognition of uncollectible loans. The NPL ratio at the end of the first half-year amounted to 4.5 per cent, and the NPL coverage ratio to 63.3 per cent.

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

in € million	As at 1/1/2017	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As at 30/6/2017
Individual loan loss provisions	4,697	257	515	(410)	(1,016)	(117)	3,926
Portfolio-based loan loss provisions	381	23	124	(136)	0	(10)	383
Total	**5,078**	**279**	**639**	**(546)**	**(1,016)**	**(126)**	**4,309**

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

in € million	As at 1/1/2016	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As at 30/6/2016
Individual loan loss provisions	5,772	4	866	(434)	(1,052)	(18)	5,137
Portfolio-based loan loss provisions	382	0	116	(143)	0	3	359
Total	**6,154**	**5**	**982**	**(577)**	**(1,052)**	**(15)**	**5,497**

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

Usage was mainly based on the sale and derecognition of uncollectible loans. The changes in consolidated group primarily show the effect of the merger of RZB AG into RBI AG.

Concentration risk

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

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

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

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

in € million	30/6/2017	Share	31/12/2016	Share
Austria	**35,889**	**20.8%**	**19,936**	**13.6%**
Central Europe	**55,207**	**32.0%**	**50,177**	**34.2%**
Czech Republic	20,253	11.7%	15,047	10.3%
Poland	14,192	8.2%	14,083	9.6%
Slovakia	13,894	8.1%	14,138	9.6%
Hungary	6,458	3.7%	6,471	4.4%
Other	410	0.2%	438	0.3%
Other European Union	**27,120**	**15.7%**	**21,139**	**14.4%**
Germany	8,500	4.9%	6,354	4.3%
Great Britain	6,234	3.6%	5,275	3.6%
France	4,034	2.3%	3,086	2.1%
Netherlands	1,935	1.1%	1,828	1.2%
Italy	1,233	0.7%	883	0.6%
Spain	961	0.6%	595	0.4%
Other	4,223	2.4%	3,118	2.1%
Southeastern Europe	**25,618**	**14.9%**	**25,659**	**17.5%**
Romania	9,434	5.5%	9,452	6.4%
Croatia	5,010	2.9%	5,091	3.5%
Bulgaria	3,993	2.3%	3,998	2.7%
Serbia	2,659	1.5%	2,467	1.7%
Bosnia and Herzegovina	2,083	1.2%	2,077	1.4%
Albania	1,668	1.0%	1,830	1.2%
Other	771	0.4%	743	0.5%
Asia	**3,161**	**1.8%**	**3,499**	**2.4%**
China	847	0.5%	936	0.6%
Other	2,314	1.3%	2,564	1.7%
Eastern Europe	**19,829**	**11.5%**	**19,814**	**13.5%**
Russia	14,518	8.4%	14,262	9.7%
Ukraine	3,266	1.9%	3,380	2.3%
Belarus	1,499	0.9%	1,635	1.1%
Other	545	0.3%	536	0.4%
North America	**2,551**	**1.5%**	**3,051**	**2.1%**
Switzerland	**1,887**	**1.1%**	**2,193**	**1.5%**
Rest of World	**1,192**	**0.7%**	**1,105**	**0.8%**
Total	**172,455**	**100.0%**	**146,573**	**100.0%**

The credit exposure of all asset classes posted a € 25,882 million increase compared to year-end 2016 to € 172,455 million (of which € 21,498 million was due to the merger of RZB AG into RBI AG in the regions Austria, Central Europe and Other European Union). The largest increase of € 15,953 million to € 35,889 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.

Germany reported an increase of € 2,146 million to € 8,500 million resulting primarily from credit financing and repo business.

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

in € million	30/6/2017	Share	31/12/2016	Share
Banking and insurance	48,434	28.1%	39,183	26.7%
Private households	34,286	19.9%	26,589	18.1%
Public administration and defence and social insurance institutions	17,631	10.2%	11,844	8.1%
Wholesale trade and commission trade (except car trading)	11,641	6.8%	11,976	8.2%
Other manufacturing	11,119	6.4%	11,426	7.8%
Real estate activities	10,158	5.9%	8,386	5.7%
Construction	5,977	3.5%	5,551	3.8%
Other business activities	5,042	2.9%	4,438	3.0%
Retail trade except repair of motor vehicles	3,890	2.3%	3,675	2.5%
Electricity, gas, steam and hot water supply	3,038	1.8%	3,056	2.1%
Manufacture of basic metals	1,953	1.1%	2,183	1.5%
Other transport	1,910	1.1%	1,905	1.3%
Land transport, transport via pipelines	1,868	1.1%	1,896	1.3%
Manufacture of food products and beverages	1,797	1.0%	1,834	1.3%
Manufacture of machinery and equipment	1,773	1.0%	1,694	1.2%
Sale of motor vehicles	1,016	0.6%	916	0.6%
Extraction of crude petroleum and natural gas	826	0.5%	776	0.5%
Other industries	10,098	5.9%	9,247	6.3%
Total	**172,455**	**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).

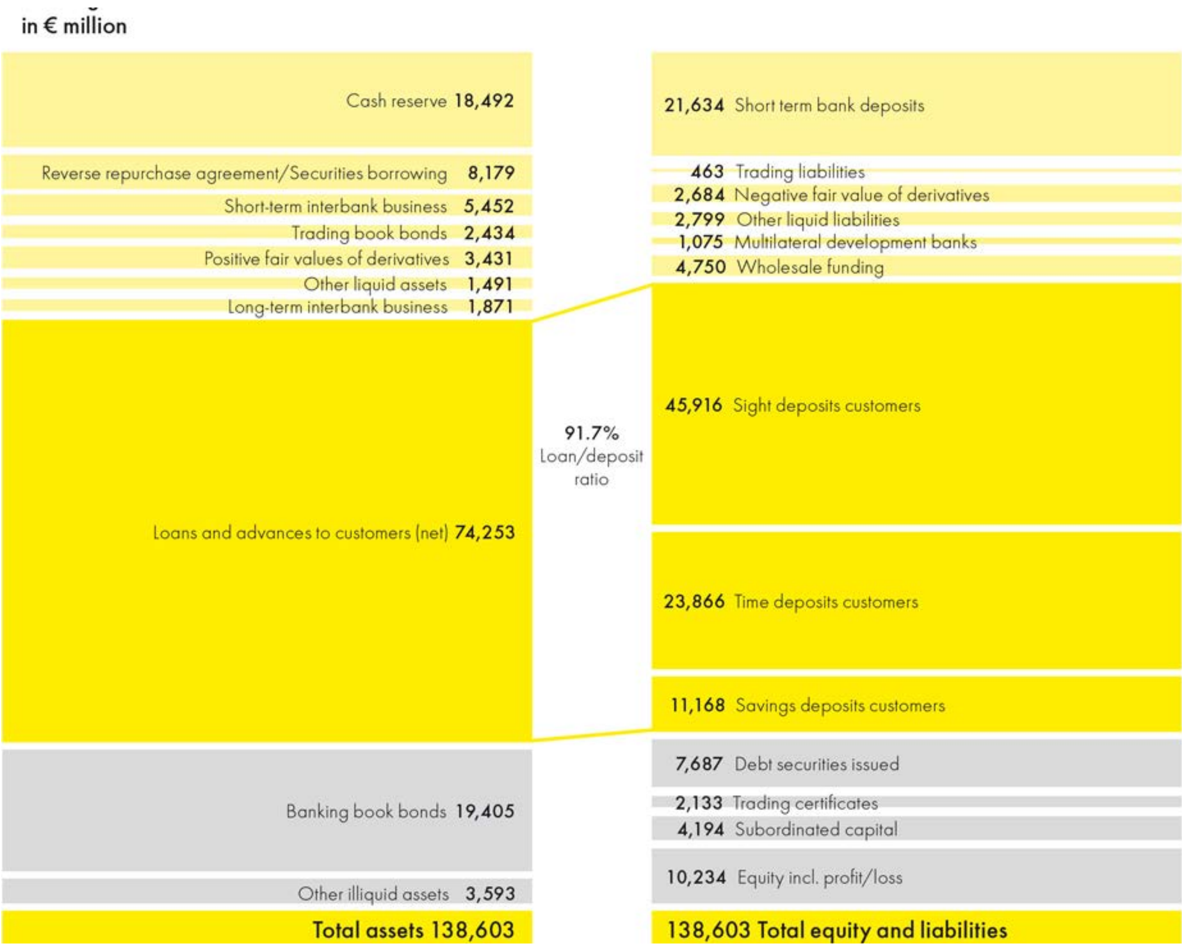
Total VaR 99% 1d in € million	VaR as at 30/6/2017	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2016
Currency risk	25	21	17	29	24
Interest rate risk	29	16	10	29	16
Credit spread risk	11	12	9	16	8
Share price risk	1	1	1	1	1
Vega risk	2	3	1	5	1
Total	45	37	29	47	36

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 positions off the statement of financial position and the effects of a market downturn relating to positions that affect the counterbalancing capacity.

in € million	30/6/2017		31/12/2016	
Maturity	1 month	1 year	1 month	1 year
Liquidity gap	21,074	24,404	21,066	24,517
Liquidity ratio	140%	124%	160%	131%

Liquidity coverage ratio

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

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

in € million	30/6/2017	31/12/2016
Average liquid assets	**25,424**	**12,977**
Net outflows	**17,934**	**7,071**
Inflows	12,258	11,186
Outflows	30,192	18,257
Liquidity Coverage Ratio	**142%**	**184%**

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

Net Stable Funding Ratio

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

in € million	30/6/2017	31/12/2016
Required stable funding	99,216	73,730
Available stable funding	109,552	86,230
Net Stable Funding Ratio	**110%**	**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, 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 this 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 interim half-year profit was included in the calculation of total capital, based on a review by the auditor.

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

Total capital

in € million	30/6/2017	31/12/2016
Paid-in capital	5,994	5,886
Earned capital	3,245	2,585
Non-controlling interests	359	445
Common equity tier 1 (before deductions)	**9,598**	**8,916**
Deduction intangible fixed assets/goodwill	(592)	(520)
Deduction provision shortage for IRB positions	(48)	(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)	**8,936**	**8,339**
Additional tier 1	90	90
Non-controlling interests	20	(1)
Deduction intangible fixed assets/goodwill	(105)	(78)
Deduction provision shortage for IRB positions	(6)	(11)
Deduction securitizations	0	0
Deduction insurance and other investments	0	0
Tier 1	**8,936**	**8,339**

in € million	30/6/2017	31/12/2016
Long-term subordinated capital	2,964	3,047
Non-controlling interests	28	(9)
Provision excess of internal rating approach positions	173	159
Provision excess of standardized approach positions	0	0
Deduction securitizations	0	0
Deduction insurance and other investments	0	0
Tier 2 (after deductions)	**3,164**	**3,198**
Total capital	**12,100**	**11,537**
Total capital requirement	**5,522**	**4,805**
Common equity tier 1 ratio (transitional)	12.9%	13.9%
Common equity tier 1 ratio (fully loaded)	12.8%	13.6%
Tier 1 ratio (transitional)	12.9%	13.9%
Tier 1 ratio (fully loaded)	12.8%	13.6%
Total capital ratio (transitional)	17.5%	19.2%
Total capital ratio (fully loaded)	17.4%	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	30/6/2017	31/12/2016
Total capital requirement for credit risk	4,503	3,907
Internal rating approach	2,384	2,275
Standardized approach	2,086	1,602
CVA risk	33	31
Basel 1 floor	0	0
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	291	214
Total capital requirement for operational risk	728	683
Total capital requirement	**5,522**	**4,805**
Risk-weighted assets (total RWA)	**69,021**	**60,061**

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

in € million	30/6/2017	31/12/2016
Risk-weighted assets according to standardized approach	**26,079**	**20,025**
Central governments and central banks	1,565	1,925
Regional governments	118	60
Public administration and non-profit organizations	44	12
Multilateral development banks	0	0
Banks	329	293
Corporate customers	9,349	7,909
Retail customers	9,872	7,241
Equity exposures	2,019	397
Covered bonds	24	0
Mutual funds	34	4
Securitization position	0	0
Other positions	2,724	2,184
Risk-weighted assets according to internal rating approach	**29,799**	**28,435**
Central governments and central banks	489	244
Banks	1,901	1,995
Corporate customers	22,404	21,454
Retail customers	4,566	4,390
Equity exposures	155	123
Securitization position	283	229
CVA risk	**409**	**381**
Basel 1 floor	**0**	**0**
Risk-weighted assets (credit risk)	**56,287**	**48,841**
Total capital requirement (credit risk)	**4,503**	**3,907**

Leverage ratio

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

in € million	30/6/2017	31/12/2016
Leverage exposure	157,895	122,843
Tier 1	8,936	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	1/1-30/6/2017	1/1-30/6/2016
Austria	3,691	2,755
Foreign	46,639	48,910
Total	**50,330**	**51,665**

(42) Related parties

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

RZB AG was incorporated into RBI AG during the reporting period. As of this point in time, the parent company ceased to exist. In the previous year's period, the parent company was Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna.

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

30/6/2017 in € million	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	865	0	203	24
Loans and advances to customers	0	100	1	176
Trading assets	7	0	1	8
Financial investments	0	208	0	221
Investments in associates	0	0	742	0
Other assets (incl. derivatives)	0	9	3	11
Deposits from banks	2,547	5	3,012	363
Deposits from customers	0	121	443	107
Debt securities issued	0	1	0	0
Provisions for liabilities and charges	0	2	2	0
Trading liabilities	66	16	7	12
Other liabilities including derivatives	0	2	2	0
Subordinated capital	0	0	4	0
Guarantees given	1	97	275	24
Guarantees received	12	0	34	36

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

1/1-30/6/2017 in € million	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Interest income	4	1	2	5
Interest expenses	(17)	0	(15)	(1)
Dividends income	0	10	35	13
Fee and commission income	1	11	6	3
Fee and commission expense	(1)	(6)	(4)	(2)

1/1-30/6/2016 in € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Interest income	17	29	3	5
Interest expenses	(4)	(9)	(20)	(1)
Dividends income	0	20	0	3
Fee and commission income	0	19	4	2
Fee and commission expense	(2)	(3)	(2)	(2)

Events after the reporting date

There were no significant events after the reporting date.

Report on the Review of the condensed Interim Consolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Raiffeisen Bank International AG, Vienna, for the period from 1 January 2017 to 30 June 2017. These condensed interim consolidated financial statements comprise the consolidated statement of financial position as of 30 June 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the condensed consolidated statements of cash flows for the period from 1 January 2017 to 30 June 2017 and the condensed notes, summarizing the significant accounting policies and other explanatory notes.

Management is responsible for the preparation of the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Our responsibility is to express a conclusion on these condensed interim consolidated financial statements. Our liability towards the Company and towards third parties is limited in accordance with § 87 par 3 Austrian Stock Exchange Act in connection with § 275 par 2 of the Austrian Commerical Code (UGB).

Scope of review

We conducted our review in accordance with Austrian Standards for Chartered Accountants, in particular in compliance with KFS/PG 11 "Principles of Engagements to Review Financial Statements", and with the International Standard on Review Engagements (ISRE 2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements is limited primarily to making inquiries, primarily of Company personnel, responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Austrian Standards on Auditing and/or International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing came to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Statement on the consolidated interim management report for the 6 month period ended 30 June 2017 and on management's statement in accordance with § 87 Austrian Stock Exchange Act (BörseG)

We have read the consolidated interim management report and evaluated whether it does not contain any apparent inconsistencies with the condensed interim consolidated financial statements. Based on our evaluation, the consolidated interim management report does not contain any apparent inconsistencies with the condensed interim consolidated financial statements.

The interim financial information contains the statement by management in accordance with § 87 par. 1 subpar. 3 Austrian Stock Exchange Act.

Vienna, 4 August 2017

Mag. Wilhelm Kovsca

Wirtschaftsprüfer
(Austrian Chartered Accountant)

Note: The condensed interim consolidated financial statements together with our review report may be published or transmitted only as agreed by us.

Statement of legal representatives

We confirm to the best of our knowledge that the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the semi-annual group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions.

Vienna, 4 August 2017

The Management Board

Johann Strobl

Chief Executive Officer responsible for Group Communications, Group Compliance, Group Digital Banking, Group Human Resources, Group Internal Audit, Group Marketing, Group Regulatory Affairs, Group Strategy, Group Sustainability Management, International Banking Units, Legal Services, Management Secretariat and Group Participations

Klemens Breuer

Deputy to the Chief Executive Officer responsible for Group Asset Management, Group Business Management & Development, Group Capital Markets, Group Investment Banking, Institutional Clients, International Consumer & Small Business Banking, International Premium & Private Banking, International Retail Strategy & Products and Raiffeisen Research

Martin Grüll

Member of the Management Board responsible for Active Credit Management, Group Investor Relations, Group Planning & Finance, Group Treasury and Tax Management

Andreas Gschwenter

Member of the Management Board responsible for Group Efficiency Management, Group IT, Group Procurement, Cost & Real Estate Management, Group Project Portfolio & Security and Head Office Operations

Peter Lennkh

Member of the Management Board responsible for Corporate Customers, Corporate Finance, Group Corporate Business Strategy & Steering, International Business Support, International Leasing Steering & Product Management and Trade Finance & Transaction Banking

Hannes Mösenbacher

Member of the Management Board responsible for Financial Institutions, Country & Portfolio Risk Management, Group Corporate Credit Management, Group Risk Controlling, Group Special Exposures Management, International Retail Risk Management, Risk Excellence & Projects and Sektor Risk Controlling Services

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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Group Investor Relations inquiries:
E-mail: ir@rbinternational.com
Internet: www.rbinternational.com → Investor Relations
Phone: +43-1-71 707-2089

Group Communications inquiries:
E-mail: communications@rbinternational.com
Internet: www.rbinternational.com → Public Relations
Phone: +43-1-71 707-1298

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