Raiffeisen Bank International

First Quarter Report 2018

Survey of key data

Monetary values in € million	2018	2017	Change
Income statement	**1/1-31/3**	**1/1-31/3**	
Net interest income	829	797	4.0%
Net fee and commision income	410	409	0.1%
Net trading income and fair value result	(1)	2	-
General administrative expenses	(740)	(745)	(0.7)%
Impairment losses on financial assets	83	(82)	-
Profit/loss before tax	529	330	60.3%
Profit/loss after tax	430	255	68.7%
Consolidated profit/loss	399	220	81.4%
Statement of financial position	**31/3**	**31/12**	
Loans to banks	10,386	10,741	(3.3)%
Loans to customers	80,226	77,745	3.2%
Deposits from banks	24,177	22,378	8.0%
Deposits from customers	87,229	84,974	2.7%
Equity	12,000	11,241	6.8%
Total assets	140,033	135,146	3.6%
Key ratios	**1/1-31/3**	**1/1-31/3**	
Return on equity before tax	19.4%	13.4%	5.9 PP
Return on equity after tax	15.8%	10.4%	5.4 PP
Consolidated return on equity	16.6%	9.6%	7.0 PP
Cost/income ratio	57.3%	59.5%	(2.1) PP
Return on assets before tax	2.01%	1.17%	0.85 PP
Net interest margin (average interest-bearing assets)	2.49%	2.44%	0.05 PP
Provisioning ratio (average loans and advances to customers)	(0.43)%	0.43%	(0.86) PP
Bank-specific information	**31/3**	**31/12**	
NPL ratio	5.4%	5.7%	(0.3) PP
NPE ratio	3.6%	4.0%	(0.3) PP
NPL coverage ratio	69.7%	67.0%	2.7 PP
NPE coverage ratio	56.2%	56.1%	0.1 PP
Risk-weighted assets (total RWA)	73,102	71,902	1.7%
Common equity tier 1 ratio (transitional)	12.2%	12.9%	(0.7) PP
Common equity tier 1 ratio (fully loaded)	12.2%	12.7%	(0.5) PP
Common equity tier 1 ratio (transitional, incl. result)	12.8%	12.9%	(0.1) PP
Common equity tier 1 ratio (fully loaded, incl. result)	12.8%	12.7%	0.1 PP
Total capital ratio (transitional)	17.3%	17.9%	(0.6) PP
Total capital ratio (fully loaded)	17.2%	17.8%	(0.6) PP
Stock data	**1/1-31/3**	**1/1-31/3**	
Earnings per share in €	1.17	0.67	75.1%
Closing price in € (31/3)	31.59	21.16	49.3%
High (closing prices) in €	35.32	23.13	52.7%
Low (closing prices) in €	29.98	17.67	69.7%
Number of shares in million (31/3)	328.94	328.94	0.0%
Market capitalization in € million (31/3)	10,391	6,959	49.3%
Resources	**31/3**	**31/12**	
Employees as at reporting date (full-time equivalents)	50,036	49,700	0.7%
Business outlets	2,423	2,409	0.6%
Customers in million	16.6	16.5	0.3%

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

Content

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

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

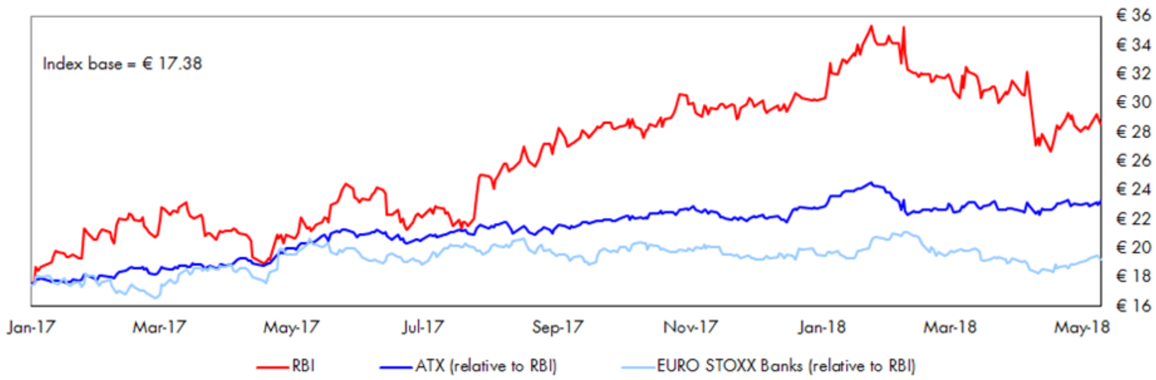
RBI in the capital markets

Performance of RBI stock

RBI's stock opened in 2018 with a share price of € 30.20 and closed the first quarter at € 31.59 (up 5 per cent). Accordingly, it outperformed the Austrian ATX stock index, which remained virtually flat over the same period, and the EURO STOXX Banks (down 4 per cent). Following an initially encouraging start to the year, the indices of the main stock exchanges declined in February and March, in some cases significantly. This was attributable to emerging concerns about further rate hikes in the US and a possible end to the expansionary monetary policy in Europe. Additional uncertainty was fueled by the announcement of trade barriers and protective tariffs planned by the US, which could have a negative impact on international trade and movement of goods. Despite this increasingly apprehensive environment, RBI's share price remained stable, partly due to the publication of encouraging financial results for 2017.

The tightening of US sanctions against particular Russian businesspersons and compranes weighed heavily on the Moscow stock exchange in April and also put pressure on RBI shares. This reflected concerns on the part of market participants that RBI could also be impacted by secondary sanctions. By the editorial deadline of this report, on 9 May, RBI stock had already recovered somewhat and was trading at € 28.53.

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



Active capital market communications

On 7 February 2018, RBI announced its preliminary figures for the 2017 financial year. To mark the release of RBI's final results for the 2017 financial year on 14 March, RBI's Management Board met with investors in Vienna and also held a conference call with over 150 participants. On the following day, RBI invited institutional investors and analysts to its investor presentation in London. The event, which has taken place on the day following the publication of the full-year results for a number of years now, met with keen interest among the more than 80 participants.

Following the announcement of the sale of the core banking business of Raiffeisen Bank Polska S.A., RBI held a conference call on the topic of Poland and Russia on 11 April, with around 440 participants dialing in.

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

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

A total of 24 equity analysts and 20 debt analysts (as at 31 March 2018) regularly provide investment recommendations on RBI, making RBI the Austrian company with the largest number of analyst teams regularly reporting on it.

Additional tier 1 capital issued

RBI again placed perpetual additional tier 1 capital (AT1), in an amount of € 500 million and with a value date of 24 January 2018. It has a coupon of 4.5 per cent p.a. until mid-June 2025, after which it will be reset. The transaction was preceded by numerous investor calls. Together with the € 650 million issue in July 2017, RBI thereby completed its planned AT1 issuance program.

Stock data and details

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

Share price as at 31 March 2018	€ 31.59
High/low (closing prices) in the first quarter of 2018	€ 35.32/€ 29.98
Earnings per share from 1 January until 31 March 2018	€ 1.17
Bookvalue per share as at 31 March 2018	€ 31.00
Market capitalization as at 31 March 2018	€ 10.4 billion
Average daily trading volume (single count) in the first quarter 2018	487,286 shares
Stock exchange turnover (single count) in the first quarter 2018	€ 994 milllion
Free float as at 31 March 2018	approximately 41.2%
ISIN	AT0000606306
Ticker symbols	RBI (Vienna Stock Exchange)
	RBI AV (Bloomberg)
	RBIV.VI (Reuters)
Market segment	Prime Market
Number of shares issued as at 31 March 2018	328,939,621

Rating details

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

Financial Calendar 2018

15 May 2018	First Quarter Report, Conference Call
11 June 2018	Record Date Annual General Meeting
21 June 2018	Annual General Meeting
28 June 2018	Ex-Dividend Date
29 June 2018	Record Date Dividends
2 July 2018	Dividend Payment Date
26 July 2018	Start of Quiet Period
9 August 2018	Semi-Annual 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
Telephone: +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

Euro area GDP growth was at 2.5 per cent for full-year 2017. In addition, the unemployment rate has been on a steady downwards trend for a number of years, but was still well above the last cyclical low in March 2018. Since February, sentiment indicators have somewhat deteriorated and real economic indicators such as industrial production and retail sales have also remained below expectations. The upswing nevertheless continued in the first quarter of 2018, albeit with a GDP growth rate of 0.4 per cent compared to the prior quarter and slightly reduced momentum. The inflation rate declined somewhat at the beginning of the year and stood at 1.2 per cent p.a. in April, well below the ECB's target. It is projected to remain in the vicinity of 1.5 per cent p.a. on average for the remainder of the year.

In January 2018, the ECB scaled back its net bond purchases to a monthly average of € 30 billion. According to official statements, its bond purchases look set to continue until at least September 2018, with key rates to remain unchanged for an extended period following the end of the bond-buying program. This wording implies that the ECB is unlikely to hike its main refinancing rate before the first quarter of 2019. In contrast, the US Federal Reserve has signaled plans to deliver additional key rate hikes in the coming quarters.

In Austria, economic growth accelerated significantly with real GDP growth for 2017 at 2.9 per cent, almost double the growth rate for 2016. The economic momentum was broad based and driven by both domestic and export demand. Austria's very positive economic performance should also continue in 2018. Real GDP growth is projected to reach 2.8 per cent in 2018, roughly on a par with the previous year's level. It is assumed that economic growth will continue to be driven by domestic demand and net exports. Nevertheless, the current economic upswing is seen to have already peaked, given the already overloaded production capacity.

The Central European region (CE) posted stronger year-on-year economic growth with total GDP growth of 4.4 per cent in 2017 exceeding the previous year's level by 1.6 percentage points. Poland's growth gained considerable traction, posting 4.6 per cent year-on-year growth. Overall, economic data indicates balanced growth with solid exports and a dynamic domestic economy. The strong upward trend seen in 2017 should also continue in 2018. With robust foreign demand – mainly supported by solid economic growth in Germany and the euro area, as well as rising investment spending and a pick-up in private consumer demand in the region's markets – the region's growth also remains broad based. Specifically, significant GDP growth of between 4.0 and 4.9 per cent is expected for the Polish, Slovakian and Slovenian economies in 2018. Hungary and the Czech Republic should also enjoy further economic growth above 3 per cent. Accordingly, the region's growth is currently projected at around 4.2 per cent for 2018.

In Southeastern Europe (SEE), the economy grew 5.0 per cent in 2017, its strongest growth rate in years. Although a portion of this was attributable to temporary factors, this nevertheless highlights the fact that the weak phase of the previous years has been overcome. In particular, the Romanian economy's growth rate was once again significantly higher than in the previous year at 7.0 per cent. In the SEE region, growth of 4.1 per cent should be possible in 2018. Growth in Romania will probably slow down to 5.0 per cent, however, as this is still above Romania's potential growth rate, external imbalances could widen further. Moreover, Romania's public deficit runs the risk of exceeding the 3 per cent Maastricht ceiling. In Serbia, economic growth should recover somewhat in 2018 from the weak level in 2017, whereas growth in Croatia is projected at 2.3 per cent, weaker than in 2017.

Economic conditions in Eastern Europe (EE) further improved in 2017. Russia benefited from a recovery in the oil price and private household demand, with the economy returning to growth of 1.5 per cent in 2017. The Ukrainian economy grew 2.5 per cent in 2017, comparable to the previous year, and thus extended its moderate recovery. According to current forecasts, the Russian economy is poised to continue its moderate recovery in 2018, with economic growth seen at roughly 1.5 per cent. The new US sanctions imposed in April and the uncertainty surrounding further measures, however, are increasing risks for the Russian financial markets and economic activity. Moreover, the US sanctions are weakening the exchange rate of the Russian rouble and weighing on Russian financial markets. In the base case scenario, neither Russian oil and gas exports nor the operability of the Russian financial and banking sectors would be affected by further possible sanctions, and the influence of sanctions on the Russian economy should remain moderate. In Ukraine, parliamentary and presidential elections are on the agenda for 2019, which could heighten political uncertainty in 2018 and curb economic growth. Of pivotal importance, will be continuing the collaboration between the Ukrainian authorities and the International Monetary Fund (IMF).

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

Region/country	2016	2017	2018e	2019f
Czech Republic	2.5	4.6	3.5	3.2
Hungary	2.2	4.0	3.8	3.2
Poland	2.9	4.6	4.6	3.9
Slovakia	3.3	3.4	4.0	4.0
Slovenia	3.1	5.0	4.9	3.2
Central Europe	**2.8**	**4.4**	**4.2**	**3.6**
Albania	3.4	3.8	4.0	3.8
Bosnia and Herzegovina	3.1	3.0	2.8	3.0
Bulgaria	3.9	3.6	4.0	3.8
Croatia	3.2	2.8	2.3	2.5
Kosovo	3.4	4.1	4.2	4.0
Romania	4.8	7.0	5.0	3.5
Serbia	2.8	1.9	2.5	2.5
Southeastern Europe	**4.1**	**5.0**	**4.1**	**3.3**
Belarus	(2.5)	2.4	2.5	2.0
Russia	(0.2)	1.5	1.5	1.5
Ukraine	2.4	2.5	2.5	3.0
Eastern Europe	**(0.1)**	**1.6**	**1.6**	**1.6**
Austria	**1.5**	**2.9**	**2.8**	**1.9**
Germany	**1.9**	**2.5**	**2.2**	**1.6**
Euro area	**1.8**	**2.5**	**2.5**	**1.7**

Source: Raiffeisen Research - The above values are based on research analysts' estimates at the end of April 2018

Significant events in the reporting period

Adoption of IFRS 9

On 1 January 2018, the new accounting standard for financial instruments (IFRS 9) took effect. This replaces IAS 39, which was the previous accounting standard for impairment losses on financial assets. The regulations set out in the new standard are primarily reflected in the loan loss provisions, as they apply to impairment losses on financial assets valued at amortized cost or at fair value recognized directly in equity. Under IFRS 9 the impairment requirements also apply to credit commitments and financial guarantees off the statement of financial position. The model used to determine impairment losses also changes, from a historically oriented model under IAS 39 (incurred losses) to a future oriented model under IFRS 9 (expected losses). The new rules on valuation are by contrast of lesser significance. In total, only € 243 million of loans must be accounted for at market value, representing 0.3 per cent of the volume of financial instruments.

The adoption results in an adjustment of minus € 130 million to equity; the effect on the CET1 ratio (fully loaded) amounts to around 10 basis points. Impairment losses increased € 244 million. The effect on classification and valuation amounts to a positive effect of € 82 million.

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

Placement of additional tier 1 capital (AT1)

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

Earnings and financial performance

The good economic climate has continued in 2018, and is reflected in a significantly reduced inflow of new provisions for impairment losses. Moreover, as in the previous year, active risk management enabled the sale of a significant volume of loans with a net profit. In addition, restructuring and repayments of overdue loans led to releases of loan loss provisions. In the first quarter of 2018, consolidated profit reached € 399 million, which is an 81 per cent or € 179 million improvement year-on-year. This was primarily due to the positive development in impairment losses on financial assets, with a strong positive contribution from risk costs. This resulted in an exceptionally high net release of € 83 million compared to net allocations of € 82 million in the previous year. At the end of March 2018, the NPL ratio was 5.4 per cent, 0.3 percentage points lower than at the beginning of the year.

Following a final court decision in RBI's favor against an Icelandic bank in March 2018, there was a positive effect totaling € 50 million (€ 25 million recognized in impairment losses on financial assets and € 25 million recognized under other net operating income). The case relates to a lawsuit brought against RBI by the insolvency administrator in 2012.

in € million	1/1-31/3/2018	1/1-31/3/2017	Change	
Net interest income	829	797	32	4.0%
Dividend income	9	5	4	67.8%
Net fee and commision income	410	409	1	0.1%
Net trading income and fair value result	(1)	2	(3)	–
Net gains/losses from hedge accounting	(1)	2	(2)	–
Other net operating income	45	38	7	19.0%
Operating income	**1,291**	**1,253**	**37**	**3.0%**
Staff expenses	(384)	(388)	4	(1.0)%
Other administrative expenses	(286)	(280)	(6)	2.0%
Depreciation	(70)	(76)	7	(8.9)%
General administrative expenses	**(740)**	**(745)**	**5**	**(0.7)%**
Operating result	**551**	**508**	**42**	**8.4%**
Other result	27	24	4	16.3%
Levies and special governmental measures	(132)	(120)	(13)	10.8%
Impairment losses on financial assets	83	(82)	166	–
Profit/loss before tax	**529**	**330**	**199**	**60.3%**
Income taxes	(98)	(75)	(24)	31.6%
Profit/loss after tax	**430**	**255**	**175**	**68.7%**
Profit attributable to non-controlling interests	(31)	(35)	4	(11.2)%
Consolidated profit/loss	**399**	**220**	**179**	**81.4%**

Operating income was up 3 per cent year-on-year, or € 37 million, to € 1,291 million. Net interest income rose 4 per cent to € 829 million, driven by the 5 basis point improvement in the net interest margin to 2.49 per cent and by a 1 per cent increase in the Group's interest-bearing assets due to growth in short-term loans. The improvement in the net interest margin was attributable to optimizations in Russia, the Czech Republic, Romania and Ukraine. Net fee and commission income (up € 1 million) remained almost unchanged year-on-year, while net trading income (down € 3 million) fell slightly, largely due to lower income from derivatives.

General administrative expenses showed a slight € 5 million year-on-year decline to € 740 million. Currency movements resulted in a € 14 million reduction. The average number of employees (full-time equivalents) reduced year-on-year by 403 to 50,005. Staff expenses declined € 4 million to € 384 million.

Other administrative expenses increased 2 per cent or € 6 million. The increase was attributable to IT expenses (up € 6 million), primarily for IT services purchased at Group head office, and to higher deposit insurance fees of € 9 million in Romania, Russia and Group Corporates & Markets. Branch closures in Poland and optimizations in Ukraine reduced office space expenses by a total of € 6 million. The number of business outlets decreased 77 year-on-year to 2,423, mainly in Poland (down 64) and in Romania (down 32). Depreciation of tangible and intangible assets fell 9 per cent, or € 7 million, with the most significant declines in Russia due to adjustments to the useful life of licenses and in Ukraine.

The expense for levies and special governmental measures rose € 13 million year-on-year to € 132 million. This change mainly resulted from a release of provisions totaling € 22 million in the previous year, in connection with the “Walkaway Law” in Romania. In contrast, contributions to the resolution fund, which (like the majority of the bank levies) had to be recognized in full at the start of the year in accordance with IFRIC 21, fell € 7 million primarily due to lower contributions in Romania and at RBI AG.

There was a net release of € 83 million of impairment losses on financial assets in the reporting period compared to a net allocation of € 82 million in the same period last year. This positive development was driven by a good macroeconomic environment with regard to inflows and successful recoveries totaling € 135 million. The most significant changes to risk costs occurred in the Group Corporates and Markets segment (down € 82 million), in Romania (down € 34 million), in Poland (down € 24 million), and in Russia (down € 21 million).

Quarterly results

in € million	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018
Net interest income	797	796	814	818	829
Dividend income	5	18	6	5	9
Net fee and commision income	409	433	429	446	410
Net trading income and fair value result	2	26	(1)	10	(1)
Net gains/losses from hedge accounting	2	2	3	(23)	(1)
Other net operating income	38	22	19	21	45
Operating income	**1,253**	**1,297**	**1,270**	**1,278**	**1,291**
Staff expenses	(388)	(392)	(365)	(409)	(384)
Other administrative expenses	(280)	(292)	(271)	(315)	(286)
Depreciation	(76)	(75)	(74)	(75)	(70)
General administrative expenses	**(745)**	**(758)**	**(710)**	**(798)**	**(740)**
Operating result	**508**	**540**	**560**	**479**	**551**
Other result	24	9	(1)	(31)	27
Levies and special governmental measures	(120)	(12)	(16)	(17)	(132)
Impairment losses on financial assets	(82)	(18)	(91)	(121)	83
Profit/loss before tax	**330**	**519**	**452**	**311**	**529**
Income taxes	(75)	(118)	(97)	(77)	(98)
Profit/loss after tax	**255**	**401**	**356**	**234**	**430**
Profit attributable to non-controlling interests	(35)	(34)	(33)	(28)	(31)
Consolidated profit/loss	**220**	**367**	**322**	**206**	**399**

Development of first quarter 2018 compared to fourth quarter 2017

Operating income

Net interest income increased slightly – by 1 per cent, or € 11 million, to € 829 million – due to a € 6 million rise in the Czech Republic and a € 4 million rise in Romania. The net interest margin fell 6 basis points to 2.49 per cent, due to an increase in average interest-bearing assets.

Compared to the fourth quarter of 2017, net fee and commission income declined 8 per cent, or € 37 million, to € 410 million. This reduction was mainly based on seasonally-related lower revenues and to the currency depreciation in Eastern Europe. The largest decline – 18 per cent, or € 29 million, to € 134 million – was in net income from clearing, settlement and payment services in all countries and at RBI AG.

Net losses from hedge accounting improved from minus € 23 million in the fourth quarter of 2017, to minus € 1 million in the first quarter of 2018. This development was attributable to the discontinuation of a portfolio fair value hedge relationship in Russia with a one-off effect of minus € 20 million in the fourth quarter of 2017.

Other net operating income rose from € 21 million quarter-on-quarter to € 45 million, with a sale of registered bonds at RBI AG and the release of provisions for litigation resulting in an improvement in net income in the first quarter of 2018.

General administrative expenses

Staff expenses fell € 24 million to € 384 million in the first quarter of 2018. This was mainly due to higher bonus provisions at several Group units, as well as adjustments to provisions for employee benefits at RBI AG, in the fourth quarter of 2017.

Other administrative expenses fell 9 per cent, or € 29 million, to € 286 million. The largest declines were posted in legal, advisory and consulting expenses (down € 19 million), advertising expenses (down € 18 million), and office space expenses (down € 12 million primarily in Hungary and Russia). This contrasted with higher expenses for deposit insurance (up € 19 million) and for IT services (up € 10 million).

Other result

The other result improved to € 27 million compared to minus € 31 million in the previous quarter. In the first quarter of 2018, write-ups of shares in companies valued at equity amounted to € 8 million, while impairments of companies valued at equity amounting to € 35 million were posted in the fourth quarter of 2017. Current income from associates amounted to € 19 million, a decline of € 10 million.

Levies and special governmental measures

Levies and special governmental measures increased € 116 million compared to the fourth quarter to € 132 million. Bank levies amounted to € 70 million in the first quarter of 2018 (previous quarter: € 17 million). The largest rise was attributable to the one-off payment of € 41 million made by RBI AG in the first quarter. This is the second of a total of four annual payments, which in accordance with the underlying provisions (IFRIC 21) are to be posted in its entirety in the first quarter. In Hungary, the bank levy for the full year of € 13 million was also posted in the first quarter of 2018. In addition, contributions to the resolution fund amounted to € 62 million and were likewise booked for the whole year in the first quarter.

Impairment losses on financial assets

Impairment losses on financial assets reversed from minus € 121 million in the previous quarter to plus € 83 million in the first quarter of 2018. The largest net releases in the reporting period were posted by RBI AG (€ 25 million), in Russia (€ 17 million) and in Ukraine (€ 14 million). The development in the fourth quarter of 2017 was mainly attributable to impairment provisions in relation to an individual case in the corporate customer business.

Income taxes

Income taxes increased € 22 million to € 98 million due to higher earnings, while the tax rate declined from 25 per cent in the previous quarter to 19 per cent in the first quarter of 2018, mainly due to the improved earnings contribution from RBI AG.

Consolidated profit

Consolidated profit improved € 193 million to € 399 million, primarily as a result of the positive risk cost development.

Statement of financial position

Since the start of the year, RBI's total assets rose nearly 4 per cent, or € 4,887 million, to € 140,033 million. Currency movements – predominantly the depreciation of the US dollar and Russian rouble by 3 per cent and 2 per cent, respectively, countered by the 4 per cent appreciation of the Ukrainian hryvnia – had a negative effect of € 1,783 million.

Assets

in € million	31/3/2018	31/12/2017	Change	
Loans to banks	10,386	10,741	(356)	(3.3)%
Loans to customers	80,226	77,745	2,481	3.2%
Securities	21,695	21,967	(272)	(1.2)%
Cash and other assets	27,727	24,694	3,033	12.3%
Total	**140,033**	**135,146**	**4,887**	**3.6%**

The decline in loans to banks of more than 3 per cent, or € 356 million, to € 10,386 million, came largely from Russia.

Loans to customers were up 3 per cent, or € 2,481 million, to € 80,226 million. The largest increases were recorded at RBI AG (up € 1,606 million or 9 per cent, mainly due to repurchase agreements with insurance companies and securities firms), in Russia despite the depreciation of the Russian rouble (up € 196 million or 3 per cent), in Hungary (up € 184 million or 6 per cent), in the Czech Republic (up € 166 million or 2 per cent) and in Romania (up € 152 million or 3 per cent). The increase in Central, Southeastern and Eastern Europe totaled € 378 million for loans to households and € 344 million for non-financial corporations.

Since the beginning of the year, cash balances increased € 3,519 million to € 20,425 million, primarily at RBI AG as a result of deposits at the Austrian National Bank and repurchase agreements. Other assets fell € 486 million to € 7,302 million, likewise related to RBI AG.

Equity and liabilities

in € million	31/3/2018	31/12/2017	Change	
Deposits from banks	24,177	22,378	1,799	8.0%
Deposits from customers	87,229	84,974	2,255	2.7%
Debt securities issued and other liabilities	16,627	16,553	74	0.4%
Equity	12,000	11,241	759	6.8%
Total	**140,033**	**135,146**	**4,887**	**3.6%**

The volume of Group financing from banks increased 8 per cent, or € 1,799 million, to € 24,177 million, predominantly at RBI AG.

Deposits from customers were up 3 per cent, or € 2,255 million, to € 87,229 million. The largest increases came from RBI AG (up € 2,010 million, or 14 per cent, mainly due to short-term deposits) and Hungary (up € 271 million or 5 per cent).

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

Equity on the statement of financial position

Equity including capital attributable to non-controlling interests increased € 759 million to € 12,000 million, of which € 497 million was attributable to capital transactions, € 405 million to total comprehensive income for the period, and minus € 130 million to the effect of the application of IFRS 9.

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

Total comprehensive income of € 405 million comprises profit after tax of € 430 million and other comprehensive income of minus € 25 million. The effect of currency translation on the Group's results was minus € 37 million, representing the largest driver in other comprehensive income. The strongest currency effect was related to the depreciation of the Russian rouble (minus € 38 million). A further negative contribution of € 7 million came from other changes in equity from financial assets - fair value through other comprehensive income; in contrast, a positive contribution of € 13 million came from companies valued at equity.

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

As at 31 March 2018, RBI's total capital amounted to € 12,674 million, representing a € 218 million decline compared to the 2017 year-end figure. Common equity tier 1 capital after deductions decreased € 330 million in the same period, mainly due to the switch to the new accounting standard IFRS 9 on 1 January 2018 and the effects of the CRR transitional provisions. The interim profit for the first quarter is not included in the calculation. Tier 1 capital after deductions increased € 320 million to € 10,159 million, particularly as a result of the placement of € 500 million of perpetual additional tier 1 capital in January 2018. In contrast, tier 2 capital declined € 539 million to € 2,514 million due to early repayments and maturing of capital instruments.

Risk-weighted assets (total RWA) reached € 73,102 million as at 31 March 2018. The € 1,200 million increase was mainly attributable to new business in Russia, Romania and Slovakia. This resulted in a common equity tier 1 ratio (fully loaded) of 12.2 per cent; including the result from the first quarter of 2018, the ratio would have stood at 12.8 per cent (fully loaded), an increase of 0.1 percentage point compared to year-end 2017.

Risk management

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

Events after the reporting date

RBI agrees to sell Polish subsidiary's core banking operations to BGZ BNP

In April 2018, RBI signed a contract to sell the core banking operations of Raiffeisen Bank Polska S.A. by way of demerger to Bank BGZ BNP Paribas S.A., a subsidiary of BNP Paribas S.A. (BNP).

The sales price is approximately € 775 million, equating to a preliminary price/tangible book value multiple of around 0.95 times. This is based on the tangible book value of the core banking operations of approximately € 815 million as of 31 December 2017 and is subject to closing accounts. A positive impact of approximately 90 basis points on the RBI Group's CET1 ratio (fully loaded) based on 31 December 2017 figures is expected as a result of the sale. The direct impact of the sale on the RBI Group's consolidated profit – at the time of the signing of the contract – was expected to be around minus € 120 million, excluding any potential effects from deconsolidation. Under the terms of the agreement with the buyer, total assets of approximately € 9.5 billion and total risk-weighted assets of approximately € 5.0 billion as of 31 December 2017 have been allocated to the core banking operations.

RBI intends to transfer the remaining Raiffeisen Bank Polska S.A. operations, mainly comprising the foreign currency retail mortgage loan portfolio, to a Polish branch of RBI AG which is to be established. Total assets of approximately € 3.5 billion and total risk-weighted assets of approximately € 5.0 billion as of 31 December 2017 have been allocated to the retained operations.

The transaction is expected to close in the fourth quarter of 2018 subject to regulatory approvals. With this transaction, RBI's commitment to the Polish regulator PFSA to list the shares in Raiffeisen Bank Polska S.A. on the Warsaw Stock Exchange is deemed to be fulfilled. The recognition as a non-current asset being held for sale pursuant to IFRS 5 will follow after all criteria have been met.

Outlook

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

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

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

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

We target a consolidated return on equity of approximately 11 per cent in the medium term.

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

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

The targets in this outlook include the impact from IFRS 9 and FINREP; the sale of the core banking operations in Poland is not reflected.

Segment report

Segmentation principles

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

This results in the following segments:

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

Central Europe

in € million	1/1-31/3 2018	1/1-31/3 2017	Change	Q1/2018	Q4/2017	Change
Net interest income	248	234	5.8%	248	242	2.3%
Dividend income	1	1	(36.4)%	1	0	382.0%
Net fee and commision income	136	135	0.9%	136	146	(6.5)%
Net trading income and fair value result	13	11	17.7%	13	12	8.3%
Net gains/losses from hedge accounting	0	2	–	0	0	–
Other net operating income	(6)	2	–	(6)	(13)	(54.2)%
Operating income	**391**	**385**	**1.7%**	**391**	**387**	**1.0%**
General administrative expenses	(220)	(225)	(2.0)%	(220)	(235)	(6.2)%
Operating result	**171**	**160**	**7.0%**	**171**	**152**	**12.3%**
Other result	1	(3)	–	1	(4)	–
Levies and special governmental measures	(55)	(54)	1.5%	(55)	(13)	324.9%
Impairment losses on financial assets	14	(11)	–	14	(11)	–
Profit/loss before tax	**130**	**91**	**43.4%**	**130**	**124**	**4.8%**
Income taxes	(32)	(12)	160.5%	(32)	(43)	(25.7)%
Profit/loss after tax	**99**	**79**	**25.3%**	**99**	**82**	**20.7%**

Profit after tax in the segment rose € 20 million year-on-year to € 99 million. Most of the rise was attributable to a profit increase of € 17 million in Poland due to € 10 million in net releases of loan loss provisions in the reporting period, compared to € 15 million in impairments in the previous year's period.

Operating income

Net interest income increased 6 per cent year-on-year, or € 14 million, to € 248 million. The increase was largely driven by positive developments in the Czech Republic, where higher interest rates on repurchase agreements added € 13 million to net interest income. In Poland, net interest income increased € 3 million due to lower interest expenses for customer deposits. In both Hungary and Slovakia, in contrast, net interest income fell slightly by € 1 million. The net interest margin was up 7 basis points to 2.20 per cent.

Net fee and commission income rose € 1 million year-on-year to € 136 million. In Slovakia, net fee and commission income increased € 2 million to € 40 million, primarily due to better margins in the custody business. Poland, in contrast, reported a decline of € 1 million to € 32 million, with much of the decrease caused by lower income from investment banking and insurance.

Net trading income and fair value result rose € 2 million year-on-year to € 13 million. In Hungary, there was a € 5 million increase to € 5 million, largely due to positive valuation results for interest-based derivatives. In Slovakia, net trading income and fair value result was up € 2 million, primarily driven by higher income from currency-based derivatives. The Czech Republic, in contrast, reported a decline of € 6 million from currency translation.

Net gains from hedge accounting was down € 2 million, mainly from the reduction in the ineffective portion of cash flow hedges recognized in profit or loss in Hungary.

Other net operating income fell € 7 million to minus € 6 million. There was a € 4 million decline in Hungary due to the deconsolidation of a real estate fund in the third quarter of the previous year. In the Czech Republic, income was down € 3 million as the previous year included the sale of bonds.

General administrative expenses

The segment's general administrative expenses fell 2 per cent year-on-year, or € 5 million, to € 220 million. The reduction included a decline of € 3 million in office space expenses attributable to branch closures in Poland as well as a decrease of € 1 million in IT expenses in Slovakia.

The decline of 544 to 13,368 in the average number of staff was largely attributable to Poland (down 324 due to reorganizations and branch closures), Slovakia (down 161 largely due to the liquidation of ZUNO bank) and the Czech Republic (down 67).

The number of business outlets in the segment dropped 65 to 633, mainly from the closure of 64 branches in Poland. The cost/income ratio improved 2.2 percentage points to 56.3 per cent.

Other result

The other result in the Central Europe segment increased € 4 million year-on-year, primarily because of lower impairments on subsidiaries, mainly in Hungary.

Levies and special governmental measures

Levies and special governmental measures was up € 1 million year-on-year to € 55 million. Bank levies declined € 1 million to € 25 million, with much of the decline occurring in Poland. In Hungary, bank levies for the entire year amounting to € 13 million – the same as in the previous year's period – were booked in the first quarter of 2018 in accordance with the underlying provisions of IFRIC 21. Contributions to the resolution fund were also recognized in full at the start of the year pursuant to IFRIC 21 and increased € 2 million year-on-year to € 30 million, with the Czech Republic reporting the largest increase and Slovakia reporting a decline.

Impairment losses on financial assets

A net release of loan loss provisions of € 14 million was recognized in the reporting period, as opposed to impairment losses of € 11 million in the same period of the previous year. Poland reported the largest decrease at € 24 million. This included a net release of € 10 million in the reporting period, which was largely attributable to a migration of loans according to IFRS 9 from Stage 2 to Stage 1. In Slovakia, impairment losses were minimal in the reporting period, while they amounted to € 5 million in the previous year's period due to defaults among corporate customers. In Hungary, in contrast, net releases of loan loss provisions were down € 4 million year-on-year.

Non-performing loans to non-banks accounted for 4.8 per cent of the Central Europe segment's loan portfolio at the end of the first quarter of 2018 (down 1.4 percentage points year-on-year) while the NPL coverage ratio improved 3.2 percentage points to 68.9 per cent, primarily because of the adoption of IFRS 9.

Income taxes

The segment's income taxes increased € 19 million year-on-year to € 32 million. The tax rate was 24 per cent (up 11 percentage points year-on-year). Much of the tax increase was attributable to Poland (up € 18 million) in connection with higher net income; also, the previous year's period included tax income as some amortization charges for intangible fixed assets were only recognized locally.

Detailed results of individual countries in the segment:

in € million	Czech Republic 1/1-31/3 2018	Czech Republic 1/1-31/3 2017	Hungary 1/1-31/3 2018	Hungary 1/1-31/3 2017
Net interest income	82	68	34	35
Dividend income	0	0	1	1
Net fee and commision income	33	33	31	31
Net trading income and fair value result	0	6	5	1
Net gains/losses from hedge accounting	0	0	(1)	2
Other net operating income	3	7	(12)	(8)
Operating income	**119**	**114**	**58**	**62**
General administrative expenses	(64)	(62)	(36)	(36)
Operating result	**55**	**52**	**22**	**26**
Other result	0	0	0	(4)
Levies and special governmental measures	(11)	(8)	(15)	(15)
Impairment losses on financial assets	(5)	(6)	10	14
Profit/loss before tax	**39**	**38**	**16**	**21**
Income taxes	(7)	(8)	(2)	(2)
Profit/loss after tax	**32**	**30**	**14**	**18**
Return on equity before tax	12.4%	13.7%	9.9%	13.8%
Return on equity after tax	10.2%	10.9%	8.5%	12.3%
Net interest margin (average interest-bearing assets)	2.06%	1.78%	1.96%	2.17%
Cost/income ratio	54.1%	54.3%	62.4%	57.6%
Loan/deposit ratio	86.7%	87.0%	65.9%	68.4%
Provisioning ratio (average loans and advances to customers)	0.19%	0.25%	(1.31)%	(2.12)%
NPL ratio	2.3%	3.9%	8.0%	13.9%
NPL coverage ratio	99.4%	74.5%	72.4%	73.4%
Assets	16,343	15,728	7,258	6,795
Liabilities	15,069	14,566	6,583	6,165
Risk-weighted assets (total RWA)	6,645	6,017	3,478	3,625
Equity	1,274	1,162	676	630
Loans to customers	10,305	9,343	3,148	2,719
Deposits from customers	12,184	11,237	5,320	4,603
Business outlets	133	132	71	72
Employees as at reporting date (full-time equivalents)	3,366	3,362	2,012	2,006
Customers in million	1.1	1.2	0.5	0.5

in € million	Poland 1/1-31/3 2018	Poland 1/1-31/3 2017	Slovakia 1/1-31/3 2018	Slovakia 1/1-31/3 2017
Net interest income	64	61	68	69
Dividend income	0	0	0	0
Net fee and commision income	32	33	40	39
Net trading income and fair value result	5	4	2	1
Net gains/losses from hedge accounting	0	0	0	0
Other net operating income	1	(2)	0	4
Operating income	**102**	**96**	**111**	**112**
General administrative expenses	(59)	(63)	(61)	(64)
Operating result	**44**	**33**	**50**	**48**
Other result	(1)	0	1	2
Levies and special governmental measures	(19)	(20)	(11)	(11)
Impairment losses on financial assets	10	(15)	0	(5)
Profit/loss before tax	**34**	**(2)**	**41**	**33**
Income taxes	(13)	5	(10)	(7)
Profit/loss after tax	**21**	**4**	**31**	**26**
Return on equity before tax	9.2%	–	15.0%	11.3%
Return on equity after tax	5.7%	1.0%	11.5%	8.8%
Net interest margin (average interest-bearing assets)	2.33%	2.11%	2.25%	2.45%
Cost/income ratio	57.4%	65.7%	54.8%	57.1%
Loan/deposit ratio	104.2%	105.2%	99.3%	100.9%
Provisioning ratio (average loans and advances to customers)	(0.49)%	0.75%	0.01%	0.23%
NPL ratio	8.7%	8.6%	2.9%	3.4%
NPL coverage ratio	57.2%	56.9%	74.2%	70.8%
Assets	11,191	11,959	12,546	11,597
Liabilities	9,729	10,474	11,443	10,502
Risk-weighted assets (total RWA)	9,362	6,421	5,789	5,100
Equity	1,462	1,485	1,103	1,095
Loans to customers	7,634	7,925	9,467	8,687
Deposits from customers	7,838	8,146	10,095	9,137
Business outlets	235	299	193	194
Employees as at reporting date (full-time equivalents)	3,864	4,157	3,883	4,049
Customers in million	0.8	0.8	0.9	0.9

Southeastern Europe

in € million	1/1-31/3 2018	1/1-31/3 2017	Change	Q1/2018	Q4/2017	Change
Net interest income	190	181	5.2%	190	186	2.6%
Dividend income	2	0	>500.0%	2	0	–
Net fee and commision income	94	92	2.2%	94	104	(9.5)%
Net trading income and fair value result	8	10	(16.9)%	8	0	>500.0%
Net gains/losses from hedge accounting	0	0	–	0	0	–
Other net operating income	13	10	32.3%	13	6	117.5%
Operating income	**308**	**293**	**5.0%**	**308**	**295**	**4.2%**
General administrative expenses	(169)	(165)	2.9%	(169)	(183)	(7.3)%
Operating result	**138**	**128**	**7.7%**	**138**	**112**	**23.0%**
Other result	0	0	(33.2)%	0	(1)	–
Levies and special governmental measures	(10)	7	–	(10)	0	–
Impairment losses on financial assets	14	(35)	–	14	(18)	–
Profit/loss before tax	**142**	**100**	**41.6%**	**142**	**93**	**52.5%**
Income taxes	(20)	(12)	65.1%	(20)	(12)	73.0%
Profit/loss after tax	**122**	**88**	**38.3%**	**122**	**82**	**49.6%**

The rise of 38 per cent, or € 34 million year-on-year, in profit after tax was driven by positive developments in the risk situation in most of the segment's markets and an 8 per cent increase in the operating result.

Operating income

Net interest income rose 5 per cent year-on-year, or € 9 million, to € 190 million. The strongest growth was seen in Romania, where higher interest rates and volumes resulted in an increase of € 12 million in net interest income. The largest decline of € 2 million was in Croatia, which reflected lower interest income due to volumes. Changes in net interest income were minimal in all other countries in the segment. The net interest margin improved 1 basis point to 3.45 per cent.

Dividend income was up € 2 million due to a dividend received in Albania.

Net fee and commission income increased 2 per cent, or € 2 million, to € 94 million. Romania reported the largest rise of € 3 million as a result of higher volumes in clearing, settlement and payment services and fee and commission income from new issuance business. In contrast, in Croatia net fee and commission income decreased € 1 million, mainly due to lower fee and commission income following a bond issue in the previous year.

Net trading income and fair value result in the Southeastern Europe segment decreased 17 per cent, or € 2 million, to € 8 million. In particular Albania, Romania and Bosnia and Herzegovina reported declines from currency translation, which were offset to some extent by growth in Serbia.

The segment's other net operating income improved € 3 million to € 13 million. This was mainly due to an increase of € 2 million in Romania, where a litigation-related expense of € 2 million was recognized in the same period of the previous year. In addition, net income increased € 3 million in Croatia due to derecognition of non-financial assets held for sale, offset by lower net rental income from investment property including operating leasing (down € 2 million).

General administrative expenses

General administrative expenses increased 3 per cent year-on-year, or € 5 million, to € 169 million. Staff expenses remained constant at € 74 million, while the average number of employees declined 100 to 14,827, mostly in Albania (down 62) and

Romania (down 43). The segment's other administrative expenses were up 7 per cent , or € 5 million, to € 76 million, resulting mainly from an increase in deposit insurance fees, legal, advisory and consulting expenses, and office space expenses in Romania.

The number of business outlets fell 17 year-on-year to 991, primarily as a result of branch closures in Romania. The cost/income ratio improved from 56.2 to 55.1 per cent.

Levies and special governmental measures

Levies and special governmental measures were up € 17 million year-on-year to € 10 million. In 2018, no expenses for special governmental measures were reported, while in the previous year provisions of € 22 million in connection with the Walkaway Law in Romania were released. The contributions to the resolution fund, which are to be recognized in full at the start of the year under IFRIC 21, fell € 4 million to € 10 million – mainly as a result of a lower contribution in Romania.

Impairment losses on financial assets

In the reporting period, a net release of € 14 million of loan loss provisions was reported in the Southeastern Europe segment, after impairments of € 35 million had been recognized in the comparable period of the previous year.

The main reason for the decrease was the improvement in the risk situation in Romania, where the net release of loan loss provisions amounted to € 2 million. In the same period of the previous year, net allocations of € 33 million were necessary, largely as a result of the voluntary conversion of Swiss franc loans. Croatia also reported a net release of € 2 million after an impairment charge of € 7 million in the same period of the previous year due to defaults in the corporate customer business. In Albania, the net release totaled € 7 million as a result of the restructuring of a corporate customer and lower credit exposure following repayments in the corporate customer business. Bulgaria reported a small net release in the reporting period after a step-up in collection activity and the termination of a large customer's non-performing loan resulted in a net release of € 7 million in the same period of the previous year.

The proportion of non-bank non-performing loans in the segment's loan portfolio amounted to 6.8 per cent at the end of the first quarter (down 3.7 percentage points year-on-year), while the NPL coverage ratio stood at 86.5 per cent (up 7.4 percentage points year-on-year due to the adoption of IFRS 9).

Income taxes

Income taxes were up € 8 million year-on-year to € 20 million, mainly reflecting an improvement in net income in Romania, Croatia and Serbia. The tax rate rose 2 percentage points to 14 per cent, primarily due to reduced tax in the same period of the previous year in Albania resulting from utilization of non-capitalized loss carry forwards.

Detailed results of individual countries:

in € million	Albania 1/1-31/3 2018	Albania 1/1-31/3 2017	Bosnia and Herzegovina 1/1-31/3 2018	Bosnia and Herzegovina 1/1-31/3 2017	Bulgaria 1/1-31/3 2018	Bulgaria 1/1-31/3 2017
Net interest income	13	14	16	17	25	26
Dividend income	1	0	1	0	0	0
Net fee and commision income	4	4	10	9	11	10
Net trading income and fair value result	(1)	3	(1)	0	0	1
Net gains/losses from hedge accounting	0	0	0	0	0	0
Other net operating income	0	1	1	0	1	1
Operating income	**17**	**21**	**27**	**25**	**38**	**38**
General administrative expenses	(11)	(10)	(12)	(12)	(24)	(23)
Operating result	**7**	**11**	**15**	**13**	**13**	**15**
Other result	0	0	0	0	0	0
Levies and special governmental measures	0	0	0	0	(4)	(3)
Impairment losses on financial assets	7	(1)	0	(2)	0	7
Profit/loss before tax	**14**	**10**	**15**	**12**	**9**	**18**
Income taxes	(2)	0	(1)	(1)	(1)	(2)
Profit/loss after tax	**12**	**10**	**13**	**10**	**9**	**17**
Return on equity before tax	25.8%	21.1%	21.0%	17.6%	8.0%	15.2%
Return on equity after tax	22.8%	20.9%	19.2%	15.6%	7.3%	13.7%
Net interest margin (average interest-bearing assets)	3.00%	3.02%	3.38%	3.63%	2.80%	3.14%
Cost/income ratio	60.9%	48.3%	45.6%	47.5%	64.9%	61.4%
Loan/deposit ratio	47.3%	41.6%	75.1%	72.1%	85.7%	85.0%
Provisioning ratio (average loans and advances to customers)	(4.36)%	0.54%	(0.04)%	0.61%	(0.03)%	(1.36)%
NPL ratio	15.7%	22.7%	6.8%	8.7%	4.0%	5.6%
NPL coverage ratio	80.2%	79.3%	94.5%	76.7%	96.9%	96.7%
Assets	1,851	1,952	2,227	2,091	3,764	3,440
Liabilities	1,625	1,752	1,933	1,816	3,287	2,955
Risk-weighted assets (total RWA)	1,417	1,527	1,733	1,572	1,936	1,765
Equity	226	200	294	275	477	485
Loans to customers	699	657	1,209	1,128	2,343	2,080
Deposits from customers	1,507	1,608	1,782	1,663	2,768	2,458
Business outlets	78	81	101	98	146	136
Employees as at reporting date (full-time equivalents)	1,232	1,252	1,292	1,271	2,601	2,584
Customers in million	0.5	0.5	0.4	0.4	0.6	0.6

in € million	Croatia 1/1-31/3 2018	Croatia 1/1-31/3 2017	Romania 1/1-31/3 2018	Romania 1/1-31/3 2017	Serbia 1/1-31/3 2018	Serbia 1/1-31/3 2017
Net interest income	30	33	75	63	21	20
Dividend income	0	0	0	0	0	0
Net fee and commision income	15	16	44	41	8	9
Net trading income and fair value result	2	2	3	4	5	1
Net gains/losses from hedge accounting	0	0	0	0	0	0
Other net operating income	7	7	2	0	2	1
Operating income	**54**	**58**	**123**	**107**	**36**	**31**
General administrative expenses	(30)	(32)	(68)	(63)	(18)	(18)
Operating result	**24**	**26**	**55**	**44**	**18**	**14**
Other result	0	0	0	0	0	0
Levies and special governmental measures	(3)	(3)	(3)	13	0	0
Impairment losses on financial assets	2	(7)	2	(33)	4	0
Profit/loss before tax	**23**	**16**	**54**	**24**	**22**	**14**
Income taxes	(5)	(3)	(8)	(4)	(3)	(2)
Profit/loss after tax	**18**	**13**	**46**	**21**	**19**	**12**
Return on equity before tax	14.5%	9.6%	27.3%	13.0%	17.3%	12.0%
Return on equity after tax	11.2%	7.8%	23.4%	11.0%	15.0%	10.6%
Net interest margin (average interest-bearing assets)	2.90%	3.08%	3.87%	3.52%	4.08%	4.30%
Cost/income ratio	55.8%	55.0%	55.0%	59.1%	49.7%	56.2%
Loan/deposit ratio	73.2%	76.7%	74.4%	75.9%	74.2%	74.3%
Provisioning ratio (average loans and advances to customers)	(0.32)%	1.10%	(0.13)%	2.94%	(1.20)%	(0.17)%
NPL ratio	11.6%	16.8%	5.3%	8.1%	4.0%	10.1%
NPL coverage ratio	88.6%	79.3%	81.6%	74.9%	85.2%	80.0%
Assets	4,453	4,637	8,391	7,670	2,320	2,137
Liabilities	3,802	3,944	7,558	6,899	1,798	1,655
Risk-weighted assets (total RWA)	2,799	2,797	4,687	4,311	1,772	1,681
Equity	651	693	833	771	522	482
Loans to customers	2,422	2,483	4,956	4,455	1,244	1,097
Deposits from customers	3,325	3,306	6,637	5,838	1,750	1,602
Business outlets	81	78	448	480	89	87
Employees as at reporting date (full-time equivalents)	2,091	2,119	5,332	5,368	1,526	1,528
Customers in million	0.5	0.5	2.3	2.3	0.8	0.7

Eastern Europe

in € million	1/1-31/3 2018	1/1-31/3 2017	Change	Q1/2018	Q4/2017	Change
Net interest income	247	244	1.2%	247	251	(1.5)%
Dividend income	0	0	–	0	0	–
Net fee and commision income	105	110	(4.6)%	105	119	(12.2)%
Net trading income and fair value result	6	19	(66.5)%	6	11	(41.0)%
Net gains/losses from hedge accounting	0	(3)	–	0	(20)	–
Other net operating income	8	(1)	–	8	(8)	–
Operating income	**366**	**369**	**(0.7)%**	**366**	**353**	**3.8%**
General administrative expenses	(149)	(152)	(2.0)%	(149)	(157)	(5.0)%
Operating result	**217**	**217**	**0.2%**	**217**	**196**	**10.7%**
Other result	0	0	–	0	(1)	(72.7)%
Levies and special governmental measures	0	0	–	0	0	–
Impairment losses on financial assets	32	18	74.6%	32	(13)	–
Profit/loss before tax	**248**	**235**	**5.6%**	**248**	**181**	**37.0%**
Income taxes	(51)	(48)	7.1%	(51)	(37)	38.8%
Profit/loss after tax	**197**	**187**	**5.3%**	**197**	**144**	**36.5%**

As in the previous year, the Eastern Europe segment was again affected by high currency volatility in the reporting period. The average exchange rate of the Belarusian rouble was down 16 per cent year-on-year, while the average rates of the Ukrainian hryvnia and the Russian rouble declined 14 per cent and 10 per cent respectively. The reporting date exchange rates of the Russian rouble and Belarusian rouble were both down 2 per cent from the start of 2018. In contrast, the Ukrainian hryvnia appreciated 4 per cent.

The segment's profit after tax improved € 10 million year-on-year, or 5 per cent, to € 197 million, and was largely attributable to higher releases of loan loss provisions.

Operating income

Net interest income in Eastern Europe increased 1 per cent year-on-year, or € 3 million, to € 247 million. Russia reported the highest growth with a rise of € 8 million, due to lower interest expenses for customer deposits. In Ukraine, net interest income was also up € 4 million, largely as a result of higher interest rates and corporate loan volumes. In contrast, net interest income in Belarus fell € 9 million year-on year due to lower market interest rates. The segment's net interest margin improved 29 basis points year-on-year to 6.60 per cent, and was attributable to the positive developments in Ukraine and Russia.

Net fee and commission income was down 5 per cent, or € 5 million, to € 105 million. In Russia, net fee and commission income fell € 3 million to € 73 million, largely as a result of higher fee and commission expenses in clearing, settlement and payment services. Belarus also reported a currency-related decrease of € 2 million to € 11 million.

Net trading income and fair value result declined from € 19 million in the same period of the previous year to € 6 million. Russia posted a decline of € 14 million, which mainly reflected a lower valuation result from currency-based derivatives. In Belarus, the business generated a € 2 million improvement due to higher income from currency-based derivatives.

The net gains from hedge accounting improved € 3 million solely in Russia, where in the previous year a net loss from changes in market value from hedging positions was reported, which was attributable to the hedged risk. In contrast, no results from portfolio fair value hedge accounting were recognized in Russia in the reporting period due to derecognition of the underlying transactions which had occurred in the meantime.

Other net operating income increased € 9 million to € 8 million, as a result of the release of provisions for litigation in Russia.

General administrative expenses

General administrative expenses declined 2 per cent year-on-year, or € 3 million, to € 149 million. The decrease was largely attributable to currency depreciation. The average headcount rose – mainly in Russia – by 1 per cent from 17,866 to 18,069, while staff expenses remained constant for currency reasons. Other administrative expenses in the segment increased 5 per cent, or € 2 million, to € 52 million. In Russia, they were up 14 per cent as a result of a € 2 million increase in contributions for deposit insurance fees, and higher advertising expenses (also up € 2 million). In contrast, they fell 13 per cent in Ukraine mainly due to a reduction in office space expenses. Depreciation declined 25 per cent, or € 6 million, to € 16 million primarily as a result of an adjustment to the useful life of licenses in Russia.

The cost/income ratio improved from 41.2 to 40.7 per cent.

Impairment losses on financial assets

In the reporting period, a net release of loan loss provisions of € 32 million was reported compared to € 18 million in the same period of the previous year. There was a net release of € 17 million in Russia, after impairments of € 4 million in the comparable prior year period. Sales of non-performing corporate loans also played a significant role in the positive trend. The decrease in the net release of provisions in Ukraine from € 22 million in the same period of the previous year to € 14 million in the reporting period reflected lower sales of non-performing loans.

The proportion of non-bank non-performing loans in the segment's loan portfolio amounted to 6.6 per cent at the end of the first quarter of 2018 (down 5.8 percentage points year-on-year). The NPL coverage ratio was 80.1 per cent (down 5.2 percentage points year-on-year due to loan sales).

Income taxes

The segment's tax expense increased € 3 million to € 51 million, largely for earnings-related reasons. The tax rate rose 1 percentage point to 21 per cent. The driver was Belarus due to higher deferred tax assets in connection with loan loss provisions in the corresponding period of the previous year.

Detailed results of individual countries:

in € million	Belarus		Russia		Ukraine	
	1/1-31/3 2018	1/1-31/3 2017	1/1-31/3 2018	1/1-31/3 2017	1/1-31/3 2018	1/1-31/3 2017
Net interest income	22	31	176	168	49	46
Dividend income	0	0	0	0	0	0
Net fee and commision income	11	13	73	75	20	21
Net trading income and fair value result	1	(1)	2	16	3	4
Net gains/losses from hedge accounting	0	0	0	(3)	0	0
Other net operating income	0	0	8	(2)	1	1
Operating income	**34**	**43**	**258**	**255**	**74**	**71**
General administrative expenses	(17)	(20)	(102)	(100)	(30)	(32)
Operating result	**17**	**23**	**156**	**154**	**44**	**39**
Other result	0	0	0	0	(1)	0
Levies and special governmental measures	0	0	0	0	0	0
Impairment losses on financial assets	1	0	17	(4)	14	22
Profit/loss before tax	**18**	**24**	**174**	**151**	**57**	**61**
Income taxes	(4)	(5)	(37)	(32)	(10)	(11)
Profit/loss after tax	**13**	**19**	**136**	**118**	**47**	**50**
Return on equity before tax	22.7%	25.7%	41.7%	32.0%	74.3%	81.2%
Return on equity after tax	17.2%	20.3%	32.8%	25.2%	61.7%	66.8%
Net interest margin (average interest-bearing assets)	6.45%	9.29%	5.95%	5.43%	11.00%	10.10%
Cost/income ratio	50.5%	45.5%	39.5%	39.4%	40.4%	45.0%
Loan/deposit ratio	87.9%	103.2%	88.5%	93.0%	76.1%	62.4%
Provisioning ratio (average loans and advances to customers)	(0.64)%	(0.04)%	(0.84)%	0.18%	(5.14)%	(8.55)%
NPL ratio	5.9%	8.8%	4.0%	5.6%	22.1%	47.4%
NPL coverage ratio	88.7%	72.0%	75.9%	76.1%	82.9%	92.0%
Assets	1,532	1,533	12,577	13,073	2,083	2,074
Liabilities	1,208	1,158	10,815	11,004	1,722	1,745
Risk-weighted assets (total RWA)	1,373	1,479	8,524	9,338	2,056	1,893
Equity	324	375	1,762	2,069	360	329
Loans to customers	894	935	8,146	8,316	1,198	1,013
Deposits from customers	1,034	922	9,361	9,115	1,563	1,644
Business outlets	89	90	185	182	501	498
Employees as at reporting date (full-time equivalents)	1,877	2,000	8,470	7,895	7,947	8,039
Customers in million	0.8	0.8	2.5	2.4	2.5	2.6

Group Corporates & Markets

in € million	1/1-31/3 2018	1/1-31/3 2017	Change	Q1/2018	Q4/2017	Change
Net interest income	118	138	(14.6)%	118	133	(11.7)%
Dividend income	3	1	158.0%	3	4	(30.4)%
Net fee and commision income	79	76	3.5%	79	73	8.0%
Net trading income and fair value result	33	35	(6.6)%	33	37	(12.2)%
Net gains/losses from hedge accounting	0	4	(99.7)%	0	0	(88.5)%
Other net operating income	62	25	153.0%	62	36	74.7%
Operating income	**294**	**278**	**5.6%**	**294**	**283**	**3.9%**
General administrative expenses	(160)	(154)	3.5%	(160)	(174)	(8.2)%
Operating result	**134**	**124**	**8.3%**	**134**	**109**	**23.3%**
Other result	0	1	–	0	(29)	(99.1)%
Levies and special governmental measures	(7)	(7)	(0.8)%	(7)	(4)	78.8%
Impairment losses on financial assets	27	(55)	–	27	(83)	–
Profit/loss before tax	**154**	**64**	**142.2%**	**154**	**(7)**	**–**
Income taxes	(33)	(15)	121.0%	(33)	0	–
Profit/loss after tax	**121**	**49**	**148.6%**	**121**	**(6)**	**–**

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

The strong increase in net income in the Group Corporates & Markets segment was mainly due to the positive development of risk costs. Net releases of loan loss provisions of € 27 million were booked in the reporting period after impairment losses of € 55 million were booked in the comparable period of the previous year due to defaults on the part of large corporate customers.

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

in € million	1/1-31/3 2018	1/1-31/3 2017	Change	Q1/2018	Q4/2017	Change
Corporates Vienna	38	(4)	–	38	(6)	–
Markets Vienna	62	22	174.1%	62	13	361.4%
Specialized financial institution subsidiaries and other	22	30	(27.2)%	22	(13)	–
Group Corporates & Markets	**121**	**49**	**148.6%**	**121**	**(6)**	**–**

Operating income

Net interest income declined 15 per cent, or € 20 million, to € 118 million. The largest decline came from RBI AG in connection with the sale of registered bonds and due to lower income as a result of early loan repayments. The building society business also reported a reduction. The segment's net interest margin continues to suffer from the weak interest rate environment. A lower volume of new building society contracts was also responsible for the 23 basis point reduction to 1.05 per cent in the reporting period.

Dividend income increased € 2 million to € 3 million due to the dividend payment of an unconsolidated leasing company.

Net fee and commission income increased 3 per cent, or € 3 million, to € 79 million. Higher fee and commission income was primarily reported in clearing, settlement and payment services and in investment banking (share and bond issues) while lower income was reported in the securities business.

Net trading income and fair value result declined € 2 million year-on-year to € 33 million. The main declines occurred in the Capital Markets segment's market making business.

Other net operating income improved € 38 million to € 62 million. RBI AG reported income of € 25 million from the release of a provision in connection with the termination of a long-standing legal dispute with an Icelandic bank. Another € 10 million came from a sale of registered bonds.

General administrative expenses

The segment's general administrative expenses increased 3 per cent or € 5 million to € 160 million. This increase was mainly the result of deposit insurance fees booked in the building society business. The segment's cost/income ratio increased 1.1 percentage points to 54.3 per cent.

Impairment losses on financial assets

Net releases amounted to € 27 million in the reporting period. Besides restructuring loans and sale of non-performing loans RBI AG also reversed an impairment loss to an Icelandic bank. This contrasted with impairments of € 55 million in the same period in the previous year due to the default of several large corporate customers. The share of non-bank non-performing loans in the segment's loan portfolio was 4.5 per cent at the end of the first quarter of 2018, the NPL coverage ratio was 49.3 per cent.

Income taxes

The tax expense increased € 18 million to € 33 million, mainly reflecting higher net income.

Corporate Center

in € million	1/1-31/3 2018	1/1-31/3 2017	Change	Q1/2018	Q4/2017	Change
Net interest income	15	(13)	–	15	63	(76.8)%
Dividend income	10	59	(82.9)%	10	165	(93.9)%
Net fee and commision income	(2)	(3)	(5.3)%	(2)	(1)	106.7%
Net trading income and fair value result	(51)	(61)	(16.8)%	(51)	(22)	133.3%
Net gains/losses from hedge accounting	0	1	(98.0)%	0	(1)	–
Other net operating income	(4)	33	–	(4)	4	–
Operating income	**(33)**	**15**	**–**	**(33)**	**207**	**–**
General administrative expenses	(69)	(77)	(11.3)%	(69)	(87)	(21.1)%
Operating result	**(102)**	**(62)**	**63.9%**	**(102)**	**120**	**–**
Other result	27	24	9.0%	27	(56)	–
Levies and special governmental measures	(60)	(65)	(7.4)%	(60)	0	>500.0%
Impairment losses on financial assets	(1)	1	–	(1)	0	338.7%
Profit/loss before tax	**(137)**	**(102)**	**34.5%**	**(137)**	**64**	**–**
Income taxes	38	12	201.7%	38	14	162.2%
Profit/loss after tax	**(99)**	**(89)**	**11.2%**	**(99)**	**78**	**–**

This segment essentially comprises net income from Group head office governance functions and other Group units. Therefore, its results are generally more volatile.

Operating income

Net interest income in the segment increased € 28 million year-on-year to € 15 million. This positive performance was mainly due to lower refinancing costs.

Dividend income decreased € 49 million to € 10 million. The dividends came mainly from Group units belonging to other segments and are therefore ultimately of an intra-Group nature. The dividend distribution date is determined by the corresponding resolutions adopted at the relevant Annual General Meetings.

Net trading income and fair value result improved € 10 million year-on-year to minus € 51 million. This was mainly due to valuation gains on liquidity investments at RBI AG.

Other net operating income declined € 37 million to minus € 4 million, primarily as a result of provisions in connection with litigation involving RBI AG and lower income from intra-Group service charges.

General administrative expenses

The segment's general administrative expenses declined 11 per cent, or € 9 million, to € 69 million, due to a lower cost allocation to this segment.

Other result

The € 2 million improvement in other result to € 27 million was mainly attributable to the deconsolidation of two Hungarian subsidiaries in the reporting period.

Levies and special governmental measures

The levies and special governmental measures reported in the segment declined € 5 million to € 60 million. At € 42 million the expenses for bank levies remained unchanged compared to the same period in the previous year. The RBI AG contributions to the resolution fund allocated to this segment declined € 5 million to € 18 million. In accordance with the underlying provisions of IFRIC 21 the expenses for bank levies for the entire year were booked in the first quarter. The one-off payment (€ 163 million) that is stipulated in the amended law is spread over a four-year period - of which € 41 million was booked in the reporting period - and is allocated to the Corporate Center segment.

Income taxes

Tax income of € 38 million was posted in the reporting period, compared to € 12 million in the same period in the previous year.

Interim consolidated financial statements

(Interim report as at 31 March 2018)

Company

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

RBI's home market consists of Austria, where it does business as a leading commercial and investment bank, as well as Central and Eastern Europe (CEE). Subsidiary banks cover 14 markets in the region. The Group also contains many other financial service companies specializing in sectors such as leasing, asset management and M&A. All told, RBI's more than 50,000 employees serve 16.6 million clients at more than 2,400 business outlets located mostly in CEE.

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

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

The interim report as at 31 March 2018 did not undergo either a complete audit or a review by the certified auditor.

Material changes

The provisions of the new accounting standard for financial instruments (IFRS 9) took effect on 1 January 2018. In addition to the introduction of IFRS 9, RBI has also made changes to the presentation of the statement of financial position. It is now more closely based on the requirements for the reporting of financial information (FinRep) issued by the European Banking Authority (EBA). The change also made it necessary to adapt the comparable period and the comparable reporting date.

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

Statement of comprehensive income

Income statement

in € million	Notes	1/1-31/3/2018	1/1-31/3/2017
Net interest income	[1]	829	797
Dividend income	[2]	9	5
Net fee and commision income	[3]	410	409
Net trading income and fair value result	[4]	(1)	2
Net gains/losses from hedge accounting	[5]	(1)	2
Other net operating income	[6]	45	38
Operating income		**1,291**	**1,253**
Staff expenses		(384)	(388)
Other administrative expenses		(286)	(280)
Depreciation		(70)	(76)
General administrative expenses	**[7]**	**(740)**	**(745)**
Operating result		**551**	**508**
Other result	[8]	27	24
Levies and special governmental measures	[9]	(132)	(120)
Impairment losses on financial assets	[10]	83	(82)
Profit/loss before tax		**529**	**330**
Income taxes	[11]	(98)	(75)
Profit/loss after tax		**430**	**255**
Profit attributable to non-controlling interests		(31)	(35)
Consolidated profit/loss		**399**	**220**

Earnings per share

in € million	1/1-31/3/2018	1/1-31/3/2017
Consolidated profit/loss	399	220
Dividend claim on additional tier 1	(14)	0
Profit/loss attributable to ordinary shares	**386**	**220**
Average number of ordinary shares outstanding in million	329	328
Earnings per share in €	**1.17**	**0.67**

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

Other comprehensive income and total comprehensive income

in € million	1/1-31/3/2018	1/1-31/3/2017
Profit/loss after tax	**430**	**255**
Items which are not reclassified to profit and loss	**(4)**	**(81)**
Remeasurements of defined benefit plans	(2)	3
Fair value changes of equity instruments - fair value through other comprehensive income	(1)	0
Fair value changes due to changes in credit risk of financial liabilities - designated fair value through profit/loss	(1)	(81)
Share of other comprehensive income from companies valued at equity	0	(2)
Other items	0	0
Deferred taxes on items which are not reclassified to profit and loss	0	(1)
Items that may be reclassified subsequently to profit or loss	**(22)**	**168**
Hedge of net investments in foreign operations	8	(33)
Exchange differences	(37)	205
Adaptions to the cash flow hedge reserve	2	2
Fair value changes of financial assets - fair value through other comprehensive income	(7)	0
Share of other comprehensive income from companies valued at equity	13	(8)
Other items	1	0
Net gains/losses on financial assets - available for sale	0	4
Deferred taxes on items which may be reclassified to profit and loss	(2)	(1)
Other comprehensive income	**(25)**	**87**
Total comprehensive income	**405**	**342**
Profit attributable to non-controlling interests	(35)	(35)
Profit/loss attributable to owners of the parent	**370**	**308**

In the previous year, RBI elected to adopt on an early basis the requirements of IFRS 9.7.1.2 regarding the presentation of gains and losses on financial liabilities designated at fair value through profit or loss. IFRS 9 requires changes in the fair value of these designated liabilities caused by a change in the default risk of RBI to be booked in other comprehensive income. Under IAS 39, these changes were reported in the income statement. Minus € 81 million were recognized directly in other comprehensive income in the first quarter of 2017; the effect amounted to minus € 1 million in the reporting period. With the adoption of IFRS 9, liabilities designated at fair value were reclassified as financial liabilities - amortized cost with a carrying amount of € 448 million. This resulted in a significant decline in fair value changes caused by changes in credit risk on financial liabilities.

Currency developments resulted in a negative effect of € 37 million since the start of the year. The Russian rouble depreciated 2 per cent, resulting in a negative effect of € 38 million, while the Polish zloty depreciated 1 per cent, resulting in a negative effect of € 13 million. These declines were partially offset by the Ukrainian hryvnia, which appreciated 4 per cent and produced a positive effect of € 14 million.

Statement of financial position

Assets in € million	Notes	31/3/2018	31/12/2017
Cash, cash balances at central banks and other demand deposits	[12]	20,425	16,905
Financial assets - amortized cost	[13]	98,442	96,307
Financial assets - fair value through other comprehensive income	[14]	6,443	6,589
Non-trading financial assets - mandatorily fair value through profit/loss	[15]	496	-
Financial assets - designated fair value through profit/loss	[16]	4,287	5,370
Financial assets - held for trading	[17]	4,925	4,622
Hedge accounting	[18]	610	597
Investments in subsidiaries, joint ventures and associates	[19]	989	923
Tangible fixed assets	[20]	1,455	1,540
Intangible fixed assets	[21]	729	721
Current tax assets	[22]	181	189
Deferred tax assets	[22]	139	114
Other assets	[23]	913	1,268
Total		**140,033**	**135,146**

Equity and liabilities in € million	Notes	31/3/2018	31/12/2017
Financial liabilities - amortized cost	[24]	119,244	114,794
Financial liabilities - designated fair value through profit/loss	[25]	1,991	2,509
Financial liabilities - held for trading	[26]	4,518	4,414
Hedge accounting	[27]	229	265
Provisions for liabilities and charges	[28]	918	872
Current tax liabilities	[29]	78	75
Deferred tax liabilities	[29]	70	63
Other liabilities	[30]	984	913
Equity	[31]	12,000	11,241
Consolidated equity		10,196	9,937
Non-controlling interests		677	660
Additional tier 1		1,127	645
Total		**140,033**	**135,146**

The growth in cash, cash balances at central banks and other demand deposits was primarily attributable to an increase in deposits at the Austrian National Bank and a rise in repurchase transactions with credit institutions at RBI AG. The gain in financial assets - amortized cost was largely driven by RBI AG's repurchase transactions with other financial companies and by organic growth in Slovakia, Romania and the Czech Republic.

The increase in financial liabilities - amortized cost came primarily from RBI AG's ongoing business activities and mainly related to deposits from banks and deposits from customers.

Statement of changes in equity

in € million	Subscribed capital	Capital reserves	Retained earnings	Consolidated equity	Non-controlling interests	Additional tier 1	Total
Equity as at 31/12/2017	**1,002**	**4,992**	**3,943**	**9,937**	**660**	**645**	**11,241**
Impact of adopting IFRS 9	0	0	(122)	(122)	(7)	0	(130)
Equity as at 1/1/2018	**1,002**	**4,992**	**3,821**	**9,815**	**653**	**645**	**11,112**
Capital increases/decreases	0	0	0	0	0	497	497
Dividend payments	0	0	0	0	0	0	0
Own shares	0	0	0	0	0	(14)	(14)
Other changes	0	0	11	11	(10)	0	1
Total comprehensive income	0	0	370	370	35	0	405
Equity as at 31/3/2018	**1,002**	**4,992**	**4,202**	**10,196**	**677**	**1,127**	**12,000**

The provisions of the new accounting standard for financial instruments (IFRS 9) took effect on 1 January 2018. The changeover effect reduced equity by € 130 million. More details on the changeover are available in the notes in the section entitled, Principles underlying the consolidated financial statements, under IFRS 9 transition.

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

in € million	Subscribed capital	Capital reserves	Retained earnings	Consolidated equity	Non-controlling interests	Additional tier 1	Total
Equity as at 1/1/2017	**1,002**	**4,994**	**3,100**	**9,096**	**655**	**0**	**9,752**
Capital increases/decreases	0	0	0	0	0	0	0
Dividend payments	0	0	0	0	(3)	0	(3)
Own shares	0	0	0	0	0	0	0
Other changes	0	0	(31)	(31)	7	0	(24)
Total comprehensive income	0	0	308	308	35	0	342
Equity as at 31/3/2017	**1,002**	**4,994**	**3,377**	**9,373**	**694**	**0**	**10,067**

Statement of cash flows

in € million	Notes	1/1-31/3/2018	1/1-31/3/2017
Cash, cash balances at central banks and other demand deposits at the end of previous period	**[12]**	**16,905**	**16,839**
Operating activities:			
Profit/loss before tax		529	330
Adjustments for the reconciliation of profit/loss after tax to the cash flow from operating activities:			
Write-downs/write-ups of tangible fixed assets and financial investments	[7, 8, 10]	90	–
Net provisioning for liabilities and charges and impairment losses	[6]	(94)	–
Gains/losses from disposal of tangible fixed assets and financial investments	[8]	(20)	–
Gains/losses from companies valued at equity		(20)	–
Net of net interest income and dividend income	[1, 2]	(837)	–
Interest received		969	–
Interest paid		(404)	–
Dividends received		10	–
Income taxes paid		(26)	–
Other adjustments (net)		314	–
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:			
Financial assets - amortized cost	[13]	(1,917)	–
Financial assets - fair value through other comprehensive income	[14]	443	–
Non-trading financial assets - mandatorily fair value through profit/loss	[15]	(474)	–
Financial assets - designated fair value through profit/loss	[16]	281	–
Financial assets - held for trading	[17]	(505)	–
Tax assets	[22]	(9)	–
Other assets	[23]	151	–
Financial liabilities - amortized cost	[24]	4,779	–
Financial liabilities - designated fair value through profit/loss	[25]	(377)	–
Financial liabilities - held for trading	[26]	242	–
Provisions for liabilities and charges	[28]	(19)	–
Tax liabilities	[29]	(42)	–
Other liabilities	[30]	16	–
Net cash from operating activities		**3,080**	**291**
Investing activities:			
Payments for purchase of:			
Investment securities and shares	[13, 14, 15, 16, 17, 19]	(765)	(1,002)
Tangible and intangible fixed assets	[20, 21]	(58)	(79)
Proceeds from sale of:			
Investment securities and shares	[13, 14, 15, 16, 17, 19]	652	1,214
Tangible and intangible fixed assets	[20, 21]	69	11
Subsidiaries		0	3
Net cash from investing activities		**(102)**	**148**

in € million	Notes	1/1-31/3/2018	1/1-31/3/2017
Financing activities:			
Capital increases	[31]	497	0
Inflows/outflows of subordinated capital		0	(43)
Dividend payments	[31]	0	(3)
Net cash from financing activities		**497**	**(46)**
Effect of exchange rate changes		44	14
Cash, cash balances at central banks and other demand deposits at the end of period	**[12]**	**20,425**	**17,246**

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

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

Segment reporting

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

This results in the following segments:

- Central Europe: Czech Republic, Hungary, Poland, Slovakia, and Slovenia
- Southeastern Europe: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania, and Serbia
- Eastern Europe: Belarus, Russia and Ukraine
- Group Corporates & Markets: operating business booked in Austria – Austrian and international corporate customers, Markets, Financial Institutions & Sovereigns, business with the Raiffeisen Banking Group (RBG) and specialized financial institution subsidiaries, e.g. Raiffeisen Centrobank AG, Kathrein Privatbank Aktiengesellschaft, Raiffeisen Leasing Group, Raiffeisen Factor Bank AG, Raiffeisen Bausparkasse Österreich Gesellschaft mbH and Raiffeisen Kapitalanlage-Gesellschaft mbH
- 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)

1/1-31/3/2018 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	248	190	247	118
Dividend income	1	2	0	3
Net fee and commision income	136	94	105	79
Net trading income and fair value result	13	8	6	33
Net gains/losses from hedge accounting	0	0	0	0
Other net operating income	(6)	13	8	62
Operating income	**391**	**308**	**366**	**294**
General administrative expenses	(220)	(169)	(149)	(160)
Operating result	**171**	**138**	**217**	**134**
Other result	1	0	0	0
Levies and special governmental measures	(55)	(10)	0	(7)
Impairment losses on financial assets	14	14	32	27
Profit/loss before tax	**130**	**142**	**248**	**154**
Income taxes	(32)	(20)	(51)	(33)
Profit/loss after tax	**99**	**122**	**197**	**121**
Profit attributable to non-controlling interests	(12)	0	(15)	(1)
Consolidated profit/loss	**87**	**122**	**182**	**120**
Return on equity before tax	14.6%	25.5%	54.8%	19.9%
Return on equity after tax	11.0%	21.9%	43.5%	15.7%
Net interest margin (average interest-bearing assets)	2.20%	3.45%	6.60%	1.05%
Cost/income ratio	56.3%	55.1%	40.7%	54.3%
Loan/deposit ratio	91.5%	73.9%	86.8%	153.6%
Provisioning ratio (average loans and advances to customers)	(0.19)%	(0.44)%	(1.31)%	(0.83)%
NPL ratio	4.8%	6.8%	6.6%	4.5%
NPL coverage ratio	68.9%	86.5%	80.1%	49.3%
Assets	46,576	23,883	16,189	48,734
Liabilities	42,072	20,749	13,743	47,055
Risk-weighted assets (total RWA)	25,360	14,938	11,954	19,848
Average equity	3,572	2,232	1,812	3,095
Loans to customers	30,586	13,438	10,239	26,785
Deposits from customers	35,437	18,466	11,958	23,191
Business outlets	633	991	775	24
Employees as at reporting date (full-time equivalents)	13,138	14,810	18,294	2,756
Customers in million	3.4	5.3	5.8	2.1

1/1-31/3/2018 in € million	Corporate Center	Reconciliation	Total
Net interest income	15	11	829
Dividend income	10	(6)	9
Net fee and commision income	(2)	(1)	410
Net trading income and fair value result	(51)	(11)	(1)
Net gains/losses from hedge accounting	0	0	(1)
Other net operating income	(4)	(28)	45
Operating income	**(33)**	**(35)**	**1,291**
General administrative expenses	(69)	27	(740)
Operating result	**(102)**	**(8)**	**551**
Other result	27	1	27
Levies and special governmental measures	(60)	0	(132)
Impairment losses on financial assets	(1)	(2)	83
Profit/loss before tax	**(137)**	**(9)**	**529**
Income taxes	38	0	(98)
Profit/loss after tax	**(99)**	**(9)**	**430**
Profit attributable to non-controlling interests	0	(3)	(31)
Consolidated profit/loss	**(99)**	**(12)**	**399**
Return on equity before tax	-	-	19.4%
Return on equity after tax	-	-	15.8%
Net interest margin (average interest-bearing assets)	-	-	2.49%
Cost/income ratio	-	-	57.3%
Loan/deposit ratio	-	-	97.3%
Provisioning ratio (average loans and advances to customers)	-	-	(0.43)%
NPL ratio	-	-	5.4%
NPL coverage ratio	-	-	69.7%
Assets	26,215	(21,563)	140,033
Liabilities	19,088	(14,674)	128,033
Risk-weighted assets (total RWA)	15,360	(14,358)	73,102
Average equity	2,250	(2,032)	10,927
Loans to customers	1,214	(2,038)	80,224
Deposits from customers	1,243	(3,066)	87,229
Business outlets	-	-	2,423
Employees as at reporting date (full-time equivalents)	1,038	-	50,036
Customers in million	0.0	-	16.6

1/1-31/3/2017 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	234	181	244	138
Dividend income	1	0	0	1
Net fee and commision income	135	92	110	76
Net trading income and fair value result	11	10	19	35
Net gains/losses from hedge accounting	2	0	(3)	4
Other net operating income	2	10	(1)	25
Operating income	**385**	**293**	**369**	**278**
General administrative expenses	(225)	(165)	(152)	(154)
Operating result	**160**	**128**	**217**	**124**
Other result	(3)	0	0	1
Levies and special governmental measures	(54)	7	0	(7)
Impairment losses on financial assets	(11)	(35)	18	(55)
Profit/loss before tax	**91**	**100**	**235**	**64**
Income taxes	(12)	(12)	(48)	(15)
Profit/loss after tax	**79**	**88**	**187**	**49**
Profit attributable to non-controlling interests	(12)	0	(19)	1
Consolidated profit/loss	**67**	**88**	**168**	**50**
Return on equity before tax	14.9%	18.2%	52.3%	8.7%
Return on equity after tax	12.9%	16.0%	41.6%	8.6%
Net interest margin (average interest-bearing assets)	2.13%	3.44%	6.31%	1.28%
Cost/income ratio	58.5%	56.2%	41.2%	55.4%
Loan/deposit ratio	93.1%	73.4%	89.4%	145.7%
Provisioning ratio (average loans and advances to customers)	0.16%	1.12%	(0.70)%	0.84%
NPL ratio	6.2%	10.5%	12.4%	7.5%
NPL coverage ratio	65.7%	79.1%	85.3%	71.8%
Assets	45,417	22,832	16,678	44,892
Liabilities	41,051	19,812	13,904	43,603
Risk-weighted assets (total RWA)	21,264	14,210	12,712	19,953
Average equity	2,446	2,204	1,799	2,904
Loans to customers	28,716	12,419	10,264	26,110
Deposits from customers	33,124	17,210	11,681	21,777
Business outlets	698	1,008	770	24
Employees as at reporting date (full-time equivalents)	13,590	14,854	17,934	2,712
Customers in million	3.4	5.4	5.7	2.0

1/1-31/3/2017 in € million	Corporate Center	Reconciliation	Total
Net interest income	(13)	13	797
Dividend income	59	(55)	5
Net fee and commision income	(3)	0	409
Net trading income and fair value result	(61)	(12)	2
Net gains/losses from hedge accounting	1	(2)	2
Other net operating income	33	(30)	38
Operating income	**15**	**(87)**	**1,253**
General administrative expenses	(77)	28	(745)
Operating result	**(62)**	**(58)**	**508**
Other result	24	0	24
Levies and special governmental measures	(65)	0	(120)
Impairment losses on financial assets	1	0	(82)
Profit/loss before tax	**(102)**	**(58)**	**330**
Income taxes	12	0	(75)
Profit/loss after tax	**(89)**	**(58)**	**255**
Profit attributable to non-controlling interests	0	(5)	(35)
Consolidated profit/loss	**(90)**	**(63)**	**220**
Return on equity before tax	–	–	13.4%
Return on equity after tax	–	–	10.4%
Net interest margin (average interest-bearing assets)	–	–	2.44%
Cost/income ratio	–	–	59.5%
Loan/deposit ratio	–	–	99.1%
Provisioning ratio (average loans and advances to customers)	–	–	0.43%
NPL ratio	–	–	8.3%
NPL coverage ratio	–	–	74.0%
Assets	31,559	(22,888)	138,489
Liabilities	26,279	(16,228)	128,422
Risk-weighted assets (total RWA)	15,513	(13,788)	69,864
Average equity	2,420	(1,964)	9,810
Loans to customers	1,395	(2,233)	76,672
Deposits from customers	526	(2,807)	81,511
Business outlets	–	–	2,500
Employees as at reporting date (full-time equivalents)	1,004	–	50,094
Customers in million	0.0	–	16.6

Notes

Principles underlying the consolidated financial statements

Principles of preparation

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

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

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

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

Critical accounting judgments and key sources of estimation uncertainty

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

Application of new and revised standards

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

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

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

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

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

For subsequent measurement of financial assets measured at amortized cost, IFRS 9 provides for three stages which determine the expected amount of losses to be recognized and the recognition of interest. The first stage requires, at the time of initial recognition, the recognition of 12-month expected credit losses. If there is a significant increase in the credit risk, the loss allowance must be increased up to the amount of the expected full lifetime loss (stage 2). When there is an objective indication of an impairment, the interest in stage 3 must be recognized on the basis of the net carrying amount.

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

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

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

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

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

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

Standards and interpretations not yet applicable

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

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

It also recognizes a lease liability which represents its liability to effect the lease payments. For lessors, the rules under IAS 17 (Leases) remain largely valid, meaning that in future it will still be necessary to distinguish between financial and operating leasing with corresponding different accounting consequences. In addition, the standard also requires entities to provide users of financial statements with more informative, relevant disclosures in the notes.

In 2017, RBI launched a group-wide preliminary study to analyze the impact of IFRS 16 on existing leases. In the context of this preliminary study, contracts (rental and leasing contracts) were analyzed on the basis of the extent to which the existing lease agreements were to be recorded as rights of use and lease liabilities on the statement of financial position, and on the other hand, Group-wide accounting guidelines were drafted. The analysis has shown that as of 1 January 2019, usage rights and leasing liabilities of around € 500 million are expected to be recognized. An effect on equity is not expected. In 2018 the requirements are being implemented within the framework of local implementation projects.

Changes in the presentation of the financial statements

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

The change also made it necessary to adapt the comparable period and the comparable reporting date. The following tables show the transition for the categories recognized at the end of 2017 into the new accounting format. The explanatory notes and consequences in relation to IFRS 9 are shown separately for each measurement category in the next chapter and are already based on the adapted figures. The column headings represent the previous items on the statement of financial position, while the line headers reflect the new presentation of the statement of financial position:

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

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

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

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

IFRS 9 Transition

This chapter contains an analysis showing the transition from the figures presented in the annual report 2017 to those in accordance with IFRS 9 for the first-time application as at 1 January 2018. The transition provisions for IFRS 9 do not require any retroactive application to earlier reporting periods; consequently, the effect of the first-time application is reflected in the equity of the opening balance for the 2018 financial year.

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

Overview - IFRS 9 Transition

Assets **in € million**	**IAS 39 Carrying amount 31/12/2017**	**Reclassi-fications**	**Remeasure-ments**	**IFRS 9 Carrying amount 1/1/2018**
Financial assets - amortized cost	96,307	19	(216)	96,111
Financial assets - fair value through other comprehensive income	6,589	368	3	6,961
Non-trading financial assets - mandatorily fair value through profit/loss	0	489	9	499
Financial assets - designated at fair value through profit/loss	5,370	(854)	0	4,516
Financial assets - held for trading	4,622	(24)	0	4,598
Total	**112,889**	**0**	**(203)**	**112,686**

Equity and liabilities **in € million**	**IAS 39 Carrying amount 31/12/2017**	**Reclassi-fications**	**Remeasure ments**	**IFRS 9 Carrying amount 1/1/2018**
Financial liabilities - amortized cost	114,794	448	0	115,242
Financial liabilities - designated fair value through profit/loss	2,509	(448)	(70)	1,991
Financial liabilities - held for trading	4,414	0	0	4,414
Provisions for loan commitments, financial guarantees and other commitments given	119	0	29	148
Liabilities	**121,836**	**0**	**(41)**	**121,795**
Deferred taxes	114	0	32	147
Equity	**11,241**	**0**	**(130)**	**11,112**

Transition financial assets – amortized cost

The reclassification of € 240 million relates largely to subtractions of loans and advances to customers (€ 228 million) and other debt instruments (€ 12 million) that do not have contractual cash flows that are solely payments of principal and interest and thus have to mandatorily be measured at fair value. In addition, debt instruments which are also to be allocated to this measurement category had additions from financial assets - Fair Value Through Other Comprehensive Income (€ 160 million) and to a lesser extent from other measurement categories where the underlying business model and the structure of the debt instruments necessitated presentation in the category amortized cost.

in € million	IAS 39 Carrying amount 31/12/2017	Reclassi-fications	Remeasure-ments	IFRS 9 Carrying amount 1/1/2018
Debt instruments	**7,828**	**259**	**(14)**	**8,073**
Additions from financial assets - held for trading	–	59	(6)	–
Additions from financial assets - designated fair value through profit/loss	–	77	(2)	–
Additions from financial assets - fair value through other comprehensive income	–	160	(3)	–
Required subtractions to non-trading financial assets - mandatorily fair value through profit/loss	–	(20)	0	–
Elected subtractions to financial assets - fair value through other comprehensive income	–	(16)	0	–
Loans and advances	**88,479**	**(240)**	**(202)**	**88,038**
Required subtractions to non-trading financial assets - mandatorily fair value through profit/loss	–	(240)	0	–
Total	**96,307**	**19**	**(216)**	**96,111**

Transition financial assets – fair value through other comprehensive income

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

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

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

Financial assets which are not held for trading, which additionally do not meet the criteria for classification as assets and are subsequently to be measured at amortized cost or at FVOCI are classified as assets which are subsequently to be measured at fair value through profit/loss. This measurement category includes largely additions of loans and advances to customers that do not have contractual cash flows that are solely payments of principal and interest and thus have to mandatorily be measured at fair value (€ 228 million). Affected are loans and other debt instruments which include non-SPPI incongruent interest components and did not pass the required quantitative test (see also chapter IFRS 9 Financial Instruments (entry into force on 1 January 2018) in the consolidated financial statements for 2017 (see Annual Report 2017, page 235 ff). The resulting elected or required re-classifications in the form of additions and subtractions from the former IAS 39 measurement categories are shown in the table below.

in € million	IAS 39 Carrying amount 31/12/2017	Reclassi-fications	Remeasure-ments	IFRS 9 Carrying amount 1/1/2018
Equity instruments	**–**	**78**	**0**	**78**
Additions from financial assets - fair value through other comprehensive income	–	0	0	–
Debt instruments	**–**	**184**	**1**	**184**
Additions from financial assets - designated fair value through profit/loss	–	151	0	–
Additions from financial assets - loans and receivables	–	12	0	–
Additions from financial assets - held to maturity	–	20	1	–
Loans and advances	**–**	**228**	**9**	**236**
Additions from financial assets - loans and receivables	–	228	9	–
Total	**–**	**489**	**9**	**499**

Transition financial assets – designated fair value through profit/loss

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

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

Transition financial assets – held for trading

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

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

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

Transition financial liabilities – designated fair value through profit/loss

A financial liability can be irrevocably designated as at fair value through profit or loss if doing so prevents or significantly reduces a measurement or recognition inconsistency – i.e. an accounting mismatch. These inconsistencies arise from measuring assets or liabilities, or recognizing the gains and losses on them, on a different basis. If a financial liability contains one or more embedded derivatives (structured financial liabilities), then according to IFRS 9, the entire financial liability may, at the time of initial recognition, be irrevocably classified as designated at fair value through profit/loss, if certain conditions are met.

Reclassifications amounting to € 448 million and re-measurements (minus 70 million) of financial liabilities – designated fair value through profit/loss into the measurement category financial liabilities - amortized cost had to be reversed due to cancellations of deposits and debt instruments previously designated at fair value.

in € million	IAS 39 Carrying amount 31/12/2017	Reclassi-fications	Remeasure-ments	IFRS 9 Carrying amount 1/1/2018
Deposits	**617**	**(71)**	**(15)**	**531**
Elected subtractions to financial liabilities - amortized cost	–	(71)	(15)	–
Debt securities	**1,892**	**(377)**	**(55)**	**1,460**
Additions from financial liabilities - amortized cost	–	11	0	–
Elected subtractions to financial liabilities - amortized cost	–	(388)	(55)	–
Other financial liabilities	**–**	**0**	**0**	**–**
Total	**2,509**	**(448)**	**(70)**	**1,991**

Transition impairments

Remeasurements due to the change from a historic-oriented risk assessment model pursuant to IAS 39 (incurred loss model) to a future oriented model in accordance with IFRS 9 (expected loss model) were necessary for financial assets measured at amortized cost or at fair value through other comprehensive income, and also for impairment losses for loan commitments off the statement of financial position and financial guarantees. The column reclassification relates to changes in impairment due to differences in the scope of the impairment requirements in IFRS 9 compared to IAS 39. The decrease in impairment losses of € 2 million due to reclassifications is on the one hand due to reversals of impairment on loans and receivables which have to be measured at fair value in accordance with IFRS 9 and on the other hand to debt instruments of the available for sale category measured at fair value through other comprehensive income according to IFRS 9.

The column remeasurements relates to changes in impairment due to changes in the methods used to determine the impairment allowances for financial assets that were already under IAS 39 for financial assets and under IAS 37 for off-balance sheet in the scope of the impairment requirements.

in € million	IAS 39 Carrying amount 31/12/2017	Reclassi-fications	Remeasure-ments	IFRS 9 Carrying amount 1/1/2018
Financial assets - amortized cost	**3,102**	**(5)**	**193**	**3,290**
hereof debt instruments	0	0	2	3
hereof loans and advances	3,102	(5)	191	3,287
Financial assets - fair value through other comprehensive income	**–**	**3**	**1**	**4**
hereof debt instruments	–	3	1	4
hereof loans and advances	–	0	0	0
Off balance sheet items	**119**	**0**	**29**	**148**
hereof loan commitments given	27	0	26	52
hereof financial guarantees given	84	0	(0)	84
hereof other commitments given	8	0	3	11
Total	**3,221**	**(2)**	**223**	**3,441**

Currencies

	2018		2017	
Rates in units per €	**As at 31/3**	**Average 1/1-31/3**	**As at 31/12**	**Average 1/1-31/3**
Albanian lek (ALL)	130.210	132.194	132.980	135.720
Belarusian rouble (BYN)	2.401	2.402	2.364	2.026
Bosnian marka (BAM)	1.956	1.956	1.956	1.956
Bulgarian lev (BGN)	1.956	1.956	1.956	1.956
Croatian kuna (HRK)	7.432	7.439	7.440	7.480
Czech koruna (CZK)	25.425	25,413	25.535	27.023
Hungarian forint (HUF)	312.130	311.760	310.330	309.085
Polish zloty (PLN)	4.211	4.179	4.177	4.319
Romanian leu (RON)	4.657	4.658	4.659	4.529
Russian rouble (RUB)	70.890	69.777	69.392	62.700
Serbian dinar (RSD)	118.270	118.368	118.440	123.760
Ukrainian hryvnia (UAH)	32.358	33.354	33.727	28.842
US-Dollar (USD)	1.232	1.225	1.199	1.065

Consolidated group

Number of units	Fully consolidated 31/3/2018	31/12/2017
As at end of previous period	**236**	**106**
Included in the course of merger	0	175
Included for the first time in the financial period	5	4
Excluded in the financial period	(13)	(49)
As at end of period	**228**	**236**

The companies which were included for the first time are engaged in leasing activities. In the reporting period, twelve companies – especially leasing units – were excluded from the consolidated group on grounds of immateriality, and one company was sold.

Notes to the income statement

(1) Net interest income

in € million	1/1-31/3/2018	1/1-31/3/2017
Interest income	**1,163**	**1,194**
Financial assets - held for trading	81	119
Non-trading financial assets - mandatorily fair value through profit/loss	5	0
Financial assets - designated fair value through profit/loss	14	32
Financial assets - fair value through other comprehensive income	27	14
Financial assets - amortized cost	966	955
Derivatives – hedge accounting, interest rate risk	53	48
Other assets	3	19
Interest income on financial liabilities	13	7
Interest expenses	**(334)**	**(397)**
Financial liabilities - held for trading	(56)	(86)
Financial liabilities - designated fair value through profit/loss	(15)	(24)
Financial liabilities - amortized cost	(237)	(261)
Derivatives – hedge accounting, interest rate risk	(9)	(5)
Other liabilities	(4)	(5)
Interest expenses on financial assets	(13)	(15)
Total	**829**	**797**

Net interest income includes interest income and interest expenses from mark-to-market items amounting to € 56 million.

in € million	1/1-31/3/2018	1/1-31/3/2017
Net interest income	829	797
Average interest-bearing assets	132,877	130,710
Net interest margin in per cent	**2.49%**	**2.44%**

The rise in net interest income was primarily the result of increases in the Czech Republic (increase of € 13 million due in large part to higher interest rates in the repurchase business), in Romania (increase of € 12 million because of higher interest rates and larger volumes) and in Russia (increase of € 8 million from lower interest expenses for customer deposits).

The improvement in the net interest margin was driven in some measure by healthy margin growth in the Czech Republic, Romania and Russia, but to a much greater extent by the widening of the net interest margin in Ukraine as a result of higher interest rates and larger volumes for corporate loans.

(2) Dividend income

in € million	1/1-31/3/2018	1/1-31/3/2017
Financial assets - fair value through other comprehensive income	6	4
Investments in subsidiaries, joint ventures and associates	3	1
Total	**9**	**5**

(3) Net fee and commission income

in € million	1/1-31/3/2018	1/1-31/3/2017
Clearing, settlement and payment services	134	133
Loan and guarantee business	43	32
Securities	23	30
Asset management	64	63
Custody	33	36
Customer resources distributed but not managed	16	17
Other	98	97
Total	**410**	**409**
Fee and commission income	588	578
Fee and commission expenses	(178)	(169)

Net fee and commission income remained virtually unchanged despite significant depreciation among Eastern European currencies compared to the same period in the previous year. Net income from the loan and guarantee business went up € 11 million, or 33 per cent, at RBI AG and in Poland in particular, while Romania reported a decline. In contrast, net income from securities – primarily at RBI AG and in Croatia and Russia – dropped € 8 million to € 23 million. Net income from the custody business declined € 3 million, or 9 per cent, to € 33 million at RBI AG in particular while Russia, Slovakia and Poland reported increases.

(4) Net trading income and fair value result

in € million	1/1-31/3/2018	1/1-31/3/2017
Net gains/losses on financial assets and liabilities – held for trading	**(19)**	**175**
Derivatives	(8)	144
Equity instruments	(9)	(4)
Debt securities	(6)	30
Loans and advances	1	3
Deposits	(1)	0
Debt securities issued	2	0
Other financial liabilities	2	3
Financial assets and liabilities – designated fair value through profit/loss	**(7)**	**(18)**
Debt securities	(20)	(37)
Deposits	7	4
Debt securities issued	6	15
Exchange differences, net	**26**	**(155)**
Total	**(1)**	**2**

Net trading income was down € 3 million year-on-year due in large measure to lower income from derivatives and higher income from exchange differences, net. Higher expenses from derivatives were primarily based on valuation changes at RBI AG and in Russia and Poland. In the first quarter of 2018, € 12 million in gains from derivatives were earned in connection with an economic hedge (comparable period: € 125 million). € 8 million were reclassified as other comprehensive income in connection with a hedged net investment pursuant to IAS 21 (comparable period: minus € 33 million). The change was largely driven by the performance of the Russian rouble and the Polish zloty.

The increase in net income from exchange differences was primarily attributable to exchange rate developments in Russia and Poland and a US dollar position at RBI AG.

Net income from debt securities held for trading declined € 36 million, mainly due to valuation losses at RBI AG and the gains reported from foreign currency transactions in Russia in the previous year's period.

The € 17 million improvement in debt securities - designated fair value through profit/loss was primarily caused by valuation gains on liquid asset investments at RBI AG.

(5) Net gains/losses from hedge accounting

in € million	1/1-31/3/2018	1/1-31/3/2017
Fair value changes of the hedging instruments	(16)	(22)
Fair value changes of the hedged items attributable to the hedged risk	15	23
Total	**(1)**	**2**

Net gains/losses from hedge accounting decreased mainly due to the results in Russia and in RBI AG. The portfolio fair value hedge relationship in Russia, which has now been terminated, showed fair value changes of the hedged items attributable to the hedged risk of minus € 3 million in the first quarter of 2017. RBI AG achieved a balanced result from hedge accounting in the first quarter of 2018, while € 5 million was reported in the same period of the previous year.

(6) Other net operating income

in € million	1/1-31/3/2018	1/1-31/3/2017
Gains/losses on derecognition of financial assets and liabilities - not measured at fair value through profit/loss	16	9
Gains/losses on derecognition of non-financial assets held for sale	3	(4)
Net income arising from non-banking activities	5	10
Net income from additional leasing services	0	1
Net rental income from investment property incl. operating lease (real estate)	15	22
Net expense from allocation and release of other provisions	11	6
Other taxes	(14)	(15)
Sundry operating income/expenses	9	9
Total	**45**	**38**

Other net operating income increased 19 per cent or € 7 million year-on-year. The sale of registered bonds in RBI AG led to an improvement in the item derecognition of financial assets and liabilities. Gains/losses on derecognition of non-financial assets held for sale improved € 3 million in both Croatia and Poland. Net income arising from non-banking activities fell € 5 million to € 5 million due to lower earnings contributions in Slovakia and Raiffeisen Leasing Group. Net rental income from investment property including operating lease decreased € 7 million to € 15 million. Of that amount, € 5 million related to Hungary due to the deconsolidation of a real estate fund and € 2 million to Croatia. Furthermore, net expense from allocations and release of other provisions included a net release of € 11 million, mainly in connection with litigation in Russia and Romania. RBI AG reported a gain of € 25 million from the release of a provision in connection with the termination of protracted litigation with an Icelandic bank. However, allocations were made to provisions in connection with other court cases.

(7) General administrative expenses

in € million	1/1-31/3/2018	1/1-31/3/2017
Staff expenses	(384)	(388)
Other administrative expenses	(286)	(280)
Depreciation of tangible and intangible fixed assets	(70)	(76)
Total	**(740)**	**(745)**

In the reporting period, the Belarusian rouble, the Ukrainian hryvnia and the Russian rouble depreciated 16, 14 and 10 per cent respectively. In contrast, the Czech koruna and the Polish zloty appreciated 6 per cent and 3 per cent respectively. The currency movements led to a reduction of € 14 million in general administrative expenses.

Staff expenses

in € million	1/1-31/3/2018	1/1-31/3/2017
Wages and salaries	(302)	(299)
Social security costs and staff-related taxes	(68)	(71)
Other voluntary social expenses	(10)	(10)
Sundry staff expenses	(5)	(8)
Total	**(384)**	**(388)**

Staff expenses were largely unchanged. While currency effects reduced expenses, salary adjustments raised staff expenses in Hungary and Russia.

Other administrative expenses

in € million	1/1-31/3/2018	1/1-31/3/2017
Office space expenses	(54)	(60)
IT expenses	(77)	(71)
Legal, advisory and consulting expenses	(26)	(26)
Advertising, PR and promotional expenses	(26)	(26)
Communication expenses	(16)	(17)
Office supplies	(5)	(6)
Car expenses	(4)	(4)
Deposit insurance fees	(37)	(27)
Security expenses	(10)	(9)
Traveling expenses	(4)	(4)
Training expenses for staff	(3)	(3)
Sundry administrative expenses	(24)	(28)
Total	**(286)**	**(280)**

Other administrative expenses were up 2 per cent or € 6 million due to increased deposit insurance fees of € 9 million in Romania, Russia and in the Group Corporates & Markets segment and higher IT expenses (up € 6 million), primarily for acquired IT services in Group head office. In contrast, office space expenses fell € 6 million, mainly as a result of branch closures in Poland.

Depreciation of tangible and intangible fixed assets

in € million	1/1-31/3/2018	1/1-31/3/2017
Tangible fixed assets	(35)	(39)
Intangible fixed assets	(35)	(38)
Total	**(70)**	**(76)**

Depreciation of tangible and intangible fixed assets fell 9 per cent or € 6 million. The biggest decreases were reported in Russia in connection with an adjustment to the useful life of licenses and in Ukraine.

(8) Other result

in € million	1/1-31/3/2018	1/1-31/3/2017
Impairment or reversal of impairment on investments in subsidiaries, joint ventures and associates	**7**	**(5)**
Impairment on non-financial assets	**(1)**	**0**
Other	(1)	0
Negative goodwill recognized in profit or loss	**0**	**0**
Current income from investments in subsidiaries, joint ventures and associates	**19**	**28**
Result from non-current assets and disposal groups classified as held for sale and deconsolidation	**2**	**0**
Net income from non-current assets and disposal groups classified as held for sale	1	0
Result of deconsolidations	1	0
Total	**27**	**24**

The increase in other result was largely driven by reversals of impairments on investments in companies valued at equity. The previous year's period, in contrast, was characterized by impairments on investments, especially those relating to a Hungarian subsidiary. The reversals of impairments contrasted with lower current income from companies valued at equity.

The result of deconsolidations amounted to € 1 million and pertained to € 10 million in net assets. In the reporting period, twelve companies who mainly did leasing business were excluded from the consolidated group on the grounds of immateriality; another subsidiary was sold.

(9) Levies and special governmental measures

in € million	1/1-31/3/2018	1/1-31/3/2017
Bank levies	(70)	(71)
Profit/loss from banking business due to governmental measures	0	21
Resolution fund	(62)	(70)
Total	**(132)**	**(120)**

In accordance with the requirements of IFRIC 21, the expense for bank levies was already booked in the first quarter for the entire year. This affects RBI AG with a one-off payment of € 41 million and Hungary (€ 13 million).

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

The contributions to the resolution fund, which IFRIC 21 requires to be booked entirely at the beginning of the year, declined € 7 million to € 62 million due to lower contributions in Romania and at RBI AG while the Czech Republic reported an increase here.

(10) Impairment losses on financial assets

in € million	1/1-31/3/2018	1/1-31/3/2017
Loans and advances	44	(88)
Debt securities	1	0
Loan commitments, financial guarantees and other commitments received	38	5
Total	**83**	**(82)**
hereof financial assets - fair value through other comprehensive income	(1)	(1)
hereof financial assets - amortized cost	46	(87)

In the same period of the previous year impairment losses on financial assets amounted to € 82 million while in the reporting period there was a net release of € 83 million. The largest changes occurred at RBI AG (€ 57 million), in Romania (€ 34 million), Poland (€ 24 million) and Russia (€ 21 million).

This positive development was driven on repayments and sales of non-performing loans. In Poland loans were migrated from stage 2 to stage 1 in accordance with IFRS 9, which resulted in a release of € 11 million. In Romania no impairment need was identified in the reporting period while in the same period of the previous year impairments of € 33 million were necessary in connection with the voluntary conversion of loans in Swiss francs. In the off-balance sheet exposures sector an amount of € 25 million was released due to a positive court ruling in connection with the insolvency of an Icelandic bank.

(11) Income taxes

in € million	1/1-31/3/2018	1/1-31/3/2017
Current income taxes	(86)	(88)
Austria	5	(4)
Foreign	(91)	(84)
Deferred taxes	(12)	14
Total	**(98)**	**(75)**

Higher profits in Poland, Romania, Russia and Croatia are behind the increase in tax expenses. There was also a positive one-off effect in the previous year's period due to depreciation in Poland. This was countered by the effects of the rise in RBI Group taxation on non-consolidated Group members (increase of € 5 million).

The effective tax rate improved 4.1 percentage points to 18.6 per cent. This was primarily the result of an improved contribution to earnings by RBI AG.

Notes to the statement of financial position

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

in € million	31/3/2018	31/12/2017
Cash in hand	3,647	3,600
Balances at central banks	11,775	9,729
Other demand deposits at banks	5,003	3,576
Total	**20,425**	**16,905**

The increase in balances at central banks resulted mainly from the increase in deposits at Österreichische Nationalbank, while the growth in other demand deposits at banks was attributable to the increase in RBI AG's repo business.

(13) Financial assets - amortized cost

	31/3/2018			31/12/2017
in € million	Gross carrying amount	Accumulated impairment	Carrying amount	Carrying amount
Debt securities	**8,078**	**(2)**	**8,075**	**7,835**
Central banks	65	(1)	64	81
General governments	6,121	0	6,121	5,660
Banks	1,146	0	1,146	1,258
Other financial corporations	484	0	484	501
Non-financial corporations	262	(1)	261	336
Loans and advances	**93,478**	**(3,111)**	**90,366**	**88,473**
Central banks	5,227	0	5,227	5,345
General governments	921	(1)	920	863
Banks	5,170	(13)	5,157	5,396
Other financial corporations	6,638	(84)	6,554	4,379
Non-financial corporations	43,690	(1,715)	41,975	42,275
Households	31,831	(1,298)	30,533	30,215
Total	**101,555**	**(3,114)**	**98,442**	**96,307**

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

in € million	31/3/2018	31/12/2017
Banks	21	22
Other financial corporations	185	191
Non-financial corporations	86	85
Equity instruments	**292**	**298**

in € million	31/3/2018 Gross carrying amount	31/3/2018 Accumulated impairment	31/3/2018 Carrying amount	31/12/2017 Carrying amount
Debt securities	**6,154**	**(3)**	**6,151**	**6,292**
Central banks	472	0	472	0
General governments	4,409	(2)	4,406	3,914
Banks	913	0	913	1,898
Other financial corporations	160	0	160	359
Non-financial corporations	200	(1)	200	120
Loans and advances	**31**	**(31)**	**0**	**0**
Non-financial corporations	31	(31)	0	0
Total	**6,185**	**(34)**	**6,151**	**6,292**

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

in € million	31/3/2018	31/12/2017
Equity instruments	**132**	**–**
Banks	21	–
Other financial corporations	6	–
Non-financial corporations	105	–
Debt securities	**119**	**–**
General governments	107	–
Other financial corporations	12	–
Loans and advances	**245**	**–**
General governments	3	–
Banks	2	–
Other financial corporations	3	–
Non-financial corporations	102	–
Households	136	–
Total	**496**	**–**

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

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

in € million	31/3/2018	31/12/2017
Equity instruments	**0**	**101**
Other financial corporations	0	101
Debt securities	**4,287**	**5,255**
Central banks	423	0
General governments	3,303	4,351
Banks	385	671
Other financial corporations	29	192
Non-financial corporations	149	41
Loans and advances	**0**	**14**
Non-financial corporations	0	14
Total	**4,287**	**5,370**

(17) Financial assets - held for trading

in € million	31/3/2018	31/12/2017
Derivatives	**1,994**	**2,138**
Interest rate	1,251	1,349
Equity	127	124
Foreign exchange and gold	614	661
Commodities	2	3
Other	0	1
Equity instruments	**317**	**246**
Banks	43	46
Other financial corporations	87	76
Non-financial corporations	187	123
Debt securities	**2,614**	**2,238**
Central banks	196	0
General governments	1,105	913
Banks	789	806
Other financial corporations	215	268
Non-financial corporations	308	251
Total	**4,925**	**4,622**

The securities under financial assets – held for trading provided as collateral, which the recipient is entitled to sell or pledge, amounted to € 433 million (31/12/2017: € 403 million).

Derivatives included € 213 million of derivatives in economic hedges at the end of the first quarter of 2018 (31/12/2017: € 452 million).

(18) Derivatives - hedge accounting

in € million	31/3/2018	31/12/2017
Positive fair values of derivatives in micro fair value hedge	**411**	**374**
Interest-based transactions	408	373
Currency-based transactions	3	1
Positive fair values of derivatives in micro cash flow hedge	**24**	**1**
Interest-based transactions	24	1
Positive fair values of derivatives in net investment hedge	**1**	**0**
Positive fair values of derivatives in portfolio hedge	**104**	**147**
Cash flow hedge	0	24
Fair value hedge	104	122
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**70**	**75**
Total	**610**	**597**

(19) Investments in subsidiaries, joint ventures and associates

in € million	31/3/2018	31/12/2017
Interest in affiliated companies	213	194
Investments in associates	776	729
Total	**989**	**923**

Investments in associates broke down as follows:

in € million	Share in % 31/3/2018	Carrying amount 31/3/2018	Carrying amount 31/12/2017
card complete Service Bank AG, Vienna (AT)	25.0%	19	19
EMCOM Beteiligungs GmbH, Vienna (AT)	33.6%	7	0
LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)	33.1%	205	205
NOTARTREUHANDBANK AG, Vienna (AT)	26.0%	8	8
Österreichische Hotel- und Tourismusbank Ges.m.b.H., Vienna (AT)	31.3%	10	10
Österreichische Kontrollbank AG, Vienna (AT)	8.1%	56	56
Prva stavebna sporitelna a.s., Bratislava (SK)	32.5%	63	65
Raiffeisen Informatik GmbH, Vienna (AT)	47.6%	37	34
Raiffeisen-Leasing Management GmbH, Vienna (AT)	50.0%	14	0
UNIQA Insurance Group AG, Vienna (AT)	10.9%	356	334
Posojilnica Bank eGen, Klagenfurt (AT)	58.0%	0	0
Total		**776**	**729**

(20) Tangible fixed assets

in € million	31/3/2018	31/12/2017
Land and buildings used by the group for own purpose	612	585
Other land and buildings (investment property)	309	373
Office furniture, equipment and other tangible fixed assets	269	254
Leased assets (operating lease)	265	328
Total	**1,455**	**1,540**

(21) Intangible fixed assets

in € million	31/3/2018	31/12/2017
Software	593	594
Goodwill	96	96
Brand	8	8
Customer relationships	12	13
Other intangible fixed assets	20	10
Total	**729**	**721**

(22) Tax assets

in € million	31/3/2018	31/12/2017
Current tax assets	181	189
Deferred tax assets	139	114
Temporary tax claims	132	107
Loss carry forwards	7	7
Total	**320**	**304**

(23) Other assets

in € million	31/3/2018	31/12/2017
Prepayments and other deferrals	276	233
Lease in progress	40	36
Merchandise inventory and suspense accounts for services rendered not yet charged out	181	119
Non-current assets and disposal groups classified as held for sale	79	123
Other assets	337	757
Total	**913**	**1,268**

Merchandise inventory and suspense accounts for services rendered not yet charged out included property under construction or not yet sold of Raiffeisen Leasing Group in Austria and Italy of € 116 million.

Non-current assets and disposal groups classified as held for sale (IFRS 5) mainly consisted of Raiffeisen Pension Insurance d.d., Zagreb, of € 64 million and a property owned by Raiffeisen Immobilienfonds, Vienna, of € 9 million.

(24) Financial liabilities - amortized cost

in € million	31/3/2018	31/12/2017
Deposits from banks	**24,068**	**22,268**
Current accounts/overnight deposits	2,866	9,999
Deposits with agreed maturity	11,878	11,908
Deposits redeemable at notice	7,238	23
Repurchase agreements	2,085	338
Deposits from customers	**86,829**	**84,467**
Current accounts/overnight deposits	57,918	54,954
Deposits with agreed maturity	25,873	27,413
Deposits redeemable at notice	1,956	2,064
Repurchase agreements	1,082	35
Debt securities issued	**7,951**	**7,544**
Covered bonds	816	917
Hybrid contracts	4	4
Other debt securities issued	7,131	6,623
hereof convertible compound financial instruments	1,463	1,553
hereof non-convertible	5,668	5,070
Other financial liabilities	**396**	**515**
Total	**119,244**	**114,794**
hereof subordinated financial liabilities	3,210	2,926

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

in € million	31/3/2018	31/12/2017
Central banks	1,798	1,857
General governments	2,135	1,896
Banks	22,270	20,411
Other financial corporations	10,024	6,817
Non-financial corporations	29,571	31,151
Households	45,099	44,602
Total	**110,897**	**106,735**

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

in € million	31/3/2018	31/12/2017
Deposits from banks	**109**	**109**
Deposits with agreed maturity	109	109
Deposits from customers	**400**	**507**
Deposits with agreed maturity	400	507
Debt securities issued	**1,482**	**1,892**
Other debt securities issued	1,482	1,892
hereof convertible compound financial instruments	11	0
hereof non-convertible	1,471	1,892
Total	**1,991**	**2,509**
hereof subordinated financial liabilities	528	862

(26) Financial liabilities - held for trading

in € million	31/3/2018	31/12/2017
Derivatives	**1,625**	**1,726**
Interest rate	935	1,002
Equity	155	119
Foreign exchange and gold	434	495
Credit	7	5
Commodities	4	4
Other	91	101
Short positions	**414**	**344**
Equity instruments	159	265
Debt securities	255	79
Debt securities issued	**2,479**	**2,345**
Certificates of deposits	2,479	2,345
Total	**4,518**	**4,414**

Derivatives included € 117 million of derivatives in economic hedges at the end of the first quarter of 2018 (31/12/2017: € 169 million).

(27) Derivatives - hedge accounting

in € million	31/3/2018	31/12/2017
Negative fair values of derivatives in micro fair value hedge	**25**	**28**
Interest-based transactions	25	28
Negative fair values of derivatives in micro cash flow hedge	**42**	**0**
Interest-based transactions	42	0
Negative fair values of derivatives in net investment hedge	**0**	**10**
Negative fair values of derivatives in portfolio hedge	**114**	**166**
Cash flow hedge	13	62
Fair value hedge	101	105
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**48**	**60**
Total	**229**	**265**

(28) Provisions for liabilities and charges

in € million	31/3/2018	31/12/2017
Pensions and other post employment defined benefit obligations	160	165
Other long-term employee benefits	37	33
Restructuring	17	18
Pending legal issues and tax litigation	113	129
Commitments and guarantees given	105	119
Onerous contracts	67	66
Bonus payments	179	169
Termination benefits	2	3
Provisions for overdue vacations	53	52
Other provisions	185	119
Total	**918**	**872**

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

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

(29) Tax liabilities

in € million	31/3/2018	31/12/2017
Current tax liabilities	78	75
Deferred tax liabilities	70	63
Total	**148**	**138**

(30) Other liabilities

in € million	31/3/2018	31/12/2017
Deferred income and accrued expenses	263	267
Sundry liabilities	656	584
Liabilities included in disposal groups classified as held for sale	66	62
Total	**984**	**913**

(31) Equity

in € million	31/3/2018	31/12/2017
Consolidated equity	10,196	9,937
Subscribed capital	1,002	1,002
Capital reserves	4,992	4,992
Retained earnings	4,202	3,943
hereof consolidated profit/loss	399	1,116
Non-controlling interests	677	660
Additional tier 1	1,127	645
Total	**12,000**	**11,241**

As at 31 March 2018 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.

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

Notes to financial instruments

(32) Fair value of financial instruments

Fair value of financial instruments reported at fair value

Assets	2018			2017		
in € million	Level I	Level II	Level III	Level I	Level II	Level III
Financial assets - held for trading	**2,361**	**2,508**	**56**	**2,047**	**1,870**	**25**
Derivatives	27	1,932	35	128	1,595	1
Equity instruments	317	0	0	243	0	0
Debt securities	2,017	576	21	1,676	275	24
Loans and advances	0	0	0	0	0	0
Non-trading financial assets - mandatorily fair value through profit/loss	**181**	**49**	**267**	**102**	**0**	**1**
Equity instruments	110	0	21	102	0	1
Debt securities	70	49	0	0	0	0
Loans and advances	0	0	245	0	0	0
Financial assets - designated fair value through profit/loss	**4,150**	**58**	**79**	**5,188**	**324**	**10**
Debt securities	4,150	58	79	5,188	324	10
Loans and advances	0	0	0	0	0	0
Financial assets - fair value through other comprehensive income	**5,244**	**840**	**359**	**4,938**	**1,307**	**238**
Equity instruments	91	23	178	92	41	62
Debt securities	5,152	817	181	4,846	1,266	176
Loans and advances	0	0	0	0	0	0
Hedge accounting	**0**	**540**	**0**	**0**	**522**	**0**
Banking book derivatives - without hedge accounting	**0**	**0**	**0**	**0**	**415**	**0**

Liabilities in € million	2018 Level I	2018 Level II	2018 Level III	2017 Level I	2017 Level II	2017 Level III
Financial liabilities - held for trading	**382**	**4,116**	**21**	**413**	**3,843**	**1**
Derivatives	32	1,573	19	114	1,454	0
Short positions	348	66	0	298	45	0
Deposits	0	0	0	0	0	0
Debt securities issued	2	2,476	1	0	2,344	1
Other financial liabilities	0	0	0	0	0	0
Financial liabilities - designated fair value through profit/loss	**0**	**1,991**	**0**	**0**	**2,522**	**0**
Deposits	0	509	0	0	772	0
Debt securities issued	0	1,482	0	0	1,133	0
Other financial liabilities	0	0	0	0	617	0
Hedge accounting	**0**	**182**	**0**	**0**	**205**	**0**
Banking book derivatives - without hedge accounting	**0**	**0**	**0**	**0**	**157**	**0**

Fair value hierarchy

Level I

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

Level II

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

Level III

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

Movements between Level I and Level II

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

Compared to year-end, the share of financial assets classified both as Level I and as Level II decreased only marginally. The decrease resulted largely from disposals from the individual categories. Moreover, there was a shift from Level II to Level I in the category Financial assets – held for trading. This was due to the fact that directly quoted market prices for these financial instruments were available at the reporting date.

Movements in Level III of financial instruments at fair value

The following tables show the changes in the fair value of financial instruments whose fair value cannot be calculated on the basis of observable market data and are therefore subject to other measurement models. Financial instruments in this category have a value component which is unobservable directly or indirectly on the market and which has a material impact on the fair value. Due to the move to IFRS 9, substantial additions were shown in the column Changes in consolidated group in various categories in the reporting period.

Assets in € million	As at 1/1/2018	Change in consolidated group	Exchange differences	Additions	Disposals
Financial assets - held for trading	25	0	(0)	36	(3)
Non-trading financial assets - mandatorily fair value through profit/loss	1	256	10	0	(4)
Financial assets - designated fair value through profit/loss	10	(2)	0	79	(8)
Financial assets - fair value through other comprehensive income	238	121	2	11	(7)
Hedge accounting	0	0	0	0	0

Assets in € million	Gain/loss in P/L	Gain/loss in other comprehensive income	Transfer to Level III	Transfer from Level III	As at 31/3/2018
Financial assets - held for trading	(1)	0	0	0	56
Non-trading financial assets - mandatorily fair value through profit/loss	4	0	0	0	267
Financial assets - designated fair value through profit/loss	0	0	0	0	79
Financial assets - fair value through other comprehensive income	4	(9)	0	0	359
Hedge accounting	0	0	0	0	0

Liabilities in € million	As at 1/1/2018	Change in consolidated group	Exchange differences	Additions	Disposals
Financial liabilities - held for trading	1	0	(0)	62	(42)
Financial liabilities - designated fair value through profit/loss	0	0	0	0	0
Hedge accounting	0	0	0	0	0

Liabilities in € million	Gain/loss in P/L	Gain/loss in other comprehensive income	Transfer to Level III	Transfer from Level III	As at 31/3/2018
Financial liabilities - held for trading	(0)	0	0	0	21
Financial liabilities - designated fair value through profit/loss	0	0	0	0	0
Hedge accounting	0	0	0	0	0

Qualitative information for the valuation of financial instruments in Level III

Financial assets	Type	Fair value in € million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Shares and other variable-yield securities	Closed end real estate fund	0	Net asset value	Haircuts	45 - 90%
Shares and other variable-yield securities	Shares, floating rate notes	199	Cost of aquisition, Discounted cash flow method	Realization rate Credit spread	10 - 35%
Bonds, notes and other fixed-interest securities	Fixed coupon bonds	282	Discounted cash flow method	Credit spread	0.4 - 50%
Bonds, notes and other fixed-interest securities	Asset-backed securities	35	Discounted cash flow method	Realization rate Credit spread	10 - 20%
Positive fair values of banking book derivatives without hedge accounting	Forward foreign exchange contracts	0	Net present value method Internal model	Interest rate PD LGD	10 - 30% 0.25 - 100% 35 - 65%
Loans and advances	Credit	245	Retail: Discounted Cash flows (incl. prepayment option, withdrawal option etc.) Non retail: Discounted Cash flows/ Financial Option Pricing: Black pricing, Hull-White one factor model	Discount spread Prepayment rates Withdrawal rates Funding curves (for liquidity costs) Credit spread range (CDS curves)	1.5 - 3.45% over all currencies -0.000205 - 1.36% over all funding costs 0.02 - 26.6%
Total		**761**			

Financial liabilities	Type	Fair value in € million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Negative fair values of banking book derivatives without hedge accounting	OTC options	19	Option model Net present value method	Closing period Currency risk LT volatility Index category Net interest rate	2 - 5% 0 - 5% 0 - 3% 0 - 5% 6 - 30%
Issued certificates for trading purposes	Certificates	1	Option model (Curran)	Closing period Bid-Ask spread LT volatility Index category	0 - 3% 0 - 3% 0 - 3% 0 - 2.5%
Total		**21**			

Fair value of financial instruments not reported at fair value

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

31/3/2018 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash and cash equivalents	0	20,425	0	20,425	20,425	0
Debt securities	7,100	340	1,228	8,667	8,075	592
Loans and advances	0	0	93,339	93,339	90,364	2,976
Investment securities - amortized cost	0	0	185	185	185	0
Liabilities						
Deposits	0	0	111,743	111,743	110,897	847
Debt securities issued	0	8,273	491	8,764	7,951	813
Other financial liabilities	1	43	518	562	395	167

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

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

(33) Collateral and maximum exposure to credit risk

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

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

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

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

31/3/2018 in € million	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Banks and sovereigns	11,362	4,747	6,614
Other financial corporations	6,639	2,777	3,862
Non-financial corporations	43,823	19,900	23,923
Households	31,967	20,979	10,988
Commitments/guarantees issued	41,057	5,874	35,182
Total	**134,847**	**54,278**	**80,569**

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

(34) Expected credit losses

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

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

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

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

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

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

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

Financial instruments in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their expected credit losses measured based on expected credit losses on a lifetime basis. According to IFRS 9, when measuring expected credit losses it is necessary to consider forward-looking information. Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their expected credit loss is always measured on a lifetime basis (Stage 3).

Significant increase in credit risk

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

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

RBI is not aware of any generally accepted market practice for the level at which a financial instrument has to be transferred to Stage 2. From this perspective it is expected that the increase in PD at reporting date which is considered significant will develop over a period of time as a result of an iterative process between market participants and supervisors.

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

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

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

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

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

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

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

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

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

Forward looking information

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

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

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

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

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

Real GDP	Scenario	2018	2019	2020
	Optimistic	3.0%	2.0%	1.7%
	Base	2.6%	1.6%	1.2%
Austria	Pessimistic	1.9%	0.7%	0.2%
	Optimistic	2.5%	2.7%	2.8%
	Base	1.5%	1.5%	1.5%
Russia	Pessimistic	(0.4)%	(0.8)%	(1.2)%
	Optimistic	4.5%	4.0%	3.6%
	Base	4.1%	3.6%	3.1%
Poland	Pessimistic	3.0%	2.3%	1.6%
	Optimistic	5.0%	4.5%	4.1%
	Base	4.2%	3.5%	3.0%
Romania	Pessimistic	1.7%	0.5%	(0.4)%
	Optimistic	4.7%	4.9%	4.0%
	Base	4.0%	4.0%	3.0%
Slovakia	Pessimistic	2.5%	2.2%	0.9%
	Optimistic	3.9%	3.9%	3.7%
	Base	3.3%	3.2%	2.8%
Czech Republic	Pessimistic	1.4%	1.0%	0.2%

Unemployment	Scenario	2018	2019	2020
	Optimistic	5.2%	5.0%	5.2%
	Base	5.3%	5.2%	5.4%
Austria	Pessimistic	5.7%	5.7%	6.0%
	Optimistic	5.0%	4.9%	4.8%
	Base	5.3%	5.3%	5.3%
Russia	Pessimistic	6.3%	6.5%	6.7%
	Optimistic	5.0%	3.9%	3.1%
	Base	5.8%	4.8%	4.2%
Poland	Pessimistic	8.9%	8.5%	8.5%
	Optimistic	4.3%	4.2%	4.1%
	Base	4.7%	4.7%	4.7%
Romania	Pessimistic	5.3%	5.4%	5.5%
	Optimistic	6.3%	5.4%	4.9%
	Base	7.0%	6.2%	5.8%
Slovakia	Pessimistic	8.6%	8.1%	8.0%
	Optimistic	3.5%	3.7%	3.8%
	Base	3.8%	4.0%	4.2%
Czech Republic	Pessimistic	4.7%	5.0%	5.4%

Lifetime Bond Rate	Scenario	2018	2019	2020
	Optimistic	0.3%	0.7%	1.3%
	Base	1.0%	1.5%	2.2%
Austria	Pessimistic	1.6%	2.3%	3.1%
	Optimistic	7.1%	6.9%	6.9%
	Base	7.5%	7.3%	7.4%
Russia	Pessimistic	8.3%	8.4%	8.5%
	Optimistic	3.2%	3.4%	3.5%
	Base	3.5%	3.7%	3.9%
Poland	Pessimistic	4.0%	4.4%	4.7%
	Optimistic	4.3%	4.6%	4.4%
	Base	4.8%	5.2%	5.1%
Romania	Pessimistic	5.8%	6.4%	6.4%
	Optimistic	0.5%	1.0%	1.5%
	Base	1.2%	1.8%	2.5%
Slovakia	Pessimistic	1.9%	2.6%	3.4%
	Optimistic	1.7%	2.0%	2.3%
	Base	2.1%	2.5%	2.8%
Czech Republic	Pessimistic	2.8%	3.4%	3.8%

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

Gross Exposure by three-stage impairment model

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

in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Central banks	5,763	0	0	5,763
General governments	11,175	275	1	11,451
Banks	7,180	48	1	7,229
Other financial corporations	6,948	188	147	7,283
Non-financial corporations	38,907	2,611	2,665	44,183
Households	25,260	5,170	1,400	31,831
Total	**95,234**	**8,291**	**4,215**	**107,740**

Impairment on loans and bonds

in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1/1/2018	**180**	**374**	**2,886**	**3,441**
Increases due to origination and acquisition	29	12	44	85
Decreases due to derecognition	(13)	(14)	(121)	(148)
Changes due to change in credit risk (net)	(9)	(8)	(17)	(35)
Changes due to modifications without derecognition (net)	0	0	(8)	(8)
Decrease in allowance account due to write-offs	0	0	(45)	(46)
Changes due to model/risk parameters	0	0	(1)	(1)
Foreign exchange and other	1	(2)	(30)	(31)
As at 31/3/2018	**189**	**357**	**2,709**	**3,255**

The situation at 1/1/2018 already takes into account the reconciliation effect due to the introduction of IFRS 9 amounting to € 223 million. The change in the reporting period totalled € 184 million, largely made up of derecognition (€ 148 million) and depreciation of impaired loans (€ 46 million).

The drivers of this positive development were recoveries and sales of non-performing loans particularly in Croatia, Russia and Ukraine (€ 135 million). In Poland there was a migration of loans from Stage 2 to Stage 1 pursuant to IFRS 9, resulting in a release of € 11 million. There was no impairment need in Romania in the reporting period, although impairments of € 33 million had been necessary in the comparable period in the previous year related to the conversion of Swiss franc loans. In the area of loans off the statement of financial position, € 25 million was released further to a positive court ruling in connection with insolvency proceedings involving an Icelandic bank.

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

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	31/3/2017
Individual loan loss provisions	4,697	243	250	(176)	(220)	2	4,797
Portfolio-based loan loss provisions	381	24	107	(101)	0	1	412
Total	**5,078**	**267**	**358**	**(277)**	**(220)**	**3**	**5,210**

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

31/3/2018 in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and advances	**158**	**335**	**2,650**	**3,142**
Central banks	0	0	0	0
General governments	0	0	1	1
Banks	0	0	12	13
Other financial corporations	4	3	78	84
Non-financial corporations	72	82	1,592	1,746
Households	81	249	967	1,298
Debt securities	**5**	**0**	**0**	**5**
Central banks	1	0	0	1
General governments	2	0	0	2
Banks	0	0	0	0
Other financial corporations	0	0	0	0
Non-financial corporations	0	0	0	1
Loan commitments, financial guarantees and other commitments received	**27**	**22**	**59**	**108**
Total	**189**	**357**	**2,709**	**3,255**

31/3/2018 in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Central Europe	71	175	844	1,090
Southeastern Europe	59	120	689	868
Eastern Europe	30	33	525	588
Group Corporates & Markets	25	24	602	650
Corporate Center	5	5	49	59
Total	**189**	**357**	**2,709**	**3,255**

Due to the implementation of IFRS 9 it is not possible to make a direct comparison with the previous year.

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

in € million	As at 1/1/2017	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	31/3/2017
Individual loan loss provisions	4,697	243	250	(176)	(220)	2	4,797
Portfolio-based loan loss provisions	381	24	107	(101)	0	1	412
Total	**5,078**	**267**	**358**	**(277)**	**(220)**	**3**	**5,210**

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

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

in € million	31/12/2017
Individual loan loss provisions	**2,865**
Central banks	0
General governments	0
Banks	45
Other financial corporations	73
Non-financial corporations	1,774
Households	973
Portfolio-based loan loss provisions	**356**
Central banks	0
General governments	0
Banks	1
Other financial corporations	6
Non-financial corporations	152
Households	196
Total	**3,221**

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

in € million	31/12/2017
Individual loan loss provisions	**2,865**
Central Europe	939
Southeastern Europe	762
Eastern Europe	470
Group Corporates & Markets	615
Corporate Center	80
Portfolio-based loan loss provisions	**356**
Central Europe	147
Southeastern Europe	103
Eastern Europe	60
Group Corporates & Markets	46
Corporate Center	0
Total	**3,221**

(35) Past due status

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

31/3/2018	Carrying amount								
	Assets without significant increase in credit risk since initial recognition (Stage 1)			Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)			Credit-impaired assets (Stage 3)		
in € million	≤ 30 days	> 30 days	> 90 days	≤ 30 days	> 30 days	> 90 days	≤ 30 days	> 30 days	> 90 days
Loans and advances to households	703	3	0	1,535	213	23	42	48	234

(36) Transferred assets

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

31/3/2018	Transferred assets			Associated liabilities		
in € million	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Financial assets - held for trading	375	0	375	374	0	374
Non-trading financial assets - mandatorily fair value through profit/loss	0	0	0	0	0	0
Financial assets - designated at fair value through profit/loss	1,340	0	1,340	1,340	0	1,340
Financial assets - fair value through other comprehensive income	118	0	118	118	0	118
Financial assets - amortized cost	796	0	796	791	0	791
Total	**2,629**	**0**	**2,629**	**2,623**	**0**	**2,623**

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

(37) Assets pledged as collateral and received financial assets

Significant restrictions regarding the access or use of assets:

in € million	31/3/2018 Pledged	31/3/2018 Otherwise restricted with liabilities	31/12/2017 Pledged	31/12/2017 Otherwise restricted with liabilities
Financial assets - held for trading	433	0	704	0
Non-trading financial assets - mandatorily fair value through profit/loss	1	0	0	0
Financial assets - designated fair value through profit/loss	1,406	0	0	0
Financial assets - fair value through other comprehensive income	274	0	255	55
Financial assets - amortized cost	7,755	663	7,479	876
Total	**9,868**	**663**	**8,438**	**932**

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

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

in € million	31/3/2018	31/12/2017
Securities and other financial assets accepted as collateral which can be sold or repledged	11,916	9,931
hereof which have been sold or repledged	1,857	1,463

(38) Offsetting of financial assets and liabilities

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

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

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

31/3/2018	Gross amount			Amounts from global netting agreements		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 (enforceable)	3,396	907	2,489	1,862	46	581
Repurchase, securities lending & similar agreements (legally enforceable)	10,358	0	10,358	10,083	0	70
Total	**13,753**	**907**	**12,846**	**11,945**	**46**	**651**

31/3/2018	Gross amount			Amounts from global netting agreements		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 received	
Derivatives (enforceable)	2,641	907	1,735	484	78	1,173
Reverse repurchase, securities lending & similar agreements (legally enforceable)	3,113	0	3,113	3,088	0	25
Total	**5,755**	**907**	**4,848**	**3,572**	**78**	**1,198**

31/12/2017	Gross amount			Amounts from global netting agreements		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 (enforceable)	3,528	915	2,613	1,923	57	633
Repurchase, securities lending & similar agreements (legally enforceable)	8,164	0	8,164	7,816	0	348
Total	**11,691**	**915**	**10,776**	**9,739**	**57**	**980**

31/12/2017	Gross amount			Amounts from global netting agreements		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 received	
Derivatives (enforceable)	2,776	915	1,861	592	43	1,226
Reverse repurchase, securities lending & similar agreements (legally enforceable)	298	0	298	291	0	6
Total	**3,074**	**915**	**2,159**	**883**	**43**	**1,233**

(39) Derivative financial instruments

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

31/3/2018	Nominal amount	Fair values	
in € million		Positive	Negative
Trading book	**159,026**	**1,781**	**(1,504)**
Interest rate contracts	112,814	1,184	(887)
Equity contracts	3,766	127	(155)
Foreign exchange rate and gold contracts	40,835	468	(369)
Credit contracts	94	0	(2)
Commodities	175	2	(4)
Other	1,341	0	(88)
Banking book	**28,210**	**213**	**(122)**
Interest rate contracts	19,228	67	(51)
Equity contracts	0	0	0
Foreign exchange rate and gold contracts	8,849	146	(65)
Credit contracts	134	0	(5)
Commodities	0	0	0
Other	0	0	0
Hedging instruments	**22,376**	**540**	**(182)**
Interest rate contracts	21,729	536	(181)
Equity contracts	0	0	0
Foreign exchange rate and gold contracts	647	4	0
Credit contracts	0	0	0
Commodities	0	0	0
Other	0	0	0
Total	**209,612**	**2,534**	**(1,807)**
OTC products	197,966	2,502	(1,659)
Products traded on stock exchange	9,788	30	(47)

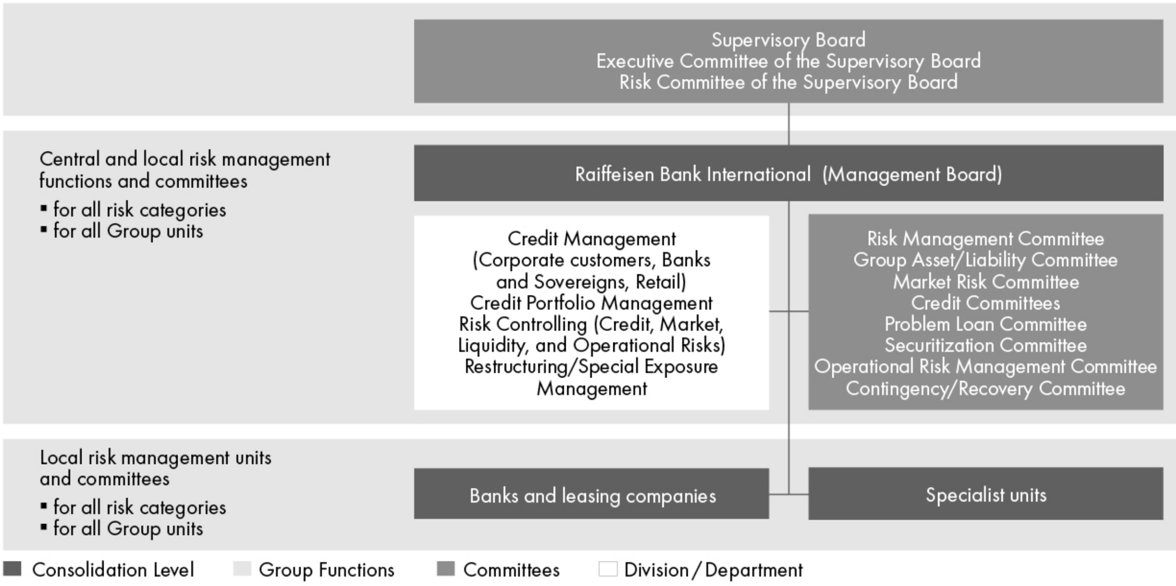
31/12/2017	Nominal amount	Fair values	
in € million		Positive	Negative
Interest rate contracts	145,042	1,846	(1,237)
Foreign exchange rate and gold contracts	46,185	687	(566)
Equity/index contracts	3,439	124	(119)
Commodities	160	3	(4)
Credit derivatives	232	0	(5)
Precious metals contracts	23	0	0
Total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

Risk report

(40) Risks arising from financial instruments

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

Organization of risk management



Economic capital

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

Risk contribution of individual risk types to economic capital:

in € million	31/3/2018	Share	31/12/2017	Share
Credit risk corporate customers	1,473	24.5%	1,452	24.5%
Credit risk retail customers	1,463	24.3%	1,436	24.2%
Macroeconomic risk	607	10.1%	487	8.2%
Operational risk	521	8.7%	529	8.9%
Market risk	414	6.9%	440	7.4%
Credit risk sovereigns	381	6.3%	387	6.5%
Participation risk	311	5.2%	310	5.2%
Risk buffer	286	4.8%	282	4.8%
Other tangible fixed assets	213	3.5%	222	3.8%
FX risk capital position	166	2.8%	209	3.5%
Credit risk banks	157	2.6%	153	2.6%
CVA risk	20	0.3%	20	0.3%
Liquidity risk	0	0.0%	2	0.0%
Total	**6,012**	**100.0%**	**5,928**	**100.0%**

Regional allocation of economic capital according to Group unit domicile:

in € million	31/3/2018	Share	31/12/2017	Share
Central Europe	1,923	32.0%	1,930	32.6%
Austria	1,629	27.1%	1,647	27.8%
Southeastern Europe	1,289	21.4%	1,228	20.7%
Eastern Europe	1,165	19.4%	1,123	18.9%
Rest of World	6	0.1%	1	0.0%
Total	**6,012**	**100.0%**	**5,928**	**100.0%**

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

Credit risk

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

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

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

in € million	31/3/2018	31/12/2017
Cash, cash balances at central banks and other demand deposits	16,778	13,305
Financial assets - amortized cost	101,555	99,410
Financial assets - fair value through other comprehensive income	6,185	6,589
Non-trading financial assets - mandatorily at fair value through profit / loss	496	0
Financial assets - designated fair value through profit/loss	4,287	5,370
Financial assets - held for trading	4,925	4,622
Hedge accounting	610	597
Current tax assets	181	189
Deferred tax assets	139	114
Other assets	692	1,113
Contingent liabilities	10,016	9,917
Commitments	11,823	10,898
Revocable credit lines	18,563	19,800
Disclosure differences	(1,650)	(2,007)
Total assets[1]	**174,600**	**169,917**

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 total credit exposure by asset class:

in € million	31/3/2018	31/12/2017
Corporate customers	73,048	72,025
Project finance	8,465	8,327
Retail customers	38,511	37,868
Banks	20,145	18,645
Sovereigns	34,432	33,052
Total	**174,600**	**169,917**

Credit portfolio – Corporates

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

in € million		31/3/2018	Share	31/12/2017	Share
1	Minimal risk	5,034	6.9%	5,035	7.0%
2	Excellent credit standing	9,516	13.0%	8,970	12.5%
3	Very good credit standing	8,736	12.0%	8,447	11.7%
4	Good credit standing	11,954	16.4%	12,205	16.9%
5	Sound credit standing	15,852	21.7%	15,205	21.1%
6	Acceptable credit standing	12,841	17.6%	12,895	17.9%
7	Marginal credit standing	4,736	6.5%	4,699	6.5%
8	Weak credit standing / sub-standard	1,348	1.8%	1,300	1.8%
9	Very weak credit standing / doubtful	497	0.7%	579	0.8%
10	Default	2,388	3.3%	2,581	3.6%
NR	Not rated	144	0.2%	109	0.2%
Total		**73,048**	**100.0%**	**72,025**	**100.0%**

The total credit exposure to corporate customers rose € 1,023 million compared to year-end 2017 to € 73,048 million.

The credit exposure rated as good credit standing through to minimal risk increased € 583 million, corresponding to a share of 48.3 per cent (31/12/2017: 48.1 per cent).

The € 546 million increase in rating grade 2 to € 9,516 million was primarily due to growth in the repo business at RBI AG. This was however partially offset by a decline in documentary credits and credit financing. Rating grade 3 rose € 289 million to € 8,736 million, which was attributable to credit financing and money market business. As a result of deterioration of a customer rating in Singapore, there was a shift from rating grade 4 to rating grade 5. The decrease in rating grade 4 was however offset by increased credit financing in Poland, the UK, Croatia and Switzerland. Rating grade 5 posted an additional increase driven by credit financing, guarantees issued and deposits in Austria, the Czech Republic, Italy and Russia.

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

in € million		31/3/2018	Share	31/12/2017	Share
6.1	Excellent project risk profile – very low risk	5,170	61.1%	4,922	59.1%
6.2	Good project risk profile – low risk	2,061	24.3%	1,948	23.4%
6.3	Acceptable project risk profile – average risk	462	5.5%	517	6.2%
6.4	Poor project risk profile – high risk	200	2.4%	219	2.6%
6.5	Default	571	6.7%	605	7.3%
NR	Not rated	1	0.0%	115	1.4%
Total		**8,465**	**100.0%**	**8,327**	**100.0%**

Credit exposure to project finance rose € 138 million to € 8,465 million as of 31 March 2018. The € 248 million increase in rating grade 6.1 to € 5,170 million was primarily due to an rating assignment of an Austrian customer as well as an increase in project financing in Luxembourg and Serbia. The € 114 million decrease in the not rated grade to € 1 million resulted from the assignment of an Austrian customer to the 6.1 rating grade.

At 85.4 per cent, the rating grades excellent project risk profile – very low risk and good project risk profile – low risk accounted for the majority of the portfolio. This mainly reflected the high level of collateralization in specialized lending transactions.

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

in € million	31/3/2018	Share	31/12/2017	Share
Central Europe	22,864	28.0%	22,579	28.1%
Austria	17,238	21.1%	16,709	20.8%
Eastern Europe	12,335	15.1%	12,445	15.5%
Western Europe	12,295	15.1%	12,117	15.1%
Southeastern Europe	12,025	14.8%	11,675	14.5%
Asia	1,257	1.5%	1,302	1.6%
Other	3,498	4.3%	3,525	4.4%
Total	**81,512**	**100.0%**	**80,352**	**100.0%**

Credit exposure stood at € 81,512 million, € 1,160 million higher than at year-end 2017. The largest increase, of € 529 million to € 17,238 million, was in Austria and was primarily due to repo and money market business. The increase was offset by a reduction in facility financing and guarantees issued. The € 350 million rise in Southeastern Europe to € 12,025 million was due to overdraft facilities as well as facility and credit financing.

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

in € million	31/3/2018	Share	31/12/2017	Share
Manufacturing	16,273	20.0%	16,677	20.8%
Wholesale and retail trade	17,051	20.9%	16,829	20.9%
Financial intermediation	11,554	14.2%	10,268	12.8%
Real estate	9,938	12.2%	9,918	12.3%
Construction	5,635	6.9%	5,540	6.9%
Freelance/technical services	5,451	6.7%	5,590	7.0%
Transport, storage and communication	3,372	4.1%	3,365	4.2%
Electricity, gas, steam and hot water supply	3,046	3.7%	2,907	3.6%
Other industries	9,192	11.3%	9,258	11.5%
Total	**81,512**	**100.0%**	**80,352**	**100.0%**

Credit portfolio – Retail customers

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

in € million	31/3/2018	Share	31/12/2017	Share
Retail customers – private individuals	35,377	91.9%	34,827	92.0%
Retail customers – small and medium-sized entities	3,134	8.1%	3,041	8.0%
Total	**38,511**	**100.0%**	**37,868**	**100.0%**
hereof non-performing loans	1,698	4.4%	1,641	4.3%

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

31/3/2018 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	18,082	8,054	4,313	4,928
Retail customers – small and medium-sized entities	1,602	713	382	437
Total	**19,684**	**8,767**	**4,696**	**5,364**
hereof non-performing loans	867	463	345	23

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

Compared to year-end 2017, the total retail credit exposure increased € 643 million to € 38,511 million. The increase resulted mainly from Central Europe and Eastern Europe. Central Europe reported a rise of € 255 million to € 19,684 million, driven by the Czech Republic and Slovakia. In the Czech Republic there was growth in SME financing and mortgage loans, while personal loans declined. In Slovakia, there was a rise in mortgage loans. The total increase in Central Europe was however offset by a reduction in mortgage loans in Poland. The € 242 million increase in Eastern Europe to € 4,696 million resulted from mortgage loans and personal loans in Russia, despite the depreciation of the Russian rouble, as well as an increase driven by appreciation of the Ukrainian Hryvnia.

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

in € million	31/3/2018	Share	31/12/2017	Share
Mortgage loans	22,472	58.4%	22,228	58.7%
Personal loans	8,085	21.0%	8,317	22.0%
Credit cards	3,266	8.5%	3,273	8.6%
SME financing	2,432	6.3%	1,866	4.9%
Overdrafts	1,810	4.7%	1,751	4.6%
Car loans	446	1.2%	433	1.1%
Total	**38,511**	**100.0%**	**37,868**	**100.0%**

The € 566 million increase in SME financing to € 2,432 million resulted primarily from the Czech Republic.

Credit portfolio – Banks

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

in € million		31/3/2018	Share	31/12/2017	Share
1	Minimal risk	3,057	15.2%	3,455	18.5%
2	Excellent credit standing	3,076	15.3%	2,602	14.0%
3	Very good credit standing	11,201	55.6%	9,975	53.5%
4	Good credit standing	1,681	8.3%	1,221	6.5%
5	Sound credit standing	625	3.1%	676	3.6%
6	Acceptable credit standing	135	0.7%	243	1.3%
7	Marginal credit standing	148	0.7%	201	1.1%
8	Weak credit standing / sub-standard	203	1.0%	245	1.3%
9	Very weak credit standing / doubtful	3	0.0%	4	0.0%
10	Default	11	0.1%	11	0.1%
NR	Not rated	5	0.0%	11	0.1%
Total		**20,145**	**100.0%**	**18,645**	**100.0%**

The total credit exposure amounted to € 20,145 million. Compared to year-end 2017, this was an increase of € 1,500 million.

In rating grade 3 there was an increase of € 1,226 million to € 11,201 million, which was attributable to overdraft facilities, money market and repo business. There was growth in repo business in France (which can be seen in rating grade 2) and in the UK (reflected in rating grades 2 and 3). Rating grade 1 posted a decline of € 398 million to € 3,057 million, resulting from repo business in Germany and a reduction in the bond portfolio.

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

in € million	31/3/2018	Share	31/12/2017	Share
Repo	5,472	27.2%	4,373	23.5%
Loans and advances	4,173	20.7%	3,920	21.0%
Bonds	3,770	18.7%	3,812	20.4%
Money market	2,629	13.1%	2,192	11.8%
Derivatives	2,571	12.8%	2,735	14.7%
Other	1,529	7.6%	1,612	8.6%
Total	**20,145**	**100.0%**	**18,645**	**100.0%**

The increase resulted primarily from repo business in Great Britain and France as well as money market business in Austria.

Credit portfolio – Sovereigns

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

in € million		31/3/2018	Share	31/12/2017	Share
A1	Excellent credit standing	1,020	3.0%	1,383	4.2%
A2	Very good credit standing	10,349	30.1%	7,966	24.1%
A3	Good credit standing	7,631	22.2%	7,910	23.9%
B1	Sound credit standing	3,625	10.5%	4,242	12.8%
B2	Average credit standing	3,084	9.0%	3,147	9.5%
B3	Mediocre credit standing	5,750	16.7%	5,383	16.3%
B4	Weak credit standing	1,526	4.4%	1,592	4.8%
B5	Very weak credit standing	786	2.3%	779	2.4%
C	Doubtful/high default risk	659	1.9%	646	2.0%
D	Default	0	0.0%	0	0.0%
NR	Not rated	3	0.0%	3	0.0%
Total		**34,432**	**100.0%**	**33,052**	**100.0%**

Compared to year-end 2017, the credit exposure to sovereigns increased € 1,380 million to € 34,432 million.

The largest increase, of € 2,383 million to € 10,349 million, was in rating grade A2 and was attributable to deposits at the Austrian National Bank. The € 367 million rise in rating grade B3 to € 5,750 million resulted from an increase in the portfolio of Russian Central Bank bonds. This was however partially offset by a reduction in the minimum reserve at the Bulgarian National Bank. The € 363 million decrease in the A1 rating grade to € 1,020 million resulted from a reduction in the portfolio of bonds issued by the Federal Republic of Germany, the Netherlands and the US. There was a decline of € 279 million in rating grade A3 to € 7,631 million, driven by a reduction in the minimum reserve at the National Bank of Slovakia. This was partially offset by an increase in the portfolio of Czech Republic bonds and improvements in the ratings of individual German states. In rating grade B1 there was a € 617 million reduction to € 3,625 million, due to a decline in the portfolio of National Bank of Poland bonds which was partially offset by a higher minimum reserve at the National Bank of Poland.

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

in € million	31/3/2018	Share	31/12/2017	Share
Bonds	16,254	47.2%	16,743	50.7%
Loans and advances	12,854	37.3%	10,787	32.6%
Repo	4,292	12.5%	4,323	13.1%
Money market	987	2.9%	1,166	3.5%
Derivatives	40	0.1%	28	0.1%
Other	4	0.0%	5	0.0%
Total	**34,432**	**100.0%**	**33,052**	**100.0%**

The € 2,067 million increase in loans and advances to € 12,854 million was mainly driven by deposits at the Austrian National Bank. Bonds declined by € 489 million to € 16,254 million, primarily due to a reduction in the portfolio of bonds issued by the National Bank of Poland, the Republic of Austria and the Federal Republic of Germany. The reduction was offset by an increase in the portfolio of Russian Central Bank bonds.

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

in € million	31/3/2018	Share	31/12/2017	Share
Hungary	2,163	24.8%	2,297	27.3%
Russia	1,463	16.8%	751	8.9%
Croatia	1,267	14.5%	1,229	14.6%
Bulgaria	752	8.6%	945	11.2%
Albania	656	7.5%	734	8.7%
Serbia	630	7.2%	619	7.4%
Bosnia and Herzegovina	448	5.1%	460	5.5%
Ukraine	442	5.1%	405	4.8%
Belarus	184	2.1%	216	2.6%
Vietnam	151	1.7%	151	1.8%
Other	568	6.5%	595	7.1%
Total	**8,724**	**100.0%**	**8,403**	**100.0%**

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

Compared to year-end 2017, the credit exposure to sovereigns in non-investment grade increased € 321 million to € 8,724 million. Russia reported an increase of € 712 million to € 1,463 million, which was mainly attributable to Russian government bonds. Hungary reported a decrease of € 134 million to € 2,163 million, mainly due to money market business of Hungarian Central Bank. The decrease of € 193 million to € 752 million in Bulgaria resulted from a decline in the mimimun reserve at the Bulgarian national bank.

Non-performing exposure (NPE)

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

	NPE		NPE ratio		NPE coverage ratio	
in € million	**31/3/2018**	**31/12/2017**	**31/3/2018**	**31/12/2017**	**31/3/2018**	**31/12/2017**
General governments	0	0	0.0%	0.0%	0.0%	0.0%
Credit Institutions	10	10	0.1%	0.1%	100.0%	100.0%
Other financial corporations	40	40	0.5%	0.6%	100.0%	86.7%
Non-financial corporations	2,779	2,992	6.6%	7.1%	57.3%	59.2%
Households	1,864	1,877	5.8%	6.0%	51.7%	50.7%
Loans and advances	**4,693**	**4,920**	**4.3%**	**4.7%**	**56.4%**	**56.3%**
Bonds	**13**	**13**	**0.1%**	**0.2%**	0.0%	0.0%
Total	**4,705**	**4,933**	**3.6%**	**4.0%**	**56.2%**	**56.1%**

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

Forborne exposure

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

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

In the retail business under IFRS9, forborne exposures not in default are automatically transferred to Stage 2 and hence lifetime ECL is applied for them. Transfer back to Stage 1 is possible only after all the criteria for exit of forborne status are met (including minimum probation period).

The following tables show the forborne exposure according to segments:

in € million	**31/3/2018**	**Share**	**31/12/2017**	**Share**
Central Europe	66	33%	157	53%
Southeastern Europe	101	50%	116	39%
Eastern Europe	9	4%	9	3%
Group Corporates & Markets	25	12%	17	6%
Total	**201**	**100%**	**299**	**100%**
hereof non-banks	201	100%	299	100%

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

in € million	Refinancing		Instruments with modified time and modified conditions		NPE total	
	31/3/2018	31/12/2017	31/3/2018	31/12/2017	31/3/2018	31/12/2017
Non-financial corporations	11	11	20	51	31	62
Households	14	14	156	222	170	237
Loans and advances	**25**	**25**	**176**	**274**	**201**	**299**
Total	**25**	**25**	**176**	**274**	**201**	**299**

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

Non-performing loans (NPL)

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

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

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

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

in € million	As at 1/1/2018	Change in consolidated group	Exchange rate	Additions	Disposals	As at 31/3/2018
General governments	0	0	0	0	0	0
Other financial corporations	40	0	0	1	(1)	40
Non-financial corporations	2,930	13	(13)	112	(292)	2,750
Households	1,641	0	(13)	87	(23)	1,692
Total non-banks	**4,611**	**13**	**(26)**	**199**	**(316)**	**4,482**
Credit Institutions	10	0	0	0	0	10
Total	**4,621**	**13**	**(26)**	**200**	**(316)**	**4,492**

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

	NPL		NPL ratio		NPL coverage ratio	
in € million	**31/3/2018**	**31/12/2017**	**31/3/2018**	**31/12/2017**	**31/3/2018**	**31/12/2017**
General governments	0	0	0.0%	0.0%	-	-
Other financial corporations	40	40	0.5%	0.6%	100.0%	100.0%
Non-financial corporations	2,750	2,930	6.6%	6.9%	63.5%	63.1%
Households	1,692	1,641	5.3%	5.2%	76.5%	80.6%
Total non-banks	**4,482**	**4,611**	**5.4%**	**5.7%**	**69.7%**	**67.0%**
Banks	10	10	0.1%	0.0%	100.0%	100.0%
Total	**4,492**	**4,621**	**4.1%**	**4.4%**	**69.8%**	**67.1%**

The volume of non-performing loans to non-banks fell € 130 million. The organic decrease of € 117 million was attributable to sales and recoveries of non-performing loans and the derecognition of commercially uncollectible loans in Croatia, Russia, Poland and Ukraine as well as at RBI AG. Exchange rate movements also caused a reduction of € 26 million. The NPL ratio based on total exposure decreased 0.3 percentage points to 5.4 per cent and the NPL coverage ratio increased 2.7 percentage points to 69.7 per cent.

Since the start of the year, non-financial corporations decreased € 180 million to € 2,750 million, mainly due to sales and derecognition. The ratio of non-performing loans to credit exposure decreased 0.4 percentage points to 6.6 per cent and the NPL coverage ratio increased 0.4 percentage points to 63.5 per cent. In the households portfolio, non-performing loans rose 3.1 per cent, or € 51 million, to € 1,692 million, due to interest accruals on existing non-performing loans; however, for the most part impairment losses are also booked against the interest accruals. The ratio of non-performing loans to credit exposure increased 0.1 percentage point to 5.3 per cent and the NPL coverage ratio decreased 4.1 percentage points to 76.5 per cent. For credit institutions, non-performing loans at the end of the first quarter were unchanged compared to year-end 2017 at € 10 million and the NPL coverage ratio stood over 100 per cent.

The following tables show the share of non-performing loans (NPL) in the defined asset classes (excluding items off the statement of financial position) by segment:

31/3/2018 **in € million**	**NPL**	**NPL ratio**	**NPL coverage ratio**
Central Europe	1,523	3.9%	69.0%
Southeastern Europe	973	5.1%	86.5%
Eastern Europe	714	5.3%	80.2%
Group Corporates & Markets	1,243	3.1%	49.6%
Corporate Center	39	0.4%	100.0%
Total	**4,492**	**4.1%**	**69.8%**
hereof non-banks	4,482	5.4%	69.7%

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

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

In Central Europe, non-performing loans declined € 37 million to € 1,523 million. In the Czech Republic they declined € 33 million and in Poland € 21 million, due to sales, recoveries and derecognition. In contrast, non-performing loans rose € 15 million in Hungary. The NPL ratio increased 0.1 percentage points to 3.9 per cent and the NPL coverage ratio increased 1.2 percentage points to 69.0 per cent.

In Southeastern Europe, non-performing loans decreased € 75 million compared to the start of the year to € 973 million, driven by factors including declines in Croatia, Romania and Serbia amounting to €69 million in total. The NPL ratio rose 0.4 percentage points to 5.1 per cent, the NPL coverage ratio rose 5.5 percentage points to 86.5 per cent.

The Eastern Europe segment reported a rise in non-performing loans of 7.2 per cent, or € 48 million, to € 714 million, taking into account the gross carrying amount including interest accruals on existing non-performing loans to households in Ukraine in the amount of € 48 million and the appreciation of the Ukrainian Hryvnia. The interest accruals on the non-performing loans have impairment losses in corresponding size booked against them. The ratio of non-performing loans to credit exposure rose 0.7 percentage point to 5.3 per cent and the NPL coverage ratio increased 1.5 percentage points to 80.2 per cent.

Non-performing loans in the Group Corporates & Markets segment fell € 68 million in the first quarter to € 1,243 million. Non-performing loans decreased € 53 million at RBI AG in the period under review, but increased € 11 million at Raiffeisen Leasing Group due to a default on a loan. The NPL ratio declined 0.3 percentage point to 3.1 per cent and the NPL coverage ratio increased 1.0 percentage point since the start of the year to 49.6 per cent

Concentration risk

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

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

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

in € million	31/3/2018	Share	31/12/2017	Share
Central Europe	**56,102**	**32.1%**	**56,472**	**33.2%**
Czech Republic	20,069	11.5%	19,803	11.7%
Slovakia	14,637	8.4%	14,903	8.8%
Poland	13,943	8.0%	14,493	8.5%
Hungary	6,950	4.0%	6,818	4.0%
Other	503	0.3%	455	0.3%
Austria	**36,976**	**21.2%**	**33,739**	**19.9%**
Southeastern Europe	**27,643**	**15.8%**	**27,221**	**16.0%**
Romania	10,706	6.1%	10,343	6.1%
Croatia	5,066	2.9%	5,024	3.0%
Bulgaria	4,232	2.4%	4,242	2.5%
Serbia	2,898	1.7%	2,930	1.7%
Bosnia and Herzegovina	2,210	1.3%	2,197	1.3%
Albania	1,627	0.9%	1,705	1.0%
Other	904	0.5%	779	0.5%
Other European Union	**24,566**	**14.1%**	**23,669**	**13.9%**
Germany	8,398	4.8%	8,455	5.0%
Great Britain	5,847	3.3%	5,162	3.0%
France	3,410	2.0%	2,634	1.5%
Luxemburg	1,374	0.8%	1,220	0.7%
Netherlands	1,353	0.8%	1,552	0.9%
Italy	679	0.4%	793	0.5%
Spain	551	0.3%	725	0.4%
Other	2,955	1.7%	3,128	1.8%
Eastern Europe	**20,954**	**12.0%**	**20,457**	**12.0%**
Russia	16,267	9.3%	15,838	9.3%
Ukraine	2,736	1.6%	2,504	1.5%
Belarus	1,544	0.9%	1,685	1.0%
Other	407	0.2%	431	0.3%
Asia	**2,753**	**1.6%**	**2,669**	**1.6%**
North America	**2,281**	**1.3%**	**2,417**	**1.4%**
Switzerland	**2,222**	**1.3%**	**2,196**	**1.3%**
Rest of World	**1,102**	**0.6%**	**1,077**	**0.6%**
Total	**174,600**	**100.0%**	**169,917**	**100.0%**

The credit exposure of all asset classes increased € 4,683 million compared to year-end 2017 to € 174,600 million. The largest increase of € 3,237 million to € 36,976 million in Austria was mainly due to deposits at the Austrian National Bank and repo business.

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

in € million	31/3/2018	Share	31/12/2017	Share
EUR	90,678	51.9%	88,334	52.0%
CZK	18,396	10.5%	18,157	10.7%
USD	16,384	9.4%	15,524	9.1%
RUB	12,087	6.9%	10,733	6.3%
PLN	8,926	5.1%	9,442	5.6%
RON	6,748	3.9%	6,497	3.8%
HUF	5,449	3.1%	5,465	3.2%
CHF	3,067	1.8%	3,175	1.9%
HRK	2,670	1.5%	2,629	1.5%
BGN	2,455	1.4%	2,494	1.5%
BAM	2,023	1.2%	1,991	1.2%
UAH	1,908	1.1%	1,794	1.1%
RSD	1,202	0.7%	1,213	0.7%
ALL	1,026	0.6%	1,015	0.6%
Other currencies	1,580	0.9%	1,456	0.9%
Total	**174,600**	**100.0%**	**169,917**	**100.0%**

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

in € million	31/3/2018	Share	31/12/2017	Share
Banking and insurance	49,462	28.3%	44,982	26.5%
Private households	35,537	20.4%	34,997	20.6%
Public administration, defense and social insurance institutions	16,159	9.3%	16,594	9.8%
Wholesale trade and commission trade (except car trading)	12,559	7.2%	12,639	7.4%
Other manufacturing	11,272	6.5%	11,616	6.8%
Real estate activities	10,225	5.9%	10,096	5.9%
Construction	5,858	3.4%	5,748	3.4%
Other business activities	5,725	3.3%	5,859	3.4%
Retail trade except repair of motor vehicles	4,142	2.4%	3,866	2.3%
Electricity, gas, steam and hot water supply	3,055	1.7%	2,915	1.7%
Manufacture of basic metals	1,837	1.1%	1,742	1.0%
Other transport	1,873	1.1%	1,910	1.1%
Land transport, transport via pipelines	1,996	1.1%	1,955	1.2%
Manufacture of food products and beverages	1,796	1.0%	1,898	1.1%
Manufacture of machinery and equipment	1,654	0.9%	1,695	1.0%
Sale of motor vehicles	1,115	0.6%	1,049	0.6%
Extraction of crude petroleum and natural gas	495	0.3%	594	0.3%
Other industries	9,842	5.6%	9,763	5.7%
Total	**174,600**	**100.0%**	**169,917**	**100.0%**

Market risk

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

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

Total VaR 99% 1d in € million	VaR as at 31/3/2018	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2017
Currency risk	12	13	11	17	13
Interest rate risk	9	8	5	13	12
Credit spread risk	33	25	17	50	31
Share price risk	1	1	1	1	1
Vega risk	1	1	1	2	1
Basis risk	4	4	3	7	6
Total	43	35	26	57	41

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

Liquidity management

Funding structure

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

in € million				
Cash reserve	20,425			
short-term assets	22,218		30,875	short-term refinancing
long-term assets	19,629		20,191	long-term refinancing
Loans and advances	72,746	97.3%	74,752	Deposits
Non-financial corporations	42,077	Loan/deposit	29,653	Non-financial corporations
Households	30,669	Ratio	45,099	Households
Other assets	5,015		2,215	Other liabilities
			12,000	Equity
Total Assets	**140,033**		**140,033**	**Total equity and liabilities**

Liquidity position

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

in € million	31/3/2018		31/12/2017	
Maturity	1 month	1 year	1 month	1 year
Liquidity gap	20,692	23,685	20,675	24,397
Liquidity ratio	141%	125%	152%	129%

Liquidity coverage ratio

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

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

in € million	31/3/2018	31/12/2017[1]
Average liquid assets	**25,740**	**23,050**
Net outflows	**18,495**	**16,642**
Inflows	10,625	10,186
Outflows	29,120	26,828
Liquidity Coverage Ratio	**139%**	**139%**

1 Adaptation of previous year figures

Net Stable Funding Ratio

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

in € million	31/3/2018	31/12/2017
Required stable funding	100,814	101,658
Available stable funding	113,481	114,464
Net Stable Funding Ratio	**113%**	**113%**

Other disclosures

(41) Contingent liabilities and commitments

in € million	31/3/2018	31/12/2017
Contingent liabilities	**10,016**	**9,917**
Acceptances and endorsements	0	0
Credit guarantees	5,660	5,733
Other guarantees	2,975	2,828
Letters of credit (documentary business)	1,381	1,329
Other contingent liabilities	0	27
Commitments	**11,823**	**10,898**
Irrevocable credit lines and stand-by facilities	11,823	10,898
Up to 1 year	3,826	2,507
More than 1 year	7,997	8,391
Non-genuine sale and repurchase agreements	**0**	**0**
Total	**22,494**	**21,409**

The following table contains revocable credit lines:

in € million	31/3/2018	31/12/2017
Revocable credit lines	**18,563**	**19,800**
Up to 1 year	9,504	10,811
More than 1 year	5,962	5,954
Without maturity	3,096	3,035
Total	**18,563**	**19,800**

(42) Related parties

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

The 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.

31/3/2018 in € million	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Selected financial assets	**379**	**380**	**1,956**	**372**
Equity instruments	0	185	776	126
Debt securities	12	0	1	22
Loans and advances	367	195	1,179	224
Selected financial liabilities	**2,401**	**167**	**4,615**	**506**
Deposits	2,401	167	4,615	506
Debt securities issued	0	0	0	0
Other items				
Nominal amount of loan commitments, financial guarantees and other commitments given	0	105	446	116
Loan commitments, financial guarantees and other commitments received	18	0	38	22

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

1/1-31/3/2018 in € million	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Interest income	10	2	3	4
Interest expenses	(15)	0	(9)	0
Dividend income	0	0	1	0
Fee and commission income	1	5	3	2
Fee and commission expenses	0	0	(2)	(3)

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

(43) Average number of staff

Full-time equivalents	1/1-31/3/2018	1/1-31/3/2017
Salaried employees	49,137	49,574
Wage earners	868	834
Total	**50,005**	**50,408**

(44) Regulatory Information

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

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

The so-called Pillar 2 requirement is calculated based on the business model, risk management or capital situation, for example. In addition, the RBI Group is subject to the minimum requirements of the CRR and the combined buffer requirement. The combined buffer requirement for the RBI Group currently contains a capital conservation buffer, a systemic risk buffer and a countercyclical buffer. As at 31 March 2018, the CET1 ratio requirement (including the combined buffer requirement) is 9.7 per cent for the RBI Group. A breach of the combined buffer requirement would induce constraints, for example in relation to dividend distributions and coupon payments on certain capital instruments.

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

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

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

Total capital

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

As at 31 March 2018, RBI's total capital amounted to € 12,674 million, representing a € 218 million decline compared to the 2017 year-end figure. Common equity tier (CET1) after deductions decreased € 330 million in the same period, mainly due to the switch to the new accounting standard IFRS 9 as at 1 January 2018 and also to the effects of the CRR transitional provisions. The interim profit accrued for the first quarter was not considered in the calculation. Tier 1 (T1) after deductions increased € 320 million to € 10,159 million, notably due to the placement of perpetual additional tier 1 with a volume of € 500 million in January 2018. In contrast, tier 2 declined € 539 million to € 2,514 million due to early loan repayments and matured capital instruments.

The total capital requirement as at 31 March 2018 amounted to € 5,848 million, an increase of € 96 million compared to year-end 2017. The increase was largely attributable to the total capital requirement for credit risk, which rose € 97 million to € 4,908 million, mainly due to new business in Russia, Romania and Slovakia. The total capital requirement for position risk in bonds, equities, commodities and currencies amounted to € 280 million, and the total capital requirement for operational risk stood at € 660 million as at 31 March. These two values were on a par with the year-end 2017 and showed only minor changes.

Based on total risk, the common equity tier 1 ratio was 12.2 per cent, the tier 1 ratio was 13.9 per cent and the total capital ratio was 17.3 per cent. Taking into account the expiry of the transitional provisions, the common equity tier 1 ratio was 12.2 per cent (no effects), the tier 1 ratio was 13.8 per cent and the total capital ratio was 17.2 per cent (caused by Jersey III tier 1, which is no longer eligible for regulatory purposes).

Taking account of net income for the first quarter of 2018, capital ratios were 0.6 percentage points higher in each case.

in € million	31/3/2018	31/3/2017
Paid-in capital	5,974	5,994
Earned capital	3,418	3,540
Non-controlling interests	414	421
Common equity tier 1 (before deductions)	**9,806**	**9,955**
Deduction intangible fixed assets/goodwill	(737)	(584)
Deduction provision shortage for IRB positions	(97)	(61)
Deduction securitizations	(29)	(37)
Deduction loss carry forwards	(7)	(7)
Common equity tier 1 (after deductions)	**8,936**	**9,266**
Additional tier 1	1,214	716
Non-controlling interests	10	10
Deduction intangible fixed assets/goodwill	0	(146)
Deduction provision shortage for IRB positions	0	(8)
Tier 1	**10,159**	**9,839**
Long-term subordinated capital	2,280	2,841
Non-controlling interests	28	27
Provision excess of internal rating approach positions	206	184
Tier 2 (after deductions)	**2,514**	**3,053**
Total capital	**12,674**	**12,892**
Total capital requirement	**5,848**	**5,752**
Common equity tier 1 ratio (transitional)	12.2%	12.9%
Common equity tier 1 ratio (fully loaded)	12.2%	12.7%
Tier 1 ratio (transitional)	13.9%	13.7%
Tier 1 ratio (fully loaded)	13.8%	13.6%
Total capital ratio (transitional)	17.3%	17.9%
Total capital ratio (fully loaded)	17.2%	17.8%

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

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

As at 31 March 2018, the transitional provisions have been applied in full for the RBI Group, with no further resulting effects for the common equity tier 1 ratio. Only the tier 1 ratio and the total capital ratio show corresponding effects.

Total capital requirement and risk-weighted assets

in € million	31/3/2018	31/3/2017
Total capital requirement for credit risk	4,908	4,812
Internal rating approach	2,749	2,555
Standardized approach	2,139	2,236
CVA risk	20	20
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	280	276
Total capital requirement for operational risk	660	664
Total capital requirement	**5,848**	**5,752**
Risk-weighted assets (total RWA)	**73,102**	**71,902**

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

in € million	31/3/2018	31/3/2017
Risk-weighted assets according to standardized approach	**26,744**	**27,950**
Central governments and central banks	563	1,105
Regional governments	104	103
Public administration and non-profit organizations	40	44
Banks	249	309
Corporate customers	9,001	9,456
Retail customers	12,292	12,149
Equity exposures	1,890	2,038
Covered bonds	19	15
Mutual funds	54	38
Securitization position	0	4
Other positions	2,530	2,689
Risk-weighted assets according to internal rating approach	**34,358**	**31,944**
Central governments and central banks	1,832	1,019
Banks	1,563	1,164
Corporate customers	24,833	24,026
Retail customers	5,524	5,324
Equity exposures	362	178
Securitization position	244	233
CVA risk	**253**	**254**
Basel 1 floor	**0**	**0**
Risk-weighted assets (credit risk)	**61,355**	**60,148**
Total capital requirement (credit risk)	**4,908**	**4,812**

Leverage ratio

The leverage ratio is defined in Part 7 of the CRR and is not a mandatory quantitative requirement until 31 March 2018. Therefore, until then it serves only for information purposes.

in € million	31/3/2018	31/3/2017
Leverage exposure	166,970	160,828
Tier 1	10,159	9,839
Leverage ratio (transitional)	**6.1%**	**6.1%**
Leverage ratio (fully loaded)	6.0%	6.1%

Events after the reporting date

RBI agrees to sell Polish subsidiary's core banking operations to BGZ BNP

In April 2018, RBI signed a contract to sell the core banking operations of Raiffeisen Bank Polska S.A. by way of demerger to Bank BGZ BNP Paribas S.A., a subsidiary of BNP Paribas S.A. (BNP).

The sales price is approximately € 775 million, equating to a preliminary price/tangible book value multiple of around 0.95 times. This is based on the tangible book value of the core banking operations of approximately € 815 million as of 31 December 2017 and is subject to closing accounts. A positive impact of approximately 90 basis points on the RBI Group's CET1 ratio (fully loaded) based on 31 December 2017 figures is expected as a result of the sale. The direct impact of the sale on the RBI Group's consolidated profit – at the time of the signing of the contract – was expected to be around minus € 120 million, excluding any potential effects from deconsolidation. Under the terms of the agreement with the buyer, total assets of approximately € 9.5 billion and total risk-weighted assets of approximately € 5.0 billion as of 31 December 2017 have been allocated to the core banking operations.

RBI intends to transfer the remaining Raiffeisen Bank Polska S.A. operations, mainly comprising the foreign currency retail mortgage loan portfolio, to a Polish branch of RBI AG which is to be established. Total assets of approximately € 3.5 billion and total risk-weighted assets of approximately € 5.0 billion as of 31 December 2017 have been allocated to the retained operations.

The transaction is expected to close in the fourth quarter of 2018 subject to regulatory approvals. With this transaction, RBI's commitment to the Polish regulator PFSA to list the shares in Raiffeisen Bank Polska S.A. on the Warsaw Stock Exchange is deemed to be fulfilled. The recognition as a non-current asset being held for sale pursuant to IFRS 5 will follow after all criteria have been met.

Glossary

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

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

Earnings per share - Consolidated profit divided by the average number of ordinary shares outstanding in the reporting period.

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

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

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

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

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

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

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

Alternative Performance Measures (APM)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Publication details/Disclaimer

Publication details

Publisher: Raiffeisen Bank International AG, Am Stadtpark 9, 1030 Vienna, Austria
Editorial team: Group Investor Relations
Editorial deadline: 9 May 2018
Production: In-house using Firesys financial reporting system
Internet: www.rbinternational.com

This report is also available in German.

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

Disclaimer

The forecasts, plans and forward-looking statements contained in this report are based on the state of knowledge and assessments of Raiffeisen Bank International AG at the time of its preparation. Like all statements addressing the future, they are subject to known and unknown risks and uncertainties that could cause actual results to differ materially. No guarantees can therefore be given that the forecasts and targeted values or the forward-looking statements will actually materialize.

This report is for information purposes only and contains neither a recommendation to buy or sell nor an offer of sale or subscription to shares nor does it constitute an invitation to make an offer to sell shares.

This report has been prepared and the data checked with the greatest possible care. Nonetheless, rounding, transmission, typesetting and printing errors cannot be ruled out. In the summing up of rounded amounts and percentages, rounding-off differences may occur. This report was prepared in German. The report in English is a translation of the original German report. The only authentic version is the German version. Raiffeisen Bank International AG is not liable for any losses or similar damages that may occur as a result of or in connection with the use of this report.

www.rbinternational.com

Raiffeisen Bank International