Raiffeisen Bank International

Semi-Annual Financial Report as at 30 June 2019

Survey of key data

Raiffeisen Bank International (RBI)

Monetary values in € million	2019	2018	Change
Income statement	**1/1-30/6**	**1/1-30/6**	
Net interest income	1,664	1,663	0.1%
Net fee and commission income	839	869	(3.5)%
Net trading income and fair value result	(79)	16	-
General administrative expenses	(1,497)	(1,494)	0.2%
Operating result	968	1,175	(17.6)%
Impairment losses on financial assets	(12)	83	-
Profit/loss before tax	834	1,024	(18.6)%
Profit/loss after tax	643	820	(21.5)%
Consolidated profit/loss	571	756	(24.4)%
Statement of financial position	**30/6**	**31/12**	
Loans to banks	8,764	9,998	(12.3)%
Loans to customers	88,508	80,866	9.5%
Deposits from banks	27,967	23,980	16.6%
Deposits from customers	90,161	87,038	3.6%
Equity	12,920	12,413	4.1%
Total assets	148,630	140,115	6.1%
Key ratios	**1/1-30/6**	**1/1-30/6**	
Return on equity before tax	13.5%	18.7%	(5.2) PP
Return on equity after tax	10.3%	14.9%	(4.6) PP
Consolidated return on equity	10.1%	15.5%	(5.4) PP
Cost/income ratio	60.7%	56.0%	4.8 PP
Return on assets before tax	1.14%	1.69%	(0.55) PP
Net interest margin (average interest-bearing assets)	2.42%	2.48%	(0.07) PP
Provisioning ratio (average loans to customers)	0.02%	(0.22)%	0.24 PP
Bank-specific information	**30/6**	**31/12**	
NPE ratio	2.3%	2.6%	(0.3) PP
NPE coverage ratio	59.0%	58.3%	0.7 PP
Risk-weighted assets (total RWA)	75,620	72,672	4.1%
Common equity tier 1 ratio (fully loaded)	13.8%	13.4%	0.4 PP
Tier 1 ratio (fully loaded)	15.3%	14.9%	0.4 PP
Total capital ratio (fully loaded)	17.8%	18.2%	(0.3) PP
Stock data	**1/1-30/6**	**1/1-30/6**	
Earnings per share in €	1.64	2.21	(25.5)%
Closing price in € (30/6)	20.63	26.29	(21.5)%
High (closing prices) in €	24.31	35.32	(31.2)%
Low (closing prices) in €	18.69	25.92	(27.9)%
Number of shares in million (30/6)	328.94	328.94	0.0%
Market capitalization in € million (30/6)	6,786	8,648	(21.5)%
Resources	**30/6**	**31/12**	
Employees as at reporting date (full-time equivalents)	47,181	47,079	0.2%
Business outlets	2,105	2,159	(2.5)%
Customers in million	16.4	16.1	2.1%

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. The ratios referenced in this report are defined in the glossary.

Content

RBI in the capital markets

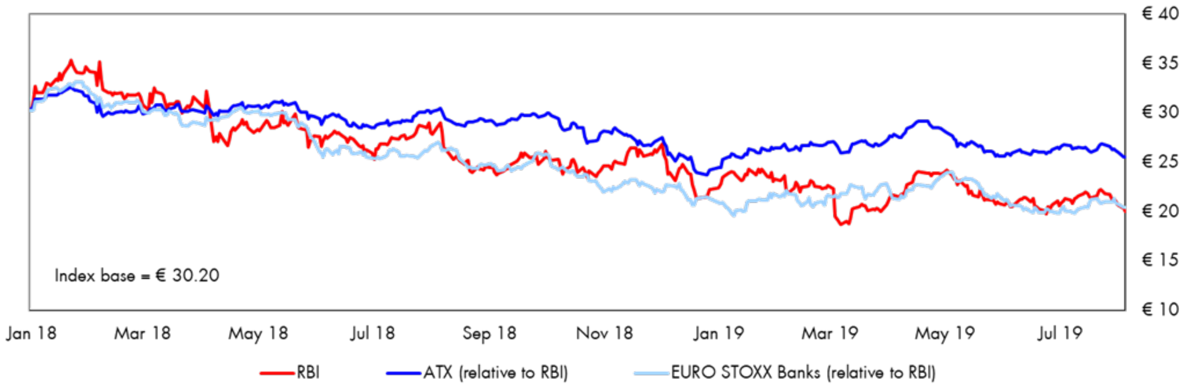
Performance of RBI stock

The stock markets began the second quarter by extending the rally that had been under way since the start of the year. Up until the beginning of May, the rally was largely driven by hopes of an imminent trade deal between China and the US. However, these hopes did not materialize, with both sides imposing additional tariffs. Stock markets reacted negatively, while government bonds made significant gains, partly due to growing speculation about interest rate cuts in the US and Europe. The bond market also benefited from a weakening economy and growing tensions between Iran and the US, which drove up demand for safe investment alternatives and lowered bond yields.

The RBI stock price increased 3 per cent in the second quarter and traded at € 20.63 on 30 June 2019. The EURO STOXX Banks index lost 5 per cent during the same period, while the Austrian ATX stock index declined 2 per cent.

From the end of the second quarter until the editorial deadline of this report on 06 August, RBI’s stock lost 3 per cent.

Price performance since 1 January 2018 compared to ATX and EURO STOXX Banks



Active capital market communication

To mark the release of RBI's results for the first quarter of 2019, the Management Board met with investors in Vienna on 15 May and also held a conference call.

Conference calls and investor presentations are available online at www.rbinternational.com → Investors → Presentations & Webcasts.

In addition, in the second quarter, RBI again offered interested equity and debt investors extensive opportunity to obtain information first-hand at road shows and conferences in Budapest, Frankfurt, Lausanne, Miami, Milan, New York, Paris and Zürs.

At the end of the second quarter of 2019, a total of 21 equity analysts and 22 debt analysts provided investment recommendations on RBI. Consequently, RBI remained the Austrian company with the largest number of analyst teams regularly reporting on it.

Annual General Meeting and dividend

RBI’s Annual General Meeting on 13 June 2019 approved all of the proposed resolutions relating to the individual agenda items. Among other things, the Annual General Meeting passed a resolution to distribute a dividend of € 0.93 per share for the 2018 financial year. Martin Schaller was re-elected to the Supervisory Board. His term of office now runs until the Annual General Meeting resolving on the release from liability for the 2023 financial year.

Shareholder structure

The regional Raiffeisen banks continue to hold approximately 58.8 per cent of RBI's shares, with 41.2 per cent in free float. The shareholder base is well diversified due to the broad geographic spread and various investment objectives. The institutional investors are primarily from North America and Europe and increasingly from Asia and Australia. These include sovereign wealth funds and supranational organizations, which offer stability due to their preferred long-term investment strategies. RBI's shareholders also include a large number of Austrian private investors.

Stock data and details

RBI stock has been listed on the Vienna Stock Exchange since 25 April 2005.

Share price as at 30 June 2019	€ 20.63
High/low (closing prices) in the second quarter 2019	€ 24.20/€ 19.77
Earnings per share for the first half of 2019	€ 1.64
Book value per share as at 30 June 2019	€ 33.60
Market capitalization as at 30 June 2019	€ 6.8 billion
Average daily trading volume (single count) in the second quarter 2019	517,760 shares
Free float as at 30 June 2019	approximately 41.2%
ISIN	AT0000606306
Ticker symbols	RBI (Vienna Stock Exchange)
	RBI AV (Bloomberg)
	RBIV.VI (Reuters)
Market segment	Prime Market
Number of shares issued as at 30 June 2019	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 2019/2020

31 October 2019	Start of Quiet Period
14 November 2019	Third Quarter Report, Conference Call
30 January 2020	Start of Quiet Period
06 February 2020	Preliminary Results 2019
18 March 2020	Annual Report 2019, Conference Call
30 April 2020	Start of Quiet Period
14 May 2020	First Quarter Report, Conference Call
08 June 2020	Record Date Annual General Meeting
18 June 2020	Annual General Meeting
25 June 2020	Ex-Dividend Date
26 June 2020	Record Date Dividends
29 June 2020	Dividend Payment Date
28 July 2020	Start of Quiet Period
11 August 2020	Semi-Annual Report, Conference Call
29 October 2020	Start of Quiet Period
12 November 2020	Third Quarter Report, Conference Call

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Group management report

Market development

Most leading economic indicators for the euro area declined in the first half of 2019. Sentiment deteriorated significantly in the industrial sector in particular and production was down considerably from the previous year. Business activity in other economic sectors, in contrast, continued to rise. On balance, there was quarterly GDP growth of 0.4 per cent for the first quarter of 2019, and 0.2 per cent for the second quarter of 2019. The euro area is expected to achieve GDP growth of 1.1 per cent for full-year 2019 (2018: 1.9 per cent), followed by 1.0 per cent in 2020. Up until the middle of the year, the inflation rate generally stayed below the European Central Bank's (ECB) target of just under two per cent. The ECB left key rates unchanged until after the 2019 summer and reinvested principal repayments from bonds held in its existing portfolio. Following the decision in March 2019, to launch a third round of targeted long-term refinancing operations (TLTRO) starting in September 2019, monetary policy is set to remain expansionary for some time. The ECB also held out the prospect of loosening monetary policy further. This caused money market rates to fall slightly and yields on German government bonds with medium to long maturities continued to trend downwards. The yield on the ten-year German benchmark bond was, for example, just over 0.2 per cent at the start of the year but had fallen to an all-time low of around minus 0.4 per cent by early July.

The Austrian economy remains on track in an increasingly turbulent international environment, although it is starting to feel the effects of the adverse climate. Despite easing momentum from abroad, domestic demand (consumption, investment) has remained strong in recent quarters and has to date prevented a more pronounced slowdown. According to Raiffeisen Research, this pattern is at least likely to continue to shape the economic landscape in the second half of 2019. The economy is therefore forecast to lose little momentum in the quarters ahead and remain on its moderate expansionary trajectory despite outside uncertainty. All in all, GDP growth for full-year 2019 is expected to be at least 1.3 per cent (2018: 2.7 per cent), followed by 1.2 per cent in 2020.

The economy in the Central European (CE) region, driven by domestic demand, proved more robust at the start of the year than was expected. While economic momentum in CE is still expected to slow, not least because of the labor shortage, GDP growth of 3.8 per cent is forecast for full-year 2019, only slightly below the 4 per cent mark. Thanks to solid real wage increases, private consumption should remain a pillar of economic growth. Looking at the individual countries, Poland – the region's largest economy – is expected to grow 4.4 per cent in 2019, while Hungary is also projected to clear the 4 per cent threshold at 4.2 per cent. The CE region is forecast to record lower, but still solid GDP growth of 2.9 per cent for full-year 2020. At the country level, Poland (3.3 per cent) and Hungary (3.1 per cent) are once again expected to post the strongest increases in 2020.

In Southeastern Europe (SEE), economic momentum is expected to slow this year and the next. However, after a surprisingly strong first quarter, the slowdown in 2019 should be more moderate overall than originally thought. First quarter GDP growth was particularly strong in Romania, the region's largest economy, at an annual rate of 5 per cent. Currently, the SEE region is forecast to grow 3.3 and 2.8 per cent overall in 2019 and 2020, respectively. Romania will likely post above-average growth rates in both years and thus serve as the main driver of the region. Consumer prices will adjust to the cooling economy and increase more slowly in 2019 and 2020 than in the respective preceding year. Inflation did rise somewhat year-on-year in the first half of 2019 but is expected to come in at 3.2 and 2.8 per cent for full-year 2019 and 2020, respectively, compared to 3.4 per cent in 2018. Inflation will be the highest in Romania and Bulgaria.

Eastern Europe (EE) posted moderate economic growth in 2018, with Russia exceeding forecasts and recording growth of 2.3 per cent. However, economic growth for the current year is expected to revert to a significantly lower rate of 1.2 per cent. Russia, for example, achieved growth of only 0.5 per cent in the first quarter of 2019. Russian monetary and fiscal policy remains more geared toward stability and less toward driving growth, which will likely leave the Russian government with a budget surplus in 2019. The Russian central bank started to cut key rates moderately in June 2019, as inflation and sanction risks decreased; additional cuts are expected in the second half of 2019 and in the year 2020. Real interest rates will remain in clearly positive territory. However, new US sanctions are still a possibility. Following presidential elections in April, the parliamentary elections in Ukraine were brought forward. The party of new president, Wolodymyr Selenskj, won by a considerable majority. Ukraine will probably engage in negotiations concerning another multi-year IMF program this autumn. Overall, Ukraine's 2019 economic growth could somewhat decline year-on-year to 2.7 per cent (2018: 3.3 per cent). The economic recovery is also expected to have passed its peak in Belarus, with this year's growth of 2.5 per cent below the previous year's level of 3.1 per cent.

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

Region/country	2017	2018	2019e	2020f
Czech Republic	4.5	2.9	2.4	2.2
Hungary	4.1	4.9	4.2	3.1
Poland	4.8	5.2	4.4	3.3
Slovakia	3.2	4.1	3.5	2.8
Slovenia	4.9	4.5	3.3	2.3
Central Europe	4.5	4.5	3.8	2.9
Albania	3.8	4.1	3.6	2.5
Bosnia and Herzegovina	3.2	3.1	2.7	2.5
Bulgaria	3.8	3.1	3.0	2.5
Croatia	2.9	2.6	2.8	2.5
Kosovo	4.2	4.1	4.0	3.0
Romania	7.0	4.1	3.5	3.0
Serbia	2.0	4.3	3.0	2.5
Southeastern Europe	5.1	3.7	3.3	2.8
Belarus	2.5	3.1	2.5	2.0
Russia	1.6	2.3	1.2	1.6
Ukraine	2.5	3.3	2.7	3.1
Eastern Europe	1.7	2.4	1.3	1.7
Austria	2.6	2.7	1.3	1.2
Germany	2.5	1.5	1.0	1.0
Euro area	2.5	1.9	1.1	1.0

Source: Raiffeisen Research – the above values are based on research analysts' estimates as at the beginning of August 2019.

Earnings and financial performance

RBI continued its positive performance in the first half of 2019, although earnings did not match the very high level of 2018, which had been supported by exceptionally large net releases of provisions for impairment losses.

While most markets showed signs of a slight economic slowdown, there continued to be growth momentum and loans increased by 9 per cent in the reporting period. Nevertheless, the operating result was down 18 per cent. This was due to the loss of income resulting from the sale of the Polish core banking operations and also to the fact that RBI was affected by the further reduction in long-term interest rates, which was reflected in the negative valuation result for derivatives held for hedging purposes and in interest rate-related changes in the valuation of certificates issued. Without the sale of the Polish core banking operations, net interest income and net fee and commission income would have increased significantly.

Consolidated profit declined € 185 million year-on-year to € 571 million. Impairment losses on financial assets remained low in the reporting period at € 12 million. In the comparable period of the previous year, RBI had benefited significantly from releases of impairments and gains from sales of non-performing loans, which had resulted in an € 83 million net release of loan loss provisions. Net trading income fell to minus € 79 million, mainly as a result of the aforementioned derivative valuation results and interest rate-related changes in the valuation of certificates issued. These valuation effects are neutralized over the respective portfolio's lifetime.

in € million	1/1-30/6/2109	1/1-30/6/2018	Change	
Net interest income	1,664	1,663	2	0.1%
Dividend income	24	57	(33)	(58.2)%
Net fee and commission income	839	869	(30)	(3.5)%
Net trading income and fair value result	(79)	16	(95)	–
Net gains/losses from hedge accounting	0	(2)	1	(85.7)%
Other net operating income	17	65	(48)	(74.1)%
Operating income	**2,465**	**2,669**	**(204)**	**(7.7)%**
Staff expenses	(789)	(780)	(8)	1.1%
Other administrative expenses	(524)	(573)	49	(8.5)%
Depreciation	(184)	(141)	(43)	30.6%
General administrative expenses	**(1,497)**	**(1,494)**	**(3)**	**0.2%**
Operating result	**968**	**1,175**	**(207)**	**(17.6)%**
Other result	8	(94)	102	–
Levies and special governmental measures	(130)	(141)	10	(7.3)%
Impairment losses on financial assets	(12)	83	(95)	–
Profit/loss before tax	**834**	**1,024**	**(190)**	**(18.6)%**
Income taxes	(191)	(205)	14	(6.8)%
Profit/loss after tax	**643**	**820**	**(176)**	**(21.5)%**
Profit attributable to non-controlling interests	(72)	(64)	(8)	12.9%
Consolidated profit/loss	**571**	**756**	**(185)**	**(24.4)%**

Operating income

Operating income was down 8 per cent year-on-year, or € 204 million, to € 2,465 million. Adjusted for revenues from Polish core banking operations sold in 2018, net interest income and net fee and commission income would have increased significantly. Despite the sale, Group average interest-bearing assets rose 3 per cent, reflecting increases in the loan business and short-term investments – especially at head office. Overall, net interest income rose slightly by € 2 million to € 1,664 million.

The net interest margin declined 7 basis points to 2.42 per cent, mainly due to growth in low-margin business at head office and to margin developments in Russia and Belarus. Net fee and commission income declined € 30 million to € 839 million, as a result of the sale of the Polish core banking operations, and net trading income also fell to minus € 79 million. This decline was due to interest rate-related changes in the valuation of certificates issued (down € 53 million), and to valuations of derivatives held for economic hedging purposes, including an impact of minus € 33 million for a building society portfolio amongst others. As these are certificates that are repayable once they reach maturity and hedging transactions, the valuation results are neutralized over the portfolios' lifetime. Other net operating income decreased € 48 million, primarily due to one-off effects in the corresponding period of the previous year.

General administrative expenses

General administrative expenses increased € 3 million year-on-year to € 1,497 million. While the sale of the Polish core banking operations led to a € 109 million reduction, salary adjustments and a rise in staffing levels in particular generated an increase, the latter notably in Russia and at head office. A restructuring provision for an optimization program at head office was also formed (€ 10 million). Overall, the average headcount decreased by 2,925 full-time equivalents year-on-year to 47,191. Excluding the sale in Poland, the number of full-time equivalents increased by 948. Other administrative expenses fell € 49 million compared to the same period of the previous year, mainly reflecting the sale of the Polish core banking operations and reduced office space expenses following the adoption of IFRS 16. The adoption of IFRS 16 essentially led to a shift from other administrative expenses to depreciation. In contrast, depreciation of tangible and intangible assets rose 31 per cent, or € 49 million. This was mainly due to the adoption of IFRS 16, which necessitated depreciation charges for right-of-use assets in an amount of € 41 million. The number of business outlets decreased 306 year-on-year to 2,105, mainly in Poland (down 234) and Romania (down 58).

Other result

The other result was € 8 million in the reporting period compared to minus € 94 million in the corresponding period of the previous year. In the previous year, the recognized, expected loss of € 121 million from the sale of the Polish core banking operations negatively impacted earnings. A provision of € 23 million was allocated for property transfer taxes in Germany, which resulted from corporate reorganizations in previous years. They related to the merger of Raiffeisen Zentralbank and Raiffeisen Bank International in 2017 and to purchases of shares in Raiffeisen Leasing Group in 2012 and 2013.

Levies and special governmental measures

The expense for levies and special governmental measures fell € 10 million year-on-year to € 130 million, due to the sale of the Polish core banking operations. Contributions to the resolution fund and the majority of bank levies have to be recognized in full at the start of the year.

Impairment losses on financial assets

Impairment losses on financial assets remained low in the reporting period at € 12 million, compared to an € 83 million net release of loan loss provisions – mainly due to inflows and recoveries – in the comparable period of the previous year. This was largely attributable to the Group Corporates & Markets segment with impairment losses of € 21 million, compared to a € 78 million net release of loan loss provisions in the prior year. In Russia the € 20 million increase was driven by strong growth in loans to retail customers. In contrast, there was an improvement in the Czech Republic and Hungary of € 26 million and € 19 million respectively, relating to both retail and corporate customers.

The NPE ratio decreased 0.3 percentage points since the start of the year to 2.3 per cent. The NPE coverage ratio improved 0.7 percentage points to 59.0 per cent.

Income taxes

Income taxes decreased € 14 million to € 191 million, primarily reflecting the sale of the Polish core banking operations. In contrast, the effective tax rate rose 3 percentage points to 23 per cent, attributable largely to reduced net income at head office and to the losses in Poland.

Quarterly results

in € million	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019
Net interest income	834	856	843	825	840
Dividend income	48	3	(9)	9	14
Net fee and commission income	460	455	467	402	437
Net trading income and fair value result	18	4	(3)	(52)	(27)
Net gains/losses from hedge accounting	(1)	1	(11)	6	(6)
Other net operating income	20	14	8	(1)	17
Operating income	**1,379**	**1,334**	**1,294**	**1,189**	**1,276**
Staff expenses	(396)	(383)	(416)	(379)	(410)
Other administrative expenses	(287)	(280)	(325)	(257)	(267)
Depreciation	(71)	(71)	(79)	(89)	(95)
General administrative expenses	**(754)**	**(734)**	**(819)**	**(724)**	**(773)**
Operating result	**625**	**600**	**475**	**465**	**503**
Other result	(121)	7	(74)	(2)	10
Levies and special governmental measures	(8)	(16)	(13)	(114)	(17)
Impairment losses on financial assets	0	(28)	(222)	(9)	(2)
Profit/loss before tax	**496**	**563**	**166**	**340**	**494**
Income taxes	(106)	(111)	(40)	(81)	(110)
Profit/loss after tax	**389**	**452**	**127**	**259**	**384**
Profit attributable to non-controlling interests	(33)	(35)	(29)	(33)	(39)
Consolidated profit/loss	**357**	**417**	**97**	**226**	**345**

Development of the second quarter of 2019 compared to the first quarter of 2019

Operating income

Net interest income was up 2 per cent quarter-on-quarter, or € 15 million, to € 840 million, reflecting a € 14 million volume-related rise in Russia. In Ukraine higher volumes of loans to non-financial corporations and households also generated a € 4 million increase in net interest income; whereas in Hungary, lower interest income from derivatives resulted in a € 3 million decrease. The net interest margin declined 2 basis points to 2.40 per cent due to an increase in the volume of mainly short-term, low-margin business at head office.

Compared to the first quarter of 2019, net fee and commission income increased 9 per cent, or € 35 million, to € 437 million, due to a large extent to seasonally lower revenues from clearing, settlement and payment services and from foreign exchange in the first quarter, primarily in Russia, Belarus, Hungary and Romania. Fee and commission income from the loan and guarantee business at head office also increased, driven by early loan repayments.

Net trading income rose € 26 million quarter-on-quarter to minus € 27 million. Hedge accounting was introduced at Raiffeisen Bausparkasse Gesellschaft m.b.H. in the second quarter, which resulted in lower losses from interest rate induced valuation effects from derivatives held for economic hedging purposes. This had a positive impact of € 43 million on net trading income. This contrasted with an interest rate-related change in the valuation of certificates issued of minus € 28 million.

Other net operating income rose € 18 million quarter-on-quarter, mainly reflecting a change in presentation following the adoption of IFRS 16, as well as income from the sale of buildings at Raiffeisen Leasing Group.

General administrative expenses

Staff expenses increased € 32 million quarter-on-quarter to € 410 million, mainly due to higher wages and salaries as well as the allocation of a restructuring provision at head office (€ 10 million). Other administrative expenses also rose € 10 million to € 267 million due to higher advertising expenses particularly in Russia, the Czech Republic, Slovakia and at head office, and to an increase in legal, advisory and consulting expenses incurred at head office as well as a change in presentation following the adoption of IFRS 16. In contrast, deposit insurance fees declined € 23 million, as it is required that these are booked for the entire year in the first quarter in some countries.

Other result

In the second quarter of 2019, the other result amounted to € 10 million compared to minus € 2 million in the previous quarter. Net income from associates valued at equity increased € 14 million in the second quarter of 2019, and the result of deconsolidations improved by € 20 million. A provision of € 23 million was allocated for property transfer taxes in Germany, which resulted from corporate reorganizations in previous years. They related to the merger of Raiffeisen Zentralbank and Raiffeisen Bank International in 2017 and to purchases of shares in Raiffeisen Leasing Group in 2012 and 2013.

Levies and special governmental measures

Expenses for levies and special governmental measures decreased € 97 million compared to the first quarter to € 17 million. Bank levies amounted to € 11 million in the second quarter (previous quarter: € 66 million). The largest decline was attributable to the one-off payment of € 41 million at head office in the first quarter. This was the third of a total of four annual payments, which are each to be posted in their entirety in the first quarter in accordance with the underlying provisions (IFRIC 21). In Hungary, the bank levy of € 13 million was also posted in the first quarter for the full year. Contributions to the resolution fund amounted to € 48 million and were likewise booked for the whole year in the first quarter. A further € 2 million was booked in the second quarter due to higher contributions, primarily at head office, and in Bulgaria and Hungary. In Serbia, an expense of € 3 million arose in the second quarter in connection with the conversion of loans denominated in Swiss francs.

Impairment losses on financial assets

In the second quarter of 2019, impairment losses on financial assets amounted to € 2 million, compared to € 9 million in the previous quarter. In Poland, impairment losses of € 17 million were recognized on the remaining portfolio in the first quarter, attributable to payment delays in connection with the switching of accounts necessitated by the demerger; whereas a net release of € 1 million was recognized in the second quarter. The Czech Republic and Hungary each reported a € 14 million increase in releases of loan loss provisions in the second quarter, and Bulgaria also reported a € 7 million improvement. The changes in Hungary were mainly attributable to sales of non-performing loans and repayments. In the Czech Republic, the releases of loan loss provisions related to both corporate and retail customers. In contrast, the Group Corporates & Markets segment (€ 20 million increase due to an individual case), Romania (€ 17 million increase, parameter adjustments), and Russia (€ 10 million volume-related increase) reported higher loan loss provisions.

Income taxes

Income taxes increased € 29 million to € 110 million due to higher net income and to deferred taxes on valuations of derivatives, while the tax rate decreased 2 percentage points to 22 per cent.

Consolidated profit/loss

Consolidated profit improved € 119 million to € 345 million, mainly reflecting the € 97 million reduction in expenses for levies and special governmental measures, the majority of which must be posted in their entirety in the first quarter.

Statement of financial position

Since the start of the year, RBI's total assets rose 6 per cent, or € 8,515 million, to € 148,630 million. Currency movements – the appreciation of the Russian ruble by 11 per cent, of both the Belarusian ruble and Ukrainian hryvnia by 7 per cent, as well as of the US dollar by 1 per cent – resulted in an increase of 1 per cent or € 1,458 million.

Assets

in € million	30/6/2019	31/12/2018	Change	
Loans to banks	8,764	9,998	(1,235)	(12.3)%
Loans to customers	88,508	80,866	7,643	9.5%
Securities	20,324	19,778	546	2.8%
Cash and other assets	31,033	29,473	1,560	5.3%
Total	**148,630**	**140,115**	**8,515**	**6.1%**

The 12 per cent, or € 1,235 million, decline in loans to banks to € 8,764 million, resulted mainly from lower short-term investments at commercial banks.

Loans to customers were up 9 per cent, or € 7,643 million, to € 88,508 million. The largest increases were recorded at head office (up € 3,598 million or 17 per cent, including € 1,527 in repurchase agreements), in Russia (up € 1,935 million or 23 per cent, approximately half of which was currency-driven; primarily loans to non-financial corporations and households), Slovakia (up € 514 million or 5 per cent, mainly loans to non-financial corporations and households, particularly mortgage loans), the Czech Republic (up € 498 million or 4 per cent, mainly loans to non-financial corporations and households) and Hungary (up € 382 million or 11 per cent, largely non-financial corporations). In Central, Southeastern and Eastern Europe, loans to households increased € 1,754 million, while loans to non-financial corporations rose € 1,930 million.

Since the beginning of the year, cash balances increased € 708 million to € 23,265 million. The increase of € 1,364 million at head office – primarily driven by repurchase agreements with the Austrian National Bank – contrasted with outflows at several subsidiary banks, especially in Romania. Other assets increased € 852 million to € 7,768 million, predominantly due to the recognition of right-of-use assets (application of IFRS 16) in the statement of financial position.

Equity and liabilities

in € million	30/6/2019	31/12/2018	Change	
Deposits from banks	27,967	23,980	3,987	16.6%
Deposits from customers	90,161	87,038	3,123	3.6%
Debt securities issued and other liabilities	17,582	16,684	898	5.4%
Equity	12,920	12,413	506	4.1%
Total	**148,630**	**140,115**	**8,515**	**6.1%**

The Group's funding from banks, which mainly relates to short-term funding at head office, increased 17 per cent, or € 3,987 million, to € 27,967 million.

The rise in deposits from customers of 4 per cent, or € 3,123 million, to € 90,161 million, was mainly driven by growth in Russia (up € 1,525 million or 14 per cent, deposits from non-financial corporations and households), Slovakia (up € 559 million or 5 per cent, deposits from households, governments and other financial corporations), the Czech Republic (up € 235 million or 2 per cent), Ukraine (up € 230 million or 13 per cent) and Belarus (up € 188 million or 15 per cent).

The rise in debt securities issued and other liabilities resulted from increases at head office (up € 355 million, predominantly in derivatives and provisions for liabilities and charges) and the Czech Republic (up € 284 million, mainly debt securities issued).

For information relating to funding, please refer to the risk report section in the interim consolidated financial statements.

Equity on the statement of financial position

RBI's equity including capital attributable to non-controlling interests rose € 506 million from the start of the year to € 12,920 million. The increase was primarily the result of the total comprehensive income for the period of € 881 million and the distribution of dividends totaling € 394 million for the 2018 financial year.

In June 2019, the Annual General Meeting approved a dividend payment of € 0.93 per share for 2018. This amounted to a total dividend distribution of € 306 million. A total of € 56 million was also paid out to holders of non-controlling interests in Group companies. Dividend payments of € 31 million were made on AT1 capital.

The total comprehensive income of € 881 million comprised profit after tax of € 643 million and other comprehensive income of € 238 million. The main contribution to other comprehensive income came from movements in the Russian ruble exchange rate (€ 172 million in total, of which € 212 million was from currency translation within the Group and minus € 40 million was from the partial hedge of the net investment in Russia). A further significant contribution of € 36 million came from the change in the fair value of financial assets.

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

As at 30 June 2019, RBI's common equity tier 1 capital (CET1) after deductions amounted to € 10,402 million, representing an increase of € 700 million compared to the 2018 year-end figure. Material factors behind the improvement were the inclusion of eligible interim profit, foreign exchange effects directly booked in equity and changes to qualifying minority interests. Tier 1 capital after deductions increased € 710 million to € 11,638 million, predominantly as a result of the increase in CET1. There was a € 419 million reduction in tier 2 capital to € 1,939 million, mainly due to early repayments and the regulatory amortization of outstanding issues. RBI's total capital amounted to € 13,577 million, representing an increase of € 291 million compared to the 2018 year-end figure.

The risk-weighted assets (total RWA) reached € 75,620 million on 30 June 2019. The major factors behind the € 2,948 million increase were new lending business as well as general business developments in Bulgaria, Russia and at head office. In addition, foreign exchange movements also increased risk-weighted assets (total RWA), primarily due to the Russian ruble. The cumulative changes in market risk and operational risk led to a slight decrease in risk-weighted assets.

As a result, the common equity tier 1 ratio (fully loaded) was 13.8 per cent, the tier 1 ratio (fully loaded) was 15.3 per cent and the total capital ratio (fully loaded) was 17.8 per cent. There were slight increases in both the common equity tier 1 ratio (fully loaded) and tier 1 ratio (fully loaded). The total capital ratio slightly decreased.

Risk management

For further information on risk management, please refer to the risk report in the interim consolidated financial statements.

Events after the reporting date

There were no significant events after the reporting date.

Outlook

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

The provisioning ratio for FY 2019 is expected to be below 45 basis points.

We anticipate that the NPE ratio will further reduce.

We aim to achieve a cost/income ratio of around 55 per cent in 2021.

In the coming years we target a consolidated return on equity of approximately 11 per cent.

We seek to maintain a CET1 ratio of around 13 per cent in the medium term.

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

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 (business booked in Austria): operating business at head office divided into subsegments: Austrian and international corporate customers, Markets, Financial Institutions & Sovereigns, business with the Raiffeisen Banking Group (RBG), as well as specialized financial institution subsidiaries, e.g. Raiffeisen Centrobank AG, Kathrein Privatbank Aktiengesellschaft, Raiffeisen Leasing Group, Raiffeisen Factor Bank AG, Raiffeisen Bausparkasse Österreich Gesellschaft mbH, Valida Group (pension fund business) and Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung
- Corporate Center: central control functions at head office (e.g. Treasury), other Group units and minority interests (including UNIQA Insurance Group AG and LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG)

Central Europe

in € million	1/1-30/6 2019	1/1-30/6 2018	Change	Q2/2019	Q1/2019	Change
Net interest income	419	493	(15.0)%	210	209	0.2%
Dividend income	4	6	(33.2)%	3	1	121.2%
Net fee and commission income	218	283	(22.9)%	110	107	2.8%
Net trading income and fair value result	0	14	–	(2)	2	–
Net gains/losses from hedge accounting	0	(13)	(99.3)%	1	(1)	–
Other net operating income	(4)	(16)	(72.1)%	1	(6)	–
Operating income	**637**	**767**	**(17.0)%**	**324**	**313**	**3.5%**
General administrative expenses	(351)	(437)	(19.6)%	(180)	(171)	5.6%
Operating result	**285**	**330**	**(13.6)%**	**143**	**142**	**0.9%**
Other result	5	(10)	–	1	3	(67.4)%
Levies and special governmental measures	(45)	(64)	(30.0)%	(5)	(40)	(87.0)%
Impairment losses on financial assets	33	(13)	–	39	(6)	–
Profit/loss before tax	**278**	**244**	**14.1%**	**178**	**100**	**78.5%**
Income taxes	(47)	(59)	(21.2)%	(24)	(23)	5.6%
Profit/loss after tax	**231**	**185**	**25.3%**	**154**	**77**	**100.0%**
Return on equity before tax	14.9%	13.2%	1.7 PP	19.2%	10.8%	8.4 PP
Return on equity after tax	12.4%	10.0%	2.4 PP	16.6%	8.4%	8.3 PP
Net interest margin (average interest-bearing assets)	2.14%	2.19%	(0.05) PP	2.13%	2.15%	(0.03) PP
Cost/income ratio	55.2%	57.0%	(1.8) PP	55.7%	54.6%	1.1 PP
Loan/deposit ratio	102.9%	92.5%	10.4 PP	102.9%	101.7%	1.2 PP
Provisioning ratio (average loans to customers)	(0.23)%	0.08%	(0.31) PP	(0.54)%	0.09%	(0.63) PP
NPE ratio	2.5%	3.0%	(0.6) PP	2.5%	2.7%	(0.2) PP
NPE coverage ratio	57.2%	54.9%	2.3 PP	57.2%	57.2%	0.0 PP
Assets	41,350	46,702	(11.5)%	41,350	40,487	2.1%
Liabilities	37,936	42,463	(10.7)%	37,936	37,068	2.3%
Risk-weighted assets (total RWA)	21,761	25,738	(15.5)%	21,761	21,333	2.0%
Average equity	3,719	3,680	1.0%	3,719	3,690	0.8%
Loans to customers	29,022	26,806	8.3%	29,022	28,468	1.9%
Deposits from customers	30,399	27,938	8.8%	30,399	29,602	2.7%
Business outlets	391	631	(38.0)%	391	396	(1.3)%
Employees as at reporting date (full-time equivalents)	9,895	13,052	(24.2)%	9,895	9,831	0.7%
Customers in million	2.6	3.4	(22.4)%	2.6	2.6	0.4%

Segment performance

Profit after tax in the Central Europe segment increased € 47 million year-on-year to € 231 million. This was mainly the result of an increase of € 49 million in profit in the Czech Republic, due to a rise of € 34 million in operating income and € 18 million of net releases of loan loss provisions in the reporting period. In Hungary, profit was up € 27 million, driven by a € 19 million rise in net releases of loan loss provisions and an € 8 million increase in operating income. In contrast, there was a € 34 million decline in profit after tax in Poland, attributable to the sale of the Polish core banking operations in October 2018.

Operating income

Net interest income for the segment was down 15 per cent year-on-year, or € 74 million, to € 419 million. This mainly reflected a € 119 million decline in net interest income in Poland due to the sale of the Polish core banking operations. In contrast, in the Czech Republic, higher market interest rates and increased customer loan volumes led to a rise of € 34 million in net interest income. In Slovakia, net interest income increased € 6 million due to higher volumes. In Hungary, net interest income rose € 5 million as a consequence of lower interest expenses for customer deposits. The net interest margin in the Czech Republic rose 33 basis points to 2.38 per cent. Whereas, the segment's net interest margin declined a total of 5 basis points to 2.14 per cent due to the sale of the Polish core banking operations.

Net fee and commission income decreased € 65 million year-on-year to € 218 million. This decline was also attributable to the sale of the Polish core banking operations. In Hungary, in contrast, net fee and commission income increased € 8 million to € 74 million, mainly driven by higher income from clearing, settlement and payment services, as well as volume- and margin-related growth in foreign exchange.

The net trading income and fair value result fell € 14 million year-on-year. Declines of € 5 million and € 3 million were recorded in the Czech Republic and Slovakia, respectively, which reflected lower valuation results from derivatives. In Poland, net trading income decreased € 4 million due to the sale of the Polish core banking operations. In Hungary, a drop of € 3 million resulted from currency translation effects.

Net gains/losses from hedge accounting increased € 13 million as a result of a one-off effect in Poland. The sale of the core banking operations of Raiffeisen Bank Polska S.A. resulted in the termination of the existing portfolio cash flow hedges in the second quarter of 2018. These hedged cash flow fluctuations from foreign currency loans and deposits in local currency by means of foreign currency interest rate swaps. The termination resulted in the reclassification of the cash flow hedge reserve of minus € 13 million recognized in other comprehensive income in previous periods.

Other net operating income improved by € 12 million. The increase was largely driven by net expense from allocation and release of other provisions, particularly in the Czech Republic, where a provision recognized in 2017 was released, and in Slovakia, where provisions were allocated in the comparable period.

General administrative expenses

General administrative expenses in the segment decreased € 85 million year-on-year to € 351 million, due to the sale of the Polish core banking operations (down € 109 million). Staff expenses increased due to salary adjustments in Slovakia and the Czech Republic (up € 6 million each). Other administrative expenses declined primarily as a result of the sale of the Polish core banking operations (down € 41 million). Furthermore, the adoption of IFRS 16 led to a shift of expenses from other administrative expenses to depreciation.

The average number of employees fell by 3,529 to 9,801, while the number of business outlets in the segment also declined (down 240 to 391). Both decreases resulted from the sale of the Polish core banking operations. There were increases in the average number of employees during the reporting period, mainly in Hungary due to insourcing and company growth. The cost/income ratio improved 1.8 percentage points to 55.2 per cent.

Other result

The Central Europe segment's other result amounted to € 5 million, following minus € 10 million in the same period of the previous year. The increase was primarily due to the recognition in the previous year of an € 8 million impairment of goodwill from the initial consolidation of a Hungarian real estate company as well as € 4 million in impairments relating to investments in subsidiaries in Poland.

Levies and special governmental measures

Levies and expenses from special governmental measures fell € 19 million year-on-year to € 45 million, primarily as the result of the sale of the Polish core banking operations (decrease of € 20 million). Bank levies were down € 10 million year-on-year to € 28 million. In Hungary, the € 13 million expense for the bank levy was booked in the first quarter for the entire year, as in the previous year. Contributions to the resolution fund, which also have to be recognized in full at the start of the year, decreased € 9 million to € 17 million. In addition to the decrease resulting from the sale of the Polish core banking operations, contributions to the resolution fund were also lower in the Czech Republic.

Impairment losses on financial assets

In the reporting period, net releases of loan loss provisions totaled € 33 million, compared to impairment losses on financial assets of € 13 million in the previous year. The largest changes were reported in the Czech Republic and Hungary: In the Czech Republic, net releases of loan loss provisions for corporate and retail customers amounted to € 18 million in the reporting period, following € 8 million in impairment losses on mainly mortgage loans in the previous year. In Hungary, there continued to be net releases of loan loss provisions totaling € 30 million, due to sales of non-performing loans and loan repayments, following € 11 million in the previous year.

The proportion of non-bank non-performing exposures in the Central Europe segment's loan portfolio was 2.5 per cent on 30 June 2019 (down 0.6 percentage points year-on-year). The NPE coverage ratio improved 2.3 percentage points year-on-year to 57.2 per cent.

Income taxes

The segment’s income taxes decreased € 12 million year-on-year to € 47 million. Poland was responsible for a decline of € 17 million. The tax expense in the Czech Republic and Hungary was up due to higher net income. The tax rate was 17 per cent, down from 24 per cent in the previous year.

Detailed results of individual countries in the segment:

in € million	Poland 1/1-30/6 2019	Poland 1/1-30/6 2018	Slovakia 1/1-30/6 2019	Slovakia 1/1-30/6 2018
Net interest income	7	126	145	139
Dividend income	0	3	0	0
Net fee and commission income	1	68	78	81
Net trading income and fair value result	1	5	2	5
Net gains/losses from hedge accounting	0	(13)	0	0
Other net operating income	(2)	0	1	(3)
Operating income	**7**	**189**	**226**	**221**
General administrative expenses	(10)	(119)	(126)	(120)
Operating result	**(3)**	**70**	**100**	**101**
Other result	0	(4)	2	2
Levies and special governmental measures	(3)	(23)	(16)	(15)
Impairment losses on financial assets	(15)	(12)	0	(3)
Profit/loss before tax	**(21)**	**30**	**86**	**85**
Income taxes	(1)	(18)	(17)	(18)
Profit/loss after tax	**(22)**	**12**	**68**	**67**
Return on equity before tax	–	4.2%	14.2%	15.8%
Return on equity after tax	–	1.7%	11.3%	12.5%
Net interest margin (average interest-bearing assets)	0.45%	2.31%	2.25%	2.26%
Cost/income ratio	–	63.0%	55.8%	54.5%
Loan/deposit ratio	–	–	102.1%	100.8%
Provisioning ratio (average loans to customers)	0.99%	0.31%	0.01%	0.07%
NPE ratio	11.1%	10.6%	1.7%	2.2%
NPE coverage ratio	50.6%	40.4%	68.9%	61.4%
Assets	3,197	11,119	13,930	13,187
Liabilities	3,197	9,742	12,653	12,116
Risk-weighted assets (total RWA)	3,872	9,138	6,158	6,087
Equity	–	1,376	1,277	1,071
Loans to customers	3,050	3,247	10,589	9,899
Deposits from customers	24	0	11,485	10,754
Business outlets	1	235	181	191
Employees as at reporting date (full-time equivalents)	218	3,722	4,034	3,925
Customers in million	0.0	0.8	0.9	0.9

in € million	Czech Republic 1/1-30/6 2019	Czech Republic 1/1-30/6 2018	Hungary 1/1-30/6 2019	Hungary 1/1-30/6 2018
Net interest income	195	161	71	66
Dividend income	2	1	2	2
Net fee and commission income	65	69	74	65
Net trading income and fair value result	(3)	1	0	3
Net gains/losses from hedge accounting	0	0	0	0
Other net operating income	16	8	(24)	(22)
Operating income	**275**	**241**	**123**	**115**
General administrative expenses	(138)	(125)	(77)	(71)
Operating result	**137**	**115**	**46**	**44**
Other result	2	0	0	(8)
Levies and special governmental measures	(9)	(10)	(17)	(16)
Impairment losses on financial assets	18	(8)	30	11
Profit/loss before tax	**149**	**97**	**60**	**31**
Income taxes	(21)	(19)	(7)	(5)
Profit/loss after tax	**127**	**78**	**53**	**26**
Return on equity before tax	22.9%	16.0%	17.7%	9.9%
Return on equity after tax	19.6%	12.9%	15.7%	8.4%
Net interest margin (average interest-bearing assets)	2.38%	2.04%	1.96%	1.94%
Cost/income ratio	50.1%	52.2%	62.4%	62.0%
Loan/deposit ratio	89.1%	89.9%	76.8%	64.1%
Provisioning ratio (average loans to customers)	(0.31)%	0.16%	(1.72)%	(0.74)%
NPE ratio	1.3%	1.6%	2.5%	3.8%
NPE coverage ratio	61.2%	67.4%	55.4%	61.0%
Assets	17,260	15,986	7,586	7,162
Liabilities	15,852	14,769	6,872	6,577
Risk-weighted assets (total RWA)	8,002	6,949	3,663	3,479
Equity	1,408	1,217	715	584
Loans to customers	11,629	10,540	3,736	3,091
Deposits from customers	13,239	11,947	5,650	5,238
Business outlets	137	133	71	71
Employees as at reporting date (full-time equivalents)	3,434	3,358	2,199	2,035
Customers in million	1.2	1.1	0.5	0.5

Southeastern Europe

in € million	1/1-30/6 2019	1/1-30/6 2018	Change	Q2/2019	Q1/2019	Change
Net interest income	425	388	9.5%	216	210	2.9%
Dividend income	7	7	(1.1)%	4	3	47.3%
Net fee and commission income	201	201	0.0%	105	96	9.2%
Net trading income and fair value result	15	16	(7.8)%	8	7	7.3%
Net gains/losses from hedge accounting	0	0	>500.0%	0	0	183.8%
Other net operating income	(8)	21	–	(10)	2	–
Operating income	**639**	**634**	**0.9%**	**322**	**317**	**1.4%**
General administrative expenses	(353)	(337)	4.8%	(172)	(181)	(4.6)%
Operating result	**287**	**297**	**(3.6)%**	**150**	**137**	**9.3%**
Other result	(3)	(1)	399.9%	0	(4)	–
Levies and special governmental measures	(16)	(11)	51.3%	(5)	(11)	(60.0)%
Impairment losses on financial assets	(12)	5	–	(12)	0	–
Profit/loss before tax	**256**	**291**	**(12.1)%**	**134**	**122**	**9.6%**
Income taxes	(37)	(40)	(9.3)%	(18)	(19)	(4.6)%
Profit/loss after tax	**219**	**250**	**(12.5)%**	**116**	**103**	**12.2%**
Return on equity before tax	19.3%	25.9%	(6.6) PP	20.2%	18.5%	1.8 PP
Return on equity after tax	16.6%	22.3%	(5.7) PP	17.5%	15.6%	1.9 PP
Net interest margin (average interest-bearing assets)	3.61%	3.51%	0.10 PP	3.66%	3.58%	0.08 PP
Cost/income ratio	55.2%	53.1%	2.1 PP	53.5%	56.9%	(3.4) PP
Loan/deposit ratio	75.1%	74.9%	0.2 PP	75.1%	74.9%	0.1 PP
Provisioning ratio (average loans to customers)	0.15%	(0.07)%	0.22 PP	0.30%	0.00%	0.30 PP
NPE ratio	3.3%	4.6%	(1.2) PP	3.3%	3.5%	(0.1) PP
NPE coverage ratio	64.5%	63.3%	1.2 PP	64.5%	64.0%	0.6 PP
Assets	25,664	24,299	5.6%	25,664	25,539	0.5%
Liabilities	22,538	21,317	5.7%	22,538	22,249	1.3%
Risk-weighted assets (total RWA)	15,263	15,191	0.5%	15,263	15,612	(2.2)%
Average equity	2,644	2,244	17.8%	2,644	2,642	0.1%
Loans to customers	15,091	13,762	9.7%	15,091	14,694	2.7%
Deposits from customers	20,288	18,813	7.8%	20,288	19,959	1.7%
Business outlets	920	979	(6.0)%	920	963	(4.5)%
Employees as at reporting date (full-time equivalents)	14,542	14,703	(1.1)%	14,542	14,593	(0.3)%
Customers in million	5.3	5.4	(2.0)%	5.3	5.3	(0.2)%

Segment performance

The Southeastern Europe segment's profit after tax declined 13 per cent year-on-year, or € 31 million, despite stable operating income. This was mainly due to the € 10 million increase in staff expenses and the risk situation. In the reporting period, impairments of € 12 million were recognized, whereas net releases of € 5 million were booked in the comparable period of the previous year. Romania and Albania were the main drivers.

Operating income

Net interest income rose 9 per cent, or € 37 million, year-on-year to € 425 million. The strongest growth was seen in Romania with an increase of € 26 million. Higher market interest rates there resulted in a considerably higher interest margin (up 40 basis points), while growth in lending to households and non-financial corporations also contributed to the rise. In Bulgaria, higher volumes were also responsible for a € 5 million increase in net interest income. There were only slight changes to net interest income in all other countries in the segment. The improvement of 10 basis points in the segment's net interest margin to 3.61 per cent was primarily attributable to the positive interest rate environment in Romania.

Net fee and commission income remained almost unchanged over the comparable period of the previous year. Bulgaria and Serbia reported increases of € 4 million and € 3 million respectively, mainly due to higher commission income from the sale of own and third party products, clearing, settlement and payment services, and foreign exchange. In contrast, net fee and commission income in Romania was down € 7 million, primarily as a result of decreases in asset management as well as in custody.

Net trading income and the fair value result was down € 1 million year-on-year to € 15 million. Decreases due to derivatives were almost fully offset by higher income from exchange differences.

The segment's other net operating income declined € 30 million to minus € 8 million, mainly due to the recognition of a provision of € 11 million for litigation in connection with state subsidies for building society savings in Romania and higher results from the de-recognition of financial assets in the same period of the previous year, mainly in Croatia and Serbia.

General administrative expenses

General administrative expenses increased 5 per cent, or € 16 million, year-on-year to € 353 million. Staff expenses were up 7 per cent, or € 10 million, to € 159 million, primarily due to salary adjustments in Romania. The average number of employees fell 194 to 14,594, largely reflecting developments in Romania and Croatia. Other administrative expenses decreased, mainly due to the application of IFRS 16, which led to a reduction in office space expenses while having an opposite effect on depreciation of right-of-use assets recognized in the statement of financial position. In Romania, deposit insurance fees were up € 6 million, largely as a result of higher assessment basis for deposits subject to compulsory insurance. The number of business outlets in the segment fell by 59 year-on-year to 920, primarily due to closures in Romania. The cost/income ratio rose from 53.1 to 55.2 per cent.

Other result

The other result of minus € 3 million mainly reflected impairments of non-financial assets, above all in Romania, and losses from modified contractual terms in Croatia.

Levies and special governmental measures

Levies and expenses for special governmental measures rose € 5 million year-on-year to € 16 million. On the one hand, the increase resulted from contributions to the resolution funds in Albania and Romania, which were recognized in full at the start of the year, as well as from a € 1 million increase in the contribution in Bulgaria. On the other hand, the loss from banking business due to governmental measures increased € 3 million as a result of the conversion of Swiss franc loans in Serbia.

Impairment losses on financial assets

In the reporting period, impairment losses of € 12 million on financial assets were recognized compared to a net release of loan loss provisions of € 5 million in the same period of the previous year. Romania posted the largest increase (up € 9 million to € 24 million) as a result of parameter adjustments to retail models. The net release of loan loss provisions totaled € 5 million in Albania, following a net release of € 12 million recognized in the comparable period of the previous year due to repayments and restructuring of corporate customer loans.

The proportion of non-performing exposures to non-banks in the segment's loan portfolio was 3.3 per cent (down 1.2 percentage points year-on-year) as at 30 June 2019. The NPE coverage ratio was 64.5 per cent (up 1.2 percentage points year-on-year).

Income taxes

Income taxes of € 37 million were € 4 million lower than the tax expense in the comparable period of the previous year. The tax rate remained unchanged at 14 per cent.

Detailed results of individual countries:

in € million	Albania 1/1-30/6 2019	Albania 1/1-30/6 2018	Bosnia and Herzegovina 1/1-30/6 2019	Bosnia and Herzegovina 1/1-30/6 2018	Bulgaria 1/1-30/6 2019	Bulgaria 1/1-30/6 2018
Net interest income	29	27	34	33	55	50
Dividend income	0	1	1	1	3	4
Net fee and commission income	8	8	20	19	27	23
Net trading income and fair value result	1	(3)	1	0	1	2
Net gains/losses from hedge accounting	0	0	0	0	0	0
Other net operating income	1	(1)	0	1	2	2
Operating income	**39**	**33**	**56**	**53**	**89**	**81**
General administrative expenses	(22)	(21)	(27)	(25)	(47)	(46)
Operating result	**18**	**11**	**29**	**28**	**42**	**35**
Other result	0	0	0	0	0	0
Levies and special governmental measures	(1)	0	0	0	(5)	(4)
Impairment losses on financial assets	5	12	(1)	0	4	5
Profit/loss before tax	**21**	**22**	**29**	**29**	**41**	**36**
Income taxes	(3)	(3)	(2)	(3)	(4)	(4)
Profit/loss after tax	**18**	**19**	**26**	**26**	**37**	**32**
Return on equity before tax	19.4%	20.8%	19.8%	20.7%	18.2%	16.0%
Return on equity after tax	16.6%	18.0%	18.2%	18.6%	16.5%	14.4%
Net interest margin (average interest-bearing assets)	3.33%	3.00%	3.32%	3.40%	2.77%	2.79%
Cost/income ratio	54.9%	66.0%	48.0%	47.2%	52.8%	56.7%
Loan/deposit ratio	51.6%	44.4%	77.4%	75.8%	84.4%	83.7%
Provisioning ratio (average loans to customers)	(1.30)%	(3.46)%	0.09%	(0.06)%	(0.33)%	(0.43)%
NPE ratio	6.1%	6.4%	3.5%	4.2%	1.9%	2.7%
NPE coverage ratio	74.1%	70.9%	81.7%	80.0%	69.3%	67.6%
Assets	1,815	1,872	2,437	2,208	4,235	3,804
Liabilities	1,573	1,642	2,149	1,931	3,797	3,371
Risk-weighted assets (total RWA)	1,320	1,394	1,908	1,722	2,322	1,901
Equity	241	231	287	277	438	433
Loans to customers	753	667	1,351	1,222	2,781	2,400
Deposits from customers	1,517	1,531	1,856	1,725	3,337	2,898
Business outlets	78	78	103	102	147	147
Employees as at reporting date (full-time equivalents)	1,248	1,236	1,376	1,311	2,622	2,570
Customers in million	0.4	0.5	0.4	0.4	0.6	0.6

in € million	Croatia 1/1-30/6 2019	Croatia 1/1-30/6 2018	Romania 1/1-30/6 2019	Romania 1/1-30/6 2018	Serbia 1/1-30/6 2019	Serbia 1/1-30/6 2018
Net interest income	60	61	182	156	44	42
Dividend income	1	0	2	1	0	0
Net fee and commission income	33	33	84	92	25	22
Net trading income and fair value result	3	2	4	12	4	4
Net gains/losses from hedge accounting	0	0	0	0	0	0
Other net operating income	(1)	8	(13)	3	2	7
Operating income	**96**	**104**	**259**	**264**	**74**	**74**
General administrative expenses	(60)	(60)	(144)	(134)	(39)	(37)
Operating result	**36**	**44**	**115**	**130**	**35**	**37**
Other result	(2)	0	(2)	(1)	0	0
Levies and special governmental measures	(2)	(3)	(4)	(3)	(3)	0
Impairment losses on financial assets	3	3	(24)	(15)	2	1
Profit/loss before tax	**35**	**44**	**85**	**110**	**34**	**38**
Income taxes	(8)	(8)	(14)	(17)	(4)	(5)
Profit/loss after tax	**27**	**37**	**71**	**93**	**29**	**33**
Return on equity before tax	11.1%	14.2%	19.6%	28.7%	13.2%	15.6%
Return on equity after tax	8.6%	11.8%	16.4%	24.2%	11.5%	13.6%
Net interest margin (average interest-bearing assets)	2.73%	2.95%	4.42%	4.01%	3.88%	4.03%
Cost/income ratio	62.3%	57.6%	55.5%	50.9%	52.7%	49.8%
Loan/deposit ratio	67.9%	73.4%	77.7%	77.7%	72.6%	73.5%
Provisioning ratio (average loans to customers)	(0.25)%	(0.24)%	0.87%	0.62%	(0.31)%	(0.11)%
NPE ratio	4.0%	7.9%	3.5%	4.0%	2.1%	2.4%
NPE coverage ratio	71.3%	73.7%	48.2%	43.1%	75.5%	72.2%
Assets	4,820	4,568	8,762	8,576	2,609	2,382
Liabilities	4,166	3,946	7,874	7,757	2,113	1,901
Risk-weighted assets (total RWA)	2,556	2,795	4,743	4,985	1,715	1,783
Equity	655	622	889	819	496	481
Loans to customers	2,442	2,361	5,691	5,247	1,398	1,261
Deposits from customers	3,654	3,415	7,179	6,761	1,979	1,789
Business outlets	78	79	378	436	88	89
Employees as at reporting date (full-time equivalents)	1,861	2,049	5,008	5,248	1,571	1,541
Customers in million	0.5	0.6	2.2	2.3	0.8	0.8

Eastern Europe

in € million	1/1-30/6 2019	1/1-30/6 2018	Change	Q2/2019	Q1/2019	Change
Net interest income	531	498	6.7%	275	256	7.6%
Dividend income	1	1	31.6%	1	0	–
Net fee and commission income	240	216	10.9%	128	112	14.1%
Net trading income and fair value result	28	10	180.7%	15	13	17.3%
Net gains/losses from hedge accounting	0	0	–	0	0	–
Other net operating income	3	5	(37.8)%	1	2	(42.9)%
Operating income	**803**	**730**	**10.1%**	**421**	**383**	**9.9%**
General administrative expenses	(329)	(301)	9.6%	(174)	(156)	11.4%
Operating result	**474**	**429**	**10.4%**	**247**	**227**	**8.9%**
Other result	1	(1)	–	0	0	14.2%
Levies and special governmental measures	0	0	–	0	0	–
Impairment losses on financial assets	(12)	25	–	(9)	(3)	193.8%
Profit/loss before tax	**462**	**453**	**2.0%**	**238**	**224**	**6.4%**
Income taxes	(97)	(96)	1.3%	(50)	(47)	6.5%
Profit/loss after tax	**365**	**357**	**2.2%**	**188**	**177**	**6.3%**
Return on equity before tax	40.9%	51.2%	(10.3) PP	43.0%	41.2%	1.8 PP
Return on equity after tax	32.3%	40.3%	(8.0) PP	33.9%	32.5%	1.4 PP
Net interest margin (average interest-bearing assets)	5.76%	6.54%	(0.78) PP	5.81%	5.71%	0.10 PP
Cost/income ratio	41.0%	41.2%	(0.2) PP	41.3%	40.7%	0.5 PP
Loan/deposit ratio	84.9%	85.5%	(0.6) PP	84.9%	86.5%	(1.6) PP
Provisioning ratio (average loans to customers)	0.18%	(0.54)%	0.72 PP	0.28%	0.08%	0.20 PP
NPE ratio	2.5%	4.8%	(2.4) PP	2.5%	2.8%	(0.3) PP
NPE coverage ratio	58.7%	70.0%	(11.3) PP	58.7%	60.9%	(2.2) PP
Assets	20,996	16,685	25.8%	20,996	19,328	8.6%
Liabilities	18,029	14,293	26.1%	18,029	16,490	9.3%
Risk-weighted assets (total RWA)	14,003	11,858	18.1%	14,003	13,078	7.1%
Average equity	2,261	1,771	27.7%	2,261	2,177	3.8%
Loans to customers	13,261	10,529	25.9%	13,261	12,565	5.5%
Deposits from customers	15,843	12,369	28.1%	15,843	14,797	7.1%
Business outlets	771	777	(0.8)%	771	770	0.1%
Employees as at reporting date (full-time equivalents)	18,661	18,416	1.3%	18,661	18,818	(0.8)%
Customers in million	6.5	5.8	11.8%	6.5	6.4	0.9%

Segment performance

The segment's profit after tax increased € 8 million, or 2 per cent, year-on-year to € 365 million. Net interest income and net fee and commission income improved, while impairment losses were recognized on financial assets following net releases in the previous year. As in the previous year, the Eastern Europe segment was affected by currency volatility in the reporting period. The average exchange rate of the Russian ruble declined 4 per cent year-on-year, while the average exchange rate of the Ukrainian hryvnia appreciated 6 per cent. Compared to the start of 2019, the reporting date exchange rate of the Russian ruble appreciated 11 per cent, while the Belarusian ruble and the Ukrainian hryvnia both appreciated 7 per cent.

Operating income

Net interest income in Eastern Europe increased 7 per cent, or € 33 million, year-on-year to € 531 million. The largest rise was reported in Russia (up € 19 million), reflecting higher lending volumes to non-financial corporations and households. Ukraine also posted an increase of € 11 million in net interest income as a result of higher lending volumes to non-financial corporations and households as well as higher interest rates. In Belarus, net interest income was up € 4 million due to volume effects. The segment's net interest margin fell 78 basis points year-on-year to 5.76 per cent, reflecting margin declines in Russia and Belarus. In Russia, the net interest margin decreased due to lower margins in the customer business, currency effects, as well as lower basis spreads for underlying swap transactions in connection with liquidity investment.

Net fee and commission income was also up 11 per cent, or € 24 million, to € 240 million. Russia posted growth of € 18 million to € 167 million, which reflected higher volumes in the credit card business and foreign exchange. Driven largely by currency effects, net fee and commission income in Ukraine also grew € 4 million to € 46 million, while Belarus reported a volume-based increase of € 2 million.

Net trading income and the fair value result also rose from € 10 million in the comparable period of the previous year to € 28 million in the reporting period. Russia reported growth of € 20 million – above all due to an increase in the impact from currency translation.

In contrast, other net operating income declined € 2 million to € 3 million, as a result of the release of provisions for litigation in Russia in the comparable period.

General administrative expenses

General administrative expenses were up 10 per cent, or € 29 million, year-on-year to € 329 million. The increase was partly absorbed by currency depreciation. The 3 per cent rise in the average number of employees from 18,225 to 18,762 was driven mainly by Russia (headcount up 676 to 9,091). Staff expenses also increased 13 per cent, or € 21 million, to € 182 million due to salary adjustments in Ukraine and Russia. The segment's other administrative expenses were down 4 per cent, or € 5 million, to € 102 million. The first-time application of IFRS 16 led to a shift from other administrative expenses to depreciation. Moreover, declines in IT expenses, legal, advisory and consultancy expenses, as well as advertising expenses above all in Russia were countered by increased deposit insurance fees. Depreciation was up 40 per cent, or € 13 million, to € 45 million, mainly due to depreciation of right-of-use assets. The cost/income ratio improved slightly from 41.2 per cent to 41 per cent.

Impairment losses on financial assets

In the reporting period, impairment losses of € 12 million were recognized, compared to a net release of loan loss provisions totaling € 25 million in the corresponding period of the previous year. This development was mainly attributable to Russia and Ukraine. Russia reported impairment losses of € 18 million, compared to a € 2 million net release of loan loss provisions in the previous year. This was primarily due to strong growth in lending to retail customers. In Ukraine, the net release of loan loss provisions fell from € 19 million to € 6 million, largely as a result of higher sales of non-performing loans in the corresponding period of 2018. The proportion of non-performing exposures to non-banks in the segment's loan portfolio was 2.5 per cent (down 2.4 percentage points year-on-year) as at 30 June 2019. The NPE coverage ratio was 58.7 per cent (down 11.3 percentage points year-on-year due to loan sales).

Income taxes

The segment's income taxes increased just € 1 million to € 97 million. The tax rate remained constant at 21 per cent.

Detailed results of individual countries:

in € million	Belarus 1/1-30/6 2019	Belarus 1/1-30/6 2018	Russia 1/1-30/6 2019	Russia 1/1-30/6 2018	Ukraine 1/1-30/6 2019	Ukraine 1/1-30/6 2018
Net interest income	49	45	365	347	117	106
Dividend income	0	0	1	1	0	0
Net fee and commission income	27	24	167	149	46	43
Net trading income and fair value result	1	2	22	2	5	6
Net gains/losses from hedge accounting	0	0	0	0	0	0
Other net operating income	(2)	(1)	3	7	2	(1)
Operating income	**74**	**70**	**558**	**506**	**171**	**154**
General administrative expenses	(35)	(35)	(216)	(204)	(78)	(61)
Operating result	**39**	**35**	**342**	**301**	**93**	**93**
Other result	0	0	(1)	0	2	(1)
Levies and special governmental measures	0	0	0	0	0	0
Impairment losses on financial assets	0	4	(18)	2	6	19
Profit/loss before tax	**39**	**39**	**323**	**303**	**101**	**111**
Income taxes	(10)	(11)	(70)	(66)	(18)	(19)
Profit/loss after tax	**28**	**28**	**254**	**237**	**83**	**92**
Return on equity before tax	18.8%	21.0%	33.9%	38.1%	53.7%	80.4%
Return on equity after tax	13.8%	15.2%	26.6%	29.8%	44.3%	66.4%
Net interest margin (average interest-bearing assets)	5.65%	6.37%	5.00%	5.82%	11.11%	11.30%
Cost/income ratio	47.3%	50.2%	38.7%	40.4%	45.8%	39.6%
Loan/deposit ratio	91.7%	91.1%	85.2%	85.5%	78.8%	82.3%
Provisioning ratio (average loans to customers)	(0.14)%	(1.02)%	0.38%	(0.05)%	(0.79)%	(3.36)%
NPE ratio	2.0%	3.7%	1.9%	3.1%	6.6%	14.5%
NPE coverage ratio	81.2%	78.2%	51.9%	62.0%	65.8%	77.5%
Assets	1,986	1,665	16,434	12,738	2,579	2,284
Liabilities	1,596	1,314	14,241	10,985	2,195	1,997
Risk-weighted assets (total RWA)	1,734	1,539	9,804	8,142	2,466	2,177
Equity	390	351	2,193	1,753	384	287
Loans to customers	1,218	997	10,454	8,133	1,590	1,398
Deposits from customers	1,415	1,118	12,405	9,550	2,024	1,702
Business outlets	87	88	185	188	499	501
Employees as at reporting date (full-time equivalents)	1,768	1,876	9,083	8,694	7,810	7,846
Customers in million	0.8	0.8	3.2	2.6	2.5	2.5

Group Corporates & Markets

in € million	1/1-30/6 2019	1/1-30/6 2018	Change	Q2/2019	Q1/2019	Change
Net interest income	295	277	6.4%	149	146	1.4%
Dividend income	14	22	(34.6)%	14	0	>500.0%
Net fee and commission income	180	175	2.6%	92	88	3.7%
Net trading income and fair value result	0	24	–	16	(16)	–
Net gains/losses from hedge accounting	1	0	>500.0%	1	0	>500.0%
Other net operating income	59	88	(32.5)%	34	25	33.4%
Operating income	**549**	**586**	**(6.3)%**	**305**	**244**	**24.7%**
General administrative expenses	(343)	(320)	7.3%	(177)	(166)	6.6%
Operating result	**206**	**266**	**(22.8)%**	**128**	**78**	**63.3%**
Other result	3	(4)	–	6	(3)	–
Levies and special governmental measures	(10)	(11)	(7.7)%	(5)	(6)	(19.1)%
Impairment losses on financial assets	(21)	78	–	(20)	(1)	>500.0%
Profit/loss before tax	**178**	**329**	**(46.0)%**	**109**	**69**	**58.3%**
Income taxes	(37)	(65)	(44.0)%	(23)	(13)	75.1%
Profit/loss after tax	**141**	**263**	**(46.5)%**	**85**	**55**	**54.2%**
Return on equity before tax	9.1%	21.4%	(12.3) PP	11.2%	7.1%	4.1 PP
Return on equity after tax	7.2%	17.1%	(9.9) PP	8.8%	5.7%	3.1 PP
Net interest margin (average interest-bearing assets)	1.28%	1.34%	(0.07) PP	1.23%	1.33%	(0.10) PP
Cost/income ratio	62.5%	54.6%	8.0 PP	58.1%	68.0%	(9.9) PP
Loan/deposit ratio	164.0%	160.1%	3.9 PP	164.0%	145.8%	18.2 PP
Provisioning ratio (average loans to customers)	0.35%	(1.53)%	1.88 PP	0.29%	0.01%	0.28 PP
NPE ratio	1.9%	2.6%	(0.7) PP	1.9%	2.3%	(0.3) PP
NPE coverage ratio	55.9%	52.8%	3.1 PP	55.9%	53.3%	2.6 PP
Assets	53,454	46,014	16.2%	53,454	49,391	8.2%
Liabilities	55,139	45,437	21.4%	55,139	51,674	6.7%
Risk-weighted assets (total RWA)	23,037	20,300	13.5%	23,037	22,480	2.5%
Average equity	3,919	3,080	27.2%	3,919	3,881	1.0%
Loans to customers	28,841	25,161	14.6%	28,841	28,259	2.1%
Deposits from customers	23,466	20,736	13.2%	23,466	26,955	(12.9)%
Business outlets	23	24	(4.2)%	23	24	(4.2)%
Employees as at reporting date (full-time equivalents)	2,877	2,799	2.8%	2,877	2,843	1.2%
Customers in million	2.0	2.1	(6.5)%	2.0	2.0	0.0%

Segment performance

The decrease in net income in the Group Corporates & Markets segment mainly related to one-off effects in the comparable period, including net releases of loan loss provisions totaling € 78 million due to inflows and recoveries. Among the effects were € 25 million in releases of loan loss provisions and € 25 million in releases of provisions recognized primarily in connection with an Icelandic bank. A further € 11 million was generated in the previous year's period from the sale of registered bonds. Impairments were recognized in the amount of € 21 million in the reporting period due to an individual case.

The Group Corporates & Markets segment encompasses RBI's operating business booked in Austria. The contributions to profit come from the corporate customer and markets business of head office, with further significant contributions from the Austrian specialized financial institution subsidiaries. The following table shows the main profit contributions by sub-segment:

in € million	1/1-30/6 2019	1/1-30/6 2018	Change	Q2/2019	Q1/2019	Change
Corporates Vienna	75	112	(33.3)%	32	43	(26.6)%
Markets Vienna	41	83	(50.7)%	15	26	(39.4)%
Specialized financial institution subsidiaries and other	25	68	(63.3)%	38	(13)	-
Profit/loss after tax	**141**	**263**	**(46.5)%**	**85**	**55**	**54.2%**

Operating income

The segment's net interest income was up 6 per cent, or € 18 million, year-on-year to € 295 million. This was due to a volume-related increase in long-term lending (project and export financing) in the Corporates Vienna sub-segment and to short-term investments in the Markets Vienna sub-segment. The segment's net interest margin decreased 7 basis points to 1.28 per cent due to the lower market interest rates combined with an increase in average interest-bearing assets.

Dividend income decreased € 7 million, mainly due to the dividend payment from an unconsolidated leasing company in the previous year's period.

Net fee and commission income increased 3 per cent, or € 5 million, to € 180 million. At head office, higher commission income was primarily recorded in the institutional investor business, as well as in trade financing and liquidity management.

Conversely, the net trading income and fair value result declined € 24 million year-on-year. This was due to valuation results for derivatives held as economic hedges. As these are hedging transactions, the valuation results are neutralized over the lifetime of the portfolio.

Other net operating income was down € 28 million to € 59 million. In the previous year, income of € 25 million was generated in the Markets Vienna sub-segment from the release of a provision in connection with the termination of a long-standing legal dispute with an Icelandic bank. A further € 11 million of the decrease related to the sale of registered bonds in the previous year's period.

General administrative expenses

The segment's general administrative expenses rose 7 per cent, or € 23 million, to € 343 million. The increase primarily related to a € 22 million rise in staff expense due to an increase in headcount and allocations to provisions for staff at head office. The segment's cost/income ratio rose to 62.5 per cent.

Other result

The other result increased from minus € 4 million to € 3 million. This was primarily attributable to an € 8 million rise in net income from the disposal of Group assets. A provision in the amount of € 3 million was recognized for German property transfer tax resulting from corporate reorganizations in previous years. This related to the acquisition of shares in Raiffeisen Leasing Group in 2012 and 2013.

Impairment losses on financial assets

Impairments of € 21 million were recognized in the reporting period, primarily relating to a large corporate customer; compared to net releases of loan loss provisions in the amount of € 78 million due to inflows and recoveries in the previous year's period, including net releases of € 25 million relating to an Icelandic bank in the Markets Vienna sub-segment.

The share of non-bank non-performing exposures in the segment's loan portfolio was 1.9 per cent on 30 June 2019. The NPE coverage ratio was 55.9 per cent.

Income taxes

Income tax expense decreased € 29 million to € 37 million, mainly due to the lower profit.

Corporate Center

in € million	1/1-30/6 2019	1/1-30/6 2018	Change	Q2/2019	Q1/2019	Change
Net interest income	(30)	(18)	67.9%	(21)	(9)	128.3%
Dividend income	689	698	(1.2)%	548	142	286.3%
Net fee and commission income	1	(1)	–	4	(3)	–
Net trading income and fair value result	(63)	(36)	73.6%	(34)	(29)	14.0%
Net gains/losses from hedge accounting	5	10	(55.0)%	1	4	(80.9)%
Other net operating income	39	26	53.4%	35	4	>500.0%
Operating income	**641**	**678**	**(5.5)%**	**533**	**108**	**392.0%**
General administrative expenses	(184)	(159)	15.8%	(107)	(76)	40.6%
Operating result	**457**	**520**	**(12.0)%**	**425**	**32**	**>500.0%**
Other result	37	(72)	–	42	(5)	–
Levies and special governmental measures	(59)	(55)	8.0%	(2)	(57)	(95.8)%
Impairment losses on financial assets	(3)	(5)	(32.1)%	(4)	1	–
Profit/loss before tax	**432**	**388**	**11.2%**	**461**	**(29)**	**–**
Income taxes	27	57	(53.0)%	6	21	(72.8)%
Profit/loss after tax	**458**	**445**	**3.0%**	**466**	**(8)**	**–**
Assets	33,375	32,767	1.9%	33,375	36,913	(9.6)%
Liabilities	21,622	24,113	(10.3)%	21,622	24,750	(12.6)%
Risk-weighted assets (total RWA)	14,455	15,494	(6.7)%	14,455	13,920	3.8%
Average equity	2,565	2,231	15.0%	2,565	2,593	(1.1)%
Loans to customers	4,756	3,802	25.1%	4,756	4,038	17.8%
Deposits from customers	4,077	3,684	10.7%	4,077	1,527	166.9%
Business outlets	–	–	–	–	–	–
Employees as at reporting date (full-time equivalents)	1,206	1,055	14.3%	1,206	1,179	2.3%
Customers in million	0.0	0.0	14.5%	0.0	0.0	3.6%

Segment performance

This segment essentially comprises net income from the Group head office's management functions and other Group units. Its results are therefore generally more volatile. The € 13 million, or 3 per cent, improvement in profit in the reporting period primarily related to the expected loss of € 121 million recognized in the previous year for the sale of the Polish core banking operations, compared to a € 63 million reduction in the operating result and € 30 million lower tax income in the reporting period.

Operating income

Net interest income decreased € 12 million year-on-year to minus € 30 million. The reduction was due in particular to lower investment income from excess liquidity and lower income from intra-Group lending, partly offset by lower refinancing costs.

Dividend income, which primarily comes from Group units belonging to other segments and is therefore of an intra-Group nature, decreased € 9 million to € 689 million. The payment dates are determined by the corresponding resolutions passed by the respective shareholder meetings.

The net trading income and fair value result likewise decreased € 27 million year-on-year to minus € 63 million, mainly driven by the lower capital hedge result.

Net gains from hedge accounting decreased from € 10 million to € 5 million, mostly due to one-off effects in the first half of 2018 on account of early termination of hedges.

Other net operating income increased € 14 million to € 39 million. This was mainly because there was no repeat of the allocations to provisions in the previous year in connection with litigation at head office.

General administrative expenses

General administrative expenses were up 16 per cent, or € 25 million, to € 184 million, primarily as a result of higher IT expenses and a rise in staff expenses due to an increased headcount.

Other result

The other result came to € 37 million in the reporting period, compared to minus € 72 million reported in the comparable period of the previous year. This substantial improvement primarily related to the expected loss of € 121 million recognized in the previous year for the sale of the Polish core banking operations. A provision in the amount of € 21 million was recognized for German property transfer tax resulting from corporate reorganizations in previous years. This related to the merger of Raiffeisen Zentralbank and Raiffeisen Bank International in 2017.

Levies and special governmental measures

The expense for levies and special governmental measures reported in the segment increased € 4 million to € 59 million. At € 44 million, the expenses for bank levies remained almost unchanged compared to the same period of the previous year. The head office contributions to the resolution fund allocated to the segment increased € 4 million to € 15 million. In accordance with accounting standards, the expenses for bank levies for the entire year were booked in the first quarter. The € 163 million one-off payment stipulated by law is spread over four years – with € 41 million booked in the reporting period – and is allocated to the Corporate Center segment.

Income taxes

Tax income of € 27 million was posted in the reporting period, compared to income of € 57 million in the same period of the previous year.

Interim consolidated financial statements

(Condensed interim report as at 30 June 2019)

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 13 markets in the region. The Group also contains many other financial service companies specializing in sectors such as leasing, clearing, settlement and payment services and asset management. All told, RBI's 47,181 employees serve about 16.4 million clients at 2,105 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 condensed interim report as at 30 June 2019 underwent a review by the certified auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The corresponding chapter can be found in the notes.

Statement of comprehensive income

Income statement

in € million	Notes	1/1-30/6/2019	1/1-30/6/2018
Interest income		2,472	2,352
Interest expenses		(807)	(689)
Net interest income	**[1]**	**1,664**	**1,663**
Dividend income	[2]	24	57
Net fee and commission income	[3]	839	869
Net trading income and fair value result	[4]	(79)	16
Net gains/losses from hedge accounting	[5]	0	(2)
Other net operating income	[6]	17	65
Operating income		**2,465**	**2,669**
Staff expenses		(789)	(780)
Other administrative expenses		(524)	(573)
Depreciation		(184)	(141)
General administrative expenses	**[7]**	**(1,497)**	**(1,494)**
Operating result		**968**	**1,175**
Other result	[8]	8	(94)
Levies and special governmental measures	[9]	(130)	(141)
Impairment losses on financial assets	[10]	(12)	83
Profit/loss before tax		**834**	**1,024**
Income taxes	[11]	(191)	(205)
Profit/loss after tax		**643**	**820**
Profit attributable to non-controlling interests		(72)	(64)
Consolidated profit/loss		**571**	**756**

Earnings per share

in € million	1/1-30/6/2019	1/1-30/6/2018
Consolidated profit/loss	571	756
Dividend claim on additional tier 1	(31)	(30)
Profit/loss attributable to ordinary shares	**540**	**726**
Average number of ordinary shares outstanding in million	329	329
Earnings per share in €	**1.64**	**2.21**

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	Notes	1/1-30/6/2019	1/1-30/6/2018
Profit/loss after tax		**643**	**820**
Items which are not reclassified to profit or loss		**(10)**	**28**
Remeasurements of defined benefit plans	[27]	(11)	(3)
Fair value changes of equity instruments	[14]	14	14
Fair value changes due to changes in credit risk of financial liabilities	[24]	(18)	18
Share of other comprehensive income from companies valued at equity	[19]	8	0
Deferred taxes on items which are not reclassified to profit or loss	[21, 28]	(3)	(1)
Items that may be reclassified subsequently to profit or loss		**248**	**(144)**
Exchange differences		250	(163)
Hedge of net investments in foreign operations	[18, 26]	(40)	35
Adaptions to the cash flow hedge reserve	[18, 26]	5	13
Fair value changes of financial assets	[14]	36	(16)
Share of other comprehensive income from companies valued at equity	[19]	1	(13)
Other items		0	1
Deferred taxes on items which may be reclassified to profit or loss	[21, 28]	(5)	(1)
Other comprehensive income		**238**	**(116)**
Total comprehensive income		**881**	**703**
Profit attributable to non-controlling interests		(86)	(70)
hereof income statement		(72)	(64)
hereof other comprehensive income		(14)	(7)
Profit/loss attributable to owners of the parent		**795**	**633**

Currency developments resulted in a positive effect of € 250 million since the start of the year. The Russian ruble appreciated 11 per cent, resulting in a positive contribution of € 212 million, while the Belarusian ruble and Ukrainian hryvnia both appreciated 7 per cent, contributing € 24 million and € 20 million respectively. Set against this was a hedge of the net investments in the Russian subsidiary bank, which resulted in a valuation result of minus € 40 million.

Statement of financial position

Assets in € million	Notes	30/6/2019	31/12/2018
Cash, cash balances at central banks and other demand deposits	[12]	23,265	22,557
Financial assets - amortized cost	[13]	106,547	98,756
Financial assets - fair value through other comprehensive income	[14, 31]	5,629	6,489
Non-trading financial assets - mandatorily fair value through profit/loss	[15, 31]	514	560
Financial assets - designated fair value through profit/loss	[16, 31]	3,266	3,192
Financial assets - held for trading	[17, 31]	3,928	3,894
Hedge accounting	[18]	556	457
Investments in subsidiaries and associates	[19]	983	964
Tangible fixed assets	[20]	1,794	1,384
Intangible fixed assets	[20]	699	693
Current tax assets	[21]	66	57
Deferred tax assets	[21]	162	122
Other assets	[22]	1,220	990
Total		**148,630**	**140,115**

Equity and liabilities in € million	Notes	30/6/2019	31/12/2018
Financial liabilities - amortized cost	[23]	126,045	119,074
Financial liabilities - designated fair value through profit/loss	[24, 31]	1,889	1,931
Financial liabilities - held for trading	[25, 31]	5,681	5,102
Hedge accounting	[26]	236	91
Provisions for liabilities and charges	[27]	917	856
Current tax liabilities	[28]	41	41
Deferred tax liabilities	[28]	43	60
Other liabilities	[29]	857	547
Equity	[30]	12,920	12,413
Consolidated equity		11,053	10,587
Non-controlling interests		731	701
Additional tier 1		1,136	1,125
Total		**148,630**	**140,115**

Statement of changes in equity

in € million	Subscribed capital	Capital reserves	Retained earnings	Cumulative other comprehensive income	Consolidated equity	Non-controlling interests	Additional tier 1	Total
Equity as at 31/12/2018	**1,002**	**4,992**	**7,587**	**(2,994)**	**10,587**	**701**	**1,125**	**12,413**
Impact of adopting IFRS 16	0	0	0	0	0	0	0	0
Equity as at 1/1/2019	**1,002**	**4,992**	**7,587**	**(2,994)**	**10,587**	**701**	**1,125**	**12,413**
Capital increases/ decreases	0	0	0	0	0	0	0	0
Allocation dividend - AT1	0	0	(31)	0	(31)	0	31	0
Dividend payments	0	0	(306)	0	(306)	(56)	(31)	(394)
Own shares	0	0	0	0	0	0	11	11
Other changes	0	0	7	0	8	1	0	8
Total comprehensive income	0	0	571	224	795	86	0	881
Equity as at 30/6/2019	**1,002**	**4,992**	**7,829**	**(2,770)**	**11,053**	**731**	**1,136**	**12,920**

in € million	Subscribed capital	Capital reserves	Retained earnings	Cumulative other comprehensive income	Consolidated equity	Non-controlling interests	Additional tier 1	Total
Equity as at 1/1/2018	**1,002**	**4,992**	**6,589**	**(2,808)**	**9,775**	**653**	**645**	**11,072**
Capital increases/ decreases	0	0	0	0	0	0	496	496
Allocation dividend - AT1	0	0	(29)	0	(29)	0	29	0
Dividend payments	0	0	(204)	0	(204)	(75)	(29)	(307)
Own shares	0	0	3	0	3	0	(8)	(5)
Other changes	0	0	20	0	20	(10)	0	10
Total comprehensive income	0	0	756	(123)	633	70	0	703
Equity as at 30/6/2018	**1,002**	**4,992**	**7,135**	**(2,931)**	**10,197**	**638**	**1,133**	**11,968**

Statement of cash flows

in € million	Notes	1/1-30/6/2019	1/1-30/6/2018
Cash, cash balances at central banks and other demand deposits as at 1/1	**[12]**	**22,557**	**16,905**
Operating activities:			
Profit/loss before tax		834	1,024
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]	186	315
Net provisioning for liabilities and charges and impairment losses	[6, 10, 27]	24	(104)
Gains/losses from disposal of tangible fixed assets and financial investments	[8]	350	(21)
Gains/losses from companies valued at equity	[8, 19]	(37)	(13)
Net of net interest income and dividend income	[1, 2]	(1,688)	(1,720)
Interest received	[1]	2,151	2,143
Interest paid	[1]	(722)	(649)
Dividends received	[2]	64	89
Income taxes paid	[11]	(37)	(51)
Other adjustments (net)		140	760
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:			
Financial assets - amortized cost	[13]	(5,043)	(3,814)
Financial assets - fair value through other comprehensive income	[14, 31]	998	(342)
Non-trading financial assets - mandatorily fair value through profit/loss	[15, 31]	28	(517)
Financial assets - designated fair value through profit/loss	[16, 31]	(67)	494
Financial assets - held for trading	[17, 31]	87	(518)
Tax assets	[21]	(31)	(19)
Other assets	[22]	(108)	234
Financial liabilities - amortized cost	[23]	5,649	8,912
Financial liabilities - designated fair value through profit/loss	[24, 31]	(51)	(429)
Financial liabilities - held for trading	[25, 31]	198	389
Negative fair values from hedge accounting	[26]	0	(4)
Provisions for liabilities and charges	[27]	(120)	(69)
Tax liabilities	[28]	(148)	(137)
Other liabilities	[29]	(6)	(296)
Net cash from operating activities		**2,651**	**5,655**

in € million		1/1-30/6/2019	1/1-30/6/2018
Investing activities:			
Payments for purchase of:			
Investment securities and shares	[14, 15, 17, 19]	(3,082)	(2,227)
Tangible and intangible fixed assets	[20]	(188)	(122)
Subsidiaries		0	(8)
Proceeds from sale of:			
Investment securities and shares	[14, 15, 17, 19]	1,818	1,271
Tangible and intangible fixed assets	[20]	38	82
Subsidiaries	[8]	0	0
Net cash from investing activities		**(1,414)**	**(1,004)**
Cash and cash equivalents from disposal of subsidiaries		(26)	(1)
Financing activities:			
Capital increases		0	497
Inflows of subordinated capital	[23, 24]	8	0
Outflows of subordinated capital	[23, 24]	(225)	(504)
Dividend payments		(394)	(104)
Net cash from financing activities		**(611)**	**(111)**
Effect of exchange rate changes		108	221
Cash, cash balances at central banks and other demand deposits as at 30/6		**23,265**	**21,665**

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 (business booked in Austria): operating business at head office divided into subsegments: Austrian and international corporate customers, Markets, Financial Institutions & Sovereigns, business with the Raiffeisen Banking Group (RBG), as well as specialized financial institution subsidiaries, e.g. Raiffeisen Centrobank AG, Kathrein Privatbank Aktiengesellschaft, Raiffeisen Leasing Group, Raiffeisen Factor Bank AG, Raiffeisen Bausparkasse Österreich Gesellschaft mbH, Valida Group (pension fund business) and Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung
- Corporate Center: central control functions at head office (e.g. Treasury), other Group units and minority interests (including UNIQA Insurance Group AG and LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG)

1/1-30/6/2019 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	419	425	531	295
Dividend income	4	7	1	14
Net fee and commission income	218	201	240	180
Net trading income and fair value result	0	15	28	0
Net gains/losses from hedge accounting	0	0	0	1
Other net operating income	(4)	(8)	3	59
Operating income	**637**	**639**	**803**	**549**
General administrative expenses	(351)	(353)	(329)	(343)
Operating result	**285**	**287**	**474**	**206**
Other result	5	(3)	1	3
Levies and special governmental measures	(45)	(16)	0	(10)
Impairment losses on financial assets	33	(12)	(12)	(21)
Profit/loss before tax	**278**	**256**	**462**	**178**
Income taxes	(47)	(37)	(97)	(37)
Profit/loss after tax	**231**	**219**	**365**	**141**
Profit attributable to non-controlling interests	(39)	4	(28)	(2)
Profit/loss after deduction of non-controlling interests	**192**	**223**	**337**	**139**
Return on equity before tax	14.9%	19.3%	40.9%	9.1%
Return on equity after tax	12.4%	16.6%	32.3%	7.2%
Net interest margin (average interest-bearing assets)	2.14%	3.61%	5.76%	1.28%
Cost/income ratio	55.2%	55.2%	41.0%	62.5%
Loan/deposit ratio	102.9%	75.1%	84.9%	164.0%
Provisioning ratio (average loans to customers)	(0.23)%	0.15%	0.18%	0.35%
NPE ratio	2.5%	3.3%	2.5%	1.9%
NPE coverage ratio	57.2%	64.5%	58.7%	55.9%
Assets	41,350	25,664	20,996	53,454
Liabilities	37,936	22,538	18,029	55,139
Risk-weighted assets (total RWA)	21,761	15,263	14,003	23,037
Average equity	3,719	2,644	2,261	3,919
Loans to customers	29,022	15,091	13,261	28,841
Deposits from customers	30,399	20,288	15,843	23,466
Business outlets	391	920	771	23
Employees as at reporting date (full-time equivalents)	9,895	14,542	18,661	2,877
Customers in million	2.6	5.3	6.5	2.0

1/1-30/6/2019 in € million	Corporate Center	Reconciliation	Total
Net interest income	(30)	24	1,664
Dividend income	689	(692)	24
Net fee and commission income	1	0	839
Net trading income and fair value result	(63)	(58)	(79)
Net gains/losses from hedge accounting	5	(5)	0
Other net operating income	39	(72)	17
Operating income	**641**	**(804)**	**2,465**
General administrative expenses	(184)	63	(1,497)
Operating result	**457**	**(741)**	**968**
Other result	37	(34)	8
Levies and special governmental measures	(59)	0	(130)
Impairment losses on financial assets	(3)	4	(12)
Profit/loss before tax	**432**	**(771)**	**834**
Income taxes	27	0	(191)
Profit/loss after tax	**458**	**(771)**	**643**
Profit attributable to non-controlling interests	0	(6)	(72)
Profit/loss after deduction of non-controlling interests	**458**	**(777)**	**571**
Return on equity before tax	–	–	13.5%
Return on equity after tax	–	–	10.3%
Net interest margin (average interest-bearing assets)	–	–	2.42%
Cost/income ratio	–	–	60.7%
Loan/deposit ratio	–	–	102.9%
Provisioning ratio (average loans to customers)	–	–	0.02%
NPE ratio	–	–	2.3%
NPE coverage ratio	–	–	59.0%
Assets	33,375	(26,210)	148,630
Liabilities	21,622	(19,554)	135,710
Risk-weighted assets (total RWA)	14,455	(12,900)	75,620
Average equity	2,565	(2,321)	12,787
Loans to customers	4,756	(2,461)	88,508
Deposits from customers	4,077	(3,912)	90,161
Business outlets	–	–	2,105
Employees as at reporting date (full-time equivalents)	1,206	–	47,181
Customers in million	0.0	–	16.4

1/1-30/6/2018 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	493	388	498	277
Dividend income	6	7	1	22
Net fee and commission income	283	201	216	175
Net trading income and fair value result	14	16	10	24
Net gains/losses from hedge accounting	(13)	0	0	0
Other net operating income	(16)	21	5	88
Operating income	**767**	**634**	**730**	**586**
General administrative expenses	(437)	(337)	(301)	(320)
Operating result	**330**	**297**	**429**	**266**
Other result	(10)	(1)	(1)	(4)
Levies and special governmental measures	(64)	(11)	0	(11)
Impairment losses on financial assets	(13)	5	25	78
Profit/loss before tax	**244**	**291**	**453**	**329**
Income taxes	(59)	(40)	(96)	(65)
Profit/loss after tax	**185**	**250**	**357**	**263**
Profit attributable to non-controlling interests	(28)	0	(28)	(2)
Profit/loss after deduction of non-controlling interests	**157**	**250**	**329**	**262**
Return on equity before tax	13.2%	25.9%	51.2%	21.4%
Return on equity after tax	10.0%	22.3%	40.3%	17.1%
Net interest margin (average interest-bearing assets)	2.19%	3.51%	6.54%	1.34%
Cost/income ratio	57.0%	53.1%	41.2%	54.6%
Loan/deposit ratio	92.5%	74.9%	85.5%	160.1%
Provisioning ratio (average loans to customers)	0.08%	(0.07)%	(0.54)%	(1.53)%
NPE ratio	3.0%	4.6%	4.8%	2.6%
NPE coverage ratio	54.9%	63.3%	70.0%	52.8%
Assets	46,702	24,299	16,685	46,014
Liabilities	42,463	21,317	14,293	45,437
Risk-weighted assets (total RWA)	25,738	15,191	11,858	20,300
Average equity	3,680	2,244	1,771	3,080
Loans to customers	26,806	13,762	10,529	25,161
Deposits from customers	27,938	18,813	12,369	20,736
Business outlets	631	979	777	24
Employees as at reporting date (full-time equivalents)	13,052	14,703	18,416	2,799
Customers in million	3.4	5.4	5.8	2.1

1/1-30/6/2018 in € million	Corporate Center	Reconciliation	Total
Net interest income	(18)	24	1,663
Dividend income	698	(677)	57
Net fee and commission income	(1)	(5)	869
Net trading income and fair value result	(36)	(11)	16
Net gains/losses from hedge accounting	10	1	(2)
Other net operating income	26	(59)	65
Operating income	**678**	**(726)**	**2,669**
General administrative expenses	(159)	58	(1,494)
Operating result	**520**	**(667)**	**1,175**
Other result	(72)	(6)	(94)
Levies and special governmental measures	(55)	0	(141)
Impairment losses on financial assets	(5)	(7)	83
Profit/loss before tax	**388**	**(681)**	**1,024**
Income taxes	57	0	(205)
Profit/loss after tax	**445**	**(681)**	**820**
Profit attributable to non-controlling interests	0	(6)	(64)
Profit/loss after deduction of non-controlling interests	**445**	**(686)**	**756**
Return on equity before tax	–	–	18.7%
Return on equity after tax	–	–	14.9%
Net interest margin (average interest-bearing assets)	–	–	2.48%
Cost/income ratio	–	–	56.0%
Loan/deposit ratio	–	–	98.3%
Provisioning ratio (average loans to customers)	–	–	(0.22)%
NPE ratio	–	–	3.2%
NPE coverage ratio	–	–	59.5%
Assets	32,767	(22,909)	143,556
Liabilities	24,113	(16,034)	131,588
Risk-weighted assets (total RWA)	15,494	(14,234)	74,346
Average equity	2,231	(2,029)	10,975
Loans to customers	3,802	(2,165)	77,895
Deposits from customers	3,684	(3,632)	79,908
Business outlets	–	–	2,411
Employees as at reporting date (full-time equivalents)	1,055	–	50,025
Customers in million	0.0	–	16.7

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).

Some IFRS disclosures made outside the notes form 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 measurement under IAS/IFRS, 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 impairment of financial instruments, deferred taxes, provisions for pensions and pension-related liabilities as well as the calculations used to determine the recoverability of goodwill and the intangible assets capitalized in the course of the initial consolidation. The actual amount recognized may differ from the estimated values.

Application of new and revised standards

IFRS 16 (Leases; effective date: 1 January 2019)

For lessees, the new standard establishes an accounting model which does not distinguish between finance leases and operating leases. This means that most leases are recognized in the statement of financial position. The standard requires lessees to recognize assets and liabilities arising from for all leases with terms of more than twelve months in the statement of financial position, unless the underlying asset has a low value. The lessee recognizes a right-of-use asset representing its right to use the underlying asset. It also recognizes a lease liability representing its liability to make the lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 transitional provisions

With regard to the transitional arrangements, IFRS 16 grants RBI as lessee an accounting option concerning transitioning to the new lease standard. Lessees may choose to apply IFRS 16 through either a full retrospective approach, in which the standard is applied retrospectively to each prior reporting period presented in accordance with the provisions of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, or through a modified retrospective approach, in which the standard is applied retrospectively with the cumulative effect of initially applying IFRS 16 recognized as an adjustment in the opening balance of retained earnings as of the date of initial application.

RBI has elected to use the modified retrospective approach, which means that the comparative information will not be adjusted in the 2019 reporting period either. As lessee, RBI measured the liabilities arising from leases classified as operating leases under IAS 17 at the present value of the remaining lease payments using its incremental borrowing rate of interest at the time of first application of IFRS 16. In addition, right-of-use assets were recognized in the same amount in order to account for prepaid or deferred lease payments recognized previously. No adjustments were required to leases previously accounted for as operating leases under IAS 17, provided the underlying assets were low-value assets as defined by IFRS 16. The relevant measurement option was selected on a case-by-case basis. In addition, RBI took advantage of the practical expedient permitted to lessees on an individual basis of applying a uniform interest rate to portfolios of leases exhibiting sufficiently similar characteristics as well as to leases with remaining terms of less than twelve months. On the date of initial application, RBI took advantage of this option for its short-term leases.

If a lease was classified as a finance lease under IAS 17, RBI recognized the carrying amount of the lease asset as a right-of-use asset and the carrying amount of the lease liability as the carrying amount of the new lease liability.

If RBI is the lessor, no specific transitional provisions apply. Consequently, no adjustments to carrying amounts were made at the time of transition. The existing amounts are carried over from the date of initial application as provided for in IFRS 16.

If subleases exist (i.e. intragroup lease agreements), the sub-lessor must examine all subleases classified as operating leases to determine whether they should be classified as operating leases or finance leases under IFRS 16. In the case of subleases which were accounted for as operating leases in accordance with IAS 17 but are classified as finance leases under IFRS 16, the sub-lessor must account for the leases in the same way as for a new finance lease contract concluded as of that date.

Right-of-use assets amounting to approximately € 448 million were recognized as of 1 January 2019 based upon the initial application of IFRS 16. Nearly all of that amount related to leases for buildings for the company's own use. The carrying amount of the right-of-use asset exceeds that of the corresponding lease liabilities because of taking advance lease payments and renovation costs into account.

IFRS 16 Transition

in € million	
Operating lease commitments as at 31/12/2018	**359**
Operating lease commitments as at 31/12/2018 (discounted)	**325**
Finance lease liabilities recognized as at 31/12/2018	38
Recognition exemption for short-term leases	(7)
Recognition exemption for leases of low-value assets	(3)
Extensions and termination options reasonably certain to be exercised	88
Residual value guarantees	0
Lease liabilities recognized as at 1/1/2019	**440**

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 were about 3 per cent.

IFRIC 23 (Uncertainty over Income Tax Treatment; effective date: 1 January 2019)

This interpretation specifies how to reflect the effects of uncertainty in accounting for income taxes. The application of IFRIC 23 did not impact the consolidated financial statements of RBI.

Annual improvements to the IFRS Standards Cycle 2015-2017 (effective date: 1 January 2019)

Specifically, the amendments include:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it must remeasure its previously held interests in that business. The amendments to IFRS 11 additionally clarify that when an entity obtains joint control of a business that is a joint operation, it is not required to remeasure its previously held interests in that business.
- IAS 12 Income Taxes: The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs: The amendments clarify that if any borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset remain outstanding after the related asset has been prepared for its intended use or sale, those borrowing costs are included in the calculation of the capitalization rate for the funds generally borrowed for obtaining the asset.

The application of these amendments had no effect on the consolidated financial statements of RBI.

Amendment to IAS 28 (Investments in Associates and Joint Ventures; effective date: 1 January 2019)

The amendments clarify that an entity must apply IFRS 9 – Financial Instruments (including the impairment provisions) to long-term interests in associates or joint ventures that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Hence the application of IFRS 9 takes precedence over the application of IAS 28. Application of the revised IAS 28 had no significant impact on RBI's consolidated financial statements.

Amendment to IAS 19 (Plan Amendment, Curtailment or Settlement; effective date: January 1, 2019)

As a result of the amendments to IAS 19, in the event of amendment, curtailment or settlement of a defined benefit plan, it is now mandatory that the current service cost and the net interest for the remaining fiscal year be recalculated using the actuarial assumptions applied to the required remeasurement of the net liability/net asset. In addition, amendments were included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. Application of the amendment had no effect on the consolidated financial statements of RBI.

Standards and interpretations issued but not yet effective

Amendment to the IFRS Conceptual Framework for Financial Reporting (effective date: 1 January 2020)

The new Conceptual Framework contains revised definitions of assets and liabilities as well as new guidance on measurement and derecognition, presentation and disclosure. The Conceptual Framework was not substantially revised as was originally intended when the project was initiated in 2004. Instead, the IASB focused on topics that were not yet covered or that showed obvious shortcomings that needed to be dealt with. The revised Conceptual Framework is not subject to the endorsement process.

Amendments to IFRS 3 (Definition of a Business; effective date: 1 January 2020)

The narrow-scope amendments to IFRS 3 aim to resolve the difficulties that arise when an entity is determining whether it has acquired a business or a group of assets. The difficulties result from the fact that the accounting requirements for goodwill, acquisition costs and deferred tax differ on the acquisition of a business and on the acquisition of a group of assets. Application of the revised standard is not expected to impact the consolidated financial statements of RBI.

Amendments to IAS 1 and IAS 8 (Definition of Material; effective date: 1 January 2020)

The International Accounting Standards Board (IASB) has issued the Definition of Material (Amendments to IAS 1 and IAS 8) to align the definition of materiality used in the Conceptual Framework and the standards. Application of the revised standard is not expected to impact the consolidated financial statements of RBI.

IFRS 17 (Insurance Contracts; effective date: 1 January 2021)

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that entities provide relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect of insurance contracts on an entity's financial position, financial performance and cash flows. IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. The impact on the Group is still being analyzed and exclusively relates to UNIQA Insurance Group AG, Vienna, which is accounted for using the equity method in the RBI consolidated financial statements. The standard has not yet been incorporated by the EU into European law.

Currencies

Rates in units per €	2019 As at 30/6	2019 Average 1/1-30/6	2018 As at 31/12	2018 Average 1/1-30/6
Albanian lek (ALL)	122.540	123.914	123.410	129.851
Belarusian ruble (BYN)	2.320	2.397	2.478	2.385
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)	7.397	7.418	7.413	7.420
Czech koruna (CZK)	25.447	25.687	25.724	25.573
Hungarian forint (HUF)	323.390	320.653	320.980	315.607
Polish zloty (PLN)	4.250	4.286	4.301	4.232
Romanian leu (RON)	4.734	4.733	4.664	4.658
Russian ruble (RUB)	71.598	74.212	79.715	71.543
Serbian dinar (RSD)	117.790	118.010	118.320	118.207
Ukrainian hryvnia (UAH)	29.751	30.570	31.713	32.313
US dollar (USD)	1.138	1.133	1.145	1.206

Consolidated group

Number of units	Fully consolidated 30/6/2019	Fully consolidated 31/12/2018
As at beginning of period	**226**	**236**
Included for the first time in the financial period	2	9
Merged in the financial period	(1)	(2)
Excluded in the financial period	(13)	(17)
As at end of period	**214**	**226**

One leasing company and one real estate company were included for the first time. In the reporting period, ten subsidiaries, most of them engaged in leasing and real estate business, were excluded from the consolidated group due to immateriality. Two leasing companies were sold. One financial institution was shut down. Also, one holding company was merged with another in the reporting period.

Notes to the income statement

(1) Net interest income

in € million	1/1-30/6/2019	1/1-30/6/2018
Interest income	**2,472**	**2,352**
Financial assets - held for trading	207	191
Non-trading financial assets - mandatorily fair value through profit/loss	7	16
Financial assets - designated fair value through profit/loss	17	33
Financial assets - fair value through other comprehensive income	85	56
Financial assets - amortized cost	2,063	1,930
Derivatives – hedge accounting, interest rate risk	60	81
Other assets	7	17
Interest income on financial liabilities	25	27
Interest expenses	**(807)**	**(689)**
Financial liabilities - held for trading	(233)	(152)
Financial liabilities - designated fair value through profit/loss	(32)	(32)
Financial liabilities - amortized cost	(474)	(453)
Derivatives – hedge accounting, interest rate risk	(37)	(20)
Other liabilities	(2)	(7)
Interest expenses on financial assets	(30)	(25)
Total	**1,664**	**1,663**

Interest income calculated using the effective interest method amounted to € 2,148 million (prior year period: € 1,986 million). Net interest income included interest income of € 316 million (prior year period: € 296 million) from mark-to-market financial assets, and interest expenses of € 265 million (prior year period: € 184 million) from market-to-market financial liabilities.

in € million	1/1-30/6/2019	1/1-30/6/2018
Net interest income	1,664	1,663
Average interest-bearing assets	137,835	133,911
Net interest margin in per cent	**2.42%**	**2.48%**

Net interest income was almost unchanged, rising € 2 million to € 1,664 million. In Poland, net interest income declined € 119 million as a result of the sale of the Polish core banking operations. In all other countries of the Group, the development of net interest income was positive or stable. The Czech Republic reported the biggest increase of € 34 million, reflecting higher market interest rates and an increase in customer loan volumes. In Romania, higher volumes and repricing measures also led to a rise in net interest income of € 26 million. In Russia, net interest income increased € 19 million mainly as a result of higher volumes. In Ukraine, net interest income was up € 11 million due to higher interest rates and increased lending to non-financial corporations and households.

The decline in the net interest margin was driven largely by the negative margin development in Russia and the sale of the core banking operations in Poland. In Russia, the net interest margin decreased as a result of lower margins in the customer business, currency effects and lower basis spreads for underlying swap transactions related to liquidity investment. In addition, a higher proportion of average interest-bearing assets at head office led to a decline in margins, as the margins on a large portion of those assets are lower in view of the lower risk.

(2) Dividend income

in € million	1/1-30/6/2019	1/1-30/6/2018
Financial assets - held for trading	1	0
Non-trading financial assets - mandatorily fair value through profit/loss	0	1
Financial assets - fair value through other comprehensive income	11	13
Investments in subsidiaries and associates	12	43
Total	**24**	**57**

Investments in subsidiaries and associates include dividend income from subsidiaries not fully consolidated and associates not valued at equity. The decrease was largely due to dividend income from subsidiaries not fully consolidated, as a result of higher distributions, especially from real estate companies and insurance brokers in the previous year.

(3) Net fee and commission income

in € million	1/1-30/6/2019	1/1-30/6/2018[1]
Clearing, settlement and payment services	344	344
Loan and guarantee business	101	105
Securities	31	37
Asset management	107	112
Custody	25	30
Customer resources distributed but not managed	24	24
Foreign exchange	178	190
Other	29	28
Total	**839**	**869**
Fee and commission income	1,220	1,216
Fee and commission expenses	(381)	(346)

1 Adaptation of previous year's figures due to a change in presentation

Net fee and commission income decreased € 30 million year-on-year to € 839 million, largely as a result of the sale of the core banking operations in Poland (minus: € 67 million). In head office and nearly all countries, growth was reported. Fee and commission expenses were up mainly at head office and in Ukraine and Croatia in connection with payments services.

(4) Net trading income and fair value result

in € million	1/1-30/6/2019	1/1-30/6/2018
Net gains/losses on financial assets and liabilities - held for trading	**(388)**	**(297)**
Derivatives	(391)	(261)
Equity instruments	(2)	(12)
Debt securities	22	(25)
Loans and advances	5	3
Short positions	(6)	1
Deposits	(19)	(6)
Debt securities issued	0	0
Other financial liabilities	3	3
Net gains/losses on non-trading financial assets - mandatorily fair value through profit or loss	**5**	**10**
Debt securities	6	(3)
Loans and advances	0	14
Net gain/losses on financial assets and liabilities - designated fair value through profit/loss	**32**	**4**
Debt securities	40	(13)
Deposits	(2)	9
Debt securities issued	(6)	8
Exchange differences, net	**272**	**300**
Total	**(79)**	**16**

Net trading income was down € 95 million year-on-year. This was due to the further reduction in long-term interest rates, which resulted in interest-rate-induced changes in the valuation of issued certificates (a decrease of € 53 million) and net negative changes in the valuation of derivatives held for economic hedge purposes, among other things for a building society portfolio, resulting in a decrease of € 33 million. As these are hedges on the one hand and certificates repayable at maturity on the other, the valuations are neutralized over the portfolio's term.

In total, losses of € 391 million were recorded on derivatives in the reporting period (comparable period: losses of € 261 million). Derivatives are mainly used to hedge interest rate and currency risks. Much of these losses are offset by (net) currency translation gains of € 272 million (comparable period: € 300 million), mostly relating to changes in the Russian ruble exchange rate and in foreign currency exposures at head office.

The change in net income from debt securities held for trading of € 47 million to € 22 million was mainly due to disposal gains at head office. The deposits held for trading were primarily affected by losses on spot transactions in Russia. The losses were incurred in connection with the hedging of foreign currency transactions with customers; corresponding fee and commission income is included in net fee and commission income. Opposite valuation gains/losses or realized net gains/losses on foreign exchange derivatives that are used in this connection and held for economic hedge purposes are included in the derivatives item.

The changes of € 53 million in debt securities – designated fair value through profit/loss and, on the liabilities side, of minus € 14 million in debt securities issued – designated fair value through profit/loss were primarily caused by interest-rate-induced valuation changes at head office. These changes are set against opposite valuation gains/losses on derivatives held for economic hedge purposes that are presented in the net gains/losses on financial assets and liabilities – held for trading item.

(5) Net gains/losses from hedge accounting

in € million	1/1-30/6/2019	1/1-30/6/2018
Fair value changes of the hedging instruments	25	(19)
Fair value changes of the hedged items attributable to the hedged risk	(25)	31
Ineffectiveness of cash flow hedge recognized in profit or loss	0	(13)
Total	**0**	**(2)**

Net gains/losses from hedge accounting improved € 2 million year-on-year.

The sale of the core banking business of Raiffeisen Bank Polska S.A. resulted in the termination of the existing portfolio cash flow hedges in the second quarter of 2018. These hedged cash flow fluctuations from foreign currency loans and deposits in local currency by means of foreign currency interest rate swaps. The termination had a neutral effect on capital but resulted in the reclassification through profit and loss of the cash flow hedge reserve of minus € 13 million recognized in other comprehensive income in previous periods.

(6) Other net operating income

in € million	1/1-30/6/2019	1/1-30/6/2018
Gains/losses on derecognition of financial assets and liabilities - not measured at fair value through profit/loss	7	17
Gains/losses on derecognition of non-financial assets held for sale	0	4
Net income arising from non-banking activities	14	15
Net income from additional leasing services	0	1
Net income from insurance contracts	(3)	(1)
Net rental income from investment property incl. operating lease (real estate)	35	29
Net expense from allocation and release of other provisions	(11)	21
Other non-income related taxes	(33)	(31)
Sundry operating income/expenses	9	10
Total	**17**	**65**

Other net operating income decreased € 48 million year-on-year. Net expense from allocations and release of other provisions decreased € 31 million, mainly relating to net releases of provisions in the comparable period in connection with litigation involving the head office and Russia and a provision for litigation in Romania in connection with disbursement of state subsidies to building society clients (€ 11 million). The € 10 million decrease in the derecognition of financial assets and liabilities item was mostly due to a sale of registered bonds at head office and sales of receivables and bonds in Serbia and Hungary in the comparable period.

(7) General administrative expenses

in € million	1/1-30/6/2019	1/1-30/6/2018
Staff expenses	(789)	(780)
Other administrative expenses	(524)	(573)
Depreciation of tangible and intangible fixed assets	(184)	(141)
Total	**(1,497)**	**(1,494)**

General administrative expenses increased € 3 million year-on-year to € 1,497 million. While the sale of the Polish core banking operations resulted in a decrease of € 109 million, salary increases and growth in the workforce in particular resulted in an increase, in the latter case most of all in Russia and at head office. Exchange rate developments led to a € 7 million reduction in general administrative expenses in the reporting period, mainly due to a 4 per cent depreciation of the Russian ruble (on average over the period).

The adoption of IFRS 16 mainly resulted in a reclassification of expenses from other administrative expenses to depreciation.

Staff expenses

in € million	1/1-30/6/2019	1/1-30/6/2018
Wages and salaries	(600)	(613)
Social security costs and staff-related taxes	(137)	(134)
Other voluntary social expenses	(21)	(20)
Sundry staff expenses	(30)	(13)
Total	**(789)**	**(780)**

Staff expenses increased 1 per cent to € 789 million. While the sale of the Polish core banking operations and currency effects led to a reduction in staff expenses, salary increases and growth in the workforce resulted in an increase in staff expenses mostly at head office and in Ukraine, Russia, Slovakia, the Czech Republic and Romania. A restructuring provision was also recognized for an optimization program at head office (€ 10 million). The average headcount decreased year-on-year – likewise due to the sale of the Polish core banking operations – by 2,925 full-time equivalents to 47,191 employees. Excluding Poland, the number of full-time equivalents increased 948, mainly in Russia, at head office and in Hungary and Slovakia.

Other administrative expenses

in € million	1/1-30/6/2019	1/1-30/6/2018
Office space expenses	(47)	(107)
IT expenses	(157)	(162)
Legal, advisory and consulting expenses	(52)	(55)
Advertising, PR and promotional expenses	(58)	(56)
Communication expenses	(27)	(31)
Office supplies	(10)	(11)
Car expenses	(6)	(7)
Deposit insurance fees	(66)	(57)
Security expenses	(23)	(22)
Traveling expenses	(8)	(9)
Training expenses for staff	(10)	(8)
Expenses for leases	(13)	-
Sundry administrative expenses	(48)	(49)
Total	**(524)**	**(573)**

Other administrative expenses decreased € 49 million to € 524 million. The decrease was mainly due to the sale of the Polish core banking operations (€ 41 million) and the reduction in office space expenses as a result of the application of IFRS 16. In contrast recognition of right-of-use assets led to a corresponding increase within depreciation. Increases in other administrative expenses resulted from higher deposit insurance fees of € 9 million, primarily in Romania and Russia, and higher IT expenses at head office. The expenses for leases item contains expenses for short-term leases and leases of low-value assets.

Depreciation of tangible and intangible fixed assets

in € million	1/1-30/6/2019	1/1-30/6/2018
Tangible fixed assets	(109)	(69)
hereof right-of-use assets	(41)	-
Intangible fixed assets	(75)	(72)
Total	**(184)**	**(141)**

Depreciation of tangible and intangible fixed assets rose 31 per cent or € 43 million. While depreciation of intangible fixed assets was near-constant, depreciation of tangible fixed assets increased € 41 million due to the application of IFRS 16 (recognition of right-of-use assets). This mainly relates to tenancies in connection with the use of buildings for the Group's own purposes. These were offset by lower other administrative expenses (primarily office space expenses).

(8) Other result

in € million	1/1-30/6/2019	1/1-30/6/2018
Net modification gains/losses	**(2)**	**0**
Financial assets - fair value through other comprehensive income	0	0
Financial assets - amortized cost	(2)	0
Impairment or reversal of impairment on investments in subsidiaries and associates	**(6)**	**(1)**
Impairment on non-financial assets	**(2)**	**(11)**
Goodwill	0	(8)
Other	(2)	(3)
Current income from investments in subsidiaries and associates	**37**	**43**
Result from non-current assets and disposal groups classified as held for sale and deconsolidation	**5**	**(125)**
Net income from non-current assets and disposal groups classified as held for sale	2	(120)
Result of deconsolidations	3	(5)
Tax expenses not attributable to the business activity	**(23)**	**0**
Total	**8**	**(94)**

In the comparable period of the previous year, the item income from non-current assets and disposal groups classified as held for sale included the expected loss of € 121 million from the sale of the core banking operations in Poland.

Current income from investments in associates valued at equity decreased € 6 million year-on-year to € 37 million. Set against this were impairments of € 7 million, which related mainly to the investment in UNIQA Insurance Group AG.

For property transfer tax in Germany, a provision of € 23 million was created. This resulted from changes in the ownership structures in previous years. These are connected with the merger between Raiffeisen Zentralbank and Raiffeisen Bank International in 2017 and purchases of shares in Raiffeisen Leasing Group in 2012 and 2013.

The impairments on non-financial assets declined € 9 million to € 2 million after impairments of € 8 million were booked in the previous year on the goodwill created by the initial consolidation of a Hungarian real estate company.

The result of deconsolidations amounted to € 3 million and related to net assets of € 28 million. In the reporting period ten subsidiaries mainly from leasing business were excluded from the consolidated group due to immateriality. Two subsidiaries were excluded due to sale and one subsidiary was excluded after it ceased operating. In addition, an impairment of € 5 million was recognized on the balance due in connection with the sale of the core banking operations in Poland.

(9) Levies and special governmental measures

in € million	1/1-30/6/2019	1/1-30/6/2018
Bank levies	(77)	(87)
Profit/loss from banking business due to governmental measures	(4)	0
Resolution fund	(50)	(54)
Total	**(130)**	**(141)**

Most of the expense for bank levies was already booked in the first quarter for the entire year. This affects head office with a one-off payment of € 41 million and Hungary with € 13 million. Current payments affect Slovakia in the amount of € 12 million (comparable period: € 11 million) and Poland in the amount of € 3 million (comparable period: € 14 million). The decrease in Poland relates to the sale of the core banking operations.

Profit/loss from banking business due to governmental measures increased € 4 million year-on-year due to the conversion of Swiss franc loans in Serbia.

Contributions to the resolution fund, which have to be recognized in full at the start of the year, decreased € 4 million to € 50 million. The decrease resulted from the sale of the Polish core banking operations (a reduction of € 9 million) and a lower contribution in the Czech Republic. Conversely, contributions to the resolution fund increased at head office and in Bulgaria and Hungary.

(10) Impairment losses on financial assets

in € million	1/1-30/6/2019	1/1-30/6/2018
Loans and advances	(4)	42
Debt securities	1	2
Loan commitments, financial guarantees and other commitments given	(8)	40
Total	**(12)**	**83**

In the comparable period, releases of impairments and sales of non-performing loans resulted in a net release of € 83 million in impairments losses on financial assets. This contrasts with a net allocation of € 12 million in the reporting period. The largest changes were at head office (down € 98 million), in the Czech Republic (€ 26 million), in Hungary (€ 19 million), in Russia (down € 20 million), in Ukraine (down € 13 million) and in Romania (down € 9 million). Impairments of € 21 million were recognized at head office, primarily relating to a single large corporate; this compared to net releases of loan loss provisions in the amount of € 76 million due to inflows and recoveries in the previous year's period. In the previous year, an additional € 25 million in impairments relating to off balance sheet exposures were released due to a positive court ruling in connection with the insolvency of an Icelandic bank. Net allocations of € 24 million were made in Romania, most of which (€ 17 million) related to parameter adjustment in retail models. In Russia, there were net allocations of € 18 million due to strong lending growth with retail customers. In Ukraine, there were smaller net releases of € 6 million in the reporting period. The decrease reflected larger sales of non-performing loans in the previous year's period. In the Czech Republic, there were € 18 million in net releases of loan loss provisions, € 10 million of which related to parameter adjustment in retail models. In Hungary, there were net releases of € 30 million. € 25 million of this related to sales of non-performing loans and repayments and the remainder mainly to parameter adjustments in retail models.

(11) Income taxes

in € million	1/1-30/6/2019	1/1-30/6/2018
Current income taxes	(250)	(200)
Austria	(10)	(8)
Foreign	(240)	(192)
Deferred taxes	59	(6)
Total	**(191)**	**(205)**

Tax expense decreased € 14 million on the sale of the Polish core banking operations. In addition, the tax expense decreased in Romania due to lower profits and tax credits from previous years. On the other hand, tax expense was increased by the change in the allocation of RBI Group tax to unconsolidated Group members (decrease of € 5 million) and an improvement in net income in Russia.

The effective tax rate rose 2.9 percentage points to 22.9 per cent. The increase was primarily the result of the head office's lower earnings contribution and the loss situation in Poland.

Notes to the statement of financial position

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

in € million	30/6/2019	31/12/2018
Cash in hand	4,291	4,132
Balances at central banks	12,702	14,599
Other demand deposits at banks	6,272	3,827
Total	**23,265**	**22,557**

The decline in the item balances at central banks was largely due to the reduction in deposits at the Austrian National Bank at head office. The item balances at central banks includes € 290 million (31/12/2018: € 278 million) of minimum reserves at central banks which are not freely available. The increase in other demand deposits at banks is primarily the result of an increase in sale and repurchase transactions at head office. The item other demand deposits at banks includes € 719 million (31/12/2018: € 1,309 million) in cash securities, mainly for borrowed securities. The decrease was largely attributable to lower cash securities at head office.

(13) Financial assets - amortized cost

	30/6/2019			31/12/2018
in € million	Gross carrying amount	Accumulated impairment	Carrying amount	Carrying amount
Debt securities	**9,533**	**(7)**	**9,526**	**8,162**
Central banks	1,031	0	1,031	87
General governments	6,323	(1)	6,322	5,997
Banks	1,243	0	1,243	1,241
Other financial corporations	512	(2)	510	464
Non-financial corporations	424	(4)	420	373
Loans and advances	**99,427**	**(2,407)**	**97,020**	**90,594**
Central banks	4,105	0	4,105	4,863
General governments	1,335	(3)	1,331	913
Banks	4,666	(9)	4,657	5,134
Other financial corporations	8,813	(42)	8,771	6,635
Non-financial corporations	46,466	(1,268)	45,198	41,995
Households	34,042	(1,084)	32,958	31,053
Total	**108,961**	**(2,414)**	**106,547**	**98,756**

The carrying amount of financial assets - amortized cost rose € 7,791 million compared to year-end 2018. This increase was chiefly the result of short-term financing business and sale and repurchase transactions with other financial corporations and a rise in loans and advances to non-financial corporations at head office. In addition, an increase in lending business to non-financial corporations and households was recorded in Russia, partly fueled by exchange rate developments. Organic growth in the lending business and an increase in sale and repurchase transactions were reported in Slovakia. The increase in debt securities from central banks resulted from purchases in Russia.

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

in € million	30/6/2019 Gross carrying amount	Accumulated impairment	Carrying amount	31/12/2018 Carrying amount
Equity instruments	**270**	**–**	**270**	**276**
Banks	25	–	25	26
Other financial corporations	147	–	147	155
Non-financial corporations	98	–	98	96
Debt securities	**5,363**	**(3)**	**5,360**	**6,213**
Central banks	496	0	496	1,323
General governments	3,389	(3)	3,385	3,450
Banks	1,209	0	1,208	1,174
Other financial corporations	155	0	155	155
Non-financial corporations	115	0	115	112
Total	**5,633**	**(3)**	**5,629**	**6,489**

The carrying amount of financial assets - fair value through other comprehensive income decreased € 860 million compared to year-end 2018. The change resulted mainly from the repayment of Russian government bonds.

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

in € million	30/6/2019	31/12/2018
Equity instruments	**136**	**103**
Banks	1	1
Non-financial corporations	135	102
Debt securities	**136**	**187**
General governments	114	165
Banks	9	9
Other financial corporations	9	9
Non-financial corporations	3	3
Loans and advances	**242**	**270**
General governments	4	4
Banks	2	2
Other financial corporations	2	2
Non-financial corporations	124	145
Households	111	117
Total	**514**	**560**

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

in € million	30/6/2019	31/12/2018
Debt securities	**3,266**	**3,192**
General governments	2,867	2,788
Banks	265	272
Non-financial corporations	134	132
Total	**3,266**	**3,192**

(17) Financial assets - held for trading

in € million	30/6/2019	31/12/2018
Derivatives	**2,018**	**1,972**
Interest rate contracts	1,352	1,152
Equity contracts	189	121
Foreign exchange rate and gold contracts	468	695
Credit contracts	3	2
Commodities	4	3
Other	2	0
Equity instruments	**318**	**226**
Banks	63	41
Other financial corporations	99	59
Non-financial corporations	156	126
Debt securities	**1,582**	**1,695**
Central banks	1	0
General governments	948	923
Banks	388	455
Other financial corporations	143	171
Non-financial corporations	103	146
Loans and advances	**9**	**0**
Non-financial corporations	9	0
Total	**3,928**	**3,894**

Securities under financial assets - held for trading provided as collateral, which the recipient is entitled to sell or pledge, amounted to € 172 million (31/12/2018: € 309 million).

Details on derivatives are shown under (41) Derivative financial instruments.

(18) Hedge accounting

in € million	30/6/2019	31/12/2018
Positive fair values of derivatives in micro fair value hedge	**400**	**358**
Interest rate contracts	387	343
Foreign exchange rate and gold contracts	13	15
Positive fair values of derivatives in micro cash flow hedge	**4**	**2**
Interest rate contracts	4	2
Positive fair values of derivatives in net investment hedge	**0**	**17**
Positive fair values of derivatives in portfolio hedge	**129**	**124**
Cash flow hedge	5	2
Fair value hedge	124	122
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**23**	**(43)**
Total	**556**	**457**

(19) Investments in subsidiaries and associates

in € million	30/6/2019	31/12/2018
Investments in affiliated companies	214	199
Investments in associates valued at equity	769	765
Total	**983**	**964**

Investments in associates valued at equity are as follows:

in € million	Share in % 30/6/2019	Carrying amount 30/6/2019	Carrying amount 31/12/2018
card complete Service Bank AG, Vienna (AT)	25.0%	13	26
EMCOM Beteiligungs GmbH, Vienna (AT)	33.6%	7	7
LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)	33.1%	193	199
NOTARTREUHANDBANK AG, Vienna (AT)	26.0%	10	9
Österreichische Hotel- und Tourismusbank Ges.m.b.H., Vienna (AT)	31.3%	10	10
Oesterreichische Kontrollbank AG, Vienna (AT)	8.1%	48	50
Prva stavebna sporitelna a.s., Bratislava (SK)	32.5%	69	66
Raiffeisen Informatik GmbH, Vienna (AT)	47.6%	74	49
Raiffeisen-Leasing Management GmbH, Vienna (AT)	50.0%	13	13
UNIQA Insurance Group AG, Vienna (AT)	10.9%	322	327
Posojilnica Bank eGen, Klagenfurt (AT)[1]	61.5%	10	10
Total		**769**	**765**

1 Share of voting rights amounts to 49 per cent.

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

(20) Tangible and intangible fixed assets

in € million	30/6/2019	31/12/2018
Tangible fixed assets	**1,794**	**1,384**
Land and buildings used by the group for own purpose	554	571
Other land and buildings (investment property)	237	274
Office furniture, equipment and other tangible fixed assets	280	275
Leased assets (operating lease)	276	264
Right-of-use assets	448	-
Intangible fixed assets	**699**	**693**
Software	573	571
Goodwill	101	96
Brand	9	8
Customer relationships	6	8
Other intangible fixed assets	10	11
Total	**2,493**	**2,077**

The increase in tangible fixed assets mainly reflects the right-of-use assets recognized on the statement of financial position following the adoption of IFRS 16.

In the reporting period, € 79 million was invested in software.

(21) Tax assets

in € million	30/6/2019	31/12/2018
Current tax assets	66	57
Deferred tax assets	162	122
Temporary tax claims	152	102
Loss carry forwards	10	20
Total	**228**	**179**

(22) Other assets

in € million	30/6/2019	31/12/2018
Prepayments and other deferrals	341	283
Lease in progress	51	46
Merchandise inventory and suspense accounts for services rendered not yet charged out	216	194
Non-current assets and disposal groups classified as held for sale	81	54
Other assets	531	413
Total	**1,220**	**990**

Merchandise inventory and suspense accounts for services rendered not yet charged out included € 154 million (31/12/2018: € 129 million) in property under construction or not yet sold of Raiffeisen Leasing Group in Austria and Italy.

Non-current assets and disposal groups classified as held for sale mainly consisted of two buildings owned by Raiffeisen Immobilien-fonds, Vienna, in an amount of € 52 million (31/12/2018: € 50 million) as well as the newly added assets of MP Real Invest a.s., Bratislava, which are carried at € 22 million, and Esterhazy Real Estate s.r.o., Bratislava, which are carried at € 3 million.

(23) Financial liabilities - amortized cost

The following table provides a breakdown of deposits from banks and customers by product and a breakdown of debt securities issued:

in € million	30/6/2019	31/12/2018
Deposits from banks	**27,942**	**23,960**
Current accounts/overnight deposits	12,686	9,994
Deposits with agreed maturity	13,076	13,229
Repurchase agreements	2,180	738
Deposits from customers	**89,822**	**86,623**
Current accounts/overnight deposits	59,155	58,706
Deposits with agreed maturity	29,542	27,770
Repurchase agreements	1,125	148
Debt securities issued	**7,805**	**7,967**
Certificates of deposits	0	1
Covered bonds	973	727
Other debt securities issued	6,832	7,239
hereof convertible compound financial instruments	1,079	1,340
hereof non-convertible	5,754	5,899
Other financial liabilities	**476**	**524**
Total	**126,045**	**119,074**
hereof subordinated financial liabilities	2,536	2,765

The increase in deposits from banks is mainly concentrated in Russia and at the head office in Vienna. Current accounts/overnight deposits increased € 318 million in Russia and € 2,244 million at head office. Sale and repurchase transactions went up € 1,296 million at head office and € 150 million in Russia.

Within deposits from customers, current accounts/overnight deposits continued the trend started in the first quarter. This item was lowered € 1,714 million at head office. Increases in the rest of the Group, especially in Russia, where the increase amounted to € 1,213 million, ultimately produced a gain of € 449 million.

The item deposits with agreed maturity includes € 442 million in lease liabilities. The remaining increase in deposits with agreed maturity stems from head office (increase of € 632 million), the Czech Republic (increase of € 377 million), Russia (increase of € 307 million) and Slovakia (increase of € 297 million).

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

in € million	30/6/2019	31/12/2018
Central banks	2,034	2,147
General governments	3,753	2,720
Banks	25,908	21,813
Other financial corporations	9,921	9,458
Non-financial corporations	30,700	31,350
Households	45,447	43,096
Total	**117,764**	**110,583**

Deposits from central banks declined € 102 million in Russia. Deposits from general governments rose € 586 million at the head office in Vienna and € 215 million in Slovakia. The increase in deposits from banks is almost exclusively the result of sale and repurchase transactions and overnight deposits at head office and in Russia. The change in deposits from households mainly reflects increases of € 661 million in Russia, € 312 million in the Czech Republic and € 213 million in Romania.

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

in € million	30/6/2019	31/12/2018
Deposits from banks	**25**	**20**
Deposits with agreed maturity	25	20
Deposits from customers	**339**	**415**
Deposits with agreed maturity	339	415
Debt securities issued	**1,524**	**1,496**
Other debt securities issued	1,524	1,496
hereof convertible compound financial instruments	10	10
hereof non-convertible	1,514	1,486
Total	**1,889**	**1,931**
hereof subordinated financial liabilities	402	386

The difference between the current fair value of these designated liabilities and the amounts contractually required to be paid at maturity was minus € 407 million (31/12/2018: minus € 404 million). There have been no significant transfers within equity or derecognition of liabilities designated at fair value in the reporting period.

(25) Financial liabilities - held for trading

in € million	30/6/2019	31/12/2018
Derivatives	**2,137**	**2,035**
Interest rate contracts	1,149	925
Equity contracts	286	366
Foreign exchange rate and gold contracts	606	647
Credit contracts	9	3
Commodities	0	3
Other	87	91
Short positions	**342**	**318**
Equity instruments	115	92
Debt securities	228	226
Debt securities issued	**3,202**	**2,749**
Hybrid contracts	2,856	2,383
Other debt securities issued	346	366
hereof convertible compound financial instruments	346	366
Total	**5,681**	**5,102**

Details on derivatives are shown under (41) Derivative financial instruments.

(26) Hedge accounting

in € million	30/6/2019	31/12/2018
Negative fair values of derivatives in micro fair value hedge	**31**	**21**
Interest rate contracts	31	21
Negative fair values of derivatives in micro cash flow hedge	**6**	**5**
Interest rate contracts	6	5
Negative fair values of derivatives in net investment hedge	**8**	**0**
Negative fair values of derivatives in portfolio hedge	**213**	**127**
Cash flow hedge	10	12
Fair value hedge	203	115
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**(22)**	**(62)**
Total	**236**	**91**

(27) Provisions for liabilities and charges

in € million	30/6/2019	31/12/2018
Provisions for off-balance sheet items	**139**	**126**
Other commitments and guarantees according to IFRS 9	139	126
Other commitments and guarantees according to IAS 37	0	0
Provisions for staff	**446**	**459**
Pensions and other post employment defined benefit obligations	200	189
Other long-term employee benefits	40	36
Bonus payments	145	176
Provisions for overdue vacations	59	50
Termination benefits	2	7
Other provisions	**332**	**271**
Pending legal issues and tax litigation	118	89
Restructuring	17	2
Onerous contracts	68	66
Other provisions	130	113
Total	**917**	**856**

A provision of € 23 million was allocated for pending legal issues and tax litigation relating to property transfer taxes in Germany, which resulted from changes in ownership structures in previous years. They relate to the merger of Raiffeisen Zentralbank and Raiffeisen Bank International in 2017 and to purchases of shares in Raiffeisen Leasing Group in 2012 and 2013. In addition, the provision relating to government promotion of building society savings in Romania was increased to € 13 million.

(28) Tax liabilities

in € million	30/6/2019	31/12/2018
Current tax liabilities	41	41
Deferred tax liabilities	43	60
Total	**85**	**101**

(29) Other liabilities

in € million	30/6/2019	31/12/2018
Liabilities from insurance activities	0	1
Deferred income and accrued expenses	388	335
Sundry liabilities	467	211
Liabilities included in disposal groups classified as held for sale	3	0
Total	**857**	**547**

The increase in sundry liabilities is attributable to transactions related to clearing, settlement and payment services that had not cleared as at the reporting date.

(30) Equity

in € million	30/6/2019	31/12/2018
Consolidated equity	11,053	10,587
Subscribed capital	1,002	1,002
Capital reserves	4,992	4,992
Retained earnings	7,829	7,587
hereof consolidated profit/loss	571	1,270
Cumulative other comprehensive income	(2,770)	(2,994)
Non-controlling interests	731	701
Additional tier 1	1,136	1,125
Total	**12,920**	**12,413**

As at 30 June 2019, subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 1,003 million. After deduction of 322,204 own shares, the stated subscribed capital totaled € 1,002 million.

RBI's equity including capital attributable to non-controlling interests rose € 506 million to € 12,920 million from the start of the year. The increase was primarily the result of the total comprehensive income for the period of € 881 million and the distribution of dividends of € 394 million for the 2018 financial year. In June 2019, the Annual General Meeting approved a dividend payment of € 0.93 per share for 2018. This amounted to a total dividend distribution of € 306 million. A total of € 56 million was also paid out to non-controlling interests in Group companies. Dividend payments of € 31 million were made on AT1 capital.

Notes to financial instruments

(31) Fair value of financial instruments

Fair value of financial instruments reported at fair value

Assets in € million	30/6/2019 Level I	 Level II	 Level III	31/12/2018 Level I	 Level II	 Level III
Financial assets - held for trading	**1,590**	**2,328**	**10**	**1,615**	**2,279**	**0**
Derivatives	61	1,957	0	43	1,929	0
Equity instruments	316	2	0	225	1	0
Debt securities	1,213	369	0	1,346	349	0
Loans and advances	0	0	9	0	0	0
Non-trading financial assets - mandatorily fair value through profit/loss	**217**	**51**	**246**	**194**	**54**	**312**
Equity instruments	136	0	0	103	0	0
Debt securities	81	51	4	91	54	42
Loans and advances	0	0	242	0	0	270
Financial assets - designated fair value through profit/loss	**3,219**	**47**	**0**	**3,135**	**57**	**0**
Equity instruments	0	0	0	0	0	0
Debt securities	3,219	47	0	3,135	57	0
Financial assets - fair value through other comprehensive income	**4,908**	**522**	**200**	**5,708**	**571**	**210**
Equity instruments	61	63	146	79	48	148
Debt securities	4,847	458	54	5,628	523	62
Hedge accounting	**0**	**533**	**0**	**0**	**501**	**0**

Liabilities in € million	30/6/2019 Level I	 Level II	 Level III	31/12/2018 Level I	 Level II	 Level III
Financial liabilities - held for trading	**372**	**5,309**	**0**	**344**	**4,757**	**1**
Derivatives	50	2,086	0	36	1,998	0
Short positions	321	21	0	308	10	0
Debt securities issued	0	3,202	0	0	2,749	1
Financial liabilities - designated fair value through profit/loss	**0**	**1,889**	**0**	**0**	**1,931**	**0**
Deposits	0	364	0	0	435	0
Debt securities issued	0	1,524	0	0	1,496	0
Hedge accounting	**0**	**258**	**0**	**0**	**153**	**0**

Fair value hierarchy

Level I

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

Level II

Level II financial instruments are financial instruments measured 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 valuation techniques.

Movements between Level I and Level II

There were no material transfers between Level I and Level II compared to the end of the year.

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.

Assets in € million	As at 1/1/2019	Change in consolidated group	Exchange differences	Additions	Disposals
Financial assets - held for trading	0	0	0	48	(39)
Non-trading financial assets - mandatorily fair value through profit/loss	312	0	6	8	(76)
Financial assets - designated fair value through profit/loss	0	0	0	0	0
Financial assets - fair value through other comprehensive income	210	0	2	2	(14)

Assets in € million	Gains/loss in P/L	Gain/loss in other comprehensive income	Transfer to Level III	Transfer from Level III	As at 30/6/2019
Financial assets - held for trading	0	0	0	0	10
Non-trading financial assets - mandatorily fair value through profit/loss	(3)	0	0	0	246
Financial assets - designated fair value through profit/loss	0	0	0	0	0
Financial assets - fair value through other comprehensive income	3	(1)	0	0	200

Liabilities in € million	As at 1/1/2019	Change in consolidated group	Exchange differences	Additions	Disposals
Financial liabilities - held for trading	1	0	0	0	(1)

Liabilities in € million	Gains/loss in P/L	Gain/loss in other comprehensive income	Transfer to Level III	Transfer from Level III	As at 30/6/2019
Financial liabilities - held for trading	0	0	0	0	0

Qualitative information for the valuation of financial instruments in Level III

Assets 30/6/2019	Fair value in € million[1]	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Financial assets - held for trading	**10**			
Closed end real estate fund	0	Net asset value	Haircuts	Equity investments haircuts (40)% Short/long-term financial assets haircuts (90)% Real estate investments haircuts appr. 50%
Treasury bills, fixed coupon bonds	0	Discounted cash flow method	Creadit spread (all base rate - last auctions yields)	10 - 40%
Forward foreign exchange contracts	0	Net present value method (DCF method)	Interest rate PD LGD	10 - 30%
Loans	9	Discounted cash flow method	Discount spread, credit spread range (CDS curves)	-

Assets 30/6/2019	Fair value in € million[1]	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Non-trading financial assets - mandatorily fair value through profit/loss	**246**			
Other interests (shares)	0	Simplified net present value method	-	-
Fixed coupon bonds	4	Discounted cash flow method	Realization rate Credit spread	10 - 20% 0.4 - 50%
Loans	242	Retail: Discounted cash flows (incl. prepayment option, withdrawal option etc.) Non Retail: Discounted cash flows/Financial option pricing: Hull-White one factor model, Black-Scholes (shifted)	Discount spread (taken over new business issues) Prepayment rates Withdrawal rates Funding curves (for liquidity costs) Credit risk premium (CDS curves)	1.5 - 3.45% (over all currencies) (0.158572) - 1.10578% over all funding costs (expressed in all currencies) 0.094947% - 11.43995% (depending on the rating: from AA to CCC)
Financial assets - designated fair value through profit/loss	**0**			
Fixed coupon bonds	0	Discounted cash flow method (incl. expert opinion)	Credit spread Price cap Haircut	1 - 50% 30% 5%
Financial assets - fair value through other comprehensive income	**200**			
Other interests	41	Dividend discount model Simplified income approach DCF method	Credit spread Cash flow Discount rate Dividends Beta factor	-
Other interests	41	Adjusted net asset value	Adjusted equity	-
Other interests	64	Market comparable companies Transaction price Valuation report (expert judgement) Cost minus impairment	EV/Sales EV/EBIT P/E P/B	-
Mortgage bonds/fixed coupon bonds and floating rate notes	54	Discounted cash flow method	Prepayment rate Embedded option premium Net interest rate/Discount spread	25.1% - 50.5% (37.9%), 0.11% - 0.36% (0.35%) 1 - 50%
Total	**457**			

1 Values stated at 0 contain fair values of less than half a million euros.

Liabilities 30/6/2019	Fair value in € million[1]	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Financial liabilities - held for trading	**0**			
Forward foreign exchange contracts	0	Net present value method	Interest rate	10 - 30%
Certificates	0	Combination of Down-And-In-Put-Option and DCF method	Volatility Dividends	-
Total	**0**			

1 Values stated at 0 contain fair values of less than half a million euros.

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.

30/6/2019 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Financial assets - amortized cost	**7,101**	**24,283**	**100,727**	**132,110**	**129,995**	**2,116**
Cash and cash equivalents	0	23,265	0	23,265	23,265	0
Debt securities	7,101	1,018	1,587	9,706	9,526	179
Loans and advances	0	0	98,957	98,957	97,020	1,937
Investments in affiliated companies[1]	0	0	182	182	182	0
Liabilities						
Financial liabilities - amortized cost	**13**	**7,435**	**118,634**	**126,082**	**126,045**	**37**
Deposits	0	0	117,197	117,197	117,764	(567)
Debt securities issued	0	7,435	765	8,200	7,805	394
Other financial liabilities	13	0	672	685	476	210

1 Affiliated companies which are not fully consolidated due to immateriality are recognized at cost less impairment.
Level I Quoted market prices
Level II Valuation techniques based on market data
Level III Valuation techniques not based on market data

31/12/2018 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Financial assets - amortized cost	**5,476**	**23,636**	**93,809**	**122,921**	**121,481**	**1,440**
Cash and cash equivalents	0	22,557	0	22,557	22,557	0
Debt securities	5,476	1,079	1,466	8,021	8,162	(141)
Loans and advances[2]	0	0	92,175	92,175	90,594	1,582
Investments in affiliated companies[1]	0	0	168	168	168	0
Liabilities						
Financial liabilities - amortized cost	**0**	**7,770**	**110,061**	**117,830**	**119,074**	**(1,242)**
Deposits	0	0	109,052	109,052	110,583	(1,531)
Debt securities issued	0	7,770	498	8,268	7,967	301
Other financial liabilities	0	0	511	511	524	(12)

1 Affiliated companies which are not fully consolidated due to immateriality are recognized at cost less impairment.
2 Restatement of previous year's values (fair value – Level III)
Level I Quoted market prices
Level II Valuation techniques based on market data
Level III Valuation techniques not based on market data

(32) Loan commitments, financial guarantees and other commitments

The following table shows the loan commitments given, financial guarantees and other commitments given according to IFRS 9:

in € million	30/6/2019	31/12/2018
Loan commitments given	31,604	31,227
Financial guarantees given	7,641	6,975
Other commitments given	3,202	2,943
Total	**42,446**	**41,145**
Provisions for off-balance sheet items according to IFRS 9	(139)	(126)

The increase in loan commitments given and financial guarantees given primarily stems from head office and Russia. Off-balance sheet liabilities to banks and non-financial corporations in particular went up. The change in provisions for off-balance sheet items according to IFRS 9 resulted from the increase in the credit risk of a customer served by head office.

(33) Collateral and maximum exposure to credit risk

The following table contains details of the maximum exposure from financial assets not subject to impairment and the financial assets subject to impairment and reconciles these with the loans and advances not held for trading which are the basis of the collateral disclosures below:

30/6/2019	Maximum exposure to credit risk		
in € million	Not subject to impairment	Subject to impairment	hereof loans and advances non-trading as well as contingent liabilities and commitments
Financial assets - amortized cost	0	108,961	99,427
Financial assets - fair value through other comprehensive income	0	5,363	0
Non-trading financial assets - mandatorily fair value through profit/loss	514	0	242
Financial assets - designated fair value through profit/loss	3,266	0	0
Financial assets - held for trading	3,928	0	0
On-balance	**7,708**	**114,323**	**99,669**
Contingent liabilities and commitments	0	42,446	42,446
Total	**7,708**	**156,770**	**142,116**

31/12/2018	Maximum exposure to credit risk		
in € million	Not subject to impairment	Subject to impairment	hereof loans and advances non-trading as well as contingent liabilities and commitments
Financial assets - amortized cost	0	101,241	93,073
Financial assets - fair value through other comprehensive income	0	6,217	0
Non-trading financial assets - mandatorily fair value through profit/loss	560	0	270
Financial assets - designated fair value through profit/loss	3,192	0	0
Financial assets - held for trading	3,894	0	0
On-balance	**7,646**	**107,458**	**93,343**
Contingent liabilities and commitments	0	41,145	41,145
Total	**7,646**	**148,603**	**134,488**

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, while 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.

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 loans and receivables categorized as financial assets at amortized cost and as financial assets at fair value through other comprehensive income:

30/6/2019 in € million	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Central banks	4,105	74	4,031
General governments	1,338	510	828
Banks	4,668	1,969	2,699
Other financial corporations	8,815	4,271	4,544
Non-financial corporations	46,590	22,496	24,094
Households	34,153	21,095	13,058
Commitments/guarantees issued	42,446	7,691	34,755
Total	**142,116**	**58,106**	**84,010**

31/12/2018 in € million	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Central banks	4,863	81	4,782
General governments	921	676	244
Banks	5,144	1,507	3,637
Other financial corporations	6,712	2,572	4,139
Non-financial corporations	43,467	21,478	21,989
Households	32,237	20,088	12,149
Commitments/guarantees issued	41,145	7,315	33,830
Total	**134,488**	**53,718**	**80,771**

(34) Forward looking information

The most significant macroeconomic assumptions for key countries used for the expected credit loss estimates at quarter end are shown below. (Source: Raiffeisen Research April 2019)

Real GDP	Scenario	2019e	2020f	2021f
Austria	Optimistic	1.7%	1.8%	1.4%
	Base	1.3%	1.2%	0.6%
	Pessimistic	0.5%	0.0%	(0.9)%
Russia	Optimistic	2.5%	3.0%	3.2%
	Base	1.5%	1.5%	1.3%
	Pessimistic	(0.6)%	(1.4)%	(2.5)%
Poland	Optimistic	4.2%	3.6%	2.6%
	Base	3.9%	3.1%	2.0%
	Pessimistic	3.0%	1.8%	0.3%
Romania	Optimistic	3.9%	4.1%	3.2%
	Base	3.0%	2.8%	1.5%
	Pessimistic	1.2%	0.2%	(1.9)%
Slovakia	Optimistic	4.7%	4.5%	4.0%
	Base	3.5%	2.8%	1.9%
	Pessimistic	2.2%	1.0%	(0.4)%
Croatia	Optimistic	3.3%	3.1%	3.2%
	Base	2.5%	2.0%	1.8%
	Pessimistic	0.8%	(0.4)%	(1.3)%

Unemployment	Scenario	2019e	2020f	2021f
Austria	Optimistic	4.5%	4.5%	4.8%
	Base	4.7%	4.8%	5.2%
	Pessimistic	5.1%	5.4%	6.0%
Russia	Optimistic	4.1%	3.8%	3.9%
	Base	5.0%	5.0%	5.5%
	Pessimistic	6.1%	6.5%	7.5%
Poland	Optimistic	4.4%	4.0%	4.0%
	Base	5.6%	5.7%	6.3%
	Pessimistic	8.0%	9.2%	10.8%
Romania	Optimistic	3.6%	3.9%	4.6%
	Base	4.0%	4.4%	5.3%
	Pessimistic	4.9%	5.6%	6.9%
Slovakia	Optimistic	4.2%	3.3%	3.3%
	Base	5.8%	5.6%	6.4%
	Pessimistic	8.1%	8.9%	10.6%
Croatia	Optimistic	7.1%	6.4%	5.7%
	Base	8.1%	7.8%	7.5%
	Pessimistic	10.2%	10.8%	11.4%

Lifetime bond rate	Scenario	2019e	2020f	2021f
Austria	Optimistic	(0.5)%	(1.0)%	(1.0)%
	Base	0.5%	0.4%	0.8%
	Pessimistic	1.4%	1.6%	2.4%
Russia	Optimistic	8.0%	7.3%	5.7%
	Base	8.8%	8.5%	7.2%
	Pessimistic	10.6%	10.9%	10.4%
Poland	Optimistic	2.5%	1.9%	1.8%
	Base	3.0%	2.6%	2.7%
	Pessimistic	4.0%	4.1%	4.6%
Romania	Optimistic	4.0%	3.7%	3.3%
	Base	5.0%	5.3%	5.3%
	Pessimistic	5.7%	6.2%	6.5%
Slovakia	Optimistic	0.2%	(0.2)%	0.0%
	Base	0.7%	0.6%	1.0%
	Pessimistic	1.9%	2.4%	3.3%
Croatia	Optimistic	1.6%	1.5%	1.5%
	Base	2.0%	2.0%	2.2%
	Pessimistic	3.2%	3.7%	4.3%

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.

(35) Credit risk volume by impairment models

RBI's credit portfolio is well diversified in terms of type of customer, 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. The following table shows the financial assets – amortized cost based on the respective counterparties and stages. This reveals the bank's focus on non-financial corporations and households:

30/6/2019	Gross carrying amount			Accumulated impairment			ECL Coverage Ratio		
in € million	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central banks	5,136	0	0	0	0	0	0.0%	0.0%	-
General governments	7,017	639	2	(1)	(1)	(2)	0.0%	0.1%	98.6%
Banks	5,638	255	16	0	0	(9)	0.0%	0.0%	54.8%
Other financial corporations	8,731	546	49	(6)	(7)	(31)	0.1%	1.2%	63.6%
Non-financial corporations	39,739	5,278	1,873	(97)	(86)	(1,089)	0.2%	1.6%	58.2%
Households	27,021	5,943	1,078	(71)	(252)	(761)	0.3%	4.2%	70.6%
hereof mortgage	12,361	3,700	436	(11)	(101)	(247)	0.1%	2.7%	56.5%
Total	**93,281**	**12,662**	**3,018**	**(176)**	**(346)**	**(1,892)**	**0.2%**	**2.7%**	**62.7%**

31/12/2018	Gross carrying amount			Accumulated impairment			ECL Coverage Ratio		
in € million	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central banks	4,950	0	0	(1)	0	0	0.0%	–	–
General governments	6,615	298	2	(1)	(1)	(2)	0.0%	0.5%	98.7%
Banks	5,842	533	8	0	0	(8)	0.0%	0.0%	100.0%
Other financial corporations	6,556	524	96	(6)	(4)	(65)	0.1%	0.8%	68.3%
Non-financial corporations	36,089	5,636	1,972	(91)	(94)	(1,143)	0.3%	1.7%	58.0%
Households	25,455	5,598	1,067	(67)	(232)	(767)	0.3%	4.2%	71.9%
hereof mortgage	11,386	3,862	453	(11)	(114)	(259)	0.1%	3.0%	57.3%
Total	**85,507**	**12,589**	**3,145**	**(167)**	**(333)**	**(1,986)**	**0.2%**	**2.6%**	**63.2%**

The following table shows the contingent liabilities and other off-balance sheet commitments by counterparties and stages. This reveals RBI's focus on non-financial corporations:

30/6/2019	Nominal amount			Provisions for off-balance sheet items acc. to IFRS 9			ECL Coverage Ratio		
in € million	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central banks	0	0	0	0	0	0	0.0%	-	-
General governments	548	0	0	0	0	0	0.0%	3.7%	-
Banks	2,370	191	0	0	0	0	0.0%	0.0%	-
Other financial corporations	3,499	96	8	3	1	1	0.1%	1.0%	7.0%
Non-financial corporations	28,532	2,374	182	28	25	64	0.1%	1.1%	35.0%
Households	3,631	1,008	8	6	4	7	0.2%	0.4%	85.2%
Total	**38,580**	**3,668**	**198**	**37**	**31**	**71**	**0.1%**	**0.8%**	**35.9%**

31/12/2018	Nominal amount			Provisions for off-balance sheet items acc. to IFRS 9			ECL Coverage Ratio		
in € million	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central banks	0	0	0	0	0	0	0.1%	–	–
General governments	519	13	0	0	0	0	0.0%	0.0%	0.0%
Banks	2,111	303	0	1	1	0	0.0%	0.3%	–
Other financial corporations	2,041	1,643	1	1	3	1	0.1%	0.2%	98.3%
Non-financial corporations	27,160	2,783	127	27	22	47	0.1%	0.8%	36.9%
Households	3,483	950	11	8	7	9	0.2%	0.7%	86.3%
Total	**35,313**	**5,693**	**139**	**37**	**32**	**57**	**0.1%**	**0.6%**	**40.9%**

The increase in off-balance sheet obligations to non-financial corporations largely stems from Russia and the head office in Vienna; the change in stage 3 (nominal amounts and provisions) is attributable to the increase in the credit risk of a customer served by the head office in Vienna. The decrease in nominal amounts and provisions for banks is the result of measures to increase the quality of the portfolio in the Czech Republic.

(36) Development of impairments

The following table shows the development of impairments on loans and bonds in the measurement categories of financial assets – amortized cost and financial assets – fair value through other comprehensive income:

in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1/1/2019	**171**	**333**	**1,986**	**2,490**
Increases due to origination and acquisition	49	21	36	106
Decreases due to derecognition	(16)	(28)	(182)	(227)
Changes due to change in credit risk (net)	(28)	15	123	109
Changes due to modifications without derecognition (net)	0	0	3	3
Decrease due to write-offs	0	(1)	(111)	(112)
Change in consolidated group	0	0	14	14
Foreign exchange and other	4	7	23	34
As at 30/6/2019	**179**	**347**	**1,892**	**2,417**

The change in the reporting period amounted to € 73 million. It was largely due to net releases at head office and in the Czech Republic, Hungary and Ukraine.

The impairments are mainly assignable to stage 3 and result from loans to non-financial corporations and households, primarily in Central and Southeastern Europe.

in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1/1/2018	**167**	**344**	**2,810**	**3,321**
Increases due to origination and acquisition	47	14	72	133
Decreases due to derecognition	(24)	(21)	(176)	(221)
Changes due to change in credit risk (net)	(31)	24	93	87
Decrease due to write-offs	(2)	(1)	(164)	(168)
Non-current assets and disposal groups classified as held for sale	(17)	(41)	(203)	(260)
Foreign exchange and other	4	(10)	(29)	(35)
As at 30/6/2018	**145**	**309**	**2,403**	**2,857**

The following table shows the development of provisions for loan commitments, financial guarantees and other commitments given:

in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1/1/2019	**37**	**32**	**57**	**126**
Increases due to origination and acquisition	16	4	2	21
Decreases due to derecognition	(7)	(3)	(9)	(19)
Changes due to change in credit risk (net)	(10)	(3)	21	9
Foreign exchange and other	2	1	0	3
As at 30/6/2019	**37**	**31**	**71**	**139**

in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1/1/2018	**21**	**26**	**102**	**149**
Increases due to origination and acquisition	12	5	2	20
Decreases due to derecognition	(5)	(4)	(6)	(15)
Changes due to change in credit risk (net)	0	0	(33)	(33)
Change in consolidated group	(2)	(5)	(3)	(10)
Foreign exchange and other	(3)	(10)	0	(13)
As at 30/6/2018	**24**	**13**	**60**	**97**

The following table shows the breakdown of impairments and provisions in accordance with IFRS 9 stages of impairment by asset classes:

30/6/2019 in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and debt securities	**179**	**347**	**1,892**	**2,417**
General governments	4	1	2	7
Banks	0	0	9	9
Other financial corporations	6	7	31	44
Non-financial corporations	97	86	1,089	1,272
Households	71	252	761	1,084
Loan commitments, financial guarantees and other commitments given	**37**	**31**	**71**	**139**
Total	**216**	**378**	**1,963**	**2,556**

The following table shows the breakdown of impairments in accordance with IFRS 9 stages of impairment by asset classes as at the reporting date of the previous year:

31/12/2018 in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and debt securities	**171**	**333**	**1,986**	**2,490**
Central banks	1	0	0	1
General governments	5	2	2	8
Banks	0	0	8	9
Other financial corporations	6	4	65	76
Non-financial corporations	91	94	1,143	1,329
Households	67	232	767	1,066
Loan commitments, financial guarantees and other commitments given	**37**	**32**	**57**	**126**
Total	**207**	**365**	**2,043**	**2,615**

(37) Past due status

The following table shows the overdue claims and bonds in the measurement categories amortized cost and fair value through other comprehensive income:

30/6/2019	Carrying amount								
	Past due assets without significant increase in credit risk since initial recognition (Stage 1)			Past due assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)			Past due 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
General governments	1	0	0	0	0	0	0	0	0
Banks	0	0	0	0	0	0	1	0	5
Other financial corporations	11	0	0	18	0	0	4	0	6
Non-financial corporations	719	0	5	123	45	0	46	17	274
Households	601	0	0	541	142	2	30	28	156
Total	**1,332**	**0**	**5**	**682**	**187**	**2**	**81**	**46**	**441**

The assets more than 90 days past due shown in stage 1 and stage 2 resulted from receivables and debt securities viewed as immaterial under CRR 178 and thus still classified as performing exposure.

31/12/2018	Carrying amount								
	Past due assets without significant increase in credit risk since initial recognition (Stage 1)			Past due assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)			Past due 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
General governments	3	0	0	0	0	0	0	0	0
Banks	0	0	0	0	0	0	0	0	0
Other financial corporations	28	0	0	20	0	0	3	0	10
Non-financial corporations	1,020	0	0	118	63	0	66	26	244
Households	668	9	0	491	211	2	26	29	148
Total	**1,719**	**9**	**0**	**629**	**274**	**2**	**95**	**55**	**402**

(38) Offsetting of financial assets and liabilities

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

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

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

30/6/2019	Gross amount		Net amount	Amounts from global netting agreements		Net amount
in € million	recognized financial assets	recognized financial liabilities set-off	recognized financial assets	Financial instruments	Cash collateral received	
Derivatives (enforceable)	3,635	1,859	1,776	1,410	30	337
Repurchase, securities lending & similar agreements (legally enforceable)	12,469	0	12,469	12,432	0	38
Total	**16,105**	**1,859**	**14,246**	**13,842**	**30**	**374**

30/6/2019	Gross amount		Net amount	Amounts from global netting agreements		Net amount
in € million	recognized financial liabilities	recognized financial assets set-off	recognized financial liabilities	Financial instruments	Cash collateral received	
Derivatives (enforceable)	3,428	1,859	1,569	762	173	634
Reverse repurchase, securities lending & similar agreements (legally enforceable)	3,134	0	3,134	3,129	0	4
Total	**6,562**	**1,859**	**4,703**	**3,891**	**173**	**638**

31/12/2018	Gross amount		Net amount	Amounts from global netting agreements		Net amount
in € million	recognized financial assets	recognized financial liabilities set-off	recognized financial assets	Financial instruments	Cash collateral received	
Derivatives (enforceable)	3,040	1,062	1,978	1,416	81	481
Repurchase, securities lending & similar agreements (legally enforceable)	7,827	0	7,827	7,787	0	41
Total	**10,867**	**1,062**	**9,805**	**9,203**	**81**	**521**

31/12/2018	Gross amount		Net amount	Amounts from global netting agreements		Net amount
in € million	recognized financial liabilities	recognized financial assets set-off	recognized financial liabilities	Financial instruments	Cash collateral received	
Derivatives (enforceable)	2,692	1,062	1,631	588	285	757
Reverse repurchase, securities lending & similar agreements (legally enforceable)	823	0	823	799	0	24
Total	**3,515**	**1,062**	**2,454**	**1,387**	**285**	**781**

(39) Transferred assets

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

30/6/2019	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	87	0	87	83	0	83
Non-trading financial assets - mandatorily fair value through profit/loss	15	0	15	14	0	14
Financial assets - designated fair value through profit/loss	1,118	0	1,118	1,117	0	1,117
Financial assets - fair value through other comprehensive income	48	0	48	49	0	49
Financial assets - amortized cost	1,114	0	1,114	1,106	0	1,106
Total	**2,382**	**0**	**2,382**	**2,369**	**0**	**2,369**

31/12/2018	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	266	0	266	266	0	266
Non-trading financial assets - mandatorily fair value through profit/loss	-	-	-	-	-	-
Financial assets - designated fair value through profit/loss	0	0	0	0	0	0
Financial assets - fair value through other comprehensive income	0	0	0	0	0	0
Financial assets - amortized cost	64	0	64	56	0	56
Total	**330**	**0**	**330**	**322**	**0**	**322**

(40) Assets pledged as collateral and received financial assets

Significant restrictions regarding the access or use of assets:

in € million	30/6/2019		31/12/2018	
	Pledged	Otherwise restricted with liabilities	Pledged	Otherwise restricted with liabilities
Financial assets - held for trading	175	0	309	0
Non-trading financial assets - mandatorily fair value through profit/loss	1	0	1	0
Financial assets - designated fair value through profit/loss	1,187	0	0	0
Financial assets - fair value through other comprehensive income	201	5	120	5
Financial assets - amortized cost	10,465	870	8,080	751
Total	**12,028**	**876**	**8,509**	**757**

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	30/6/2019	31/12/2018
Securities and other financial assets accepted as collateral which can be sold or repledged	12,973	9,139
hereof which have been sold or repledged	2,795	1,603

(41) 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.

30/6/2019	Nominal amount	Fair values	
in € million		Positive	Negative
Trading book	**167,015**	**1,775**	**(1,821)**
Interest rate contracts	120,886	1,158	(934)
Equity contracts	4,403	189	(286)
Foreign exchange rate and gold contracts	39,854	421	(510)
Credit contracts	485	3	(5)
Commodities	103	4	0
Other	1,283	2	(87)
Banking book	**35,367**	**243**	**(316)**
Interest rate contracts	25,817	195	(215)
Foreign exchange rate and gold contracts	9,466	47	(97)
Credit contracts	84	0	(4)
Hedging instruments	**23,427**	**533**	**(258)**
Interest rate contracts	22,990	520	(250)
Foreign exchange rate and gold contracts	437	13	(8)
Total	**225,809**	**2,551**	**(2,395)**
OTC products	219,978	2,478	(2,247)
Products traded on stock exchange	3,876	64	(53)

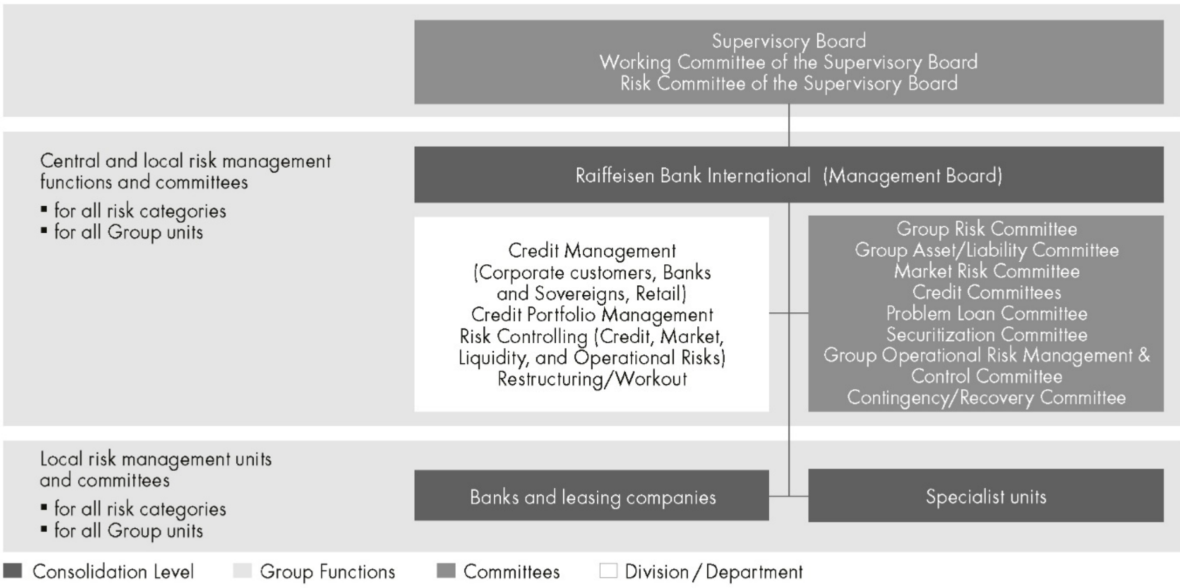
31/12/2018	Nominal amount	Fair values	
in € million		Positive	Negative
Trading book	**161,381**	**1,787**	**(1,835)**
Interest rate contracts	115,829	1,058	(822)
Equity contracts	3,862	121	(365)
Foreign exchange rate and gold contracts	40,043	604	(554)
Credit contracts	131	2	0
Commodities	129	3	(3)
Other	1,388	0	(91)
Banking book	**32,179**	**185**	**(200)**
Interest rate contracts	23,646	94	(104)
Equity contracts	0	0	0
Foreign exchange rate and gold contracts	8,450	91	(93)
Credit contracts	84	0	(3)
Hedging instruments	**22,602**	**501**	**(153)**
Interest rate contracts	22,132	469	(153)
Foreign exchange rate and gold contracts	470	32	0
Total	**216,162**	**2,473**	**(2,188)**
OTC products	210,879	2,405	(2,045)
Products traded on stock exchange	3,552	63	(46)

Risk report

Active risk management is a core competency of the RBI 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 Group's business activities and the resulting risks. The figures below refer to the regulatory scope of consolidation pursuant to CRR. In terms of risk, the companies in the IFRS scope of consolidation that are not included therein are covered by the participation risk.

The principles and organization of risk management are disclosed in the relevant sections of the 2018 Annual Report, pages 180 ff.

(42) 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	30/6/2019	Share	31/12/2018[1]	Share
Credit risk corporate customers	1,754	28.6%	1,638	27.2%
Credit risk retail customers	1,350	22.0%	1,176	19.5%
Market risk	560	9.1%	649	10.8%
Operational risk	516	8.4%	542	9.0%
Macroeconomic risk	492	8.0%	607	10.1%
Owned property risk	327	5.3%	226	3.8%
Participation risk	307	5.0%	308	5.1%
Credit risk sovereigns	231	3.8%	281	4.7%
Credit risk banks	153	2.5%	144	2.4%
FX risk capital position	102	1.7%	129	2.1%
Liquidity risk	32	0.5%	15	0.2%
CVA risk	19	0.3%	17	0.3%
Risk buffer	292	4.8%	287	4.8%
Total	**6,135**	**100.0%**	**6,018**	**100.0%**

1 Adaptation of previous year figures (market risk)

Economic capital increased € 117 million to € 6,135 million compared to the year-end. The increase was largely due to the credit exposure to corporate customers and retail customers as a result of increased volumes.

Regional allocation of economic capital according to Group unit domicile:

in € million	30/6/2019	Share	31/12/2018[1]	Share
Austria	2,040	33.2%	1,903	31.6%
Central Europe	1,390	22.6%	1,471	24.4%
Eastern Europe	1,354	22.1%	1,309	21.7%
Southeastern Europe	1,348	22.0%	1,330	22.1%
Rest of World	4	0.1%	5	0.1%
Total	**6,135**	**100.0%**	**6,018**	**100.0%**

1 Adaptation of previous year figures (market risk)

The Group uses a confidence level of 99.92 per cent to calculate 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.

(43) Credit risk

Credit risk is the largest risk for the Group's business. Credit risk means the risk of suffering financial loss should any of the Group's customers or 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, lending commitments and financial guarantees given. The Group is also exposed to other credit risks arising from investments in debt securities and other exposures associated with trading activities, derivatives, settlement agreements and reverse repo transactions.

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

The following table shows the reconciliation of items on the statement of financial position (banking and trading book positions) to the total credit exposure, which is used in portfolio management. It includes both 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 or physical collateral, effects that are, however, considered in the total assessment of credit risk. The total credit exposure is used – if not explicitly stated otherwise – for referring to exposures in all subsequent tables in the risk report. The reasons for differences in the values used for internal portfolio management and for external financial accounting are the different scopes of consolidation (regulatory versus accounting rules according to IFRS) and differences in the classifications and presentation of exposure volumes.

in € million	30/6/2019	31/12/2018[1]
Cash, cash balances at central banks and other demand deposits	18,974	18,426
Financial assets - amortised cost	108,961	101,241
Financial assets - fair value through other comprehensive income	5,363	6,217
Non-trading financial assets - mandatorily at fair value through profit / loss	514	560
Financial assets - designated fair value through profit/loss	3,266	3,192
Financial assets - held for trading	3,928	3,894
Hedge accounting	556	457
Current tax assets	66	57
Deferred tax assets	162	122
Other assets	953	750
Loan commitments given	31,604	31,227
Financial guarantees given	7,641	6,975
Other commitments given	3,202	2,943
Disclosure differences	(2,175)	(1,762)
Credit exposure[2]	**183,014**	**174,299**

1 Adaptation of previous year figures
2 Items on the statement of financial position contain only credit risk amounts

The detailed credit portfolio analysis shows the breakdown by rating category. 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 organizational unit. The default probabilities assigned to individual rating grades are calculated separately for each asset class. As a consequence, the default probabilities relating 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. Software tools are used to produce and validate ratings (e.g. business valuation tools, rating and default database).

The following table shows the total credit exposure by asset classes (rating models):

in € million	30/6/2019	31/12/2018
Corporate customers	78,414	73,482
Project finance	6,825	7,050
Retail customers	40,281	38,050
Banks	22,616	19,207
Sovereigns	34,878	36,509
Total	**183,014**	**174,299**

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 have been combined into nine main rating grades.

in € million		30/6/2019	Share	31/12/2018	Share
1	Minimal risk	6,274	8.0%	5,072	6.9%
2	Excellent credit standing	11,754	15.0%	11,134	15.2%
3	Very good credit standing	12,534	16.0%	11,357	15.5%
4	Good credit standing	11,878	15.1%	10,403	14.2%
5	Sound credit standing	15,920	20.3%	15,824	21.5%
6	Acceptable credit standing	13,216	16.9%	12,273	16.7%
7	Marginal credit standing	3,868	4.9%	4,217	5.7%
8	Weak credit standing / sub-standard	953	1.2%	1,134	1.5%
9	Very weak credit standing / doubtful	278	0.4%	199	0.3%
10	Default	1,532	2.0%	1,638	2.2%
NR	Not rated	205	0.3%	233	0.3%
Total		**78,414**	**100.0%**	**73,482**	**100.0%**

The total credit exposure to corporate customers increased € 4,932 million to € 78,414 million compared to year-end 2018.

Credit exposures in the rating grades from good credit standing to minimal risk increased € 4,474 million, corresponding to a share of 54.1 per cent (31/12/2018: 51.8 per cent).

Rating grade 1 reported a € 1,202 million increase to € 6,274 million, due to swap transactions and repo business in Great Britain and to credit financing and money market transactions in Austria and Germany. Rating grade 2 posted a € 620 million increase to € 11,754 million, mainly due to documentary credits in Switzerland. Rating grade 3 increased € 1,177 million to € 12,534 million, due to money market transactions in Austria, repo business in Great Britain and to credit financing in Austria, Luxembourg and Russia (largely attributable to the appreciation of the Russian ruble). The € 1,475 million increase in rating grade 4 to € 11,878 million was attributable to credit financing in Russia, France, Great Britain, the Czech Republic and Switzerland. Facility financing in Romania and Spain also increased. Rating grade 6 posted a € 943 million increase to € 13,216 million, primarily due to credit financing in Romania, Slovakia and Russia (largely attributable to the appreciation of the Russian ruble).

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

in € million		30/6/2019	Share	31/12/2018	Share
6.1	Excellent project risk profile – very low risk	5,219	76.5%	5,308	75.3%
6.2	Good project risk profile – low risk	1,000	14.7%	968	13.7%
6.3	Acceptable project risk profile – average risk	119	1.7%	114	1.6%
6.4	Poor project risk profile – high risk	57	0.8%	103	1.5%
6.5	Default	429	6.3%	383	5.4%
NR	Not rated	0	0.0%	175	2.5%
Total		**6,825**	**100.0%**	**7,050**	**100.0%**

Credit exposure to project finance declined € 225 million to € 6,825 million as at 30 June 2019. The € 89 million reduction in rating grade 6.1 to € 5,219 million resulted from a decline in the Czech Republic and Slovakia. Slovakia also reported rating reductions of individual customers to rating grade 6.2. Rating grade 6.2 increased € 32 million to € 1,000 million. The increase was mainly attributable to the rating shift of Slovakian customers from rating grade 6.1 and to new Hungarian customers. Expired project financing in Austria resulted in a € 46 million decline in rating grade 6.4 to € 57 million. The rating allocation of a Dutch and an Austrian customer to rating grade 6.1 as well as expired project financing in Serbia led to the € 175 million reduction in customers not rated.

At 91.2 per cent (31/12/2018: 89.0 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 region, taking into account the guarantor:

in € million	30/6/2019	Share	31/12/2018[1]	Share
Western Europe	20,254	23.8%	17,182	21.3%
Central Europe	19,153	22.5%	18,491	23.0%
Austria	16,662	19.5%	16,898	21.0%
Eastern Europe	14,250	16.7%	12,853	16.0%
Southeastern Europe	12,304	14.4%	12,432	15.4%
Asia	1,160	1.4%	1,195	1.5%
Other	1,456	1.7%	1,481	1.8%
Total	**85,239**	**100.0%**	**80,532**	**100.0%**

1 Adaptation of previous year figures

Credit exposure stood at € 85,239 million, € 4,707 million higher than at year-end 2018. The increase in Western Europe of € 3,072 million to € 20,254 million was due to credit and facility financing, repo business and swap transactions, and to documentary credits. Central Europe reported a € 662 million increase to € 19,153 million, largely due to credit financing and repo business. The increase in Eastern Europe of € 1,397 million to € 14,250 million was mainly due to credit financing. The increase was also due to the appreciation of the Russian ruble and the Ukrainian hryvnia.

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

in € million	30/6/2019	Share	31/12/2018	Share
Manufacturing	16,807	19.7%	16,320	20.3%
Wholesale and retail trade	17,561	20.6%	16,867	20.9%
Financial intermediation	13,370	15.7%	11,869	14.7%
Real estate	8,630	10.1%	8,901	11.1%
Construction	5,038	5.9%	4,824	6.0%
Freelance/technical services	6,474	7.6%	5,775	7.2%
Transport, storage and communication	3,431	4.0%	3,301	4.1%
Electricity, gas, steam and hot water supply	3,083	3.6%	3,045	3.8%
Other industries	10,845	12.7%	9,629	12.0%
Total	**85,239**	**100.0%**	**80,532**	**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	30/6/2019	Share	31/12/2018	Share
Retail customers – private individuals	37,220	92.4%	35,269	92.7%
Retail customers – small and medium-sized entities	3,061	7.6%	2,781	7.3%
Total	**40,281**	**100.0%**	**38,050**	**100.0%**

The following table shows the total credit exposure to retail customers according to internal ratings:

in € million		30/6/2019	Share	31/12/2018	Share
0.5	Minimal risk	13,471	33.4%	9,038	23.8%
1.0	Excellent credit standing	5,989	14.9%	9,091	23.9%
1.5	Very good credit standing	5,382	13.4%	5,499	14.5%
2.0	Good credit standing	4,383	10.9%	4,040	10.6%
2.5	Sound credit standing	3,193	7.9%	2,864	7.5%
3.0	Acceptable credit standing	1,717	4.3%	1,727	4.5%
3.5	Marginal credit standing	848	2.1%	840	2.2%
4.0	Weak credit standing / sub-standard	399	1.0%	414	1.1%
4.5	Very weak credit standing / doubtful	424	1.1%	313	0.8%
5.0	Default	1,327	3.3%	1,327	3.5%
NR	Not rated	3,146	7.8%	2,898	7.6%
Total		**40,281**	**100.0%**	**38,050**	**100.0%**

Credit exposure to retail customers increased € 2,231 million to € 40,281 million compared to year-end 2018. The rating shift between rating grade 0.5 and 1.0 was mainly due to rating adjustments as part of the planned implementation of IRB at Raiffeisen Bausparkasse Vienna. In addition, rating grade 0.5 recorded a rise, due to an increase in the credit exposure in Slovakia, the Czech Republic and Russia (partly attributable to the appreciation of the Russian ruble).

The total credit exposure to retail customers breaks down by segments as follows, whereby non-performing exposure now also includes forborne exposure. The previous year's table has been drawn up analogously:

30/6/2019 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	17,744	9,186	5,390	4,899
Retail customers – small and medium-sized entities	1,459	756	443	403
Total	**19,204**	**9,942**	**5,834**	**5,301**
hereof non-performing exposure	681	456	213	30

31/12/2018 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	17,377	8,720	4,420	4,751
Retail customers – small and medium-sized entities	1,370	688	349	375
Total	**18,748**	**9,408**	**4,769**	**5,125**
hereof non-performing exposure	715	458	204	29

Central Europe reported a € 456 million increase to € 19,204 million due to an increase in mortgage loans in the Czech Republic and Slovakia. The increase in Central Europe was offset by a reduction in personal loans in the Czech Republic. Increasing mortgage and personal loans in Bulgaria, Croatia and Romania as well as an increase in credit card financing in Romania and SME financing in Bulgaria were responsible for the € 534 million increase in Southeastern Europe to € 9,942 million. The € 1,065 million increase in Eastern Europe to € 5,834 million resulted from credit card financing, mortgage loans and personal loans in Russia, partly as a result of the appreciation of the Russian ruble. In addition, SME and credit card financing increased in Ukraine, largely as a result of the appreciation of the Ukrainian hryvnia.

The table below shows the total retail credit exposure by products:

in € million	30/6/2019	Share	31/12/2018	Share
Mortgage loans	23,595	58.6%	22,557	59.3%
Personal loans	9,050	22.5%	8,457	22.2%
Credit cards	3,331	8.3%	3,087	8.1%
SME financing	2,281	5.7%	2,046	5.4%
Overdraft	1,513	3.8%	1,444	3.8%
Car loans	511	1.3%	459	1.2%
Total	**40,281**	**100.0%**	**38,050**	**100.0%**

The € 1,038 million increase in mortgage loans to € 23,595 million resulted primarily from the Czech Republic, Austria, Bulgaria, Croatia, Romania and Slovakia. Bulgaria, Croatia and Romania were mainly responsible for the increase in personal loans. Russia also reported an increase in mortgage and personal loans, partly as a result of the appreciation of the Russian ruble.

Credit portfolio – Banks

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

In € million		30/6/2019	Share	31/12/2018	Share
1	Minimal risk	5,023	22.2%	3,797	19.8%
2	Excellent credit standing	8,204	36.3%	5,805	30.2%
3	Very good credit standing	6,683	29.6%	7,142	37.2%
4	Good credit standing	1,171	5.2%	1,347	7.0%
5	Sound credit standing	1,091	4.8%	701	3.6%
6	Acceptable credit standing	249	1.1%	268	1.4%
7	Marginal credit standing	120	0.5%	31	0.2%
8	Weak credit standing / sub-standard	22	0.1%	101	0.5%
9	Very weak credit standing / doubtful	28	0.1%	0	0.0%
10	Default	14	0.1%	9	0.0%
NR	Not rated	11	0.1%	5	0.0%
Total		**22,616**	**100.0%**	**19,207**	**100.0%**

The total credit exposure amounted to € 22,616 million. Compared to year-end 2018, this was an increase of € 3,409 million.

Rating grade 1 increased € 1,226 million to € 5,023 million, due to new repo business in the United Arab Emirates, the Czech Republic and Germany, to swap transactions in Germany and Austria, as well as to rating improvements of Austrian and Czech customers from rating grade 2. The increase in rating grade 2 of € 2,399 million to € 8,204 million resulted mainly from repo transactions in Austria, France, Canada and Great Britain. In addition, the rating shift of Russian, French and Canadian customers from rating grade 3 had a positive effect. The € 459 million decline in rating grade 3 to € 6,683 million was additionally due to reductions in money market transactions in Austria and Germany. Rating grade 5 recorded a € 390 million increase to € 1,091 million, mainly as a result of rating shifts of a Croatian customer from rating grade 4 and of an Italian customer from rating grade 3 to rating grade 5 and also due to a new Turkish customer.

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

in € million	30/6/2019	Share	31/12/2018	Share
Repo	7,418	32.8%	3,645	19.0%
Loans and advances	4,844	21.4%	4,923	25.6%
Bonds	3,759	16.6%	3,829	19.9%
Derivatives	2,691	11.9%	2,415	12.6%
Money market	2,461	10.9%	2,723	14.2%
Other	1,442	6.4%	1,671	8.7%
Total	**22,616**	**100.0%**	**19,207**	**100.0%**

The increase in repo business resulted from France, Germany, Great Britain, the Czech Republic, Austria, Canada and the United Arab Emirates.

Credit portfolio – Sovereigns

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

in € million		30/6/2019	Share	31/12/2018	Share
A1	Excellent credit standing	1,181	3.4%	1,210	3.3%
A2	Very good credit standing	13,674	39.2%	14,656	40.1%
A3	Good credit standing	8,237	23.6%	7,955	21.8%
B1	Sound credit standing	333	1.0%	937	2.6%
B2	Average credit standing	7,223	20.7%	3,001	8.2%
B3	Mediocre credit standing	2,484	7.1%	6,631	18.2%
B4	Weak credit standing	690	2.0%	1,214	3.3%
B5	Very weak credit standing	677	1.9%	360	1.0%
C	Doubtful/high default risk	369	1.1%	542	1.5%
D	Default	2	0.0%	2	0.0%
NR	Not rated	7	0.0%	1	0.0%
Total		**34,878**	**100.0%**	**36,509**	**100.0%**

Compared to year-end 2018, the credit exposure to sovereigns declined € 1,631 million to € 34,878 million.

Rating grade A2 recorded a decline of € 982 million to € 13,674 million as a result of deposits at the Austrian National Bank. The € 604 million decrease in rating grade B1 to € 333 million resulted from the improvement in Poland's rating to rating grade A3. The rating improvements for Russia, Bulgaria and Croatia led to shifts from rating grade B3 to rating grade B2. The € 524 million decline in rating grade B4 to € 690 million resulted from Serbia's rating improvement to rating grade B3. Rating grade B5 increased € 317 million to € 677 million, mainly due to Belarus' rating improvement from rating grade C, to an increase in the portfolio of bonds issued by the national bank of Belarus and to the minimum reserve of the central bank of Bosnia and Herzegovina.

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

in € million	30/6/2019	Share	31/12/2018	Share
Bonds	15,353	44.0%	14,875	40.7%
Loans and advances	15,196	43.6%	16,445	45.0%
Repo	3,586	10.3%	3,905	10.7%
Money market	610	1.7%	1,158	3.2%
Derivatives	32	0.1%	35	0.1%
Other	101	0.3%	91	0.2%
Total	**34,878**	**100.0%**	**36,509**	**100.0%**

Bonds recorded a € 478 million increase to € 15,353 million, mainly due to Belarus, the Czech Republic, Germany, Spain, and to the appreciation of the Russian ruble. The increase was offset by a reduction in the portfolio of bonds issued by Hungary and Austria. The € 1,249 million reduction in loans and advances to € 15,196 million was largely attributable to deposits at the Austrian National Bank. The € 548 million reduction in money market to € 610 million was due to Austria, the Czech Republic and Russia.

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

in € million	30/6/2019	Share	31/12/2018	Share
Hungary	1,717	40.6%	2,001	22.9%
Albania	657	15.5%	664	7.6%
Serbia	549	13.0%	535	6.1%
Ukraine	365	8.6%	401	4.6%
Bosnia and Herzegovina	365	8.6%	330	3.8%
Belarus	247	5.8%	132	1.5%
Romania	180	4.3%	112	1.3%
Croatia	3	0.1%	1,332	15.2%
Bulgaria	3	0.1%	928	10.6%
Russia	0	-	2,221	25.4%
Other	143	3.4%	96	1.1%
Total	**4,229**	**100.0%**	**8,750**	**100.0%**

Rating improvements for Russia, Bulgaria and Croatia resulted in a reclassification from rating grade B3 to rating grade B2, which led to a significant reduction in the non-investment grade credit exposure.

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

Non-performing exposure (NPE)

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

	NPE		NPE ratio		NPE coverage ratio	
in € million	**30/6/2019**	**31/12/2018**	**30/6/2019**	**31/12/2018**	**30/6/2019**	**31/12/2018**
General governments	2	2	0.2%	0.2%	98.8%	98.8%
Banks	16	8	0.1%	0.1%	100.0%	100.0%
Other financial corporations	46	81	0.4%	0.9%	68.2%	80.9%
Non-financial corporations	1,933	2,080	4.3%	5.0%	56.3%	55.0%
Households	1,202	1,228	3.5%	3.8%	63.3%	62.5%
Loans and advances	**3,199**	**3,400**	**2.7%**	**3.0%**	**59.1%**	**58.4%**
Bonds	**9**	**9**	**0.0%**	**0.1%**	**-**	**-**
Total	**3,208**	**3,409**	**2.3%**	**2.6%**	**59.0%**	**58.3%**

The following tables show the development of non-performing exposure in the defined asset classes (excluding items off the statement of financial position):

in € million	As at 1/1/2019	Change in consolidated group	Exchange rate	Additions	Disposals	As at 30/6/2019
General governments	2	0	0	0	0	2
Banks	8	0	0	8	0	16
Other financial corporations	81	0	(9)	22	(49)	46
Non-financial corporations	2,080	0	27	316	(489)	1,933
Households	1,228	0	6	195	(227)	1,202
Loans and advances (NPL)	**3,400**	**0**	**24**	**540**	**(764)**	**3,199**
Bonds	**9**	**0**	**0**	**0**	**0**	**9**
Total (NPE)	**3,409**	**0**	**24**	**540**	**(765)**	**3,208**

in € million	As at 1/1/2018	Change in consolidated group	Exchange rate	Additions	Disposals	As at 30/6/2018
General governments	0	0	0	0	0	0
Banks	10	0	0	0	0	10
Other financial corporations	40	(9)	(2)	12	(3)	38
Non-financial corporations[1]	3,309	(129)	26	182	(856)	2,531
Households[1]	1,561	(180)	(16)	312	(227)	1,450
Loans and advances (NPL)	**4,920**	**(318)**	**8**	**506**	**(1,087)**	**4,029**
Bonds	**13**	**0**	**0**	**0**	**(1)**	**12**
Total (NPE)	**4,933**	**(318)**	**8**	**506**	**(1,088)**	**4,041**

1 Previous year's figures adjusted due to reclassification of small and medium-sized entities to non-financial corporations

The volume of non-performing exposure fell € 201 million. In organic terms, the volume declined € 225 million primarily due to sales of non-performing loans and the derecognition of commercially uncollectible loans in Central Europe in a total amount of € 119 million, at RBI AG in a total amount of € 85 million, in Eastern Europe in a total amount of € 66 million and in Southeastern Europe in a total amount of € 52 million; in contrast, currency developments led to an increase of € 24 million. The NPE ratio based on total exposure decreased 0.3 percentage points to 2.3 per cent and the NPE coverage ratio increased, also by 0.7 percentage points, to 59.0 per cent.

Since the start of the year, non-financial corporations recorded a decline of € 146 million to € 1,933 million, mainly due to sales and derecognitions in Central Europe in a total amount of € 71 million, in the Group Corporates & Markets segment in a total amount of € 87 million and in Eastern Europe in a total amount of € 30 million. The ratio of non-performing risk exposure to total credit exposure decreased 0.7 percentage points to 4.3 per cent, and the coverage ratio increased 1.3 percentage points to 56.3 per cent. In the households portfolio, non-performing exposure declined € 27 million to € 1,202 million. The ratio of the non-performing exposure to total credit exposure decreased 0.3 percentage points to 3.5 per cent, and the coverage ratio increased 0.9 percentage points to 63.3 per cent. In the other financial corporations portfolio, the non-performing exposure declined € 35 million to € 46 million and the coverage ratio declined 12.8 percentage points to € 68.2 per cent. For banks, non-performing risk exposure at the end of the first half-year were € 8 million higher compared to year-end 2018 at € 16 million and the coverage ratio stood at 100 per cent.

The following table shows the share of non-performing exposure (NPE) by segments (excluding items off the statement of financial position):

	NPE		NPE ratio		NPE coverage ratio	
in € million	**30/6/2019**	**31/12/2018**	**30/6/2019**	**31/12/2018**	**30/6/2019**	**31/12/2018**
Central Europe	1,011	1,131	2.5%	2.8%	57.2%	56.0%
Southeastern Europe	799	849	3.3%	3.6%	64.5%	63.5%
Eastern Europe	481	492	2.5%	2.9%	58.7%	61.8%
Group Corporates & Markets	879	899	1.9%	2.4%	55.9%	54.1%
Corporate Center	37	38	0.2%	0.2%	63.4%	62.3%
Total	**3,208**	**3,409**	**2.3%**	**2.6%**	**59.0%**	**58.3%**

In Central Europe, the non-performing exposure declined € 120 million to € 1,011 million, primarily due to sales and derecognitions in Hungary of € 57 million and in the Czech Republic of € 44 million. The NPE ratio decreased 0.3 percentage points to 2.5 per cent, and the NPE coverage ratio increased 1.3 percentage points to 57.2 per cent.

In Southeastern Europe, non-performing exposure decreased € 50 million compared to the start of the year to € 799 million, mainly driven by declines in Croatia of € 30 million. The NPE ratio fell 0.2 percentage points to 3.3 per cent, and the coverage ratio increased 1.0 percentage point to 64.5 per cent.

The Eastern Europe segment reported a decrease in non-performing exposure of € 10 million, to € 481 million, with a total decrease in Ukraine of € 31 million, driven on the one hand by derecognitions and sales in an amount of € 38 million although this was on the other hand sharply offset by the currency appreciation of the Ukrainian hryvnia. In Russia, in contrast, non-performing exposure increased € 24 million also driven by effects from the currency appreciation of the Russian ruble. The ratio of the non-performing exposure to total credit exposure decreased 0.5 percentage points to 2.5 per cent, and the coverage ratio also decreased 3.1 percentage points to 58.7 per cent.

The non-performing exposure in the Group Corporates & Markets segment decreased € 20 million in the first half-year to € 879 million. In the reporting period, the non-performing exposure at RBI AG fell € 14 million mainly due to sales and derecognitions, while at Raiffeisen Leasing Group it fell slightly by € 3 million. The NPE ratio declined 0.5 percentage points to 1.9 per cent, and the NPE coverage ratio increased 1.8 percentage points compared to the start of the year to 55.9 per cent.

Starting with the first quarter of 2019, the following table shows the total non-performing exposure with restructuring measures. The previous year's values which included the forborne exposures have therefore been adjusted.

	Refinancing		Instruments with modified time and modified conditions		NPE total	
in € million	**30/6/2019**	**31/12/2018**	**30/6/2019**	**31/12/2018**	**30/6/2019**	**31/12/2018**
General governments	0	0	0	0	0	0
Banks	0	0	0	0	0	0
Other financial corporations	0	13	31	35	31	47
Non-financial corporations	54	83	1,115	1,149	1,169	1,232
Households	40	41	12	1	51	42
Total	**93**	**136**	**1,158**	**1,185**	**1,251**	**1,321**

The portfolio with accompanying restructuring measures reduced further in the first half of 2019, notably due to the continuing recovery of the relevant customers.

The following table shows the breakdown of the non-performing exposure with restructuring measures by segments:

in € million	30/6/2019	Share	31/12/2018	Share
Central Europe	212	17.0%	227	17.2%
Southeastern Europe	244	19.5%	245	18.6%
Eastern Europe	209	16.7%	233	17.6%
Group Corporates & Markets	586	46.8%	616	46.6%
Total	**1,251**	**100.0%**	**1,321**	**100.0%**

Concentration risk

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

As part of the Group's strategic realignment, the limit structures for concentration risk were reviewed for each customer segment. The regional breakdown of the exposures reflects the broad diversification of credit business in the Group's Markets.

The following table shows the distribution of credit exposures across all asset classes by the country of risk, grouped by regions:

in € million	30/6/2019	Share	31/12/2018	Share
Central Europe	**49,378**	**27.0%**	**48,379**	**27.8%**
Czech Republic	21,115	11.5%	20,600	11.8%
Slovakia	15,915	8.7%	15,721	9.0%
Hungary	7,168	3.9%	6,903	4.0%
Poland	4,873	2.7%	4,806	2.8%
Other	307	0.2%	349	0.2%
Austria	**38,286**	**20.9%**	**39,683**	**22.8%**
Other European Union	**33,262**	**18.2%**	**26,804**	**15.4%**
Germany	10,609	5.8%	9,073	5.2%
Great Britain	7,948	4.3%	5,460	3.1%
France	4,907	2.7%	3,947	2.3%
Luxembourg	2,143	1.2%	1,701	1.0%
Spain	1,847	1.0%	1,137	0.7%
Netherlands	1,318	0.7%	1,319	0.8%
Italy	1,262	0.7%	838	0.5%
Other	3,228	1.8%	3,328	1.9%
Southeastern Europe	**28,502**	**15.6%**	**28,435**	**16.3%**
Romania	10,824	5.9%	11,273	6.5%
Croatia	5,220	2.9%	5,008	2.9%
Bulgaria	4,652	2.5%	4,614	2.6%
Serbia	3,076	1.7%	3,016	1.7%
Bosnia and Herzegovina	2,227	1.2%	2,191	1.3%
Albania	1,582	0.9%	1,532	0.9%
Other	922	0.5%	800	0.5%

in € million	30/6/2019	Share	31/12/2018	Share
Eastern Europe	**24,315**	**13.3%**	**22,679**	**13.0%**
Russia	19,266	10.5%	17,803	10.2%
Ukraine	2,859	1.6%	2,816	1.6%
Belarus	2,025	1.1%	1,871	1.1%
Other	165	0.1%	190	0.1%
Switzerland	**2,811**	**1.5%**	**2,427**	**1.4%**
Asia	**2,631**	**1.4%**	**2,011**	**1.2%**
North America	**2,334**	**1.3%**	**2,382**	**1.4%**
Rest of World	**1,495**	**0.8%**	**1,498**	**0.9%**
Total	**183,014**	**100.0%**	**174,299**	**100.0%**

The credit exposure of all asset classes increased € 8,715 million compared to year-end 2018 to € 183,014 million. The largest increase, of € 6,458 million, to € 33,262 million, in other European Union, was mainly due to repo business and swap transactions in Great Britain, to facility financing and swap transactions in Germany, and to facility financing in Spain. Credit financing in France and Luxembourg also increased. The € 999 million increase in Central Europe to € 49,378 million resulted from credit financing in the Czech Republic and Hungary and from repo business in Poland. In addition, retail business increased in the Czech Republic and in Slovakia. Austria reported a € 1,397 million decline to € 38,286 million, largely due to deposits at the Austrian National Bank. The increase in Eastern Europe of € 1,636 million to € 24,315 million mainly resulted from the appreciation of the Russian ruble and the Ukrainian hryvnia. In addition, credit financing increased in Russia, while repo business fell.

The following table shows the credit exposure across all asset classes by currencies:

in € million	30/6/2019	Share	31/12/2018	Share
Euro (EUR)	99,121	54.2%	95,470	54.8%
Czech koruna (CZK)	19,105	10.4%	18,657	10.7%
US dollar (USD)	18,125	9.9%	16,423	9.4%
Russian ruble (RUB)	15,238	8.3%	12,969	7.4%
Romanian leu (RON)	7,034	3.8%	7,108	4.1%
Hungarian forint (HUF)	5,661	3.1%	5,526	3.2%
Swiss franc (CHF)	2,977	1.6%	3,004	1.7%
Croatian kuna (HRK)	2,873	1.6%	2,748	1.6%
Bulgarian lev (BGN)	2,865	1.6%	2,907	1.7%
Ukrainian hryvnia (UAH)	2,273	1.2%	2,109	1.2%
Bosnian marka (BAM)	2,196	1.2%	2,165	1.2%
Serbian dinar (RSD)	1,365	0.7%	1,358	0.8%
Albanian lek (ALL)	1,108	0.6%	1,076	0.6%
Belarusian ruble (BYN)	1,082	0.6%	854	0.5%
Other foreign currencies	1,991	1.1%	1,924	1.1%
Total	**183,014**	**100.0%**	**174,299**	**100.0%**

The increase in euro exposure of € 3,651 million to € 99,121 million was mainly due to credit financing and repo business. This was, however, partly offset by a decrease in deposits at the Austrian National Bank. The US dollar exposure increased € 1,701 million to € 19,105 million due to repo business. With regard to Russian ruble exposure, credit financing and an increase in retail business resulted in growth of € 2,270 million to € 15,238 million. The Russian ruble also appreciated.

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

in € million	30/6/2019	Share	31/12/2018	Share
Banking and insurance	53,266	29.1%	50,711	29.1%
Private households	37,346	20.4%	35,298	20.3%
Public administration and defense and social insurance institutions	14,842	8.1%	14,168	8.1%
Wholesale trade and commission trade (except car trading)	13,225	7.2%	12,794	7.3%
Other manufacturing	11,637	6.4%	11,410	6.5%
Real estate activities	8,969	4.9%	9,255	5.3%
Construction	5,422	3.0%	5,273	3.0%
Other business activities	6,835	3.7%	6,113	3.5%
Retail trade except repair of motor vehicles	4,251	2.3%	3,983	2.3%
Electricity, gas, steam and hot water supply	3,324	1.8%	3,269	1.9%
Manufacture of basic metals	2,453	1.3%	2,202	1.3%
Other transport	1,595	0.9%	1,571	0.9%
Land transport, transport via pipelines	2,296	1.3%	2,187	1.3%
Manufacture of food products and beverages	1,897	1.0%	1,900	1.1%
Manufacture of machinery and equipment	1,739	1.0%	1,648	0.9%
Sale of motor vehicles	1,073	0.6%	1,028	0.6%
Extraction of crude petroleum and natural gas	730	0.4%	494	0.3%
Other industries	12,115	6.6%	10,996	6.3%
Total	**183,014**	**100.0%**	**174,299**	**100.0%**

(44) 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, equity indices and base spreads. 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).

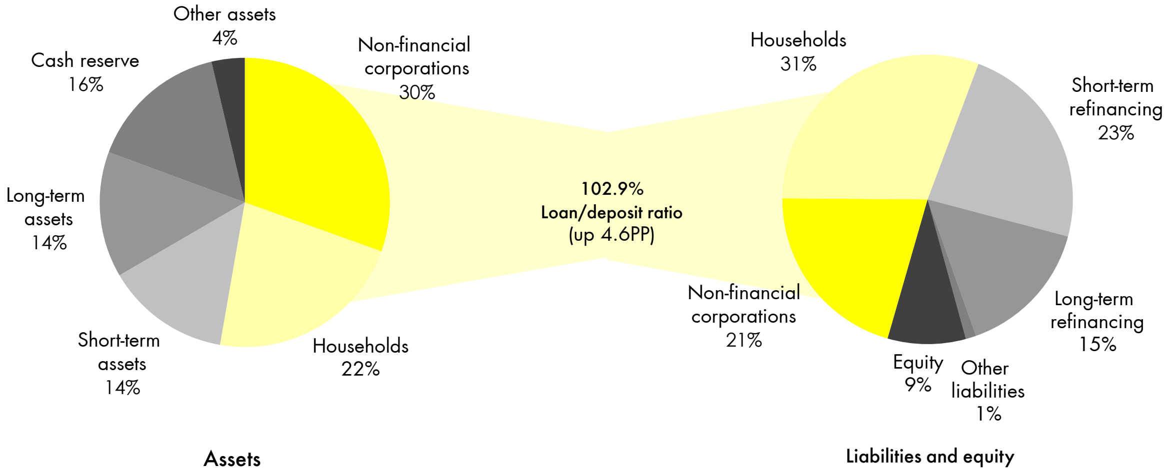
Total VaR 99% 1d in € million	VaR as at 30/6/2019	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2018
Currency risk	9	9	7	12	10
Interest rate risk	12	10	7	14	11
Credit spread risk	17	17	14	23	20
Share price risk	0	0	0	1	1
Vega risk	1	1	0	1	0
Basis risk	4	4	3	5	5
Total	25	26	20	32	28

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.

(45) Liquidity management

Funding structure

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



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

in € million	30/6/2019		31/12/2018	
Maturity	1 month	1 year	1 month	1 year
Liquidity gap	22,697	26,531	22,097	26,432
Liquidity ratio	148%	128%	151%	130%

Liquidity coverage ratio

The short-term resilience of banks requires corresponding liquidity coverage in the form of a liquidity coverage ratio (LCR). They must ensure 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 guidelines. The regulatory LCR limit is 100 per cent.

in € million	30/6/2019	31/12/2018
Average liquid assets	**26,311**	**29,140**
Net outflows	**18,944**	**21,706**
Inflows	12,237	8,392
Outflows	31,181	30,098
Liquidity Coverage Ratio	**139%**	**134%**

RBI AG has made a significant contribution to the increase in the Group's LCR. Firstly, average liquid assets have reduced, and on the other hand secured capital market transactions have led to a disproportionate increase in inflows.

Net Stable Funding Ratio

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

in € million	30/6/2019[1]	31/12/2018
Required stable funding	105,844	99,974
Available stable funding	116,174	114,337
Net Stable Funding Ratio	**110%**	**114%**

1 preliminary

Other disclosures

(46) Related parties

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

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 RBI AG. Detailed information regarding this is published on the homepage of Raiffeisen Bank International.

30/6/2019 in € million	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
Selected financial assets	**16**	**479**	**999**	**632**
Equity instruments	0	214	769	260
Debt securities	13	0	0	12
Loans and advances	3	265	229	360
Selected financial liabilities	**1,963**	**105**	**4,206**	**528**
Deposits	1,963	105	4,206	528
Debt securities issued	0	0	0	0
Other items	**188**	**54**	**295**	**135**
Loan commitments, financial guarantees and other commitments given	172	54	263	122
Loan commitments, financial guarantees and other commitments received	16	0	32	12

31/12/2018 in € million	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
Selected financial assets	**201**	**439**	**1,792**	**690**
Equity instruments	0	199	765	266
Debt securities	14	0	44	12
Loans and advances	187	240	983	411
Selected financial liabilities	**2,000**	**107**	**4,849**	**472**
Deposits	2,000	106	4,849	472
Debt securities issued	0	1	0	0
Other items	**187**	**45**	**500**	**132**
Loan commitments, financial guarantees and other commitments given	167	45	469	108
Loan commitments, financial guarantees and other commitments received	20	0	31	24

1/1-30/6/2019 in € million	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
Interest income	1	3	4	7
Interest expenses	(3)	(1)	(13)	(1)
Dividend income	2	9	41	2
Fee and commission income	2	3	5	3
Fee and commission expenses	(1)	(7)	(3)	(1)

1/1-30/6/2018 in € million	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
Interest income	(1)	2	7	9
Interest expenses	(7)	0	(15)	0
Dividend income	0	8	1	4
Fee and commission income	1	2	3	3
Fee and commission expenses	0	(11)	(1)	(1)

(47) Average number of staff

Full-time equivalents	1/1-30/6/2019	1/1-30/6/2018
Salaried employees	46,583	49,520
Wage earners	608	596
Total	**47,191**	**50,116**

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 30 June 2019, the CET1 ratio requirement (including the combined buffer requirement) is 11.6 per cent for the RBI Group. A breach of the combined buffer requirement would induce constraints, for example in relation to dividend distributions and coupon payments on certain capital instruments. The capital requirements applicable during the year were complied with, including an adequate buffer, on both a consolidated and individual basis.

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 averages).

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 30 June 2019, RBI's common equity tier (CET1) after deductions amounted to € 10.402 million, representing a € 700 million increase compared to the 2018 year-end figure. Material factors behind the improvement was the inclusion of eligible interim profit, foreign exchange effects directly booked in equity and changes to qualifying minority interests. Tier 1 capital after deductions increased € 710 million to € 11,638 million mainly as a result of the the increase in CET1. There was a € 419 million reduction in tier 2 capital to € 1,939 million, mainly due to early repayments and the regulatory amortization of outstanding issues. RBI's total capital amounted to € 13,577 million, representing an increase of € 291 million compared to the 2018 year-end figure.

Risk-weighted assets (total RWA) reached € 75,620 million as at 30 June 2019. The major factor for the € 2,948 million increase was new loan business, as well as general business developments in Bulgaria, Russia and at head office. Foreign exchange effects also raised risk-weighted assets (total RWA), primarily due to the Russian ruble. The changes in market risk and operational risk together led to a smaller reduction of risk-weighted assets.

As a result, the common equity tier 1 ratio (fully loaded) was 13.8 per cent, the tier 1 ratio (fully loaded) was 15.3 per cent and the total capital ratio (fully loaded) was 17.8 per cent. Both the common equity tier 1 ratio (fully loaded) and the tier 1 ratio (fully loaded) increased slightly. The total capital ratio decreased slightly.

in € million	30/6/2019	31/12/2018
Paid-in capital	5,974	5,974
Earned capital	4,695	4,034
Non-controlling interests	456	429
Common equity tier 1 (before deductions)	**11,125**	**10,436**
Deduction intangible fixed assets/goodwill	(698)	(699)
Deduction provision shortage for IRB positions	0	0
Deductions for net new provisioning	0	0
Deduction securitizations	(15)	(15)
Deduction deferred tax assets	0	0
Deduction loss carry forwards	(10)	(20)
Deduction insurance and other investments	0	0
Common equity tier 1 (after deductions)	**10,402**	**9,702**
Additional tier 1	1,204	1,221
Non-controlling interests	32	5
Deduction intangible fixed assets/goodwill	0	0
Deduction provision shortage for IRB positions	0	0
Tier 1	**11,638**	**10,928**
Long-term subordinated capital	1,666	2,087
Non-controlling interests	44	41
Provision excess of internal rating approach positions	228	229
Tier 2 (after deductions)	**1,939**	**2,358**
Total capital	**13,577**	**13,286**
Total capital requirement	**6,050**	**5,814**
Common equity tier 1 ratio (transitional)	13.8%	13.4%
Common equity tier 1 ratio (fully loaded)	13.8%	13.4%
Tier 1 ratio (transitional)	15.4%	15.0%
Tier 1 ratio (fully loaded)	15.3%	14.9%
Total capital ratio (transitional)	18.0%	18.3%
Total capital ratio (fully loaded)	17.8%	18.2%

1 In the course of the regulatory reporting process, the reduction of tier 2 capital due to the adjustment of an eligible threshold resulted in a change of the total capital as at 31 December 2018.

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 30 June 2019, direct transitional provisions were no longer applied for RBI. Consequently, there were no effects for the common equity tier 1 ratio. Only the tier 1 ratio and the total capital ratio showed differences due to capital instruments which are no longer eligible.

Total capital requirement and risk-weighted assets

in € million	30/6/2019	31/12/2018
Total capital requirement for credit risk	5,160	4,895
Internal rating approach	3,169	3,060
Standardized approach	1,971	1,817
CVA risk	19	17
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	285	303
Total capital requirement for operational risk	605	616
Total capital requirement	**6,050**	**5,814**
Risk-weighted assets (total RWA)	**75,620**	**72,672**

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

in € million	30/6/2019	31/12/2018
Risk-weighted assets according to standardized approach	**24,640**	**22,719**
Central governments and central banks	656	541
Regional governments	106	98
Public administration and non-profit organizations	29	31
Multilateral development banks	0	0
Banks	205	171
Corporate customers	7,131	7,031
Retail customers	11,184	10,504
Equity exposures	1,827	1,823
Covered bonds	12	13
Mutual funds	84	53
Securitization position	0	0
Items associated with particular high risk	105	0
Other positions	3,300	2,454
Risk-weighted assets according to internal rating approach	**39,616**	**38,250**
Central governments and central banks	1,714	2,187
Banks	1,431	1,424
Corporate customers	29,501	27,876
Retail customers	6,105	5,971
Equity exposures	447	374
Securitization position	418	419
CVA risk	**239**	**214**
Basel I floor	**0**	**0**
Risk-weighted assets (credit risk)	**64,495**	**61,182**
Total capital requirement (credit risk)	**5,160**	**4,895**

Leverage ratio

The leverage ratio is defined in Part 7 of the CRR and as at 30 June 2019 was not yet a mandatory quantitative requirement. Until then it serves only information purposes.

in € million	30/6/2019	31/12/2018
Leverage exposure	174,641	163,077
Tier 1	11,638	10,928
Leverage ratio (transitional)	**6.7%**	**6.7%**
Leverage ratio (fully loaded)	6.5%	6.6%

Events after the reporting date

There were no significant events after the reporting date.

Report on the Review of the condensed Interim Consolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Raiffeisen Bank International AG, Vienna, for the period from 1 January 2019 to 30 June 2019. These condensed interim consolidated financial statements comprise the consolidated statement of financial position as of 30 June 2019 and the condensed consolidated statement of comprehensive income and consolidated statement of changes in equity, the consolidated statements of cash flows for the period from 1 January 2019 to 30 June 2019 and the condensed notes, summarizing the significant accounting policies and other explanatory notes.

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

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. Our liability towards the Company and towards third parties is limited in accordance with § 125 par 3 Austrian Stock Exchange Act in connection with § 275 par 2 of the Austrian Commerical Code (UGB).

Scope of review

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

Conclusion

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

Statement on the consolidated interim management report for the 6 month period ended 30 June 2019 and on management's statement in accordance with § 125 Austrian Stock Exchange Act (BörseG)

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

The interim financial information contains the statement by management in accordance with § 125 par. 1 subpar. 3 Austrian Stock Exchange Act.

Vienna, 6 August 2019

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

[signed]

Wilhelm Kovsca

Wirtschaftsprüfer
(Austrian Chartered Accountant)

Note: This report is a translation of the original report in German, which is solely valid. The condensed interim consolidated financial statements together with our review report may be published or transmitted only as agreed by us.

Statement of legal representatives

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

Vienna, 6 August 2019

The Management Board

Johann Strobl

Chief Executive Officer responsible for Chairman's Office, Group Communications, Group Compliance, Group Executive Office, Group Governmental & Public Affairs, Group Human Resources, Group Internal Audit, Group Marketing, Group Participations, Group Regulatory Affairs, Group Strategy & Innovation, Group Sustainability Management, International Banking Units and Legal Services

Martin Grüll

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

Andreas Gschwenter

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

Łukasz Januszewski

Member of the Management Board responsible for Group Competence Center for Capital Markets Corporate & Retail Sales, Group Business Management & Development, Group Capital Markets, Group Investment Banking, Institutional Clients and Raiffeisen Research

Peter Lennkh

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

Hannes Mösenbacher

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

Andrii Stepanenko

Member of the Management Board responsible for International Retail Business Management & Steering, International Mass Banking, Sales & Distribution, International Premium & Private Banking, International Small Business Banking, International Retail Online Banking, International Retail CRM, International Retail Lending and Group Asset Management

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 - Profit/loss attributable to ordinary shares divided by the average number of ordinary shares outstanding in the reporting period.

Head office - RBI AG excluding business booked in branches (e.g. Poland branch)

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 and associates, intangible fixed assets, tangible fixed assets, tax assets and other assets).

NPE – Non-performing exposure. It contains all non-performing loans and debt securities 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 debt securities and non-defaulted non-performing loans and debt securities.

NPL – Non-performing loans. It contains all non-performing loans 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 and non-defaulted non-performing loans.

NPE ratio is an economic ratio to demonstrate the proportion of non-defaulted and defaulted non-performing loans and debt securities according to the applicable EBA definition in relation to the entire loan portfolio of customers and banks (gross carrying amount) and debt securities. 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 non-defaulted and defaulted non-performing loans 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.

NPE coverage ratio describes to which extent, non-defaulted and defaulted non-performing loans and debt securities have been covered by impairments (stage 3) thus expressing also the ability of a bank to absorb losses from its NPE. It is calculated with impairment losses on loans to customers and banks and on debt securities in relation to non-defaulted and defaulted non-performing loans to customers and banks and debt securities.

NPL coverage ratio describes to which extent, non-defaulted and defaulted non-performing loans have been covered by impairments (stage 3) thus expressing also the ability of a bank to absorb losses from its NPE. It is calculated with impairment losses on loans to customers and banks set in relation to non-defaulted and defaulted non-performing loans to customers and banks.

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/reversal 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 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 of impairment 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.

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