Raiffeisen Bank International

Third Quarter Report 2019

Survey of key data

Raiffeisen Bank International (RBI)

Monetary values in € million	2019	2018	Change
Income statement	**1/1-30/9**	**1/1-30/9**	
Net interest income	2,531	2,519	0.5%
Net fee and commission income	1,307	1,325	(1.3)%
Net trading income and fair value result	(87)	20	-
General administrative expenses	(2,245)	(2,228)	0.7%
Operating result	1,519	1,775	(14.4)%
Impairment losses on financial assets	(80)	56	-
Profit/loss before tax	1,299	1,587	(18.1)%
Profit/loss after tax	985	1,271	(22.5)%
Consolidated profit/loss	874	1,173	(25.4)%
Statement of financial position	**30/9**	**31/12**	
Loans to banks	9,060	9,998	(9.4)%
Loans to customers	92,574	80,866	14.5%
Deposits from banks	27,545	23,980	14.9%
Deposits from customers	90,701	87,038	4.2%
Equity	13,344	12,413	7.5%
Total assets	150,805	140,115	7.6%
Key ratios	**1/1-30/9**	**1/1-30/9**	
Return on equity before tax	13.9%	19.6%	(5.7) PP
Return on equity after tax	10.6%	15.4%	(4.8) PP
Consolidated return on equity	10.4%	14.4%	(4.0) PP
Cost/income ratio	59.6%	55.7%	4.0 PP
Return on assets before tax	1.17%	1.64%	(0.47) PP
Net interest margin (average interest-bearing assets)	2.43%	2.49%	(0.06) PP
Provisioning ratio (average loans to customers)	0.13%	(0.10)%	0.22 PP
Bank-specific information	**30/9**	**31/12**	
NPE ratio	2.3%	2.6%	(0.4) PP
NPE coverage ratio	60.2%	58.3%	2.0 PP
Risk-weighted assets (total RWA)	77,816	72,672	7.1%
Common equity tier 1 ratio (fully loaded)	13.4%	13.4%	0.0 PP
Common equity tier 1 ratio (fully loaded, incl. Q3 result)	13.7%	13.4%	0.4 PP
Tier 1 ratio (fully loaded)	14.8%	14.9%	(0.1) PP
Total capital ratio (fully loaded)	17.4%	18.2%	(0.7) PP
Stock data	**1/1-30/9**	**1/1-30/9**	
Earnings per share in €	2.52	3.43	(26.5)%
Closing price in € (30/9)	21.29	24.80	(14.2)%
High (closing prices) in €	24.31	35.32	(31.2)%
Low (closing prices) in €	18.69	23.72	(21.2)%
Number of shares in million (30/9)	328.94	328.94	0.0%
Market capitalization in € million (30/9)	7,003	8,158	(14.2)%
Resources	**30/9**	**31/12**	
Employees as at reporting date (full-time equivalents)	47,238	47,079	0.3%
Business outlets	2,095	2,159	(3.0)%
Customers in million	16.5	16.1	3.0%

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

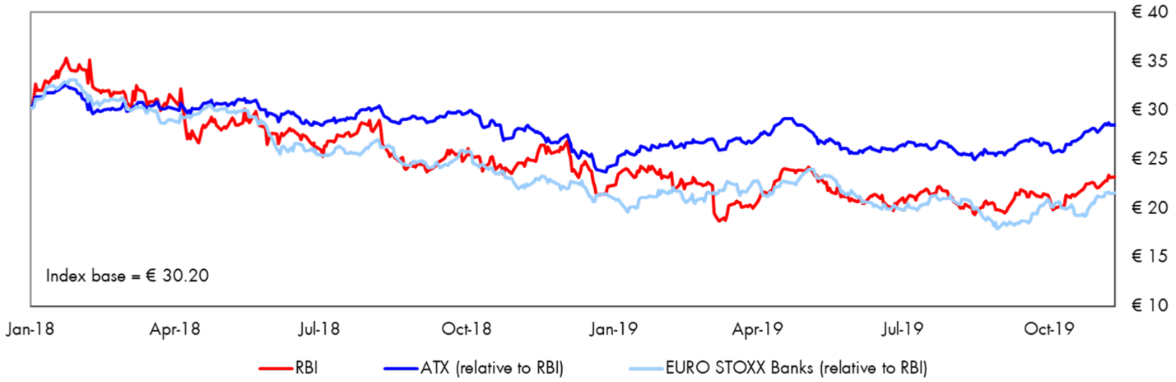
Performance of RBI stock

Central banks once again set the tone in the third quarter of 2019 for the global financial markets. The US Federal Reserve ended the rate hike cycle that it began in 2015 and lowered its benchmark interest rate by a quarter percentage point twice in the third quarter. The European Central Bank followed suit, leaving its key interest rate unchanged at zero per cent but resuming the bond purchases that it had discontinued at the end of 2018. The actions were largely a response to a global slowdown in economic momentum amid persistently low inflation. While bond markets made significant gains on news of the measures, stock markets received only a temporary boost. Worries about future economic growth, tensions between the US and Iran and no sign of a quick end to international trade disputes kept equity investors in a cautious mood. As a result, equities ended the third quarter largely flat.

RBI's stock rose 3 per cent in the third quarter and traded at € 21.29 on 30 September 2019. The EURO STOXX Banks index declined 0.5 per cent during the same period. The Austrian ATX stock index gained 1 per cent.

From the end of the third quarter until the editorial deadline of this report on 11 November, RBI's stock had gained 9 per cent and closed at € 20.26.

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



Active capital market communications

To mark the release on 8 August of RBI's results for the second quarter of 2019, the Management Board met with investors in Vienna 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 third quarter, RBI again offered interested equity and debt investors extensive opportunity to obtain information first-hand at road shows and conferences in Amsterdam, Boston, Brussels, London, New York and Paris.

At the end of the third 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.

Green bond issuance

RBI successfully issued its second benchmark green bond on 17 September and thus stepped up its activity in the green bond market. The new bond issue for institutional investors has a nominal amount of € 750 million and a maturity of seven years. It carries a coupon of 0.375 per cent (equivalent to a spread of 75 basis points over mid-swaps at the time of issuance). The issue was significantly oversubscribed, with an order book of € 1.8 billion. The issue proceeds will be used to finance environmentally friendly residential and commercial properties as well as sustainable transportation infrastructure and transportation projects in Central and Eastern Europe.

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 (closing) as at 30 September 2019	€ 21.29
High/low (closing prices) in the third quarter 2019	€ 22.23/€ 19.32
Earnings per share from 1 January to 30 September 2019	€ 2.52
Book value per share as at 30 September 2019	€ 34.75
Market capitalization as at 30 September 2019	€ 7.0 billion
Average daily trading volume in the third quarter	423,182 shares
Free float as at 30 September 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 September 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 2020

30 January 2020	Start of Quiet Period
6 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
8 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

Economic momentum in the euro area has slowed significantly in recent quarters, albeit with a very mixed picture across sectors: While the industrial sector has slipped into recession as equipment investment and export demand have weakened, the service and construction sectors, as well as the job market and private consumption demand are all solid. Given these clear dividing lines, the economic cooldown is attributable at least in part to political uncertainty, particularly Brexit and US trade policy. As these factors are likely to continue, an ongoing period of weakness seems likely. As a result, GDP is forecast to grow only 0.5 per cent in 2020 compared to growth of roughly one per cent in 2019.

The European Central Bank (ECB) left its key lending rates unchanged until after the summer of 2019 and reinvested principal repayments from its existing bond portfolio. Then, in its meeting in early September, the ECB adopted a monetary stimulus package, deciding among other things, to lower the deposit rate from minus 0.4 per cent to minus 0.5 per cent and to resume net bond purchases. According to the central bank's official statement, bond purchases will continue, and interest rates will remain at their present or lower levels, until there is a robust increase in inflation. The ECB's monetary stance further lowered money market rates and German government bond yields in the course of the year. Even the 30-year German government bond carried a negative yield between August and mid-October.

The Austrian economy remains surprisingly comparably robust despite the external challenges. There continues to be impetus, albeit slowing, from exports, while domestic demand remains strong; although it's already starting to dampen, particularly on the investment side, and this trend is likely to continue in the coming quarters. As a result, the Austrian economy will likely see a further moderate slowdown and not pick back up until the second half of 2020. While GDP is expected to grow at least 1.3 per cent in 2019 on the back of solid recent (domestic) economic activity, it is only forecast to expand 0.8 per cent in 2020. That should, however, represent the economic low point.

Notwithstanding the global economic slowdown, the economy in the CE region has experienced only a relatively mild slowdown up to now despite the close trade ties with Germany. Domestic demand, supported by continued solid, although declining, real wage increases, had a stabilizing effect. Fiscal policy was also supportive overall. Economic momentum is therefore expected to ease only modestly, with GDP growth of 3.8 per cent for the entire 2019. External developments will probably be reflected to a greater extent in the annual growth rate in 2020, with economic growth expected to slow down further to 2.8 per cent. However, that should also be the low point. Among the individual countries, Poland and Hungary are forecast to have the highest GDP growth rates in both 2019 and 2020.

In Southeastern Europe (SEE), GDP growth is anticipated to weaken only slightly to 3.6 per cent in 2019. However, Southeastern Europe will no longer be able to withstand the weakening international environment in 2020 and growth of 2.7 per cent is therefore expected. Domestic demand is the primary factor supporting economic growth in the region. Romania will likely exhibit above-average growth rates in both years and serve as the region's main driver. In contrast, Croatia is forecast to have the lowest growth rates of the region. Consumer prices will adjust to the cooling economy and increase at slower rates in 2019 and 2020 than in each preceding year. The strongest price increases will be seen in Romania and Bulgaria.

The economy in Eastern Europe (EE) softened in 2019. The decline was largely due to developments in Russia, where economic growth in the first half of the year was only 0.7 per cent compared to the comparable period. On that basis, economic growth in Russia is also only expected to reach a total of 1.2 per cent in 2019. Russian fiscal policy remains more focused on stability than growth, likely producing a healthy budget surplus for the Russian government in 2019. However, several state investment projects should boost growth back up to 1.6 per cent by 2020. Since inflation and sanction risks have declined, the Russian central bank began to moderately lower the benchmark interest rate in mid-2019. Further cuts will probably follow in the fourth quarter of 2019 and the start of 2020. The real interest rate will nonetheless remain in clear positive territory. At the same time, new US sanctions still remain a possibility. The Ukrainian economy proved strong so far in 2019, with growth surprisingly robust in the first half of the year at 3.3 per cent compared to the prior year. Future developments will partly depend on whether ambitious structural reforms can be implemented. Ukraine, with its new political leadership, is currently negotiating a new loan program with the International Monetary Fund. In Belarus, the economic recovery has probably passed its peak, with this year's 1.5 per cent growth 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	2018	2019e	2020f	2021f
Czech Republic	2.9	2.5	2.0	1.8
Hungary	5.1	4.4	2.8	3.2
Poland	5.2	4.5	3.3	3.2
Slovakia	4.1	2.6	2.0	2.5
Slovenia	4.1	2.5	1.8	2.2
Central Europe	4.5	3.8	2.8	2.8
Albania	4.1	3.5	2.3	2.5
Bosnia and Herzegovina	3.6	2.2	1.9	2.3
Bulgaria	3.1	3.5	2.5	2.9
Croatia	2.6	2.8	2.5	1.8
Kosovo	4.1	4.1	2.7	3.0
Romania	4.1	4.0	3.0	2.0
Serbia	4.3	3.0	2.5	2.0
Southeastern Europe	3.7	3.6	2.7	2.1
Belarus	3.1	1.5	1.8	1.5
Russia	2.3	1.2	1.6	1.3
Ukraine	3.3	3.3	3.3	3.5
Eastern Europe	2.4	1.4	1.7	1.5
Austria	2.4	1.3	0.8	1.4
Germany	1.5	0.5	0.3	1.2
Eurozone	1.9	1.1	0.5	1.2

Source: Raiffeisen Research (November 2019)

Significant events in the reporting period

Management Board will be reduced to six members

At their meeting in September, RBI's Supervisory Board decided to reduce the number of Management Board members from seven to six members following the expiration of Martin Grüll's mandate at the end of February 2020. The responsibilities under Martin Grüll will be divided among the remaining Management Board members.

Earnings and financial performance

Even though most markets showed signs of a slight economic slowdown, there continued to be growth momentum and loans to customers grew by 14 per cent in the reporting period. Adjusted for revenues from the Polish banking operations sold in 2018, net interest income and net fee and commission income increased significantly, with these core revenues up 8 per cent year-on-year. Without this adjustment, the operating result fell 14 per cent. The reduction in long-term interest rates led to a negative valuation result from derivatives held for hedging purposes and to interest rate-related changes in the valuation of certificates issued.

Consolidated profit declined € 298 million year-on-year to € 874 million. Although as expected, the very good result achieved in the comparable period of the previous year – which had been supported by an exceptionally high net release under impairment losses on financial assets (€ 56 million), due to releases of loan loss provisions and gains from sales of non-performing loans – could not be matched, RBI continued its positive performance in 2019. In the reporting period impairment losses on financial assets totaled € 80 million. Net trading income fell to minus € 87 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	1/1-30/9/2019	1/1-30/9/2018	Change	
Net interest income	2,531	2,519	12	0.5%
Dividend income	26	60	(35)	(57.3)%
Net fee and commission income	1,307	1,325	(17)	(1.3)%
Net trading income and fair value result	(87)	20	(107)	–
Net gains/losses from hedge accounting	(7)	0	(7)	>500.0%
Other net operating income	(5)	79	(84)	–
Operating income	**3,764**	**4,003**	**(239)**	**(6.0)%**
Staff expenses	(1,181)	(1,164)	(17)	1.5%
Other administrative expenses	(784)	(853)	69	(8.1)%
Depreciation	(280)	(211)	(68)	32.3%
General administrative expenses	**(2,245)**	**(2,228)**	**(17)**	**0.7%**
Operating result	**1,519**	**1,775**	**(255)**	**(14.4)%**
Other result	1	(87)	87	–
Levies and special governmental measures	(141)	(157)	16	(10.0)%
Impairment losses on financial assets	(80)	56	(136)	–
Profit/loss before tax	**1,299**	**1,587**	**(288)**	**(18.1)%**
Income taxes	(314)	(316)	1	(0.4)%
Profit/loss after tax	**985**	**1,271**	**(287)**	**(22.5)%**
Profit attributable to non-controlling interests	(110)	(99)	(12)	11.7%
Consolidated profit/loss	**874**	**1,173**	**(298)**	**(25.4)%**

Operating income

Operating income was down 6 per cent year-on-year, or € 239 million, to € 3,764 million. Adjusted for revenues from the Polish core banking operations sold in 2018, net interest income and net fee and commission income increased 8 per cent. Despite the sale, 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 € 12 million to € 2,531 million. The net interest margin declined 6 basis points to 2.43 per cent, mainly driven by growth in low-margin business at head office and margin developments in Russia and Belarus. The decline in dividend income of 57 per cent, or € 35 million, was mainly due to dividend income from subsidiaries which are not fully consolidated (real estate companies and insurance brokers) in the comparable period of the previous year.

Net fee and commission income declined € 17 million to € 1,307 million, as a result of the sale of the Polish core banking operations, and the net trading income and fair value result also fell to minus € 87 million. This decline was due to interest rate-related changes in the valuation of certificates issued (down € 79 million), and to valuations of derivatives held for economic hedging purposes, including an impact of minus € 53 million for a building society portfolio. As they relate to certificates repayable at maturity and hedging transactions, the valuation results are neutralized over the portfolios' lifetime. Other net operating income decreased € 84 million, primarily due to one-off effects in the corresponding period of the previous year and to provisions for litigation in connection with state subsidies for building society savings in Romania (€ 23 million), as well as for proceedings involving the consumer protection authority in Romania (€ 9 million) and for individual cases in Croatia (€ 8 million).

General administrative expenses

General administrative expenses increased € 17 million year-on-year to € 2,245 million. While the sale of the Polish core banking operations led to a € 157 million reduction, salary adjustments and a rise in staffing levels, in particular, led to 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 2,982 full-time equivalents year-on-year to 47,222. Without the sale in Poland, the number of full-time equivalents would have increased by 837. Other administrative expenses fell € 69 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 introduction of IFRS 16 essentially led to a shift from other administrative expenses to depreciation. As a result, depreciation of tangible and intangible assets rose 32 per cent, or € 68 million, to € 280 million; depreciation charges for right-of-use assets amounted to € 61 million. The number of business outlets decreased 310 year-on-year to 2,095, mainly in Poland (down 232) and Romania (down 63).

Other result

The other result was € 1 million in the reporting period compared to minus € 87 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 in the reporting period 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. Net income from associates valued at equity declined € 27 million year-on-year, mainly due to impairments.

Levies and special governmental measures

The expense for levies and special governmental measures fell € 16 million year-on-year to € 141 million, due to the sale of the Polish core banking operations.

Impairment losses on financial assets

Impairment losses on financial assets amounted to € 80 million in the reporting period, compared to a € 56 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 € 26 million, compared to an € 84 million net release of loan loss provisions in the previous year (down € 110 million). In Russia, impairment losses on financial assets increased € 35 million, primarily in the retail customer business. In Ukraine, net releases fell € 16 million, mainly due to higher sales of non-performing loans in the previous year. In contrast, positive effects were reported in the Czech Republic and Hungary. The Czech Republic posted a net release of € 10 million – due to parameter adjustments primarily for loans to retail customers – following impairments of € 13 million in the comparable period of the previous year. Hungary reported a € 13 million increase in net releases of loan loss provisions to € 32 million, mainly due to successful workout activities in the corporate customer business. Adjustments to the default definition, among others the partial early application of the new EBA default definition in risk management, resulted in a negative effect of € 59 million in the retail portfolio, especially in Romania, Bosnia and Herzegovina, and Croatia.

The NPE ratio decreased 0.4 percentage points since the start of the year to 2.3 per cent. The NPE coverage ratio improved 2 percentage points to 60.2 per cent.

Income taxes

At € 314 million, income taxes remained almost on a par with the previous year, despite the decrease in net income. This was primarily attributable to reduced net income at head office and to an impairment of deferred tax assets in an amount of € 25 million in Poland, as based on the updated medium-term tax planning, utilization is not expected. The tax rate therefore increased 4 percentage points to 24 per cent.

Quarterly results

in € million	Q3/2018	Q4/2018	Q1/2019	Q2/2019	Q3/2019
Net interest income	856	843	825	840	866
Dividend income	3	(9)	9	14	2
Net fee and commission income	455	467	402	437	468
Net trading income and fair value result	4	(3)	(52)	(27)	(8)
Net gains/losses from hedge accounting	1	(11)	6	(6)	(7)
Other net operating income	14	8	(1)	17	(22)
Operating income	**1,334**	**1,294**	**1,189**	**1,276**	**1,299**
Staff expenses	(383)	(416)	(379)	(410)	(392)
Other administrative expenses	(280)	(325)	(257)	(267)	(260)
Depreciation	(71)	(79)	(89)	(95)	(96)
General administrative expenses	**(734)**	**(819)**	**(724)**	**(773)**	**(748)**
Operating result	**600**	**475**	**465**	**503**	**552**
Other result	7	(74)	(2)	10	(7)
Levies and special governmental measures	(16)	(13)	(114)	(17)	(11)
Impairment losses on financial assets	(28)	(222)	(9)	(2)	(68)
Profit/loss before tax	**563**	**166**	**340**	**494**	**465**
Income taxes	(111)	(40)	(81)	(110)	(124)
Profit/loss after tax	**452**	**127**	**259**	**384**	**341**
Profit attributable to non-controlling interests	(35)	(29)	(33)	(39)	(38)
Consolidated profit/loss	**417**	**97**	**226**	**345**	**303**

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

Operating income

Net interest income was up 3 per cent quarter-on-quarter, or € 27 million, to € 866 million, mainly due to a € 16 million volume-related rise in Russia. In Ukraine higher local currency loan volumes generated a € 5 million increase in net interest income and higher volumes of loans to non-financial corporations also drove a € 5 million increase in the Czech Republic. The net interest margin rose 5 basis points to 2.46 per cent, mainly due to positive developments in the interest margin in Romania (up 16 basis points) and the Czech Republic (up 8 basis points). It also improved in Belarus (up 25 basis points) and in Russia (up 3 basis points).

Dividend income decreased € 12 million to € 2 million, as the majority of payment dates fall in the second quarter due to the timing of the respective shareholder meetings at which the corresponding resolutions are passed.

Compared to the second quarter of 2019, net fee and commission income was up 7 per cent, or € 31 million, to € 468 million, driven to a large extent by higher revenues from clearing, settlement and payment services, as well as from foreign exchange in the third quarter, primarily in Russia, Ukraine and Croatia.

The net trading income and fair value result increased € 19 million quarter-on-quarter to minus € 8 million. Head office reported a € 34 million increase owing to lower losses from loans measured at fair value and gains from foreign currency positions. Net trading income also improved due to changes in the valuation of certificates measured at fair value. In contrast, declines in the net trading income and fair value result were primarily reported in Russia, at Raiffeisen Bausparkasse Gesellschaft m.b.H. and in the Czech Republic.

Other net operating income declined € 39 million quarter-on-quarter, mainly reflecting a provision for proceedings involving the consumer protection authority in Romania (€ 9 million). In Russia, a provision of € 6 million was recognized for litigation. In contrast, the Czech Republic released a provision of € 7 million for tax-related proceedings in the second quarter. The decline also reflected a change in reporting following the adoption of IFRS 16 (€ 7 million), as well as income from the sale of buildings at Raiffeisen Leasing Group (€ 6 million) in the second quarter.

General administrative expenses

Staff expenses were down € 18 million quarter-on-quarter to € 392 million, mainly due to the allocation of a restructuring provision at head office in the second quarter (€ 10 million) and to the release of provisions for overdue vacations of € 6 million at head office in the third quarter. Other administrative expenses declined € 7 million quarter-on-quarter to € 260 million; depreciation (€ 96 million) remained unchanged compared to the second quarter.

Other result

In the third quarter of 2019, the other result amounted to minus € 7 million, compared to € 10 million in the previous quarter. Net income from associates valued at equity decreased € 22 million in the third quarter of 2019, and net income from the disposal of Group assets declined € 11 million. Impairment losses on non-financial assets increased € 8 million. In the second quarter, 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 € 6 million compared to the second quarter to € 11 million. Losses from banking business due to governmental measures fell € 4 million, after an expense of € 3 million had arisen in Serbia in the second quarter in connection with the conversion of loans denominated in Swiss francs. Contributions to the resolution fund also fell € 3 million, as higher contributions primarily at head office, in Bulgaria and Hungary in the second quarter had led to a further € 2 million being booked.

Impairment losses on financial assets

In the third quarter of 2019, impairment losses on financial assets amounted to € 68 million, € 66 million higher than in the previous quarter. The Czech Republic and Hungary reported respective increases of € 23 million and € 20 million. In the second quarter, the Czech Republic reported a net release of € 16 million primarily due to parameter adjustments for loans to retail customers, while in the third quarter it posted impairment losses of € 7 million. In Hungary, the net release in the third quarter amounted to € 2 million, compared to € 22 million in the previous quarter. This reflected the application of the new EBA default definition and impairment losses in the corporate customer business, due to rating deterioration and defaults in the third quarter, as well as sales of loans in the previous quarter. In the third quarter, impairment losses totaling € 36 million were attributable to the partial early application of the new EBA default definition.

Income taxes

Income taxes increased € 14 million to € 124 million, despite the decrease in net income. In the third quarter, impairment losses on deferred tax assets of € 25 million were recognized in Poland, as based on the updated medium-term tax planning it is not expected to be utilized in the future. The tax rate increased 4 percentage points to 27 per cent due to the reduced contribution to net income at head office and the impairment of deferred taxes in Poland.

Consolidated profit/loss

Consolidated profit declined € 42 million to € 303 million, due to higher impairment losses on financial assets.

Statement of financial position

Since the start of the year, RBI's total assets rose 8 per cent or € 10,690 million to € 150,805 million. Currency movements – including the appreciation of the Ukrainian hryvnia by 21 per cent, the Russian ruble by 13 per cent, the Belarusian ruble by 9 per cent and the US dollar by 5 per cent – led to total asset growth of around 2 per cent or € 2,471 million.

Assets

in € million	30/9/2019	31/12/2018	Change	
Loans to banks	9,060	9,998	(938)	(9.4)%
Loans to customers	92,574	80,866	11,709	14.5%
Securities	20,273	19,778	495	2.5%
Cash and other assets	28,898	29,473	(575)	(2.0)%
Total	**150,805**	**140,115**	**10,690**	**7.6%**

The 9 per cent, or € 938 million, decline in loans to banks to € 9,060 million, mainly resulted from reduced short-term investments at commercial banks.

Loans to customers grew 14 per cent, or € 11,709 million, to € 92,574 million. The largest increase occurred at head office (up € 6,102 million or 28 per cent). This strong growth was primarily due to business in project and real estate finance (up € 887 million), loans to corporate customers (up € 1,951 million, mainly loan syndication and export finance), repurchase agreements (up € 2,372 million), and other short-term lending (up € 892 million). The increase in Russia (up € 2,407 million or 28 per cent, around half of which was attributable to currency movements), was mainly in loans to non-financial corporations and households, in particular mortgage loans, personal loans and credit card lending. There was also significant growth in Slovakia (up € 732 million or 7 per cent, mainly attributable to increased loans to households, especially mortgage loans and loans to non-financial corporations), in the Czech Republic (up € 568 million or 5 per cent, driven mainly by loans to households, especially mortgage loans), and in Hungary (up € 398 million or 12 per cent, primarily driven by loans to non-financial corporations, governments and households).

Since the beginning of the year, cash and other assets declined € 575 million to € 28,898 million. Cash balances decreased by € 1,990 million to € 20,567 million, mainly at head office (reduction of € 1,001 million, in particular in cash balances at the Austrian National Bank), in Romania (€ 376 million decline) and in Slovakia (€ 340 million decline). By contrast, other assets grew € 1,415 million to € 8,331 million, predominantly due to the recognition of right-of-use assets in the statement of financial position (adoption of IFRS 16) and growth in derivatives.

Equity and liabilities

in € million	30/9/2019	31/12/2018	Change	
Deposits from banks	27,545	23,980	3,565	14.9%
Deposits from customers	90,701	87,038	3,663	4.2%
Debt securities issued and other liabilities	19,215	16,684	2,531	15.2%
Equity	13,344	12,413	931	7.5%
Total	**150,805**	**140,115**	**10,690**	**7.6%**

The Group's funding from banks, which mainly relates to short-term funding at head office, rose 15 per cent, or € 3,565 million, to € 27,545 million.

The 4 per cent, or € 3,663 million, rise in deposits from customers to € 90,701 million, was primarily driven by growth in Russia (up € 1,304 million or 12 per cent – entirely attributable to currency movements), Ukraine (up € 565 million or 31 per cent, of which two thirds was attributable to currency movements), Slovakia (up € 454 million or 4 per cent), Bulgaria (up € 357 million or 11 per cent), Romania (up € 299 million or 4 per cent), and Belarus (up € 296 million or 24 per cent).

The increase in debt securities and other liabilities was attributable to head office (up € 1,536 million, principally as a result of new bond issuances and a higher negative market value of derivatives), Slovakia (up € 349 million) and the Czech Republic (up € 265 million).

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 € 931 million from the start of the year to € 13,344 million. The increase was primarily the result of total comprehensive income for the period of € 1,321 million and the distribution of dividends totaling € 397 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 € 60 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 € 1,321 million comprised profit after tax of € 985 million and other comprehensive income of € 336 million. The main contribution to other comprehensive income came from movements in the Russian ruble exchange rate (€ 199 million in total, of which € 241 million was from currency translation within the Group and minus € 42 million was from the partial hedge of the net investment in Russia). Further significant contributions were made by changes in the fair value of financial assets and from companies valued at equity, in the amounts of € 51 million and € 23 million, respectively.

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

As at 30 September 2019, RBI's common equity tier (CET1) after deductions amounted to € 10,408 million, representing a € 706 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 recognized in equity and changes to qualifying minority interests. Tier 1 capital after deductions increased € 707 million to € 11,635 million mainly as a result of the the increase in CET1. There was a € 326 million reduction in tier 2 capital to € 2,032 million, mainly due to early repayments and the regulatory amortization of outstanding issues. RBI's total capital amounted to € 13,667 million, representing an increase of € 382 million compared to the 2018 year-end figure.

Risk-weighted assets (total RWA) amounted to € 77,816 million as at 30 September 2019. The major factor for the € 5,145 million increase was new loan business, as well as general business developments in Russia, at head office and in Ukraine and Bulgaria. 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 reduction of risk-weighted assets.

As a result, the common equity tier 1 ratio (fully loaded) was 13.4 per cent, the tier 1 ratio (fully loaded) was 14.8 per cent and the total capital ratio (fully loaded) was 17.4 per cent. The common equity tier 1 ratio (fully loaded) remained unchanged compared to year-end. Both the tier 1 ratio (fully loaded) and the total capital ratio (fully loaded) decreased slightly. The capital ratios including the eligible interim profit of the third quarter would have been higher by 33 basis points than the ratios shown (this is valid for common equity tier 1 ratio, tier 1 ratio and total capital ratio).

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	1/1-30/9 2019	1/1-30/9 2018	Change	Q3/2019	Q2/2019	Change
Net interest income	635	743	(14.6)%	215	210	2.6%
Dividend income	4	6	(33.4)%	0	3	(99.0)%
Net fee and commission income	329	424	(22.5)%	111	110	0.2%
Net trading income and fair value result	(10)	37	–	(10)	(2)	448.5%
Net gains/losses from hedge accounting	0	(13)	(97.5)%	0	1	–
Other net operating income	(13)	(16)	(19.4)%	(9)	1	–
Operating income	**944**	**1,181**	**(20.1)%**	**307**	**324**	**(5.2)%**
General administrative expenses	(533)	(649)	(17.9)%	(182)	(180)	0.8%
Operating result	**410**	**531**	**(22.8)%**	**125**	**143**	**(12.9)%**
Other result	5	(9)	–	1	1	(47.1)%
Levies and special governmental measures	(52)	(76)	(31.7)%	(7)	(5)	43.4%
Impairment losses on financial assets	21	(40)	–	(12)	39	–
Profit/loss before tax	**384**	**406**	**(5.3)%**	**106**	**178**	**(40.2)%**
Income taxes	(93)	(92)	1.1%	(47)	(24)	95.4%
Profit/loss after tax	**291**	**313**	**(7.1)%**	**60**	**154**	**(61.2)%**
Return on equity before tax	15.4%	13.4%	2.0 PP	12.3%	19.2%	(6.9) PP
Return on equity after tax	11.3%	10.3%	1.0 PP	6.8%	16.6%	(9.9) PP
Net interest margin (average interest-bearing assets)	2.15%	2.27%	(0.12) PP	2.15%	2.13%	0.02 PP
Cost/income ratio	56.5%	55.0%	1.5 PP	59.3%	55.7%	3.6 PP
Loan/deposit ratio	102.6%	103.0%	(0.3) PP	102.6%	102.9%	(0.3) PP
Provisioning ratio (average loans to customers)	(0.10)%	0.18%	(0.27) PP	0.16%	(0.54)%	0.70 PP
NPE ratio	2.3%	3.0%	(0.7) PP	2.3%	2.5%	(0.2) PP
NPE coverage ratio	59.1%	58.9%	0.2 PP	59.1%	57.2%	1.9 PP
Assets	41,593	46,951	(11.4)%	41,593	41,350	0.6%
Liabilities	38,157	42,417	(10.0)%	38,157	37,936	0.6%
Risk-weighted assets (total RWA)	21,705	25,666	(15.4)%	21,705	21,761	(0.3)%
Average equity	3,715	4,038	(8.0)%	3,715	3,719	(0.1)%
Loans to customers	29,284	27,447	6.7%	29,284	29,022	0.9%
Deposits from customers	30,367	27,938	8.7%	30,367	30,399	(0.1)%
Business outlets	393	628	(37.4)%	393	391	0.5%
Employees as at reporting date (full-time equivalents)	9,909	13,136	(24.6)%	9,909	9,895	0.1%
Customers in million	2.6	3.4	(22.2)%	2.6	2.6	0.4%

Segment performance

Profit after tax in the Central Europe segment fell € 22 million year-on-year to € 291 million. This was mainly the result of a decrease of € 72 million in profit after tax in Poland, attributable to the sale of the Polish core banking operations in October 2018. In the Czech Republic, in contrast, there was an increase of € 42 million in profit, due to a rise of € 39 million in operating income and € 10 million of net releases of loan loss provisions in the reporting period. In Hungary, profit was up € 10 million, driven by a € 13 million increase in net releases of loan loss provisions.

Operating income

Net interest income for the segment was down 15 per cent year-on-year, or € 108 million, to € 635 million. This mainly reflected a € 173 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 € 53 million in net interest income. In Slovakia, net interest income increased € 5 million due to higher volumes. In Hungary, net interest income rose € 6 million, mainly as a consequence of lower interest expenses for customer deposits. The net interest margin in the Czech Republic rose 35 basis points to 2.41 per cent. However, the segment's overall net interest margin declined 12 basis points to 2.15 per cent due to the sale of the Polish core banking operations.

Net fee and commission income decreased € 95 million year-on-year to € 329 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 € 13 million to € 111 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 € 47 million year-on-year. A decline of € 16 million was recorded in the Czech Republic, which reflected lower valuation results from derivatives. In Hungary, the result declined € 11 million as the previous year had included a one-off effect related to a transaction with the Hungarian central bank. A reduction of € 4 million was also recorded in Slovakia. In Poland, net trading income decreased € 16 million due to the sale of the Polish core banking operations.

Net gains from hedge accounting increased € 13 million as a result of a one-off effect in Poland. The sale of the core banking business of Raiffeisen Bank Polska S.A. led to the termination of the existing portfolio cash flow hedges in the second quarter of 2018. These hedged the 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 € 3 million. The increase was largely driven by net income from the 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 € 116 million year-on-year to € 533 million due to the sale of the Polish core banking operations (down € 157 million). Staff expenses increased in Slovakia and the Czech Republic (both up € 9 million) due to salary adjustments. Other administrative expenses declined € 58 million, primarily as a result of the sale of the Polish core banking operations (down € 57 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 3,484 to 9,836, as did the number of business outlets in the segment (down 235 to 393). Both decreases also resulted from the sale of the Polish core banking operations. During the reporting period the average number of employees grew above all in Hungary, due to insourcing and growth in the business, as well as in Slovakia. The cost/income ratio rose 1.5 percentage points to 56.5 per cent.

Other result

The Central Europe segment's other result amounted to € 5 million, compared to minus € 9 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 € 24 million year-on-year to € 52 million, primarily as the result of the sale of the Polish core banking operations (down € 25 million). Bank levies were down € 15 million year-on-year to € 35 million. Contributions to the resolution fund also decreased € 9 million to € 17 million. In addition to the reduction 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 € 21 million compared to impairment losses on financial assets of € 40 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 amounted to € 10 million in the reporting period due to parameter adjustments, compared to € 13 million in impairment losses on mainly mortgage loans in the previous year. In Hungary, net releases of loan loss provisions increased € 13 million to € 32 million, mainly due to successful workout activities in the corporate customer business. In Poland, impairments decreased € 27 million to € 15 million.

The proportion of non-bank non-performing exposures in the Central Europe segment's loan portfolio was 2.3 per cent as at 30 September 2019 (down 0.7 percentage points year-on-year). The NPE coverage ratio improved 0.2 percentage points year-on-year to 59.1 per cent.

Income taxes

The segment's income taxes remained essentially unchanged from the previous year at € 93 million. However, the tax rate increased around 2 percentage points to 24 per cent. In Poland, an impairment of deferred tax assets of € 25 million was recognized, as based on the updated medium-term tax planning they are not utilizable in the future. As a result, the tax expense in Poland was nearly unchanged from the previous year.

Detailed results of individual countries in the segment:

in € million	Poland 1/1-30/9 2019	Poland 1/1-30/9 2018	Slovakia 1/1-30/9 2019	Slovakia 1/1-30/9 2018
Net interest income	11	183	219	214
Dividend income	0	3	0	0
Net fee and commission income	2	102	119	122
Net trading income and fair value result	1	17	2	6
Net gains/losses from hedge accounting	0	(13)	0	0
Other net operating income	(3)	5	2	(3)
Operating income	**11**	**298**	**342**	**339**
General administrative expenses	(16)	(174)	(191)	(182)
Operating result	**(5)**	**124**	**151**	**157**
Other result	0	(4)	3	4
Levies and special governmental measures	(5)	(30)	(22)	(21)
Impairment losses on financial assets	(15)	(42)	(6)	(5)
Profit/loss before tax	**(25)**	**48**	**126**	**136**
Income taxes	(26)	(27)	(24)	(28)
Profit/loss after tax	**(51)**	**21**	**102**	**108**
Return on equity before tax	–	4.5%	13.9%	16.9%
Return on equity after tax	–	2.0%	11.2%	13.4%
Net interest margin (average interest-bearing assets)	0.45%	2.24%	2.24%	2.32%
Cost/income ratio	–	58.2%	55.8%	53.6%
Loan/deposit ratio	–	–	101.6%	101.1%
Provisioning ratio (average loans to customers)	0.67%	0.73%	0.08%	0.06%
NPE ratio	10.1%	10.9%	1.6%	2.0%
NPE coverage ratio	51.3%	47.7%	70.1%	66.7%
Assets	3,147	11,304	14,154	12,827
Liabilities	3,147	9,888	12,843	11,609
Risk-weighted assets (total RWA)	3,820	9,078	6,229	6,079
Equity	–	1,416	1,311	1,218
Loans to customers	3,009	3,215	10,807	9,970
Deposits from customers	18	0	11,381	10,402
Business outlets	1	233	184	190
Employees as at reporting date (full-time equivalents)	214	3,684	4,035	3,963
Customers in million	0.0	0.8	0.9	0.9

in € million	Czech Republic 1/1-30/9 2019	1/1-30/9 2018	Hungary 1/1-30/9 2019	1/1-30/9 2018
Net interest income	299	246	105	99
Dividend income	2	1	2	2
Net fee and commission income	97	102	111	98
Net trading income and fair value result	(12)	4	(1)	10
Net gains/losses from hedge accounting	0	0	0	0
Other net operating income	19	13	(39)	(34)
Operating income	**406**	**367**	**178**	**175**
General administrative expenses	(210)	(188)	(116)	(106)
Operating result	**196**	**180**	**62**	**69**
Other result	2	0	0	(8)
Levies and special governmental measures	(9)	(10)	(17)	(16)
Impairment losses on financial assets	10	(13)	32	19
Profit/loss before tax	**200**	**157**	**78**	**64**
Income taxes	(32)	(31)	(11)	(7)
Profit/loss after tax	**168**	**126**	**67**	**57**
Return on equity before tax	20.7%	17.5%	15.5%	14.0%
Return on equity after tax	17.4%	14.1%	13.4%	12.5%
Net interest margin (average interest-bearing assets)	2.41%	2.06%	1.93%	1.93%
Cost/income ratio	51.6%	51.1%	65.1%	60.4%
Loan/deposit ratio	90.2%	91.0%	74.5%	66.7%
Provisioning ratio (average loans to customers)	(0.12)%	0.16%	(1.19)%	(0.81)%
NPE ratio	1.2%	1.6%	2.3%	3.7%
NPE coverage ratio	62.4%	67.2%	60.1%	63.6%
Assets	17,133	16,459	7,784	7,150
Liabilities	15,703	15,179	7,076	6,520
Risk-weighted assets (total RWA)	7,954	7,064	3,637	3,361
Equity	1,431	1,280	708	630
Loans to customers	11,698	10,982	3,752	3,251
Deposits from customers	13,176	12,255	5,792	5,281
Business outlets	136	133	71	71
Employees as at reporting date (full-time equivalents)	3,425	3,394	2,225	2,083
Customers in million	1.2	1.1	0.5	0.5

Southeastern Europe

in € million	1/1-30/9 2019	1/1-30/9 2018	Change	Q3/2019	Q2/2019	Change
Net interest income	646	598	8.1%	221	216	2.3%
Dividend income	7	9	(18.0)%	0	4	(98.7)%
Net fee and commission income	314	314	0.1%	113	105	7.6%
Net trading income and fair value result	23	25	(7.0)%	9	8	19.0%
Net gains/losses from hedge accounting	0	0	>500.0%	0	0	–
Other net operating income	(31)	24	–	(23)	(10)	124.5%
Operating income	**959**	**969**	**(1.1)%**	**320**	**322**	**(0.6)%**
General administrative expenses	(528)	(507)	4.1%	(175)	(172)	1.7%
Operating result	**431**	**462**	**(6.7)%**	**145**	**150**	**(3.3)%**
Other result	(5)	0	–	(1)	0	–
Levies and special governmental measures	(15)	(11)	44.0%	1	(5)	–
Impairment losses on financial assets	(45)	(4)	>500.0%	(33)	(12)	185.8%
Profit/loss before tax	**366**	**448**	**(18.3)%**	**110**	**134**	**(17.3)%**
Income taxes	(58)	(64)	(8.8)%	(21)	(18)	18.4%
Profit/loss after tax	**308**	**384**	**(19.8)%**	**89**	**116**	**(22.9)%**
Return on equity before tax	21.3%	24.6%	(3.3) PP	18.2%	20.2%	(2.0) PP
Return on equity after tax	17.5%	21.1%	(3.6) PP	14.5%	17.5%	(3.0) PP
Net interest margin (average interest-bearing assets)	3.63%	3.56%	0.07 PP	3.70%	3.66%	0.04 PP
Cost/income ratio	55.0%	52.3%	2.7 PP	54.8%	53.5%	1.2 PP
Loan/deposit ratio	75.0%	74.2%	0.8 PP	75.0%	75.1%	0.0 PP
Provisioning ratio (average loans to customers)	0.40%	0.04%	0.36 PP	0.88%	0.30%	0.57 PP
NPE ratio	3.1%	4.3%	(1.2) PP	3.1%	3.3%	(0.2) PP
NPE coverage ratio	67.8%	64.5%	3.3 PP	67.8%	64.5%	3.3 PP
Assets	26,542	24,956	6.4%	26,542	25,664	3.4%
Liabilities	23,341	21,854	6.8%	23,341	22,538	3.6%
Risk-weighted assets (total RWA)	15,729	15,221	3.3%	15,729	15,263	3.1%
Average equity	2,655	2,428	9.4%	2,655	2,644	0.4%
Loans to customers	15,688	14,122	11.1%	15,688	15,091	4.0%
Deposits from customers	21,099	19,473	8.4%	21,099	20,288	4.0%
Business outlets	911	974	(6.5)%	911	920	(1.0)%
Employees as at reporting date (full-time equivalents)	14,483	14,687	(1.4)%	14,483	14,542	(0.4)%
Customers in million	5.3	5.3	1.4%	5.3	5.3	0.6%

Segment performance

The Southeastern Europe segment's profit after tax declined 20 per cent, or € 76 million, year-on-year. This was mainly due to the € 54 million decrease in profit after tax in Romania resulting from provisions totaling € 32 million, for litigation in connection with state subsidies for building society savings and proceedings involving the consumer protection authority, and an increase of € 16 million in impairments on financial assets. Croatia and Bosnia and Herzegovina contributed € 12 million and € 10 million respectively towards the reduction in profit after tax.

Operating income

The segment's net interest income rose 8 per cent, or € 48 million, year-on-year to € 646 million. The strongest growth was seen in Romania with an increase of € 32 million. Higher market interest rates there resulted in a considerably higher interest margin (up 33 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 an € 8 million increase in net interest income. In all other countries in the segment, net interest income changed only slightly. The improvement of 7 basis points in the segment's net interest margin to 3.63 per cent was primarily attributable to the positive interest rate environment in Romania.

Net fee and commission income remained almost unchanged year-on-year. Bulgaria and Serbia reported increases of € 7 million and € 4 million respectively, mainly due to higher commission income from the sale of own and third party products, clearing, settlement and payment services, as well as from foreign exchange and the loan and guarantee business. In contrast, net fee and commission income in Romania was down € 12 million, primarily in clearing, settlement and payment services, as well as in asset management.

The net trading income and fair value result was down € 2 million year-on-year to € 23 million. Decreases due to derivatives were almost fully offset by higher income from debt securities.

The segment's other net operating income declined € 55 million to minus € 31 million, mainly due to the recognition of a provision of € 23 million for litigation in connection with state subsidies for building society savings in Romania and proceedings involving the Romanian consumer protection authority (€ 9 million), as well as individual cases in Croatia (€ 8 million). In addition, higher results from the derecognition of financial assets in the same period of the previous year, mainly in Croatia and Serbia, contributed to the decrease.

General administrative expenses

General administrative expenses increased 4 per cent, or € 21 million, year-on-year to € 528 million. Staff expenses were up 5 per cent, or € 11 million, to € 239 million, primarily due to salary adjustments in Romania and Bulgaria. The average number of employees fell by 198 to 14,573, largely reflecting developments in Romania and Croatia. Other administrative expenses also decreased due to the application of IFRS 16, which led to an increase in depreciation of right-of-use assets recognized in the statement of financial position and thus a reduction in office space expenses. In Romania, deposit insurance fees were up € 6 million as a result of a higher assessment basis for deposits subject to compulsory insurance. The number of business outlets in the segment fell by 63 year-on-year to 911, primarily due to closures in Romania. The cost/income ratio rose from 52.3 to 55.0 per cent.

Other result

The other result of minus € 5 million mainly reflected impairments of non-financial assets, above all in Romania, and losses from contract adjustments in Croatia.

Levies and special governmental measures

Levies and expenses for special governmental measures rose € 5 million year-on-year to € 15 million. The increase resulted from contributions to the resolution fund in Albania and Romania, which were recognized in full at the start of the year, and from a € 1 million increase in the contribution in Bulgaria. In addition, the loss from banking business due to governmental measures rose € 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 on financial assets amounted to € 45 million, compared to € 4 million in the same period of the previous year. The increase was caused primarily by adjustments to the default definition, among others the partial early recognition of the new EBA default definition. Romania posted the largest rise (up € 16 million to € 29 million). In Bosnia and Herzegovina, impairment losses on financial assets therefore were up € 11 million to € 13 million, while Albania was responsible for a € 9 million decrease in net releases of loan loss provisions.

The proportion of non-performing exposures to non-banks in the segment's loan portfolio was 3.1 per cent (down 1.2 percentage points year-on-year) as at 30 September 2019. The NPE coverage ratio improved to 67.8 per cent (up 3.3 percentage points year-on-year).

Income taxes

Income taxes of € 58 million were € 6 million lower than the tax expense in the comparable period of the previous year, as a result of lower earnings contributions in Romania and Croatia. However, the tax rate increased by approximately 2 percentage points to 16 per cent, which was attributable mainly to provisions in Romania and Croatia.

Detailed results of individual countries:

in € million	Albania		Bosnia and Herzegovina		Bulgaria	
	1/1-30/9 2019	1/1-30/9 2018	1/1-30/9 2019	1/1-30/9 2018	1/1-30/9 2019	1/1-30/9 2018
Net interest income	43	41	51	50	84	76
Dividend income	0	1	1	1	3	4
Net fee and commission income	12	13	31	30	42	35
Net trading income and fair value result	2	(1)	1	0	2	3
Net gains/losses from hedge accounting	0	0	0	0	0	0
Other net operating income	1	0	0	1	3	3
Operating income	**59**	**53**	**85**	**82**	**135**	**121**
General administrative expenses	(33)	(32)	(42)	(40)	(69)	(66)
Operating result	**26**	**21**	**42**	**43**	**66**	**55**
Other result	0	0	0	0	0	0
Levies and special governmental measures	(1)	(1)	0	0	(5)	(4)
Impairment losses on financial assets	1	10	(13)	(2)	5	5
Profit/loss before tax	**26**	**31**	**30**	**41**	**65**	**56**
Income taxes	(4)	(4)	(3)	(4)	(6)	(5)
Profit/loss after tax	**23**	**27**	**26**	**36**	**59**	**51**
Return on equity before tax	16.1%	19.5%	14.0%	20.2%	20.1%	17.2%
Return on equity after tax	13.9%	16.8%	12.5%	18.1%	18.2%	15.6%
Net interest margin (average interest-bearing assets)	3.32%	3.08%	3.26%	3.46%	2.79%	2.79%
Cost/income ratio	55.4%	60.2%	49.9%	48.3%	51.2%	54.7%
Loan/deposit ratio	52.9%	46.6%	74.6%	75.5%	83.9%	85.0%
Provisioning ratio (average loans to customers)	(0.21)%	(2.02)%	1.29%	0.21%	(0.25)%	(0.31)%
NPE ratio	5.6%	6.5%	3.6%	4.3%	1.8%	2.4%
NPE coverage ratio	73.0%	71.5%	89.3%	80.9%	68.6%	68.0%
Assets	1,818	1,775	2,440	2,208	4,475	3,974
Liabilities	1,587	1,548	2,153	1,921	4,014	3,522
Risk-weighted assets (total RWA)	1,318	1,330	1,937	1,716	2,380	2,020
Equity	231	226	287	288	461	452
Loans to customers	773	683	1,329	1,242	2,935	2,515
Deposits from customers	1,521	1,495	1,897	1,764	3,535	3,003
Business outlets	78	78	103	102	148	147
Employees as at reporting date (full-time equivalents)	1,233	1,237	1,349	1,328	2,641	2,568
Customers in million	0.4	0.5	0.4	0.4	0.6	0.6

in € million	Croatia 1/1-30/9 2019	Croatia 1/1-30/9 2018	Romania 1/1-30/9 2019	Romania 1/1-30/9 2018	Serbia 1/1-30/9 2019	Serbia 1/1-30/9 2018
Net interest income	91	91	278	246	66	63
Dividend income	1	0	2	2	0	0
Net fee and commission income	56	54	128	140	38	34
Net trading income and fair value result	4	2	9	16	6	6
Net gains/losses from hedge accounting	0	0	0	0	0	0
Other net operating income	(6)	8	(35)	3	4	8
Operating income	**145**	**156**	**382**	**407**	**113**	**111**
General administrative expenses	(89)	(91)	(214)	(202)	(60)	(57)
Operating result	**56**	**65**	**168**	**205**	**54**	**53**
Other result	(1)	0	(4)	0	0	0
Levies and special governmental measures	(2)	(3)	(4)	(3)	(3)	0
Impairment losses on financial assets	(4)	(2)	(29)	(14)	(2)	(1)
Profit/loss before tax	**49**	**60**	**131**	**188**	**48**	**53**
Income taxes	(11)	(11)	(26)	(30)	(6)	(7)
Profit/loss after tax	**38**	**50**	**105**	**158**	**42**	**46**
Return on equity before tax	10.3%	13.2%	20.4%	33.1%	12.9%	14.8%
Return on equity after tax	8.0%	10.8%	16.3%	27.8%	11.3%	12.8%
Net interest margin (average interest-bearing assets)	2.76%	2.89%	4.48%	4.15%	3.81%	4.01%
Cost/income ratio	61.2%	58.2%	56.0%	49.6%	52.8%	51.6%
Loan/deposit ratio	69.8%	68.3%	77.4%	77.1%	73.8%	73.0%
Provisioning ratio (average loans to customers)	0.25%	0.12%	0.69%	0.37%	0.22%	0.08%
NPE ratio	3.6%	7.4%	3.4%	3.7%	1.9%	2.4%
NPE coverage ratio	73.2%	73.8%	55.4%	45.2%	75.3%	72.5%
Assets	4,811	4,885	9,218	8,789	2,758	2,433
Liabilities	4,146	4,254	8,298	7,902	2,247	1,940
Risk-weighted assets (total RWA)	2,677	2,772	4,918	4,977	1,787	1,788
Equity	665	631	920	887	511	493
Loans to customers	2,509	2,350	5,957	5,445	1,513	1,287
Deposits from customers	3,754	3,711	7,466	7,003	2,102	1,814
Business outlets	77	78	369	432	88	89
Employees as at reporting date (full-time equivalents)	1,852	2,014	4,971	5,183	1,582	1,540
Customers in million	0.5	0.5	2.3	2.2	0.8	0.8

Eastern Europe

in € million	1/1-30/9 2019	1/1-30/9 2018	Change	Q3/2019	Q2/2019	Change
Net interest income	829	759	9.2%	298	275	8.4%
Dividend income	1	1	35.4%	0	1	(98.9)%
Net fee and commission income	392	334	17.4%	153	128	19.7%
Net trading income and fair value result	36	16	125.1%	8	15	(47.7)%
Net gains/losses from hedge accounting	0	0	–	0	0	–
Other net operating income	(7)	7	–	(10)	1	–
Operating income	**1,252**	**1,117**	**12.1%**	**449**	**421**	**6.8%**
General administrative expenses	(510)	(450)	13.3%	(181)	(174)	4.2%
Operating result	**742**	**667**	**11.3%**	**268**	**247**	**8.6%**
Other result	(2)	(2)	18.9%	(3)	0	–
Levies and special governmental measures	0	0	–	0	0	–
Impairment losses on financial assets	(32)	25	–	(20)	(9)	120.9%
Profit/loss before tax	**707**	**690**	**2.4%**	**245**	**238**	**2.7%**
Income taxes	(149)	(147)	1.3%	(52)	(50)	3.5%
Profit/loss after tax	**558**	**543**	**2.7%**	**193**	**188**	**2.5%**
Return on equity before tax	58.0%	48.3%	9.7 PP	51.3%	43.0%	8.3 PP
Return on equity after tax	41.9%	38.0%	3.9 PP	38.7%	33.9%	4.8 PP
Net interest margin (average interest-bearing assets)	5.79%	6.56%	(0.77) PP	5.97%	5.81%	0.16 PP
Cost/income ratio	40.7%	40.3%	0.4 PP	40.3%	41.3%	(1.0) PP
Loan/deposit ratio	87.5%	84.8%	2.7 PP	87.5%	84.9%	2.6 PP
Provisioning ratio (average loans to customers)	0.35%	(0.36)%	0.71 PP	0.65%	0.28%	0.37 PP
NPE ratio	2.4%	4.1%	(1.7) PP	2.4%	2.5%	(0.1) PP
NPE coverage ratio	58.6%	65.3%	(6.7) PP	58.6%	58.7%	(0.1) PP
Assets	21,561	17,137	25.8%	21,561	20,996	2.7%
Liabilities	18,335	14,694	24.8%	18,335	18,029	1.7%
Risk-weighted assets (total RWA)	14,903	11,939	24.8%	14,903	14,003	6.4%
Average equity	2,332	1,905	22.4%	2,332	2,261	3.2%
Loans to customers	13,882	11,042	25.7%	13,882	13,261	4.7%
Deposits from customers	16,066	13,185	21.9%	16,066	15,843	1.4%
Business outlets	768	779	(1.4)%	768	771	(0.4)%
Employees as at reporting date (full-time equivalents)	18,737	18,666	0.4%	18,737	18,661	0.4%
Customers in million	6.6	5.9	12.0%	6.6	6.5	1.7%

Segment performance

The segment's profit after tax increased € 15 million, or 3 per cent, year-on-year to € 558 million. Net interest income and net fee and commission income improved, while general administrative expenses were higher and 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 Ukrainian hryvnia for example appreciated 9 per cent. Compared to the start of 2019, the reporting date exchange rate of the Ukrainian hryvnia appreciated 21 per cent, while the Russian ruble and Belarusian ruble were up 13 per cent and 9 per cent respectively.

Operating income

Net interest income in Eastern Europe increased 9 per cent, or € 70 million, year-on-year to € 829 million. The largest rise was reported in Russia (up € 42 million), reflecting higher lending volumes to non-financial corporations and households. Ukraine also posted an increase of € 19 million in net interest income as a result of higher lending volumes to non-financial corporations and households as well as currency movements. In Belarus, net interest income was up € 8 million due to volume effects. The segment's net interest margin fell 77 basis points year-on-year to 5.79 per cent, reflecting margin declines in all of the segment's countries. In Russia, the net interest margin decreased due to lower margins in the customer business. In Belarus, restrictions on lending imposed by the central bank led to a decrease in the margin, while the net interest margin in Ukraine declined due to interest rate effects.

Net fee and commission income was also up 17 per cent, or € 58 million, to € 392 million. Russia posted growth of € 42 million to € 273 million, driven by higher volumes in the credit card business and by foreign exchange. Driven largely by currency effects, net fee and commission income in Ukraine also grew € 10 million to € 77 million, while Belarus reported a volume-based increase of € 6 million.

The net trading income and fair value result also rose from € 16 million in the comparable period of the previous year to € 36 million in the reporting period. Russia reported an increase of € 18 million, above all due to a higher impact from currency translation.

In contrast, other net operating income declined € 14 million to minus € 7 million, as a result of provisions for litigation in Russia recognized in the reporting period, and of the release of provisions in the comparable period of the previous year.

General administrative expenses

The segment's general administrative expenses were up 13 per cent, or € 60 million, year-on-year to € 510 million. The 2 per cent rise in the average number of employees from 18,326 to 18,762 was driven mainly by the development in Russia (headcount up 588 to 9,121). Staff expenses also increased 17 per cent, or € 40 million, to € 280 million due to salary adjustments in Ukraine and Russia. In contrast, the segment's other administrative expenses were down 1 per cent to € 161 million. The first-time application of IFRS 16 led to a shift from other administrative expenses to depreciation. Moreover, declines in IT expenses and legal, advisory and consultancy expenses were countered by increased deposit insurance fees above all in Russia. Depreciation was up 44 per cent, or € 21 million, to € 69 million, mainly due to depreciation of right-of-use assets. The cost/income ratio rose slightly from 40.3 per cent to 40.7 per cent.

Impairment losses on financial assets

In the reporting period, impairment losses of € 32 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 an increase in impairment losses of € 35 million to € 36 million as a result of strong growth in lending to retail customers. In Ukraine, the net release of loan loss provisions fell from € 19 million to € 3 million, largely due to 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 2.4 per cent (down 1.7 percentage points year-on-year) as at 30 September 2019. The NPE coverage ratio was 58.6 per cent (down 6.7 percentage points year-on-year due to loan sales).

Income taxes

The segment's income taxes increased € 2 million to € 149 million. The tax rate remained constant at 21 per cent.

Detailed results of individual countries:

in € million	Belarus 1/1-30/9 2019	Belarus 1/1-30/9 2018	Russia 1/1-30/9 2019	Russia 1/1-30/9 2018	Ukraine 1/1-30/9 2019	Ukraine 1/1-30/9 2018
Net interest income	76	68	571	528	182	163
Dividend income	0	0	1	1	0	0
Net fee and commission income	42	36	273	231	77	67
Net trading income and fair value result	2	4	25	8	9	4
Net gains/losses from hedge accounting	0	0	0	0	0	0
Other net operating income	(3)	(1)	(7)	7	3	1
Operating income	**117**	**107**	**864**	**774**	**272**	**235**
General administrative expenses	(54)	(52)	(334)	(303)	(123)	(95)
Operating result	**63**	**55**	**530**	**471**	**149**	**141**
Other result	0	0	(4)	0	2	(2)
Levies and special governmental measures	0	0	0	0	0	0
Impairment losses on financial assets	1	8	(36)	(2)	3	19
Profit/loss before tax	**64**	**63**	**490**	**470**	**154**	**158**
Income taxes	(16)	(17)	(106)	(102)	(27)	(28)
Profit/loss after tax	**48**	**45**	**384**	**368**	**126**	**130**
Return on equity before tax	23.9%	26.8%	34.1%	40.4%	56.5%	85.3%
Return on equity after tax	17.8%	19.5%	26.7%	31.6%	46.5%	70.0%
Net interest margin (average interest-bearing assets)	5.75%	6.31%	5.04%	5.82%	10.97%	11.47%
Cost/income ratio	46.0%	48.8%	38.7%	39.1%	45.1%	40.3%
Loan/deposit ratio	83.4%	86.6%	90.7%	84.3%	73.5%	86.4%
Provisioning ratio (average loans to customers)	(0.22)%	(1.29)%	0.49%	0.03%	(0.12)%	(2.13)%
NPE ratio	1.9%	3.1%	1.7%	2.9%	6.4%	11.4%
NPE coverage ratio	80.2%	83.0%	50.5%	57.4%	66.2%	73.6%
Assets	2,133	1,712	16,502	13,209	2,928	2,219
Liabilities	1,735	1,384	14,152	11,395	2,450	1,919
Risk-weighted assets (total RWA)	1,774	1,537	10,164	8,326	2,964	2,076
Equity	398	329	2,350	1,814	479	301
Loans to customers	1,251	1,017	10,926	8,587	1,706	1,439
Deposits from customers	1,523	1,191	12,184	10,307	2,359	1,687
Business outlets	87	87	188	191	493	501
Employees as at reporting date (full-time equivalents)	1,764	1,856	9,178	8,890	7,795	7,920
Customers in million	0.8	0.8	3.3	2.7	2.5	2.5

Group Corporates & Markets

in € million	1/1-30/9 2019	1/1-30/9 2018	Change	Q3/2019	Q2/2019	Change
Net interest income	455	405	12.4%	160	149	7.9%
Dividend income	15	23	(33.7)%	1	14	(92.6)%
Net fee and commission income	277	266	4.2%	97	92	5.6%
Net trading income and fair value result	14	42	(66.1)%	15	16	(9.5)%
Net gains/losses from hedge accounting	0	0	416.8%	0	1	–
Other net operating income	85	106	(20.0)%	26	34	(23.4)%
Operating income	**847**	**842**	**0.6%**	**298**	**305**	**(2.1)%**
General administrative expenses	(505)	(478)	5.6%	(162)	(177)	(8.7)%
Operating result	**342**	**364**	**(6.0)%**	**136**	**128**	**6.9%**
Other result	3	(4)	–	(1)	6	–
Levies and special governmental measures	(15)	(16)	(6.6)%	(5)	(5)	1.4%
Impairment losses on financial assets	(26)	84	–	(5)	(20)	(75.9)%
Profit/loss before tax	**303**	**427**	**(29.0)%**	**126**	**109**	**15.7%**
Income taxes	(67)	(89)	(25.1)%	(30)	(23)	29.8%
Profit/loss after tax	**236**	**338**	**(30.1)%**	**96**	**85**	**11.8%**
Return on equity before tax	11.0%	16.9%	(5.9) PP	13.5%	11.2%	2.3 PP
Return on equity after tax	8.4%	13.4%	(5.0) PP	10.1%	8.8%	1.3 PP
Net interest margin (average interest-bearing assets)	1.27%	1.29%	(0.03) PP	1.24%	1.23%	0.02 PP
Cost/income ratio	59.6%	56.8%	2.8 PP	54.2%	58.1%	(3.9) PP
Loan/deposit ratio	163.6%	163.4%	0.3 PP	163.6%	164.0%	(0.3) PP
Provisioning ratio (average loans to customers)	0.32%	(1.14)%	1.46 PP	0.09%	0.29%	(0.19) PP
NPE ratio	1.9%	2.5%	(0.6) PP	1.9%	1.9%	0.0 PP
NPE coverage ratio	55.4%	58.5%	(3.1) PP	55.4%	55.9%	(0.5) PP
Assets	55,974	46,021	21.6%	55,974	53,454	4.7%
Liabilities	55,774	47,955	16.3%	55,774	55,139	1.2%
Risk-weighted assets (total RWA)	24,267	22,606	7.3%	24,267	23,037	5.3%
Average equity	3,976	3,367	18.1%	3,976	3,919	1.4%
Loans to customers	30,829	25,970	18.7%	30,829	28,841	6.9%
Deposits from customers	26,472	22,097	19.8%	26,472	23,466	12.8%
Business outlets	23	24	(4.2)%	23	23	0.0%
Employees as at reporting date (full-time equivalents)	2,894	2,838	2.0%	2,894	2,877	0.6%
Customers in million	2.0	2.1	(6.9)%	2.0	2.0	(0.4)%

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 € 84 million due to inflows and recoveries. Of this amount, € 50 million related to releases of provisions in the Markets sub-segment due to a positive court ruling for RBI in Iceland. 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 € 26 million in the reporting period due to a small number of individual cases.

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	1/1-30/9 2019	1/1-30/9 2018	Change	Q3/2019	Q2/2019	Change
Corporates Vienna	122	134	(8.8)%	47	32	49.5%
Markets Vienna	62	108	(41.9)%	21	15	38.3%
Specialized financial institution subsidiaries and other	52	97	(46.3)%	27	38	(30.1)%
Profit/loss after tax	**236**	**338**	**(30.1)%**	**96**	**85**	**11.8%**

Operating income

The segment's net interest income was up 12 per cent, or € 50 million, year-on-year to € 455 million. This was mainly due to a volume-related increase in long-term lending (project and export finance) in the Corporates Vienna sub-segment. The segment's net interest margin decreased 3 basis points to 1.27 per cent, due to lower market interest rates combined with an increase in average interest-bearing assets.

Dividend income decreased € 8 million, mainly due to the dividend payment from an unconsolidated leasing company in the previous year's comparable period.

Net fee and commission income increased 4 per cent, or € 11 million, to € 277 million. At head office, higher commission income was primarily recorded in the institutional investor business and in trade finance. There was also a volume-related increase in income from investment fund management.

Conversely, the net trading income and fair value result declined € 28 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 € 21 million to € 85 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 6 per cent, or € 27 million, to € 505 million. The increase primarily related to a € 33 million rise in staff expenses due to an increase in headcount and the allocation of a restructuring provision at head office. The cost/income ratio in the segment rose to 59.6 per cent.

Other result

The other result increased from minus € 4 million to plus € 3 million. This was mainly due to € 9 million higher net income from the disposal of Group assets, while net income from associates valued at equity was down € 2 million. 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 € 26 million were recognized in the reporting period, relating to individual large corporate customers; this compared to net releases of loan loss provisions in the amount of € 84 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 as at 30 September 2019. The NPE coverage ratio was 55.4 per cent.

Income taxes

Income tax expense decreased € 22 million to € 67 million, mainly due to the lower profit.

Corporate Center

in € million	1/1-30/9 2019	1/1-30/9 2018	Change	Q3/2019	Q2/2019	Change
Net interest income	(74)	(21)	258.3%	(43)	(21)	105.5%
Dividend income	731	729	0.2%	42	548	(92.4)%
Net fee and commission income	(2)	(8)	(80.1)%	(2)	4	–
Net trading income and fair value result	(70)	(91)	(23.0)%	(7)	(34)	(78.5)%
Net gains/losses from hedge accounting	1	13	(92.1)%	(4)	1	–
Other net operating income	67	50	33.1%	27	35	(22.3)%
Operating income	**653**	**673**	**(2.9)%**	**13**	**533**	**(97.6)%**
General administrative expenses	(266)	(236)	12.8%	(82)	(107)	(23.4)%
Operating result	**388**	**437**	**(11.3)%**	**(69)**	**425**	**–**
Other result	23	(65)	–	(14)	42	–
Levies and special governmental measures	(59)	(54)	8.9%	1	(2)	–
Impairment losses on financial assets	1	(5)	–	5	(4)	–
Profit/loss before tax	**354**	**313**	**13.1%**	**(78)**	**461**	**–**
Income taxes	53	77	(31.0)%	27	6	367.6%
Profit/loss after tax	**407**	**390**	**4.4%**	**(51)**	**466**	**–**
Assets	30,987	34,186	(9.4)%	30,987	33,375	(7.2)%
Liabilities	21,066	22,987	(8.4)%	21,066	21,622	(2.6)%
Risk-weighted assets (total RWA)	13,968	16,209	(13.8)%	13,968	14,455	(3.4)%
Average equity	2,520	2,443	3.2%	2,520	2,565	(1.8)%
Loans to customers	5,360	4,143	29.4%	5,360	4,756	12.7%
Deposits from customers	637	3,612	(82.4)%	637	4,077	(84.4)%
Business outlets	–	–	–	–	–	–
Employees as at reporting date (full-time equivalents)	1,215	1,089	11.6%	1,215	1,206	0.7%
Customers in million	0.0	0.0	(6.5)%	0.0	0.0	(6.7)%

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, with the vast majority relating to intra-Group transactions and consequently having no impact on consolidated profit. The € 17 million, or 4 per cent, improvement in profit after tax in the reporting period was primarily due to the expected loss of €121 million recognized in the previous year for the sale of the Polish core banking operations; while the first nine months of 2019 saw a € 49 million reduction in the operating result and € 24 million lower tax income.

Operating income

Net interest income decreased € 53 million year-on-year to minus € 74 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. A reclassification of hedge accounting income also contributed to the reduction in net interest income.

Net fee and commission income improved € 6 million to minus € 2 million, mainly resulting from lower fee and commission expenses for payment services.

The net trading income and fair value result also improved year-on-year, up € 21 million to minus € 70 million, mostly driven by interest rate developments relating to derivatives.

Net gains from hedge accounting decreased from € 13 million to € 1 million. In the previous year, there was a one-off effect due to the reclassification of valuation results from other comprehensive income, triggered by the early termination of hedges in connection with the sale of the Polish core banking operations.

Other net operating income increased € 17 million to € 67 million. This was mainly because there was no repeat of the allocations to provisions of the previous year in relation to litigation at head office.

General administrative expenses

General administrative expenses were up 13 per cent, or € 30 million, to € 266 million, primarily as a result of higher IT expenses and a rise in staff expenses due to an increased headcount in the IT area and the allocation of a restructuring provision at head office.

Other result

The other result came to € 23 million, compared to minus € 65 million in the comparable period of the previous year. This substantial improvement year-on-year primarily related to the expected loss of € 121 million recognized in the previous year for the sale of the Polish core banking operations. Net income from associates valued at equity declined € 25 million year-on-year, mainly due to impairments. A provision in the amount of € 20 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 expenses from special governmental measures

The expense for levies and special governmental measures reported in the segment increased € 5 million to € 59 million. At € 46 million, the expenses for bank levies remained almost unchanged compared to the same period of the previous year. The € 163 million one-off payment stipulated by law for the Austrian bank levy is spread over four years – with € 41 million booked in the reporting period – and is allocated to the Corporate Center segment. In accordance with accounting standards, the expenses for bank levies for the entire year were booked in the first quarter. The head office contributions to the resolution fund allocated to the segment increased € 5 million to € 12 million.

Income taxes

Tax income of € 53 million was posted in the reporting period, compared to income of € 77 million in the same period of the previous year.

Interim consolidated financial statements

(Condensed interim report as at 30 September 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 47,238 employees serve about 16.5 million clients at 2,095 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 September 2019 did not undergo either a complete audit nor a review by the certified auditor.

Statement of comprehensive income

Income statement

in € million	Notes	1/1-30/9/2019	1/1-30/9/2018
Interest income		3,765	3,564
Interest expenses		(1,234)	(1,045)
Net interest income	**[1]**	**2,531**	**2,519**
Dividend income	[2]	26	60
Net fee and commission income	[3]	1,307	1,325
Net trading income and fair value result	[4]	(87)	20
Net gains/losses from hedge accounting	[5]	(7)	0
Other net operating income	[6]	(5)	79
Operating income		**3,764**	**4,003**
Staff expenses		(1,181)	(1,164)
Other administrative expenses		(784)	(853)
Depreciation		(280)	(211)
General administrative expenses	**[7]**	**(2,245)**	**(2,228)**
Operating result		**1,519**	**1,775**
Other result	[8]	1	(87)
Levies and special governmental measures	[9]	(141)	(157)
Impairment losses on financial assets	[10]	(80)	56
Profit/loss before tax		**1,299**	**1,587**
Income taxes	[11]	(314)	(316)
Profit/loss after tax		**985**	**1,271**
Profit attributable to non-controlling interests		(110)	(99)
Consolidated profit/loss		**874**	**1,173**

Earnings per share

in € million	1/1-30/9/2019	1/1-30/9/2018
Consolidated profit/loss	874	1,173
Dividend claim on additional tier 1	(47)	(46)
Profit/loss attributable to ordinary shares	**828**	**1,127**
Average number of ordinary shares outstanding in million	329	329
Earnings per share in €	**2.52**	**3.43**

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	1/1-30/9/2019	1/1-30/9/2018
Profit/loss after tax		**985**	**1,271**
Items which are not reclassified to profit or loss		**24**	**19**
Remeasurements of defined benefit plans	[27]	(10)	(10)
Fair value changes of equity instruments	[14]	29	20
Fair value changes due to changes in credit risk of financial liabilities	[24]	(12)	10
Share of other comprehensive income from companies valued at equity	[19]	22	0
Deferred taxes on items which are not reclassified to profit or loss	[21, 28]	(5)	(2)
Items that may be reclassified subsequently to profit or loss		**312**	**(202)**
Exchange differences		299	(220)
Hedge of net investments in foreign operations	[18, 26]	(41)	30
Adaptions to the cash flow hedge reserve	[18, 26]	8	16
Fair value changes of financial assets	[14]	51	(17)
Share of other comprehensive income from companies valued at equity	[19]	1	(9)
Other items		0	1
Deferred taxes on items which may be reclassified to profit or loss	[21, 28]	(5)	(2)
Other comprehensive income		**336**	**(183)**
Total comprehensive income		**1,321**	**1,088**
Profit attributable to non-controlling interests		(140)	(101)
hereof income statement		(110)	(99)
hereof other comprehensive income		(30)	(3)
Profit/loss attributable to owners of the parent		**1,181**	**987**

Currency developments resulted in a positive effect of € 299 million since the start of the year. The Russian ruble appreciated 13 per cent, resulting in a positive contribution of € 241 million, the Ukrainian hryvnia appreciated 21 per cent and the Belarusian ruble appreciated 9 per cent, contributing € 73 million and € 33 million respectively. Set against this was a hedge of the net investments mostly in the Russian subsidiary bank, which resulted in a valuation result of minus € 41 million.

The share of other comprehensive income from companies valued at equity mainly refers to UNIQA Insurance Group AG, Vienna, and includes valuation changes of the securities portfolio for liquidity management.

Statement of financial position

Assets in € million	Notes	30/9/2019	31/12/2018
Cash, cash balances at central banks and other demand deposits	[12]	20,567	22,557
Financial assets - amortized cost	[13]	111,446	98,756
Financial assets - fair value through other comprehensive income	[14, 31]	4,973	6,489
Non-trading financial assets - mandatorily fair value through profit/loss	[15, 31]	578	560
Financial assets - designated fair value through profit/loss	[16, 31]	3,208	3,192
Financial assets - held for trading	[17, 31]	4,265	3,894
Hedge accounting	[18]	643	457
Investments in subsidiaries and associates	[19]	998	964
Tangible fixed assets	[20]	1,791	1,384
Intangible fixed assets	[20]	705	693
Current tax assets	[21]	85	57
Deferred tax assets	[21]	132	122
Other assets	[22]	1,412	990
Total		**150,805**	**140,115**

Equity and liabilities in € million	Notes	30/9/2019	31/12/2018
Financial liabilities - amortized cost	[23]	127,334	119,074
Financial liabilities - designated fair value through profit/loss	[24, 31]	1,922	1,931
Financial liabilities - held for trading	[25, 31]	6,071	5,102
Hedge accounting	[26]	359	91
Provisions for liabilities and charges	[27]	952	856
Current tax liabilities	[28]	51	41
Deferred tax liabilities	[28]	46	60
Other liabilities	[29]	725	547
Equity	[30]	13,344	12,413
Consolidated equity		11,431	10,587
Non-controlling interests		775	701
Additional tier 1		1,139	1,125
Total		**150,805**	**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)	(60)	(31)	(397)
Own shares	0	0	0	0	0	0	13	13
Other changes	0	0	2	(2)	0	(6)	0	(5)
Total comprehensive income	0	0	874	307	1,181	140	0	1,321
Equity as at 30/9/2019	**1,002**	**4,992**	**8,126**	**(2,689)**	**11,431**	**775**	**1,139**	**13,344**

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	497	497
Allocation dividend - AT1	0	0	(29)	0	(29)	0	29	0
Dividend payments	0	0	(204)	0	(204)	(78)	(29)	(310)
Own shares	0	0	3	0	3	0	(9)	(6)
Other changes	0	0	1	0	1	(10)	0	(9)
Total comprehensive income	0	0	1,173	(186)	987	101	0	1,088
Equity as at 30/9/2018	**1,002**	**4,992**	**7,532**	**(2,993)**	**10,533**	**666**	**1,133**	**12,332**

Statement of cash flows

in € million	Notes	1/1-30/9/2019	1/1-30/9/2018
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		1,299	1,587
Adjustments for the reconciliation of profit/loss after tax to the cash flow from operating activities:			
Depreciation, amortization, impairment and reversal of impairment of assets	[7, 8, 10]	289	385
Net provisioning for liabilities and charges and impairment losses	[6, 10, 27]	127	(78)
Gains/losses from the measurement and derecognition of assets and liabilities	[8]	408	(27)
Gains/losses from companies valued at equity	[8, 19]	(51)	(39)
Net of net interest income and dividend income	[1, 2]	(2,557)	(2,579)
Interest received	[1]	3,559	3,068
Interest paid	[1]	(1,109)	(883)
Dividends received	[2]	66	91
Income taxes paid	[11]	(49)	(77)
Other adjustments (net)		58	573
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:			
Financial assets - amortized cost	[13]	(9,084)	(6,048)
Financial assets - fair value through other comprehensive income	[14, 31]	1,694	(730)
Non-trading financial assets - mandatorily fair value through profit/loss	[15, 31]	(27)	(501)
Financial assets - designated fair value through profit/loss	[16, 31]	(3)	218
Financial assets - held for trading	[17, 31]	9	(234)
Positive fair values from hedge accounting	[18]	0	1
Tax assets	[21]	(41)	(37)
Other assets	[22]	(300)	(43)
Financial liabilities - amortized cost	[23]	6,437	11,128
Financial liabilities - designated fair value through profit/loss	[24, 31]	(21)	(546)
Financial liabilities - held for trading	[25, 31]	278	644
Provisions for liabilities and charges	[27]	(122)	(145)
Tax liabilities	[28]	(209)	(179)
Other liabilities	[29]	(155)	(92)
Net cash from operating activities		**497**	**5,456**

in € million		1/1-30/9/2019	1/1-30/9/2018
Investing activities:			
Payments for purchase of:			
Investment securities and shares	[14, 15, 17, 19]	(5,434)	(3,178)
Tangible and intangible fixed assets	[20]	(358)	(177)
Subsidiaries		0	(8)
Proceeds from sale of:			
Investment securities and shares	[14, 15, 17, 19]	3,584	2,618
Tangible and intangible fixed assets	[20]	36	121
Subsidiaries	[8]	0	0
Net cash from investing activities		**(2,172)**	**(623)**
Cash and cash equivalents from disposal of subsidiaries		(26)	(1)
Financing activities:			
Capital increases		0	497
Inflows of subordinated capital	[23, 24]	503	0
Outflows of subordinated capital	[23, 24]	(544)	(522)
Dividend payments		(397)	(6)
Net cash from financing activities		**(438)**	**(31)**
Effect of exchange rate changes		150	183
Cash, cash balances at central banks and other demand deposits as at 30/9		**20,567**	**21,890**

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)

1/1-30/9/2019 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	635	646	829	455
Dividend income	4	7	1	15
Net fee and commission income	329	314	392	277
Net trading income and fair value result	(10)	23	36	14
Net gains/losses from hedge accounting	0	0	0	0
Other net operating income	(13)	(31)	(7)	85
Operating income	**944**	**959**	**1,252**	**847**
General administrative expenses	(533)	(528)	(510)	(505)
Operating result	**410**	**431**	**742**	**342**
Other result	5	(5)	(2)	3
Levies and special governmental measures	(52)	(15)	0	(15)
Impairment losses on financial assets	21	(45)	(32)	(26)
Profit/loss before tax	**384**	**366**	**707**	**303**
Income taxes	(93)	(58)	(149)	(67)
Profit/loss after tax	**291**	**308**	**558**	**236**
Profit attributable to non-controlling interests	(53)	4	(43)	(4)
Profit/loss after deduction of non-controlling interests	**238**	**313**	**514**	**232**
Return on equity before tax	15.4%	21.3%	58.0%	11.0%
Return on equity after tax	11.3%	17.5%	41.9%	8.4%
Net interest margin (average interest-bearing assets)	2.15%	3.63%	5.79%	1.27%
Cost/income ratio	56.5%	55.0%	40.7%	59.6%
Loan/deposit ratio	102.6%	75.0%	87.5%	163.6%
Provisioning ratio (average loans to customers)	(0.10)%	0.40%	0.35%	0.32%
NPE ratio	2.3%	3.1%	2.4%	1.9%
NPE coverage ratio	59.1%	67.8%	58.6%	55.4%
Assets	41,593	26,542	21,561	55,974
Liabilities	38,157	23,341	18,335	55,774
Risk-weighted assets (total RWA)	21,705	15,729	14,903	24,267
Average equity	3,715	2,655	2,332	3,976
Loans to customers	29,284	15,688	13,882	30,829
Deposits from customers	30,367	21,099	16,066	26,472
Business outlets	393	911	768	23
Employees as at reporting date (full-time equivalents)	9,909	14,483	18,737	2,894
Customers in million	2.6	5.3	6.6	2.0

1/1-30/9/2019 in € million	Corporate Center	Reconciliation	Total
Net interest income	(74)	39	2,531
Dividend income	731	(733)	26
Net fee and commission income	(2)	(3)	1,307
Net trading income and fair value result	(70)	(80)	(87)
Net gains/losses from hedge accounting	1	(7)	(7)
Other net operating income	67	(106)	(5)
Operating income	**653**	**(891)**	**3,764**
General administrative expenses	(266)	97	(2,245)
Operating result	**388**	**(794)**	**1,519**
Other result	23	(23)	1
Levies and special governmental measures	(59)	0	(141)
Impairment losses on financial assets	1	1	(80)
Profit/loss before tax	**354**	**(816)**	**1,299**
Income taxes	53	0	(314)
Profit/loss after tax	**407**	**(816)**	**985**
Profit attributable to non-controlling interests	0	(14)	(110)
Profit/loss after deduction of non-controlling interests	**407**	**(830)**	**874**
Return on equity before tax	–	–	13.9%
Return on equity after tax	–	–	10.6%
Net interest margin (average interest-bearing assets)	–	–	2.43%
Cost/income ratio	–	–	59.6%
Loan/deposit ratio	–	–	102.9%
Provisioning ratio (average loans to customers)	–	–	0.13%
NPE ratio	–	–	2.3%
NPE coverage ratio	–	–	60.2%
Assets	30,987	(25,853)	150,805
Liabilities	21,066	(19,213)	137,461
Risk-weighted assets (total RWA)	13,968	(12,756)	77,816
Average equity	2,520	(2,285)	12,913
Loans to customers	5,360	(2,469)	92,574
Deposits from customers	637	(3,941)	90,701
Business outlets	–	–	2,095
Employees as at reporting date (full-time equivalents)	1,215	–	47,238
Customers in million	0.0	–	16.5

1/1-30/9/2018 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	743	598	759	405
Dividend income	6	9	1	23
Net fee and commission income	424	314	334	266
Net trading income and fair value result	37	25	16	42
Net gains/losses from hedge accounting	(13)	0	0	0
Other net operating income	(16)	24	7	106
Operating income	**1,181**	**969**	**1,117**	**842**
General administrative expenses	(649)	(507)	(450)	(478)
Operating result	**531**	**462**	**667**	**364**
Other result	(9)	0	(2)	(4)
Levies and special governmental measures	(76)	(11)	0	(16)
Impairment losses on financial assets	(40)	(4)	25	84
Profit/loss before tax	**406**	**448**	**690**	**427**
Income taxes	(92)	(64)	(147)	(89)
Profit/loss after tax	**313**	**384**	**543**	**338**
Profit attributable to non-controlling interests	(46)	0	(42)	(4)
Profit/loss after deduction of non-controlling interests	**268**	**384**	**501**	**334**
Return on equity before tax	13.4%	24.6%	48.3%	16.9%
Return on equity after tax	10.3%	21.1%	38.0%	13.4%
Net interest margin (average interest-bearing assets)	2.27%	3.56%	6.56%	1.29%
Cost/income ratio	55.0%	52.3%	40.3%	56.8%
Loan/deposit ratio	103.0%	74.2%	84.8%	163.4%
Provisioning ratio (average loans to customers)	0.18%	0.04%	(0.36)%	(1.14)%
NPE ratio	3.0%	4.3%	4.1%	2.5%
NPE coverage ratio	58.9%	64.5%	65.3%	58.5%
Assets	46,951	24,956	17,137	46,021
Liabilities	42,417	21,854	14,694	47,955
Risk-weighted assets (total RWA)	25,666	15,221	11,939	22,606
Average equity	4,038	2,428	1,905	3,367
Loans to customers	27,447	14,122	11,042	25,970
Deposits from customers	27,938	19,473	13,185	22,097
Business outlets	628	974	779	24
Employees as at reporting date (full-time equivalents)	13,136	14,687	18,666	2,838
Customers in million	3.4	5.3	5.9	2.1

1/1-30/9/2018 in € million	Corporate Center	Reconciliation	Total
Net interest income	(21)	35	2,519
Dividend income	729	(708)	60
Net fee and commission income	(8)	(6)	1,325
Net trading income and fair value result	(91)	(9)	20
Net gains/losses from hedge accounting	13	0	0
Other net operating income	50	(92)	79
Operating income	**673**	**(779)**	**4,003**
General administrative expenses	(236)	92	(2,228)
Operating result	**437**	**(687)**	**1,775**
Other result	(65)	(6)	(87)
Levies and special governmental measures	(54)	0	(157)
Impairment losses on financial assets	(5)	(4)	56
Profit/loss before tax	**313**	**(697)**	**1,587**
Income taxes	77	0	(316)
Profit/loss after tax	**390**	**(697)**	**1,271**
Profit attributable to non-controlling interests	0	(7)	(99)
Profit/loss after deduction of non-controlling interests	**390**	**(704)**	**1,173**
Return on equity before tax	–	–	19.6%
Return on equity after tax	–	–	15.4%
Net interest margin (average interest-bearing assets)	–	–	2.49%
Cost/income ratio	–	–	55.7%
Loan/deposit ratio	–	–	98.1%
Provisioning ratio (average loans to customers)	–	–	(0.10)%
NPE ratio	–	–	3.0%
NPE coverage ratio	–	–	61.4%
Assets	34,186	(23,076)	146,177
Liabilities	22,987	(16,062)	133,845
Risk-weighted assets (total RWA)	16,209	(15,413)	76,227
Average equity	2,443	(2,254)	11,926
Loans to customers	4,143	(2,669)	80,056
Deposits from customers	3,612	(3,948)	82,356
Business outlets	–	–	2,405
Employees as at reporting date (full-time equivalents)	1,089	–	50,416
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, 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: 1 January 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 issues that arise when an entity is determining whether it has acquired a business or a group of assets. The issues 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 30/9	2019 Average 1/1-30/9	2018 As at 31/12	2018 Average 1/1-30/9
Albanian lek (ALL)	121.960	123.298	123.410	128.722
Belarusian ruble (BYN)	2.269	2.363	2.478	2.390
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)	7.411	7.412	7.413	7.421
Czech koruna (CZK)	25.816	25.720	25.724	25.607
Hungarian forint (HUF)	334.830	323.695	320.980	318.030
Polish zloty (PLN)	4.378	4.306	4.301	4.247
Romanian leu (RON)	4.750	4.734	4.664	4.654
Russian ruble (RUB)	70.756	73.446	79.715	72.925
Serbian dinar (RSD)	117.390	117.865	118.320	118.199
Ukrainian hryvnia (UAH)	26.304	29.598	31.713	32.334
US dollar (USD)	1.089	1.124	1.145	1.194

Consolidated group

Number of units	Fully consolidated 30/9/2019	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	(2)	(2)
Excluded in the financial period	(14)	(17)
As at end of period	**212**	**226**

One leasing company and one real estate company were included for the first time. In the reporting period, eleven 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. In the reporting period, two holding companies and also two other companies were merged.

Notes to the income statement

(1) Net interest income

in € million	1/1-30/9/2019	1/1-30/9/2018
Interest income	**3,765**	**3,564**
Financial assets - held for trading	306	281
Non-trading financial assets - mandatorily fair value through profit/loss	10	20
Financial assets - designated fair value through profit/loss	25	59
Financial assets - fair value through other comprehensive income	110	88
Financial assets - amortized cost	3,171	2,944
Derivatives – hedge accounting, interest rate risk	93	114
Other assets	13	20
Interest income on financial liabilities	37	38
Interest expenses	**(1,234)**	**(1,045)**
Financial liabilities - held for trading	(344)	(252)
Financial liabilities - designated fair value through profit/loss	(46)	(47)
Financial liabilities - amortized cost	(748)	(673)
Derivatives – hedge accounting, interest rate risk	(48)	(24)
Other liabilities	(4)	(10)
Interest expenses on financial assets	(44)	(38)
Total	**2,531**	**2,519**

Interest income calculated using the effective interest method amounted to € 3,280 million (prior year period: € 3,032 million). Net interest income included interest income of € 450 million (prior year period: € 447 million) from mark-to-market financial assets, and interest expenses of € 390 million (prior year period: € 300 million) from market-to-market financial liabilities.

in € million	1/1-30/9/2019	1/1-30/9/2018
Net interest income	2,531	2,519
Average interest-bearing assets	138,909	134,802
Net interest margin in per cent	**2.43%**	**2.49%**

Net interest income slightly increased € 12 million to € 2,531 million. In Poland, net interest income declined € 173 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 € 53 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 € 32 million. In Russia, net interest income increased € 42 million mainly as a result of higher volumes. In Ukraine, net interest income was up € 19 million caused by the appreciation of the Ukrainian hryvnia and increased lending to non-financial corporations and households.

The decline in the net interest margin was largely driven 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. A significant proportion of the 3 per cent increase in average interest-bearing assets is attributable to the increase at head office. This growth resulted from short-term loan business with lower risks and margins.

(2) Dividend income

in € million	1/1-30/9/2019	1/1-30/9/2018
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	12	14
Investments in subsidiaries and associates	13	45
Total	**26**	**60**

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	1/1-30/9/2019	1/1-30/9/2018[1]
Clearing, settlement and payment services	543	524
Loan and guarantee business	155	158
Securities	47	48
Asset management	163	169
Custody	36	43
Customer resources distributed but not managed	37	40
Foreign exchange	276	295
Other	50	48
Total	**1,307**	**1,325**
Fee and commission income	1,927	1,885
Fee and commission expenses	(619)	(560)

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

Net fee and commission income decreased € 17 million year-on-year to € 1,307 million, largely as a result of the sale of the core banking operations in Poland (minus € 100 million). At head office and in nearly all countries, growth was reported. Net fee and commission income recorded a volume-driven increase primarily from clearing, settlement and payment services, loan and guarantee business as well as from foreign exchange mainly in Russia, Ukraine and Hungary. A positive effect in connection with early loan repayments arose at head office.

(4) Net trading income and fair value result

in € million	1/1-30/9/2019	1/1-30/9/2018
Net gains/losses on financial assets and liabilities - held for trading	**(459)**	**(260)**
Derivatives	(469)	(210)
Equity instruments	0	(18)
Debt securities	35	(32)
Loans and advances	8	5
Short positions	(9)	3
Deposits	(32)	(10)
Debt securities issued	3	(1)
Other financial liabilities	5	2
Net gains/losses on non-trading financial assets - mandatorily fair value through profit or loss	**15**	**(16)**
Equity instruments	0	(1)
Debt securities	12	(5)
Loans and advances	3	(11)
Net gain/losses on financial assets and liabilities - designated fair value through profit/loss	**36**	**0**
Debt securities	49	(31)
Deposits	(2)	10
Debt securities issued	(11)	20
Exchange differences, net	**321**	**297**
Total	**(87)**	**20**

Net trading income was down € 107 million year-on-year. This was due to negative valuation effects in the item derivatives as a result of the decline in long-term interest rates, which led to interest-rate-induced changes in the valuation of issued certificates (a decrease of € 79 million) and net negative changes in the valuation of derivatives held for economic hedge purposes, among other things for a building society portfolio with a decrease of € 53 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 the meantime, the building society portfolio was embedded into a hedge accounting relationship whereby the valuation results were largely neutralized from May 2019 onwards. As of September 2019, a reverse economic hedge was concluded regarding the issued certificates.

In total, losses of € 469 million were recorded on derivatives in the reporting period (comparable period: losses of € 210 million). Derivatives are mainly used to hedge interest rate and currency risks. Much of these losses are offset by (net) currency translation gains of € 321 million (comparable period: € 297 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 € 67 million to € 35 million was mainly due to realized trading gains at head office and in Russia. 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 € 80 million in debt securities – designated fair value through profit/loss and, on the liabilities side, of minus € 31 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	1/1-30/9/2019	1/1-30/9/2018
Fair value changes of the hedging instruments	58	(18)
Fair value changes of the hedged items attributable to the hedged risk	(65)	31
Ineffectiveness of cash flow hedge recognized in profit or loss	0	(13)
Total	**(7)**	**0**

Net gains/losses from hedge accounting amounted to minus € 7 million in the reporting period (comparable period: € 0 million). Despite the dynamic interest environment, there is still a high level of hedge efficiency.

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 of this hedge relationships 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	1/1-30/9/2019	1/1-30/9/2018
Gains/losses on derecognition of financial assets and liabilities - not measured at fair value through profit/loss	17	23
Gains/losses on derecognition of non-financial assets held for sale	2	2
Net income arising from non-banking activities	20	25
Net income from additional leasing services	(1)	2
Net income from insurance contracts	(6)	(2)
Net rental income from investment property incl. operating lease (real estate)	48	43
Net expense from allocation and release of other provisions	(47)	22
Other non-income related taxes	(51)	(47)
Sundry operating income/expenses	12	11
Total	**(5)**	**79**

Other net operating income decreased € 84 million year-on-year. Net expense from allocations and release of other provisions decreased € 68 million, mainly relating to provisions for litigation in connection with disbursement of state subsidies to building society clients in Romania (€ 23 million), litigation with the Consumer Protection Authority in Romania (€ 9 million) and for single cases in Croatia (€ 8 Millionen). In the comparable period, net releases of provisions for litigation involving the head office and Russia were reported.

The € 6 million decrease in the item gains/losses on derecognition of financial assets and liabilities was mostly due to a sale of receivables and bonds in Serbia and Hungary in the comparable period.

(7) General administrative expenses

in € million	1/1-30/9/2019	1/1-30/9/2018
Staff expenses	(1,181)	(1,164)
Other administrative expenses	(784)	(853)
Depreciation of tangible and intangible fixed assets	(280)	(211)
Total	**(2,245)**	**(2,228)**

General administrative expenses increased € 17 million year-on-year to € 2,245 million. While the sale of the Polish core banking operations resulted in a decrease of € 157 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 € 3 million increase in general administrative expenses in the reporting period, mainly due to a 9 per cent appreciation of the Ukrainian hryvnia (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	1/1-30/9/2019	1/1-30/9/2018
Wages and salaries	(906)	(917)
Social security costs and staff-related taxes	(205)	(198)
Other voluntary social expenses	(31)	(29)
Sundry staff expenses	(39)	(20)
Total	**(1,181)**	**(1,164)**

Staff expenses increased 1 per cent to € 1,181 million. While the sale of the Polish core banking operations (minus € 91 million) 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, in Russia, Ukraine, the Czech Republic, in Slovakia and Romania. Furthermore, 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 2,982 full-time equivalents to 47,222 employees. Excluding Poland, the number of full-time equivalents increased 837, mainly in Russia, at head office and in Hungary and Slovakia.

Other administrative expenses

in € million	1/1-30/9/2019	1/1-30/9/2018
Office space expenses	(70)	(158)
IT expenses	(236)	(246)
Legal, advisory and consulting expenses	(78)	(78)
Advertising, PR and promotional expenses	(95)	(86)
Communication expenses	(42)	(45)
Office supplies	(15)	(17)
Car expenses	(9)	(11)
Deposit insurance fees	(88)	(76)
Security expenses	(36)	(37)
Traveling expenses	(12)	(13)
Training expenses for staff	(15)	(13)
Expenses for leases	(14)	–
Sundry administrative expenses	(75)	(74)
Total	**(784)**	**(853)**

Other administrative expenses decreased € 69 million to € 784 million. The decrease was mainly due to the sale of the Polish core banking operations (€ 57 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 € 12 million, primarily in Russia and Romania, 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	1/1-30/9/2019	1/1-30/9/2018
Tangible fixed assets	(165)	(102)
hereof right-of-use assets	(61)	–
Intangible fixed assets	(114)	(109)
Total	**(280)**	**(211)**

Depreciation of tangible and intangible fixed assets rose 32 per cent or € 68 million. While depreciation of intangible fixed assets slightly increased, depreciation of tangible fixed assets went up € 63 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	1/1-30/9/2019	1/1-30/9/2018
Net modification gains/losses	**(1)**	**0**
Financial assets - fair value through other comprehensive income	0	0
Financial assets - amortized cost	(1)	0
Impairment or reversal of impairment on investments in subsidiaries and associates	**(22)**	**(6)**
Impairment on non-financial assets	**(9)**	**(12)**
Goodwill	0	(8)
Other	(9)	(4)
Current income from investments in subsidiaries and associates	**51**	**56**
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	(119)
Result of deconsolidations	3	(6)
Tax expenses not attributable to the business activity	**(23)**	**0**
Total	**1**	**(87)**

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 € 5 million year-on-year to € 51 million. Set against this were impairments of € 22 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 € 2 million to € 9 million. In the reporting period, impairments were made on tangible fixed assets in Romania, on buildings in Russia and on buildings in the portfolio of Raiffeisen Immobilienfonds. In the previous year, impairments of € 8 million were booked 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, eleven subsidiaries mainly from 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. In addition, an impairment on the remaining receivable related to the sale of the core banking operations in Poland of € 5 million was recognized.

(9) Levies and special governmental measures

in € million	1/1-30/9/2019	1/1-30/9/2018
Bank levies	(88)	(103)
Profit/loss from banking business due to governmental measures	(3)	0
Resolution fund	(50)	(54)
Total	**(141)**	**(157)**

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 € 18 million (comparable period: € 17 million) and Poland in the amount of € 5 million (comparable period: € 21 million). The decrease in Poland related to the sale of the core banking operations.

Profit/loss from banking business due to governmental measures increased € 3 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, in Bulgaria and Hungary.

(10) Impairment losses on financial assets

in € million	1/1-30/9/2019	1/1-30/9/2018
Loans and advances	(81)	15
Debt securities	(4)	2
Loan commitments, financial guarantees and other commitments given	5	39
Total	**(80)**	**56**

In the reporting period, impairment losses on financial assets amounted to € 80 million after releases of loan loss provisions of € 56 million in the comparable period of the previous year. The largest changes were at head office (up € 99 million), in Russia (up € 35 million) and in the Czech Republic (down € 23 million).

At head office, impairments of € 25 million were recognized in the reporting period, primarily relating to some large corporates. In the comparable period of the previous year, net releases of loan loss provisions in the amount of € 74 million due to sale of non-performing loans and a positive court decision in connection with the insolvency of an Icelandic bank were recognized. In Russia impairment losses on financial assets increased € 35 million mainly on retail loans. In Ukraine, there were smaller net releases of € 16 million in the reporting period. The decrease reflected larger sales of non-performing loans in the In previous year's period. In the Czech Republic, there was an improvement due to parameter adjustments in the retail risk models and in Hungary due to successful work-out activities in the corporate business. The adjustments in the default definition, among others the partial early application of the new EBA default definition in risk management led to a negative impact of € 59 million in the retail portfolio, especially in Romania, Bosnia and Herzegovina and Croatia. Further details are shown under (37) Development of impairments.

(11) Income taxes

in € million	1/1-30/9/2019	1/1-30/9/2018
Current income taxes	(347)	(297)
Austria	(14)	(11)
Foreign	(333)	(286)
Deferred taxes	33	(18)
Total	**(314)**	**(316)**

Despite the decline in profit, tax expense remained virtually unchanged from the previous year at € 314 million. This mainly resulted from the lower profit contribution of head office. The sale of the Polish core banking operations led to an income tax reduction of € 27 million. This was offset by an impairment of deferred tax assets of € 25 million in Poland as the usage can not be expected due to the updated medium-term tax planning. In addition, the tax expense decreased € 4 million in Romania due to lower profits and tax credits from previous years. In Russia, income taxes increased € 4 million due to better result.

The effective tax rate rose 4.3 percentage points to 24.2 per cent. The increase was primarily the result of the head office's lower earnings contribution and the impairment of deferred tax assets in Poland.

Notes to the statement of financial position

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

in € million	30/9/2019	31/12/2018
Cash in hand	4,633	4,132
Balances at central banks	10,024	14,599
Other demand deposits at banks	5,910	3,827
Total	**20,567**	**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 € 287 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 includes cash securities, mainly for borrowed securities, of € 699 million (31/12/2018: € 1,309 million).

(13) Financial assets - amortized cost

in € million	30/9/2019 Gross carrying amount	30/9/2019 Accumulated impairment	30/9/2019 Carrying amount	31/12/2018 Carrying amount
Debt securities	**10,117**	**(10)**	**10,107**	**8,162**
Central banks	1,263	0	1,263	87
General governments	6,648	(2)	6,645	5,997
Banks	1,193	0	1,192	1,241
Other financial corporations	523	(3)	519	464
Non-financial corporations	491	(4)	487	373
Loans and advances	**103,728**	**(2,389)**	**101,339**	**90,594**
Central banks	4,142	0	4,142	4,863
General governments	1,719	(4)	1,715	913
Banks	4,927	(9)	4,918	5,134
Other financial corporations	11,248	(42)	11,206	6,635
Non-financial corporations	46,903	(1,270)	45,633	41,995
Households	34,789	(1,064)	33,725	31,053
Total	**113,845**	**(2,399)**	**111,446**	**98,756**

The carrying amount of financial assets - amortized cost rose € 12,690 million compared to year-end 2018. This increase was chiefly the result of sale and repurchase transactions with other financial corporations and short-term loan business as well as loans and advances to non-financial corporations at head office (up € 6,631 million). In addition, an increase in lending business mainly to non-financial corporations and households was recorded in Russia (up € 2,169 million), partly fueled by exchange rate developments. The increase in debt securities from the Russian central bank of € 1,141 million resulted from purchases. Organic growth in the lending business and an increase in sale and repurchase transactions were reported in Slovakia (up € 1,188 million).

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

in € million	30/9/2019 Gross carrying amount	Accumulated impairment	Carrying amount	31/12/2018 Carrying amount
Equity instruments	**283**	**–**	**283**	**276**
Banks	25	–	25	26
Other financial corporations	162	–	162	155
Non-financial corporations	96	–	96	96
Debt securities	**4,695**	**(5)**	**4,691**	**6,213**
Central banks	0	0	0	1,323
General governments	3,317	(4)	3,313	3,450
Banks	1,101	0	1,101	1,174
Other financial corporations	150	0	150	155
Non-financial corporations	127	0	127	112
Total	**4,978**	**(5)**	**4,973**	**6,489**

The carrying amount of financial assets - fair value through other comprehensive income decreased € 1,516 million compared to year-end 2018. The decline mainly resulted from the repayment of Russian government bonds.

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

in € million	30/9/2019	31/12/2018[1]
Equity instruments	**1**	**1**
Banks	0	1
Other financial corporations	0	0
Non-financial corporations	1	0
Debt securities	**291**	**288**
General governments	130	165
Banks	10	9
Other financial corporations	148	111
Non-financial corporations	3	3
Loans and advances	**286**	**270**
General governments	3	4
Banks	0	2
Other financial corporations	50	48
Non-financial corporations	79	100
Households	153	117
Total	**578**	**560**

1 Adaptation of previous year figures due to change in allocation

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

in € million	30/9/2019	31/12/2018
Debt securities	**3,208**	**3,192**
General governments	2,819	2,788
Banks	264	272
Non-financial corporations	125	132
Total	**3,208**	**3,192**

(17) Financial assets - held for trading

in € million	30/9/2019	31/12/2018
Derivatives	**2,282**	**1,972**
Interest rate contracts	1,516	1,152
Equity contracts	202	121
Foreign exchange rate and gold contracts	556	695
Credit contracts	4	2
Commodities	2	3
Other	1	0
Equity instruments	**315**	**226**
Banks	45	41
Other financial corporations	105	59
Non-financial corporations	165	126
Debt securities	**1,659**	**1,695**
Central banks	8	0
General governments	911	923
Banks	468	455
Other financial corporations	166	171
Non-financial corporations	106	146
Loans and advances	**9**	**0**
Non-financial corporations	9	0
Total	**4,265**	**3,894**

Securities under financial assets - held for trading provided as collateral, which the recipient is entitled to sell or pledge, amounted to € 224 million (31/12/2018: € 309 million).

Details on derivatives are shown under (42) Derivative financial instruments.

(18) Hedge accounting

in € million	30/9/2019	31/12/2018
Positive fair values of derivatives in micro fair value hedge	**420**	**358**
Interest rate contracts	412	343
Foreign exchange rate and gold contracts	8	15
Positive fair values of derivatives in micro cash flow hedge	**8**	**2**
Interest rate contracts	8	2
Positive fair values of derivatives in net investment hedge	**0**	**17**
Positive fair values of derivatives in portfolio hedge	**143**	**124**
Cash flow hedge	7	2
Fair value hedge	136	122
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**72**	**(43)**
Total	**643**	**457**

Positive fair values of derivatives in micro fair value hedge increased € 62 million to € 420 million (31/12/2018: € 358 million). The increase is largely due to interest rate contracts at head office with falling interest rates.

The carrying amount of the item fair value changes of the hedged items in portfolio hedge of interest rate risk increased € 115 million compared to year-end 2018. The development mainly resulted from the implementation of a portfolio hedge at Raiffeisen Bausparkasse Gesellschaft m.b.H.

(19) Investments in subsidiaries and associates

in € million	30/9/2019	31/12/2018
Investments in affiliated companies	216	199
Investments in associates valued at equity	782	765
Total	**998**	**964**

Investments in associates valued at equity are as follows:

in € million	Share in % 30/9/2019	Carrying amount 30/9/2019	Carrying amount 31/12/2018
card complete Service Bank AG, Vienna (AT)	25.0%	14	26
EMCOM Beteiligungs GmbH, Vienna (AT)	33.6%	7	7
LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)	33.1%	195	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%	49	50
Prva stavebna sporitelna a.s., Bratislava (SK)	32.5%	70	66
Raiffeisen Informatik GmbH, Vienna (AT)	47.6%	75	49
Raiffeisen-Leasing Management GmbH, Vienna (AT)	50.0%	13	13
UNIQA Insurance Group AG, Vienna (AT)	10.9%	329	327
Posojilnica Bank eGen, Klagenfurt (AT)[1]	61.5%	10	10
Total		**782**	**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	30/9/2019	31/12/2018
Tangible fixed assets	**1,791**	**1,384**
Land and buildings used by the group for own purpose	550	571
Other land and buildings (investment property)	229	274
Office furniture, equipment and other tangible fixed assets	289	275
Leased assets (operating lease)	282	264
Right-of-use assets	440	–
Intangible fixed assets	**705**	**693**
Software	581	571
Goodwill	101	96
Brand	10	8
Customer relationships	6	8
Other intangible fixed assets	7	11
Total	**2,496**	**2,077**

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

In the reporting period, € 121 million was invested in software (30/9/2018: € 120 million).

(21) Tax assets

in € million	30/9/2019	31/12/2018
Current tax assets	85	57
Deferred tax assets	132	122
Temporary tax claims	123	102
Loss carry forwards	9	20
Total	**217**	**179**

(22) Other assets

in € million	30/9/2019	31/12/2018
Prepayments and other deferrals	405	283
Lease in progress	69	46
Merchandise inventory and suspense accounts for services rendered not yet charged out	229	194
Non-current assets and disposal groups classified as held for sale	52	54
Other assets	657	413
Total	**1,412**	**990**

Merchandise inventory and suspense accounts for services rendered not yet charged out included € 160 million (31/12/2018: € 129 million) of property under construction or not yet sold of Raiffeisen Leasing Group in Austria and Italy. The increase in other assets item resulted mainly from precious metal business.

Non-current assets and disposal groups classified as held for sale mainly consisted of one property owned by Raiffeisen Immobilienfonds, Vienna, amounting to € 17 million (31/12/2018: € 50 million) and the assets of MP Real Invest a.s., Bratislava, amounting to € 24 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	30/9/2019	31/12/2018
Deposits from banks	**27,520**	**23,960**
Current accounts/overnight deposits	13,588	9,994
Deposits with agreed maturity	12,324	13,229
Repurchase agreements	1,608	738
Deposits from customers	**90,357**	**86,623**
Current accounts/overnight deposits	61,144	58,706
Deposits with agreed maturity	29,109	27,770
Repurchase agreements	104	148
Debt securities issued	**8,944**	**7,967**
Certificates of deposits	1	1
Asset-backed securities	0	0
Covered bonds	1,220	727
Hybrid contracts	0	0
Other debt securities issued	7,723	7,239
hereof convertible compound financial instruments	1,084	1,340
hereof non-convertible	6,639	5,899
Other financial liabilities	**513**	**524**
Total	**127,334**	**119,074**
hereof subordinated financial liabilities	2,725	2,765

In general, liabilities from banks continued the annual trend which shows a clear preference of counterparties for short-term deposits. The increase in deposits from banks mainly resulted from head office in Vienna and Russia. Current accounts/overnight deposits increased € 3,238 million at head office and € 223 million in Russia. Sale and repurchase transactions went up € 571 million at head office and € 302 million in Russia.

Within deposits from customers, current accounts/overnight deposits continued the trend started in the first half-year. This item was lowered € 1,086 million at head office. Growth in the rest of the Group, especially in Russia (up € 1,136 million), Slovakia (up € 445 million), Romania (up € 391 million) and in Ukraine (up € 300 million) finally resulted in an increase of € 2,438 million.

The item deposits with agreed maturity includes € 437 million in lease liabilities according to IFRS 16 which were not shown in this item in the previous year and therefore contributed to the rise. The remaining increase in deposits with agreed maturity resulted from higher deposits at head office (up € 558 million), in the Czech Republic (up € 404 million) and in Russia (up € 167 million).

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

in € million	30/9/2019	31/12/2018
Central banks	1,973	2,147
General governments	2,984	2,720
Banks	25,547	21,813
Other financial corporations	10,072	9,458
Non-financial corporations	31,625	31,350
Households	45,676	43,096
Total	**117,877**	**110,583**

Deposits from central banks declined € 102 million in Russia. Deposits from general governments rose € 279 million at the head office in Vienna. 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 reflected increases of € 664 million in Russia, € 351 million in Slovakia and € 269 million in the Czech Republic.

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

in € million	30/9/2019	31/12/2018
Deposits from banks	**25**	**20**
Deposits with agreed maturity	25	20
Deposits from customers	**344**	**415**
Deposits with agreed maturity	344	415
Debt securities issued	**1,553**	**1,496**
Other debt securities issued	1,553	1,496
hereof convertible compound financial instruments	10	10
hereof non-convertible	1,543	1,486
Total	**1,922**	**1,931**
hereof subordinated financial liabilities	402	386

The difference between the current fair value of these designated liabilities and the amount contractually required to be paid at maturity amounted to minus € 419 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	30/9/2019	31/12/2018
Derivatives	**2,471**	**2,035**
Interest rate contracts	1,354	925
Equity contracts	298	366
Foreign exchange rate and gold contracts	717	647
Credit contracts	12	3
Commodities	2	3
Other	89	91
Short positions	**326**	**318**
Equity instruments	121	92
Debt securities	205	226
Debt securities issued	**3,274**	**2,749**
Hybrid contracts	2,956	2,383
Other debt securities issued	317	366
hereof convertible compound financial instruments	317	366
Total	**6,071**	**5,102**

Details on derivatives are shown under (42) Derivative financial instruments.

(26) Hedge accounting

in € million	30/9/2019	31/12/2018
Negative fair values of derivatives in micro fair value hedge	**49**	**21**
Interest rate contracts	48	21
Negative fair values of derivatives in micro cash flow hedge	**8**	**5**
Interest rate contracts	8	5
Negative fair values of derivatives in net investment hedge	**13**	**0**
Negative fair values of derivatives in portfolio hedge	**295**	**127**
Cash flow hedge	8	12
Fair value hedge	287	115
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**(5)**	**(62)**
Total	**359**	**91**

Negative fair values of derivatives in portfolio hedge amounted to € 295 million (31/12/2018: € 127 million). The increase is largely due to the implementation of a portfolio hedge at Raiffeisen Bausparkasse Gesellschaft m.b.H.

The item fair value changes of the hedged items in portfolio hedge of interest rate risk increased € 57 million from year-end 2018, from minus € 62 million to minus € 5 million. This was mainly due to the fair value development of the hedged liabilities in portfolio hedges of Raiffeisenbank a.s., Prague, with falling interest rates.

(27) Provisions for liabilities and charges

in € million	30/9/2019	31/12/2018
Provisions for off-balance sheet items	**123**	**126**
Other commitments and guarantees according to IFRS 9	122	126
Other commitments and guarantees according to IAS 37	0	0
Provisions for staff	**461**	**459**
Pensions and other post employment defined benefit obligations	199	189
Other long-term employee benefits	41	36
Bonus payments	169	176
Provisions for overdue vacations	51	50
Termination benefits	1	7
Other provisions	**368**	**271**
Pending legal issues and tax litigation	147	89
Restructuring	18	2
Onerous contracts	66	66
Other provisions	138	113
Total	**952**	**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 state subsidies of building society savings in Romania was increased to € 23 million. Provisions for litigation with the Consumer Protection Authority in Romania amounted to € 9 million and for single cases in Croatia to € 8 million.

(28) Tax liabilities

in € million	30/9/2019	31/12/2018
Current tax liabilities	51	41
Deferred tax liabilities	46	60
Total	**97**	**101**

(29) Other liabilities

in € million	30/9/2019	31/12/2018
Liabilities from insurance activities	0	1
Deferred income and accrued expenses	388	335
Liabilities included in disposal groups classified as held for sale	3	0
Sundry liabilities	334	211
Total	**725**	**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	30/9/2019	31/12/2018
Consolidated equity	11,431	10,587
Subscribed capital	1,002	1,002
Capital reserves	4,992	4,992
Retained earnings	8,126	7,587
hereof consolidated profit/loss	874	1,270
Cumulative other comprehensive income	(2,689)	(2,994)
Non-controlling interests	775	701
Additional tier 1	1,139	1,125
Total	**13,344**	**12,413**

As at 30 September 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 € 931 million to € 13,344 million from the start of the year. The increase was primarily the result of the total comprehensive income of € 1,321 million for the period and the distribution of dividends of € 397 million for the 2018 financial year. A dividend payment of € 0.93 per share for 2018 led to a distribution to shareholders of € 306 million. A total of € 60 million was 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	30/9/2019 Level I	 Level II	 Level III	31/12/2018 Level I[1]	 Level II	 Level III
Financial assets - held for trading	**1,704**	**2,552**	**9**	**1,615**	**2,279**	**0**
Derivatives	57	2,225	0	43	1,929	0
Equity instruments	315	0	0	225	1	0
Debt securities	1,332	327	0	1,346	349	0
Loans and advances	0	0	9	0	0	0
Non-trading financial assets - mandatorily fair value through profit/loss	**231**	**57**	**290**	**194**	**54**	**312**
Equity instruments	1	0	0	1	0	0
Debt securities	230	57	4	193	54	42
Loans and advances	0	0	286	0	0	270
Financial assets - designated fair value through profit/loss	**3,157**	**51**	**0**	**3,135**	**57**	**0**
Equity instruments	0	0	0	0	0	0
Debt securities	3,157	51	0	3,135	57	0
Financial assets - fair value through other comprehensive income	**4,166**	**611**	**197**	**5,708**	**571**	**210**
Equity instruments	61	76	146	79	48	148
Debt securities	4,105	535	51	5,628	523	62
Hedge accounting	**0**	**571**	**0**	**0**	**501**	**0**

1 Adaptation of previous year's values due to change in allocation

Liabilities in € million	30/9/2019 Level I	 Level II	 Level III	31/12/2018 Level I	 Level II	 Level III
Financial liabilities - held for trading	**359**	**5,711**	**1**	**344**	**4,757**	**1**
Derivatives	44	2,427	0	36	1,998	0
Short positions	315	12	0	308	10	0
Debt securities issued	0	3,273	1	0	2,749	1
Financial liabilities - designated fair value through profit/loss	**0**	**1,922**	**0**	**0**	**1,931**	**0**
Deposits	0	369	0	0	435	0
Debt securities issued	0	1,553	0	0	1,496	0
Hedge accounting	**0**	**364**	**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	69	(60)
Non-trading financial assets - mandatorily fair value through profit/loss	312	0	(3)	51	(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	3	(21)

Assets in € million	Gains/loss in P/L	Gain/loss in other comprehensive income	Transfer to Level III	Transfer from Level III	As at 30/9/2019
Financial assets - held for trading	0	0	0	0	9
Non-trading financial assets - mandatorily fair value through profit/loss	6	0	0	0	290
Financial assets - designated fair value through profit/loss	0	0	0	0	0
Financial assets - fair value through other comprehensive income	4	0	0	(1)	197

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 30/9/2019
Financial liabilities - held for trading	0	0	1	0	1

Qualitative information for the valuation of financial instruments in Level III

Assets 30/9/2019	Fair value in € million[1]	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Financial assets - held for trading	**9**			
Subordinated capital	0	Price indicators	Haircuts	-
Treasury bills, fixed coupon bonds	0	Discounted cash flow method	Credit spread 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)	-
Non-trading financial assets - mandatorily fair value through profit/loss	**290**			
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	286	Retail: Discounted cash flow method (incl. prepayment option, withdrawal option etc.) Non Retail: Discounted cash flow method/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) 0.179901 - 0.928031% over all financing costs (over all currencies) 0.066713 - 5.085952% (depending on rating: from AA to CCC)

Assets 30/9/2019	Fair value in € million[1]	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Financial assets - designated fair value through profit/loss	**0**			
Fixed coupon bonds	0	Discounted cash flow method (incl. expert opinion)	Credit spread Price cap Haircuts	1 - 50% 30% 5%
Financial assets - fair value through other comprehensive income	**197**			
Other interests	41	Dividend discount model Simplified income approach DCF method	Credit spread Cash flow Discount rate Dividends Beta factor	–
Other interests	39	Adjusted net asset value	Adjusted equity	–
Other interests	66	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	51	Discounted cash flow method	Prepayment rate Embedded option premium Net interest rate/Discount spread	23.1 - 47.4% (37.9%), 0.10 - 0.24% (0.19%) 1 - 50%
Total	**496**			

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

Liabilities 30/9/2019	Fair value in € million[1]	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Financial liabilities - held for trading	**1**			
Forward foreign exchange contracts	0	Net present value method	Interest rate	10 - 30%
Certificates	1	Combination of Down-And-In-Put-Option and DCF method	Volatility Dividends	–
Total	**1**			

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.

30/9/2019 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Financial assets - amortized cost	**8,077**	**21,819**	**105,087**	**134,984**	**132,125**	**2,858**
Cash and cash equivalents	0	20,567	0	20,567	20,567	0
Debt securities	8,077	1,252	984	10,313	10,107	207
Loans and advances	0	0	103,918	103,918	101,267	2,652
Investments in affiliated companies[1]	0	0	184	184	184	0
Liabilities						
Financial liabilities - amortized cost	**0**	**8,558**	**119,432**	**127,989**	**127,775**	**214**
Deposits	0	0	117,706	117,706	117,880	(173)
Debt securities issued	0	8,558	761	9,319	8,944	375
Other financial liabilities	0	0	964	964	951	13

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 Adaption 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	30/9/2019	31/12/2018
Loan commitments given	33,193	31,227
Financial guarantees given	7,782	6,975
Other commitments given	3,018	2,943
Total	**43,993**	**41,145**
Provisions for off-balance sheet items according to IFRS 9	(122)	(126)

(33) Provisions and contingent liabilities

Members of the Group are party to certain legal, governmental or arbitration proceedings before various courts and governmental agencies arising in the ordinary course of business involving contractual, labour and other matters. A provision is recognized only if a present legal or constructive obligation has arisen as a result of a past event, payment is probable and the amount can be estimated reliably. A contingent liability which has arisen as a result of a past event is disclosed, unless payment is remote. In cases where a provision has been made this is described and an amount provided except in cases, in accordance with IAS 37, where so doing would be seriously prejudicial.

Litigation related to consumer protection

On 17 September 2019, in a class action brought by a consumer protection organization, the Supreme Court of Croatia judged that certain former used foreign currency clauses in loan agreements with households are invalid. Following the judgement of RBI the respective court decision is based on significant deficiencies in title, especially as the court in general judges about assumed behavior of banks without taking into consideration the individual circumstances. In any event, the Croatian subsidiary will exercise all legal remedies, within Croatia and on the level of European jurisdiction. The effects of this decision can not yet be estimated, because the final legal judgement of the clauses in the loan contracts in any case has to be made on an individual basis. As of the reporting date, around 2,600 lawsuits were pending against the bank. In this context significant legal expenses may be incurred, a provision of € 8 million was created for the pending lawsuits.

In Poland, several civil lawsuits have been filed regarding contractual terms for mortgage loans granted to consumers that were denominated in or linked to foreign currencies. A Polish court asked the European Court of Justice (ECJ) to determine whether certain terms in these contracts were unfair and violated European law. On 3 October 2019, the ECJ handed down a preliminary ruling on the invalidity of individual unfair terms. The Court's statements do not give an answer if the loan contracts are invalid in full or partially. Instead, the court provides guidance for interpretation of European law on the presumption that national courts would come to that conclusion on a case by case basis.

According to the ECJ's preliminary ruling, a loan contract stripped of unfair provisions remains effective as long as national law is not broken. If the loan contract was no longer valid even without the unfair provisions then it would be annulled as a whole. If annulling the entire loan agreement leads to major, material negative consequences for borrowers, Polish courts may replace unfair provisions with effective provisions that are consistent with national law. Furthermore, the consequences of annulment need to be carefully assessed so that the borrower may consider all potential negative consequences of invalidity. These consequences of a reversal of an invalid contract remain unclear and are potentially severe for the borrower because the customer may, for example, be required to immediate repayment including compensation for usage of the loan.

Remains to be seen how Polish courts will apply the verdict to individual cases according to Polish case law. For that reason, it is not currently possible to reliably assess the outcome and economic impact on the portfolio of foreign currency loans held by the branch of RBI in Poland. For the substantial costs of pending legal issues a provision of € 2 million was booked.

The Romanian subsidiary is facing several individual lawsuits as well as a lawsuit filed by the consumer protection authority due to alleged unfair use of credit clauses concerning administrative fees and interest adjustments. In this context, € 4 million in compensation was paid out by the end of 2018. For the remaining approximately 1,400 cases, further expected losses of € 9 million based on a scenario calculation were calculated and provisioned.

(34) 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:

30/9/2019	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	113,845	103,728
Financial assets - fair value through other comprehensive income	0	4,695	0
Non-trading financial assets - mandatorily fair value through profit/loss	577	0	286
Financial assets - designated fair value through profit/loss	3,208	0	0
Financial assets - held for trading	3,950	0	0
On-balance	**7,736**	**118,540**	**104,014**
Contingent liabilities and commitments	0	43,993	43,993
Total	**7,736**	**162,534**	**148,007**

31/12/2018	Maximum exposure to credit risk		
in € million	Not subject to impairment[1]	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	457	0	270
Financial assets - designated fair value through profit/loss	3,192	0	0
Financial assets - held for trading	3,667	0	0
On-balance	**7,316**	**107,458**	**93,343**
Contingent liabilities and commitments	0	41,145	41,145
Total	**7,316**	**148,603**	**134,488**

1 Adaptation of previous year's values due to change in allocation

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:

30/9/2019 in € million	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Central banks	4,142	12	4,130
General governments	1,722	600	1,122
Banks	4,927	2,087	2,839
Other financial corporations	11,298	5,722	5,577
Non-financial corporations	46,983	21,934	25,049
Households	34,942	21,286	13,656
Commitments/guarantees issued	43,993	7,804	36,189
Total	**148,007**	**59,445**	**88,562**

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**

(35) 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 July 2019)

Real GDP	Scenario	2019e	2020f	2021f
Austria	Optimistic	1.5%	1.7%	1.5%
	Base	1.3%	1.2%	0.8%
	Pessimistic	0.8%	0.0%	(0.8)%
Russia	Optimistic	2.2%	3.0%	3.2%
	Base	1.5%	1.5%	1.3%
	Pessimistic	0.2%	(1.4)%	(2.5)%
Poland	Optimistic	4.6%	3.7%	2.9%
	Base	4.4%	3.3%	2.3%
	Pessimistic	3.8%	2.0%	0.6%
Romania	Optimistic	4.1%	4.2%	3.6%
	Base	3.5%	3.0%	2.0%
	Pessimistic	2.3%	0.3%	(1.5)%
Slovakia	Optimistic	4.3%	4.4%	4.0%
	Base	3.5%	2.8%	1.9%
	Pessimistic	2.7%	1.0%	(0.5)%
Croatia	Optimistic	3.3%	3.5%	3.1%
	Base	2.8%	2.5%	1.8%
	Pessimistic	1.7%	0.1%	(1.4)%

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.

(36) Credit risk volume by stages

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:

30/9/2019	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	5,405	0	0	0	0	0	0.0%	0.0%	–
General governments	8,004	360	2	(2)	(2)	(2)	0.0%	0.4%	98.6%
Banks	6,048	62	9	0	0	(9)	0.0%	0.0%	100.0%
Other financial corporations	10,851	872	48	(8)	(8)	(30)	0.1%	0.9%	62.5%
Non-financial corporations	40,641	4,956	1,798	(98)	(81)	(1,095)	0.2%	1.6%	60.9%
Households	27,990	5,758	1,041	(80)	(245)	(739)	0.3%	4.3%	70.9%
hereof mortgage	12,800	3,581	404	(13)	(108)	(233)	0.1%	3.0%	57.7%
Total	**98,940**	**12,008**	**2,898**	**(189)**	**(335)**	**(1,874)**	**0.2%**	**2.8%**	**64.7%**

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:

30/9/2019	Nominal amount			Provisions for off-balance sheet items according 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	0.7%	-	-
General governments	537	2	0	0	0	0	0.0%	0.4%	-
Banks	2,622	58	0	0	0	0	0.0%	0.0%	-
Other financial corporations	3,515	532	8	(3)	(1)	(1)	0.1%	0.1%	6.8%
Non-financial corporations	29,361	2,513	127	(29)	(24)	(46)	0.1%	0.9%	36.2%
Households	3,711	998	8	(8)	(5)	(7)	0.2%	0.5%	84.6%
Total	**39,746**	**4,104**	**144**	**(40)**	**(29)**	**(54)**	**0.1%**	**0.7%**	**37.3%**

31/12/2018	Nominal amount			Provisions for off-balance sheet items according 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%**

(37) 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	74	27	53	155
Decreases due to derecognition	(27)	(36)	(260)	(322)
Changes due to change in credit risk (net)	(30)	9	247	226
Changes due to modifications without derecognition (net)	0	0	5	5
Decrease due to write-offs	0	(6)	(216)	(222)
Non-current assets and disposal groups classified as held for sale	0	0	0	0
Change in consolidated group	0	0	14	14
Foreign exchange and other	6	9	44	59
As at 30/9/2019	**193**	**336**	**1,874**	**2,404**

The change in the reporting period amounted to € 86 million. It was largely due to write-offs and partial write-downs of loans.

Risk management uses a definition of default a change of which also has an impact on the regulatory parameters: default probability (PD) and loss given default (LGD). Since these serve as the basis for the parameter calculations in the context of the ECL calculation for the consolidated financial statements, changes in the default definition have an effect on the impairments that influence the consolidated profit/loss. This situation arose because of the publication of the guidelines on the application of the definition of default (EBA/GL/2016/ 07). The guidelines contain a long list of clarifications and changes to default triggers, materiality thresholds and closely related topics including days past due criteria, indications of likeliness to repay, conditions for a return to non-default status, and restructuring. The new definition of default represents a material change in the IRB approach, further requiring banks to revise their models and submit them to supervisory authorities for approval (as per Delegated Regulation EU 529/2014) prior to their implementation. This poses a major challenge for Internal Ratings Based (IRB) banks, due to the many probability of default (PD) and loss given default (LGD) models.

As the new models are at varying stages of adjustment the effects of the change will be seen over the next several quarters. Two effects which arise as a result of the new default definition will be seen in profit and loss. The first is an increase or decrease in ECL provisions coming from the stage re-distribution, in particular the change in the volume of stage 3. The second is a decrease or increase in ECL provisions coming from the adjustments of the stage 1 and 2 models to the new default rates. Due to the nature of the changes there will not be full counterbalancing of the first effect with the second effect. Increased ECL provision effects occur as a result of a stricter days past due count, the pulling effect leading to cross default among several contracts of the same private individual obligor, and longer probation periods. Decreased ECL provisions will mainly come about as a result of the abolition of the absorption state (The currently applied regime of absorption state prevents the accounts from exiting default status if they have ever reached more than 180 days past due).

In the first three quarters the effect from the harmonization of the default definitions amounted to expenses of € 59 million especially in Romania, Bosnia & Herzegovina, Croatia, Poland, Slovakia, Hungary, Belarus, Serbia, and Albania. In accordance with IAS 8, this represents an estimate change which must be applied prospectively and thus fully recognized in profit or loss.

The impairments are mainly assignable to stage 3 and result from loans to non-financial corporations and households, primarily in Central and Eastern 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	67	19	91	177
Decreases due to derecognition	(31)	(32)	(284)	(347)
Changes due to change in credit risk (net)	(36)	(6)	212	170
Changes due to modifications without derecognition (net)	0	0	0	0
Decrease due to write-offs	(3)	(6)	(252)	(261)
Non-current assets and disposal groups classified as held for sale	(17)	(46)	(208)	(271)
Change in consolidated group	(17)	(47)	(197)	(262)
Foreign exchange and other	15	42	183	240
As at 30/9/2018	**145**	**267**	**2,355**	**2,767**

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	25	6	2	33
Decreases due to derecognition	(9)	(5)	(8)	(22)
Changes due to change in credit risk (net)	(15)	(5)	1	(19)
Change in consolidated group	0	0	0	0
Foreign exchange and other	3	1	1	5
As at 30/9/2019	**40**	**29**	**54**	**122**

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	17	6	2	26
Decreases due to derecognition	(8)	(5)	(8)	(20)
Changes due to change in credit risk (net)	0	0	(29)	(29)
Change in consolidated group	(2)	(3)	4	(2)
Foreign exchange and other	(5)	(8)	(4)	(16)
As at 30/9/2018	**21**	**13**	**65**	**98**

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

30/9/2019 in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and debt securities	**193**	**336**	**1,874**	**2,404**
Central banks	0	0	0	0
General governments	6	2	2	10
Banks	1	0	9	9
Other financial corporations	8	8	30	46
Non-financial corporations	98	81	1,095	1,274
Households	80	245	739	1,064
Loan commitments, financial guarantees and other commitments given	**40**	**29**	**54**	**122**
Total	**233**	**365**	**1,928**	**2,526**

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**

(38) 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:

30/9/2019	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	2	0	0	0	0	0	0	0	0
Banks	60	0	0	0	0	0	0	0	0
Other financial corporations	43	0	0	0	0	0	0	0	6
Non-financial corporations	622	1	5	85	48	3	25	8	249
Households	641	0	0	545	152	9	28	23	142
Total	**1,367**	**1**	**5**	**630**	**200**	**11**	**54**	**30**	**397**

The assets more than 90 days past due shown in stage 1 and stage 2 resulted from loans and advances 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**

(39) 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.

30/9/2019	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)	4,972	2,364	2,608	1,627	83	904
Repurchase, securities lending & similar agreements (legally enforceable)	12,574	0	12,574	12,559	0	15
Total	**17,546**	**2,364**	**15,183**	**14,186**	**83**	**920**

30/9/2019	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)	4,988	2,364	2,624	1,575	419	854
Reverse repurchase, securities lending & similar agreements (legally enforceable)	1,421	0	1,421	1,410	0	11
Total	**6,409**	**2,364**	**4,045**	**2,986**	**419**	**865**

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 in € million	recognized financial liabilities	Gross amount recognized financial assets set-off	Net amount recognized financial liabilities	Amounts from global netting agreements Financial instruments	Cash collateral received	Net amount
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**

(40) Transferred assets

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

30/9/2019	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	188	0	188	178	0	178
Non-trading financial assets - mandatorily fair value through profit/loss	0	0	0	0	0	0
Financial assets - designated fair value through profit/loss	229	0	229	229	0	229
Financial assets - fair value through other comprehensive income	7	0	7	7	0	7
Financial assets - amortized cost	207	0	207	198	0	198
Total	**631**	**0**	**631**	**613**	**0**	**613**

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**

(41) Assets pledged as collateral and received financial assets

Significant restrictions regarding the access or use of assets:

	30/9/2019		31/12/2018	
in € million	Pledged	Otherwise restricted with liabilities	Pledged	Otherwise restricted with liabilities
Financial assets - held for trading	227	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	252	0	0	0
Financial assets - fair value through other comprehensive income	234	5	120	5
Financial assets - amortized cost	9,569	1,043	8,080	751
Total	**10,283**	**1,048**	**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	30/9/2019	31/12/2018
Securities and other financial assets accepted as collateral which can be sold or repledged	13,241	9,139
hereof which have been sold or repledged	2,488	1,603

(42) 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.

30/9/2019	Nominal amount	Fair values	
in € million		Positive	Negative
Trading book	**182,034**	**2,071**	**(2,248)**
Interest rate contracts	129,142	1,323	(1,196)
Equity contracts	4,701	202	(298)
Foreign exchange rate and gold contracts	46,178	539	(656)
Credit contracts	618	4	(8)
Commodities	103	2	(2)
Other	1,293	1	(89)
Banking book	**24,368**	**210**	**(223)**
Interest rate contracts	18,888	194	(158)
Foreign exchange rate and gold contracts	5,396	17	(61)
Credit contracts	84	0	(4)
Hedging instruments	**25,934**	**571**	**(364)**
Interest rate contracts	25,441	563	(351)
Foreign exchange rate and gold contracts	493	8	(13)
Total	**232,337**	**2,852**	**(2,835)**
OTC products	226,917	2,781	(2,688)
Products traded on stock exchange	3,322	63	(45)

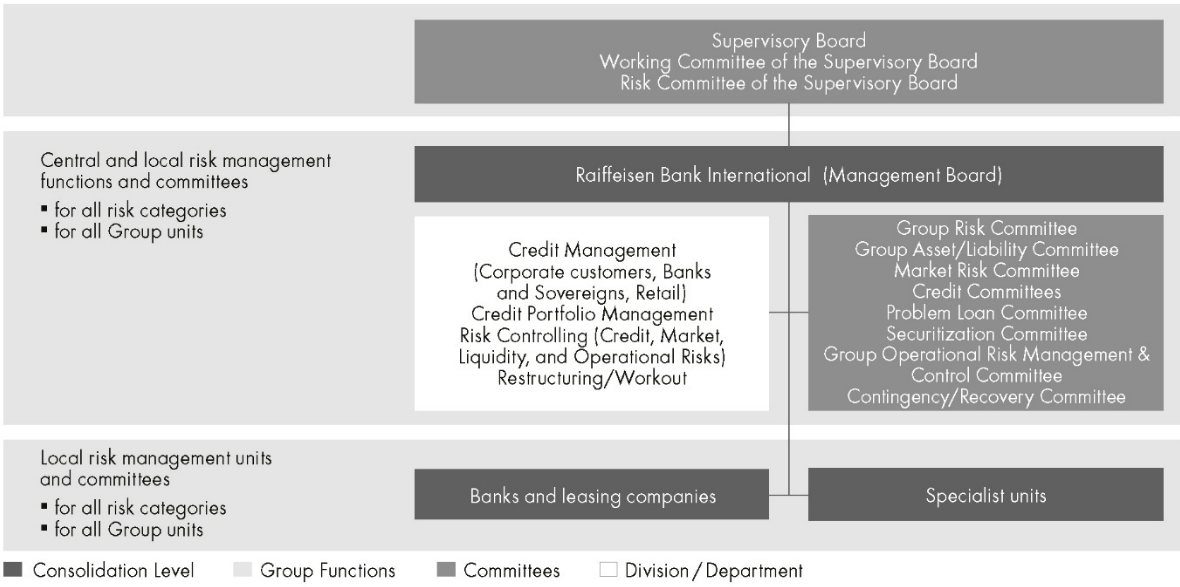
31/12/2018	Nominal amount	Fair values	
in € million		Positive	Negative
Trading book	**161,381**	**1,787**	**(1,835)**
Interest rate contracts	115,829	1,058	(822)
Equity contracts	3,862	121	(365)
Foreign exchange rate and gold contracts	40,043	604	(554)
Credit contracts	131	2	0
Commodities	129	3	(3)
Other	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.

(43) 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	30/9/2019	Share	31/12/2018[1]	Share
Credit risk corporate customers	1,851	28.1%	1,638	27.2%
Credit risk retail customers	1,489	22.6%	1,176	19.5%
Market risk	653	9.9%	649	10.8%
Macroeconomic risk	557	8.5%	607	10.1%
Operational risk	516	7.8%	542	9.0%
Participation risk	320	4.9%	308	5.1%
Owned property risk	302	4.6%	226	3.8%
Credit risk sovereigns	260	3.9%	281	4.7%
Credit risk banks	160	2.4%	144	2.4%
FX risk capital position	112	1.7%	129	2.1%
Liquidity risk	39	0.6%	15	0.2%
CVA risk	17	0.3%	17	0.3%
Risk buffer	314	4.8%	287	4.8%
Total	**6,590**	**100.0%**	**6,018**	**100.0%**

1 Adaptation of previous year figures (market risk)

Economic capital increased € 572 million to € 6,590 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	30/9/2019	Share	31/12/2018[1]	Share
Austria	2,124	32.2%	1,903	31.6%
Eastern Europe	1,573	23.9%	1,309	21.7%
Southeastern Europe	1,451	22.0%	1,330	22.1%
Central Europe	1,436	21.8%	1,471	24.4%
Rest of World	4	0.1%	5	0.1%
Total	**6,590**	**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.

(44) 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	30/9/2019	31/12/2018[1]
Cash, cash balances at central banks and other demand deposits	15,935	18,426
Financial assets - amortised cost	113,845	101,241
Financial assets - fair value through other comprehensive income	4,695	6,217
Non-trading financial assets - mandatorily at fair value through profit / loss	578	560
Financial assets - designated fair value through profit/loss	3,208	3,192
Financial assets - held for trading	4,265	3,894
Hedge accounting	643	457
Current tax assets	85	57
Deferred tax assets	132	122
Other assets	1,114	750
Loan commitments given	33,193	31,227
Financial guarantees given	7,782	6,975
Other commitments given	3,018	2,943
Disclosure differences	(2,345)	(1,762)
Credit exposure[2]	**186,149**	**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	30/9/2019	31/12/2018
Corporate customers	81,642	73,482
Project finance	7,139	7,050
Retail customers	41,166	38,050
Banks	23,808	19,207
Sovereigns	32,394	36,509
Total	**186,149**	**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		30/9/2019	Share	31/12/2018	Share
1	Minimal risk	6,409	7.9%	5,072	6.9%
2	Excellent credit standing	11,644	14.3%	11,134	15.2%
3	Very good credit standing	13,663	16.7%	11,357	15.5%
4	Good credit standing	12,972	15.9%	10,403	14.2%
5	Sound credit standing	16,239	19.9%	15,824	21.5%
6	Acceptable credit standing	13,755	16.8%	12,273	16.7%
7	Marginal credit standing	3,960	4.9%	4,217	5.7%
8	Weak credit standing/sub-standard	956	1.2%	1,134	1.5%
9	Very weak credit standing/doubtful	294	0.4%	199	0.3%
10	Default	1,498	1.8%	1,638	2.2%
NR	Not rated	251	0.3%	233	0.3%
Total		**81,642**	**100.0%**	**73,482**	**100.0%**

The total credit exposure to corporate customers increased € 8,160 million to € 81,642 million compared to year-end 2018.

Credit exposure in the rating grades from good credit standing to minimal risk increased € 6,722 million, corresponding to a share of 54.8 per cent (31/12/2018: 51.8 per cent).

Rating grade 1 reported a € 1,337 million increase to € 6,409 million, mainly due to swap transactions in Great Britain. Rating grade 3 increased € 2,306 million to € 13,663 million, due to repo business in Great Britain, credit financing in Austria, the Czech Republic, Luxembourg and Russia (largely attributable to the appreciation of the Russian ruble). Facility financing increased in Austria and Germany, while they fell in Switzerland and Great Britain. Ratings of individual Austrian customers also improved from rating grade 4. The € 2,569 million increase in rating grade 4 to € 12,972 million was attributable to credit financing in Russia (largely attributable to the appreciation of the Russian ruble), France, Great Britain, the Czech Republic and Switzerland. Facility financing in France, Spain, Romania and Russia also increased. Rating grade 6 posted a € 1,482 million increase to € 13,755 million, primarily due to credit financing in the Czech Republic, Germany, 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		30/9/2019	Share	31/12/2018	Share
6.1	Excellent project risk profile – very low risk	5,528	77.4%	5,308	75.3%
6.2	Good project risk profile – low risk	1,066	14.9%	968	13.7%
6.3	Acceptable project risk profile – average risk	103	1.4%	114	1.6%
6.4	Poor project risk profile – high risk	45	0.6%	103	1.5%
6.5	Default	397	5.6%	383	5.4%
NR	Not rated	0	0.0%	175	2.5%
Total		**7,139**	**100.0%**	**7,050**	**100.0%**

Credit exposure to project finance increased € 89 million to € 7,139 million as at 30 September 2019. New project financing in Germany resulted in a € 220 million increase in rating grade 6.1 to € 5,528 million. Rating grade 6.2 increased € 98 million to € 1,066 million. The increase was mainly attributable to the rating shift of Slovakian customers from rating grade 6.1 and to new customers in Slovakia, Hungary and Russia. 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 92.3 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	30/9/2019	Share	31/12/2018[1]	Share
Western Europe	21,938	24.7%	17,182	21.3%
Central Europe	18,754	21.1%	18,491	23.0%
Austria	16,786	18.9%	16,898	21.0%
Eastern Europe	15,330	17.3%	12,853	16.0%
Southeastern Europe	12,860	14.5%	12,432	15.4%
Asia	1,444	1.6%	1,195	1.5%
Other	1,669	1.9%	1,481	1.8%
Total	**88,781**	**100.0%**	**80,532**	**100.0%**

1 Adaptation of previous year figures

Credit exposure stood at € 88,781 million, € 8,249 million higher than at year-end 2018. The increase in Western Europe of € 4,756 million to € 21,938 million was due to credit and facility financing and to repo business and swap transactions. The increase in Eastern Europe of € 2,477 million to € 15,330 million was mainly due to credit financing. The increase was also due to the appreciation of the Russian ruble and the Ukrainian hryvnia. An increase in credit financing led to a € 428 million increase to € 12,860 million.

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

in € million	30/9/2019	Share	31/12/2018	Share
Manufacturing	17,648	19.9%	16,320	20.3%
Wholesale and retail trade	17,956	20.2%	16,867	20.9%
Financial intermediation	14,568	16.4%	11,869	14.7%
Real estate	8,862	10.0%	8,901	11.1%
Construction	5,206	5.9%	4,824	6.0%
Freelance/technical services	6,865	7.7%	5,775	7.2%
Transport, storage and communication	3,541	4.0%	3,301	4.1%
Electricity, gas, steam and hot water supply	2,936	3.3%	3,045	3.8%
Other industries	11,200	12.6%	9,629	12.0%
Total	**88,781**	**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	30/9/2019	Share	31/12/2018	Share
Retail customers – private individuals	38,060	92.5%	35,269	92.7%
Retail customers – small and medium-sized entities	3,105	7.5%	2,781	7.3%
Total	**41,166**	**100.0%**	**38,050**	**100.0%**

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

in € million		30/9/2019	Share	31/12/2018	Share
0.5	Minimal risk	14,199	34.5%	9,038	23.8%
1.0	Excellent credit standing	5,916	14.4%	9,091	23.9%
1.5	Very good credit standing	5,448	13.2%	5,499	14.5%
2.0	Good credit standing	4,496	10.9%	4,040	10.6%
2.5	Sound credit standing	3,281	8.0%	2,864	7.5%
3.0	Acceptable credit standing	1,784	4.3%	1,727	4.5%
3.5	Marginal credit standing	799	1.9%	840	2.2%
4.0	Weak credit standing/sub-standard	384	0.9%	414	1.1%
4.5	Very weak credit standing/doubtful	429	1.0%	313	0.8%
5.0	Default	1,261	3.1%	1,327	3.5%
NR	Not rated	3,168	7.7%	2,898	7.6%
Total		**41,166**	**100.0%**	**38,050**	**100.0%**

Credit exposure to retail customers increased € 3,116 million to € 41,166 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 and Russia (partly attributable to the appreciation of the Russian ruble). The increase in rating class 2.0 and 2.5 was mainly attributable to an increase in credit exposure in Croatia, Austria 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:

30/9/2019 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	17,946	9,444	5,744	4,927
Retail customers – small and medium-sized entities	1,464	771	469	402
Total	**19,410**	**10,214**	**6,212**	**5,329**
hereof non-performing exposure	646	444	190	33

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 € 662 million increase to € 19,410 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 € 806 million increase in Southeastern Europe to € 10,214 million. The € 1,443 million increase in Eastern Europe to € 6,212 million resulted from credit card financing, mortgage loans and personal loans in Russia, partly as a result of the appreciation of the Russian ruble. The increase was also attributable to the appreciation of the Ukrainian hryvnia.

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

in € million	30/9/2019	Share	31/12/2018	Share
Mortgage loans	23,985	58.3%	22,557	59.3%
Personal loans	9,374	22.8%	8,457	22.2%
Credit cards	3,453	8.4%	3,087	8.1%
SME financing	2,332	5.7%	2,046	5.4%
Overdraft	1,514	3.7%	1,444	3.8%
Car loans	506	1.2%	459	1.2%
Total	**41,166**	**100.0%**	**38,050**	**100.0%**

The € 1,428 million increase in mortgage loans to € 23,985 million resulted primarily from Russia (partly attributable to the appreciation of the Russian ruble), the Czech Republic, Austria, Bulgaria, Croatia, Romania and Slovakia. Russia (partly as a result of the appreciation of the Russian ruble), Bulgaria, Croatia and Romania were mainly responsible for the € 917 million increase in personal loans to € 9,374 million.

Credit portfolio – Banks

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

in € million		30/9/2019	Share	31/12/2018	Share
1	Minimal risk	4,346	18.3%	3,797	19.8%
2	Excellent credit standing	8,689	36.5%	5,805	30.2%
3	Very good credit standing	7,956	33.4%	7,142	37.2%
4	Good credit standing	1,807	7.6%	1,347	7.0%
5	Sound credit standing	609	2.6%	701	3.6%
6	Acceptable credit standing	273	1.1%	268	1.4%
7	Marginal credit standing	85	0.4%	31	0.2%
8	Weak credit standing / sub-standard	27	0.1%	101	0.5%
9	Very weak credit standing / doubtful	1	0.0%	0	0.0%
10	Default	9	0.0%	9	0.0%
NR	Not rated	6	0.0%	5	0.0%
Total		**23,808**	**100.0%**	**19,207**	**100.0%**

The total credit exposure amounted to € 23,808 million. Compared to year-end 2018, this was an increase of € 4,601 million.

Rating grade 1 increased € 549 million to € 4,346 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 was offset by the reduction in the portfolio of bonds of a multilateral development bank and by a decline in money market transactions in Hungary. The increase in rating grade 2 of € 2,884 million to € 8,689 million resulted from deposits at banks in Austria, from an increase in the portfolio of bonds in Austria and Slovakia, and from repo transactions in Austria, France and Great Britain and from swap transactions in Austria. In addition, the rating shift of Russian, French, Slovakian and Austrian banks from rating grade 3 had a positive effect. In total, however, rating grade 3 reported an increase of € 814 million to € 7,956 million. This was due to an increase in repo business in Germany, Spain and Great Britain. The € 460 million increase in rating grade 4 to € 1,807 million resulted from repo business in Great Britain and Italy and from rating shifts of individual French, Italian, German and Russian banks.

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

in € million	30/9/2019	Share	31/12/2018	Share
Repo	7,953	33.4%	3,645	19.0%
Loans and advances	4,858	20.4%	4,923	25.6%
Bonds	3,695	15.5%	3,829	19.9%
Money market	3,021	12.7%	2,723	14.2%
Derivatives	2,794	11.7%	2,415	12.6%
Other	1,486	6.2%	1,671	8.7%
Total	**23,808**	**100.0%**	**19,207**	**100.0%**

The increase in repo business resulted from Germany, Spain, Great Britain, the Czech Republic, Austria, Italy, 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		30/9/2019	Share	31/12/2018	Share
A1	Excellent credit standing	1,041	3.2%	1,210	3.3%
A2	Very good credit standing	11,568	35.7%	14,656	40.1%
A3	Good credit standing	7,528	23.2%	7,955	21.8%
B1	Sound credit standing	484	1.5%	937	2.6%
B2	Average credit standing	7,187	22.2%	3,001	8.2%
B3	Mediocre credit standing	2,578	8.0%	6,631	18.2%
B4	Weak credit standing	667	2.1%	1,214	3.3%
B5	Very weak credit standing	711	2.2%	360	1.0%
C	Doubtful/high default risk	623	1.9%	542	1.5%
D	Default	2	0.0%	2	0.0%
NR	Not rated	5	0.0%	1	0.0%
Total		**32,394**	**100.0%**	**36,509**	**100.0%**

Compared to year-end 2018, the credit exposure to sovereigns declined € 4,115 million to € 32,394 million.

Rating grade A2 recorded a decline of € 3,088 million to € 11,568 million as a result of deposits at the Austrian National Bank. Rating grade A3 recorded a decline of € 427 million to € 7,528 million due to repo business in the Czech Republic, the reduction in the minimum reserve of the Slovakian national bank and to rating shifts of individual Russian and Polish customers. The € 453 million decrease in rating grade B1 to € 484 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 € 547 million decline in rating grade B4 to € 667 million resulted from Serbia's rating improvement to rating grade B3. Rating grade B5 increased € 351 million to € 711 million, mainly due to Belarus' rating improvement from rating grade C 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	30/9/2019	Share	31/12/2018	Share
Bonds	15,226	47.0%	14,875	40.7%
Loans and advances	12,582	38.8%	16,445	45.0%
Repo	3,522	10.9%	3,905	10.7%
Money market	866	2.7%	1,158	3.2%
Derivatives	77	0.2%	35	0.1%
Other	120	0.4%	91	0.2%
Total	**32,394**	**100.0%**	**36,509**	**100.0%**

Bonds recorded a € 351 million increase to € 15,226 million, mainly due to Belarus, the Czech Republic, Germany, Spain, Romania, and to the appreciation of the Ukrainian hryvnia. The increase was offset by a reduction in the portfolio of bonds issued by Hungary and Austria. The € 3,863 million reduction in loans and advances to € 15,226 million was largely attributable to deposits at the Austrian National Bank. The € 383 million reduction in repo to € 3,522 million was due to the Czech Republic.

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

in € million	30/9/2019	Share	31/12/2018	Share
Hungary	1,766	38.5%	2,001	22.9%
Albania	640	13.9%	664	7.6%
Ukraine	621	13.5%	401	4.6%
Serbia	614	13.4%	535	6.1%
Bosnia and Herzegovina	386	8.4%	330	3.8%
Belarus	254	5.5%	132	1.5%
Romania	209	4.6%	112	1.3%
Other	97	2.1%	96	1.1%
Total (current rating)	**4,586**	**100.0%**	**4,269**	**48.8%**
Released due to rating improvements	0	0.0%	4,481	51.2%
Total	**4,586**	**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. This 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	30/9/2019	31/12/2018	30/9/2019	31/12/2018	30/9/2019	31/12/2018
General governments	2	2	0.1%	0.2%	98.8%	98.8%
Banks	9	8	0.1%	0.1%	100.0%	100.0%
Other financial corporations	45	81	0.3%	0.9%	67.1%	80.9%
Non-financial corporations	1,904	2,080	4.3%	5.0%	57.5%	55.0%
Households	1,139	1,228	3.3%	3.8%	64.8%	62.5%
Loans and advances	**3,100**	**3,400**	**2.6%**	**3.0%**	**60.5%**	**58.4%**
Bonds	**12**	**9**	**0.1%**	**0.1%**	**-**	**-**
Total	**3,111**	**3,409**	**2.3%**	**2.6%**	**60.2%**	**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 30/9/2019
General governments	2	0	0	0	0	2
Banks	8	0	0	0	0	9
Other financial corporations	81	0	(1)	17	(52)	45
Non-financial corporations	2,080	0	49	489	(713)	1,904
Households	1,228	0	19	406	(513)	1,139
Loans and advances (NPL)	**3,400**	**0**	**67**	**911**	**(1,278)**	**3,100**
Bonds	**9**	**0**	**0**	**12**	**(9)**	**12**
Total (NPE)	**3,409**	**0**	**67**	**923**	**(1,287)**	**3,111**

in € million	As at 1/1/2018	Change in consolidated group	Exchange rate	Additions	Disposals	As at 30/9/2018
General governments	0	0	0	0	0	0
Banks	10	0	0	0	0	10
Other financial corporations	40	(9)	(1)	11	(4)	37
Non-financial corporations[1]	3,309	(142)	22	284	(1,044)	2,429
Households[1]	1,561	(184)	(17)	244	(255)	1,349
Loans and advances (NPL)	**4,920**	**(334)**	**4**	**539**	**(1,303)**	**3,826**
Bonds	**13**	**0**	**0**	**0**	**(1)**	**12**
Total (NPE)	**4,933**	**(334)**	**4**	**539**	**(1,304)**	**3,838**

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 € 297 million. In organic terms, the volume declined € 364 million primarily due to sales of non-performing loans and the derecognition of commercially uncollectible loans in Central Europe in a total amount of € 168 million, at RBI AG in a total amount of € 152 million, in Eastern Europe in a total amount of € 105 million and in Southeastern Europe in a total amount of € 110 million; in contrast, currency developments led to an increase of € 67 million (primarily the Ukrainian hryvnia and the Russian ruble). The NPE ratio based on total exposure decreased 0.4 percentage points to 2.3 per cent and the NPE coverage ratio increased, by 2.0 percentage points, to 60.2 per cent.

Since the start of the year, non-financial corporations recorded a decline of € 176 million to € 1,904 million, mainly due to sales and derecognitions in Central Europe in a total amount of € 95 million, in the Group Corporates & Markets segment in a total amount of € 153 million, in Eastern Europe in a total amount of € 32 million and in Southeastern Europe in a total amount of € 41 million. The ratio of non-performing exposure to total credit exposure decreased 0.8 percentage points to 4.3 per cent, and the coverage ratio increased 2.5 percentage points to 57.5 per cent. In the households portfolio, non-performing exposure declined € 89 million to € 1,139 million, mainly due to sales and derecognitions in Central Europe and Eastern Europe each in an amount of € 73 million and in Southeastern Europe in a total amount of € 69 million. The ratio of the non-performing exposure to total credit exposure decreased 0.5 percentage points to 3.3 per cent, and the coverage ratio increased 2.4 percentage points to 64.8 per cent. In the other financial corporations portfolio, the non-performing exposure declined € 36 million to € 45 million and the coverage ratio declined 13.8 percentage points to € 67.1 per cent. For banks, non-performing risk exposure at the end of the third quarter was almost unchanged compared to year-end 2018 at € 9 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	30/9/2019	31/12/2018	30/9/2019	31/12/2018	30/9/2019	31/12/2018
Central Europe	946	1,131	2.3%	2.8%	59.1%	56.0%
Southeastern Europe	768	849	3.1%	3.6%	67.8%	63.5%
Eastern Europe	472	492	2.4%	2.9%	58.6%	61.8%
Group Corporates & Markets	893	899	1.9%	2.4%	55.4%	54.1%
Corporate Center	33	38	0.2%	0.2%	72.5%	62.3%
Total	**3,111**	**3,409**	**2.3%**	**2.6%**	**60.2%**	**58.3%**

In Central Europe, the non-performing exposure declined € 184 million to € 946 million, primarily due to sales and derecognitions in Hungary of € 62 million and in the Czech Republic of € 58 million. The NPE ratio decreased 0.5 percentage points to 2.3 per cent, and the NPE coverage ratio increased 3.1 percentage points to 59.1 per cent.

In Southeastern Europe, non-performing exposure decreased € 81 million to € 768 million compared to the start of the year, mainly driven by sales and derecognitions in Romania of € 40 million and in Croatia of € 27 million. The NPE ratio fell 0.4 percentage points to 3.1 per cent, and the coverage ratio increased 4.3 percentage points to 67.8 per cent.

The Eastern Europe segment reported a decrease in non-performing exposure of € 20 million, to € 472 million, primarily due to a total decrease in Ukraine of € 16 million, driven on the one hand by derecognitions and sales in an amount of € 45 million although this was on the other hand sharply offset by the currency appreciation of the Ukrainian hryvnia. In Russia, non-performing exposure remained unchanged since the start of the year, positively influenced by derecognitions and sales of € 54 million, while the currency appreciation of the Russian ruble had an opposing effect. The ratio of the non-performing exposure to total credit exposure decreased 0.5 percentage points to 2.4 per cent, and the coverage ratio also decreased 3.2 percentage points to 58.6 per cent.

The non-performing exposure in the Group Corporates & Markets segment decreased € 6 million in the third quarter to € 893 million. In the reporting period, the non-performing exposure at RBI AG fell € 10 million mainly due to sales and derecognitions, while at Raiffeisen Leasing Group it fell slightly by € 1 million. The NPE ratio declined 0.5 percentage points to 1.9 per cent, and the NPE coverage ratio increased 1.3 percentage points to 55.4 per cent compared to the start of the year.

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	30/9/2019	31/12/2018	30/9/2019	31/12/2018	30/9/2019	31/12/2018
General governments	0	0	0	0	0	0
Banks	0	0	0	0	0	0
Other financial corporations	0	13	16	35	16	47
Non-financial corporations	64	83	1,065	1,149	1,128	1,232
Households	24	41	12	1	36	42
Total	**88**	**136**	**1,092**	**1,185**	**1,180**	**1,321**

The portfolio with accompanying restructuring measures reduced further in the third quarter 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	30/9/2019	Share	31/12/2018	Share
Central Europe	179	15.2%	227	17.2%
Southeastern Europe	208	17.6%	245	18.6%
Eastern Europe	212	17.9%	233	17.6%
Group Corporates & Markets	581	49.3%	616	46.6%
Total	**1,180**	**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 exposure across all asset classes by the country of risk, grouped by regions:

in € million	30/9/2019	Share	31/12/2018	Share
Central Europe	**48,715**	**26.2%**	**48,379**	**27.8%**
Czech Republic	20,802	11.2%	20,600	11.8%
Slovakia	15,945	8.6%	15,721	9.0%
Hungary	6,990	3.8%	6,903	4.0%
Poland	4,720	2.5%	4,806	2.8%
Other	259	0.1%	349	0.2%
Austria	**36,912**	**19.8%**	**39,683**	**22.8%**
Other European Union	**35,679**	**19.2%**	**26,804**	**15.4%**
Germany	11,458	6.2%	9,073	5.2%
Great Britain	9,988	5.4%	5,460	3.1%
France	4,395	2.4%	3,947	2.3%
Luxembourg	2,368	1.3%	1,701	1.0%
Spain	1,729	0.9%	1,137	0.7%
Netherlands	1,215	0.7%	1,319	0.8%
Italy	1,211	0.7%	838	0.5%
Other	3,315	1.8%	3,328	1.9%
Southeastern Europe	**29,518**	**15.9%**	**28,435**	**16.3%**
Romania	11,391	6.1%	11,273	6.5%
Croatia	5,079	2.7%	5,008	2.9%
Bulgaria	4,953	2.7%	4,614	2.6%
Serbia	3,357	1.8%	3,016	1.7%
Bosnia and Herzegovina	2,249	1.2%	2,191	1.3%
Albania	1,591	0.9%	1,532	0.9%
Other	899	0.5%	800	0.5%

in € million	30/9/2019	Share	31/12/2018	Share
Eastern Europe	**25,770**	**13.8%**	**22,679**	**13.0%**
Russia	19,983	10.7%	17,803	10.2%
Ukraine	3,419	1.8%	2,816	1.6%
Belarus	2,163	1.2%	1,871	1.1%
Other	206	0.1%	190	0.1%
Asia	**2,832**	**1.5%**	**2,011**	**1.2%**
Switzerland	**2,755**	**1.5%**	**2,427**	**1.4%**
North America	**2,383**	**1.3%**	**2,382**	**1.4%**
Rest of World	**1,584**	**0.9%**	**1,498**	**0.9%**
Total	**186,149**	**100.0%**	**174,299**	**100.0%**

The credit exposure of all asset classes increased € 11,850 million to € 186,149 million compared to year-end 2018. The largest increase, of € 8,875 million, to € 35,679 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 and Italy. Credit financing in France, Germany, Great Britain and Luxembourg also increased. 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 € 1,083 million increase in Southeastern Europe to € 29,518 million. In addition, facility and credit financing as well as repo business increased in Serbia. The increase in Eastern Europe of € 3,091 million to € 25,770 million mainly resulted from the appreciation of the Russian ruble and the Ukrainian hryvnia. In addition, credit financing and retail business increased in Russia, while repo business fell. Asia recorded an increase of € 821 million to € 2,832 million, mainly due to repo business in the United Arab Emirates. Austria recorded a € 2,771 million decline to € 36,912 million, largely due to deposits at the Austrian National Bank.

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

in € million	30/9/2019	Share	31/12/2018	Share
Euro (EUR)	99,153	53.3%	95,470	54.8%
US dollar (USD)	20,044	10.8%	16,423	9.4%
Czech koruna (CZK)	18,755	10.1%	18,657	10.7%
Russian ruble (RUB)	15,781	8.5%	12,969	7.4%
Romanian leu (RON)	7,187	3.9%	7,108	4.1%
Hungarian forint (HUF)	5,652	3.0%	5,526	3.2%
Swiss franc (CHF)	3,053	1.6%	3,004	1.7%
Bulgarian lev (BGN)	3,030	1.6%	2,907	1.7%
Ukrainian hryvnia (UAH)	2,756	1.5%	2,109	1.2%
Croatian kuna (HRK)	2,718	1.5%	2,748	1.6%
Bosnian marka (BAM)	2,231	1.2%	2,165	1.2%
Serbian dinar (RSD)	1,434	0.8%	1,358	0.8%
Belarusian ruble (BYN)	1,143	0.6%	854	0.5%
Albanian lek (ALL)	1,106	0.6%	1,076	0.6%
Other foreign currencies	2,104	1.1%	1,924	1.1%
Total	**186,149**	**100.0%**	**174,299**	**100.0%**

The increase in euro exposure of € 3,683 million to € 99,153 million was mainly due to credit financing, repo business and swap transactions. This was, however, partly offset by a decrease in deposits at the Austrian National Bank. The US dollar exposure increased € 3,621 million to € 20,044 million due to repo business and money market transactions.

With regard to Russian ruble exposure, credit financing and an increase in retail business resulted in growth of € 2,812 million to € 15,781 million. The Russian ruble also appreciated. The € 647 million increase in the Ukrainian hryvnia exposure to € 2,756 million resulted from the currency appreciation.

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

in € million	30/9/2019	Share	31/12/2018	Share
Banking and insurance	52,655	28.3%	50,711	29.1%
Private households	38,198	20.5%	35,298	20.3%
Public administration and defense and social insurance institutions	15,123	8.1%	14,168	8.1%
Wholesale trade and commission trade (except car trading)	13,363	7.2%	12,794	7.3%
Other manufacturing	12,398	6.7%	11,410	6.5%
Real estate activities	9,190	4.9%	9,255	5.3%
Construction	5,637	3.0%	5,273	3.0%
Other business activities	7,277	3.9%	6,113	3.5%
Retail trade except repair of motor vehicles	4,362	2.3%	3,983	2.3%
Electricity, gas, steam and hot water supply	3,164	1.7%	3,269	1.9%
Manufacture of basic metals	2,564	1.4%	2,202	1.3%
Other transport	1,723	0.9%	1,571	0.9%
Land transport, transport via pipelines	2,279	1.2%	2,187	1.3%
Manufacture of food products and beverages	1,925	1.0%	1,900	1.1%
Manufacture of machinery and equipment	1,683	0.9%	1,648	0.9%
Sale of motor vehicles	1,202	0.6%	1,028	0.6%
Extraction of crude petroleum and natural gas	854	0.5%	494	0.3%
Other industries	12,553	6.7%	10,996	6.3%
Total	**186,149**	**100.0%**	**174,299**	**100.0%**

(45) 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).

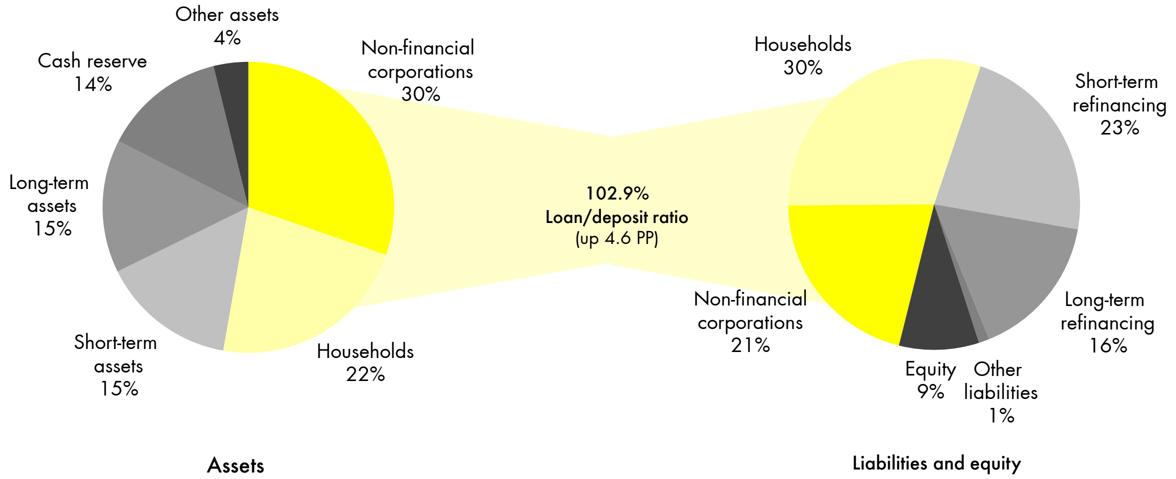
Total VaR 99% 1d in € million	VaR as at 30/9/2019	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2018
Currency risk	12	11	7	15	10
Interest rate risk	22	18	11	28	11
Credit spread risk	18	17	13	20	20
Share price risk	0	0	0	1	1
Vega risk	3	3	1	7	0
Basis risk	6	4	3	6	5
Total	33	30	21	39	28

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. The change in interest rate risk mainly resulted from the development of the long-term interest rate curve.

(46) 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	30/9/2019		31/12/2018	
Maturity	1 month	1 year	1 month	1 year
Liquidity gap	21,217	25,445	22,097	26,432
Liquidity ratio	140%	125%	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	30/9/2019	31/12/2018
Average liquid assets	**26,934**	**29,140**
Net outflows	**20,574**	**21,706**
Inflows	13,525	8,392
Outflows	34,099	30,098
Liquidity Coverage Ratio	**131%**	**134%**

RBI AG has made a significant contribution to the decline in the Group's LCR. Both average liquid assets and also net outflows have reduced. Loans to customers and secured capital market transactions led to an increase in inflows, while the increase in outflows mainly resulted from deposits by financial customers.

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	30/9/2019[1]	31/12/2018
Required stable funding	109,412	99,974
Available stable funding	119,572	114,337
Net Stable Funding Ratio	**109%**	**114%**

1 preliminary

Other disclosures

(47) 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.

30/9/2019 in € million	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
Selected financial assets	**50**	**514**	**1,002**	**665**
Equity instruments	0	216	782	274
Debt securities	14	0	5	2
Loans and advances	37	298	214	388
Selected financial liabilities	**2,007**	**130**	**4,097**	**547**
Deposits	2,007	130	4,097	547
Debt securities issued	0	0	0	0
Other items	**180**	**62**	**309**	**124**
Loan commitments, financial guarantees and other commitments given	167	62	279	124
Loan commitments, financial guarantees and other commitments received	13	0	30	0

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

1/1-30/9/2019 in € million	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
Interest income	2	4	6	5
Interest expenses	(6)	(1)	(21)	(2)
Dividend income	0	13	41	2
Fee and commission income	2	4	9	4
Fee and commission expenses	(2)	(11)	(5)	(1)

1/1-30/9/2018 in € million	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
Interest income	4	4	7	5
Interest expenses	(17)	(1)	(20)	0
Dividend income	0	10	30	4
Fee and commission income	2	20	3	4
Fee and commission expenses	0	(12)	(5)	(1)

(48) Average number of staff

Full-time equivalents	1/1-30/9/2019	1/1-30/9/2018
Salaried employees	46,615	49,627
Wage earners	607	577
Total	**47,222**	**50,204**

Due to the sale of the polish core banking business, the average headcount decreased 2,982 full-time equivalents to 47,222 year-on-year. Without the sale in Poland, the number of full-time equivalents would have increased 837.

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 September 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 September 2019, RBI's common equity tier (CET1) after deductions amounted to € 10,408 million, representing a € 706 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 recognized in equity and changes to qualifying minority interests. Tier 1 capital after deductions increased € 707 million to € 11,635 million mainly as a result of the the increase in CET1. There was a € 326 million reduction in tier 2 capital to € 2,032 million, mainly due to early repayments and the regulatory amortization of outstanding issues. RBI's total capital amounted to € 13,667 million, representing an increase of € 382 million compared to the 2018 year-end figure.

Risk-weighted assets (total RWA) amounted to € 77,816 million as at 30 September 2019. The major factor for the € 5,145 million increase was new loan business, as well as general business developments in Russia, at head office and in Ukraine and Bulgaria. 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 reduction of risk-weighted assets.

As a result, the common equity tier 1 ratio (fully loaded) was 13.4 per cent, the tier 1 ratio (fully loaded) was 14.8 per cent and the total capital ratio (fully loaded) was 17.4 per cent. The common equity tier 1 ratio (fully loaded) remained unchanged compared to year-end. Both the tier 1 ratio (fully loaded) and the total capital ratio (fully loaded) decreased slightly. The capital ratios including the eligible interim profit of the third quarter would have been higher by 33 basis points than the ratios shown (this is valid for common equity tier 1 ratio, tier 1 ratio and total capital ratio).

in € million	30/9/2019	31/12/2018
Paid-in capital	5,974	5,974
Earned capital	4,767	4,034
Non-controlling interests	457	429
Common equity tier 1 (before deductions)	**11,199**	**10,436**
Deduction intangible fixed assets/goodwill	(704)	(699)
Deduction provision shortage for IRB positions	0	0
Deductions for net new provisioning	(68)	0
Deduction securitizations	(9)	(15)
Deduction deferred tax assets	0	0
Deduction loss carry forwards	(9)	(20)
Deduction insurance and investments	0	0
Common equity tier 1 (after deductions)	**10,408**	**9,702**
Additional tier 1	1,204	1,221
Non-controlling interests	23	5
Deduction intangible fixed assets/goodwill	0	0
Deduction provision shortage for IRB positions	0	0
Tier 1	**11,635**	**10,928**
Long-term subordinated capital	1,752	2,087
Non-controlling interests	43	41
Provision excess of internal rating approach positions	238	229
Tier 2 (after deductions)	**2,032**	**2,358**
Total capital	**13,667**	**13,286**
Total capital requirement	**6,225**	**5,814**
Common equity tier 1 ratio (transitional)	13.4%	13.4%
Common equity tier 1 ratio (fully loaded)	13.4%	13.4%
Tier 1 ratio (transitional)	15.0%	15.0%
Tier 1 ratio (fully loaded)	14.8%	14.9%
Total capital ratio (transitional)	17.6%	18.3%
Total capital ratio (fully loaded)	17.4%	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 September 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	30/9/2019	31/12/2018
Total capital requirement for credit risk	5,359	4,895
Internal rating approach	3,310	3,060
Standardized approach	2,032	1,817
CVA risk	17	17
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	252	303
Total capital requirement for operational risk	614	616
Total capital requirement	**6,225**	**5,814**
Risk-weighted assets (total RWA)	**77,816**	**72,672**

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

in € million	30/9/2019	31/12/2018
Risk-weighted assets according to standardized approach	**25,234**	**22,719**
Central governments and central banks	911	541
Regional governments	101	98
Public administration and non-profit organizations	28	31
Multilateral development banks	0	0
Banks	212	171
Corporate customers	7,292	7,031
Retail customers	11,380	10,504
Equity exposures	1,862	1,823
Covered bonds	13	13
Mutual funds	85	53
Securitization position	0	0
Items associated with particular high risk	102	0
Other positions	3,247	2,454
Risk-weighted assets according to internal rating approach	**41,375**	**38,250**
Central governments and central banks	1,760	2,187
Banks	1,587	1,424
Corporate customers	30,804	27,876
Retail customers	6,111	5,971
Equity exposures	426	374
Securitization position	687	419
CVA risk	**218**	**214**
Settlement and delivery risk	**164**	**0**
Risk-weighted assets (credit risk)	**66,991**	**61,182**
Total capital requirement (credit risk)	**5,359**	**4,895**

Leverage ratio

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

in € million	30/9/2019	31/12/2018
Leverage exposure	177,069	163,077
Tier 1	11,635	10,928
Leverage ratio (transitional)	**6.6%**	**6.7%**
Leverage ratio (fully loaded)	6.5%	6.6%

Events after the reporting date

There were no significant events after the reporting date.

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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