RAIFFEISEN BANK INTERNATIONAL

ANNUAL FINANCIAL REPORT 2018

Raiffeisen Bank International

Overview

Monetary values in € million	2018	2017	Change	2016	2015	2014
Income statement	**1/1-31/12**	**1/1-31/12**		**1/1-31/12**	**1/1-31/12**	**1/1-31/12**
Net interest income	3,362	3,225	4.2%	2,935	3,327	3,789
Net fee and commission income	1,791	1,719	4.2%	1,497	1,519	1,586
Net trading income and fair value result	17	35	(52.4)%	215	16	(30)
General administrative expenses	(3,048)	(3,011)	1.2%	(2,848)	(2,914)	(3,024)
Impairment losses on financial assets	(166)	(312)	(46.9)%	(754)	(1,264)	(1,750)
Profit/loss before tax	1,753	1,612	8.8%	886	711	(105)
Profit/loss after tax	1,398	1,246	12.2%	574	435	(587)
Consolidated profit/loss	1,270	1,116	13.8%	463	379	(617)
Statement of financial position	**31/12**	**31/12**		**31/12**	**31/12**	**31/12.**
Loans to banks	9,998	10,741	(6.9)%	9,900	10,837	15,573
Loans to customers	80,866	77,745	4.0%	70,514	69,921	77,925
Deposits from banks	23,980	22,378	7.2%	12,816	16,369	22,408
Deposits from customers	87,038	84,974	2.4%	71,538	68,991	66,094
Equity	12,413	11,241	10.4%	9,232	8,501	8,178
Total assets	140,115	135,146	3.7%	111,864	114,427	121,500
Key ratios	**1/1-31/12**	**1/1-31/12**		**1/1-31/12**	**1/1-31/12**	**1/1-31/12**
Return on equity before tax	16.3%	16.2%	0.1 PP	10.3%	8.5%	–
Return on equity after tax	12.7%	12.5%	0.2 PP	6.7%	5.2%	–
Consolidated return on equity	12.6%	12.2%	0.4 PP	5.8%	4.8%	–
Cost/income ratio	57.5%	59.1%	(1.5) PP	60.7%	59.1%	56.5%
Return on assets before tax	1.33%	1.23%	0.10 PP	0.79%	0.60%	–
Net interest margin (average interest-bearing assets)	2.50%	2.48%	0.03 PP	2.78%	3.00%	3.24%
Provisioning ratio (average loans to customers)	0.21%	0.41%	(0.20) PP	1.05%	1.64%	2.17%
Bank-specific information	**31/12**	**31/12**		**31/12**	**31/12**	**31/12**
NPL ratio (non-banks)	3.8%	5.7%	(1.9) PP	9.2%	11.9%	11.4%
NPE ratio[1]	2.6%	4.0%	(1.3) PP	–	–	–
NPL coverage ratio (non-banks)	77.6%	67.0%	10.6 PP	75.6%	71.3%	67.5%
NPE coverage ratio[1]	58.3%	56.1%	2.1 PP	–	–	–
Risk-weighted assets (total RWA)	72,672	71,902	1.1%	60,061	63,272	68,721
Common equity tier 1 ratio (fully loaded)	13.4%	12.7%	0.6 PP	13.6%	11.5%	10.0%
Tier 1 ratio (fully loaded)	14.9%	13.6%	1.3 PP	13.6%	11.5%	10.1%
Total capital ratio (fully loaded)	18.2%	17.8%	0.3 PP	18.9%	16.8%	15.1%
Stock data	**1/1-31/12**	**1/1-31/12**		**1/1-31/12**	**1/1-31/12**	**1/1-31/12**
Earnings per share in €	3.68	3.34	10.2%	1.58	1.30	(2.17)
Closing price in € (31/12)	22.20	30.20	(26.5)%	17.38	13.61	12.54
High (closing prices) in €	35.32	30.72	15.0%	18.29	15.69	31.27
Low (closing prices) in €	21.30	17.67	20.6%	10.21	9.01	11.51
Number of shares in million (31/12)	328.94	328.94	0.0%	292.98	292.98	292.98
Market capitalization in € million (31/12)	7,302	9,934	(26.5)%	5,092	3,986	3,672
Dividend per share in €	0.93	0.62	50.0%	–	–	–
Resources	**31/12**	**31/12**		**31/12**	**31/12**	**31/12**
Employees as at reporting date (full-time equivalents)	47,079	49,700	(5.3)%	48,556	51,492	54,730
Business outlets	2,159	2,409	(10.4)%	2,506	2,705	2,866
Customers in million	16.1	16.5	(2.6)%	14.1	14.9	14.8

1 Deposits at central banks and demand deposits are considered in the calculation of the NPE ratio due to the changed IFRS 9 definition based on EBA guideline (FINREP ANNEX III REV1/FINREP ANNEX V). The comparable period 2017 was adjusted accordingly.

As of January 2017, Raiffeisen Zentralbank AG contributed business is fully included. In this report, Raiffeisen Bank International (RBI) refers to the RBI Group, and RBI AG is used wherever statements refer solely to Raiffeisen Bank International AG.

On 1 January 2018, the new accounting standard for financial instruments (IFRS 9) took effect. In addition to the adoption of IFRS 9, RBI has also changed the presentation of its statement of financial position and parts of the income statement, which is now aligned with the financial reporting standards (FINREP) issued by the European Banking Authority (EBA). With the adoption of the standards, it was also necessary to adjust the figures of the comparable period 2017 and comparable reporting date as at 31 December 2017. The figures for previous periods are only to a limited extent comparable.

With cooperation of Group Investor Relations (parts of management report), Integrated Risk Management (parts of risk report)

Content

Consolidated financial statements

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). As at the balance sheet date, subsidiary banks cover 13 markets in CEE. 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 more than 47,000 employees serve 16.1 million clients at more than 2,100 business outlets located mostly in CEE.

Since the company's shares are traded on a regulated market as defined in Section 1 (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 Section 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 Section 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 consolidated financial statements are lodged with the Companies Register in accordance with Austrian disclosure regulations and published in the official journal of the Wiener Zeitung. They were signed by the Management Board on 27 February 2019 and subsequently submitted for the notice of the Supervisory Board.

The disclosures required under Article 434 of EU Regulation No 575/2013 on prudential requirements for credit institutions (Capital Requirements Regulation, CRR) are published on the Internet on the Bank's website at investor.rbinternational.com.

Material changes

The provisions of the new accounting standard for financial instruments (IFRS 9) took effect on 1 January 2018. In addition to the introduction of IFRS 9, RBI has also made changes to the presentation of the statement of financial position. It is now based on the requirements for the reporting of financial information (FINREP) issued by the European Banking Authority (EBA). The change also made it necessary to adapt the figures of the comparable period and the comparable reporting date. This change firstly improves comparability while also enabling more efficient processing of financial statements in accordance with commercial law and regulatory requirements.

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

Statement of comprehensive income

Income statement

RBI changed the structure of the income statement during the financial year. It is now aligned with the financial reporting standards (FINREP) issued by the European Banking Authority (EBA). The disclosures for the previous year were adapted accordingly. The changes are explained in greater detail in the notes in the section on principles underlying the consolidated financial statements, under changes in the presentation of the financial statements.

in € thousand	Notes	2018	2017
Interest income		4,788,520	4,673,539
Interest expenses		(1,426,774)	(1,448,702)
Net interest income	[1]	**3,361,746**	**3,224,837**
Dividend income	[2]	51,289	35,109
Net fee and commission income	[3]	1,791,290	1,718,872
Net trading income and fair value result	[4]	16,890	35,473
Net gains/losses from hedge accounting	[5]	(11,182)	(15,530)
Other net operating income	[6]	87,523	99,514
Operating income		**5,297,557**	**5,098,274**
Staff expenses		(1,579,673)	(1,553,800)
Other administrative expenses		(1,178,070)	(1,157,387)
Depreciation		(290,019)	(299,712)
General administrative expenses	[7]	**(3,047,762)**	**(3,010,898)**
Operating result		**2,249,796**	**2,087,376**
Other result	[8]	(160,867)	168
Levies and special governmental measures	[9]	(169,921)	(163,350)
Impairment losses on financial assets	[10]	(165,677)	(312,131)
Profit/loss before tax		**1,753,331**	**1,612,063**
Income taxes	[11]	(355,377)	(366,054)
Profit/loss after tax		**1,397,954**	**1,246,009**
Profit attributable to non-controlling interests	[30]	(128,116)	(129,953)
Consolidated profit/loss		**1,269,838**	**1,116,056**

Earnings per share

in € thousand	2018	2017
Consolidated profit/loss	1,269,838	1,116,056
Dividend claim on additional tier 1	(60,833)	(19,524)
Profit/loss attributable to ordinary shares	**1,209,005**	**1,096,532**
Average number of ordinary shares outstanding in thousand	328,595	328,509
Earnings per share in €	**3.68**	**3.34**

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 € thousand	Notes	2018	2017
Profit/loss after tax		**1,397,954**	**1,246,009**
Items which are not reclassified to profit or loss		**19,233**	**(135,962)**
Remeasurements of defined benefit plans	[27]	(27,047)	6,252
Fair value changes of equity instruments	[14]	30,243	0
Fair value changes due to changes in credit risk of financial liabilities	[24]	33,692	(139,643)
Share of other comprehensive income from companies valued at equity	[19]	(19,413)	(2,360)
Other items		0	0
Deferred taxes on items which are not reclassified to profit or loss	[21, 28]	1,758	(211)
Items that may be reclassified subsequently to profit or loss		**(199,796)**	**(61,045)**
Exchange differences		(230,243)	(70,048)
Hedge of net investments in foreign operations	[18, 26]	42,988	(6,042)
Adaptions to the cash flow hedge reserve	[18, 26]	9,435	11,164
Fair value changes of financial assets	[14]	(30,601)	(717)
Share of other comprehensive income from companies valued at equity	[19]	(7,163)	(6,819)
Other items		13,869	0
Deferred taxes on items which may be reclassified to profit or loss	[21, 28]	1,919	11,417
Other comprehensive income		**(180,563)**	**(197,007)**
Total comprehensive income		**1,217,391**	**1,049,002**
Profit attributable to non-controlling interests	[30]	(133,929)	(131,453)
hereof income statement		(128,116)	(129,953)
hereof other comprehensive income		(5,813)	(1,500)
Profit/loss attributable to owners of the parent		**1,083,462**	**917,549**

IAS 19 requires remeasurements of defined benefit plans to be shown in other comprehensive income. This resulted in other comprehensive income of minus € 27,047 thousand in the reporting year, which was primarily attributable to adjustments made to the mortality tables by the head office.

In 2017, RBI elected to adopt on an early basis the requirements of IFRS 9.7.1.2 regarding the presentation of gains and losses on financial liabilities designated at fair value through profit or loss. IFRS 9 requires changes in the fair value of these designated liabilities caused by a change in the default risk of RBI to be booked in other comprehensive income. Under IAS 39, these changes were reported in the income statement. € 33,692 thousand were recognized directly in other comprehensive income in the reporting period; the effect amounted to minus € 139,643 thousand in the same period of the previous year. The difference between the current fair value of these designated liabilities and the amounts contractually required to be paid at maturity was € 404,000 thousand at the time of maturity. There have been no significant transfers within equity or derecognition of liabilities designated at fair value in the reporting period.

With the adoption of IFRS 9, liabilities designated at fair value were reclassified as financial liabilities – amortized cost with a carrying amount of € 447,781 thousand. This resulted in a significant decline in fair value changes caused by changes in credit risk on financial liabilities.

The changes in the fair value of equity instruments resulted in a positive contribution of € 30,243 thousand. In contrast, the changes in the fair value of financial assets recognized in other comprehensive income produced a negative result of € 30,601 thousand in the financial year (2017: minus € 717 thousand). Changes in equity of companies valued at equity mainly relate to UNIQA Insurance Group AG, Vienna. They largely consist of valuation changes in the securities portfolio used for liquidity management.

Currency developments led to a negative effect of € 230,243 thousand in the financial year (2017: minus € 70,048 thousand). The 13 per cent depreciation of the Russian ruble produced a reduction of € 222,768 thousand. The 3 per cent depreciation of the Hungarian forint resulted in a decrease of € 22,933 thousand. The 3 per cent depreciation of the Polish zloty led to a decline of € 45,170 thousand. However, due to the disposal of Group assets in connection with the sale of the Polish core banking operations, the accumulated negative exchange differences of € 63,650 thousand were reclassified to the income statement.

The capital hedge for foreign activities comprises hedges for investments in economically independent sub-units. A positive result of € 42,988 thousand resulting from the depreciation of the Russian ruble was posted in the financial year. The previous year had a negative result of € 6,042 thousand.

Cash flow hedging has been applied in addition to fair value hedging at four Group units to hedge against interest rate risk. In the financial year, this led to a positive result of € 9,435 thousand (2017: € 11,164 thousand). The sale of the Polish core banking operations resulted in the termination of the existing portfolio cash flow hedges in the second quarter of 2018. These hedged cash flow fluctuations from foreign currency loans and deposits in local currency by means of foreign currency interest rate swaps. The termination had a neutral effect on capital but resulted in the reclassification through profit and loss of the cash flow hedge reserve of minus € 13,417 thousand recognized in other comprehensive income in previous periods. No gains/losses were reclassified to the income statement in the previous year.

Statement of financial position

RBI changed the presentation of the statement of financial position during the financial year. It is now aligned with the financial reporting standards (FINREP) issued by the European Banking Authority (EBA). The disclosures for the comparative period were updated accordingly. The changes are explained in greater detail in the notes in the section on principles underlying the consolidated financial statements, under changes in the presentation of the financial statements.

As a result, the opening statement of financial position as at 1 January 2017 was added to the presentation of the statement of financial position pursuant to IAS 1.40A.

Assets

in € thousand	Notes	31/12/2018	31/12/2017	1/1/2017
Cash, cash balances at central banks and other demand deposits	[12, 44]	22,557,484	16,905,455	21,301,789
Financial assets - amortized cost	[13, 44]	98,755,774	96,307,387	89,721,349
Financial assets - fair value through other comprehensive income	[14, 31, 44]	6,489,016	6,589,446	4,524,370
Non-trading financial assets - mandatorily fair value through profit/loss	[15, 31, 44]	559,782	-	-
Financial assets - designated fair value through profit/loss	[16, 31, 44]	3,192,115	5,370,028	8,488,900
Financial assets - held for trading	[17, 31, 44]	3,893,609	4,622,036	5,560,434
Hedge accounting	[18, 44]	457,202	596,563	682,392
Investments in subsidiaries and associates	[19, 44]	964,213	923,259	988,958
Tangible fixed assets	[20, 44]	1,384,277	1,540,194	1,842,621
Intangible fixed assets	[20, 44]	692,897	720,935	676,518
Current tax assets	[21, 44]	56,820	189,204	183,634
Deferred tax assets	[21, 44]	122,371	114,313	172,849
Other assets	[22, 44]	989,594	1,267,519	660,584
Total		**140,115,155**	**135,146,339**	**134,804,399**

Equity and liabilities

in € thousand	Notes	31/12/2018	31/12/2017	1/1/2017
Financial liabilities - amortized cost	[23, 44]	119,074,098	114,794,111	114,751,511
Financial liabilities - designated fair value through profit/loss	[24, 31, 44]	1,931,076	2,508,622	2,783,648
Financial liabilities - held for trading	[25, 31, 44]	5,101,835	4,414,477	5,439,374
Hedge accounting	[26, 44]	91,049	264,587	465,230
Provisions for liabilities and charges	[27, 44]	855,922	872,420	869,867
Current tax liabilities	[28, 44]	41,376	74,678	77,046
Deferred tax liabilities	[28, 44]	59,702	63,315	88,717
Other liabilities	[29, 44]	546,740	912,780	577,423
Equity	[30, 44]	12,413,358	11,241,350	9,751,583
Consolidated equity		10,587,140	9,937,003	9,096,221
Non-controlling interests		700,807	659,732	655,363
Additional tier 1		1,125,411	644,615	-
Total		**140,115,155**	**135,146,339**	**134,804,399**

The growth in cash, cash balances at central banks and other demand deposits was primarily attributable to an increase in deposits at the Austrian National Bank at the head office. The increase in financial assets – amortized cost resulted from credit growth in Austria, Romania, the Czech Republic and Slovakia. Most of the growth in financial liabilities – amortized cost is attributable to increases in deposits with agreed maturity from banks and current accounts/overnight deposits from customers.

Statement of changes in equity

Changes in equity

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Cumulative other comprehensive income	Consolidated equity	Non-controlling interests	Additional tier 1	Total
Equity as at 1/1/2017	**1,001,710**	**4,994,169**	**5,770,881**	**(2,670,540)**	**9,096,220**	**655,363**	**0**	**9,751,583**
Capital increases/decreases	0	0	0	0	0	0	644,814	644,814
Allocation dividend - AT1	0	0	(17,731)	0	(17,731)	0	17,731	0
Dividend payments	0	0	0	0	0	(89,938)	(17,731)	(107,669)
Own shares	351	(2,372)	2,021	0	0	0	0	0
Other changes	0	0	(59,036)	0	(59,036)	(37,146)	(199)	(96,381)
Total comprehensive income	0	0	1,116,056	(198,507)	917,549	131,453	0	1,049,002
Equity as at 31/12/2017	**1,002,061**	**4,991,797**	**6,812,192**	**(2,869,047)**	**9,937,003**	**659,732**	**644,615**	**11,241,350**
Impact of adopting IFRS 9	0	0	(223,653)	61,312	(162,341)	(7,098)	0	(169,438)
Equity as at 1/1/2018	**1,002,061**	**4,991,797**	**6,588,539**	**(2,807,735)**	**9,774,662**	**652,634**	**644,615**	**11,071,912**
Capital increases/decreases	0	0	0	0	0	0	496,296	496,296
Allocation dividend - AT1	0	0	(59,870)	0	(59,870)	0	59,870	0
Dividend payments	0	0	(203,743)	0	(203,743)	(78,944)	(59,870)	(342,557)
Own shares	222	0	(265)	0	(43)	0	(15,499)	(15,542)
Other changes	0	0	(7,328)	0	(7,328)	(6,813)	0	(14,141)
Total comprehensive income	0	0	1,269,838	(186,376)	1,083,462	133,929	0	1,217,391
Equity as at 31/12/2018	**1,002,283**	**4,991,797**	**7,587,171**	**(2,994,112)**	**10,587,140**	**700,807**	**1,125,411**	**12,413,358**

In addition to changing the presentation of the statement of financial position, the presentation of changes in equity was also modified with respect to retained earnings. Cumulative other comprehensive income is now reported separately from other retained earnings. Changes in cumulative other comprehensive income are explained on the following pages.

The provisions of the new accounting standard for financial instruments (IFRS 9) took effect on 1 January 2018. The changeover effect reduced equity by minus € 169,438 thousand. This reduction was caused partly by changes in the impairment rules of IFRS 9 versus IAS 39, which amounted to minus € 285,381 thousand, and partly by discontinuances of deposits and debt instruments previously designated at fair value, which added up to € 69,938 thousand. In addition, mandatory reclassifications of loans to non-trading financial assets – mandatorily at fair value through profit/loss resulted in a remeasurement of € 7,277 thousand, while reclassifications of securities to financial assets – fair value through other comprehensive income produced a remeasurement of € 3,413 thousand. Deferred tax assets of € 35,316 thousand, which largely consist of the temporary difference between loan loss provisions for tax purposes and loan loss provisions pursuant to IFRS 9, were included in equity.

More details on the changeover are available in the notes in the section entitled, principles underlying the consolidated financial statements, under IFRS 9 transition.

RBI placed another issue of perpetual additional tier 1 capital (AT1) with a volume of € 500,000 thousand on 24 January 2018. According to IAS 32, the additional tier 1 capital is classified as equity due to the terms of issue. Taking into account the issuance costs and the discount, this increased equity by € 496,296 thousand. The change in treasury shares is reported under own shares.

Development of cumulative other comprehensive income

in € thousand	Remeasurements reserve acc. to IAS 19	Exchange differences	Net investment Hedge	Cash flow hedge	At fair value OCI
As at 1/1/2017	**(5,644)**	**(2,769,087)**	**59,029**	**(17,534)**	**67,082**
Unrealized net gains/losses of the period	6,252	(62,417)	0	0	0
Items that may be reclassified subsequently to profit or loss	0	(8,498)	(6,042)	9,515	(87)
As at 31/12/2017	**609**	**(2,840,002)**	**52,987**	**(8,019)**	**66,996**
Impact of adopting IFRS 9	0	0	0	0	2,655
As at 1/1/2018	**609**	**(2,840,002)**	**52,987**	**(8,019)**	**69,651**
Unrealized net gains/losses of the period	(27,032)	0	13,869	0	30,113
Items that may be reclassified subsequently to profit or loss	0	(236,766)	42,988	7,685	(27,989)
As at 31/12/2018	**(26,423)**	**(3,076,768)**	**109,845**	**(334)**	**71,774**
Related deferred taxes	665	-	0	(3,547)	(2,620)

in € thousand	Deferred taxes	At equity	Fair value option	Total
As at 1/1/2017	**(16,404)**	**12,017**	**0**	**(2,670,540)**
Unrealized net gains/losses of the period	(211)	(2,360)	(139,643)	(198,379)
Items that may be reclassified subsequently to profit or loss	11,803	(6,819)	0	(128)
As at 31/12/2017	**(4,812)**	**2,837**	**(139,643)**	**(2,869,047)**
Impact of adopting IFRS 9	(1,029)	0	59,686	61,312
As at 1/1/2018	**(5,841)**	**2,837**	**(79,957)**	**(2,807,735)**
Unrealized net gains/losses of the period	1,843	(19,413)	33,692	33,072
Items that may be reclassified subsequently to profit or loss	1,797	(7,163)	0	(219,448)
As at 31/12/2018	**(2,202)**	**(23,739)**	**(46,265)**	**(2,994,112)**
Related deferred taxes	-	3,300	0	(2,202)

Statement of cash flows

in € thousand	Notes	2018	2017
Cash, cash balances at central banks and other demand deposits as at 1/1	**[12]**	**16,905,455**	**16,485,890**
Operating activities:			
Profit/loss before tax		1,753,331	1,612,063
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]	310,816	280,308
Net provisioning for liabilities and charges and impairment losses	[6, 10, 27]	147,892	610,481
Gains/losses from the measurement and derecognition of assets and liabilities	[8]	443,056	89,138
Gains/losses from companies valued at equity	[8, 19]	(63,565)	43,351
Net of net interest income and dividend income	[1, 2]	(3,413,035)	(3,207,718)
Interest received	[1]	4,192,865	3,852,035
Interest paid	[1]	(1,277,091)	817,436
Dividends received	[2]	96,984	133,896
Income taxes paid	[11]	(71,685)	(545,775)
Other adjustments (net)		(49,707)	(755,938)
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:			
Financial assets - amortized cost	[13]	(7,810,946)	(7,208,038)
Financial assets - fair value through other comprehensive income	[14, 31]	(1,942,235)	(706,315)
Non-trading financial assets - mandatorily fair value through profit/loss	[15, 31]	(366,265)	0
Financial assets - designated fair value through profit/loss	[16, 31]	1,352,670	(574,955)
Financial assets - held for trading	[17, 31]	107,136	22,878
Positive fair values from hedge accounting	[18]	687	5,365
Tax assets	[21]	55,885	(152,710)
Other assets	[22]	304,866	176,870
Financial liabilities - amortized cost	[23]	13,955,543	420,667
Financial liabilities - designated fair value through profit/loss	[24, 31]	(394,125)	629
Financial liabilities - held for trading	[25, 31]	756,186	112,295
Negative fair values from hedge accounting	[26]	0	27,388
Provisions for liabilities and charges	[27]	(159,242)	(324,743)
Tax liabilities	[28]	(197,961)	(120,602)
Other liabilities	[29]	(165,105)	136,228
Net cash from operating activities		**7,566,953**	**(5,255,767)**
Investing activities:			
Payments for purchase of:			
Investment securities and shares	[13, 14, 15, 16, 17, 19]	(3,019,609)	(3,107,785)
Tangible and intangible fixed assets	[20]	(313,721)	(371,003)
Subsidiaries	[68]	(7,553)	0
Proceeds from sale of:			
Investment securities and shares	[13, 14, 15, 16, 17, 19]	2,159,737	4,105,750
Tangible and intangible fixed assets	[20]	124,152	179,804
Subsidiaries	[8, 68]	749,360	3,336
Net cash from investing activities		**(307,633)**	**810,102**
Cash and cash equivalents from disposal of subsidiaries		(941,564)	(49,444)

in € thousand	Notes	2018	2017
Financing activities:			
Capital increases	[30]	496,296	644,814
Inflows of subordinated capital	[23, 24]	0	0
Outflows of subordinated capital	[23, 24]	(684,452)	(394,677)
Dividend payments	[30]	(342,557)	(89,938)
Changes in non-controlling interests	[30]	0	22,819
Net cash from financing activities		**(530,714)**	**183,019**
Merger effect		0	4,815,898
Effect of exchange rate changes		(135,014)	(84,243)
Cash, cash balances at central banks and other demand deposits as at 31/12	**[12]**	**22,557,484**	**16,905,455**

The statement of cash flows shows the structure and changes in cash and cash equivalents during the financial year and is broken down into three sections:

- Net cash from operating activities
- Net cash from investing activities
- Net cash from financing activities

Net cash from operating activities comprises inflows and outflows from principal revenue-producing activities of the company and other activities that are not investing or financing activities. When using the indirect method to determine capital flows from operating activities, the profit/loss before tax from the income statement is adjusted for non-cash components and cash related changes in assets and liabilities. In addition, the income and expense items attributable to investment or financing activities are deducted. The interest, dividend and tax payments from operating activities are separately stated in their own rows.

Net cash from investing activities shows inflows and outflows from financial investments, tangible and intangible fixed assets, proceeds from disposal of Group assets, and payments for acquisition of subsidiaries.

Net cash from financing activities consists of inflows and outflows of equity and subordinated capital. This primarily covers capital increases, dividend payments, and changes in subordinated capital.

Cash and cash equivalents comprises the item on the statement of financial position cash, cash balances at central banks and other demand deposits.

The sale of the core banking operations of Raiffeisen Bank Polska S.A. and Raiffeisen-Leasing Liegenschaftsverwaltung Straußstraße Gesellschaft m.b.H. generated € 749,360 thousand in cash inflows while the deconsolidation of the core banking operations of Raiffeisen Bank Polska S.A. resulted in cash outflows of € 941,564 thousand.

The capital increases from financing activities were the result of RBI AG's placement of another issue of perpetual additional tier 1 capital (AT1) with a volume of € 500,000 thousand.

The following table shows the cash and non-cash effects according to IAS 7:

in € thousand	Subordinated financial liabilities
Carrying amount as at 1/1/2018	**3,787,977**
Change in carrying amount	(637,175)
hereof cash	(684,452)
hereof effect of exchange rate changes	(81)
hereof changes of fair value	47,358
Carrying amount as at 31/12/2018	**3,150,801**

Segment reporting

Segment classification

Segmentation principles

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 (CGU) 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. Segment classification is therefore 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.

In order to achieve the maximum possible transparency and in the interest of clearer lines of reporting, five segments were defined in accordance with the IFRS 8 thresholds. IFRS 8 establishes a 10 per cent threshold for the key figures of operating income, profit after tax and segment assets.

The following segments resulted thereof:

Central Europe

This segment encompasses the most advanced banking markets in Central and Eastern Europe, namely the EU members, Czech Republic, Hungary, Poland, Slovakia and Slovenia. In Poland, RBI operated retail banking and business with high net worth private customers in addition to lending business with corporate customers as well as small and medium-sized enterprises (including factoring) until the sale of the Polish core banking operations in the fourth quarter of 2018. RBI is still present with a portfolio of retail foreign currency mortgage loans, but no longer runs new business. In Slovakia, RBI is active in the corporate and retail customer business, leasing, asset management and building society business. In retail business Tatra Banka is pursuing a multi-brand strategy. In Slovenia, the Group has one leasing company. The business volume of the Slovenian leasing company has been reduced as scheduled. In the Czech Republic, RBI is engaged in the real estate leasing and building society business in addition to offering traditional banking services to corporate and retail customers. The focus is on broadening relationships with existing affluent customers. In Hungary, the Group provides services to retail and corporate customers via the bank's countrywide network. The focus is based on corporate customers and affluent retail customers.

Southeastern Europe

The Southeastern Europe segment comprises Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia. In these markets, RBI is represented by banks and leasing companies, as well as own capital management and asset management companies and pension funds in some markets. In Albania and Bulgaria, financial services are offered across all business areas. In Kosovo, RBI also offers a comprehensive product range. In Bosnia and Herzegovina the emphasis is on small and medium-sized enterprises, while also including a wide range of products for retail customers. In Croatia the focus is on large and medium-sized corporate customers and also on retail customers (including pension funds business). In Romania a broad range of financial services is offered via a tightly knit branch network. In Serbia, the market is serviced by a universal bank and leasing companies.

Eastern Europe

This segment comprises Belarus, Russia and Ukraine. In Belarus, RBI is represented by a bank and a leasing company. Raiffeisenbank Russia is one of the leading foreign banks in Russia and services both corporate and retail customers. The branch network also offers products targeted toward affluent retail customers and small and medium-sized entities, with the focus on large cities. Furthermore, RBI is active in the issuance business. The product range in Russia is completed by the leasing business. In Ukraine RBI is represented by a bank, a leasing company and a card-processing company and provides a full range of financial services via a tightly knit branch network.

Group Corporates & Markets

The Group Corporates & Markets segment covers operating business booked in Austria. This primarily comprises financing business with Austrian and international corporate customers serviced from Vienna, Financial Institutions & Sovereigns and business with the institutions of the Raiffeisen Banking Group (RBG). This segment also covers the capital market-based customer and proprietary business in Austria. Besides RBI AG, this also includes financial services outsourced to subsidiaries, such as Vienna-based entities like Raiffeisen Centrobank AG (equity trading and capital market financing), Kathrein Privatbank Aktiengesellschaft, Raiffeisen Leasing Group, Raiffeisen Factor Bank AG, Raiffeisen Bausparkasse Österreich Gesellschaft m.b.H., Valida Group (pension fund business) and Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung. Card complete Service Bank AG, Vienna, a company valued at equity, is also allocated to this segment.

Corporate Center

The Corporate Center segment encompasses services in various areas provided by head office that serve to implement the Group's overall strategy and that are allocated to this segment to ensure comparability. Therefore, this segment includes the following areas: Liquidity management and balance sheet structure management, equity participation management, the banking operations carried out by head office for financing Group units, the Austrian transaction and services business for financial services providers, as well as other companies outside the financial service provider business that do not fall directly under another segment. Also allocated to this segment are the minority interests from the non-bank segment (income from companies valued at equity). These include equity participations in UNIQA Insurance Group AG, Vienna, as well as LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (holding company with strategic participations in the flour & mill and vending segments).

Assessment of segment profit/loss

The segment reporting according to IFRS 8 shows the segment performance on the basis of internal management reporting, supplemented with the reconciliation of the segment results to the consolidated financial statements. In principle, RBI's management reporting is based on IFRS. Therefore, no differences occur in the recognition and measurement principles between segment reporting and consolidated financial statements.

The governance of each segment is based on key indicators relating to profitability, growth, efficiency, constraints and business mix parameters. The target values of these key indicators are determined according to the specific market environment and adapted when necessary.

The performance of a CGU is evaluated as follows:

Profitability

Profitability is measured by the return on equity (ROE) and return on risk-adjusted capital (RORAC) based on the internal management systems. The return on equity shows the profitability of a CGU and is calculated as the ratio of profit/loss after deduction of profit/loss attributable to non-controlling interests to average consolidated equity employed. The return on equity reflects the yield of the capital employed of each segment. The calculation of the RORAC incorporates risk-adjusted capital, which reflects the capital necessary in case of possible unexpected losses. In RBI this capital requirement is calculated within the economic capital model for credit, market and operational risk. This ratio shows the yield on the risk-adjusted equity (economic capital), but is not an indicator pursuant to IFRS. Within the different countries and business lines the actual RORAC generated is compared with the respective predetermined minimal value (RORAC hurdle), which reflects appropriate market yield expectations.

Efficiency

The cost/income ratio represents the cost efficiency of the segment. The cost/income ratio shows general administrative expenses in relation to operating income, which is the sum of 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.

Constraints

In accordance with the Basel III framework, specific legal regulations have to be considered. The proportion of common equity tier 1 capital to total risk-weighted assets (common equity tier 1 ratio) is for example an important indicator of whether the underlying capital is adequate for the business volume. Industry sector specifics lead to different risk weights within the calculation of risk-weighted assets according to CRR. These factors are crucial for the calculation of the regulatory minimum total capital requirements. As part of the annual Supervisory Review and Evaluation Process (SREP), the ECB stipulates in a notification that additional CET1 capital must be held in order to cover those risks which are not considered or are insufficiently considered in Pillar I. Moreover, the efficient use of the available capital is calculated internally, whereby the actual usage is compared to the theoretically available risk coverage capital. The long-term liquidity ratios are also restrictive and are defined in accordance with the regulatory requirements.

Business mix

The following key performance indicators are relevant in ensuring a reasonable and sustainable business structure, whereby the composition of the results and the underlying portfolio parameters are of significance. The structure of the primary funding basis for loans and advances to customers is measured using the loan/deposit ratio (net) which is the proportion of loans and advances to customers to deposits from customers (each less claims and obligations from (reverse) repurchase agreements and securities lending). The share of the result derived from the core business is also relevant. The net interest margin is calculated based on average interest-bearing assets. The proportion of the net fee and commission income to operating income is also a key performance indicator, which is included in the target setting for the business mix.

The presentation of segment performance is based on the income statement and geared to the reporting structure internally used. Income and expenses are attributed to the country and/or business area in which they are generated. Operating income positions are the 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. Expense items are staff expenses, other administrative expenses, depreciation of intangible and tangible fixed assets, levies and special governmental measures and impairment losses on financial assets. Other result includes impairment or reversal of impairment on and current income from investments in subsidiaries and associates, the result from non-current assets and disposal groups classified as held for sale and deconsolidation. The segment result is shown up to the profit/loss after deduction of non-controlling interests. The segment assets are represented by the total assets and the risk-weighted assets. The liabilities item includes all positions from the liabilities side of the statement of financial position except the equity. The reconciliation includes mainly the amounts resulting from the elimination of intra-group results and consolidation between the segments. This is supplemented with financial ratios conventionally used within the industry to evaluate performance. The values shown in the segment reporting are for the most part taken from the IFRS individual financial statements which are also used for the compilation of the consolidated financial statements. In some units profit center results are taken from the internal management income statement.

2018 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	964,813	814,192	1,021,629	534,401
Dividend income	6,435	8,902	1,086	24,442
Net fee and commission income	548,727	421,486	465,808	370,840
Net trading income and fair value result	41,417	31,184	33,743	22,251
Net gains/losses from hedge accounting	(10,420)	(156)	0	49
Other net operating income	(34,031)	21,650	6,635	142,425
Operating income	**1,516,941**	**1,297,258**	**1,528,901**	**1,094,407**
General administrative expenses	(854,215)	(698,735)	(630,886)	(647,288)
Operating result	**662,726**	**598,522**	**898,015**	**447,119**
Other result	(8,341)	(1,120)	(10,926)	674
Levies and special governmental measures	(84,990)	(10,968)	0	(21,696)
Impairment losses on financial assets	(122,482)	(61,273)	(31,894)	62,296
Profit/loss before tax	**446,913**	**525,162**	**855,195**	**488,393**
Income taxes	(100,604)	(73,495)	(171,222)	(95,169)
Profit/loss after tax	**346,309**	**451,666**	**683,973**	**393,224**
Profit attributable to non-controlling interests	(56,039)	(164)	(57,220)	(5,162)
Profit/loss after deduction of non-controlling interests	**290,270**	**451,503**	**626,752**	**388,061**
Return on equity before tax	11.1%	21.4%	44.1%	14.1%
Return on equity after tax	8.6%	18.4%	35.3%	11.4%
Net interest margin (average interest-bearing assets)	2.27%	3.60%	6.50%	1.28%
Cost/income ratio	56.3%	53.9%	41.3%	59.1%
Loan/deposit ratio	98.9%	73.7%	81.0%	147.1%
Provisioning ratio (average loans to customers)	0.41%	0.45%	0.31%	(1.53)%
NPL ratio (non-banks)	3.6%	5.1%	4.2%	3.0%
NPL coverage ratio (non-banks)	78.6%	88.6%	79.1%	66.0%
Assets	40,353,336	25,360,497	18,191,779	44,488,346
Liabilities	37,150,779	22,195,643	15,638,138	47,561,765
Risk-weighted assets (total RWA)	21,615,433	15,135,909	12,260,098	22,682,800
Average equity	4,033,554	2,454,800	1,940,274	3,457,395
Loans to customers	27,737,322	14,632,878	11,116,799	26,952,581
Deposits from customers	29,619,111	20,039,610	13,901,238	23,020,119
Business outlets	396	962	779	22
Employees as at reporting date (full-time equivalents)	9,692	14,646	18,750	2,879
Customers in million	2.6	5.3	6.1	2.1

Significant changes in profit/loss are described below:

In Central Europe, profit after tax fell € 72,553 thousand year-on-year to € 346,309 thousand. This was mainly the result of a € 66,549 thousand decline in profit in Poland due to the sale of the Polish core banking operations. In Hungary, profit declined € 39,670 thousand as a result of higher net releases of loan loss provisions due to sales of non-performing loans in the previous year and the deconsolidation of a real estate fund. In contrast, the Czech Republic reported an increase in profit after tax of € 21,793 thousand, which was mainly attributable to higher net interest income.

In Southeastern Europe, the rise in the profit after tax of 30 per cent, or € 105,302 thousand, year-on-year was driven by a 17 per cent improvement in the operating result and positive development in the risk situation, especially in Romania and Croatia.

In Eastern Europe, the profit after tax remained virtually unchanged compared to the previous year despite the significant depreciation of Eastern European currencies. Net interest income increased while impairment losses were recognized on financial assets. As in the previous year, the Eastern Europe segment was affected by currency movements in the reporting period. The average exchange rate of the Russian ruble declined 11 per cent year-on-year, while those of the Belarusian ruble and Ukrainian hryvnia were down 9 per cent and 6 per cent respectively. Compared to the start of 2018, the reporting date exchange rate of the Russian ruble was down 13 per cent and that of the Belarusian ruble was down 5 per cent, while the Ukrainian hryvnia appreciated 6 per cent.

2018 in € thousand	Corporate Center	Reconciliation	Total
Net interest income	(31,640)	58,352	3,361,746
Dividend income	735,074	(724,649)	51,289
Net fee and commission income	(8,567)	(7,004)	1,791,290
Net trading income and fair value result	(95,364)	(16,340)	16,890
Net gains/losses from hedge accounting	216	(871)	(11,182)
Other net operating income	87,109	(136,263)	87,523
Operating income	**686,828**	**(826,776)**	**5,297,557**
General administrative expenses	(343,876)	127,238	(3,047,762)
Operating result	**342,952**	**(699,538)**	**2,249,796**
Other result	(160,221)	19,068	(160,867)
Levies and special governmental measures	(52,267)	0	(169,921)
Impairment losses on financial assets	(5,048)	(7,277)	(165,677)
Profit/loss before tax	**125,416**	**(687,747)**	**1,753,331**
Income taxes	85,116	(2)	(355,377)
Profit/loss after tax	**210,532**	**(687,749)**	**1,397,954**
Profit attributable to non-controlling interests	(55)	(9,476)	(128,116)
Profit/loss after deduction of non-controlling interests	**210,477**	**(697,225)**	**1,269,838**
Return on equity before tax	–	–	16.3%
Return on equity after tax	–	–	12.7%
Net interest margin (average interest-bearing assets)	–	–	2.50%
Cost/income ratio	–	–	57.5%
Loan/deposit ratio	–	–	98.4%
Provisioning ratio (average loans to customers)	–	–	0.21%
NPL ratio (non-banks)	–	–	3.8%
NPL coverage ratio (non-banks)	–	–	77.6%
Assets	35,330,538	(23,609,339)	140,115,155
Liabilities	22,338,240	(17,182,768)	127,701,798
Risk-weighted assets (total RWA)	16,258,753	(15,281,250)	72,671,743
Average equity	2,527,976	(2,356,251)	12,057,748
Loans to customers	3,038,165	(2,612,172)	80,865,573
Deposits from customers	4,381,397	(3,923,406)	87,038,070
Business outlets	–	–	2,159
Employees as at reporting date (full-time equivalents)	1,112	–	47,079
Customers in million	0.0	–	16.1

The strong increase in net income in the Group Corporates & Markets segment was mainly due to the positive development in terms of risk costs. Net releases of loan loss provisions of € 62,296 thousand were booked in the reporting period due to reversals of impairment losses and gains realized on the sale of non-performing loans, compared to impairment losses of € 136,827 thousand booked in the same period of the previous year due to defaults of some large corporate customers. The operating result was at the previous year's level.

The Corporate Center segment essentially comprises net income from the head office's governance functions and other Group units. Therefore, its results are generally more volatile. Profit after tax fell € 435,785 thousand or 67 per cent, reflecting a reduction of € 358,157 thousand in intra-Group dividend income, the loss of € 119,848 thousand from the sale of the Polish core banking operations and a negative effect of € 63,650 thousand from recycling of the accumulated exchange rate differences previously recognized in other comprehensive income.

Reconciliation comprises consolidation entries required to reconcile the individual segment results to the Group result. The financials of the segments are shown after elimination of intra-segment items. However, the inter-segment items are eliminated in the reconciliation. The main eliminations are dividend payments to head office and inter-segment revenues charged and expenses carried by the head office.

2017 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	950,210	731,403	982,328	587,010
Dividend income	4,862	5,247	3,460	18,945
Net fee and commission income	556,623	401,386	461,942	307,869
Net trading income and fair value result	50,135	21,498	53,421	81,474
Net gains/losses from hedge accounting	2,505	159	(20,109)	(574)
Other net operating income	6,229	29,504	(12,931)	103,998
Operating income	**1,570,565**	**1,189,197**	**1,468,111**	**1,098,721**
General administrative expenses	(886,866)	(677,877)	(600,400)	(648,033)
Operating result	**683,698**	**511,320**	**867,712**	**450,688**
Other result	(3,540)	(1,241)	(659)	(35,912)
Levies and special governmental measures	(90,832)	6,282	0	(20,741)
Impairment losses on financial assets	(59,449)	(112,504)	5,267	(136,827)
Profit/loss before tax	**529,877**	**403,858**	**872,319**	**257,208**
Income taxes	(111,015)	(57,494)	(183,767)	(48,044)
Profit/loss after tax	**418,861**	**346,364**	**688,552**	**209,164**
Profit attributable to non-controlling interests	(56,226)	(1,545)	(64,415)	(6,297)
Profit/loss after deduction of non-controlling interests	**362,635**	**344,818**	**624,136**	**202,866**
Return on equity before tax	17.3%	19.3%	51.2%	8.9%
Return on equity after tax	13.7%	16.6%	40.4%	7.2%
Net interest margin (average interest-bearing assets)	2.13%	3.44%	6.68%	1.44%
Cost/income ratio	56.5%	57.0%	40.9%	59.0%
Loan/deposit ratio	89.7%	72.8%	86.5%	142.9%
Provisioning ratio (average loans to customers)	0.20%	0.89%	(0.05)%	0.54%
NPL ratio (non-banks)	5.0%	7.5%	6.4%	4.9%
NPL coverage ratio (non-banks)	67.7%	81.0%	78.6%	48.2%
Assets	46,814,007	23,709,789	15,579,469	38,934,636
Liabilities	42,255,021	20,651,697	13,299,830	40,364,857
Risk-weighted assets (total RWA)	24,807,401	14,484,972	11,246,675	20,153,648
Average equity	3,061,044	2,090,372	1,702,437	2,890,796
Loans to customers	30,281,146	13,064,195	10,030,722	22,843,243
Deposits from customers	35,606,413	18,275,469	11,730,760	20,933,975
Business outlets	631	978	775	25
Employees as at reporting date (full-time equivalents)	13,069	14,792	18,132	2,680
Customers in million	3.4	5.4	5.7	2.0

2017 in € thousand	Corporate Center	Reconciliation	Total
Net interest income	(2,795)	(23,318)	3,224,837
Dividend income	1,093,231	(1,090,636)	35,109
Net fee and commission income	(8,418)	(530)	1,718,872
Net trading income and fair value result	(116,144)	(54,912)	35,473
Net gains/losses from hedge accounting	5,595	(3,105)	(15,530)
Other net operating income	64,040	(91,326)	99,514
Operating income	**1,035,508**	**(1,263,828)**	**5,098,274**
General administrative expenses	(320,455)	122,732	(3,010,898)
Operating result	**715,053**	**(1,141,096)**	**2,087,376**
Other result	(42,263)	83,783	168
Levies and special governmental measures	(58,059)	0	(163,350)
Impairment losses on financial assets	(2,681)	(5,936)	(312,131)
Profit/loss before tax	**612,050**	**(1,063,248)**	**1,612,063**
Income taxes	34,267	0	(366,054)
Profit/loss after tax	**646,317**	**(1,063,248)**	**1,246,009**
Profit attributable to non-controlling interests	(7)	(1,462)	(129,953)
Profit/loss after deduction of non-controlling interests	**646,310**	**(1,064,710)**	**1,116,056**
Return on equity before tax	–	–	16.2%
Return on equity after tax	–	–	12.5%
Net interest margin (average interest-bearing assets)	–	–	2.48%
Cost/income ratio	–	–	59.1%
Loan/deposit ratio	–	–	95.4%
Provisioning ratio (average loans to customers)	–	–	0.41%
NPL ratio (non-banks)	–	–	5.7%
NPL coverage ratio (non-banks)	–	–	67.0%
Assets	30,981,463	(20,873,023)	135,146,340
Liabilities	21,650,120	(14,316,536)	123,904,990
Risk-weighted assets (total RWA)	13,883,738	(12,674,263)	71,902,171
Average equity	2,129,028	(1,918,193)	9,955,484
Loans to customers	3,661,859	(2,136,140)	77,745,025
Deposits from customers	1,397,751	(2,970,251)	84,974,116
Business outlets	–	–	2,409
Employees as at reporting date (full-time equivalents)	1,027	–	49,700
Customers in million	0.0	–	16.5

Notes

Principles underlying the consolidated financial statements

Principles of preparation

The 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). All standards published by the IASB as International Accounting Standards and adopted by the EU have been applied to the financial statements. The consolidated financial statements also satisfy the requirements of Section 245a of the Austrian Commercial Code (UGB) and Section 59a of the Austrian Banking Act (BWG) regarding exempting consolidated financial statements that comply with internationally accepted accounting principles. IAS 20, IAS 41 and IFRS 6 have not been applied as there were no relevant business transactions in the Group.

A financial asset is recognized when it is probable that the future economic benefits will flow to the company and the acquisition or production costs or another value can be reliably measured. A financial liability is recognized when it is probable that an outflow of resources embodying economic benefits will result from the settlement of the obligation and the amount at which the settlement will take place can be measured reliably. An exception is certain financial instruments which are recognized at fair value at the reporting date. Revenue is recognized if the conditions of IFRS 15 are met and if it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

The consolidated financial statements are based on the reporting packages of all fully consolidated Group members, which are prepared according to IFRS rules and uniform Group standards. All of the main fully consolidated companies prepare their annual financial statements as at and for the year ended 31 December. Some IFRS details which are included 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.

As of 1 January 2018, the provisions of the new accounting standard for financial instruments (IFRS 9) became effective. Further details regarding the first-time adoption of IFRS 9 can be found in this section. The changes and impacts of the new provisions are presented in the section IFRS 9 transition. The comparative information was not adjusted in accordance with IFRS 9.7.2.15 and has consequently been prepared in accordance with the provisions of IAS 39. The accounting policies in accordance with IAS 39 are explained in the consolidated financial statements for 2017 (see Annual Report 2017, page 218 ff).

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

Key sources of estimation uncertainty and critical accounting judgments

If estimates or assessments are necessary for accounting and measuring under IAS/IFRS rules, they are made in accordance with the respective standards. They are based on past experience and other factors, such as planning and expectations or forecasts of future events that appear likely. The estimates and underlying assumptions are reviewed on an ongoing basis. Alterations to estimates that affect only one period will be taken into account only in that period. If the following reporting periods are also affected, the alterations will be taken into consideration in the current and following periods. The critical assumptions, estimates and accounting judgments are as follows:

Impairment in the lending business

The impairment model according to IFRS 9 differs materially from the impairment model of IAS 39. In the impairment model pursuant to IFRS 9, in contrast to IAS 39, provisions are recognized for expected losses. The application of RBI's accounting policies requires accounting judgments of the management. RBI assesses on a forward-looking basis the expected credit losses associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments, leasing receivables and financial guarantee contracts. The calculation of expected credit losses (ECL) requires the use of accounting estimates that by definition rarely match actual results. The amount of impairment to be allocated depends on the change in the default risk of a financial instrument after it was added. In order to determine the amount of the impairment, significant credit risk parameters such as PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure at Default) as well as future-oriented information (economic forecasts) are to be estimated by management. The provision for credit risks is adjusted for this expected loss at each reporting date. The methods for determining the amount of the impairment are explained in the section Impairment general (IFRS 9). The quantitative effects of the first-time adoption of IFRS 9 as of 1 January 2018 are presented in the section IFRS 9 transition.

Fair value of financial instruments

Fair value is the price received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This applies regardless of whether the price can be directly observed or has been estimated on the basis of a measurement method. In determining the fair value of an asset or liability, the Group considers certain features of the asset or liability (e.g. condition and location of the asset, or restrictions in the sale and use of an asset) if market participants would also consider such features in determining the price for the acquisition of the respective asset or for the transfer of the liability at the measurement date. Where the market for a financial instrument is not active, fair value is established using a valuation technique or pricing model. For valuation methods and models, estimates are generally used depending on the complexity of the instrument and the availability of market-based data. The inputs to these models are derived from observable market data where possible. Under certain circumstances, valuation adjustments are necessary to account for other factors such as model risk, liquidity risk or credit risk. The valuation models are described in the notes in the section on financial instruments – recognition and measurement. In addition, the fair values of financial instruments are disclosed in the notes under (31) Fair value of financial instruments.

Provision for pensions and similar obligations

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. The interest rate used to discount the Group's defined benefit obligations is determined on the basis of the yields obtained in the market at the balance sheet date for high quality fixed-income corporate bonds. Considerable discretion has to be exercised in this connection in setting the criteria for the selection of the corporate bonds representing the universe from which the yield curve is derived. Mercer´s recommendation is used to determine the discount rate. The main criteria for the selection of such corporate bonds are the issuance volumes of the bonds, the quality of the bonds and the identification of outliers, which are not considered. Assumptions and estimates used for the defined benefit obligation calculations are described in the section on pension obligations and other termination benefits. Quantitative information on long-term employee provisions are disclosed in the notes under (27) Provisions for liabilities and charges.

Impairment of non-financial assets

Certain non-financial assets, including goodwill and other intangible assets are subject to an annual impairment test. Goodwill and other intangible assets are tested more frequently if events or changes in circumstances, such as an adverse change in the business climate, indicate that these assets may be impaired. The determination of the recoverable amount in the context of the impairment test requires judgments and assumptions to be made by management. As amendments in the underlying conditions and assumptions could result in significant differences to the amounts reported, the Group considers these estimates to be critical. Details concerning the impairment test of non-financial assets are disclosed in the section on business combinations. Additionally, the carrying amounts of goodwill are presented in the notes under (20) Tangible and intangible fixed assets.

Deferred tax assets

Deferred tax assets are recognized only to the extent that it is probable that in the future sufficient taxable profit will be available against which those tax loss carry-forwards, tax credits or deductible temporary differences can be utilized. A planning period of five years is used to this end. This assessment requires significant judgments and assumptions to be made by management. In determining the amount of deferred tax assets, the management uses historical tax capacity and profitability information and, if relevant, forecasted operating results based upon approved business plans, including a review of the eligible carry-forward period.

Deferred taxes are not reported separately in the income statement and are disclosed under comprehensive income and in the notes under (11) Income taxes. By contrast, deferred taxes are shown separately in the statement of financial position in the notes under (21) Tax assets and (28) Tax liabilities.

Leasing agreements

To distinguish between finance leases on the one hand and operating leases on the other, judgments have to be made from the view of the lessor, the criterion being the transfer of substantially all risks and rewards from the lessor to the lessee. Details are provided in (57) Finance leases and (58) Operating leases.

Control

According to IFRS 10, a Group controls an investee if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 also provides specific information on the acknowledgement or assessment of potential voting rights, codecision rights or protective rights of third parties and constellations that are characterized by delegated or retained decision-making rights or de facto control. Whether control exists requires a comprehensive assessment (i.e. requiring discretion) of the economic influence of the parent company over the investee. Details are provided in (68) Group composition.

Interests in structured entities

According to IFRS 12, structured entities are companies that have been designed so that voting or similar rights are not the determining factor in deciding who controls the company. This applies, for example, when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. For the purposes of this IFRS, an interest in another entity is a contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity.

Assessment of which companies are structured entities and what involvement in such companies actually represents an interest, requires judgments to be made. Details are provided in (68) Group composition, in the section structured entities.

Application of new and revised standards

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

As of 1 January 2018, the provisions of the new accounting standard for financial instruments (IFRS 9) became effective. Changes in accounting standards resulting from the application of IFRS 9 have generally been applied retrospectively, with the exception of those described below:

RBI took advantage of the exemption allowing it not to restate comparative information for prior periods with to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the application of IFRS 9 were recognized in retained earnings as of 1 January 2018. The following assessments had to be made on the basis of the facts and circumstances existing at the time of first application:

- The determination of the business model in which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities measured at FVTPL.
- The designation of certain strategic investments not held for trading as at FVOCI.

As permitted by IFRS 9, RBI utilized the option to continue to apply IAS 39 hedge accounting requirements.

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

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

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

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

For subsequent measurement of financial assets measured at amortized cost, IFRS 9 provides for three stages which determine the expected amount of losses to be recognized and the recognition of interest. Stage 1 requires, at the time of initial recognition, the recognition of the present value of twelve-month expected credit losses. If there is a significant increase in the credit risk, the loan loss provision must be increased up to the amount of the expected full lifetime loss (Stage 2). When there is an objective indication of impairment, the interest in Stage 3 must be recognized on the basis of the net carrying amount.

The methods for determining the amount of impairment are explained in the section impairment general (IFRS 9). The quantitative effects of the application of IFRS 9 as at 1 January 2018 are shown in the section IFRS 9 transition.

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

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

The accounting rules apply a five-step model for all customer agreements to determine how and when income is recognized. However, they have no effect on the recognition of income arising in connection with financial instruments within the scope of IFRS 9 or in connection with the recognition of leases in accordance with IAS 17. IFRS 15 now replaces several other IFRS standards, e.g. IAS 18 Revenue and IAS 11 Construction Contracts as well as interpretations that determine the timing of revenue recognition under IFRS. In addition, the new rules require the provision of more meaningful and relevant disclosures in the notes to the financial statements. The IASB published clarifications to IFRS 15 in 2016. These amendments address three of the five issues identified (identification of contractual obligations, principal/agent considerations and licenses) and aim at facilitating the transition for modified and concluded contracts. As the focus of IFRS 15 is not on the recognition of revenues from financial instruments and leases, and as this IFRS is by definition only a subsidiary standard to IFRS 9 and IAS 17 for revenues from banking and leasing, its first-time adoption does not have any material impact on the consolidated financial statements of RBI or the consolidated statement of changes in equity, as can be seen from the following remarks. RBI has decided to apply the modified retrospective method, which also means that no adjustments are made to comparative information in the 2018 reporting period.

As a general rule, only those fees and charges that are not to be regarded as an integral part of the effective interest rate and are therefore not directly related to the granting of the loan or the creation of the financial instrument fall within the scope of IFRS 15. Therefore, the fees and charges to be recognized in net interest income in accordance with IFRS 9 do not fall within the scope of IFRS 15, as they are components of the effective interest rate and are to be amortized over the term of the financial instrument, irrespective of whether they are agreed in advance or in arrears.

Fees and charges that fall within the scope of IFRS 15 due to their economic substance are either recognized in profit or loss on the date on which the service is rendered or are deferred and recognized on a straight-line basis. Due to the fact that income within the scope of IFRS 15 includes performance fees for services in loan administration and management, which have already been deferred as commission income under IAS 18 and must also be deferred under IFRS 15, no effect arises in relation to net commission income.

Loan syndication fees may be cited as an example of income received directly at the time of performance in accordance with the provisions of IFRS 15, provided that they are clearly to be regarded as service fees from syndicated transactions because of their economic substance, because the arranging company itself does not retain any part of the loan package for itself, or because the lead manager itself is also involved, although the service fee is clearly declared or determinable under the syndication.

A distinction must be made between those cases in which the lead manager itself is involved, the effective interest rate is not risk-adequate and the syndication fee is intended to compensate for this excessively low interest rate, as IFRS 9 is applied in these cases.

Where fees are charged to customers in the lending business, such as land registration fees, these are recognized immediately as income in the same way as under IAS 18.

In connection with customer loyalty programs (e.g. cash back agreements or credits based on accrued airline miles), the resulting consideration (e.g. credits) is recognized at RBI as a reduction in revenue due to the recognition required by IFRS 15. This represents a change in presentation compared with prior periods within the scope of IAS 18, but had no impact on total comprehensive income.

Multi-component contracts exist only to a minor extent in the Group and, due to their immateriality, no noteworthy effects arose in relation to IFRS reporting in the reporting period.

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

The amendments aim to mitigate the consequences resulting from different first-time effective dates for the application of IFRS 9 and the successor standard to IFRS 4, especially for companies whose activities are predominantly connected with insurance. Two optional approaches are being introduced which can be used by insurers if certain requirements are met: the overlay approach and the deferral approach. The application of these amendments had no effect on the consolidated financial statements of RBI.

Amendments to IFRS 2 (Share-based payment; entry into force 1 January 2018)

The amendments deal with individual issues related to the accounting of cash-settled share-based payments. The principal amendment/addition relates to the fact that IFRS 2 now contains provisions which relate to the calculation of the fair value of the obligations resulting from share-based payments. The adoption of these amendments had no impact on RBI's consolidated financial statements.

Amendments to IAS 40 (Classification of investment property under construction; entry into force from 1 January 2018)

The amendments serve to clarify the provisions related to transfers to or from the investment property portfolio. In particular, the amendments clarify whether property is under construction or development which was previously classified under inventories can be transferred to investment property when there is an evident change of use. The adoption of these amendments had no impact on RBI's consolidated financial statements.

Annual improvements to IFRS – cycle 2014-2016 (entry into force 1 January 2017/2018)

The amendments concern in detail:

- IFRS 1 First-time adoption of International Financial Reporting Standards: Deletion of the remaining temporary relief provisions for first-time adopters.
- IAS 28 Investments in associates and joint ventures: clarification that the option to measure an investment in an associated entity or joint venture held by a venture capital company or other qualifying entity may be exercised differently for each investment.

The adoption of these amendments had no impact on RBI's consolidated financial statements.

IFRIC 22 (Foreign currency transactions and advance consideration, entry into force 1 January 2018)

This interpretation clarifies the accounting for transactions that include the receipt or payment of considerations in a foreign currency. The application of this interpretation had no impact on the consolidated financial statements of RBI.

Changes in the presentation of the financial statements

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

The change also made it necessary to adapt the presentation of the comparable period and the comparable reporting date. The following tables show the reconciliation of the categories presented at 31 December 2017 to the new accounting format. The explanatory notes and consequences in relation to IFRS 9 are shown separately for each measurement category in the next chapter and are already based on the adapted figures. The column headings represent the previous items on the statement of financial position, while the line headers reflect the new presentation of the statement of financial position:

Assets 31/12/2017 in € thousand	Cash reserve	Loans to banks	Loans to customers	Impairment losses on loans and advances	Trading assets	Deriva-tives
Cash, cash balances at central banks and other demand deposits	13,329,782	3,575,673	0	0	0	0
Financial assets - amortized cost	0	10,782,573	81,219,706	(3,102,348)	0	0
Financial assets - fair value through other comprehensive income	0	0	0	0	0	0
Non-trading financial assets - mandatorily fair value through profit/loss	–	–	–	–	–	–
Financial assets - designated fair value through profit/loss	0	0	12,647	0	0	0
Financial assets - held for trading	0	0	0	0	3,941,757	414,751
Hedge accounting	0	0	0	0	0	521,959
Investments in subsidiaries and associates	0	0	0	0	0	0
Tangible fixed assets	0	0	0	0	0	0
Intangible fixed assets	0	0	0	0	0	0
Current tax assets	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
Total	**13,329,782**	**14,358,246**	**81,232,353**	**(3,102,348)**	**3,941,757**	**936,710**

Equity and liabilities 31/12/2017 in € thousand	Deposits from banks	Deposits from customers	Debt securities issued	Provisions for liabilities and charges	Trading liabilities
Financial liabilities - amortized cost	21,674,563	84,831,440	4,765,327	0	0
Financial liabilities - designated fair value through profit/loss	616,867	0	1,119,810	0	0
Financial liabilities - held for trading	0	0	0	0	4,256,546
Hedge accounting	0	0	0	0	0
Provisions for liabilities and charges	0	0	0	872,417	0
Current tax liabilities	0	0	0	74,678	0
Deferred tax liabilities	0	0	0	63,315	0
Other liabilities	0	0	0	0	0
Equity	0	0	0	0	0
Total	**22,291,431**	**84,831,440**	**5,885,137**	**1,010,410**	**4,256,546**

Assets 31/12/2017 in € thousand	Financial investments	Investments in associates	Intangible fixed assets	Tangible fixed assets	Other assets	Total assets
Cash, cash balances at central banks and other demand deposits	0	0	0	0	0	16,905,455
Financial assets - amortized cost	7,221,213	0	0	0	186,242	96,307,387
Financial assets - fair value through other comprehensive income	6,589,446	0	0	0	0	6,589,446
Non-trading financial assets - mandatorily fair value through profit/loss	–	–	–	–	–	–
Financial assets - designated fair value through profit/loss	5,357,381	0	0	0	0	5,370,028
Financial assets - held for trading	265,529	0	0	0	0	4,622,037
Hedge accounting	0	0	0	0	74,604	596,563
Investments in subsidiaries and associates	194,314	728,945	0	0	0	923,259
Tangible fixed assets	0	0	0	1,540,194	0	1,540,194
Intangible fixed assets	0	0	720,935	0	0	720,935
Current tax assets	0	0	0	0	189,204	189,204
Deferred tax assets	0	0	0	0	114,313	114,313
Other assets	0	0	0	0	1,267,519	1,267,519
Total	**19,627,884**	**728,945**	**720,935**	**1,540,194**	**1,831,881**	**135,146,339**

Equity and liabilities 31/12/2017 in € thousand	Derivatives	Other liabilities	Subordinated capital	Equity	Total equity and liabilities
Financial liabilities - amortized cost	0	506,748	3,016,033	0	114,794,111
Financial liabilities - designated fair value through profit/loss	0	0	771,944	0	2,508,622
Financial liabilities - held for trading	157,931	0	0	0	4,414,477
Hedge accounting	204,508	60,079	0	0	264,587
Provisions for liabilities and charges	0	3	0	0	872,420
Current tax liabilities	0	0	0	0	74,678
Deferred tax liabilities	0	0	0	0	63,315
Other liabilities	0	912,780	0	0	912,780
Equity	0	0	0	11,241,350	11,241,350
Total	**362,439**	**1,479,610**	**3,787,977**	**11,241,350**	**135,146,339**

The following tables show the reconciliation of the categories presented on 1 January 2017 to the new accounting format. The column headings represent the previous items on the statement of financial position, while the line headers reflect the new presentation of the statement of financial position:

Assets 1/1/2017 in € thousand	Cash reserve	Loans to banks	Loans to customers	Impairment losses on loans and advances	Trading assets	Derivatives
Cash, cash balances at central banks and other demand deposits	16,838,583	4,463,205	0	0	0	0
Financial assets - amortized cost	0	6,518,150	79,753,390	(5,245,078)	0	0
Financial assets - fair value through other comprehensive income	0	0	0	0	0	0
Non-trading financial assets - mandatorily fair value through profit/loss	-	-	-	-	-	-
Financial assets - designated fair value through profit/loss	0	0	15,689	0	0	0
Financial assets - held for trading	0	0	0	0	4,944,112	616,322
Hedge accounting	0	0	0	0	0	644,693
Investments in subsidiaries and associates	0	0	0	0	0	0
Tangible fixed assets	0	0	0	0	0	0
Intangible fixed assets	0	0	0	0	0	0
Current tax assets	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
Total	**16,838,583**	**10,981,356**	**79,769,079**	**(5,245,078)**	**4,944,112**	**1,261,015**

Equity and liabilities 1/1/2017 in € thousand	Deposits from banks	Deposits from customers	Debt securities issued	Provisions for liabilities and charges	Trading liabilities
Financial liabilities - amortized cost	24,059,774	79,573,276	7,153,963	0	0
Financial liabilities - designated fair value through profit/loss	0	751,720	1,373,418	0	0
Financial liabilities - held for trading	0	0	0	0	5,067,584
Hedge accounting	0	0	0	0	0
Provisions for liabilities and charges	0	0	0	869,867	0
Current tax liabilities	0	0	0	77,046	0
Deferred tax liabilities	0	0	0	88,717	0
Other liabilities	0	0	0	0	0
Equity	0	0	0	0	0
Total	**24,059,774**	**80,324,996**	**8,527,381**	**1,035,629**	**5,067,584**

Assets 1/1/2017 in € thousand	Financial investments	Investments in associates	Intangible fixed assets	Tangible fixed assets	Other assets	Total assets
Cash, cash balances at central banks and other demand deposits	0	0	0	0	0	21,301,789
Financial assets - amortized cost	8,218,726	0	0	0	476,161	89,721,349
Financial assets - fair value through other comprehensive income	4,524,370	0	0	0	0	4,524,370
Non-trading financial assets - mandatorily fair value through profit/loss	-	-	-	-	-	-
Financial assets - designated fair value through profit/loss	8,473,211	0	0	0	0	8,488,900
Financial assets - held for trading	0	0	0	0	0	5,560,434
Hedge accounting	0	0	0	0	37,699	682,392
Investments in subsidiaries and associates	213,924	775,035	0	0	0	988,958
Tangible fixed assets	0	0	0	1,842,621	0	1,842,621
Intangible fixed assets	0	0	676,518	0	0	676,518
Current tax assets	0	0	0	0	183,634	183,634
Deferred tax assets	0	0	0	0	172,849	172,849
Other assets	0	0	0	0	660,584	660,584
Total	**21,430,231**	**775,035**	**676,518**	**1,842,621**	**1,530,927**	**134,804,399**

Equity and liabilities 1/1/2017 in € thousand	Derivatives	Other liabilities	Subordinated capital	Equity	Total equity and liabilities
Financial liabilities - amortized cost	0	385,506	3,578,993	0	114,751,511
Financial liabilities - designated fair value through profit/loss	0	0	658,510	0	2,783,648
Financial liabilities - held for trading	371,790	0	0	0	5,439,374
Hedge accounting	407,666	57,564	0	0	465,230
Provisions for liabilities and charges	0	0	0	0	869,867
Current tax liabilities	0	0	0	0	77,046
Deferred tax liabilities	0	0	0	0	88,717
Other liabilities	0	577,423	0	0	577,423
Equity	0	0	0	9,751,583	9,751,583
Total	**779,456**	**1,020,492**	**4,237,503**	**9,751,583**	**134,804,399**

The following table shows the reconciliation of the **2017 income statement** to the new format. The column headings represent the previous items on the statement of financial position, while the line headers reflect the new presentation of the statement of financial position:

in € thousand	Net interest income	Net provisioning for impairment losses	Net fee and commission income	Net trading income	Net income from derivatives and liabilities
Net interest income	3,112,189	0	0	112,648	0
Dividend income	35,109	0	0	0	0
Net fee and commission income	0	0	1,718,872	0	0
Net trading income and fair value result	0	0	0	131,702	(25,392)
Net gains/losses from hedge accounting	0	0	0	0	(15,530)
Other net operating income	0	0	0	0	0
Operating income	**3,147,298**	**0**	**1,718,872**	**244,350**	**(40,921)**
Staff expenses	0	0	0	0	0
Other administrative expenses	0	0	0	0	0
Depreciation	0	0	0	0	0
General administrative expenses	**0**	**0**	**0**	**0**	**0**
Operating result	**3,147,298**	**0**	**1,718,872**	**244,350**	**(40,921)**
Other result	60,420	0	0	0	0
Levies and special governmental measures	0	0	0	0	0
Impairment losses on financial assets	0	(286,899)	0	0	0
Profit/loss before tax	**3,207,718**	**(286,899)**	**1,718,872**	**244,350**	**(40,921)**

in € thousand	Net income from financial investments	General administrative expenses	Other net operating income	Net income from disposal of group assets	Profit/loss before tax
Net interest income	0	0	0	0	3,224,837
Dividend income	0	0	0	0	35,109
Net fee and commission income	0	0	0	0	1,718,872
Net trading income and fair value result	(70,839)	0	0	0	35,473
Net gains/losses from hedge accounting	0	0	0	0	(15,530)
Other net operating income	0	0	99,514	0	99,514
Operating income	**(70,839)**	**0**	**99,514**	**0**	**5,098,274**
Staff expenses	0	(1,553,800)	0	0	(1,553,800)
Other administrative expenses	0	(1,157,387)	0	0	(1,157,387)
Depreciation	0	(299,712)	0	0	(299,712)
General administrative expenses	**0**	**(3,010,898)**	**0**	**0**	**(3,010,898)**
Operating result	**(70,839)**	**(3,010,898)**	**99,514**	**0**	**2,087,376**
Other result	(12,295)	(28,665)	(17,652)	(1,640)	168
Levies and special governmental measures	0	(64,650)	(98,700)	0	(163,350)
Impairment losses on financial assets	0	0	(25,232)	0	(312,131)
Profit/loss before tax	**(83,133)**	**(3,104,213)**	**(42,070)**	**(1,640)**	**1,612,063**

Net interest income: Dividend income was removed from net interest income and shown as a separate item dividend income. The current income from associates was reported under net interest income until 2017 and is now reported under other result.

Net interest income, net trading income and fair value result Adjustments in accordance with IFRS 9/FINREP

Impairment: Impairment losses on non-financial assets are now recognized in other result, while impairment losses on loans, advances and bonds are recognized directly in impairment losses on financial assets.

Levies and special governmental measures: Bank levies, bank charges from banking business due to governmental measures as well as resolution funds are now combined under levies and special governmental measures.

IFRS 9 transition

This section contains an analysis of the transition from the figures reported as at 31 December 2017 to those after the first-time adoption of IFRS 9 as at 1 January 2018. The transition provisions for IFRS 9 do not require any retroactive application to earlier reporting periods; consequently, the effect of the first-time adoption is reflected in the equity of the opening balance for the 2018 financial year. The transition effect shown in equity amounted to minus € 169,438 thousand.

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

Overview - IFRS 9 transition

Assets in € thousand	IAS 39 Carrying amount 31/12/2017	Reclassi- fications	Remeasure- ments	IFRS 9 Carrying amount 1/1/2018
Financial assets - amortized cost	96,307,387	(54,533)	(255,311)	95,997,543
Financial assets - fair value through other comprehensive income	6,589,446	368,486	3,413	6,961,345
Non-trading financial assets - mandatorily fair value through profit/loss	–	563,486	7,277	570,763
Financial assets - designated fair value through profit/loss	5,370,028	(853,669)	0	4,516,359
Financial assets - held for trading	4,622,036	(23,770)	0	4,598,266
Deferred taxes	114,313	0	35,316	149,629
Total	**113,003,210**	**0**	**(209,305)**	**112,793,905**

Equity and liabilities in € thousand	IAS 39 Carrying amount 31/12/2017	Reclassi- fications	Remeasure- ments	IFRS 9 Carrying amount 1/1/2018
Financial liabilities - amortized cost	114,794,111	447,781	0	115,241,892
Financial liabilities - designated fair value through profit/loss	2,508,622	(447,781)	(69,938)	1,990,903
Financial liabilities - held for trading	4,414,477	0	0	4,414,477
Provisions for loan commitments, financial guarantees and other commitments given	118,615	0	30,070	148,685
Liabilities	**121,835,825**	**0**	**(39,868)**	**121,795,957**
Equity	**11,241,350**	**0**	**(169,438)**	**11,071,912**
Total	**133,077,174**	**0**	**(209,305)**	**132,867,869**

Transition financial assets – amortized cost

The reclassification of € 313,599 thousand relates to subtractions of loans and advances to customers that have contractual cash flows that are not solely payments of principal and interest and thus have to mandatorily be measured at fair value. In addition, debt instruments which are also to be allocated to this measurement category had additions from financial assets – fair value through other comprehensive income (€ 159,526 thousand) and to a lesser extent from other measurement categories where the underlying business model and the structure of the debt instruments necessitated presentation in the category amortized cost.

The carrying amount of the assets reclassified from financial assets – designated fair value through profit / loss, financial assets – held for trading and financial assets – available for sale (IAS 39) to financial assets – amortized cost amounted to € 295,388 thousand at the date of reclassification. As at 31 December 2018, the fair value was € 271,997 thousand. If no reclassification had been applied this would have led to a contribution to earnings of minus € 3,100 thousand in the income statement and € 2,355 thousand in other comprehensive income. For financial assets reclassified from financial assets – designated fair value through profit / loss to financial assets – amortized cost, the weighted effective interest rate at the time of reclassification was 4.18 per cent. The interest income recognized amounted to € 5,064 thousand.

in € thousand	IAS 39 Carrying amount 31/12/2017	Reclassifications	Remeasurements	IFRS 9 Carrying amount 1/1/2018	Retained earnings 1/1/2018	Cumulative other comprehensive income 1/1/2018
Debt instruments	**7,834,784**	**259,066**	**(13,643)**	**8,080,207**	**(10,524)**	**(3,119)**
Additions from financial assets - held for trading	–	58,845	(5,772)	–	(5,772)	–
Additions from financial assets - designated fair value through profit/loss	–	77,018	(2,438)	–	(2,438)	–
Additions from financial assets - fair value through other comprehensive income	–	159,526	(3,107)	–	(17)	(3,090)
Required subtractions to non-trading financial assets - mandatorily fair value through profit/loss	–	(20,394)	0	–	–	–
Elected subtractions to financial assets - fair value through other comprehensive income	–	(15,929)	0	–	–	–
Loans and advances	**88,472,602**	**(313,599)**	**(241,668)**	**87,917,336**	**(241,668)**	**–**
Required subtractions to non-trading financial assets - mandatorily fair value through profit/loss	–	(313,599)	0	–	–	–
Total	**96,307,387**	**(54,533)**	**(255,311)**	**95,997,543**	**(252,192)**	**(3,119)**

Transition financial assets – fair value through other comprehensive income

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

The carrying amount of assets reclassified from the categories financial assets – designated fair value through profit / loss, financial assets – held for trading and financial assets – available for sale (IAS 39) to financial assets – fair value through other comprehensive income amounted to € 521,685 thousand at the date of reclassification. As of 31 December 2018, the fair value was € 326,512 thousand. If no reclassification had been applied, this would have led to a profit contribution of minus € 537 thousand in the income statement. For financial assets reclassified from financial assets – designated fair value through profit/loss to financial assets – fair value through other comprehensive income, the weighted effective interest rate at the time of reclassification was 4.24 per cent. The interest income recognized amounted to € 29,832 thousand.

in € thousand	IAS 39 Carrying amount 31/12/2017	Reclassi-fications	Remeasure-ments	IFRS 9 Carrying amount 1/1/2018	Retained earnings 1/1/2018	Cumulative other compre-hensive income 1/1/2018
Equity instruments	**297,685**	**1,187**	**3,390**	**302,262**	**(40)**	**3,430**
Additions from financial assets - designated fair value through profit/loss	–	1,187	0	–	(40)	40
Additions from financial assets - fair value through other comprehensive income	–	0	0	–	–	3,390
Debt instruments	**6,291,761**	**367,299**	**23**	**6,659,083**	**(3,181)**	**3,204**
Additions from financial assets - designated fair value through profit/loss	–	521,685	0	–	(2,585)	2,585
Additions from financial assets - held to maturity	–	15,929	23	–	0	23
Elected subtractions to financial assets - amortized cost	–	(159,526)	0	–	–	–
Elected subtractions to financial assets - designated fair value through profit/loss	–	(10,790)	0	–	–	–
Loans and advances	**0**	**0**	**0**	**0**	**0**	**0**
Total	**6,589,446**	**368,486**	**3,413**	**6,961,345**	**(3,220)**	**6,634**

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

Financial assets which are not held for trading, which additionally do not meet the criteria for classification as assets and are subsequently to be measured at amortized cost or at FVOCI are classified as assets which are subsequently to be measured at fair value through profit/loss. This measurement category includes largely additions of loans and advances to customers that have contractual cash flows that are not solely payments of principal and interest and thus have to mandatorily be measured at fair value (€ 301,529 thousand). Affected are loans and other debt instruments which include incongruent interest components and did not pass the required quantitative test (see also section classification and measurement of financial assets and financial liabilities). The resulting elected or required reclassifications in the form of additions and subtractions from the former IAS 39 measurement categories are shown in the table below.

in € thousand	IAS 39 Carrying amount 31/12/2017	Reclassi-fications	Remeasure-ments	IFRS 9 Carrying amount 1/1/2018	Retained earnings 1/1/2018	Cumulative other compre-hensive income 1/1/2018
Equity instruments	**–**	**78,335**	**0**	**78,335**	**0**	**–**
Additions from financial assets - designated fair value through profit/loss	–	78,335	0	–	–	–
Debt instruments	**–**	**183,623**	**583**	**184,206**	**583**	**–**
Additions from financial assets - designated fair value through profit/loss	–	151,159	0	–	–	–
Additions from financial assets - loans and receivables	–	12,070	0	–	0	–
Additions from financial assets - held to maturity	–	20,394	583	–	583	–
Loans and advances	**–**	**301,529**	**6,694**	**308,223**	**6,694**	**–**
Additions from financial assets - loans and receivables	–	301,529	6,694	–	6,694	–
Total	**–**	**563,486**	**7,277**	**570,763**	**7,277**	**–**

Transition financial assets – designated fair value through profit/loss

Because of cancellations of equity instruments and debt instruments designated at fair value under IAS 39, subtractions from financial assets – designated fair value through profit/loss which were required or voluntary pursuant to IFRS 9 had to be reversed. Essentially, debt instruments of € 752,329 thousand and equity instruments of € 101,339 thousand were reclassified from financial assets – designated fair value through profit/loss. The resulting discretionary or required reclassifications in the form of additions and subtractions from the former IAS 39 measurement categories are shown in the table below.

in € thousand	IAS 39 Carrying amount 31/12/2017	Reclassi-fications	Remeasure-ments	IFRS 9 Carrying amount 1/1/2018	Retained earnings 1/1/2018	Cumulative other compre-hensive income 1/1/2018
Equity instruments	**101,339**	**(101,339)**	**0**	**0**	**0**	**0**
Required subtractions to non-trading financial assets - held for trading	–	(21,817)	0	–	–	–
Elected subtractions to financial assets - fair value through other comprehensive income	–	(1,187)	0	–	–	–
Elected subtractions to non-trading financial assets - mandatorily fair value through profit/loss	–	(78,335)	0	–	–	–
Debt instruments	**5,255,045**	**(752,329)**	**0**	**4,502,715**	**859**	**(859)**
Additions from financial assets - fair value through other comprehensive income	–	10,790	0	–	859	(859)
Required subtractions to financial assets - held for trading	–	(13,257)	0	–	–	–
Required subtractions to financial assets - fair value through other comprehensive income	–	(385,404)	0	–	–	–
Elected subtractions to non-trading financial assets - mandatorily fair value through profit/loss	–	(151,159)	0	–	–	–
Elected subtractions to financial assets - fair value through other comprehensive income	–	(136,281)	0	–	–	–
Elected subtractions to financial assets - amortized cost	–	(77,018)	0	–	–	–
Loans and advances	**13,644**	**0**	**0**	**13,644**	**0**	**0**
Total	**5,370,028**	**(853,669)**	**0**	**4,516,359**	**859**	**(859)**

Transition financial assets – held for trading

Additions to financial assets – held for trading amounting to € 13,257 thousand are made largely from financial assets which, according to IAS 39 were voluntarily measured as designated at fair value. However, these options are limited under IFRS 9 because a financial asset can only be measured as designated at fair value through profit/loss if doing so prevents or significantly reduces a measurement or recognition inconsistency – i.e. an accounting mismatch. Where this condition was not met, the Group was, in many cases, required to reclassify equities and debt instruments under financial assets held for trading.

Subtractions, due to reclassifications from assets held for trading to the measurement category financial assets – amortized cost, amounting to € 58,845 thousand were made where the two conditions were fulfilled that the asset is held within a business model whose objective is achieved by managing assets in order to collect contractual cash flows and where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

in € thousand	IAS 39 Carrying amount 31/12/2017	Reclassi-fications	Remeasure-ments	IFRS 9 Carrying amount 1/1/2018	Retained earnings 1/1/2018	Cumulative other compre-hensive income 1/1/2018
Derivatives	**2,138,375**	**0**	**0**	**2,138,375**	**0**	**0**
Equity instruments	**245,507**	**21,817**	**0**	**267,325**	**0**	**0**
Additions from financial assets - designated fair value through profit/loss	0	21,817	0	0	–	–
Debt instruments	**2,238,153**	**(45,587)**	**0**	**2,192,566**	**0**	**0**
Additions from financial assets - designated fair value through profit/loss	0	13,257	0	0	–	–
Subtractions to financial assets - amortized cost	0	(58,845)	0	0	–	–
Loans and advances	**0**	**0**	**0**	**0**	**0**	**–**
Total	**4,622,036**	**(23,770)**	**0**	**4,598,266**	**0**	**0**

Transition financial liabilities – designated fair value through profit/loss

A financial liability can be irrevocably designated as at fair value through profit or loss if doing so prevents or significantly reduces a measurement or recognition inconsistency – i.e. an accounting mismatch. These inconsistencies arise from measuring assets or liabilities, or recognizing the gains and losses on them, on a different basis. If a financial liability contains one or more embedded derivatives (structured financial liabilities), then according to IFRS 9, the entire financial liability may, at the time of initial recognition, be irrevocably classified as designated at fair value through profit/loss, if certain conditions are met. Reclassifications amounting to minus € 447,781 thousand and remeasurements (minus € 69,938 thousand) of financial liabilities – designated fair value through profit/loss to the measurement category financial liabilities – amortized cost had to be reversed due to cancellations of deposits and debt instruments previously designated at fair value.

As of 31 December 2018, the fair value was € 434,253 thousand. If the reclassification had not been applied, this would have resulted in a valuation result of minus € 11,272 thousand. For financial liabilities reclassified from financial liabilities – designated fair value through profit/loss to financial liabilities – amortized cost, the weighted effective interest rate at the time of reclassification was 5.00 per cent. The interest expenses recognized amounted to € 26,436 thousand.

in € thousand	IAS 39 Carrying amount 31/12/2017	Reclassi-fications	Remeasure-ments	IFRS 9 Carrying amount 1/1/2018	Retained earnings 1/1/2018	Cumulative other comprehensive income 1/1/2018
Deposits	**616,867**	**(70,800)**	**(15,271)**	**530,796**	**12,445**	**2,826**
Elected subtractions to financial liabilities - amortized cost	–	(70,800)	(15,271)	–	12,445	2,826
Debt securities	**1,891,754**	**(376,981)**	**(54,667)**	**1,460,107**	**(2,194)**	**56,860**
Additions from financial liabilities - amortized cost	–	10,891	104	–	(104)	0
Elected subtractions to financial liabilities - amortized cost	–	(387,872)	(54,771)	–	(2,089)	56,860
Other financial liabilities	**–**	**0**	**0**	**–**	**0**	**0**
Total	**2,508,622**	**(447,781)**	**(69,938)**	**1,990,903**	**10,252**	**59,686**

Transition impairments

Remeasurements due to the change from a historic-oriented risk assessment model pursuant to IAS 39 (incurred loss model) to a future-oriented model in accordance with IFRS 9 (expected loss model) were necessary for financial assets measured at amortized cost or at fair value through other comprehensive income, and also for impairment losses for loan commitments off the statement of financial position and financial guarantees.

The reclassifications column relates to changes in impairment losses due to differences in the scope of IFRS 9 compared to IAS 39. The decrease in impairment losses of € 20,168 thousand due to reclassifications is on the one hand due to reversals of impairment on loans and receivables (€ 23,353 thousand) which have to be measured at fair value in accordance with IFRS 9 and on the other hand due to reclassifications of debt instruments of the available for sale category that are measured at fair value through other comprehensive income according to IFRS 9.

The remeasurements column relates to changes in impairment due to changes in the methods used to determine the impairment allowances for financial assets that were already under IAS 39 for financial assets and under IAS 37 for credit risks off the statement of financial position within the scope of the impairment requirements.

In addition, the increase in impairments in the remeasurements column includes effects not affecting equity resulting from the first-time adoption of IFRS 9. This is due on the one hand to a reduction in impairments for loans that were retrospectively identified upon transition to IFRS 9 as purchased or originated credit-impaired financial assets (POCI), and on the other hand to an increase in impairments for receivables that have already defaulted, which relate to interest receivables that were deferred off the statement of financial position until 31 December 2017 and will be recognized as part of the gross carrying amount from 1 January 2018.

in € thousand	IAS 39 Carrying amount 31/12/2017	Reclassi-fications	Remeasure-ments	IFRS 9 Carrying amount 1/1/2018
Financial assets - amortized cost	**3,102,456**	**(23,205)**	**237,955**	**3,317,206**
hereof debt instruments	310	148	2,152	2,610
hereof loans and advances	3,102,146	(23,353)	235,803	3,314,596
Financial assets - fair value through other comprehensive income	**–**	**3,037**	**672**	**3,710**
hereof debt instruments	–	3,037	672	3,710
hereof loans and advances	–	0	0	0
Off-balance sheet items	**118,615**	**–**	**30,070**	**148,685**
hereof loan commitments given	26,621	–	27,129	53,750
hereof financial guarantees given	84,210	–	(331)	83,879
hereof other commitments given	7,784	–	3,271	11,055
Total	**3,221,071**	**(20,168)**	**268,697**	**3,469,600**

Foreign currency translation

The consolidated financial statements of RBI were prepared in euro which is the functional currency of RBI AG. The functional currency is the currency of the principal economic environment in which the company operates. Each entity within the Group determines its own functional currency taking all factors listed in IAS 21 into account.

All financial statements of fully consolidated companies prepared in a functional currency other than euro were translated into the reporting currency euro employing the modified closing rate method in accordance with IAS 21. Equity was translated at its historical exchange rates while all other assets, liabilities and the notes were translated at the prevailing foreign exchange rates as of the reporting date. Differences arising from the translation of equity (historical exchange rates) are offset against retained earnings.

The income statement items were translated at the average exchange rates during the year calculated on the basis of month-end rates. Differences arising between the exchange rate as of the reporting date and the average exchange rate applied in the income statement were offset against equity (retained earnings). According to IAS 21, in cases of significantly fluctuating exchange rates, the transaction rate was used instead of the average rate.

Accumulated exchange differences are reclassified from the item exchange differences shown in other comprehensive income to the income statement under net income from disposal of group assets, in the event of a disposal of a foreign business operation which leads to loss of control, joint management or significant influence over this business operation.

In the case of one subsidiary headquartered outside the euro area, the US dollar was the reporting currency for measurement purposes given the economic substance of the underlying transactions, as both the transactions and the financing were undertaken in US dollars. In the case of two subsidiaries headquartered in the euro area, the Russian ruble was the reporting currency for measurement purposes given the economic substance of the underlying transactions.

The following exchange rates were used for currency translation:

Rates in units per €	2018 As at 31/12	2018 Average 1/1-31/12	2017 As at 31/12	2017 Average 1/1-31/12
Albanian lek (ALL)	123,410	127,667	132,980	134,172
Belarusian ruble (BYN)	2,478	2,400	2,364	2,184
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)	7,413	7,420	7,440	7,465
Czech koruna (CZK)	25,724	25,667	25,535	26,345
Hungarian forint (HUF)	320,980	319,231	310,330	309,350
Polish zloty (PLN)	4,301	4,261	4,177	4,256
Romanian leu (RON)	4,664	4,656	4,659	4,571
Russian ruble (RUB)	79,715	73,804	69,392	66,035
Serbian dinar (RSD)	118,320	118,227	118,440	121,240
Ukrainian hryvnia (UAH)	31,713	32,226	33,727	30,215
US dollar (USD)	1,145	1,181	1,199	1,131

Notes to the income statement

(1) Net interest income

in € thousand	2018	2017
Interest income	**4,788,520**	**4,673,539**
Financial assets - held for trading	408,644	366,378
Non-trading financial assets - mandatorily fair value through profit/loss	23,312	0
Financial assets - designated fair value through profit/loss	73,645	129,768
Financial assets - fair value through other comprehensive income	118,318	58,903
Financial assets - amortized cost	3,965,052	3,817,622
Derivatives – hedge accounting, interest rate risk	126,054	182,971
Other assets	23,719	81,560
Interest income on financial liabilities	49,777	36,337
Interest expenses	**(1,426,774)**	**(1,448,702)**
Financial liabilities - held for trading	(380,028)	(285,671)
Financial liabilities - designated fair value through profit/loss	(64,294)	(90,605)
Financial liabilities - amortized cost	(888,925)	(977,875)
Derivatives – hedge accounting, interest rate risk	(20,829)	(15,880)
Other liabilities	(14,827)	(22,945)
Interest expenses on financial assets	(57,871)	(55,726)
Total	**3,361,746**	**3,224,837**

Interest income calculated using the effective interest method amounts to € 4,083,370 thousand (2017: € 3,876,525 thousand). Net interest income includes interest income of € 623,918 thousand (2017: € 555,049 thousand) from mark-to-market financial assets, and interest expenses of € 444,322 thousand (2017: € 376,276 thousand) from market-to-market financial liabilities.

in € thousand	2018	2017
Net interest income	3,361,746	3,224,837
Average interest-bearing assets	134,206,426	130,142,271
Net interest margin in per cent	**2.50%**	**2.48%**

The increase in net interest income of € 136,910 thousand is largely volume-driven; the Group's average interest-bearing assets grew 3 per cent. The rise in net interest income was primarily the result of increases in Romania (increase of € 73,174 thousand due to higher interest rates and larger volumes), the Czech Republic (increase of € 57,773 thousand due in large part to higher market interest rates and larger customer loan volumes), and in Ukraine (increase of € 31,864 thousand due to higher interest rates and larger volumes of loans to non-financial corporations). The positive development of net interest income in Russia was offset by the depreciation of the Russian ruble. In Poland, net interest income decreased € 54,330 thousand due primarily to the sale of the Polish core banking operations.

The improvement in the net interest margin was driven in some measure by healthy margin growth in Romania and the Czech Republic, but above all by Ukraine as a result of the positive development of loans to non-financial corporations.

(2) Dividend income

in € thousand	2018	2017
Financial assets - held for trading	747	10
Non-trading financial assets - mandatorily fair value through profit/loss	954	198
Financial assets - fair value through other comprehensive income	14,398	18,575
Investments in subsidiaries and associates	35,190	16,326
Total	**51,289**	**35,109**

Investments in subsidiaries and associates include dividend income from subsidiaries not fully consolidated and associates not valued at equity. The increase shown in this item is generated predominantly from dividend income from subsidiaries not fully consolidated (primarily real estate companies and insurance brokers).

(3) Net fee and commission income

in € thousand	2018	2017
Clearing, settlement and payment services	707,203	681,622
Loan and guarantee business	213,192	152,544
Securities	68,329	85,055
Asset management	217,887	232,554
Custody	58,375	69,623
Customer resources distributed but not managed	53,796	60,060
Foreign exchange	392,769	381,343
Other	79,739	56,070
Total	**1,791,290**	**1,718,872**
Fee and commission income	2,545,199	2,446,295
Fee and commission expenses	(753,909)	(727,423)

Net fee and commission income increased € 72,419 thousand to € 1,791,290 thousand despite significant depreciation among Eastern European currencies compared to the same period in the previous year. Net income from clearing, settlement and payment services was up € 25,581 thousand, increasing most at head office due to higher income from credit card business. Net income from the loan and guarantee business went up € 60,649 thousand, above all at head office and in Czech Republic. This was partly the result of a changed allocation of commission income following the introduction of IFRS 9 which was previously disclosed as interest-like income. On the other hand, Russia and Romania recorded volume-driven increases. In contrast, income from securities business decreased € 16,726 thousand due to lower turnover from issuance business as well as higher fees. Other net fee and commission income increased € 23,669 thousand primarily at Raiffeisen Bausparkasse because of a changed disclosure in connection with brokerage expenses.

(4) Net trading income and fair value result

in € thousand	2018	2017
Net gains/losses on financial assets and liabilities - held for trading	**(247,758)**	**189,208**
Derivatives	(199,038)	181,425
Equity instruments	(5,164)	(11,974)
Debt securities	(5,643)	11,963
Loans and advances	7,440	7,252
Short positions	3,233	(1,722)
Deposits	(53,215)	(128)
Debt securities issued	(797)	682
Other financial liabilities	5,427	1,710
Net gains/losses on non-trading financial assets - mandatorily fair value through profit or loss	**(16,925)**	**–**
Equity instruments	(474)	–
Debt securities	(8,981)	–
Loans and advances	(7,470)	–
Net gain/losses on financial assets and liabilities - designated fair value through profit/loss	**15,879**	**(12,649)**
Debt securities	(11,505)	(74,182)
Loans and advances	234	20
Deposits	11,002	12,426
Debt securities issued	16,148	48,974
Other financial liabilities	0	112
Exchange differences, net	**265,694**	**(141,085)**
Total	**16,890**	**35,473**

Net trading income was down € 18,583 thousand year-on-year. While net gains on derivatives of € 181,425 thousand were reported in the previous year, net losses of € 199,038 thousand were booked in the reporting year. This was largely based on valuation changes from foreign exchange derivatives at head office and in Russia and Poland. In the reporting year, losses of € 131,797 thousand from derivatives were recognized in connection with economic hedges (2017: gains of € 291,687 thousand). In addition to the above amounts, the position included net gains/losses on derivatives - held for trading.

The net gains from exchange differences of € 265,694 thousand (2017: losses of € 141,085 thousand) were primarily attributable to exchange rate developments in Russia and positions in US dollars and Swiss francs held at head office. These results were offset by opposite valuations of the foreign exchange derivatives that are held in the derivatives position for economic hedge purposes.

Net gains/losses on debt securities held for trading decreased € 17,606 thousand to minus € 5,643 thousand. This mainly reflected valuation losses at head office, which were partly offset by valuation gains 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 commission income is included in net fee and commission income. Opposite valuations or realized net gains/losses of the foreign exchange derivatives that are used in this connection and held for economic hedge purposes are included in the derivatives position.

The changes in debt securities – designated fair value through profit/loss of € 62,677 thousand and debt securities issued – designated fair value through profit/loss of minus € 32,826 thousand resulted mainly from valuation changes at head office. These changes are offset by opposite valuations of derivatives held for economic hedge purposes in the position net gains/losses on financial assets and liabilities - held for trading.

(5) Net gains/losses from hedge accounting

in € thousand	2018	2017
Fair value changes of the hedging instruments	(9,249)	(90,218)
Fair value changes of the hedged items attributable to the hedged risk	11,478	74,634
Ineffectiveness of cash flow hedge recognized in profit or loss	(13,411)	54
Total	**(11,182)**	**(15,530)**

Net gains/losses from hedge accounting changed year-on-year from minus € 15,530 thousand to minus € 11,182 thousand, mainly due to the results in Poland, at head office and in Russia.

The sale of the core banking operations in Poland resulted in 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 had a neutral effect on capital, but resulted in the reclassification through profit or loss of the cash flow hedge reserve of minus € 13,417 thousand recognized in other comprehensive income in previous periods.

Net gains/losses from hedge accounting were also influenced by the termination of a hedging relationship in the 2017 financial year, as the item fair value changes of the hedging instruments included a one-off effect of minus € 20,109 thousand. This arose in connection with the termination of a portfolio fair value hedge in Russia.

(6) Other net operating income

in € thousand	2018	2017
Gains/losses on derecognition of financial assets and liabilities - not measured at fair value through profit/loss	**25,544**	**42,047**
Debt securities	4,480	19,441
Loans and advances	22,046	26,733
Deposits	0	(2,233)
Debt securities issued	(983)	(407)
Other financial liabilities	0	(1,487)
Gains/losses on derecognition of non-financial assets held for sale	**42**	**(4,607)**
Investment property	339	3,350
Intangible fixed assets	(400)	(6,184)
Other assets	103	(1,773)
Net income arising from non-banking activities	**40,272**	**34,639**
Sales revenues from non-banking activities	119,669	114,546
Expenses from non-banking activities	(79,396)	(79,907)
Net income from additional leasing services	**3,621**	**4,220**
Revenues from additional leasing services	26,521	25,487
Expenses from additional leasing services	(22,900)	(21,267)
Net income from insurance contracts	**(2,706)**	**(3,892)**
Income from insurance contracts	27,740	21,185
Expenses from insurance contracts	(30,446)	(25,077)
Net rental income from investment property incl. operating lease (real estate)	**57,092**	**78,716**
Net rental income from investment property	16,390	19,210
Income from rental real estate	28,206	28,020
Expenses from rental real estate	(3,930)	(3,759)
Income from other operating lease	23,700	47,363
Expenses from other operating lease	(7,273)	(12,117)
Net expense from allocation and release of other provisions	**17,784**	**(27,373)**
Other taxes	**(61,998)**	**(66,439)**
Sundry operating income/expenses	**7,872**	**42,203**
Total	**87,523**	**99,514**

Other net operating income reduced year-on-year to € 87,523 thousand. The item gains/losses on derecognition of financial assets and liabilities not measured at fair value through profit/loss includes gains of € 24,577 thousand from the derecognition of financial assets carried at amortized cost. The net expense from allocation and release of other provisions amounted to € 17,784 thousand, mainly in connection with litigation at head office. This includes income of € 25,518 thousand generated at head office from the release of a provision in connection with the termination of a long-standing legal dispute with an Icelandic bank, although this was offset by minor allocations to provisions in connection with other litigation. Net rental income from investment property including operating leases decreased € 21,624 thousand to € 57,092 thousand. Of this amount, € 9,875 thousand was attributable to Hungary due to the loss of revenues from a property fund deconsolidated in the previous year and € 11,103 thousand to Croatia due to lower income from operating leases. The result from the derecognition of financial assets and liabilities, mainly due to asset sales, decreased € 16,504 thousand due to higher income in the previous year in Poland and the Czech Republic. The reduction in sundry operating income mainly affected head office, Poland, Albania and Ukraine.

(7) General administrative expenses

in € thousand	2018	2017
Staff expenses	(1,579,673)	(1,553,800)
Other administrative expenses	(1,178,070)	(1,157,387)
Depreciation of tangible and intangible fixed assets	(290,019)	(299,712)
Total	**(3,047,762)**	**(3,010,898)**

In the reporting period, the Russian ruble, the Belarusian ruble and the Ukrainian hryvnia depreciated 11, 9 and 6 per cent respectively year-on-year on the basis of average exchange rates. In contrast, the Czech koruna appreciated 3 per cent. The currency movements led to a reduction of € 64,902 thousand in general administrative expenses.

Staff expenses

in € thousand	2018	2017
Wages and salaries	(1,218,043)	(1,178,402)
Social security costs and staff-related taxes	(264,053)	(276,978)
Other voluntary social expenses	(43,477)	(41,948)
Expenses for defined contribution pension plans	(16,408)	(15,089)
Employee services prepayment - IFRS 2	0	(695)
Expenses/income from defined benefit pension plans	(1,191)	(1,255)
Expenses for post-employment benefits	(6,587)	(11,901)
Expenses for other long-term employee benefits excl. deferred bonus program	(6,367)	(1,878)
Staff expenses under deferred bonus program	(17,583)	(22,479)
Termination benefits	(5,964)	(3,174)
Total	**(1,579,673)**	**(1,553,800)**

Staff expenses increased 2 per cent to € 1,579,673 thousand. Currency effects reduced expenses. In contrast, salary adjustments and higher bonuses increased staff expenses, mainly in Russia, Ukraine, Romania and Slovakia. A change in the law in Romania also resulted in a neutral shift between the items wages and salaries and social security costs and staff-related taxes. Due to the sale of the Polish core banking operations, average headcount decreased 394 full-time equivalents year-on-year to 49,745 employees. On an adjusted basis, an increase of 759 full-time equivalents, or 2 per cent, arose.

Expenses for severance payments and retirement benefits

in € thousand	2018	2017
Members of the management board and senior staff	(6,740)	(2,690)
Other employees	(49,784)	(20,499)
Total	**(56,524)**	**(23,189)**

The increase of € 33,335 thousand to € 56,524 thousand derived mainly from the adjustment applied to mortality tables and to the salary base at head office. The effect of adjusting the mortality tables, which amounted to a decrease of € 27,047 thousand (2017: € 6,252 thousand), is included in other comprehensive income under remeasurements of defined benefit plans.

Members of the Management Board are subject in principle to the same regulations as apply to employees. These regulations provide for a basic contribution to a pension fund from the company and an additional contribution if the employee pays own contributions of the same amount. Two members of the Management Board additionally have individual retirement benefits, which are funded by a reinsurance policy.

In the event of termination of function or employment contract and departure from the company, one member of the Management Board is entitled to severance payments according to contractual agreements; six members of the Management Board have entitlements under the Company Retirement Plan Act (Betriebliches Mitarbeitervorsorgegesetz). The entitlement to receive severance payments according to contractual agreements lapses in the case of termination by the employee.

Moreover, protection against the risk of occupational disability is offered in the form of a pension fund and/or by individual pension agreements secured through reinsurance. The Management Board members' contracts either run for the duration of their term of office or are limited to a maximum of five years. In the event of early termination of a Management Board member's contract without good cause, the severance payment is limited to a maximum of two years' total annual remuneration (except for one member of the Management Board covered by previous contractual arrangements).

Other administrative expenses

in € thousand	2018	2017
Office space expenses	(213,730)	(236,135)
IT expenses	(311,050)	(293,217)
Legal, advisory and consulting expenses	(123,562)	(123,794)
Advertising, PR and promotional expenses	(138,858)	(132,902)
Communication expenses	(59,762)	(63,156)
Office supplies	(25,490)	(26,164)
Car expenses	(14,692)	(15,485)
Deposit insurance fees	(94,291)	(83,085)
Security expenses	(52,260)	(46,908)
Traveling expenses	(19,010)	(19,483)
Training expenses for staff	(22,255)	(18,128)
Sundry administrative expenses	(103,111)	(98,932)
Total	**(1,178,070)**	**(1,157,387)**

Other administrative expenses increased 2 per cent to € 1,178,070 thousand. They rose due to higher deposit insurance fees of € 11,206 thousand in Russia, Romania and Poland, and an increase in IT expenses (up € 17,833 thousand), primarily for acquired IT services at head office. By contrast, office space expenses fell € 22,405 thousand due to an advance rental payment in Hungary in 2017 and the sale of the Polish core banking operations in October 2018.

Legal, advisory and consulting expenses include audit fees in relation to RBI AG and its subsidiaries which comprise expenses for the audit of financial statements amounting to € 5,928 thousand (2017: € 5,986 thousand) and tax advisory as well as other additional consulting services amounting to € 2,095 thousand (2017: € 2,464 thousand). Thereof, € 2,392 thousand (2017: € 2,820 thousand) relates to the Group auditor for the audit of the financial statements and € 921 thousand (2017: € 1,085 thousand) accounts for the other consulting services.

Depreciation of tangible and intangible fixed assets

in € thousand	2018	2017
Tangible fixed assets	(137,472)	(152,827)
Intangible fixed assets	(152,546)	(146,884)
Total	**(290,019)**	**(299,712)**

Depreciation of tangible and intangible fixed assets fell 3 per cent or € 9,693 thousand. The biggest decreases were reported in Russia in connection with an adjustment to the useful life of software, in Croatia due to the reduction in the operating lease portfolio, as well as in Slovakia and Hungary due to increased IT depreciation in the same period of the previous year. This was offset by slight increases due to the capitalization of software in the Czech Republic, Romania and at head office.

(8) Other result

in € thousand	2018	2017
Net modification gains/losses	**(4,815)**	**0**
Financial assets - amortized cost	(4,815)	0
Impairment or reversal of impairment on investments in subsidiaries and associates	**(33,360)**	**(51,581)**
Impairment on non-financial assets	**(20,797)**	**(28,664)**
Goodwill	(7,943)	0
Other	(12,854)	(28,664)
Current income from investments in subsidiaries and associates	**79,767**	**76,838**
Result from non-current assets and disposal groups classified as held for sale and deconsolidation	**(181,662)**	**3,575**
Net income from non-current assets and disposal groups classified as held for sale	1,819	5,215
Result of deconsolidations	(183,481)	(1,640)
Total	**(160,867)**	**168**

In the reporting period, impairment on investments in subsidiaries and associates valued at equity amounted to € 33,360 thousand, thus representing a decrease of € 18,220 thousand compared to previous year. The decrease was largely due to lower impairment on investments in associates valued at equity, mainly due to UNIQA Insurance Group AG and Slovakian building society.

During the initial consolidation of a Hungarian real estate company, the resulting goodwill of € 7,943 thousand was fully impaired. Impairment on other non-financial assets amounting to € 12,854 thousand was significantly lower in the reporting period and was mainly attributable to real estate in Ukraine and Russia. In the previous year, impairment amounted to € 28,664 thousand, thereof € 24,906 thousand was booked for buildings in the portfolio of Raiffeisen Immobilienfonds (2018: € 2,929 thousand).

Current income from investments in subsidiaries and associates mainly resulted from the associates valued at equity UNIQA Insurance Group AG, LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Raiffeisen Informatik GmbH and card complete Service Bank AG.

Net income from the disposal of group assets consisted of the following:

in € thousand	RBPL	SAMPRO	Other	Total
Assets	9,506,142	8,071	57,494	9,571,707
Liabilities	8,637,308	7,680	44,614	8,689,603
Total identifiable net assets	**868,834**	**391**	**12,880**	**882,104**
Non-controlling interests	0	0	291	291
Net assets after non-controlling interests	**868,834**	**391**	**12,588**	**881,813**
Selling price/carrying amount	748,986	2,510	10,332	761,828
Effect from deconsolidations	**(119,848)**	**2,119**	**(2,257)**	**(119,985)**
FX reserve reclassified to income statement	(63,650)	1	154	(63,495)
Result of deconsolidations	**(183,498)**	**2,121**	**(2,103)**	**(183,481)**

RBPL: Core banking operations of Raiffeisen Bank Polska S.A., Warsaw (PL)
SAMPRO: DAV-PROPERTY Kft., Budapest (HU)

In the reporting period, 14 subsidiaries mainly operating in leasing business were excluded from the consolidated group due to immateriality; three subsidiaries were sold.

Main driver of the result of deconsolidation was the loss resulting from the sale of the Polish core banking operations end of October 2018 amounting to € 119,848 thousand. Moreover, a negative effect of € 63,650 thousand derived from the recycling of cumulative currency differences formerly recognized in other comprehensive income.

The position other primarily contains various specialty companies of the Raiffeisen Leasing Group.

Details are shown under (68) Group composition.

(9) Levies and special governmental measures

in € thousand	2018	2017
Bank levies	(115,519)	(120,649)
Profit/loss from banking business due to governmental measures	(280)	21,949
Resolution fund	(54,123)	(64,650)
Total	**(169,921)**	**(163,350)**

Bank levies affect Austria with a one-off payment of € 40,750 thousand as well as current payments of € 56,561 thousand (2017: € 56,601 thousand), Hungary with € 12,551 thousand (2017: € 12,626 thousand), Slovakia with € 22,268 thousand (2017: € 20,286 thousand) and Poland with € 24,139 thousand (2017: € 31,137 thousand).

In 2018 there were no charges from banking business due to governmental measures while in the previous year provisions of € 21,356 thousand had been released in connection with the so-called Walkaway Law in Romania.

The contributions to the resolution fund, which requires to be booked entirely at the beginning of the year, declined € 10,527 thousand to € 54,123 thousand due to lower contributions in Romania, at RBI AG, in Poland and in Slovakia, while the Czech Republic reported an increase here.

(10) Impairment losses on financial assets

in € thousand	2018	2017
Loans and advances	(164,897)	(308,535)
Debt securities	(4,351)	87
Loan commitments, financial guarantees and other commitments given	3,571	(3,682)
Total	**(165,677)**	**(312,131)**
hereof financial assets - fair value through other comprehensive income	(1,727)	3,870
hereof financial assets - amortized cost	(167,522)	(312,319)

Impairment losses on financial assets declined by a total of 47 per cent, or € 146,454 thousand, to € 165,677 thousand compared to 2017. The biggest improvements occurred at head office (reduction of € 190,332 thousand), in Romania (reduction of € 34,741 thousand), and Croatia (reduction of € 28,905 thousand). Net releases of loan loss provisions were € 35,095 thousand lower in Ukraine and € 28,161 thousand lower in Hungary than in the previous year, due primarily to higher sales of non-performing loans in the previous year. In addition, a favorable court decision in connection with insolvency proceedings relating to a bank in Iceland resulted in the reversal of € 25,000 thousand with respect to liabilities off the statement of financial position.

In the fourth quarter of 2018, impairment losses on financial assets increased € 105,413 thousand as a result of fine-tuning of IFRS 9 models. Moreover, an additional impairment loss of € 53,853 thousand resulted from the recognition of provisions for expected credit risks arising from extraordinary events that are not reflected in the model (mainly future sanctions relating to Russia).

(11) Income taxes

in € thousand	2018	2017
Current income taxes	(373,260)	(322,154)
Austria	(8,682)	(18,926)
Foreign	(364,578)	(303,228)
Deferred taxes	17,883	(43,901)
Total	**(355,377)**	**(366,054)**

The tax expense reduced mainly due to the rise in RBI Group tax allocation against non-consolidated Group members (increase of € 6,548 thousand) and a reduction of € 11,875 thousand in withholding tax at head office due to lower dividend income. In addition, in the previous period a one-off effect of € 16,831 thousand from the payment of taxes from previous periods was recorded in the Czech Republic. This was countered by a € 16,434 thousand increase in the tax expense due to higher profits in Romania.

The effective tax rate reduced 2.4 percentage points to 20.3 per cent. This was primarily the result of an improved contribution to earnings by RBI AG.

The following reconciliation shows the relationship between profit/loss before tax and the effective tax burden:

in € thousand	2018	2017
Profit/loss before tax	**1,753,331**	**1,612,063**
Theoretical income tax expense in the financial year based on the domestic income tax rate of 25 per cent	**(438,333)**	**(403,016)**
Effect of divergent foreign tax rates	136,705	133,149
Tax decrease because of tax-exempted income from equity participations and other income	94,406	191,996
Tax increase because of non-deductible expenses	(102,205)	(221,460)
Impairment on loss carry forwards	4,733	1,562
Other changes	(50,684)	(68,285)
Effective tax burden	**(355,377)**	**(366,054)**
Tax rate in per cent	**20.3%**	**22.7%**

Other changes include unrecognized deferred taxes of minus € 45,875 thousand from deconsolidation effects in connection with the sale of the Polish core banking operations and of minus € 14,859 thousand from the hedge of net investments. They were not capitalized because there was no utilization based on the current mid-term tax planning.

Notes to the statement of financial position

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

in € thousand	2018	2017
Cash in hand	4,131,901	3,600,423
Balances at central banks	14,598,806	9,729,359
Other demand deposits at banks	3,826,777	3,575,674
Total	**22,557,484**	**16,905,455**

The increase in balances at central banks resulted mainly from the increase in deposits at the Austrian National Bank at head office. The item balances at central banks includes € 277,853 thousand of minimum reserves at central banks which are not freely available. The item other demand deposits at banks includes € 1,309,182 thousand in cash securities, mainly for borrowed securities.

(13) Financial assets - amortized cost

in € thousand	2018 Gross carrying amount	2018 Accumulated impairment	2018 Carrying amount	2017 Carrying amount
Debt securities	**8,168,443**	**(6,169)**	**8,162,273**	**7,834,784**
Central banks	87,713	(947)	86,767	80,520
General governments	5,998,125	(949)	5,997,176	5,659,867
Banks	1,240,977	(131)	1,240,846	1,257,516
Other financial corporations	465,847	(1,671)	464,176	500,782
Non-financial corporations	375,780	(2,471)	373,309	336,099
Loans and advances	**93,073,000**	**(2,479,500)**	**90,593,501**	**88,472,603**
Central banks	4,862,759	(4)	4,862,756	5,344,751
General governments	916,932	(3,867)	913,065	862,798
Banks	5,142,255	(8,449)	5,133,806	5,396,471
Other financial corporations	6,709,393	(74,176)	6,635,217	4,378,761
Non-financial corporations	43,321,931	(1,326,544)	41,995,388	42,274,727
Households	32,119,729	(1,066,460)	31,053,269	30,215,096
Total	**101,241,442**	**(2,485,669)**	**98,755,774**	**96,307,387**

The carrying amount of financial assets – amortized cost increased € 2,448,387 thousand compared to year-end 2017. During the reporting year the Polish core banking operations were sold, which at the time of deconsolidation included financial assets – amortized cost of € 4,298,004 thousand.

In the item households, the negative effect from the sale of the core banking operations in Poland was more than offset by growth primarily in Slovakia and in the Czech Republic. In non-financial corporations, the reduction from the sale was largely offset by increases, mainly at head office and in Romania. Loans and advances to other financial corporations increased mainly due to an increase in short-term loans and advances at head office.

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

in € thousand	2018 Gross carrying amount	Accumulated impairment	Carrying amount	2017 Carrying amount
Equity instruments	**276,082**	**–**	**276,082**	**297,685**
Banks	25,570	–	25,570	22,368
Other financial corporations	154,701	–	154,701	190,793
Non-financial corporations	95,811	–	95,811	84,524
Debt securities	**6,216,922**	**(3,987)**	**6,212,934**	**6,291,761**
Central banks	1,323,227	(48)	1,323,179	0
General governments	3,453,521	(3,639)	3,449,882	3,914,384
Banks	1,173,679	(158)	1,173,520	1,898,420
Other financial corporations	154,711	(122)	154,589	358,761
Non-financial corporations	111,784	(19)	111,764	120,196
Total	**6,493,004**	**(3,987)**	**6,489,016**	**6,589,446**

The carrying amount of financial assets – fair value through other comprehensive income decreased € 100,430 thousand compared to year-end 2017. In the reporting year the Polish core banking operations were sold, which at the time of deconsolidation included financial assets – fair value through other comprehensive income of € 3,933,348 thousand. This reduction was partly offset by the purchase of bonds from the Russian central bank by AO Raiffeisenbank, Moscow.

The item equity instruments in financial assets – fair value through other comprehensive income comprised the following items:

in € thousand	2018	2017
Visa Inc., San Francisco (US), Series C-Shares	36,797	36,579
Valida Pension AG, Vienna (AT), Investment fund - Valida Nostro 100 (AT0000A1H088)	34,217	48,124
CEESEG Stock company, Vienna (AT), ordinary shares	23,116	20,297
Medicur - Holding limited company, Vienna (AT), company shares	19,977	19,575
Valida Pension AG, Vienna (AT) Investment fund - PID2 (AT0000767622)	19,940	19,976
Valida Pension AG, Vienna (AT) Investment fund - VANL7 (AT0000A1G4LG)	19,777	19,985
DZ BANK AG, Frankfurt am Main (DE), Deutsche Zentral-Genossenschaftsbank ordinary shares	12,953	13,060
PSA Payment Services Austria limited company, Vienna (AT), company shares	10,933	14,228
Other	98,373	105,861
Total	**276,082**	**297,685**

The dividends paid on equity instruments – fair value through other comprehensive income amounted to € 14,398 thousand (2017: € 18,575 thousand).

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

in € thousand	2018	2017
Equity instruments	**102,990**	**–**
Banks	1,000	–
Other financial corporations	7	–
Non-financial corporations	101,983	–
Debt securities	**186,513**	**–**
General governments	165,204	–
Banks	9,138	–
Other financial corporations	8,996	–
Non-financial corporations	3,175	–
Loans and advances	**270,279**	**–**
General governments	3,673	–
Banks	1,646	–
Other financial corporations	2,469	–
Non-financial corporations	145,096	–
Households	117,395	–
Total	**559,782**	**–**

Equity instruments recognized at fair value through profit and loss were reported under financial assets – designated fair value through profit/loss at year-end 2017. Since the start of 2018, these equity instruments have been reported in the new IFRS 9 measurement category non-trading financial assets – mandatorily fair value through profit/loss.

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

in € thousand	2018	2017
Equity instruments	**0**	**101,339**
Banks	0	96
Other financial corporations	0	101,241
Non-financial corporations	0	2
Debt securities	**3,192,115**	**5,255,045**
General governments	2,788,027	4,351,218
Banks	272,054	670,608
Other financial corporations	10	192,201
Non-financial corporations	132,025	41,017
Loans and advances	**0**	**13,644**
Non-financial corporations	0	13,644
Total	**3,192,115**	**5,370,028**

The steep decrease in financial assets – designated fair value through profit/loss was based on changed allocation decisions at head office as at 1 January 2018 and the maturity of several bonds in Romania and Russia.

(17) Financial assets - held for trading

in € thousand	2018	2017
Derivatives	**1,972,469**	**2,138,375**
Interest rate contracts	1,152,047	1,348,742
Equity contracts	120,954	124,220
Foreign exchange rate and gold contracts	694,995	661,480
Credit contracts	1,518	108
Commodities	2,949	3,084
Other	5	742
Equity instruments	**226,269**	**245,507**
Banks	41,198	46,351
Other financial corporations	59,274	76,028
Non-financial corporations	125,796	123,129
Debt securities	**1,694,872**	**2,238,153**
General governments	922,618	912,873
Banks	454,939	806,319
Other financial corporations	171,447	267,664
Non-financial corporations	145,867	251,297
Total	**3,893,609**	**4,622,036**

Securities under financial assets – held for trading provided as collateral, which the recipient is entitled to sell or pledge, amounted to € 309,030 thousand (2017: € 403,407 thousand).

Details on derivatives are shown under (46) Derivative financial instruments.

(18) Hedge accounting

in € thousand	2018	2017
Positive fair values of derivatives in micro fair value hedge	**357,837**	**373,755**
Interest rate contracts	342,810	373,008
Foreign exchange rate and gold contracts	15,027	747
Positive fair values of derivatives in micro cash flow hedge	**2,347**	**1,264**
Interest rate contracts	2,347	1,264
Positive fair values of derivatives in net investment hedge	**16,616**	**0**
Positive fair values of derivatives in portfolio hedge	**123,887**	**146,940**
Cash flow hedge	1,789	24,480
Fair value hedge	122,098	122,460
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**(43,485)**	**74,604**
Total	**457,202**	**596,563**

(19) Investments in subsidiaries and associates

in € thousand	2018	2017
Investments in affiliated companies	199,212	194,314
Investments in associates valued at equity	765,001	728,945
Total	**964,213**	**923,259**

Because of their minor importance in giving a view of the Group's assets, financial and earnings position, 312 subsidiaries (2017: 345) were not included in the consolidated financial statements. They are recognized at cost.

Investments in associates valued at equity are as follows:

in € thousand	Share in % 2018	Carrying amount 2018	Carrying amount 2017
card complete Service Bank AG, Vienna (AT)	25.0%	25,523	19,041
EMCOM Beteiligungs GmbH, Vienna (AT)	33.6%	6,747	0
LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)	33.1%	198,613	204,531
NOTARTREUHANDBANK AG, Vienna (AT)	26.0%	9,003	7,509
Österreichische Hotel- und Tourismusbank Ges.m.b.H., Vienna (AT)	31.3%	10,278	9,929
Oesterreichische Kontrollbank AG, Vienna (AT)	8.1%	49,604	55,826
Prva stavebna sporitelna a.s., Bratislava (SK)	32.5%	66,069	64,574
Raiffeisen Informatik GmbH, Vienna (AT)	47.6%	48,669	33,869
Raiffeisen-Leasing Management GmbH, Vienna (AT)	50.0%	13,123	0
UNIQA Insurance Group AG, Vienna (AT)	10.9%	327,047	333,666
Posojilnica Bank eGen, Klagenfurt (AT)[1]	61.5%	10,326	0
Total		**765,001**	**728,945**

1 The share of the 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.

Financial information on associates is as follows:

2018 in € thousand	CCSB	EMCOM	LLI[1]	NTB	OEHT	OeKB
Assets	688,648	21,674	1,107,511	2,665,562	990,399	28,717,186
Operating income	66,351	0	46,814	14,092	4,179	52,007
Profit/loss from continuing operations	51,726	0	56,555	5,770	2,433	32,132
Profit/loss after tax from discontinued operations	0	0	0	0	0	0
Other comprehensive income	0	0	(2,438)	0	0	(5,204)
Total comprehensive income	**51,726**	**0**	**54,117**	**5,770**	**2,433**	**26,928**
Attributable to non-controlling interests	0	0	3,322	0	0	0
Attributable to investee's shareholders	0	0	50,795	0	0	0
Current assets	668,928	21,674	323,481	1,186,919	8,227	8,238,778
Non-current assets	19,720	0	784,030	1,478,643	977,339	20,478,408
Short-term liabilities	(565,629)	(1,595)	(268,866)	(2,422,241)	(18,277)	(9,266,605)
Long-term liabilities	(20,928)	0	(371,112)	(208,695)	(933,681)	(18,657,041)
Net assets	**102,090**	**20,079**	**467,534**	**34,626**	**33,608**	**793,540**
Attributable to non-controlling interests	0	0	11,069	0	0	0
Attributable to investee's shareholders	0	0	456,465	0	0	793,540
Group's interest in net assets of investee as at 1/1	**19,041**	**0**	**146,557**	**7,509**	**10,154**	**63,117**
Change in share	0	0	0	0	0	0
Total comprehensive income attributable to the Group	14,113	7,281	11,468	1,493	818	3,986
Dividends received	(7,631)	(534)	(7,118)	0	(469)	(2,668)
Share in the capital increase	0	0	0	0	0	
Group's interest in net assets of investee as at 31/12	**25,523**	**6,747**	**150,907**	**9,003**	**10,502**	**64,435**
Goodwill	0	0	47,705	0	0	0
Accumulated impairment	0	0	0	0	(225)	(14,832)
Other adaptations	0	0	0	0	0	0
Carrying amount	**25,523**	**6,747**	**198,613**	**9,003**	**10,278**	**49,604**

1 Consolidated financial statements: Profit and equity is after deduction of non-controlling interests.
CCSB: card complete Service Bank AG, Vienna (AT)
EMCOM: EMCOM Beteiligungs GmbH, Vienna (AT)
LLI: LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)
NTB: NOTARTREUHANDBANK AG, Vienna (AT)
OEHT: Österreichische Hotel- und Tourismusbank GmbH, Vienna (AT)
OeKB: Oesterreichische Kontrollbank AG, Vienna (AT)

2018 in € thousand	POSO	PSS	R-Leasing	RIZ[1]	UNIQA[1, 2] 30/9/2018
Assets	478,220	3,079,793	46,831	1,326,416	28,560,324
Operating income	(3,800)	119,686	204	19,768	253,586
Profit/loss from continuing operations	(8,219)	15,458	69	10,561	167,879
Profit/loss after tax from discontinued operations	0	0	0	21,475	0
Other comprehensive income	(2,144)	287	0	(510)	(205,293)
Total comprehensive income	**(10,363)**	**15,745**	**69**	**31,526**	**(37,414)**
Attributable to non-controlling interests	0	0	0	(251)	(1,057)
Attributable to investee's shareholders	0	0	0	31,778	(36,357)
Current assets	181,895	636,416	46,561	1,205,151	1,683,285
Non-current assets	295,427	2,443,377	270	121,265	26,877,039
Short-term liabilities	(171,503)	(762,291)	(20,584)	(1,027,569)	(1,562,827)
Long-term liabilities	(263,991)	(2,074,121)	0	(189,946)	(23,999,463)
Net assets	**41,827**	**243,381**	**26,246**	**108,901**	**2,998,034**
Attributable to non-controlling interests	0	0	0	372	11,821
Attributable to investee's shareholders	0	0	0	108,529	2,986,213
Group's interest in net assets of investee as at 1/1	**14,503**	**76,494**	**0**	**33,869**	**341,534**
Change in share	607	0	0	0	0
Total comprehensive income attributable to the Group	(9,683)	2,604	14,123	17,740	8,057
Dividends received	0	0	(1,000)	0	(17,066)
Share in the capital increase	20,285	0	0	0	0
Group's interest in net assets of investee as at 31/12	**25,712**	**79,099**	**13,123**	**51,609**	**332,524**
Goodwill	0	0	0	0	0
Accumulated impairment	(15,385)	(13,029)	0	(2,940)	(5,478)
Other adaptations	0	0	0	0	0
Carrying amount	**10,327**	**66,069**	**13,123**	**48,669**	**327,046**

1 Consolidated financial statements: Profit and equity is after deduction of non-controlling interests.
2 Figures as at 30 September 2018 because UNIQA is a listed company and has not yet published 2018 consolidated financial statements. Fair value of the shares held and based on stock exchange price as at 31 December 2018 amounted to € 264,065 thousand (2017: € 296,318 thousand).
POSO: Posojilnica Bank eGen, Klagenfurt (AT)
PSS: Prva stavebna sporitelna a.s., Bratislava (SK)
R-Leasing: Raiffeisen-Leasing Management GmbH, Vienna (AT)
RIZ: Raiffeisen Informatik GmbH, Vienna (AT)
UNIQA: UNIQA Insurance Group AG, Vienna (AT)

(20) Development of fixed assets

in € thousand	2018	2017
Tangible fixed assets	**1,384,277**	**1,540,194**
Land and buildings used by the group for own purpose	571,227	584,896
Other land and buildings (investment property)	274,028	372,833
Office furniture, equipment and other tangible fixed assets	275,217	253,740
Leased assets (operating lease)	263,805	328,726
Intangible fixed assets	**692,897**	**720,935**
Software	570,718	594,035
Goodwill	95,583	95,877
Brand	8,362	7,862
Customer relationships	7,596	12,906
Other intangible fixed assets	10,638	10,255
Total	**2,077,175**	**2,261,129**

The reduction in other land and buildings (investment property) was mainly due to the reclassification of the disposal group of Raiffeisen Immobilienfonds, Vienna, pursuant to IFRS 5 in the amount of € 49,848 thousand to other assets. The fair value of other land and buildings (investment property) was € 333,603 thousand (2017: € 429,646 thousand).

Fixed assets developed as follows:

in € thousand	Cost of acquisition or conversion As at 1/1/2018	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As at 31/12/2018
Tangible fixed assets	**3,000,234**	**(112,922)**	**(45,046)**	**211,572**	**(293,478)**	**(6)**	**2,760,353**
Land and buildings used by the group for own purpose	999,906	(29,452)	(23,341)	38,353	(22,475)	42,764	1,005,756
Other land and buildings (investment property)	497,509	(5,940)	(4,035)	10,457	(62,875)	(57,692)	377,424
Office furniture, equipment and other tangible fixed assets	973,008	(58,836)	(17,835)	119,552	(97,400)	668	919,157
Leased assets (operating lease)	529,811	(18,694)	165	43,209	(110,728)	14,254	458,016
Intangible fixed assets	**2,490,221**	**(346,480)**	**(21,873)**	**190,489**	**(17,786)**	**6**	**2,294,576**
Software	1,743,055	(128,294)	(13,098)	187,538	(17,537)	(74)	1,771,590
Goodwill	639,744	(187,102)	(14,046)	0	0	0	438,595
Brand	21,841	0	1,388	0	0	0	23,229
Customer relationships	41,576	(17,248)	1,214	0	0	0	25,542
Other intangible fixed assets	44,005	(13,835)	2,669	2,950	(250)	80	35,620
Total	**5,490,455**	**(459,402)**	**(66,920)**	**402,060**	**(311,264)**	**0**	**5,054,929**

Changes in the consolidated group in the financial year mainly resulted from the sale of the Polish core banking operations.

Individual investments in excess of € 10,000 thousand occurred in Kosovo (head office building of the bank) in the financial year and in Bulgaria (building) in the previous year.

in € thousand	Write-ups, amortization, depreciation, impairment Cumulative	hereof write-ups	hereof depreciation/ impairment	Carrying amount As at 31/12/2018
Tangible fixed assets	**(1,376,076)**	**459**	**(144,594)**	**1,384,277**
Land and buildings used by the group for own purpose	(434,529)	449	(34,299)	571,227
Other land and buildings (investment property)	(103,396)	2	(13,560)	274,028
Office furniture, equipment and other tangible fixed assets	(643,940)	0	(72,202)	275,217
Leased assets (operating lease)	(194,211)	8	(24,534)	263,805
Intangible fixed assets	**(1,601,679)**	**0**	**(160,490)**	**692,897**
Software	(1,200,872)	0	(147,293)	570,718
Goodwill	(343,013)	0	(7,943)	95,583
Brand	(14,867)	0	0	8,362
Customer relationships	(17,946)	0	(2,855)	7,596
Other intangible fixed assets	(24,981)	0	(2,399)	10,638
Total	**(2,977,755)**	**459**	**(305,085)**	**2,077,175**

in € thousand	As at 1/1/2017	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As at 31/12/2017
	Cost of acquisition or conversion						
Tangible fixed assets	**2,595,296**	**474,777**	**(38,805)**	**208,347**	**(246,979)**	**7,598**	**3,000,234**
Land and buildings used by the group for own purpose	755,076	265,805	(19,608)	27,772	(28,979)	(160)	999,906
Other land and buildings (investment property)	537,049	14,474	(5,068)	19,985	(68,611)	(320)	497,509
Office furniture, equipment and other tangible fixed assets	970,362	14,817	(17,199)	96,137	(98,557)	7,448	973,008
Leased assets (operating lease)	332,809	179,681	3,069	64,453	(50,832)	630	529,811
Intangible fixed assets	**2,273,704**	**150,899**	**(21,814)**	**201,833**	**(106,803)**	**(7,598)**	**2,490,221**
Software	1,576,479	26,564	488	197,301	(50,096)	(7,681)	1,743,055
Goodwill	566,953	103,368	(22,830)	0	(7,747)	0	639,744
Brand	23,251	0	(1,410)	0	0	0	21,841
Customer relationships	41,697	0	(121)	0	0	0	41,576
Other intangible fixed assets	65,324	20,967	2,059	4,532	(48,960)	83	44,005
Total	**4,869,000**	**625,676**	**(60,619)**	**410,180**	**(353,782)**	**0**	**5,490,455**

in € thousand	Write-ups, amortization, depreciation, impairment Cumulative	hereof write-ups	hereof depreciation/ impairment	Carrying amount As at 31/12/2017
Tangible fixed assets	**(1,460,040)**	**12,898**	**(181,032)**	**1,540,194**
Land and buildings used by the group for own purpose	(415,010)	219	(37,176)	584,896
Other land and buildings (investment property)	(124,676)	12,314	(36,677)	372,833
Office furniture, equipment and other tangible fixed assets	(719,268)	112	(75,156)	253,740
Leased assets (operating lease)	(201,085)	253	(32,023)	328,726
Intangible fixed assets	**(1,769,286)**	**0**	**(147,344)**	**720,935**
Software	(1,149,020)	0	(140,829)	594,035
Goodwill	(543,867)	0	0	95,877
Brand	(13,978)	0	0	7,862
Customer relationships	(28,670)	0	(4,171)	12,906
Other intangible fixed assets	(33,750)	0	(2,344)	10,255
Total	**(3,229,326)**	**12,898**	**(328,376)**	**2,261,129**

Software

The item software comprises acquired software amounting to € 424,439 thousand (2017: € 454,928 thousand) and internally developed software amounting to € 146,279 thousand (2017: € 139,106 thousand).

Goodwill

The following overview shows the development of the carrying amount of goodwill, gross amounts and cumulative impairments of goodwill by cash generating units.

2018 in € thousand	RBCZ	RKAG	Other	Total
As at 1/1	**40,088**	**53,728**	**2,061**	**95,877**
Additions	0	0	0	0
Impairment	0	0	0	0
Exchange rate changes	(295)	0	0	(295)
As at 31/12	**39,794**	**53,728**	**2,061**	**95,583**
Gross amount	39,794	53,728	345,074	438,595
Accumulated impairment[1]	0	0	(343,013)	(343,013)

1 Calculated with average exchange rates
RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

2017 in € thousand	RBCZ	RKAG	Other	Total
As at 1/1	**37,884**	**53,728**	**2,061**	**93,673**
Additions	0	0	0	0
Impairment	0	0	0	0
Exchange rate changes	2,205	0	0	2,205
As at 31/12	**40,088**	**53,728**	**2,061**	**95,877**
Gross amount	40,088	53,728	545,928	639,744
Accumulated impairment[1]	0	0	(543,867)	(543,867)

1 Calculated with average exchange rates
RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

Impairment test for goodwill

At the end of each financial year, goodwill is reviewed by comparing the recoverable value of each cash generating unit for which goodwill is recognized with its carrying value. The carrying amount value is equal to net assets including goodwill and other intangible assets which are recognized within the framework of business combinations. In line with IAS 36, impairment tests for goodwill are carried out during the year if a reason for impairment occurs.

Recoverable value

In the course of impairment testing the carrying amount of each cash generating unit (CGU) is compared with the recoverable amount. If the recoverable amount of a cash generating unit is below its carrying amount, the difference is recognized as impairment in the income statement under other net operating income.

The Group generally identifies the recoverable amount of cash generating units on the basis of the "value-in-use" concept using a dividend discount model. The dividend discount model reflects the characteristics of the banking business including the regulatory framework. The present value of estimated future dividends that can be distributed to shareholders after taking into account relevant regulatory capital requirements represents the recoverable value.

The calculation of the recoverable amount is based on a five-year detailed planning period. The sustainable future growth (stabilization phase) is based on the premise of perpetuity (perpetual annuity); in the majority of cases country nominal growth rates of earnings are assumed, which are based on the long-term expected rate of inflation. For companies that have a significant overcapitalization an interim period of five years is defined, but without extending the detailed planning phase. Within this period, it is possible for these CGUs to make full payments without violating the capital adequacy requirements. In the stabilization phase, profit retention relating to growth while ensuring compliance with capital requirements is imperative. If, however, zero growth is assumed in the stabilization phase, no profit retention is required.

In the stabilization phase the model is based on a normal economically sustainable earnings situation, whereby convergence of expected return on equity and cost of equity is assumed.

Key assumptions

Key assumptions that have been made for the individual cash generating units:

	2018		2017	
Cash generating units	**RBCZ**	**RKAG**	**RBCZ**	**RKAG**
Discount rates (after tax)	10.19 - 11.49%	7.5 - 9.5%	10.55 - 11.85%	8.42 - 10.42%
Growth rates in phase I and II	2.0%	1.8%	1.6%	0.2%
Growth rates in phase III	3.0%	2.0%	3.5%	2.0%
Planning period	5 years	5 years	5 years	5 years

RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

The use value of a cash generating unit is sensitive to various parameters: primarily to the level and development of future dividends, to the discount rates as well as the nominal growth rate in the stabilization phase. The applied discount rates have been calculated using the capital asset pricing model: they are composed of a risk-free interest rate and a risk premium for entrepreneurial risk taking. The risk premium is calculated as the market risk premium that varies according to the country in which the unit is registered multiplied by the beta factor for the indebted company. The values for the risk-free interest rate and the market risk premium are defined using accessible external market data sources. The risk measure beta factor is derived from a peer group of financial institutions operating in Western and Eastern Europe. The above-mentioned interest rate parameters represent market assessments; therefore they are not stable and could in the event of a change affect the discount rates.

The following table provides a summary of significant planning assumptions and a description of the management approach to identify the values that are assigned to each significant assumption under consideration of a risk assessment.

Cash generating unit	Significant assumptions	Management approach	Risk assumption
RBCZ	The Czech Republic is a core market for the Group where a selective growth strategy is pursued. Improvements through improved liability margins. Stable costs are assumed.	The assumptions are based on internal as well as external sources. Macroeconomic assumptions of the research department were compared with external data sources and the 5-year plan, presented to the Management Board and approved by the Supervisory Board.	Pressure on fee income through greater competition. Moderate credit risk in the medium term.
RKAG	RKAG is one of the leading Austrian fund enterprises with a managed consolidated volume of € 32.3 billion as at year-end 2018 and a market share of 18.4 per cent. RKAG has been active internationally for years and is a well-known player in numerous European countries.	The planning assumptions are based on internal and external sources. Macroeconomic assumptions were compared with external data sources and the 5-year plan and were presented to the managers of the company. The planning was approved by the Supervisory Board.	Possible weakening of the macroeconomic environment. Pressure on net fee and commission income by more aggressive market participants cannot be excluded.

RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

Sensitivity analysis

A sensitivity analysis was carried out based on the above-mentioned assumptions in order to evaluate the stability of the results of the impairment test for goodwill. From a number of options for this analysis, two relevant parameters were selected, namely the cost of equity and the reduction of the growth rate. The following overview demonstrates to what extent an increase in the cost of equity or a reduction in the long-term growth rate could occur without the value in use of cash generating units declining below the respective carrying value (equity capital plus goodwill).

	2018		2017	
Maximum sensitivity	RBCZ	RKAG	RBCZ	RKAG
Increase in discount rate	3.1 PP	2.8 PP	0.4 PP	1.7 PP
Reduction of the growth rate in phase III	-	(0.5) PP	-	0.5 PP

RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

Brand

Group companies use brands to differentiate their services from those of the competition. According to IFRS 3, brands of acquired companies have been recognized separately under the item intangible fixed assets. Brands have an indeterminable useful life and are therefore not subject to scheduled amortization. Brands are tested annually in the course of the impairment test for goodwill per cash generating unit and additionally whenever indications of impairment arise. Brand rights are only recognized for Raiffeisen Bank Aval JSC, Kiev.

The carrying value of the brand was € 8,362 thousand (2017: € 7,862 thousand) and the cumulative impairment loss € 14,867 thousand (2017: € 13,978 thousand).

According to IAS 36.9 at the end of each reporting period, an entity is required to assess whether there is any indication that an asset may be impaired based on a series of external and internal indicators of impairment.

The brand value of Raiffeisen Bank Aval JSC, Kiev, was determined using the comparable historical cost approach, because neither directly comparable transactions nor a market with observable prices was available at the time of purchase price allocation. Documentation of brand-related marketing expenses in the previous years was taken as the basis for the historical cost approach. In 2018, the impairment test led to no impairment.

Customer relationships

If customer contracts and associated customer relationships are acquired in a business combination, they must be recognized separately from goodwill, if they are based on contractual or other rights. The acquired companies meet the criteria for a separate recognition of non-contractual customer relationships for existing customers. The customer base is valued using the multi-period excess earnings method based on projected future income and expenses allocable to the respective customer base. The projections are based on planning figures for the corresponding years.

The Group capitalized customer relationship intangibles in relation to Raiffeisen Bank Aval JSC, Kiev, and Raiffeisenbank a.s., Prague, in an amount of € 7,596 thousand (2017: € 12,906 thousand). In 2018 there were no external or internal indications that identified a need for an impairment test.

The customer relationships of Raiffeisen Bank Polska S.A., Warsaw, were derecognized as part of the deconsolidation of the Polish core banking operations.

(21) Tax assets

in € thousand	2018	2017
Current tax assets	56,820	189,204
Deferred tax assets	122,371	114,313
Temporary tax claims	101,982	107,164
Loss carry-forwards	20,388	7,150
Total	**179,191**	**303,517**

Deferred tax assets derived from the following items:

in € thousand	2018
Financial assets - amortized cost	68,695
Derivatives – Hedge accounting incl. fair value adjustments	24,449
Financial liabilities - amortized cost	22,066
Financial liabilities - held for trading	138,161
Financial liabilities - designated fair value through profit/loss	219,151
Other assets	55,520
Provisions for liabilities and charges	74,862
Loss carry-forwards	20,388
Other items of the statement of financial position	26,638
Total	**649,930**

Due to the change in the presentation of the statement of financial position, preparation of a direct comparison with the previous year would entail disproportionate effort. The following table therefore shows the balance of deferred taxes as at the reporting date for the previous year:

in € thousand	2017
Loans to customers	47,787
Impairment losses on loans and advances	111,578
Tangible and intangible fixed assets	11,751
Other assets	18,027
Provisions for liabilities and charges	68,298
Trading liabilities	27,133
Other liabilities	179,832
Tax loss carry-forwards	7,150
Other items of the statement of financial position	203,380
Deferred tax assets	**674,936**
Loans to banks	14,026
Loans to customers	43,709
Impairment losses on loans and advances	75,219
Trading liabilities	39,117
Financial investments	14,970
Tangible and intangible fixed assets	80,156
Other assets	281,387
Deposits from customers	2
Provisions for liabilities and charges	903
Other liabilities	4,443
Other items of the statement of financial position	70,005
Deferred tax liabilities	**623,937**
Net deferred taxes	**50,999**

In the consolidated financial statements, deferred tax assets are recognized for unused tax loss carry-forwards which amounted to € 20,363 thousand (2017: € 7,150 thousand). The tax loss carry-forwards are mainly without any time limit. The Group did not recognize deferred tax assets from tax loss carry-forwards of € 519,281 thousand (2017: € 574,185 thousand) because from a current point of view there is no prospect of realizing them within a reasonable period of time.

(22) Other assets

in € thousand	2018	2017
Prepayments and other deferrals	282,662	232,851
Lease in progress	45,965	35,831
Merchandise inventory and suspense accounts for services rendered not yet charged out	193,963	118,832
Non-current assets and disposal groups classified as held for sale	54,142	123,169
Other assets	412,862	756,836
Total	**989,594**	**1,267,519**

Merchandise inventory and suspense accounts for services rendered not yet charged out included property under construction or not yet sold of Raiffeisen Leasing Group in Austria and Italy of € 129,163 thousand.

Non-current assets and disposal groups classified as held for sale mainly consisted of two buildings owned by Raiffeisen Immobilienfonds, Vienna, in an amount of € 49,602 thousand. As at 31 December 2017, this item also included assets of Raiffeisen Pension Insurance d.d., Zagreb, of € 61,591 thousand, which have no longer been classified as held for sale as according to the assessment on the balance sheet date, a sale is unlikely within a year.

(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 € thousand	2018	2017
Deposits from banks	**23,959,843**	**22,268,407**
Current accounts/overnight deposits/redeemable at notice	9,993,571	10,022,332
Deposits with agreed maturity	13,228,746	11,908,058
Repurchase agreements	737,526	338,017
Deposits from customers	**86,623,218**	**84,466,663**
Current accounts/overnight deposits/redeemable at notice	58,705,626	57,018,666
Deposits with agreed maturity	27,769,768	27,412,664
Repurchase agreements	147,825	35,333
Debt securities issued	**7,966,769**	**7,543,755**
Certificates of deposits	778	135
Covered bonds	726,560	916,937
Hybrid contracts	369	3,883
Other debt securities issued	7,239,063	6,622,800
hereof convertible compound financial instruments	1,339,644	1,552,730
hereof non-convertible	5,899,418	5,070,070
Other financial liabilities	**524,268**	**515,287**
Total	**119,074,098**	**114,794,111**
hereof subordinated financial liabilities	2,765,225	3,016,033

In current deposits from banks, a reduction in deposits at head office was offset by an increase in Russia. Overall, this item stagnated year-on-year. The increase in deposits with agreed maturity from banks and in repurchase agreements (repos) was largely attributable to head office.

In deposits from customers, the disposal of the Polish core banking operations was more than offset by increases in almost all of the Group's markets (increases at head office of € 3,984,968 thousand, at AO Raiffeisenbank, Moscow, of € 1,678,568 thousand and at Tatra banka, a.s., Bratislava, of € 890,135 thousand). The focus of customers here was on current deposits.

In other convertible debt securities issued, Raiffeisen Wohnbaubank Aktiengesellschaft redeemed issuances of € 182,789 thousand. The increase in non-convertible debt securities issued was firstly attributable to a reclassification, as at 1 January 2018, from the measurement category designated fair value through profit/loss (subtraction) to the measurement category amortized cost (addition) at head office and secondly to new issuances by head office.

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

in € thousand	2018	2017
Central banks	2,147,243	1,857,061
General governments	2,719,635	1,896,266
Banks	21,812,599	20,411,345
Other financial corporations	9,457,538	6,816,596
Non-financial corporations	31,350,275	31,151,435
Households	43,095,770	44,602,366
Total	**110,583,061**	**106,735,069**

This increase in deposits from banks and other financial corporations was almost entirely due to higher deposits at head office.

The following table shows the principal debt securities issued:

Issuer	ISIN	Type	Currency	Nominal value in € thousand	Coupon	Due
RBI AG	XS1852213930	Senior public placement	EUR	500,000	0.3%	5/7/2021
RBI AG	XS1917591411	Senior public placement	EUR	500,000	1.0%	4/12/2023
RBCZ	XS1132335248	Senior public placement	CZK	315,198	0.8%	5/11/2019

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

in € thousand	2018	2017
Deposits from banks	**20,336**	**109,414**
Deposits with agreed maturity	20,336	109,414
Deposits from customers	**414,852**	**507,453**
Deposits with agreed maturity	414,852	507,453
Debt securities issued	**1,495,888**	**1,891,754**
Other debt securities issued	1,495,888	1,891,754
hereof convertible compound financial instruments	10,343	0
hereof non-convertible	1,485,545	1,891,754
Total	**1,931,076**	**2,508,622**
hereof subordinated financial liabilities	385,576	771,944

The reduction in financial liabilities – designated fair value through profit/loss compared to year-end 2017 was largely due to a decrease in debt securities issued. This was attributable to a reclassification as at 1 January 2018 from the measurement category designated fair value through profit/loss (subtraction) to the measurement category amortized cost (addition) at head office.

(25) Financial liabilities - held for trading

in € thousand	2018	2017
Derivatives	**2,034,559**	**1,726,315**
Interest rate contracts	925,151	1,002,436
Equity contracts	365,550	119,117
Foreign exchange rate and gold contracts	646,770	494,534
Credit contracts	2,957	4,915
Commodities	2,673	3,917
Other	91,457	101,397
Short positions	**318,001**	**343,640**
Equity instruments	92,292	215,730
Debt securities	225,709	127,910
Debt securities issued	**2,749,275**	**2,344,522**
Hybrid contracts	2,382,807	1,989,880
Other debt securities issued	366,467	354,642
hereof convertible compound financial instruments	366,467	354,642
Total	**5,101,835**	**4,414,477**

Details on derivatives are shown under (46) Derivative financial instruments.

(26) Hedge accounting

in € thousand	2018	2017
Negative fair values of derivatives in micro fair value hedge	**20,914**	**28,418**
Interest rate contracts	20,727	28,308
Foreign exchange rate and gold contracts	187	110
Negative fair values of derivatives in micro cash flow hedge	**5,390**	**0**
Interest rate contracts	5,390	0
Negative fair values of derivatives in net investment hedge	**0**	**9,637**
Negative fair values of derivatives in portfolio hedge	**127,018**	**166,453**
Cash flow hedge	12,452	61,702
Fair value hedge	114,566	104,750
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**(62,274)**	**60,079**
Total	**91,049**	**264,587**

(27) Provisions for liabilities and charges

in € thousand	2018	2017
Provisions for off-balance-sheet items	**126,149**	**118,723**
Other commitments and guarantees acc. IFRS 9	125,750	0
Other commitments and guarantees acc. IAS 37	399	118,723
Provisions for staff	**459,021**	**421,241**
Pensions and other post employment defined benefit obligations	188,567	164,538
Other long-term employee benefits	36,376	33,272
Bonus payments	176,352	169,236
Provisions for overdue vacations	50,435	51,637
Termination benefits	7,290	2,558
Other provisions	**270,753**	**332,455**
Pending legal issues and tax litigation	88,777	129,096
Restructuring	2,446	17,920
Onerous contracts	66,401	66,059
Other provisions	113,129	119,380
Total	**855,922**	**872,420**

The Group is involved in litigation arising from the undertaking of banking business, but does not expect that these legal cases will have a material impact on the financial position of the Group. Group-wide provisions for pending legal issues amounted to € 88,777 thousand (2017: € 129,096 thousand). The reduction shown here mainly resulted from writebacks at RBI AG. Following a final court decision in RBI's favor against an Icelandic bank in March 2018, there was a positive effect totaling € 50,000 thousand (€ 25,000 thousand recognized in pending legal issues and tax litigation and € 25,000 thousand recognized under commitments and guarantees given). The case relates to a lawsuit brought against RBI by the insolvency administrator in 2012. As at the reporting date, in 2018 and 2017 single cases involving provisions in excess of € 10,000 thousand occurred only in Slovakia.

- In Slovakia, a customer took legal action against Tatra banka a.s., Bratislava, in 2012. The case revolves around agreed credit facilities and a contract breach allegedly committed by Tatra banka a.s. through failing to execute payment transfer orders and renew credit facilities, which ultimately led to the termination of the customer's business activities. The total disputed amount is € 121,609 thousand. The case against the bank has already been rejected in the courts of first and second instance. The case is currently pending before the Supreme Court of Slovakia.
- Another closely related legal action in relation to a disputed amount of € 127,063 thousand was brought in 2016 by a Cypriot plaintiff who had purchased the underlying claim from a shareholder of the above Slovakian customer's holding company. The legal action has been suspended until a decision on the above case.

Due to the initial adoption of IFRS 9, off-balance-sheet risks are measured in accordance with IFRS 9. The initial adoption effect of € 30,070 thousand is firstly presented in the chapter IFRS 9 transition, in the section transition impairments and secondly under (37) Development of impairments.

The following table shows the changes in provisions for liabilities and charges in the reporting year, although provisions for off-balance-sheet items pursuant to IFRS 9 of € 125,750 thousand are not included. These are shown under (37) Development of impairments.

in € thousand	1/1/2018	Change in consolidated group	Allocation	Release	Usage	Transfers, exchange differences	31/12/2018
Provisions for off-balance-sheet items	**176**	**0**	**431**	**(173)**	**0**	**(35)**	**399**
Other commitments and guarantees acc. IAS 37	176	0	431	(173)	0	(35)	399
Provisions for staff	**419,909**	**(13,898)**	**207,268**	**(26,569)**	**(126,571)**	**(1,118)**	**459,021**
Pensions and other post employment defined benefit obligations	164,538	(10)	28,237	(17)	(8,743)	4,563	188,567
Other long-term employee benefits	33,272	(751)	6,585	(604)	(392)	(1,734)	36,376
Bonus payments	169,236	(10,064)	153,083	(15,533)	(115,543)	(4,827)	176,352
Provisions for overdue vacations	50,305	(3,072)	14,207	(10,195)	0	(810)	50,435
Termination benefits	2,558	0	5,156	(219)	(1,893)	1,688	7,290
Other provisions	**333,787**	**(18,964)**	**100,902**	**(72,849)**	**(73,405)**	**1,282**	**270,753**
Pending legal issues and tax litigation	129,096	(2,336)	31,309	(50,742)	(20,080)	1,530	88,777
Restructuring	17,920	(6,207)	551	(8,753)	(291)	(774)	2,446
Onerous contracts	66,059	(2,417)	342	0	0	2,417	66,401
Other provisions	120,712	(8,004)	68,699	(13,354)	(53,033)	(1,890)	113,129
Total	**753,872**	**(32,862)**	**308,600**	**(99,591)**	**(199,976)**	**129**	**730,173**

Due to the change in the presentation of the statement of financial position and the adoption of IFRS 9, preparation of a direct comparison with the previous year would entail disproportionate effort. The following table shows the changes in provisions in the previous year:

in € thousand	1/1/2017	Change in consolidated group	Allocation	Release	Usage	Transfers, exchange differences	31/12/2017
Severance payments and other	84,523	32,882	6,344	(1,612)	(6,129)	(10)	115,998
Retirement benefits	28,545	60,077	1,427	(6,997)	(1,488)	(14)	81,549
Taxes	129,731	32,656	132,304	(30,208)	(120,685)	(5,804)	137,993
Current	72,386	1,646	123,426	(2,676)	(120,547)	444	74,678
Deferred	57,345	31,010	8,878	(27,532)	(138)	(6,248)	63,315
Contingent liabilities and commitments	123,233	22,277	69,860	(66,285)	(8,356)	(22,005)	118,723
Pending legal issues	84,914	20,644	48,255	(19,022)	(5,412)	(283)	129,096
Overdue vacation	43,473	5,756	13,363	(8,854)	(1,055)	(1,047)	51,637
Bonus payments	147,294	4,874	133,780	(17,106)	(96,065)	(3,540)	169,236
Restructuring	14,231	(1,021)	45,286	(30,623)	(9,797)	(156)	17,920
Provisions for banking business due to governmental measures	14,503	0	0	(13,440)	(836)	(227)	0
Other	85,806	107,946	110,389	(54,619)	(74,921)	13,657	188,258
Total	**756,252**	**286,090**	**561,007**	**(248,768)**	**(324,743)**	**(19,429)**	**1,010,410**

Tax provisions, which up to and including 2017 were shown under provisions, are shown under (28) Tax liabilities.

Pension obligations and other termination benefits

The Group contributes to the following defined benefit pension plans and other post-employment benefits:

- Defined benefit pension plans in Austria and other countries
- Other post-employment benefits in Austria and other countries
- These defined benefit plans and other post-employment benefits expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Funding

For pensions there are different plans: unfunded, partly funded and fully funded. The partly and fully funded plans are all invested by Valida Pension AG. Valida Pension AG is a pension fund, and is subject in particular to the provisions of the PKG (Pension Act) and BPG (Company Pension Act).

The Group expects to pay € 481 thousand in contributions to its defined benefit plans in 2019. In the financial year 2018, the Group's contribution to defined benefit plans was € 371 thousand.

Pension obligations/defined benefit pension plans

Financial status

in € thousand	2018	2017
Defined benefit obligation (DBO)	144,811	132,706
Fair value of plan assets	(45,534)	(51,156)
Net liabilities/assets	99,277	81,549

The defined benefit obligations developed as follows:

in € thousand	2018	2017
Defined benefit obligation 1/1	**132,706**	**42,748**
Change in consolidated group	0	96,294
Current service cost	475	1,268
Interest cost	1,811	2,137
Payments	(6,888)	(5,341)
Loss/(gain) on DBO due to past service cost	2	(1,675)
Transfer	(3,410)	(557)
Remeasurements	20,115	(2,168)
Defined benefit obligation 31/12	**144,811**	**132,706**

The increase in new measurements resulted from the adjustment in the mortality tables.

Plan assets developed as follows:

in € thousand	2018	2017
Plan assets as at 1/1	**51,156**	**14,203**
Change in consolidated group	0	36,367
Interest income	1,094	790
Contributions to plan assets	627	681
Plan payments	(2,473)	(2,369)
Transfer	(2,148)	(449)
Return on plan assets excl. interest income	(2,722)	1,933
Plan assets as at 31/12	**45,534**	**51,156**

The return on plan assets for 2018 was minus € 1,880 thousand (2017: € 1,847 thousand). The fair value of rights to reimbursement recognized as an asset was € 12,524 thousand as at year-end 2018 (2017: € 14,350 thousand).

Structure of plan assets

Plan assets comprised the following items:

in per cent	2018	2017
Debt securities	39	39
Shares	25	35
Alternative investments	3	4
Real estate	6	5
Cash	27	18
Total	**100**	**100**

In the reporting year, most of the plan assets were quoted on an active market; less than 10 per cent were not quoted on an active market.

Asset-Liability Matching

The pension provider Valida Pension AG has established an asset/risk management process (ARM process). According to this process, the risk-bearing capacity of each fund is evaluated once a year based on the liability structure of investment and risk associations, which itself is derived from the statement of financial position. Based on this risk-bearing capacity, the investment structure of the fund is derived. When determining the investment structure, defined and documented customer requirements are also taken into account.

The defined investment structure is implemented in the two funds named VRG 60 and VRG 7, in which the accrued amounts for RBI are invested, with an investment concept. The weighting of predefined asset classes moves within a range according to objective criteria, which can be derived from market trends. In times of stress, hedges of the equity component are put in place.

Actuarial assumptions

The following table shows the actuarial assumptions used to calculate the net defined benefit obligation:

in per cent	2018	2017
Discount rate	1.9	1.7
Future pension basis increase	3.5	2.7
Future pension increase	2.0	1.2

The following table shows the longevity assumptions used to calculate the net defined benefit obligation:

Years	2018	2017
Longevity at age 65 for current pensioners - males	22.8	21.2
Longevity at age 65 for current pensioners - females	25.3	23.7
Longevity at age 65 for current members aged 45 - males	25.6	24.7
Longevity at age 65 for current members aged 45 - females	27.8	26.9

The weighted average duration of the net defined benefit obligation was 13.0 years (2017: 12.6 years).

Sensitivity analysis

Changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2018		2017	
in € thousand	Increase	Decrease	Increase	Decrease
Discount rate (1 per cent change)	(15,414)	18,843	(13,017)	15,742
Future salary growth (0.5 per cent change)	735	(712)	700	(651)
Future pension increase (0.25 per cent change)	3,974	(3,824)	3,563	(3,378)
Remaining life expectancy (change 1 year)	8,644	(9,189)	7,869	(8,411)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Other termination benefits

The other termination benefits developed as follows:

in € thousand	2018	2017
Defined benefit obligation 1/1	**82,988**	**58,544**
Change in consolidated group	0	23,907
Current service cost	5,353	5,417
Interest cost	1,234	1,367
Payments	(4,212)	(4,311)
Loss/(gain) on DBO due to past service cost	88	182
Transfers	(371)	34
Remeasurements	4,210	(2,152)
Defined benefit obligation 31/12	**89,290**	**82,988**

Actuarial assumptions

The following table shows the actuarial assumptions used to calculate the other termination benefits:

in per cent	2018	2017
Discount rate	1.8	1.5
Additional future salary increase for employees	3.5	2.7

Employee benefit expenses

Details of employee benefit expenses (expenses for defined benefit pension plans, other benefits due to termination of employment) are stated under (7) General administrative expenses.

(28) Tax liabilities

in € thousand	2018	2017
Current tax liabilities	41,376	74,678
Deferred tax liabilities	59,702	63,315
Total	**101,078**	**137,993**

Deferred tax liabilities derived from the following items:

in € thousand	2018
Financial assets - held for trading	108,272
Financial assets - amortized cost	91,656
Financial assets and liabilities - designated fair value through profit/loss	23,916
Tangible fixed assets	21,092
Intangible fixed assets	48,946
Financial liabilities - amortized cost	140,137
Derivatives – Hedge accounting incl. fair value adjustments	94,411
Provisions for liabilities and charges	15,907
Other liabilities	20,724
Other items of the statement of financial position	22,199
Total	**587,261**

Due to the change in the presentation of the statement of financial position, preparation of a direct comparison with the previous year would entail disproportionate effort. A presentation of the balance of deferred taxes as at the reporting date for the previous year is shown under (21) Tax assets.

(29) Other liabilities

in € thousand	2018	2017
Liabilities from insurance activities	587	57
Deferred income and accrued expenses	335,059	266,598
Sundry liabilities	211,094	584,179
Liabilities included in disposal groups classified as held for sale	0	61,946
Total	**546,740**	**912,780**

The decrease in liabilities included in disposal groups classified as held for sale was mainly due to the discontinued IFRS 5 presentation of Raiffeisen Pension Insurance d.d., Zagreb.

(30) Equity

in € thousand	2018	2017
Consolidated equity	10,587,140	9,937,003
Subscribed capital	1,002,283	1,002,061
Capital reserves	4,991,797	4,991,797
Retained earnings	7,587,171	6,812,192
hereof consolidated profit/loss	1,269,838	1,116,056
Cumulative other comprehensive income	(2,994,112)	(2,869,047)
Non-controlling interests	700,807	659,732
Additional tier 1	1,125,411	644,615
Total	**12,413,358**	**11,241,350**

The presentation of equity was adjusted to reflect changes in the presentation of the statement of financial position. The development of equity is shown under the statement of changes in equity section.

Subscribed capital

As at 31 December 2018, the subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 1,003,266 thousand and the subscribed capital consisted of 328,939,621 non-par bearer shares. After deduction of own shares of 322,204, the stated subscribed capital totaled € 1,002,283 thousand.

Own shares

The Annual General Meeting held on 21 June 2018 authorized the Management Board pursuant to Section 65 (1) item 8, Section 65 (1a) and Section 65 (1b) of the Austrian Stock Corporation Act (AktG) to purchase own shares and to retire them if appropriate without requiring any further resolutions to be passed by the General Meeting. Own shares, whether already purchased or to be purchased, may not collectively exceed 10 per cent of the company's share capital. The authorization to purchase own shares expires 30 months after the date of the General Meeting resolution, i.e. as of 20 December 2020. The acquisition price for repurchasing the shares may be no lower than € 1.00 per share and no higher than 10 per cent above the average unweighted closing price over the ten trading days prior to exercising this authorization.

The Management Board was further authorized, pursuant to Section 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary as defined by Section 189a (7) UGB or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution i.e. until 20 June 2023.

The Annual General Meeting of 21 June 2018 also authorized the Management Board, under the provisions of Section 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 20 December 2020), provided that the trading portfolio of shares purchased for this purpose does not exceed 5 per cent of the company's respective share capital at the end of any given day. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition.

Authorized capital

Pursuant to Section 169 of the AktG, the Management Board has been authorized from the Annual General Meeting of 4 June 2014 until no later than 25 August 2019 to increase the capital stock – in one or more tranches – by up to € 446,793,032.95 by issuing up to 146,489,519 new common bearer shares with voting rights against contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to Section 153 (6) of AktG) and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Management Board is further authorized to exclude shareholders' subscription rights, with the approval of the Supervisory Board, (i) if the capital increase is carried out by contributions in kind or (ii) if the capital increase is carried out by contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's capital stock (exclusion of subscription rights).

Additional tier 1 capital

On 5 July 2017, RBI AG issued perpetual additional tier 1 capital (AT1) with a nominal value of € 650,000 thousand. The interest rate is 6.125 per cent p.a. until December 2022 and will be reset thereafter. RBI placed another issue of perpetual additional tier 1 capital (AT1) with a volume of € 500,000 thousand on 24 January 2018. The discretionary coupon on this issue is 4.5 per cent p.a. until mid-June 2025, after which it will be reset. Due to the terms and conditions of issue, the additional tier 1 capital is classified as equity under IAS 32. Equity increased € 496,296 thousand after accounting for the issue costs of € 704 thousand and the discount of € 3,000 thousand. Own shares, which have a carrying amount of € 15,499 thousand, were also deducted from the capital.

Dividend proposal

The Management Board of RBI AG will propose to the Annual General Meeting to pay a dividend of € 0.93 per share from the net profit shown in the 2018 annual financial statements. The total dividend paid based on shares issued would be no more than € 305,914 thousand.

Number of shares outstanding

Number of shares	2018	2017
Number of shares issued as at 1/1	**328,939,621**	**292,979,038**
New shares issued	0	35,960,583
Number of shares issued as at 31/12	**328,939,621**	**328,939,621**
Own shares as at 1/1	394,942	509,977
Purchase of own shares	0	0
Sale of own shares	(72,738)	(115,035)
Less own shares as at 31/12	**322,204**	**394,942**
Number of shares outstanding as at 31/12	**328,617,417**	**328,544,679**

Non-controlling interests

The following table contains financial information of subsidiaries which are held by the Group and in which material non-controlling interests exist. The amounts reported below refer to the non-controlling interests that were not eliminated.

2018 in € thousand	Share of voting rights and equity of non-controlling interests	Net assets of non-controlling interests	Profit/loss of non-controlling interests	Other comprehensive income of non-controlling interests	Total comprehensive income of non-controlling interests
Raiffeisen Bank Aval JSC, Kiev (UA)	31.8%	114,931	50,081	8,002	58,083
Raiffeisenbank a.s., Prague (CZ)	25.0%	279,721	32,775	(2,838)	29,936
Tatra banka, a.s., Bratislava (SK)	21.2%	226,249	23,264	(385)	22,879
Priorbank JSC, Minsk (BY)	12.3%	36,501	6,302	(1,441)	4,861
Valida Pension AG, Vienna (AT)	42.6%	53,266	3,350	131	3,481
Other	n/a	(9,861)	12,345	2,345	14,689
Total		**700,807**	**128,116**	**5,813**	**133,929**

2017 in € thousand	Share of voting rights and equity of non-controlling interests	Net assets of non-controlling interests	Profit/loss of non-controlling interests	Other comprehensive income of non-controlling interests	Total comprehensive income of non-controlling interests
Raiffeisen Bank Aval JSC, Kiev (UA)	31.8%	101,686	47,009	(10,477)	36,532
Raiffeisenbank a.s., Prague (CZ)	25.0%	266,174	26,804	13,112	39,916
Tatra banka, a.s., Bratislava (SK)	21.2%	198,479	24,032	275	24,308
Priorbank JSC, Minsk (BY)	12.3%	34,583	7,332	(4,454)	2,879
Valida Pension AG, Vienna (AT)	42.6%	44,993	3,035	(202)	2,833
Other	n/a	13,819	21,741	3,245	24,986
Total		**659,732**	**129,953**	**1,500**	**131,453**

As opposed to the above stated financial information which only relates to non-controlling interests, the following table contains financial information of the individual subsidiaries (including controlling interests):

2018 in € thousand	Raiffeisen Bank Aval JSC, Kiev (UA)	Raiffeisenbank a.s., Prague (CZ)	Tatra banka, a.s., Bratislava (SK)	Priorbank JSC, Minsk (BY)	Valida Pension AG, Vienna (AT)
Operating income	304,196	420,198	398,633	132,893	29,201
Profit/loss after tax	157,309	131,099	109,643	51,401	7,859
Other comprehensive income	25,136	(11,353)	(1,815)	(11,753)	307
Total comprehensive income	**182,445**	**119,746**	**107,828**	**39,649**	**8,165**
Current assets	1,724,587	7,016,544	4,121,452	1,238,069	214,249
Non-current assets	581,701	7,077,839	8,822,107	399,566	64,614
Short-term liabilities	1,939,025	12,341,789	11,077,047	1,276,441	6,443
Long-term liabilities	6,254	633,709	800,198	63,456	147,457
Net assets	**361,009**	**1,118,885**	**1,066,314**	**297,739**	**124,963**
Net cash from operating activities	193,321	355,370	(263,313)	43,479	(29,113)
Net cash from investing activities	(23,404)	(220,099)	163,199	(3,938)	(3,308)
Net cash from financing activities	(140,495)	(68,597)	(67,871)	(23,109)	0
Effect of exchange rate changes	(7,983)	991	0	11,085	0
Net increase in cash and cash equivalents	**21,439**	**67,666**	**(167,985)**	**27,516**	**(32,421)**
Dividends paid to non-controlling interests during the year[1]	44,609	14,942	13,954	2,834	0

1 Included in net cash from financing activities

2017 in € thousand	Raiffeisen Bank Aval JSC, Kiev (UA)	Raiffeisenbank a.s., Prague (CZ)	Tatra banka, a.s., Bratislava (SK)	Priorbank JSC, Minsk (BY)	Valida Pension AG, Vienna (AT)
Operating income	276,309	391,148	386,205	152,458	23,428
Profit/loss after tax	147,659	107,216	113,265	59,808	7,120
Other comprehensive income	(49,406)	62,822	881	(42,198)	(474)
Total comprehensive income	**98,253**	**170,038**	**114,147**	**17,609**	**6,645**
Current assets	1,363,214	6,998,528	4,599,671	1,122,861	242,352
Non-current assets	598,666	6,355,990	7,681,724	287,825	3,519
Short-term liabilities	1,640,895	9,970,261	10,297,649	1,012,297	71,978
Long-term liabilities	1,581	2,319,561	1,048,313	116,302	68,339
Net assets	**319,405**	**1,064,696**	**935,433**	**282,087**	**105,555**
Net cash from operating activities	246,594	(3,047,146)	190,598	107,221	42,793
Net cash from investing activities	(17,661)	30,135	469,332	(36,176)	(42,793)
Net cash from financing activities	(150,667)	(208,830)	(127,435)	(46,972)	0
Effect of exchange rate changes	(33,435)	155,747	(413)	(20,145)	0
Net increase in cash and cash equivalents	**44,831**	**(3,070,095)**	**532,082**	**3,928**	**0**
Dividends paid to non-controlling interests during the year[1]	40,832	13,055	26,478	8,969	0

1 Included in net cash from financing activities

Significant restrictions

For Raiffeisenbank a.s., Prague, a syndicate contract exists between RBI AG and the joint shareholder. The syndicate contract regulates especially purchase options between direct and indirect shareholders. The syndicate contract expires automatically if control over the company changes – also in the case of a takeover bid.

The European Bank for Reconstruction and Development (EBRD) participated in the capital increase of Raiffeisen Bank Aval JSC, Kiev, (AVAL) which took place in December 2015. Within the course of this transaction, RBI agreed with EBRD to offer RBI shares to EBRD in exchange for the AVAL shares held by EBRD after six years of its participation in a so-called share swap. The execution of this transaction is subject to approvals from regulatory authorities, the Annual General Meeting and other committees.

As at end of 2014, the Ukrainian National Bank launched foreign currency transfer controls. The declared dividend from Ukraine can only be paid in tranches because euro payments are capped at € 7,000 thousand a month.

Share-based remuneration

In 2014, the share incentive program (SIP) was terminated due to regulatory complexities. The last tranches of the SIP were issued in 2011, in 2012 and in 2013. The respective duration periods were five years. Therefore, the 2013 tranche matured in 2018. In accordance with the terms and conditions of the program (published by euro adhoc on 27 June 2013), the number of shares actually transferred was as follows:

Share incentive program (SIP) 2013 Group of persons	Number of shares due	Value as at stock price € 27.12 on allocation day (9 April 2018)	Number of shares actually transferred
Members of the management board of RBI AG	29,170	791,090	24,233
Members of the management boards of bank subsidiaries affiliated with RBI AG	43,470	1,178,906	34,005
Executives of RBI AG and other affiliated companies	21,640	586,877	14,500

To avoid legal uncertainties, eligible employees in three countries were given a cash settlement instead of an allocation of shares as permitted by the program terms and conditions. In Austria, eligible parties were granted the option of accepting a cash settlement in lieu of half of the shares due in order to offset the income tax payable at the time of transfer. Therefore, fewer shares were actually transferred than the number that was due. The portfolio of own shares was subsequently reduced by the lower number of shares actually transferred.

On the reporting date, no more contingent shares were allocated.

Notes to financial instruments

(31) Fair value of financial instruments

Fair value measurement in the Group is based primarily on external data sources (mainly stock exchange prices or broker quotations in highly liquid markets). Financial instruments measured on the basis of quoted market prices are mainly listed securities and derivatives as well as liquid bonds traded on OTC markets. These financial instruments are assigned to Level I of the fair value hierarchy.

If a market value is used and the market cannot be considered to be an active market in view of its restricted liquidity, the underlying financial instrument is assigned to Level II of the fair value hierarchy. If no market prices are available, valuation models based on observable market data are used to measure these financial instruments. These observable market data are mainly reproducible yield curves, credit spreads and volatilities. The Group generally uses valuation models which are subject to an internal audit by the Market Risk Committee in order to ensure appropriate measurement parameters.

If fair value cannot be measured using either sufficiently regularly quoted market prices (Level I) or using valuation models which are entirely based on observable market prices (Level II), then individual input parameters which are not observable on the market are estimated using appropriate assumptions. If parameters which are not observable on the market have a significant impact on the measurement of the underlying financial instrument, it is assigned to Level III of the fair value hierarchy. These measurement parameters, which are not regularly observable, are mainly credit spreads derived from internal estimates.

Assigning certain financial instruments to the level categories requires regular assessment, especially if measurement is based on both observable parameters and also parameters which are not observable on the market. The classification of an instrument can also change over time to take account of changes in market liquidity and thus price transparency.

Fair value of financial instruments reported at fair value

The living loan portfolio is included in the central calculation of fair value. Fair value is calculated monthly and is based on the discounted cash flow method. The expected payment streams are discounted using an appropriate discount rate (e.g. risk-free rate plus premium). The method applied to calculate the discount rate depends on the segment (i.e. retail and non-retail).

In addition, the fair value of the embedded options is calculated for the living loan portfolio, and the method applied is based on the segment (i.e. retail and non-retail). The measurement of the embedded options in the retail segment is based on behavioral modeling (e.g. linear regression/moving twelve-month average of prepayment rates). The measurement of embedded options in loans in the non-retail segment is based on the assumption that the customer will behave in an entirely rational manner. The embedded options in non-retail loans such as prepayment, disbursement and replenishment are replicated with swaptions and measured using the trinomial tree Hull-White structural model. The Black model, which is based on the log-normal distribution of yields, is generally used to measure interest rate options (caps and floors). As we are in a negative interest rate environment, the shifted log-normal Black model is used to measure interest rate options. It is based on a displaced diffusion model (log-normal distribution with a shift in interest rates.

For bonds, tradable market prices are mostly used. If no quotes are available, a discounted cash flow model is used to value the securities. The yield curve and an adequate credit spread are used as measurement parameters. The credit spread is determined through comparable financial instruments available on the market. Credit default spreads were used to measure a small part of the portfolio. In addition, consideration is given to third party external measurements, which are indicative in all cases. The positions are assigned to levels at the end of the reporting period.

In the Group, well-known conventional market valuation techniquesare used to measure OTC derivatives. For example, interest rate swaps, cross currency swaps and forward rate agreements are measured using the customary discounted cash flow model for these products. OTC options, such as foreign exchange options or caps and floors, are based on valuation models which are in line with market standards. In the case of the examples listed, such models would be the Garman-Kohlhagen model, Black-Scholes 1972 and Black 1976. Monte Carlo simulations are used to measure complex options.

Credit value adjustments (CVA) are also necessary to determine fair value in order to reflect counterparty risk associated with OTC derivative transactions, especially for contractual partners for whom a credit support annex does not provide protection. This amount represents the respective estimated market value of a security measure which is required to hedge against counterparty credit risk in the Group’s OTC derivative portfolios.

For OTC derivatives, credit value adjustments (CVA) and debit value adjustments (DVA) are used to cover expected credit losses. The CVA will depend on the expected future exposure (expected positive exposure) and the probability of default of the contractual partner. The DVA is determined on the basis of the expected negative exposure and on RBI's credit quality. The expected positive exposure is calculated by simulating a large number of scenarios for future points in time, taking into account all available risk factors (e.g. currency and yield curves). OTC derivatives are measured at market values taking into account these scenarios at the respective future points in time and are aggregated at counterparty level in order to then ascertain the expected positive exposure for all points in time. Counterparties with CSA contracts (credit support annex contracts) are taken into account in the calculation. The expected exposures are not calculated directly from simulated market values, but from a future expected change in market values based on a margin period of risk of ten days.

A further element of the CVA involves determining a probability of default for each counterparty. Where direct credit default swap (CDS) quotations are available, the Group calculates the market-based probability of default and, implicitly, the loss-given-default (LGD) for the respective counterparty. The probability of default for counterparties which are not actively traded on the market is calculated by assigning a counterparty's internal rating to a sector and rating-specific CDS curve.

The DVA is determined by the expected negative exposure and by RBI's credit quality and represents the value adjustment for own probability of default. The method of calculation is similar to that for the CVA, but the expected negative market value is used instead of the expected positive market value. Instead of the expected positive exposures, expected negative exposures are calculated from the simulated future aggregated counterparty market values; these represent the Group’s expected liability to the counterparty at the respective future points in time. Values implied by the market are also used to calculate RBI’s probability of default. Direct CDS quotations are used where available. If no CDS quotation is available, RBI's probability of default is calculated by assigning the own rating to a sector and rating-specific CDS curve.

No funding value adjustment (FVA) was considered to measure OTC derivatives. RBI is observing market developments and will develop a method to calculate the FVA where appropriate.

In the tables below, the financial instruments reported at fair value in the statement of financial position are grouped according to items in the statement of financial position and classified according to measurement category. A distinction is made as to whether the measurement is based on quoted market prices (Level I), or whether the valuation models are based on observable market data (Level II) or on parameters which are not observable on the market (Level III). Items are assigned to levels at the end of the reporting period.

Assets		2018			2017[1]	
in € thousand	Level I	Level II	Level III	Level I	Level II	Level III
Financial assets - held for trading	**1,614,690**	**2,278,821**	**98**	**2,046,723**	**2,284,925**	**24,860**
Derivatives	43,404	1,929,047	18	127,873	2,009,213	1,009
Equity instruments	225,158	1,052	59	243,211	232	59
Debt securities	1,346,128	348,723	20	1,675,639	275,480	23,792
Loans and advances	0	0	0	0	0	0
Non-trading financial assets - mandatorily fair value through profit/loss	**193,650**	**54,151**	**311,981**	**–**	**–**	**–**
Equity instruments	102,982	7	1	–	–	–
Debt securities	90,668	54,144	41,701	–	–	–
Loans and advances	0	0	270,279	–	–	–
Financial assets - designated fair value through profit/loss	**3,135,148**	**56,915**	**53**	**5,290,102**	**324,417**	**11,120**
Equity instruments	0	0	0	102,188	96	1,150
Debt securities	3,135,148	56,915	53	5,187,914	324,321	9,970
Loans and advances	0	0	0	0	0	0
Financial assets - fair value through other comprehensive income	**5,707,630**	**571,383**	**210,003**	**4,937,631**	**1,307,097**	**237,757**
Equity instruments	79,476	48,463	148,142	91,520	41,054	61,539
Debt securities	5,628,153	522,920	61,861	4,846,111	1,266,043	176,216
Loans and advances	0	0	0	0	0	0
Hedge accounting	**0**	**500,687**	**0**	**0**	**521,959**	**0**

1 As a result of the changes in the presentation of the statement of financial position, the preparation of a direct prior-year comparison would require undue cost and effort. The figures shown are the same as those published as at 31 December 2017.

Liabilities		2018			2017[1]	
in € thousand	Level I	Level II	Level III	Level I	Level II	Level III
Financial liabilities - held for trading	**344,090**	**4,756,829**	**916**	**413,065**	**4,000,070**	**1,343**
Derivatives	36,257	1,998,086	216	114,913	1,610,886	517
Short positions	307,832	10,169	0	298,151	45,489	0
Deposits	0	0	0	0	0	0
Debt securities issued	0	2,748,574	700	1	2,343,695	826
Other financial liabilities	0	0	0	0	0	0
Financial liabilities - designated fair value through profit/loss	**0**	**1,931,076**	**0**	**0**	**2,522,055**	**0**
Deposits	0	435,188	0	0	771,944	0
Debt securities issued	0	1,495,888	0	0	1,133,245	0
Other financial liabilities	0	0	0	0	616,867	0
Hedge accounting	**0**	**153,323**	**0**	**0**	**204,508**	**0**

1 As a result of the changes in the presentation of the statement of financial position, the preparation of a direct prior-year comparison would require undue cost and effort. The figures shown are the same as those published as at 31 December 2017.

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

The shares of financial assets classified as Level I and as Level II both decreased compared to year-end 2017, mainly due to the sale of the Polish core banking operations.

Level III

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

Movements between Level I and Level II

The information provided for the current financial year was based on IFRS 9. In contrast, the information for 2017 was provided in accordance with IAS 39. The movements between the periods are therefore only indirectly comparable.

The remaining decrease resulted largely from disposals from the individual categories. Moreover, there was a shift from Level I to Level II in the category of financial assets – held for trading. This was due to the fact that directly quoted market prices for these financial instruments were not available at the reporting date.

Movements in Level III of financial instruments at fair value

The following tables show the changes in the fair value of financial instruments whose fair value cannot be calculated on the basis of observable market data and are therefore subject to other measurement models. Financial instruments in this category have a value component which is unobservable directly or indirectly on the market and which has a material impact on the fair value. Due to the move to IFRS 9, substantial additions were shown in various categories in the opening balance as at 1 January 2018. The reductions from the sale of the Polish core banking operations are shown in the changes in consolidated group column.

Assets in € thousand	As at 1/1/2018	Change in consolidated group	Exchange differences	Additions	Disposals
Financial assets - held for trading	125,276	(50,023)	1	19	(75,194)
Non-trading financial assets - mandatorily fair value through profit/loss	329,202	(11,586)	8,316	96,790	(89,748)
Financial assets - designated fair value through profit/loss	7,928	(0)	(0)	0	(7,882)
Financial assets - fair value through other comprehensive income	275,746	(43,885)	(4,665)	2,586	(21,666)

Assets in € thousand	Gains/loss in P/L	Gain/loss in other comprehensive income	Transfer to Level III	Transfer from Level III	As at 31/12/2018
Financial assets - held for trading	0	0	20	0	98
Non-trading financial assets - mandatorily fair value through profit/loss	(20,993)	0	0	0	311,981
Financial assets - designated fair value through profit/loss	0	7	0	0	53
Financial assets - fair value through other comprehensive income	7,552	7,952	1,448	(15,064)	210,003

Equity and liabilities in € thousand	As at 1/1/2018	Change in consolidated group	Exchange differences	Additions	Disposals
Financial liabilities - held for trading	1,004	(19,242)	(2)	61,680	(42,398)

Equity and liabilities in € thousand	Gains/loss in P/L	Gain/loss in other comprehensive income	Transfer to Level III	Transfer from Level III	As at 31/12/2018
Financial liabilities - held for trading	0	0	700	(826)	916

Qualitative information for the valuation of financial instruments in Level III

Assets 2018	Fair value in € thousand	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Financial assets - held for trading	**98**			
Closed end real estate fund	59	Net asset value	Haircuts	Equity investments haircuts (40)% Short/long-term financial assets haircuts (90)% Real-estate investments haircuts appr. 50%
Treasury bills, fixed coupon bonds	20	Discounted cash flow method (DCF)	Credit spread (all base rate - last auctions yields)	10 - 40%
Forward foreign exchange contracts	18	Net present value method (DCF method)	Interest rate PD LGD	10 - 30%
Non-trading financial assets - mandatorily fair value through profit/loss	**311,981**			
Other interests (shares)	1	Simplified net present value method	–	–
Fixed coupon bonds	41,701	DCF method	Realization rate Credit spread	10 - 20% 0.4 - 50%
Credit	270,279	Retail: Discounted cash flows (incl. prepayment option, withdrawal option etc.) Non-Retail: Discounted cash flows/Financial option pricing: Hull-White one factor model, Black-Scholes (shifted)	Discount spread (taken over new business issues) Prepayment rates Withdrawal rates Funding curves (for liquidity costs) Credit risk premium (CDS curves)	1.5 - 3.45% (over all currencies) (0.158572) - 1.10578% over all funding costs (expressed in all currencies) 0.094947 - 11.43995% (depending on the rating: from AA to CCC)
Financial assets - designated fair value through profit/loss	**53**			
Fixed coupon bonds	53	DCF method (incl. expert opinion)	Credit spread Price cap Haircut	1 - 50% 30% 5%
Financial assets - fair value through other comprehensive income	**210,003**			
Other interests	40,935	Dividend Discount Model Simplified income approach DCF method	Credit spread Cash flow Discount rate Dividends Beta factor	–
Other interests	41,295	Adjusted net asset value	Adjusted Equity	–
Other interests	65,912	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	61,861	DCF method	Prepayment rate Embedded option premium Net interest rate/Discount spread	25.1 - 50.5% (37.9%), 0.11 - 0.36% (0.35%) 1 - 50%
Total	**522,135**			

In a sensitivity analysis, loans recognized at fair value (€ 270,279 thousand) were subjected to an interest rate shock of minus 50 basis points. On that assumption, the fair value would be reduced by up to 10 per cent or about € 27,000 thousand.

Liabilities 2018	Fair value in € thousand	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Financial liabilities - held for trading	**916**			
Forward foreign exchange contracts	216	Net present value method	Interest rate	10 - 30%
Certificates	700	Combination of Down-And-In-Put Option and DCF method	Volatility Dividends	–
	916			

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. With the introduction of IFRS 9, the calculation of the fair value of receivables and liabilities not reported at fair value was reclassified and, among other things, input factors are also used in the models which are not observable on the market, but which have a significant influence on the calculated value. A simplified fair value calculation method for retail and non-retail portfolios is applied for all short term transactions (transactions with maturities up to 3 months). The fair value of these short term transactions will be equal to the carrying amount of the product. For the other transactions the methodology as described in the section entitled Fair value of financial instruments reported at fair value is applied.

2018 in € thousand	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Financial assets - amortized cost	**5,476,083**	**23,635,994**	**89,886,305**	**118,998,382**	**121,477,499**	**(2,479,117)**
Cash and cash equivalents	0	22,557,484	0	22,557,484	22,557,484	0
Debt securities	5,476,082	1,078,509	1,466,279	8,020,871	8,162,273	(141,402)
Loans and advances	0	0	88,252,260	88,252,260	90,589,975	(2,337,715)
Investments in affiliated companies[1]	0	0	167,766	167,766	167,766	0
Liabilities						
Financial liabilities - amortized cost	**0**	**7,769,818**	**110,060,580**	**117,830,398**	**119,074,098**	**(1,242,417)**
Deposits	0	0	109,051,828	109,051,828	110,583,061	(1,531,233)
Debt securities issued	0	7,769,818	498,009	8,267,827	7,966,769	301,058
Other financial liabilities	0	0	510,743	510,743	524,268	(12,243)

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

As a result of the change in the presentation of the statement of financial position, the preparation of a direct prior-year comparison would require undue cost and effort.

2017 in € thousand	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash and cash equivalents	0	13,329,782	0	13,329,782	13,329,782	0
Loans to banks	0	8,306,323	6,124,854	14,431,177	14,347,385	83,792
Loans to customers	0	16,937,571	59,768,219	76,705,789	78,140,866	(1,435,076)
Financial investments	5,589,079	1,829,205	883,560	8,301,845	8,254,449	47,396
Liabilities						
Deposits from banks	0	19,493,736	2,220,271	21,714,007	21,674,563	39,444
Deposits from customers	0	27,859,894	57,013,321	84,873,215	84,831,440	41,775
Debt securities issued	113,056	3,747,435	1,041,582	4,902,073	4,751,893	150,180
Subordinated capital	0	3,006,906	95,518	3,102,424	3,016,033	86,391

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.

in € thousand	2018	2017
Loan commitments given	31,226,964	30,697,317
Financial guarantees and other commitments given	9,918,040	10,511,507
Total	**41,145,004**	**41,208,824**
Provisions for off-balance-sheet items under IFRS 9	(125,750)	(118,723)

The following table was prepared in accordance with Section 51 (13) BWG and shows the nominal amount and provisions for off-balance-sheet liabilities from commitments and financial guarantees under IFRS 9.

2018		Nominal amount		Provisions for off-balance-sheet items under IFRS 9		
in € thousand	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central banks	96	0	0	0	0	0
General governments	519,132	13,052	266	90	2	0
Banks	2,110,567	303,390	0	542	1,002	0
Other financial corporations	2,040,649	1,643,330	589	1,467	2,602	584
Non-financial corporations	27,159,587	2,782,710	127,459	26,876	21,976	47,006
Households	3,483,205	950,231	10,744	7,663	6,671	9,269
Total	**35,313,236**	**5,692,712**	**139,057**	**36,638**	**32,253**	**56,860**

(33) Credit quality analysis

The credit quality analysis of financial assets is a point in time assessment of the probability of default of the assets. It should be noted that for financial assets in stage 1 and 2, due to the relative nature of significant increase in credit risk it is not necessarily the case that stage 2 assets have a lower credit rating than stage 1 assets, although this is normally the case. The following list provides a description of the grouping of assets by probability of default:

- Excellent are exposures which demonstrate a strong capacity to meet financial commitments, with negligible or no probability of default (PD range 0.0000 - 0.0300 per cent).
- Strong are exposures which demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default (PD range 0.0300 - 0.1878 per cent).
- Good are exposures which demonstrate a good capacity to meet financial commitments, with low default risk (PD range 0.1878 - 1.1735 per cent).
- Satisfactory are exposures which require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk (PD range 1.1735 - 7.3344 per cent).
- Substandard are exposures which require varying degrees of special attention and default risk is of greater concern (PD range 7.3344 - 100.0 per cent).
- Credit-impaired are exposures which have been assessed as impaired (PD range 100.0 per cent).

The following table sets out information about the credit quality of financial assets measured at amortized cost and fair value through other comprehensive income. The amortized cost and fair value through other comprehensive income amounts represent the gross carrying amount. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed.

The following table shows the carrying amounts of the financial assets – amortized cost by rating category and stages:

2018 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	18,501,569	682,060	435	19,184,064
Strong	23,674,851	2,931,161	2,424	26,608,437
Good	25,305,372	4,005,981	1,091	29,312,444
Satisfactory	14,642,236	3,352,129	5,211	17,999,575
Substandard	1,216,710	1,396,536	19,791	2,633,036
Credit-impaired	0	0	3,109,460	3,109,460
Unrated	2,166,682	221,194	6,549	2,394,425
Gross carrying amount	**85,507,420**	**12,589,062**	**3,144,961**	**101,241,442**
Accumulated impairment	(166,725)	(332,589)	(1,986,355)	(2,485,669)
Carrying amount	**85,340,694**	**12,256,473**	**1,158,606**	**98,755,773**

The category unrated includes financial assets for several retail customers for whom no ratings are available. The rating is therefore based on qualitative factors.

The following table shows the gross carrying amount of financial assets – fair value through other comprehensive income, excluding equity instruments, by rating category and stages:

2018 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	1,497,805	94,780	0	1,592,585
Strong	4,176,034	24,603	0	4,200,637
Good	300,843	0	0	300,843
Satisfactory	10	6,034	0	6,044
Substandard	112,094	0	0	112,094
Credit-impaired	0	0	0	0
Unrated	4,718	0	0	4,718
Gross carrying amount	**6,091,504**	**125,417**	**0**	**6,216,922**
Accumulated impairment	(3,787)	(200)	0	(3,987)
Carrying amount	**6,087,717**	**125,217**	**0**	**6,212,934**

The category unrated includes financial assets for several retail customers for whom no ratings are available. The rating is therefore based on qualitative factors.

The following table shows the nominal values of off-balance-sheet commitments by rating category and stages:

2018 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	2,925,635	209,711	0	3,135,346
Strong	14,394,089	2,810,591	0	17,204,680
Good	11,838,143	1,335,534	6	13,173,683
Satisfactory	5,556,373	713,775	8	6,270,156
Substandard	269,502	209,158	1	478,661
Credit-impaired	0	0	139,042	139,042
Unrated	329,495	413,942	0	743,437
Total	**35,313,236**	**5,692,712**	**139,057**	**41,145,004**
Provisions for off-balance-sheet items under IFRS 9	(36,638)	(32,253)	(56,860)	(125,750)

The category unrated includes off-balance sheet commitments for several retail customers for whom no ratings are available. The rating is therefore based on qualitative factors.

The following table shows an analysis of the default risk from derivative transactions, most of which are OTC contracts. Default risk can be minimized by the use of settlement houses and collateral in most cases.

2018 in € thousand	Nominal amount	Fair Value Assets	 Liabilities
OTC	**210,878,533**	**2,405,437**	**(2,044,893)**
Interest rate contracts	160,232,200	1,620,588	(1,077,702)
Equity contracts	3,120,027	80,347	(330,584)
Foreign exchange rate and gold contracts	47,526,306	704,501	(636,607)
Organized market	**3,551,725**	**63,246**	**(45,901)**
Interest rate contracts	1,373,971	503	(584)
Equity contracts	741,732	40,606	(34,967)
Foreign exchange rate and gold contracts	1,436,022	22,137	(10,350)
Other - Credit contracts, commodities and other	**1,731,870**	**4,473**	**(97,088)**
Total	**216,162,128**	**2,473,156**	**(2,187,882)**

(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 to the loans and advances non-trading which is the basis of the collateral disclosures below:

2018 in € thousand	Maximum exposure to credit risk Financial assets as well as contingent liabilities and commitments not subject to impairment	 Financial assets as well as contingent liabilities and commitments subject to impairment	Hereof loans and advances non-trading as well as contingent liabilities and commitments
Financial assets - amortized cost	0	101,241,442	93,073,000
Financial assets - fair value through other comprehensive income	0	6,216,922	0
Non-trading financial assets - mandatorily fair value through profit/loss	559,782	0	270,279
Financial assets - designated fair value through profit/loss	3,192,115	0	0
Financial assets - held for trading	3,893,609	–	–
On-balance	**7,645,506**	**107,458,364**	**93,343,279**
Contingent liabilities and commitments	0	41,145,004	41,145,004
Total	**7,645,506**	**148,603,368**	**134,488,283**

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 movable goods. Long-term financing is generally secured and revolving credit facilities are generally unsecured. Debt securities are mainly unsecured, and derivatives can be secured by cash or master netting agreements. Collateral from leasing business is also included in the table. Items shown in cash and cash equivalents are considered to have negligible credit risk.

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 financial assets at amortized cost and at fair value through other comprehensive income (non-trading loans and advances and contingent liabilities) subject to impairment:

2018 in € thousand	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Central banks	4,862,759	81,106	4,781,653
General governments	920,605	676,328	244,277
Banks	5,143,901	1,506,576	3,637,324
Other financial corporations	6,711,862	2,572,406	4,139,457
Non-financial corporations	43,467,027	21,477,748	21,989,279
Households	32,237,124	20,088,239	12,148,885
Commitments/guarantees issued	41,145,004	7,315,169	33,829,835
Total	**134,488,283**	**53,717,572**	**80,770,711**

2017 in € thousand	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Banks and general governments	11,561,240	3,552,368	8,008,872
Other financial corporations	4,323,704	1,758,158	2,565,545
Non-financial corporations	44,305,393	20,457,115	23,848,278
Households	31,350,061	19,621,077	11,728,984
Commitments/guarantees issued	41,209,000	6,485,407	34,723,593
Total	**132,749,398**	**51,874,126**	**80,875,272**

Approximately two thirds of collateral which can be considered by RBI relate to loans collateralized by immovable property and of this more than 70 per cent is residential immovable property. Other sources of collateral include guarantees (14 per cent) and collateral from reverse repos and securities borrowing (14 per cent).

The following table contains details of the maximum exposure from financial assets in Stage 3 and the corresponding collateral:

2018 in € thousand	Maximum exposure to credit risk (Stage 3)	Fair value of collateral (Stage 3)	Credit risk exposure net of collateral (Stage 3)	Impairment (Stage 3)
Central banks	0	0	0	0
General governments	2,295	449	1,846	(2,264)
Banks	8,113	3,014	5,099	(8,113)
Other financial corporations	95,840	13,790	82,050	(65,422)
Non-financial corporations	1,972,199	597,820	1,374,379	(1,143,465)
Households	1,066,514	233,406	833,108	(767,090)
Commitments/guarantees issued	139,057	18,808	120,249	(56,859)
Total	**3,284,017**	**867,287**	**2,416,731**	**(2,043,213)**

RBI holds an immaterial amount of repossessed assets on its statement of financial position.

(35) Expected credit losses

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

General approach

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

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

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

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

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

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

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

Significant increase in the credit risk

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

Quantitative criteria

RBI uses quantitative criteria as the primary indicator of significant increase in credit risk for all material portfolios plus additionally qualitative criteria like 30 days past due or forbearance measures for a particular facility as backstop. For quantitative staging RBI compares the lifetime PD curve at reporting date with the forward lifetime PD curve at the date of initial recognition. Given the different nature of products between non-retail and retail, the methods for assessing potential significant increases also slightly differ.

For non-retail risk to make the two curves comparable the PDs are scaled down to annualized PDs. A significant increase in credit risk is considered to have occurred if the PD increase was 250 per cent or greater. For longer maturities the threshold of 250 per cent is reduced to account for a maturity effect.

For retail exposure on the other hand, the remaining cumulative PDs are compared. In general, a significant increase in credit risk is considered to have occurred with a relative increase in the cumulative remaining PD above a certain threshold. The level of the threshold was estimated empirically for each individual portfolio based on the characteristics of the relevant rating model used for the given facility, and it ranges between 150 and up to 300 per cent.

With regard to the threshold at which a financial instrument must be transferred to Stage 2, RBI has decided on the aforementioned thresholds based on the current market practice.

Qualitative criteria

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

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

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

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

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

- Forbearance refers to concessions made to the borrower on the part of the lender for economic or contractual reasons when the borrower is experiencing economic difficulties, but which the lender would not otherwise grant,
- Expert judgement.

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

Backstop

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

Low credit risk exemption

In selected cases for mostly sovereign debt securities RBI makes use of the low credit risk exemption. All securities which are presented as low credit risk have a rating equivalent to investment grade or better i.e. minimum S&P BBB-, Moody's Baa3 or Fitch BBB-. RBI has not used the low credit risk exemption for any lending business.

Definition of default and credit-impaired assets

RBI defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on a material credit obligation. No attempt is made to rebut the presumption that financial assets which are more than 90 days past due are to be shown in Stage 3.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicate that the borrower is in significant financial difficulty and unlikely to repay any credit obligation in full. The indications of unlikeliness to pay include:

- A credit obligation is put to a non-accrual status due to its deteriorated credit quality
- A credit obligation is sold at a material economic loss
- A credit obligation is subject to a distressed restructuring
- An obligor is bankrupt/insolvent
- An obligor committed credit fraud
- An obligor is deceased
- A credit contract was prematurely terminated due to obligor's non-compliance with contractual obligations.

The criteria above have been applied to all financial instruments held by RBI and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout RBI's expected loss calculations.

A credit obligation is considered to no longer be in default after a probation period of minimum three months (six months after a distressed restructuring in retail), where during the probation period the customer demonstrated good payment discipline and no other indication of unlikeliness to pay was observed.

Explanation of inputs, assumptions and estimation techniques

The expected credit loss is measured on either a twelve-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Forward-looking economic information is also included in determining the twelve -month and lifetime PD, EAD and LGD. These assumptions vary by product type.
Expected credit losses are the discounted product of the probability of default (PD), loss given default (LGD), exposure at default (EAD) and discount factor (D).

Probability of Default (PD)

The probability of default represents the likelihood of a borrower defaulting on its financial obligation either over the next twelve months or over the remaining lifetime of the obligation. In general the lifetime probability of default is calculated using the regulatory twelve-month probability of default, stripped of any margin of conservatism, as a starting point. Thereafter various statistical methods are used to generate an estimate of how the default profile will develop from the point of initial recognition throughout the lifetime of the loan or portfolio of loans. The profile is based on historical observed data and parametric functions.

Different models have been used to estimate the default profile of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign, local and regional governments, insurance companies and collective investment undertakings: The default profile is generated using a transition matrix approach. Forward-looking information is incorporated into the probability of default using the Vasicek one factor model.
- Corporate customers, project finance and financial institutions: The default profile is generated using a parametric survival regression (Weibull) approach. Forward-looking information is incorporated into the probability of default using the Vasicek one factor model. The default rate calibration is based on Kaplan Maier methodology with withdrawal adjustment.
- Retail mortgages and other retail lending: The default profile is generated using parametric survival regression in competing risk frameworks. Forward-looking information is incorporated into the probability of default using satellite models.

In the limited circumstances where some inputs are not fully available grouping, averaging and benchmarking of inputs is used for the calculation.

Loss Given Default (LGD)

Loss given default represents RBI's expectation of the extent of loss on a defaulted exposure. Loss given default varies by type of counterparty and product. Loss given default is expressed as a percentage loss per unit of exposure at the time of default. Loss given default is calculated on a twelve-month or lifetime basis, where twelve-month loss given default is the percentage of loss expected to be made if the default occurs in the next twelve months and lifetime loss given default is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

Different models have been used to estimate the loss given default of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign: The loss given default is found by using market implied sources.
- Corporate customers, project finance, financial institutions, local and regional governments, insurance companies: The loss given default is generated by discounting cash flows collected during the workout process. Forward-looking information is incorporated into the loss given default using the Vasicek model.

- Retail mortgages and other retail lending: The loss given default is generated by stripping the downturn adjustments and other margins of conservatism from the regulatory loss given default. Forward-looking information is incorporated into the loss given default using various satellite models.

In the limited circumstances where some inputs are not fully available alternative recovery models, benchmarking of inputs and expert judgement is used for the calculation.

Exposure at Default (EAD)

Exposure at default is based on the amounts RBI expects to be owed at the time of default, over the next twelve months or over the remaining lifetime. The twelve-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a twelve-month or lifetime basis. Where relevant, early repayment/refinance assumptions are also considered in the calculation.

For revolving products, the exposure at default is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default. The prudential regulatory margins are removed from the credit conversion factor. In the limited circumstances where some inputs are not fully available benchmarking of inputs is used for the calculation.

Discount factor

In general for on balance sheet exposure which is not leasing or POCI the discount rate used in the expected credit loss calculation is the effective interest rate or an approximation thereof.

Calculation

The expected credit loss is the product of PD, LGD and EAD times the probability not to default prior to the considered time period. The latter is expressed by the survivorship function S. This effectively calculates future values of expected credit losses, which are then discounted back to the reporting date and summed. The calculated values of expected credit losses are then weighted by forward-looking scenario.

Different models have been used to estimate the provisions of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign, corporate customers, project finance, financial institutions, local and regional governments, insurance companies and collective investment undertakings: Stage 3 provisions are calculated by workout managers who discount expected cash flows by the appropriate effective interest rate
- Retail mortgages: Stage 3 provision is generated for the majority of group units by calculating the statistically derived best estimate of expected loss which has been adjusted for indirect costs and for four group units by calculating the discounted collateral realization value
- Other retail lending: Stage 3 provision is generated by calculating the statistically derived best estimate of expected loss which has been adjusted for indirect costs

Shared credit risk characteristics

Almost all of the provisions under IFRS 9 are measured collectively. Only for non-retail Stage 3 are most of the provisions individually assessed. For expected credit losses provisions modelled on a collective basis a grouping of exposures is performed on the basis of shared credit risk characteristics so that the exposures within each group are similar. Retail exposure characteristics are grouped on country level, accounting classification (households and SMEs), product level (e.g. mortgage, personal loans, overdraft facilities or credit cards), PD rating grades and LGD pools/loan-to-value bands. For each combination of the above characteristics an individual model was developed. Non-retail exposure characteristics are grouped on country and product level and are used as LGD and EAD parameters.

Forward-looking information

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

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

In addition to the base economic scenario, Raiffeisen Research also estimates an optimistic and a pessimistic scenario to ensure non-linearities are captured. RBI has concluded that three or fewer scenarios appropriately captured non-linearity. Expert judgment on idiosyncratic risks has also been applied in this process on the level of Raiffeisen Research in coordination with RBI Group risk management, resulting in selective adjustments to the to the optimistic and pessimistic scenarios. In case of a potential negative or positive forecast bias of selected macroeconomic indicators a potential bias correction might be performed on a single country level. In this respect the range of possible outcomes which is representative for each chosen scenario is taken into account. The probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit loss (ECL) model and multiplying it by the appropriate scenario weighting.

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

The most significant assumptions used for the expected credit loss estimates at quarter end are shown below.
(Source: Raiffeisen Research 15 October 2018)

Real GDP	Scenario	2019	2020	2021
Austria	Optimistic	2.3%	2.0%	1.3%
	Base	1.7%	1.4%	0.6%
	Pessimistic	0.5%	0.1%	-0.9%
Russia	Optimistic	3.1%	3.2%	3.3%
	Base	1.5%	1.5%	1.3%
	Pessimistic	-1.2%	-1.5%	-2.2%
Poland	Optimistic	4.4%	3.6%	2.6%
	Base	3.9%	3.1%	2.0%
	Pessimistic	2.6%	1.7%	0.3%
Romania	Optimistic	4.8%	4.5%	4.0%
	Base	3.5%	3.0%	2.3%
	Pessimistic	0.8%	0.1%	-1.2%
Slovakia	Optimistic	5.6%	4.6%	4.0%
	Base	4.0%	2.8%	1.9%
	Pessimistic	2.1%	0.7%	-0.5%
Croatia	Optimistic	3.5%	3.1%	2.6%
	Base	2.5%	2.0%	1.3%
	Pessimistic	0.0%	-0.8%	-1.9%

Unemployment	Scenario	2019	2020	2021
Austria	Optimistic	4.5%	4.5%	4.8%
	Base	4.8%	4.8%	5.2%
	Pessimistic	5.4%	5.5%	6.0%
Russia	Optimistic	3.8%	3.7%	4.0%
	Base	5.0%	5.0%	5.5%
	Pessimistic	6.4%	6.5%	7.3%
Poland	Optimistic	3.8%	3.0%	4.1%
	Base	5.3%	4.6%	6.0%
	Pessimistic	8.5%	8.1%	10.1%
Romania	Optimistic	3.9%	4.1%	5.5%
	Base	4.3%	4.5%	6.0%
	Pessimistic	5.3%	5.6%	7.3%
Slovakia	Optimistic	3.6%	3.3%	4.2%
	Base	5.5%	5.4%	6.7%
	Pessimistic	8.5%	8.6%	10.5%
Croatia	Optimistic	7.8%	7.2%	8.5%
	Base	9.0%	8.5%	10.0%
	Pessimistic	11.8%	11.6%	13.6%

Lifetime Bond Rate	Scenario	2019	2020	2021
Austria	Optimistic	(0.2)%	0.1%	(0.5)%
	Base	1.0%	1.4%	1.1%
	Pessimistic	2.1%	2.6%	2.4%
Russia	Optimistic	7.6%	7.4%	5.2%
	Base	9.2%	9.2%	7.2%
	Pessimistic	11.2%	11.3%	9.7%
Poland	Optimistic	2.8%	3.2%	2.8%
	Base	3.4%	3.8%	3.5%
	Pessimistic	4.8%	5.4%	5.3%
Romania	Optimistic	3.7%	3.7%	2.6%
	Base	5.1%	5.2%	4.5%
	Pessimistic	7.1%	7.4%	7.0%
Slovakia	Optimistic	0.7%	1.0%	1.3%
	Base	1.3%	1.7%	2.1%
	Pessimistic	3.1%	3.7%	4.5%
Croatia	Optimistic	2.1%	2.3%	2.4%
	Base	2.3%	2.6%	2.8%
	Pessimistic	3.8%	4.3%	4.7%

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.

In cases where the quantitative models do not capture and translate the forward-looking information into the expected credit loss parameters adjustments are made to reflect the holistic nature of credit risk analysis. These result in additional provisions of € 53.852 thousand as additional Stage 2 provisions. The major part relates to a provision on Russian corporate exposures for covering possible losses related to potential future sanctions. It also includes slightly higher expected defaults on mortgage loans due to government-imposed interest rate clauses for retail customers in the Czech Republic and foreign-currency lending to retail customers due to consumer protection initiatives in Romania.

Sensitivity analysis

The most significant assumptions affecting the sensitivity of the expected credit loss allowance are as follows:

- Gross domestic product (all portfolios)
- Unemployment rate (all portfolios)
- Long term government bond rate (non-retail portfolios especially)
- Real estate prices (retail portfolios especially)

The table below provides a comparison between the reported accumulated impairment for expected credit losses for financial assets in Stage 1 and 2 (weighted by 25 per cent optimistic, 50 per cent base and 25 per cent pessimistic scenarios) and then each scenario weighted by 100 per cent on their own. The optimistic and pessimistic scenarios do not reflect extreme cases, but the average of the scenarios which are distributed in these cases. This information is provided for illustrative purposes.

2018 in € thousand	31/12/2018 (25/50/25%)	100% Optimistic	100% Base	100% Pessimistic
Accumulated impairment (Stage 1 & 2)	572,193	501,107	560,941	660,891

The table below shows the impact of staging on RBI's accumulated impairment for financial assets by comparing the reported amounts accumulated for all performing assets subject to impairment with the special case where all accumulated impairment is measured based on twelve-month expected losses (Stage 1). As there is no historical data for the use of staging it is currently not possible to estimate what would be a reasonable increase, however we do not expect the percentage of Stage 1 assets to ever reach 100 per cent. This information is provided for illustrative purposes.

2018 in € thousand	31/12/2018 (25/50/25%)	100% Performing loans in Stage 1	Impact of staging
Accumulated impairment (Stage 1 & 2)	572,193	311,371	(260,822)

The table below shows the impact of staging on RBI's accumulated impairment for financial assets by comparing the reported amounts accumulated for all performing assets subject to impairment with the special case where all accumulated impairment is measured based on lifetime expected losses (Stage 2). As there is no historical data for the use of staging it is currently not possible to estimate what would be a reasonable increase, however we do not expect the percentage of Stage 2 assets to ever reach 100 per cent. This information is provided for illustrative purposes.

2018 in € thousand	31/12/2018 (25/50/25%)	100% Performing loans in Stage 2	Impact of staging
Accumulated impairment (Stage 1 & 2)	572,193	1,278,320	706,127

Write-offs

Loans and debt securities are written off (either partially or fully) where there is no reasonable expectation of recovery. This happens when the borrower does not have income from operations anymore and collateral values cannot generate sufficient cash flows to repay amounts subject to the write-off. For the exposure of companies in bankruptcy, loans are written down on the value of the collateral if the company no longer generates cash flows from its operating business. The retail business takes into account qualitative factors. In cases where no payment has been made for one year, the outstanding amounts are derecognised whereby depreciated assets can continue to be subject to enforcement activities.

For the exposure of companies in gone concern cases, loans are written down to the value of the collateral if the company no longer generates cash flows from its operating business. The retail business takes into account qualitative factors. In cases where no payment has been made for one year, the outstanding amounts are written off here.

The contractual amount outstanding on financial assets that were written off and are still subject to enforcement activity was € 1,844,101 thousand.

(36) Gross exposure 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:

2018		Gross carrying amount			Accumulated impairment			ECL Coverage Ratio	
in € thousand	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central banks	4,950,473	0	0	(950)	0	0	0.0%	–	–
General governments	6,614,908	297,855	2,295	(1,146)	(1,407)	(2,264)	0.0%	0.5%	98.7%
Banks	5,842,461	532,657	8,113	(319)	(148)	(8,113)	0.0%	0.0%	100.0%
Other financial corporations	6,555,542	523,857	95,840	(6,237)	(4,188)	(65,422)	0.1%	0.8%	68.3%
Non-financial corporations	36,089,237	5,636,275	1,972,199	(91,174)	(94,377)	(1,143,465)	0.3%	1.7%	58.0%
Households	25,454,798	5,598,418	1,066,514	(66,900)	(232,470)	(767,090)	0.3%	4.2%	71.9%
hereof mortgage	11,385,852	3,862,265	453,176	(10,617)	(114,329)	(259,463)	0.1%	3.0%	57.3%
Total	**85,507,420**	**12,589,062**	**3,144,961**	**(166,725)**	**(332,589)**	**(1,986,355)**	**0.2%**	**2.6%**	**63.2%**

The following breakdown of financial assets – amortized cost by segment shows the high level of diversification of RBI's credit business in the European markets:

2018		Gross carrying amount			Accumulated impairment			ECL Coverage Ratio	
in € thousand	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central Europe	29,756,988	5,284,773	998,911	(45,096)	(137,988)	(632,920)	0.2%	2.6%	63.4%
hereof Czech Republic	13,570,295	2,363,977	224,242	(18,556)	(43,104)	(154,781)	0.1%	1.8%	69.0%
hereof Hungary	4,368,347	827,917	198,634	(5,699)	(22,463)	(135,492)	0.1%	2.7%	68.2%
hereof Slovakia	9,513,874	1,727,718	239,578	(16,851)	(32,161)	(164,985)	0.2%	1.9%	68.9%
Southeastern Europe	15,488,875	1,608,911	772,204	(55,337)	(101,112)	(538,987)	0.4%	6.3%	69.8%
hereof Romania	5,631,576	555,358	243,443	(19,538)	(45,691)	(150,084)	0.3%	8.2%	61.7%
Eastern Europe	11,623,230	1,947,883	503,359	(31,492)	(53,041)	(304,128)	0.3%	2.7%	60.4%
hereof Russia	8,862,090	1,657,404	260,052	(17,564)	(44,945)	(141,029)	0.2%	2.7%	54.2%
Austria and other[1]	28,638,326	3,747,495	870,486	(34,801)	(40,448)	(510,319)	0.1%	1.1%	58.6%
Total	**85,507,420**	**12,589,062**	**3,144,961**	**(166,725)**	**(332,589)**	**(1,986,355)**	**0.2%**	**2.6%**	**63.2%**

1 Austria mainly includes the business of the head office and Raiffeisen Bausparkasse. Other also includes any consolidation effects.

Stage 1 amounts include assets in the amount of € 9,789,961 thousand, for which the low credit risk exemption has been used. Furthermore, Stage 3 contains purchased or originated credit-impaired assets (POCI) in the amount of € 305,197 thousand, which includes non-performing loans in the amount of € 276,259 thousand and living loans in the amount of € 28,938 thousand. RBI has financial instruments in the amount of € 3,521,864 thousand with no expected credit losses due to collateral.

For further information on the concentration risk by industry classification and foreign currency position, reference is made to the risk report.

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 customers.

2018 in € thousand	Nominal amount Stage 1	 Stage 2	 Stage 3	Provisions for off-balance-sheet items under IFRS 9 Stage 1	 Stage 2	 Stage 3	ECL Coverage Ratio Stage 1	 Stage 2	 Stage 3
Central banks	96	0	0	0	0	0	0.1%	–	–
General governments	519,132	13,052	266	90	2	0	0.0%	0.0%	0.0%
Banks	2,110,567	303,390	0	542	1,002	0	0.0%	0.3%	–
Other financial corporations	2,040,649	1,643,330	589	1,467	2,602	579	0.1%	0.2%	98.3%
Non-financial corporations	27,159,587	2,782,710	127,459	26,876	21,976	47,011	0.1%	0.8%	36.9%
Households	3,483,205	950,231	10,744	7,663	6,671	9,269	0.2%	0.7%	86.3%
Total	**35,313,236**	**5,692,712**	**139,057**	**36,638**	**32,253**	**56,859**	**0.1%**	**0.6%**	**40.9%**

The following table shows the gross carrying amount and impairment of the financial assets – amortized cost and financial assets – fair value through other comprehensive income that have moved from measurement on the basis of expected twelve-month losses to measurement on the basis of expected lifetime losses or vice versa:

2018 in € thousand	Gross carrying amount 12 month ECL	 Lifetime ECL	Impairment 12 month ECL	 Lifetime ECL	ECL Coverage Ratio 12 month ECL	 Lifetime ECL
Movement from 12 month ECL to lifetime ECL	**(6,070,961)**	**6,070,961**	**(53,391)**	**235,932**	**0.9%**	**3.9%**
Central banks	0	0	0	0	–	–
General governments	(72,250)	72,250	(58)	2,159	0.1%	3.0%
Banks	(163,760)	163,760	(15)	40	0.0%	0.0%
Other financial corporations	(168,003)	168,003	(158)	3,545	0.1%	2.1%
Non-financial corporations	(2,352,054)	2,352,054	(17,418)	81,366	0.7%	3.5%
Households	(3,314,895)	3,314,895	(35,742)	148,822	1.1%	4.5%
Movement from lifetime ECL to 12 month ECL	**1,782,336**	**(1,782,336)**	**46,138**	**(98,205)**	**2.6%**	**5.5%**
Central banks	0	0	0	0	–	–
General governments	34,989	(34,989)	14	(61)	0.0%	0.2%
Banks	15,291	(15,291)	24	(24)	0.2%	0.2%
Other financial corporations	22,702	(22,702)	122	(122)	0.5%	0.5%
Non-financial corporations	271,578	(271,578)	3,153	(13,179)	1.2%	4.9%
Households	1,437,776	(1,437,776)	42,825	(84,818)	3.0%	5.9%

The increase in expected credit losses arising from the measurement of the loss allowance moving from twelve-month expected credit losses to lifetime losses was € 182,541 thousand. The decrease in expected credit losses arising from the measurement of the loss allowance moving from lifetime losses to twelve-month expected credit losses was € 52,067 thousand.

(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 € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1/1/2018	**188,295**	**369,830**	**2,911,475**	**3,469,600**
Increases due to origination and acquisition	91,537	28,037	109,452	229,025
Decreases due to derecognition	(36,751)	(41,989)	(414,855)	(493,595)
Changes due to change in credit risk (net)	(26,761)	61,602	328,213	363,053
Changes due to modifications without derecognition (net)	(16)	18	(986)	(983)
Decrease in allowance account due to write-offs	(7,372)	(6,412)	(622,944)	(636,728)
Changes due to model/risk parameters	172	609	(3,667)	(2,886)
Change in consolidated group	(17,237)	(47,185)	(207,080)	(271,503)
Foreign exchange and other	(21,353)	(31,721)	(113,253)	(166,327)
As at 31/12/2018	**170,512**	**332,789**	**1,986,355**	**2,489,656**

The position as at 1 January 2018 takes account of the transition effect in the amount of € 268,697 thousand due to the implementation of IFRS 9. The change in the reporting period amounted to € 979,944 thousand. In addition, repayments and sales of non-performing loans in the amount of € 612,598 thousand above all at RBI AG and in Russia, Ukraine and Croatia contributed to the positive development.

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

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

in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1/1/2018	**21,168**	**25,996**	**101,521**	**148,685**
Increases due to origination and acquisition	24,266	7,389	3,188	34,843
Decreases due to derecognition	(10,397)	(5,721)	(8,771)	(24,890)
Changes due to change in credit risk (net)	0	0	(28,569)	(28,569)
Changes due to modifications without derecognition (net)	0	0	0	0
Decrease in allowance account due to write-offs	0	0	0	0
Changes due to model/risk parameters	0	0	0	0
Change in consolidated group	(2,464)	(3,466)	(2,734)	(8,664)
Foreign exchange and other	4,064	8,055	(7,773)	4,345
As at 31/12/2018	**36,638**	**32,253**	**56,860**	**125,750**

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

2018 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and debt securities	**170,512**	**332,789**	**1,986,355**	**2,489,656**
Central banks	999	0	0	999
General governments	4,632	1,560	2,264	8,455
Banks	440	185	8,113	8,738
Other financial corporations	6,349	4,198	65,422	75,969
Non-financial corporations	91,193	94,377	1,143,465	1,329,035
Households	66,900	232,470	767,090	1,066,460
Loan commitments, financial guarantees and other commitments given	**36,638**	**32,253**	**56,860**	**125,750**
Total	**207,150**	**365,042**	**2,043,213**	**2,615,405**

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

2018 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and debt securities	**170,512**	**332,789**	**1,986,355**	**2,489,656**
Central Europe	45,005	137,776	632,920	815,701
Southeastern Europe	55,340	101,131	538,987	695,458
Eastern Europe	34,578	52,953	304,128	391,659
Group Corporates & Markets	35,590	40,929	486,633	563,152
Corporate Center	0	0	23,686	23,686
Loan commitments, financial guarantees and other commitments given	**36,638**	**32,253**	**56,860**	**125,750**
Total	**207,150**	**365,042**	**2,043,213**	**2,615,405**

Due to the implementation of IFRS 9 it is not possible to make a direct comparison with the previous year. The following table shows the development of impairment losses on loans and provisions for off-balance sheet liabilities in the comparable period:

in € thousand	As at 1/1/2017	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As at 31/12/2017
Individual loan loss provisions	4,697,411	249,299	1,017,477	(695,073)	(2,270,531)	(133,232)	2,865,350
Portfolio-based loan loss provisions	380,954	22,651	164,275	(188,438)	(123)	(23,599)	355,720
Total	**5,078,364**	**271,949**	**1,181,753**	**(883,512)**	**(2,270,654)**	**(156,831)**	**3,221,070**

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

The following table shows the breakdown of loan loss provisions by asset class as at the reporting date of the previous year:

in € thousand	2017
Individual loan loss provisions	**2,865,350**
Central banks	0
General governments	377
Banks	44,542
Other financial corporations	73,345
Non-financial corporations	1,773,631
Households	973,454
Portfolio-based loan loss provisions	**355,720**
Central banks	0
General governments	302
Banks	1,384
Other financial corporations	5,550
Non-financial corporations	152,329
Households	196,155
Total	**3,221,070**

The following table shows the breakdown of loan loss provisions by segment as at the reporting date of the previous year:

in € thousand	2017
Individual loan loss provisions	**2,865,350**
Central Europe	939,323
Southeastern Europe	762,255
Eastern Europe	469,550
Group Corporates & Markets	614,522
Corporate Center	79,700
Portfolio-based loan loss provisions	**355,720**
Central Europe	146,883
Southeastern Europe	103,188
Eastern Europe	59,797
Group Corporates & Markets	45,853
Corporate Center	0
Total	**3,221,070**

(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:

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 € thousand	≤ 30 days	> 30 days	> 90 days	≤ 30 days	> 30 days	> 90 days	≤ 30 days	> 30 days	> 90 days
Central banks	0	0	0	0	0	0	0	0	0
General governments	3,065	0	0	422	0	0	0	0	31
Banks	37	0	0	81	238	0	0	0	0
Other financial corporations	28,243	0	0	20,119	31	0	2,994	0	9,945
Non-financial corporations	1,019,685	270	370	117,878	62,812	175	65,509	25,741	244,041
Households	668,252	8,726	4	490,687	211,364	2,154	26,125	29,174	147,588
Total	**1,719,282**	**8,996**	**374**	**629,187**	**274,444**	**2,330**	**94,628**	**54,915**	**401,605**

RBI uses the 30-day past due status and other qualitative indicators as criteria for determining a material increase in credit risk for less than one-fifth of loans to households.

(39) Modified assets

Changes in contractual cashflows of financial assets are examined on the basis of qualitative and qualitative criteria to determine whether the modifications are substantial or non-substantial.

If the modifications are substantial, the existing asset is derecognized and a new financial instrument is recognized (including new classification and new stage allocation for impairment purposes). Non-substantial modifications do not lead to derecognition, but to an adjustment to the gross carrying amount through profit and loss.

in € thousand	Stage 1	Stage 2-3	Total
Net modifications gains/losses	(2,734)	(2,080)	(4,815)
Gross carrying amount before modification of financial assets	754,975	163,687	918,662

At RBI, gains or losses from non-substantial modifications to contractual terms due to economic reasons amounted to minus € 4,815 thousand. Of that amount, minus € 2,080 thousand was from financial assets whose impairment was measured for lifetime expected credit losses.

The amortized cost prior to the modifications amounted to € 918,662 thousand, of which € 163,687 thousand was caused by financial assets whose impairment was measured for lifetime expected credit losses.

In the reporting year, there was no movement of modified financial assets from Stage 2 or Stage 3 to Stage 1.

(40) 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.

2018 in € thousand	Gross amount of recognized financial assets	of recognized financial liabilities set-off	Net amount of recognized financial assets	Amounts from global netting agreements Financial instruments	Cash collateral received	Net amount
Derivatives (enforceable)	3,039,561	1,061,801	1,977,760	1,416,311	80,885	480,563
Repurchase, securities lending & similar agreements (legally enforceable)	7,827,285	0	7,827,285	7,786,627	0	40,658
Total	**10,866,846**	**1,061,801**	**9,805,045**	**9,202,938**	**80,885**	**521,221**

2018 in € thousand	of recognized financial liabilities	Gross amount of recognized financial assets set-off	Net amount of recognized financial liabilities	Amounts from global netting agreements Financial instruments	Cash collateral received	Net amount
Derivatives (enforceable)	2,692,327	1,061,801	1,630,526	587,999	285,439	757,088
Reverse repurchase, securities lending & similar agreements (legally enforceable)	822,991	0	822,991	799,464	0	23,527
Total	**3,515,318**	**1,061,801**	**2,453,517**	**1,387,463**	**285,439**	**780,615**

In 2018, assets which were not subject to legally enforceable netting agreements amounted to € 130,310,110 thousand (2017: € 124,216,707 thousand), of which an immaterial part was accounted for by derivative financial instruments and cash balances from reverse repo business. Liabilities which were not subject to legally enforceable netting agreements totaled € 125,248,281 thousand in 2018 (2017: € 122,371,132 thousand), of which only an immaterial part was accounted for by derivative financial instruments and cash deposits from repo business.

2017	Gross amount		Net amount	Amounts from global netting agreements		Net amount
in € thousand	of recognized financial assets	of recognized financial liabilities set-off	of recognized financial assets	Financial instruments	Cash collateral received	
Derivatives (enforceable)	3,527,703	915,016	2,612,687	1,922,540	57,364	632,783
Repurchase, securities lending and similar agreements (legally enforceable)	8,163,649	0	8,163,649	7,816,104	0	347,545
Total	**11,691,352**	**915,016**	**10,776,336**	**9,738,644**	**57,364**	**980,328**

2017	Gross amount		Net amount	Amounts from global netting agreements		Net amount
in € thousand	of recognized financial liabilities	of recognized financial assets set-off	of recognized financial liabilities	Financial instruments	Cash collateral received	
Derivatives (enforceable)	2,775,844	915,016	1,860,829	591,846	42,868	1,226,114
Reverse repos, securitized borrowing (enforceable)	297,678	0	297,678	291,291	0	6,387
Total	**3,073,522**	**915,016**	**2,158,507**	**883,137**	**42,868**	**1,232,501**

(41) Securitization (RBI as originator)

Securitization represents a particular form of refinancing and credit risk enhancement under which risks from loans or lease agreements are packaged into portfolios and placed with capital market investors. The objective of the Group's securitization transactions is to relieve Group regulatory total capital and to use additional refinancing sources.

The following transactions for all or at least some tranches were executed with external contractual partners, were still active in the reporting year and resulted in a credit risk mitigation which led to a reduction in risk-weighted assets in regulatory reporting. The stated amounts represent the securitized portfolio and the underlying receivables as well as the externally placed tranche at the balance sheet date.

2018 in € thousand	Seller of claims or secured party	Date of contract	End of maturity	Max. volume	Securitized portfolio	Outstanding portfolio[3]	Portfolio	Externally placed tranche	Amount of the externally placed tranche
Synthetic Transaction ROOF Slovakia 2017[1]	Raiffeisen Bank International AG, Vienna (AT)	Nov. 2017	April 2025		1,231,637	2,461,636	Company loans	Mezzanine	83,800
Synthetic Transaction EIF JEREMIE Romania[2]	Raiffeisenbank S.A., Bucharest (RO)	Dec. 2010	Dec. 2023	172,500	5,838	7,297	SME loans	Junior	5,838
Synthetic Transaction EIF JEREMIE Slovakia	Tatra banka a.s., Bratislava (SK)	March 2014	June 2025	60,000	10,818	15,454	SME loans	Junior	9,941
Synthetic Transaction EIF Western Balkans EDIF Albania	Raiffeisen Bank Sh.a., Tirana (AL)	Dec. 2016	June 2028	17,000	9,938	14,198	SME loans	Junior	2,485
Synthetic Transaction EIF Western Balkans EDIF Croatia	Raiffeisenbank Austria d.d., Zagreb (HR)	April 2015	May 2023	20,107	3,713	5,304	SME loans	Junior	817

1 Junior tranche held in the Group
2 Due to full amortization of the senior tranche, the amount of the externally placed junior tranche corresponds to the amount of the securitized portfolio.
3 Outstanding portfolio (securitized and retained)
SME: Small and Medium-sized Enterprises

The synthetic transaction, ROOF Slovakia 2017, is split into a senior, a mezzanine and a junior tranche. The mezzanine tranche in the amount of € 83,800 thousand was sold to institutional investors, while the credit risk of the junior and senior tranches is retained.

As part of the JEREMIE initiative, the participating subsidiaries (Raiffeisenbank S.A., Bucharest, and Tatra banka a.s., Bratislava) have received guarantees from the European Investment Fund (EIF) to support lending to small and medium-sized enterprises.

As part of the Western Balkans Enterprise Development and Innovation Facility, the participating subsidiaries (Raiffeisenbank Sh.a., Tirana, and Raiffeisenbank Austria d.d., Zagreb) each signed a portfolio guarantee agreement which was funded by the EU and which, like the JEREMIE initiatives, is aimed at providing access to finance for small and medium-sized enterprises.

In the 2018 financial year, the ROOF RBCZ 2015 synthetic transaction was terminated due to the originator's decision to exercise the call option agreed at inception between the involved parties.

(42) Transferred assets

The Group enters into transactions that result in the transfer of trading assets, financial investments and loans and advances to customers. The transferred financial assets continue to be recognized in their entirety or to the extent of the Group's continuing involvement, or are derecognized in their entirety. The Group transfers financial assets that are not derecognized in their entirety or for which the Group has continuing involvement primarily through sale and repurchase of securities, securities lending and securitization activities.

Transferred financial assets not derecognized

Sale and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it at a fixed price on a future date. The Group continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Securities lending agreements are transactions in which the Group lends securities for a fee and receives cash as collateral. The Group continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash received is recognized as a financial asset and a financial liability is recognized for the obligation to repay it. Because as part of the lending arrangement the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Loans and advances to customers are sold by the Group to securitization vehicles that in turn issue notes to investors collateralized by the purchased assets. In the securitizations in which the Group transfers loans and advances to an unconsolidated securitization vehicle, it retains some credit risk while transferring some credit risk, prepayment and interest rate risk to the vehicle. The Group therefore does not retain or transfer substantially all of the risks and rewards of such assets.

The table below shows the carrying amounts of financial assets transferred:

2018	Transferred assets			Associated liabilities		
in € thousand	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Financial assets - held for trading	266,470	0	266,470	266,141	0	266,141
Non-trading financial assets - mandatorily fair value through profit/loss	0	0	0	0	0	0
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	63,740	0	63,740	55,648	0	55,648
Total	**330,210**	**0**	**330,210**	**321,789**	**0**	**321,789**

2017 in € thousand	Transferred assets Carrying amount	hereof securitizations	hereof repurchase agreements	Associated liabilities Carrying amount	hereof securitizations	hereof repurchase agreements
Financial assets - held for trading	251,909	0	251,909	251,909	0	251,909
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	23,586	0	23,586	20,708	0	20,708
Financial assets - amortized cost	62,751	0	62,751	55,220	0	55,220
Total	**338,246**	**0**	**338,246**	**327,837**	**0**	**327,837**

The Group currently has no securitization transactions in which financial assets are partly derecognized.

(43) Assets pledged as collateral and received financial assets

The Group pledges assets mainly for repurchase agreements, securities lending agreements as well as other lending arrangements and for margining purposes in relation to derivative liabilities. The table below contains assets from repo business, securities lending business, securitizations, debentures transferred as collateral of liabilities or guarantees (this means collateralized deposits):

in € thousand	2018 Pledged	Otherwise restricted with liabilities	2017 Pledged	Otherwise restricted with liabilities
Financial assets - held for trading	309,030	0	704,138	0
Non-trading financial assets - mandatorily fair value through profit/loss	753	0	-	-
Financial assets - designated fair value through profit/loss	0	0	0	0
Financial assets - fair value through other comprehensive income	119,858	5,209	255,060	55,189
Financial assets - amortized cost	8,079,756	751,480	7,479,286	876,381
Total	**8,509,397**	**756,689**	**8,438,484**	**931,570**

Statutory, contractual or regulatory requirements as well as protective rights of non-controlling interests might restrict the ability of the Group to access and transfer assets freely to or from other Group entities and settle liabilities. As at the reporting date, the Group has not granted any material protective rights associated with non-controlling interests and therefore these were not a source of significant restrictions.

The following products restrict the Group in the use of its assets: repurchase agreements, securities lending contracts as well as other lending contracts for margining purposes in relation to derivative liabilities, securitizations and various insurance activities. The table below shows assets pledged as collateral and otherwise restricted assets with a corresponding liability. These assets are restricted from usage to secure funding, for legal or other reasons.

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

in € thousand	2018	2017
Securities and other financial assets accepted as collateral which can be sold or repledged	9,138,919	9,931,063
hereof which have been sold or repledged	1,603,132	1,463,047

The Group received collaterals which can be sold or repledged even if no default occurs in the course of reverse repo business, securities lending business, derivative and other transactions.

For information on asset encumbrance we refer to the Group's pillar 3 disclosures which are published pursuant to EU 575/2013 Capital Requirements Regulation (CRR) Part 8.

(44) Breakdown of remaining terms of maturity

Assets 2018 in € thousand	Due at call or without maturity	Current assets Up to 3 months	More than 3 months, up to 1 year	Non-current assets More than 1 year, up to 5 years	More than 5 years
Cash, cash balances at central banks and other demand deposits	22,435,608	121,876	0	0	0
Financial assets - amortized cost	6,015,523	15,551,468	14,476,282	33,847,192	28,865,309
Financial assets - fair value through other comprehensive income	1,544,399	395,164	1,073,671	2,369,427	1,106,356
Non-trading financial assets - mandatorily fair value through profit/loss	182,644	55,549	27,253	57,544	236,792
Financial assets - designated fair value through profit/loss	56,490	7,801	78,560	2,143,256	906,008
Financial assets - held for trading	517,605	390,835	489,113	1,410,899	1,085,157
Hedge accounting	0	25,550	8,363	283,208	140,081
Investments in subsidiaries and associates	964,213	-	-	-	-
Tangible fixed assets	1,384,277	-	-	-	-
Intangible fixed assets	692,897	-	-	-	-
Current tax assets	56,820	-	-	-	-
Deferred tax assets	109,846	10	9,458	2,677	380
Other assets	366,645	442,232	146,187	34,309	220
Total	**34,326,967**	**16,990,484**	**16,308,887**	**40,148,512**	**32,340,305**

Liabilities 2018 in € thousand	Due at call or without maturity	Short-term liabilities Up to 3 months	More than 3 months, up to 1 year	Long-term liabilities More than 1 year, up to 5 years	More than 5 years
Financial liabilities - amortized cost	59,228,519	17,406,300	13,434,188	22,372,904	6,632,187
Financial liabilities - designated fair value through profit/loss	0	142,574	265,799	975,203	547,500
Financial liabilities - held for trading	133,755	641,450	800,200	2,362,179	1,164,251
Hedge accounting	0	3,345	13,668	11,154	62,882
Provisions for liabilities and charges	367,987	12,273	128,768	93,462	253,433
Current tax liabilities	38,969	493	1,914	0	0
Deferred tax liabilities	34,414	0	7,559	13,181	4,548
Other liabilities	36,603	54,281	141,083	237,333	77,440
Subtotal	**59,840,246**	**18,260,716**	**14,793,179**	**26,065,416**	**8,742,240**
Equity	12,413,358	-	-	-	-
Total	**72,253,604**	**18,260,716**	**14,793,179**	**26,065,416**	**8,742,240**

Assets 2017 in € thousand	Due at call or without maturity	Current assets Up to 3 months	More than 3 months, up to 1 year	Non-current assets More than 1 year, up to 5 years	More than 5 years
Cash, cash balances at central banks and other demand deposits	16,894,740	475	10,239	0	0
Financial assets - amortized cost	8,163,557	17,155,501	12,031,571	29,915,721	29,041,038
Financial assets - fair value through other comprehensive income	306,198	1,722,377	1,067,056	2,674,734	819,081
Non-trading financial assets - mandatorily fair value through profit/loss	0	0	0	0	0
Financial assets - designated fair value through profit/loss	299,124	478,361	411,453	1,663,320	2,517,770
Financial assets - held for trading	873,787	374,953	526,980	1,776,603	1,069,713
Hedge accounting	718	7,822	28,318	379,196	180,510
Investments in subsidiaries and associates	923,259	-	-	-	-
Tangible fixed assets	1,540,194	-	-	-	-
Intangible fixed assets	720,935	-	-	-	-
Current tax assets	189,204	-	-	-	-
Deferred tax assets	101,426	944	2,449	9,135	358
Other assets	532,453	643,049	71,928	19,633	456
Total	**30,545,596**	**20,383,481**	**14,149,994**	**36,438,343**	**33,628,925**

Liabilities 2017 in € thousand	Due at call or without maturity	Short-term liabilities Up to 3 months	More than 3 months, up to 1 year	Long-term liabilities More than 1 year, up to 5 years	More than 5 years
Financial liabilities - amortized cost	67,331,439	14,851,950	11,659,220	14,249,260	6,702,242
Financial liabilities - designated fair value through profit/loss	10,000	193,673	316,348	1,533,462	455,139
Financial liabilities - held for trading	256,342	347,274	517,494	2,258,483	1,034,885
Hedge accounting	311	15,213	7,246	161,240	80,577
Provisions for liabilities and charges	388,838	6,851	117,991	97,194	261,546
Current tax liabilities	27,099	6,175	32,440	0	8,964
Deferred tax liabilities	43,925	75	10,430	3,069	5,816
Other liabilities	337,518	105,143	396,958	2,966	70,196
Subtotal	**68,395,471**	**15,526,353**	**13,058,126**	**18,305,673**	**8,619,366**
Equity	11,241,350	-	-	-	-
Total	**79,636,821**	**15,526,353**	**13,058,126**	**18,305,673**	**8,619,366**

(45) Foreign currency volumes

in € thousand	2018	2017
Assets	63,487,761	65,143,087
Liabilities	52,444,554	53,517,300

(46) Derivative financial instruments

2018 in € thousand	Nominal amount	Fair values Positive	 Negative
Trading book	**161,380,971**	**1,787,388**	**(1,834,966)**
Interest rate contracts	115,828,572	1,058,044	(821,574)
Equity contracts	3,861,755	120,879	(365,332)
Foreign exchange rate and gold contracts	40,042,574	603,992	(553,725)
Credit contracts	131,201	1,518	(204)
Commodities	128,982	2,949	(2,673)
Other	1,387,887	5	(91,457)
Banking book	**32,179,328**	**185,080**	**(199,593)**
Interest rate contracts	23,645,705	94,003	(103,577)
Equity contracts	4	74	(218)
Foreign exchange rate and gold contracts	8,449,819	91,004	(93,045)
Credit contracts	83,800	0	(2,753)
Hedging instruments	**22,601,830**	**500,687**	**(153,323)**
Interest rate contracts	22,131,895	469,045	(153,135)
Foreign exchange rate and gold contracts	469,935	31,643	(187)
Total	**216,162,128**	**2,473,156**	**(2,187,882)**
OTC products	210,878,533	2,405,437	(2,044,893)
Products traded on stock exchange	3,551,725	63,246	(45,901)

2017 in € thousand	Nominal amount	Fair values Positive	 Negative
Trading book	**154,423,181**	**1,686,178**	**(1,555,268)**
Interest rate contracts	111,520,118	1,067,837	(876,591)
Equity contracts	3,438,482	123,917	(118,857)
Foreign exchange rate and gold contracts	37,689,163	490,490	(451,982)
Credit contracts	98,338	108	(2,524)
Commodities	160,188	3,084	(3,917)
Other	1,516,892	742	(101,397)
Banking book	**17,894,577**	**452,198**	**(171,047)**
Interest rate contracts	13,860,142	280,905	(125,845)
Equity contracts	303	303	(260)
Foreign exchange rate and gold contracts	3,900,331	170,990	(42,552)
Credit contracts	133,800	0	(2,391)
Hedging instruments	**23,043,477**	**521,959**	**(204,508)**
Interest rate contracts	22,450,127	520,750	(194,761)
Foreign exchange rate and gold contracts	593,349	1,209	(9,747)
Total	**195,361,235**	**2,660,335**	**(1,930,824)**
OTC products	188,459,530	2,636,117	(1,789,521)
Products traded on stock exchange	4,992,486	20,283	(31,074)

(47) Hedge accounting – additional information

RBI applies various types of hedge accounting with the aim of reducing interest rate risk and volatility in the income statement. Depending on the risk to be hedged, both fair value and cash flow hedge accounting are used. Both types may be modeled at the micro level and in portfolios. A further type of hedge accounting hedges the net investment risk against fluctuations in the rate of the Russian ruble.

Under the rules of IAS 39, which in 2018 the Group decided to continue to apply, various financial instruments are used as underlying transactions for fair value and cash flow hedges. The majority of these instruments are loans and advances on the asset side and deposits on the liability side. Bonds and debt securities issued are further positions incorporated into hedge accounting relationships. Interest rate and exchange rate agreements are the main hedging instruments.

Hedging instruments

The following table shows the breakdown of hedging instruments by type of hedge accounting at the level of nominal amounts, both in total and by contractual termination, and at the level of the carrying amounts.

2018	Nominal amount	Maturity				Carrying amount	
in € thousand		Up to 3 months	More than 3 months, up to 1 year	1 year, up to 5 years	More than 5 years	Assets	Liabilities
Interest rate contracts	**21,655,282**	**93,082**	**2,283,487**	**14,244,637**	**5,034,077**	**468,850**	**142,257**
Cash flow hedge	1,074,718	1,937	5,812	970,237	96,732	4,039	6,964
Fair value hedge	20,580,564	91,145	2,277,675	13,274,400	4,937,345	464,811	135,293
Foreign exchange contracts	**946,548**	**0**	**264,293**	**667,135**	**15,120**	**31,836**	**11,065**
Cash flow hedge	424,269	0	199,358	209,791	15,120	97	10,878
Fair value hedge	117,279	0	64,935	52,344	0	15,123	187
Net investment hedge	405,000	0	0	405,000	0	16,616	0
Total	**22,601,830**	**93,082**	**2,547,780**	**14,911,772**	**5,049,197**	**500,686**	**153,323**

Information regarding fair value hedges

The following table shows details of the underlying transactions for fair value hedges:

2018	Carrying amount of the hedged items		Accumulated amount of fair value adjustments of the hedged items		Changes in fair value of the hedged items[1]
in € thousand	Assets	Liabilities	Assets	Liabilities	
Interest rate hedges	**5,374,344**	**11,297,125**	**96,654**	**404,324**	**11,661**
Debt securities	1,068,975	31,416	817	0	(7,982)
Loans and advances	4,305,369	0	(32,855)	2	8,694
Deposits	0	6,080,897	0	166,855	24,468
Debt securities issued	0	5,184,812	128,693	237,467	(13,519)
Other financial liabilities	0	0	0	0	0
Foreign exchange hedges	**50,019**	**0**	**(1,135)**	**0**	**(183)**
Other assets	50,019	0	(1,135)	0	(183)
Other liabilities	0	0	0	0	0
Total	**5,424,363**	**11,297,125**	**95,519**	**404,324**	**11,478**

1 Fair value changes in the underlying transactions which were used to calculate ineffectiveness.

Information regarding cash flow hedges

The following table shows details of the cash flow hedges

2018 in € thousand	Change in the value of the hedging instruments recognized in other comprehensive income	Ineffectiveness of hedging instruments recognized in profit or loss
Interest rate hedges	**2,569**	**(12,614)**
Loans and advances	1,484	(124)
Deposits	(665)	(12,539)
Debt securities issued	1,750	0
Other financial liabilities	0	49
Foreign exchange hedges	**5,116**	**(797)**
Other liabilities	5,116	(797)
Total	**7,685**	**(13,411)**

In the second quarter of 2018, the sale of the Polish core banking operations resulted in the termination of the existing portfolio cash flow hedges, which had hedged foreign currency loans and local currency deposits against cash flow fluctuations by means of foreign currency interest rate swaps. This one-off effect of minus € 13,417 thousand is included in the ineffectiveness of hedging instruments recognized in profit or loss.

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 risk report describes the principles and organization of risk management and describes current risk exposure in all material risk categories.

(48) Risk management principles

The Group has a system of risk principles and procedures in place for measuring and monitoring risk, which is aimed at controlling and managing material risks at all banks and specialist companies in the Group. The risk policies and risk management principles are laid out by the Management Board. The principles include the following risk policies:

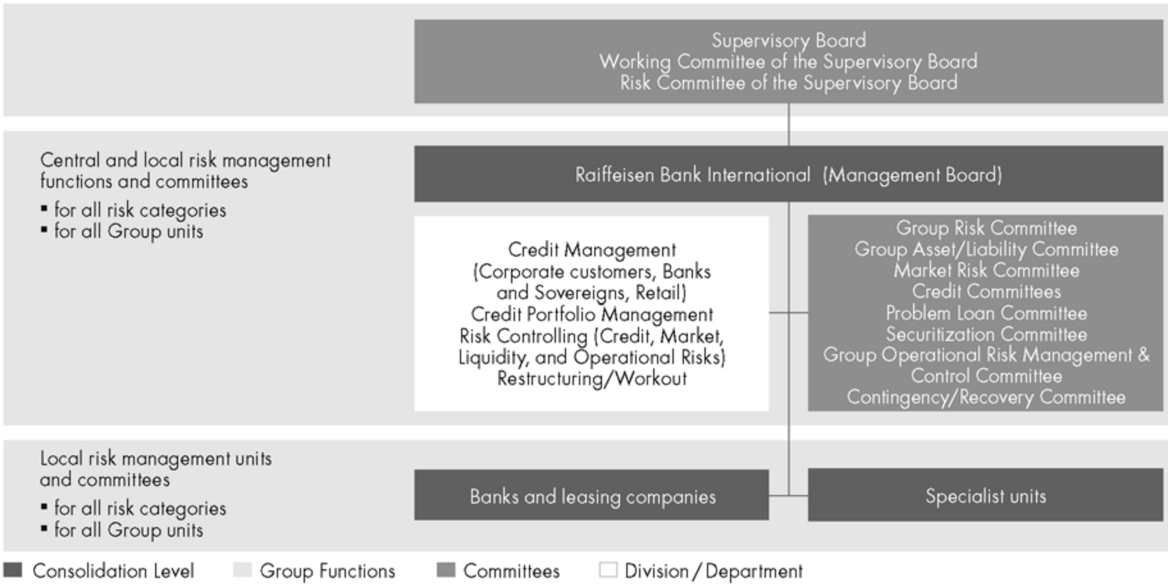
- Integrated risk management: Credit, country, market, liquidity, and operational risks are managed as key risks on a Group-wide basis. For this purpose, these risks are measured, limited, aggregated, and compared to available risk coverage capital.
- Standardized methodologies: Risk measurement and risk limitation methods are standardized Group-wide in order to ensure a consistent and coherent approach to risk management. This is efficient for the development of risk management methods and it forms the basis for consistent overall bank management across all countries and business lines in RBI.
- Continuous planning: Risk strategies and risk capital are reviewed and approved in the course of the annual budgeting and planning process, whereby special attention is also paid to preventing risk concentrations.
- Independent control: A clear personnel and organizational separation is maintained between business operations and all risk management or risk control activities.
- Ex ante and ex post control: Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. Thereby it is ensured that business in general is conducted only under risk-return considerations and that there are no incentives for taking high risks.

Individual risk management units of the Group develop detailed risk strategies, which set more concrete risk targets and specific standards in compliance with these general principles. The overall Group risk strategy is derived from the Group's business strategy and the risk appetite and adds risk relevant aspects to the planned business structure and strategic development. These aspects include for example structural limits and capital ratio targets which have to be met in the budgeting process and in the scope of business decisions. More specific targets for individual risk categories are set in detailed risk strategies. The credit risk strategy of RBI, for instance, sets credit portfolio limits for individual countries and segments and defines the credit approval authority for limit applications.

(49) Organization of risk management

The Management Board of the Group ensures the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions according to the risk reports and analyses. The Management Board is supported in undertaking these tasks by independent risk management units and special committees.

Risk management functions are performed on different levels in the Group. RBI AG develops and implements the relevant concepts as the parent credit institution and in cooperation with the subsidiaries of the Group. The central risk management units are responsible for the adequate and appropriate implementation of the Group's risk management processes. In particular, they establish common Group directives and set business-specific standards, tools, and practices for all Group entities.



In addition, local risk management units are established in the different Group entities of RBI. They implement the risk policies for specific risk types and take active steering decisions within the approved risk budgets in order to achieve the targets set in the business policy. For this purpose, they monitor resulting risks using standardized measurement tools and report them to central risk management units via defined interfaces.

The central Group Risk Controlling division assumes the independent risk controlling function required by banking law. Its responsibilities include developing the Group-wide framework for overall bank risk management (integrating all risk types) and preparing independent reports on the risk profile for the Supervisory Board's Risk Committee, the Group Management Board and the heads of individual business units. It also measures the required risk coverage capital for different Group units and calculates the utilization of the allocated risk capital budgets in the internal capital adequacy framework.

Risk committees

The Group Risk Committee is the most senior decision-making body for all of the Group's risk-related topic areas. It decides on the risk management methods and on the control concepts used for the overall Group and for key subdivisions, and is responsible for ongoing development and implementation of methods and parameters for risk quantification and for refining steering instruments. This also includes setting the risk appetite and the various risk budgets and limits at overall bank level as well as monitoring the current risk situation with respect to internal capital adequacy and the corresponding risk limits. It approves risk management and control activities (such as the allocation of risk capital) and advises the Management Board in these matters.

The Group Asset/Liability Committee assesses and manages the statement of financial position structure and liquidity risk and defines the standards for internal funds transfer pricing. In this context it plays an important role in planning long-term funding and hedging structural interest rate and foreign exchange risks. The Capital Hedge Committee is a sub-committee of the Group Asset/Liability Committee and manages the currency risk inherent in the Group's capital position.

The Market Risk Committee controls market risks arising from trading and banking book transactions and establishes corresponding limits and processes. In particular, it relies on profit and loss reports, the risks calculated and the limit utilization, as well as the results of scenario analyses and stress tests with respect to market risks.

The Credit Committees are staffed by front office and back office representatives, with the staff assignments depending on the type of customer (corporate customers, banks, sovereigns and retail). The committees decide upon the specific lending criteria for the different customer segments and countries and make all credit decisions concerning those segments and countries in connection with the credit approval process (depending on rating and exposure size).

The Problem Loan Committee is the most important committee in the evaluation and decision-making process concerning problem loans. It primarily comprises decision making authorities; its chairman is the Chief Risk Officer (CRO) of RBI. Further members with voting rights are those members of the Management Board responsible for the customer divisions, the Chief Financial Officer (CFO), and the relevant division and departmental managers from risk management and special exposures management (workout).

The Securitization Committee is the decision-making committee for limit requests in relation to securitization positions within the specific decision-making authority framework. It develops proposals for modifications to the securitization strategy for the Management Board. In addition, the Securitization Committee offers a platform for exchanging information regarding securitization positions and market developments.

The Group Operational Risk Management & Control Committee comprises representatives of the business areas (retail, market and corporate customers) and representatives from Compliance (including financial crime), Internal Control System, Operations, Security and Risk Controlling, under chairmanship of the CRO. This committee is responsible for managing the Group's operational risk (including conduct risk). It derives and sets the operational risk strategy based on the risk profile and the business strategy and also makes decisions regarding actions, controls and risk acceptance.

The Contingency/Recovery Committee is a decision-making body convened by the Management Board. The composition of the committee varies as circumstances require depending on the intensity and focus of the specific requirements pertaining to the situation (e.g. capital and/or liquidity). The core task of the committee is to maintain or recover financial stability in accordance with BaSAG (Austrian Bank Recovery and Resolution Act) and BRRD (Banking Recovery and Resolution Directive) in the event of a critical financial situation.

Quality assurance and internal audit

Quality assurance with respect to risk management refers to ensuring the integrity, soundness, and accuracy of processes, models, calculations, and data sources. This is to ensure that the Group adheres to all legal requirements and that it can achieve the highest standards in risk management-related operations.

All these aspects are coordinated by the Group Compliance division, which analyzes the internal control system on an ongoing basis and – if actions are necessary to address any deficiencies – is also responsible for tracking their implementation.

Two very important functions in assuring independent oversight are performed by the divisions Audit and Compliance. Independent internal auditing is a legal requirement and a central pillar of the internal control system. Internal Audit periodically assesses all business processes and contributes considerably to securing and improving them. It sends its reports directly to the Management Board of the Group, which discusses them on a regular basis in its board meetings.

The Compliance Office is responsible for all issues concerning compliance with legal requirements in addition to and as an integral part of the internal control system. Thus compliance with existing regulations in daily operations is monitored.

Moreover, an independent and objective audit, free of potential conflicts of interest, is carried out during the audit of the annual financial statements by the independent auditors. Finally, the Group is continuously supervised by the European Central Bank, the Austrian Financial Market Authority and also by the local supervisor in those countries where the Group is represented by branches or subsidiaries.

(50) Overall group risk management

Maintaining an adequate level of capital is a core objective of the Group. Capital requirements are monitored regularly based on the risk level as measured by internal models, and in choosing appropriate models the materiality of risks annually assessed is taken into account. This concept of overall bank risk management provides for meeting capital requirements from both a regulatory perspective (sustainability and going concern perspective) and from an economic point of view (target rating). Thus it covers the quantitative aspects of the internal capital adequacy assessment process (ICAAP) as legally required. The full ICAAP process of the Group is audited during the supervisory review process for RBI credit institution group (RBI-Kreditinstitutsgruppe) on an annual basis.

The Risk Appetite Framework (RAF) limits the Group's overall risk in accordance with the Group's strategic business objectives and allocates the risk capital calculated to the different risk categories and business areas. The primary aim of the RAF is to limit risk, particularly in adverse scenarios and for major singular risks in such a way as to ensure compliance with regulatory minimum ratios. The RAF is therefore based on the ICAAP's three pillars (target rating, going concern, sustainability perspective) and sets the concentration risk limits for the risk types identified as significant in the risk assessment. In addition, the risk appetite decided by the Management Board and the Group's risk strategy and its implementation are reported regularly to the Supervisory Board's Risk Committee.

Target	Risk	Measurement technique	Confidence level
Target rating perspective	Risk of not being able to satisfy claims from the Group's senior debt holders	The unexpected loss for the one-year risk horizon (economic capital) may not exceed the present level of equity and subordinated liabilities	99.92 per cent as derived from the target rating's probability of default
Going concern perspective	Risk of not meeting the regulatory capital requirement pursuant to the CRR	Risk taking capacity (projected earnings plus capital in excess of the regulatory requirement) may not exceed the Group's value at risk (one-year risk horizon)	95 per cent, reflecting the owners' willingness to inject additional own funds
Sustainability perspective	Risk of falling below a sustainable tier 1 ratio throughout an economic cycle	Capital and earnings projection for a three-year planning period based on assumptions of a significant downturn in the economy	85–90 per cent, based on potential management decisions to reduce risk temporarily or raise additional equity capital

Target rating perspective

In the target rating perspective, risk is measured on the basis of economic capital, which represents a comparable indicator across all risk types. Economic capital is calculated as the sum of unexpected losses stemming from different Group units and different risk categories (credit, participation, market, liquidity, macroeconomic, and operational risk as well as risk resulting from other tangible fixed assets). In addition, a general buffer is held to cover other risk types not explicitly quantified.

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

The Group's economic capital increased slightly in 2018 to € 6,012,231 thousand (up 1.4 per cent). The concurrent increase in market risk was caused by a methodological adjustment to the calculation of risk in the banking book. As at the reporting date, credit risk accounted for a total of 54 per cent (2017: 57 per cent) of economic capital. A general buffer for other risks, unchanged at 5 per cent of calculated economic capital, is also added to this. In the risk capital allocation as at 31 December 2018, the largest share of economic capital, at 32 per cent (2017: 28 per cent) was consumed by Group units located in Austria. The decline seen in Central Europe resulted from the sale of the Group's core banking operations in Poland.

Economic capital is compared to internal capital, which mainly comprises the Group's equity and subordinated capital. This type of capital serves as a primary means of risk coverage for servicing claims of senior lenders should the bank incur losses. As at year-end 2018, total utilization of available risk capital (the ratio of economic capital to internal capital) amounted to 46 per cent (2017: 45 per cent).

Economic capital is an important instrument in overall bank risk management. Economic capital limits are allocated to individual business areas during the annual budgeting process and are supplemented in day-to-day management by volume, sensitivity, and value-at-risk limits. The Group planning process is undertaken on a revolving basis for the coming three years and incorporates future changes in economic capital as well as available internal capital. Economic capital thus substantially influences plans for future lending activities and the overall limit for market risk.

Risk-adjusted performance measurement is also based on the indicator for economic capital . The profitability of a business unit is examined in relation to the amount of economic capital attributed to the unit in question (risk-adjusted profit in relation to risk-adjusted capital, RORAC), which yields a comparable performance indicator for all business units in the Group. That indicator is used in turn as a key figure in overall bank management and for future capital allocations to business units, and influences the remuneration paid to the Group's executive management.

Risk contribution of individual risk types to economic capital

in € thousand	2018	Share	2017	Share
Credit risk corporate customers	1,637,701	27.2%	1,452,306	24.5%
Credit risk retail customers	1,175,737	19.6%	1,435,510	24.2%
Market risk	643,875	10.7%	439,715	7.4%
Macroeconomic risk	606,720	10.1%	486,521	8.2%
Operational risk	542,080	9.0%	528,811	8.9%
Participation risk	308,365	5.1%	309,940	5.2%
Credit risk sovereigns	281,316	4.7%	386,529	6.5%
Owned property risk	226,118	3.8%	222,490	3.8%
Credit risk banks	143,523	2.4%	152,927	2.6%
FX risk capital position	128,764	2.1%	209,146	3.5%
Liquidity risk	14,645	0.2%	1,901	0.0%
CVA risk	17,090	0.3%	20,354	0.3%
Risk buffer	286,297	4.8%	282,307	4.8%
Total	**6,012,231**	**100.0%**	**5,928,456**	**100.0%**

Regional allocation of economic capital by Group unit domicile

in € thousand	2018	Share	2017	Share
Austria	1,901,967	31.6%	1,647,000	27.8%
Central Europe	1,469,985	24.4%	1,930,132	32.6%
Southeastern Europe	1,328,995	22.1%	1,227,575	20.7%
Eastern Europe	1,306,332	21.7%	1,122,749	18.9%
Rest of World	4,952	0.1%	1,000	0.0%
Total	**6,012,231**	**100.0%**	**5,928,456**	**100.0%**

Going concern perspective

Parallel to the target rating perspective, internal capital adequacy is assessed with a focus on the uninterrupted operation of the Group on a going concern basis. Under this perspective, risk is again compared to risk taking capacity – with a focus on regulatory capital and total capital requirements.

The risk strategy therefore involves calculating risk taking capacity as the total of expected profits, expected credit losses, and surplus capital (taking into account various limits on eligible capital). The figure for risk-taking capacity is compared to the overall value-at-risk (including expected losses), which is calculated using similar techniques as those used under the target rating perspective (albeit using a lower confidence level of 95 per cent). The Group takes this approach to ensure adequate regulatory capitalization (going concern) with the given probability.

Sustainability perspective

The sustainability perspective is intended to ensure that the Group has a sufficiently high tier 1 ratio at the end of the multi-year planning period, even in a severe macroeconomic downturn scenario. The analysis is based on a multi-year macroeconomic stress test where hypothetical market developments in a severe but realistic economic downturn scenario are simulated. The risk parameters considered include: interest rates, foreign exchange rates and securities prices, as well as changes in default probabilities and rating migrations in the credit portfolio.

The integrated stress test focuses primarily on the tier 1 ratio at the end of the multi-year observation period. It should not fall below a sustainable level, meaning that is should not require the bank to substantially increase capital or to significantly reduce its business activities. The current minimum amount of tier 1 capital is therefore determined by the size of a potential economic downturn. The downturn scenario assumed incorporates recognition of the necessary loan loss provisions and potential pro-cyclical effects (which increase the minimum regulatory capital requirement) along with the impact of foreign exchange rate fluctuations and other valuation and earnings effects.

The sustainability perspective thus also complements traditional risk measurement methods based on the value-at-risk concept (which is in general based on historical data). Therefore, it can account for exceptional market situations that have not been observed in the past, and also permits estimation of the potential impact of such developments. The stress test also allows for analyzing risk concentrations (e.g. individual positions, industries, or geographical regions) and gives insight into profitability, liquidity situation, and solvency under extreme situations. Building on these analyses, risk management in the Group actively contributes to portfolio diversification, for example via limits for the total exposure to individual industry segments and countries and through ongoing updates to lending standards.

(51) 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.

Limit application process

In the non-retail area, each lending transaction runs through the limit application process before a decision is made. This process covers – besides new lending – increases in existing limits, rollovers, overdrafts, and changes in the risk profile of a borrower (e.g. with respect to the financial situation of the borrower, the agreed terms and conditions, or the collateral furnished) compared to the time of the original lending decision. It is also used when setting counterparty limits for trading and new issuance operations as well as other credit limits, and for equity investments subject to credit risk.

Credit decisions are made within the context of a competence authority hierarchy based on the size and type of the loan. Approval from the business and the credit risk management divisions is always required when making individual limit decisions or performing regular rating renewals. If the individual decision-making parties disagree, the potential transaction is decided upon by the next higher-ranking credit authority.

The whole limit application process is based on defined uniform principles and rules. Account management for multinational customers doing business with more than one RBI Group unit simultaneously is supported by the Global Account Management System, for example. This is made possible by Group-wide unique customer identification in the non-retail asset classes.

The limit application process in the retail division is automated to a great degree due to the high number of applications and relatively low exposure amounts. Limit applications often are assessed and approved in central processing centers based on credit score cards. This process is facilitated by the respective IT systems.

Credit portfolio management

Credit portfolio management in the Group is, among other aspects, based on the credit portfolio strategy which is in turn based on the business and risk strategy. The strategy selected is used to limit the exposure amount in different countries, industries or product types and thus prevents undesired risk concentrations. Additionally, the long-term potentials of different markets are continuously analyzed. This allows for an early strategic repositioning of future lending activities.

Reconciliation of figures from the 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 the 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, i.e. corporate legal basis) and differences in the classification and presentation of exposure volumes.

in € thousand	2018	2017
Cash, cash balances at central banks and other demand deposits	18,425,583	13,305,032
Financial assets - amortized cost	101,241,442	99,409,735
Financial assets - fair value through other comprehensive income	6,216,922	6,589,446
Non-trading financial assets - mandatorily at fair value through profit / loss	559,782	0
Financial assets - designated fair value through profit/loss	3,192,115	5,370,028
Financial assets - held for trading	3,893,609	4,622,036
Hedge accounting	457,202	596,563
Current tax assets	56,820	189,204
Deferred tax assets	122,371	114,313
Other assets	749,665	1,113,207
Contingent liabilities	9,671,365	9,917,133
Commitments	12,579,692	10,897,783
Revocable credit lines	19,057,163	19,799,534
Disclosure differences	(1,925,210)	(2,007,078)
Credit exposure[1]	**174,298,522**	**169,916,936**

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

The comparative figures for the previous period have been adjusted to reflect the changed structure of the statement of financial position.

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 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 databases).

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

in € thousand	2018	2017
Corporate customers	73,482,137	70,326,488
Project finance	7,050,295	8,292,162
Retail customers	38,049,768	37,868,298
Banks	19,207,251	19,185,605
Sovereigns	36,509,071	34,244,384
Total	**174,298,522**	**169,916,936**

The asset classes are presented by internal rating and risk region, among other things, in the following tables. The internal rating and the risk region were presented considering the guarantor at year-end 2018, for which reason the previous year comparatives have been adjusted. The most significant changes resulting from the adjustment are in the asset classes of corporates and sovereigns.

Credit portfolio – corporate customers

The internal rating models for corporate customers take into account qualitative parameters, various ratios from the statement of financial position, and profit ratios covering different aspects of customer creditworthiness for various industries and countries. In addition, the model for smaller corporates also includes an account behavior component.

The following table shows the total credit exposure according to internal corporate rating (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 € thousand		2018	Share	2017	Share
1	Minimal risk	5,071,555	6.9%	4,910,303	7.0%
2	Excellent credit standing	11,133,932	15.2%	9,600,448	13.7%
3	Very good credit standing	11,357,385	15.5%	8,481,750	12.1%
4	Good credit standing	10,402,833	14.2%	11,725,385	16.7%
5	Sound credit standing	15,824,179	21.5%	14,649,059	20.8%
6	Acceptable credit standing	12,272,729	16.7%	12,342,379	17.6%
7	Marginal credit standing	4,216,589	5.7%	4,272,529	6.1%
8	Weak credit standing / sub-standard	1,133,628	1.5%	1,163,247	1.7%
9	Very weak credit standing / doubtful	198,909	0.3%	549,474	0.8%
10	Default	1,637,862	2.2%	2,524,011	3.6%
NR	Not rated	232,535	0.3%	107,903	0.2%
Total		**73,482,137**	**100.0%**	**70,326,488**	**100.0%**

The total credit exposure to corporate customers rose € 3,155,649 thousand compared to year-end 2017 to € 73,482,137 thousand.

Credit exposures in the rating grades from good credit standing to minimal risk increased € 3,247,819 thousand, corresponding to a share of 51.8 per cent (2017: 49.5 per cent).

The € 1,533,484 thousand increase in rating grade 2 to € 11,133,932 thousand was mainly due to growth in the Austrian and Romanian repo business, although the increase was partially offset by a decline in Great Britain. The decline in the Great Britain was attributable to shifts in individual customer ratings to rating grades 1 and 3. The increase in rating grade 2 resulted additionally from credit financing in Germany, France, Croatia and Slovakia as well as an increase in guarantees issued in Russia (despite the depreciation of the Russian ruble), Croatia, Austria, and Switzerland. Rating grade 3 rose € 2,875,635 thousand to € 11,357,385 thousand, which was attributable to facility financing in the Great Britain, Luxembourg, Austria, Bulgaria, the Czech Republic, Slovakia, Switzerland, and North America (partially due to the appreciation of the US dollar) as well as credit financing in Austria, the Czech Republic, France and Switzerland. An improvement in the rating of two customers from rating grade 4 also contributed to the increase. The € 1,322,552 thousand decrease in rating grade 4 to € 10,402,833 thousand was partially due to deterioration of the rating of a customer in Singapore to rating grade 5. In addition, the Russian bond portfolio declined (partially due to the depreciation of the Russian ruble) as did facility financing in Russia, the Czech Republic, and Switzerland. The aggregate decline in rating grade 4 was partially offset by an increase in credit financing. Rating grade 5 registered an increase of € 1,175,120 thousand to € 15,824,179 thousand, primarily due to credit financing. The decline of € 350,565 thousand to € 198,909 thousand in rating grade 9 was predominantly attributable to credit financing in Croatia and Hungary as well as to guarantees issued and money market transactions in Hungary. Money market transactions were also up in Russia. The reduction of € 886,149 thousand to € 1,637,862 thousand in rating grade 10 was due to write-offs.

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 € thousand		2018	Share	2017	Share
6.1	Excellent project risk profile – very low risk	5,307,911	75.3%	4,922,405	59.4%
6.2	Good project risk profile – low risk	968,352	13.7%	1,947,891	23.5%
6.3	Acceptable project risk profile – average risk	113,598	1.6%	516,829	6.2%
6.4	Poor project risk profile – high risk	102,630	1.5%	211,435	2.5%
6.5	Default	383,110	5.4%	578,932	7.0%
NR	Not rated	174,694	2.5%	114,670	1.4%
Total		**7,050,295**	**100.0%**	**8,292,162**	**100.0%**

Credit exposure to project finance declined € 1,241,867 thousand to € 7,050,295 thousand as at 31 December 2018. The € 385,506 thousand increase in rating grade 6.1 to € 5,307,911 thousand was due to an increase in project financing in Hungary, rating shifts from rating grade 2 in Romania, and allocation of a rating to an Austrian customer. The increase in rating grade 6.1 was partially compensated by a decline in project financing in Germany and termination of a securitization position in the

Czech Republic. Rating grade 6.2 registered a decline of € 979,539 thousand to € 968,352 thousand, primarily due to the sale of the bank's core banking operations in Poland. Rating improvements, expired project financing in Germany and Russia and the depreciation of the Russian ruble also resulted in a decline. Expired project financing in Russia, rating shifts, and the sale of the core banking operations in Poland also led to a reduction of € 403,231 thousand in rating grade 6.3 to € 113,598 thousand.

At 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 these types of 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 € thousand	2018	Share	2017	Share
Central Europe	18,491,300	23.0%	22,263,145	28.3%
Austria	16,898,109	21.0%	15,902,173	20.2%
Western Europe	15,070,375	18.7%	12,496,273	15.9%
Eastern Europe	12,853,120	16.0%	12,023,814	15.3%
Southeastern Europe	12,431,799	15.4%	11,335,367	14.4%
Asia	1,195,050	1.5%	1,120,170	1.4%
Other	3,592,679	4.5%	3,477,709	4.4%
Total	**80,532,432**	**100.0%**	**78,618,650**	**100.0%**

Credit exposure stood at € 80,532,432 thousand, € 1,913,782 thousand higher than at year-end 2017. Austria recorded an increase of € 995,936 thousand to € 16,898,109 thousand due to repo and money market transactions as well as credit financing. The increase was partially offset by a decline in overdraft facilities and guarantees issued. The increase in Western Europe of € 2,574,102 thousand to € 15,070,375 thousand was due to overdraft facility and credit financing, money market transactions, documentary credits, and guarantees issued. In Southeastern Europe, repo transactions as well as credit and facility financing resulted in an increase of € 1,096,432 thousand to € 12,431,799 thousand. The decline of € 3,771,845 thousand to € 18,491,300 thousand in Central Europe was due to the sale of the core banking operations in Poland.

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

in € thousand	2018	Share	2017	Share
Manufacturing	16,319,565	20.3%	16,330,608	20.8%
Wholesale and retail trade	16,867,200	20.9%	16,662,326	21.2%
Financial intermediation	11,869,337	14.7%	10,483,499	13.3%
Real estate	8,901,403	11.1%	9,850,800	12.5%
Construction	4,824,498	6.0%	5,305,148	6.7%
Freelance/technical services	5,775,209	7.2%	5,463,244	6.9%
Transport, storage and communication	3,300,706	4.1%	3,201,922	4.1%
Electricity, gas, steam and hot water supply	3,045,296	3.8%	2,765,441	3.5%
Other industries	9,629,218	12.0%	8,555,662	10.9%
Total	**80,532,432**	**100.0%**	**78,618,650**	**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 € thousand	2018	Share	2017	Share
Retail customers – private individuals	35,268,595	92.7%	34,826,895	92.0%
Retail customers – small and medium-sized entities	2,781,173	7.3%	3,041,403	8.0%
Total	**38,049,768**	**100.0%**	**37,868,298**	**100.0%**

The following table shows the total credit exposure to retail customers by internal rating:

in € thousand		2018	Share	2017	Share
0.5	Minimal risk	9,038,313	23.8%	10,249,522	27.1%
1.0	Excellent credit standing	9,091,214	23.9%	4,972,897	13.1%
1.5	Very good credit standing	5,498,801	14.5%	4,100,968	10.8%
2.0	Good credit standing	4,039,654	10.6%	3,231,344	8.5%
2.5	Sound credit standing	2,863,964	7.5%	2,384,181	6.3%
3.0	Acceptable credit standing	1,726,684	4.5%	1,436,094	3.8%
3.5	Marginal credit standing	839,619	2.2%	815,945	2.2%
4.0	Weak credit standing / sub-standard	413,993	1.1%	368,020	1.0%
4.5	Very weak credit standing / doubtful	312,728	0.8%	320,696	0.8%
5.0	Default	1,326,523	3.5%	1,554,911	4.1%
NR	Not rated	2,898,275	7.6%	8,433,721	22.3%
Total		**38,049,768**	**100.0%**	**37,868,298**	**100.0%**

Credit exposure to retail customers increased € 181,470 thousand compared to year-end 2017 to € 38,049,768 thousand. The decline of € 1,211,209 thousand to € 9,038,313 thousand in rating grade 0.5 resulted primarily from the sale of the core banking operations in Poland. The increase in rating grades 1.0, 1.5, and 2.0 was mainly based on reclassification due to new rating information for building society business in Austria and the Czech Republic, which was not available for year-end 2017.

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

2018 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	17,377,251	8,720,106	4,420,411	4,750,828
Retail customers – small and medium-sized entities	1,370,316	687,641	348,580	374,636
Total	**18,747,567**	**9,407,747**	**4,768,990**	**5,125,463**
hereof non-performing loans	621,859	392,646	198,073	23,915

2017 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	17,868,275	7,909,326	4,096,381	4,952,913
Retail customers – small and medium-sized entities	1,560,421	690,715	357,733	432,534
Total	**19,428,696**	**8,600,040**	**4,454,114**	**5,385,446**
hereof non-performing loans	859,100	478,439	280,584	22,497

The increase in retail resulted from Southeastern Europe and Eastern Europe, although the rise was partially offset by the sale of the core banking operations in Poland. Southeastern Europe reported a rise of € 807,707 thousand to € 9,407,747 thousand. Mortgage and personal loans as well as SME financing resulted in an increase in Bulgaria. In Romania, personal loans, credit cards and overdrafts increased. The € 314,876 thousand increase in Eastern Europe to € 4,768,990 thousand resulted from mortgage loans and personal loans in Russia, despite the depreciation of the Russian ruble. In addition, the appreciation of the Ukrainian hryvnia had a positive impact. Central Europe registered a decline compared to year-end 2017 due to the sale of the core banking operations in Poland. The decrease was partially offset by a rise in mortgage and personal loans in the Czech Republic and Slovakia. The decline of € 259,983 thousand in Group Corporates & Markets to € 5,125,463 thousand was mainly due to mortgage and personal loans.

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

in € thousand	2018	Share	2017	Share
Mortgage loans	22,556,842	59.3%	22,228,428	58.7%
Personal loans	8,456,959	22.2%	8,317,206	22.0%
Credit cards	3,087,446	8.1%	3,273,016	8.6%
SME financing	2,045,615	5.4%	1,865,555	4.9%
Overdraft	1,443,756	3.8%	1,751,015	4.6%
Car loans	459,149	1.2%	433,078	1.1%
Total	**38,049,768**	**100.0%**	**37,868,298**	**100.0%**

The € 328,414 thousand increase in mortgage loans and the € 139,753 thousand increase in personal loans resulted primarily from the Czech Republic, Russia, Romania, Bulgaria, and Slovakia. The sale of the core banking operations in Poland had a negative impact on growth of mortgage and personal loans and led to a decline in credit cards and overdraft facilities. An increase of € 180,060 thousand was recorded in SME financing, largely due to business in Bulgaria, the Czech Republic, Hungary, Romania, Slovakia, and Ukraine.

2018 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Mortgage loans	13,579,748	2,448,014	1,629,209	4,899,871
Personal loans	2,287,388	4,166,484	1,825,274	177,813
Credit cards	866,163	1,178,668	1,039,368	3,247
SME financing	873,931	988,721	139,588	43,375
Overdraft	890,760	448,878	103,587	530
Car loans	249,577	176,982	31,964	627
Total	**18,747,567**	**9,407,747**	**4,768,990**	**5,125,463**

2017 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Mortgage loans	13,296,445	2,283,105	1,539,301	5,109,577
Personal loans	2,582,744	3,835,662	1,671,568	227,231
Credit cards	1,223,138	1,069,874	980,004	0
SME financing	847,443	874,321	96,150	47,640
Overdraft	1,265,479	398,333	87,134	69
Car loans	213,447	138,745	79,957	929
Total	**19,428,696**	**8,600,040**	**4,454,114**	**5,385,446**

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 € thousand		2018	Share	2017	Share
1	Minimal risk	3,797,198	19.8%	3,508,577	18.3%
2	Excellent credit standing	5,804,826	30.2%	3,204,872	16.7%
3	Very good credit standing	7,142,295	37.2%	10,073,113	52.5%
4	Good credit standing	1,346,752	7.0%	1,239,394	6.5%
5	Sound credit standing	700,977	3.6%	580,340	3.0%
6	Acceptable credit standing	268,171	1.4%	231,278	1.2%
7	Marginal credit standing	31,239	0.2%	198,062	1.0%
8	Weak credit standing / sub-standard	100,827	0.5%	121,341	0.6%
9	Very weak credit standing / doubtful	216	0.0%	4,183	0.0%
10	Default	9,456	0.0%	10,688	0.1%
NR	Not rated	5,293	0.0%	13,756	0.1%
Total		**19,207,251**	**100.0%**	**19,185,605**	**100.0%**

The total credit exposure came to € 19,207,251 thousand, an increase of € 21,646 thousand compared to year-end 2017.

Rating grade 1 registered an increase of € 288,621 thousand to € 3,797,198 thousand due to an increase in the bond portfolio as well as money market transactions in Belgium, China, and Hungary and rating upgrades among Austrian and Chinese banks. However, the increase was partially offset by lower repo transactions in Germany. Shifts occurred in rating grades 2 and 3, essentially due to rating upgrates for certain regional Raiffeisen banks. The rise of € 107,358 thousand to € 1,346,752 thousand in rating grade 4 was the result of money market transactions in Russia. The decrease of € 166,823 thousand to € 31,239 thousand in rating grade 7 was attributable to a decline in documentary credits in Uzbekistan as well as guarantees issued and repo transactions in Russia. In addition, a Russian bank was upgraded to rating grade 6.

The following table provides a breakdown of the total credit exposure by country of risk grouped into regions:

in € thousand	2018	Share	2017	Share
Western Europe	8,235,134	42.9%	8,592,712	44.8%
Austria	4,624,378	24.1%	4,748,703	24.8%
Eastern Europe	2,302,814	12.0%	2,088,673	10.9%
Central Europe	1,115,708	5.8%	819,568	4.3%
Asia	755,204	3.9%	806,258	4.2%
Southeastern Europe	117,571	0.6%	115,440	0.6%
Other	2,056,442	10.7%	2,014,252	10.5%
Total	**19,207,251**	**100.0%**	**19,185,605**	**100.0%**

Western Europe registered a decrease of € 357,578 thousand to € 8,235,134 thousand as a result of repo transactions in Germany and repo and swap transactions in Great Britain. In contrast, an increase was reported in deposits and money market transactions in Great Britain and in the bond portfolio in Luxembourg. The decrease of € 124,325 thousand to € 4,624,378 thousand in Austria was based on bank deposits and overdraft facilities. However, it was partially offset by an increase in credit financing. Credit exposure in Eastern Europe rose € 214,141 thousand to € 2,302,814 thousand as a result of bank deposits and money market transactions in Russia. The increase of € 296,140 thousand to € 1,115,708 thousand in Central Europe was the result of money market transactions in Hungary and an increase in the Hungarian and Polish bond portfolios. Foreign exchange transactions in Poland also increased. The overall increase in Central Europe was negatively impacted by a decline in the bond portfolio and overdraft facilities in the Czech Republic.

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

in € thousand	2018	Share	2017	Share
Loans and advances	4,922,923	25.6%	4,476,607	23.3%
Bonds	3,829,310	19.9%	3,812,378	19.9%
Repo	3,645,159	19.0%	4,372,523	22.8%
Money market	2,723,479	14.2%	2,192,434	11.4%
Derivatives	2,415,346	12.6%	2,735,232	14.3%
Other	1,671,035	8.7%	1,596,430	8.3%
Total	**19,207,251**	**100.0%**	**19,185,605**	**100.0%**

The increases in loans and advances and money market transactions were attributable to Belgium, Great Britain, Hungary, and Russia (despite the depreciation of the Russian ruble). Those increases were offset by declines in repo transactions in Germany, Canada, and the Great Britain and in derivatives in France and the Great Britain.

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 € thousand		2018	Share	2017	Share
A1	Excellent credit standing	1,210,429	3.3%	1,800,455	5.3%
A2	Very good credit standing	14,655,790	40.1%	9,452,621	27.6%
A3	Good credit standing	7,954,653	21.8%	8,012,673	23.4%
B1	Sound credit standing	936,989	2.6%	4,334,054	12.7%
B2	Average credit standing	3,000,719	8.2%	3,143,274	9.2%
B3	Mediocre credit standing	6,630,898	18.2%	5,497,588	16.1%
B4	Weak credit standing	1,213,982	3.3%	1,082,977	3.2%
B5	Very weak credit standing	360,285	1.0%	387,495	1.1%
C	Doubtful/high default risk	541,678	1.5%	525,394	1.5%
D	Default	2,236	0.0%	266	0.0%
NR	Not rated	1,413	0.0%	7,585	0.0%
Total		**36,509,071**	**100.0%**	**34,244,384**	**100.0%**

Compared to year-end 2017, the credit exposure to sovereigns increased € 2,264,687 thousand to € 36,509,071 thousand. The largest increase, of € 5,203,169 thousand to € 14,655,790 thousand, was in rating grade A2 and was attributable to deposits at the Austrian National Bank. The decline of € 590,026 thousand to € 1,210,429 thousand in rating grade A1 resulted from a decline in holdings of bonds from the Federal Republic of Germany, the Kingdom of the Netherlands, and the United States of America. Rating grade B1 recorded a decrease of € 3,397,065 thousand to € 936,989 thousand due to the sale of the core banking operations in Poland. The € 1,133,310 thousand increase in rating grade B3 to € 6,630,898 thousand resulted mainly from an increase in the bond portfolio held at the Russian Central Bank.

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

in € thousand	2018	Share	2017	Share
Loans and advances	16,445,411	45.0%	11,559,175	33.8%
Bonds	14,874,640	40.7%	17,047,029	49.8%
Repo	3,905,064	10.7%	4,322,582	12.6%
Money market	1,158,254	3.2%	1,166,413	3.4%
Derivatives	34,549	0.1%	29,807	0.1%
Other	91,154	0.2%	119,377	0.3%
Total	**36,509,071**	**100.0%**	**34,244,384**	**100.0%**

The € 4,886,236 thousand increase in loans and advances to € 16,445,411 thousand was mainly driven by deposits at the Austrian National Bank. The decline of € 2,172,389 thousand in bonds to € 14,874,640 thousand resulted from the sale of the core banking operations in Poland. However, the decrease was partially offset by an increase in Russia. The decline in repo products of € 417,518 thousand to € 3,905,064 thousand was based on a reduction in transactions with the Czech National Bank.

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

in € thousand	2018	Share	2017	Share
Russia	2,220,770	25.4%	763,388	10.2%
Hungary	2,000,754	22.9%	2,361,480	31.5%
Croatia	1,332,348	15.2%	1,267,048	16.9%
Bulgaria	927,916	10.6%	945,306	12.6%
Albania	663,514	7.6%	602,247	8.0%
Serbia	535,268	6.1%	438,860	5.9%
Ukraine	400,527	4.6%	405,266	5.4%
Bosnia and Herzegovina	330,283	3.8%	325,913	4.3%
Belarus	131,989	1.5%	119,679	1.6%
Romania	111,570	1.3%	72,530	1.0%
Other	95,552	1.1%	199,587	2.7%
Total	**8,750,492**	**100.0%**	**7,501,305**	**100.0%**

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.

Credit exposure increased € 1,249,187 thousand compared to year-end 2017 to € 8,750,492 thousand. Exposure in Russia increased € 1,457,382 thousand to € 2,220,770 thousand, mainly attributable to Russian Central Bank bonds and money market transactions with the Russian Central Bank. A decrease of € 360,726 thousand to € 2,000,754 thousand was registered in Hungary, mainly due to money market business and credit financing as well as the depreciation of the Hungarian forint.

Non-performing exposures (NPEs)

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

	NPE		NPE ratio		NPE coverage ratio	
in € thousand	2018	2017	2018	2017	2018	2017
General governments	2,291	266	0.2%	0.0%	98.8%	-
Banks	8,445	10,030	0.1%	0.1%	100.0%	100.0%
Other financial corporations	80,846	40,245	0.9%	0.6%	80.9%	86.7%
Non-financial corporations[1]	2,079,678	3,308,995	5.0%	7.8%	55.0%	53.5%
Households[1]	1,228,301	1,560,737	3.8%	5.0%	62.5%	61.0%
Loans and advances	**3,399,562**	**4,920,272**	**3.0%**	**4.7%**	**58.4%**	**56.3%**
Bonds	**9,004**	**13,150**	**0.1%**	**0.2%**	**-**	**-**
Total	**3,408,566**	**4,933,423**	**2.6%**	**4.0%**	**58.3%**	**56.1%**

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

Based on the new IFRS 9 definition, the EBA guidelines (FINREP ANNEX III REV1/FINREP ANNEX V) now include deposits at central banks and demand deposits in the NPE ratio calculation. The previous-year figures were adjusted accordingly.

Forborne exposures

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

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

In accordance with IFRS 9, forborne exposures not in default in the retail business are automatically transferred to Stage 2 and hence lifetime ECL is applied to them. Transfer back to Stage 1 is possible only after all criteria for exiting the forborne status are met (including the minimum probation period).

The following table shows forborne exposure by asset classes:

in € thousand	Refinancing 2018	Refinancing 2017	Instruments with modified time and modified conditions 2018	Instruments with modified time and modified conditions 2017	NPE total 2018	NPE total 2017
Non-financial corporations[1]	4,211	13,056	49,476	74,015	53,688	87,071
Households[1]	6,356	11,991	146,768	199,762	153,124	211,753
Loans and advances	**10,568**	**25,047**	**196,244**	**273,777**	**206,811**	**298,824**
Bonds	**0**	**0**	**0**	**0**	**0**	**0**
Total	**10,568**	**25,047**	**196,244**	**273,777**	**206,811**	**298,824**

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

The following table shows forborne exposures by segments:

in € thousand	2018	Share	2017	Share
Central Europe	92,749	45%	157,045	53%
Southeastern Europe	64,789	31%	116,107	39%
Eastern Europe	4,897	2%	9,169	3%
Group Corporates & Markets	44,376	21%	16,503	6%
Total	**206,811**	**100%**	**298,824**	**100%**
hereof non-banks	206,811	100%	298,824	100%

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

Non-performing loans (NPL)

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

Within the Group, a Group-wide default database is used for collecting and documenting customer defaults. The database also tracks the default triggers, which enables the default probabilities to be calculated and validated.

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

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

in € thousand	NPL 2018	NPL 2017	NPL ratio 2018	NPL ratio 2017	NPL coverage ratio 2018	NPL coverage ratio 2017
General governments	2,291	266	0.2%	0.0%	-	-
Other financial corporations	80,846	40,247	0.9%	0.6%	92.3%	100.0%
Non-financial corporations[1]	2,025,991	3,223,516	4.9%	7.6%	65.5%	57.3%
Households[1]	1,075,178	1,347,391	3.3%	4.3%	99.2%	98.2%
Total non-banks	**3,184,305**	**4,611,418**	**3.8%**	**5.7%**	**77.6%**	**67.0%**
Banks	8,445	10,030	0.1%	0.0%	100.0%	> 100%
Total	**3,192,750**	**4,621,449**	**2.9%**	**4.4%**	**77.7%**	**67.1%**

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

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

in € thousand	As at 1/1/2018	Change in consolidation group	Exchange rate	Additions	Disposals	As at 31/12/2018
General governments	266	0	328	1,970	(272)	2,291
Other financial corporations	40,247	(8,596)	(739)	61,718	(11,783)	80,846
Non-financial corporations[1]	3,223,516	(240,561)	8,415	430,967	(1,396,345)	2,025,991
Households[1]	1,347,391	(98,564)	(21,736)	221,392	(373,305)	1,075,178
Total non-banks	**4,611,418**	**(347,722)**	**(13,732)**	**716,046**	**(1,781,705)**	**3,184,305**
Banks	10,030	0	230	29	(1,845)	8,445
Total	**4,621,449**	**(347,722)**	**(13,501)**	**716,074**	**(1,783,550)**	**3,192,750**

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

in € thousand	As at 1/1/2017	Change in consolidation group	Exchange rate	Additions	Disposals	As at 31/12/2017
General governments	1,669	0	0	183	(1,585)	266
Other financial corporations	77,915	0	(622)	10,161	(47,207)	40,247
Non-financial corporations[1]	4,583,016	357,501	(142,621)	1,088,645	(2,663,025)	3,223,516
Households[1]	1,823,007	72,651	(6,483)	205,503	(747,287)	1,347,391
Total non-banks	**6,485,607**	**430,152**	**(149,726)**	**1,304,491**	**(3,459,105)**	**4,611,418**
Banks	77,277	0	(4,788)	601	(63,060)	10,030
Total	**6,562,884**	**430,152**	**(154,515)**	**1,305,092**	**(3,522,165)**	**4,621,449**

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

The volume of non-performing loans to non-banks fell € 1,427,113 thousand. The organic decrease of € 1,065,660 thousand was primarily attributable to the sale of the core banking operations of Raiffeisen Bank Polska S.A., sales and recoveries of non-performing loans, and the derecognition of commercially uncollectible loans at RBI AG, in Croatia, Ukraine, Hungary, and Russia. Currency losses were responsible for a decrease of € 13,732 thousand. The ratio of non-performing loans to total credit exposure (NPL ratio) decreased 1.5 percentage points to 2.9 per cent, and the NPL coverage ratio increased 10.5 percentage points to 77.7 per cent.

NPLs to non-financial corporations decreased € 1,197,525 thousand to € 2,025,991 thousand in 2018, mainly due to the sale of the core banking operations of Raiffeisen Bank Polska S.A. as well as write-offs. The ratio of non-performing loans to total credit exposure decreased 2.7 percentage points to 4.9 per cent, and the NPL coverage ratio increased 8.1 percentage points to 65.5 per cent. In the households portfolio, non-performing loans declined 20.2 per cent, or € 272,213 thousand, to € 1,075,178 thousand, mainly due to the sale of the core banking operations of Raiffeisen Bank Polska S.A. The decline was counteracted by interest accruals on existing non-performing household loans. However, most of the interest accruals were offset by impairment losses. The ratio of non-performing loans in the non-bank portfolio to total credit exposure decreased 1.9 percentage point to 3.8 per cent, and the NPL coverage ratio increased 10.6 percentage points to 77.6 per cent. With regard to banks, non-performing loans were down 15.8 percentage points to € 8,445 thousand at the end of the fourth quarter compared to year-end 2017, and the NPL coverage ratio stood at 100 per cent.

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

2018 in € thousand	NPL	NPL ratio	NPL coverage ratio
Central Europe	1,038,267	2.9%	78.6%
Southeastern Europe	783,917	3.9%	88.6%
Eastern Europe	487,039	3.3%	79.1%
Group Corporates & Markets	845,482	2.1%	66.4%
Corporate Center	38,045	0.3%	62.3%
Total	**3,192,750**	**2.9%**	**77.7%**
hereof non-banks	3,184,305	3.8%	77.6%

2017 in € thousand	NPL	NPL ratio	NPL coverage ratio
Central Europe	1,559,366	3.8%	67.7%
Southeastern Europe	1,047,819	4.7%	81.0%
Eastern Europe	666,698	4.6%	78.7%
Group Corporates & Markets	1,311,232	3.4%	48.5%
Corporate Center	36,334	0.3%	100.0%
Total	**4,621,449**	**4.4%**	**67.1%**
hereof non-banks	4,611,418	5.7%	67.0%

Based on the new IFRS 9 definition, the EBA guidelines (FINREP ANNEX III REV1/FINREP ANNEX V) now also include deposits at central banks and demand deposits in the calculation of the NPE ratio. The previous-year figures were adjusted accordingly.

In Central Europe, non-performing loans declined € 521,098 thousand to € 1,038,267 thousand. The decrease of € 363,098 thousand in Poland was due to the sale of the core banking operations. The reduction of € 57,840 thousand in the Czech Republic and € 55,984 thousand in Hungary was based on sales, recoveries and write-offs. The NPL ratio decreased 0.9 percentage points to 2.9 per cent, and the NPL coverage ratio increased 10.8 percentage points to 78.6 per cent.

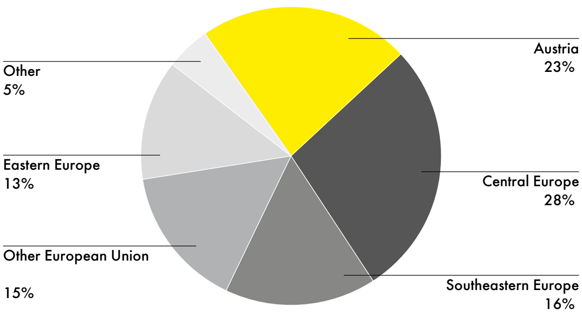
In Southeastern Europe, non-performing loans decreased € 263,902 thousand compared to the start of the year to € 783,917 thousand, driven by factors including declines in Croatia, Romania, Bulgaria, and Serbia amounting to € 233,496 thousand in total. The NPL ratio fell 0.7 percentage points to 3.9 per cent, and the coverage ratio increased 7.6 percentage points to 88.6 per cent.

The Eastern Europe segment recorded a decline in non-performing loans of 26.9 per cent, or € 179,659 thousand to € 487,039 thousand, including declines in non-performing loans in Ukraine of € 88,531 thousand and in Russia of € 72,205 thousand. The ratio of non-performing loans to total credit exposure declined 1.4 percentage points to 3.3 percent, and the NPL coverage ratio rose 0.4 percentage points to 79.1 per cent.

Non-performing loans in the Group Corporates & Markets segment fell € 465,750 thousand in 2018 to € 845,482 thousand. The decline in non-performing loans was € 407,670 thousand at RBI AG and € 974 thousand at Raiffeisen Leasing Group. The NPL ratio declined 1.3 percentage points to 2.1 per cent, and the NPL coverage ratio increased 17.9 percentage points year-on-year to 66.4 per cent.

Country risk

Credit exposure by risk country taking into consideration the guarantor



Country risk includes transfer and convertibility risk as well as political risk. It arises from cross-border transactions and direct investments in foreign countries. The Group is exposed to country risk due to its business activities in the Central and Eastern European markets, where political and economic risks continue to be seen as relatively significant in some cases.
Active country risk management in the Group is based on the country risk policy set by the Management Board. This policy is part of the credit portfolio limit system and sets a strict limitation on cross-border risk exposure to individual countries in order to avoid risk concentrations. The Group's business units must therefore submit limit applications for the respective countries with regard to all cross-border transactions as part of their day-to-day operations, in addition to complying with customer-specific limits. The absolute limits for individual countries are set using a model that takes the internal rating for the sovereign, the size of the country, and the Group's own capitalization into account.

Country risk also is reflected in product pricing and in risk-adjusted performance measurement via the internal funds transfer pricing system. In this manner, the Group provides the business units with incentive to mitigate country risk by taking out insurance (e.g. from export credit insurance organizations) or seeking guarantors in third countries. The insights gained from the country risk analysis are not only used for limiting the total cross-border exposure, but also for limiting the total credit exposure in each individual country (i.e. including the exposure funded by local deposits). The Group thus gears its business activities to the expected macroeconomic trend within different markets, which promotes broad diversification of its credit portfolio.

Concentration risk

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

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

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

in € thousand	2018	Share	2017	Share
Central Europe	**48,378,615**	**27.8%**	**56,485,525**	**33.2%**
Czech Republic	20,600,117	11.8%	19,903,025	11.7%
Slovakia	15,721,267	9.0%	14,865,975	8.7%
Hungary	6,902,728	4.0%	6,739,852	4.0%
Poland	4,805,907	2.8%	14,582,171	8.6%
Other	348,597	0.2%	394,502	0.2%
Austria	**39,683,466**	**22.8%**	**34,515,953**	**20.3%**
Other European Union	**26,804,475**	**15.4%**	**24,552,015**	**14.4%**
Germany	9,073,012	5.2%	8,885,391	5.2%
Great Britain	5,460,373	3.1%	5,308,539	3.1%
France	3,946,866	2.3%	2,740,579	1.6%
Luxembourg	1,701,036	1.0%	1,058,374	0.6%
Netherlands	1,319,394	0.8%	1,617,160	1.0%
Spain	1,137,330	0.7%	869,078	0.5%
Italy	838,299	0.5%	750,649	0.4%
Other	3,328,165	1.9%	3,322,244	2.0%
Southeastern Europe	**28,434,979**	**16.3%**	**26,444,471**	**15.6%**
Romania	11,273,278	6.5%	10,246,071	6.0%
Croatia	5,008,474	2.9%	4,984,211	2.9%
Bulgaria	4,614,490	2.6%	4,208,404	2.5%
Serbia	3,015,812	1.7%	2,717,843	1.6%
Bosnia and Herzegovina	2,190,851	1.3%	2,021,246	1.2%
Albania	1,532,195	0.9%	1,533,264	0.9%
Other	799,879	0.5%	733,433	0.4%
Eastern Europe	**22,679,320**	**13.0%**	**19,856,082**	**11.7%**
Russia	17,803,000	10.2%	15,611,004	9.2%
Ukraine	2,815,563	1.6%	2,481,467	1.5%
Belarus	1,870,941	1.1%	1,476,055	0.9%
Other	189,817	0.1%	287,556	0.2%
Switzerland	**2,426,563**	**1.4%**	**2,208,476**	**1.3%**
North America	**2,381,627**	**1.4%**	**2,502,485**	**1.5%**
Asia	**2,011,437**	**1.2%**	**2,018,453**	**1.2%**
Rest of World	**1,498,039**	**0.9%**	**1,333,476**	**0.8%**
Total	**174,298,522**	**100.0%**	**169,916,936**	**100.0%**

Credit exposure across all asset classes increased € 4,381,586 thousand compared to year-end 2017 to € 174,298,522 thousand. The largest decrease of € 8,106,910 thousand to € 48,378,615 thousand was reported in Central Europe, due to the sale of the core banking operations in Poland. The largest increase of € 5,167,513 thousand to € 39,683,466 thousand occurred in Austria, primarily as a result of deposits with the Austrian National Bank and credit financing. The increase was partially offset by a decline in overdraft facilities. The € 2,252,460 thousand increase in Other European Union to € 26,804,475 thousand was due to bank deposits, credit and facility financing, and money market business. However, the increase was offset in part by lower repo business in Great Britain and Germany. In France, credit and facility financing as well as money market and repo transactions led to an increase of € 1,206,287 thousand. Southeastern Europe reported a € 1,990,508 thousand increase to € 28,434,979 thousand due to increases in credit and facility financing, bonds and repo business in Romania, and to an increase in retail business in Bulgaria and Romania. However, the increase was partially offset by a decrease in the minimum reserve held at the Romanian National Bank. Despite the depreciation of the Russian ruble, an increase in the portfolio of Russian government bonds, credit and facility financing, guarantees issued, and money market business as well as the appreciation of the Ukrainian hryvnia resulted in a € 2,823,238 thousand increase in Eastern Europe to € 22,679,320 thousand.

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

in € thousand	2018	Share	2017	Share
Euro (EUR)	95,469,635	54.8%	88,334,001	52.0%
Czech koruna (CZK)	18,656,882	10.7%	18,157,128	10.7%
US-Dollar (USD)	16,423,359	9.4%	15,523,921	9.1%
Russian ruble (RUB)	12,968,889	7.4%	10,732,522	6.3%
Polish zloty (PLN)	737,787	0.4%	9,441,972	5.6%
Romanian leu (RON)	7,107,641	4.1%	6,496,702	3.8%
Hungarian forint (HUF)	5,526,425	3.2%	5,464,730	3.2%
Swiss franc (CHF)	3,003,628	1.7%	3,175,054	1.9%
Bulgarian lev (BGN)	2,907,371	1.7%	2,493,706	1.5%
Croatian kuna (HRK)	2,748,346	1.6%	2,629,002	1.5%
Bosnian marka (BAM)	2,164,640	1.2%	1,991,203	1.2%
Ukrainian hryvnia (UAH)	2,108,940	1.2%	1,793,594	1.1%
Serbian dinar (RSD)	1,357,867	0.8%	1,212,723	0.7%
Albanian lek (ALL)	1,076,358	0.6%	1,014,903	0.6%
Other foreign currencies	2,040,754	1.2%	1,455,774	0.9%
Total	**174,298,522**	**100.0%**	**169,916,936**	**100.0%**

The € 7,135,634 thousand increase in euro exposure to € 95,469,635 thousand was mainly driven by deposits with the Austrian National Bank and credit financing. With regard to Russian ruble exposure, credit financing and an increase in the bond portfolio resulted in growth of € 2,236,366 thousand to € 12,968,889 thousand. The sale of the core banking operations in Poland was responsible for the decline in Polish zloty exposure. The total exposure of RBI Poland Branch, Warsaw, mainly comprised € 2,362,449 thousand in Swiss francs, € 738,463 thousand in euros, and € 257,477 thousand in Polish zloty.

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

in € thousand	2018	Share	2017	Share
Banking and insurance	50,710,556	29.1%	44,981,704	26.5%
Private households	35,298,314	20.3%	34,997,424	20.6%
Public administration and defense and social insurance institutions	14,168,307	8.1%	16,593,524	9.8%
Wholesale trade and commission trade (except car trading)	12,794,317	7.3%	12,638,639	7.4%
Other manufacturing	11,409,657	6.5%	11,616,077	6.8%
Real estate activities	9,254,904	5.3%	10,095,836	5.9%
Construction	5,272,650	3.0%	5,747,554	3.4%
Other business activities	6,112,696	3.5%	5,858,760	3.4%
Retail trade except repair of motor vehicles	3,982,905	2.3%	3,866,195	2.3%
Electricity, gas, steam and hot water supply	3,269,289	1.9%	2,915,441	1.7%
Manufacture of basic metals	2,202,125	1.3%	1,742,166	1.0%
Other transport	1,570,722	0.9%	1,909,768	1.1%
Land transport, transport via pipelines	2,186,533	1.3%	1,955,242	1.2%
Manufacture of food products and beverages	1,899,708	1.1%	1,897,956	1.1%
Manufacture of machinery and equipment	1,647,807	0.9%	1,694,692	1.0%
Sale of motor vehicles	1,028,014	0.6%	1,049,095	0.6%
Extraction of crude petroleum and natural gas	493,631	0.3%	594,179	0.3%
Other industries	10,996,388	6.3%	9,762,685	5.7%
Total	**174,298,522**	**100%**	**169,916,936**	**100%**

The increase in exposure was essentially fueled by an increase of € 5,728,851 thousand in banking and insurance to € 50,710,556 thousand, the main driver of that increase being greater exposure to central banks in Austria and Russia. In contrast, exposure to public administration and defense and social insurance institutions was down € 2,425,217 thousand, due mainly to the sale of the core banking operations in Poland.

Structured credit portfolio

The Group invests in structured products. The total exposure to structured products showed a nominal amount of € 594,999 thousand (2017: € 804,956 thousand) and a carrying amount of € 580,996 thousand (2017: € 769,650 thousand). These are mainly investments in asset-backed securities (ABS), asset-based financing (ABF), and in some cases collateralized debt obligations (CDO). A total of 53.4 per cent of the structured credit portfolio (2017: 60.3 per cent) contains loans and advances to European customers, and 13.7 per cent (2017: 41.9 per cent) has been rated A or better by external rating agencies. The year-on-year decline is attributable to expired instruments as well as rating downgrades. The downgrades were due to the rating methods used by the rating agencies rather than to a deterioration in performance.

Counterparty credit risk

The default of a counterparty in a derivative, repurchase, securities lending, or borrowing transaction can lead to losses from re-establishing an equivalent contract. In the Group this risk is measured by the mark-to-market approach where a predefined add-on is added to the current positive fair value of the contract in order to account for potential future changes. For internal management purposes potential price changes, which affect the fair value of an instrument, are calculated specifically for different contract types based on historical market price changes.

For derivative contracts the standard limit approval process applies, where the same risk classification, limitation, and monitoring process is used as for traditional lending. In doing so, the weighted nominal exposure of derivative contracts is added to the customers' total exposure in the limit application and monitoring process as well as in the calculation and allocation of internal capital.

An important strategy for reducing counterparty credit risk is utilization of credit risk mitigation techniques such as netting agreements and collateralization. In general, the Group strives to establish standardized ISDA master agreements with all major counterparties for derivative transactions in order to be able to perform close-out netting and credit support annexes (CSA) for full risk coverage for positive fair values on a daily basis.

(52) Market risk

The Group defines market risk as the risk of possible losses arising from changes in market prices of trading and investment positions. Market risk estimates are based on changes in exchange rates, interest rates, credit spreads, equity and commodity prices, and other market parameters (e.g. implied volatilities).

Market risks from the customer divisions are transferred to the Treasury division using the transfer price method. Treasury is responsible for managing structural market risks and for complying with the Group's overall limit. The Capital Markets division is responsible for proprietary trading, market making, and customer business in money market and capital market products.

Organization of market risk management

All market risks are measured, monitored, and managed on Group level. The Market Risk Committee is responsible for strategic market risk management issues. It is responsible for managing and controlling all market risks in the Group. The Group's overall limit is set by the Management Board on the basis of the risk-taking capacity and income budget. This limit is apportioned to sub-limits in coordination with business divisions according to the strategy, business model and risk appetite.

The Market Risk Management department ensures that the business volume and product range comply with the defined strategy of the Group. It is responsible for implementing and enhancing risk management processes, risk management infrastructure and systems, manuals, and measurement techniques for all market risk categories and credit risk arising from market price changes in derivative transactions. Furthermore, Market Risk Management independently measures and reports all market risks on a daily basis.

All products in which open positions can be held are listed in the product catalog. New products are added to this list only after successfully completing the product approval process. Product applications are investigated thoroughly for any risks. They are approved only if the new products can be implemented in the bank's front- and back-office risk management systems.

Limit system

The Group uses a comprehensive risk management approach for both the trading and the banking book (total-return approach). Market risk is therefore managed consistently in all trading and banking books. The following indicators are measured and limited on a daily basis in the market risk management system:

- Value-at-Risk (VaR) – confidence level 99 per cent, risk horizon one day
  Value-at-risk is the main market risk steering instrument in liquid markets and normal market situations. VaR is measured based on a hybrid simulation approach in which 5,000 scenarios are calculated. The approach combines the advantages of a historical simulation and a Monte-Carlo simulation and derives market parameters from 500 days of historical data. Distribution assumptions include modern features such as volatility declustering and random time changes, which helps in accurately reproducing fat-tailed and asymmetric distributions. The Austrian Financial Market Authority has approved the VaR model for use in calculating the total capital requirement for market risk. At the end of the third quarter, the VaR calculation was supplemented to include base interest rate risk factors. Value-at-risk results are not only used for limiting risk but also in the allocation of economic capital.

- Sensitivities (to changes in exchange rates and interest rates, gamma, vega, equity and commodity prices)
  Sensitivity limits are to ensure that concentrations are avoided in normal market situations and are the main steering instrument under extreme market situations and in illiquid markets or in markets that are structurally difficult to measure.

- Stop loss
  Stop loss limits serve to strengthen the discipline of traders such that they do not allow losses to accumulate on their own proprietary positions but strictly limit them instead.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio. The results on market risk concentrations shown by these stress tests are reported to the Market Risk Committee and taken into account when setting limits. Stress test reports for individual portfolios are included in daily market risk reporting.

Value-at-Risk (VaR)

The following tables show the VaR (99 per cent, one day) for the individual market risk categories in the trading book and the banking book. The Group's VaR mainly results from structural equity positions, structural interest rate risk, and credit spread risks of bonds, which are held as liquidity buffer.

Trading book VaR 99% 1d in € thousand	VaR as at 31/12/2018	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2017
Currency risk	473	2,181	473	4,729	987
Interest rate risk	2,358	1,790	984	5,912	2,999
Credit spread risk	818	999	534	1,908	883
Share price risk	561	638	548	1,544	591
Vega risk	86	154	63	419	96
Basis risk	1,130	1,252	742	2,268	2,012
Total	3,141	4,008	2,731	6,965	3,993

Banking book VaR 99% 1d in € thousand	VaR as at 31/12/2018	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2017
Currency risk	10,253	13,773	7,958	25,220	13,027
Interest rate risk	9,771	9,728	4,528	18,642	10,646
Credit spread risk	18,862	20,641	13,559	39,718	29,928
Vega risk	501	904	489	1,469	1,001
Basis risk	4,026	3,438	2,393	5,082	4,908
Total	27,385	32,527	22,532	52,151	40,501

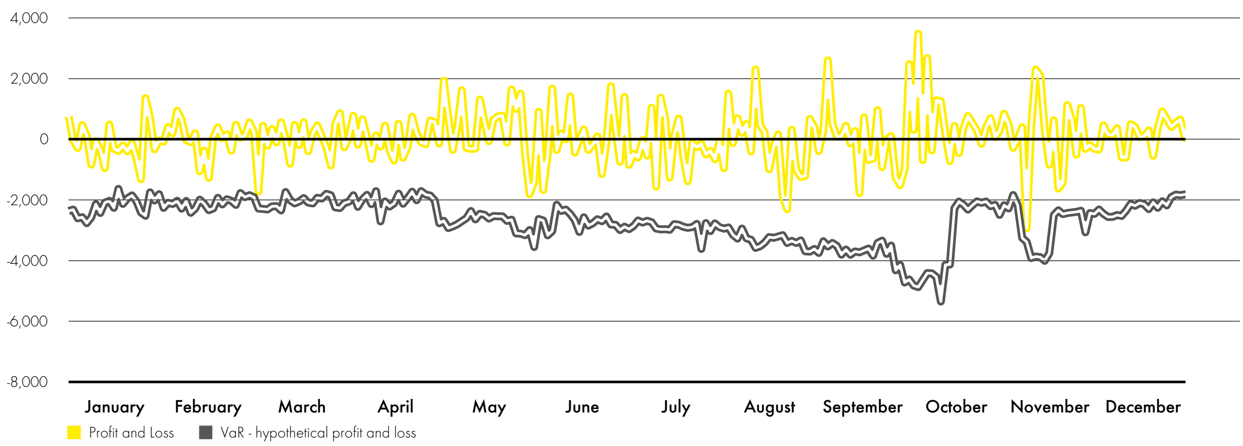
Total VaR 99% 1d in € thousand	VaR as at 31/12/2018	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2017
Currency risk	9,955	13,447	7,377	26,895	13,362
Interest rate risk	11,197	10,546	5,381	22,603	11,742
Credit spread risk	19,636	21,346	13,944	40,528	30,622
Share price risk	561	638	548	1,544	591
Vega risk	484	935	484	1,511	1,032
Basis risk	4,701	3,909	2,821	6,504	5,855
Total	28,066	33,838	22,642	52,945	40,822

The risk measurement approaches employed are verified – besides analyzing returns qualitatively – on an ongoing basis through backtesting and statistical validation techniques. If model weaknesses are identified, then they are adatpted accordingly.

In the previous year, no hypothetical backtesting exceedings arose. The following graph compares the VaR to the theoretical gains and losses on a daily basis. The VaR represents the maximum loss which will not be exceeded within one day, with a confidence level of 99 per cent. It is compared to the respective theoretical gain or loss which would arise on the following day due to the actual market conditions at the time.

Value-at-Risk and theoretical market price changes of trading book

in € thousand



Exchange rate risk and capital (ratio) hedge

Market risk in the Group results primarily from exchange rate risk, which stems from foreign-currency denominated equity investments in foreign Group units and the corresponding hedging positions entered into by the Group Asset/Liability Committee. In a narrow sense, exchange rate risk denotes the risk of losses being incurred due to open foreign exchange positions. However, exchange rate fluctuations also influence current revenues and expenses. They also affect regulatory capital requirements for assets denominated in foreign currencies, even if they are financed in the same currency and thus do not create an open foreign exchange position.

The Group holds material equity participations located outside of the euro area with equity denominated in the corresponding local currency. Also, a significant share of risk-weighted assets in the Group is denominated in foreign currencies. Changes in foreign exchange rates thus lead to changes in the consolidated capital of the Group and to changes in the total capital requirement for credit risk as well.

There are two different approaches for managing exchange rate risk:

- Preserve equity: With this hedging strategy an offsetting position is held on Group level for local currency denominated equity positions. However, the necessary hedging positions cannot be established in all currencies in the required size. Moreover, these hedges might be inefficient for some currencies if they carry a high interest rate differential.
- Stable capital ratio: The goal of this hedging strategy is to balance tier 1 capital and risk-weighted assets in all currencies according to the targeted tier 1 ratio (i.e. reduce excess capital or deficits in relation to risk-weighted assets for each currency) such that the tier 1 ratio remains stable even if foreign exchange rates change.

The Group aims at stabilizing its capital ratio when managing exchange rate risks. Changes in foreign exchange rates thus lead to changes in the consolidated equity amount; however, the regulatory capital requirement for credit risks stemming from assets denominated in foreign currencies also changes correspondingly. This risk is managed on a monthly basis in the Group Asset/Liability Committee based on historical foreign exchange volatilities, exchange rate forecasts, and the sensitivity of the tier 1 ratio to changes in individual foreign exchange rates.

The following table shows all material open foreign exchange rate positions as at 31 December 2018 and the corresponding values for the previous year. The numbers include both trading positions as well as capital positions of the subsidiaries with foreign currency denominated statements of financial position.

in € thousand	2018	2017
ALL	(678)	(2,809)
BAM	126,219	184,950
BGN	292,436	353,178
BYN	131,593	232,460
CNY	(3,163)	(7,082)
CHF	(393,625)	(198,101)
CZK	321,596	476,003
HRK	459,458	522,622
HUF	310,421	369,184
PLN	(12,436)	688,237
RON	384,191	369,002
RSD	289,157	396,936
RUB	393,389	487,980
UAH	23,521	97,368
USD	(486,571)	(585,151)

Interest rate risk in the trading book

The following tables show the largest present value changes for the trading book of the Group given a one-basis-point interest rate increase for the whole yield curve in € thousand for the reporting dates 31 December 2018 and 31 December 2017.

2018 in € thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
ALL	0	0	0	0	0	0	0	0	0	0	0	0
CHF	(4)	(10)	(1)	14	(7)	3	(3)	5	(6)	0	1	0
CNY	4	0	0	4	0	0	0	0	0	0	0	0
CZK	69	25	(2)	(12)	42	(4)	7	3	0	8	0	0
EUR	(213)	9	(23)	8	(48)	(24)	(7)	(48)	55	(25)	(22)	(87)
HRK	(19)	0	1	1	(11)	(2)	(8)	0	0	0	0	0
HUF	(2)	(6)	(3)	1	2	(4)	9	3	(4)	0	0	0
NOK	1	0	0	0	0	(2)	2	0	0	0	0	0
PLN	34	(5)	15	6	10	(9)	2	(1)	16	0	0	0
RON	(12)	(1)	1	(3)	1	4	(1)	(5)	(1)	(7)	0	0
RUB	(62)	5	(6)	(16)	(35)	(14)	3	5	3	(8)	0	0
UAH	(3)	0	0	0	(2)	(1)	0	0	0	0	0	0
USD	(13)	(5)	(1)	(31)	5	(15)	(2)	18	13	(10)	14	2
Other	(3)	0	0	(1)	0	0	(2)	0	0	0	0	0

The presentation of currencies changed year-on-year depending on the absolute amount of interest rate sensitivity.

2017 in € thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
ALL	0	0	0	0	0	0	0	0	0	0	0	0
CHF	3	4	0	0	5	(5)	(1)	1	(1)	0	1	0
CNY	4	0	0	4	0	0	0	0	0	0	0	0
CZK	74	9	(2)	10	30	16	1	6	6	(1)	0	0
EUR	(104)	1	(29)	18	(100)	68	48	(72)	45	(37)	(10)	(36)
HRK	0	0	2	6	(2)	0	(2)	(4)	0	0	0	0
HUF	1	(3)	(14)	(3)	17	2	2	18	(18)	0	0	0
NOK	1	0	0	1	0	0	1	0	0	0	0	0
PLN	8	(3)	(6)	(9)	10	6	7	5	(2)	0	0	0
RON	(2)	(1)	2	(4)	1	(1)	3	(3)	0	0	0	0
RUB	(22)	(4)	(13)	(6)	19	(4)	1	(3)	(8)	(4)	0	0
UAH	(5)	0	0	(1)	(3)	(1)	0	0	0	0	0	0
USD	(41)	(8)	16	(14)	(29)	(18)	(14)	18	(17)	(15)	25	13
Other	(5)	(1)	0	(1)	(2)	0	(1)	(2)	2	0	0	0

Interest rate risk in the banking book

Different maturities and repricing schedules of assets and the corresponding liabilities (i.e. deposits and financing from money markets and capital markets) cause interest rate risk in the Group. This risk arises in particular from different interest rate sensitivities, rate adjustments, and other optionality of expected cash flows. Interest rate risk in the banking book is material for the euro and US dollar as major currencies as well as for local currencies of Group units located in Central and Eastern Europe.

This risk is mainly hedged by a combination of transactions on and off the statement of financial position where in particular interest rate swaps and – to a smaller extent – also interest rate forwards and interest rate options are used. Management of the statement of financial position is a core task of the central Global Treasury division and of individual network banks, which are supported by the Group Asset/Liability Committee. They base their decisions on various interest income analyses and simulations that ensure proper interest rate sensitivity in line with expected changes in market rates and the overall risk appetite.

Interest rate risk in the banking book is not only measured within a value-at-risk framework but also managed by the traditional tools of nominal and interest rate gap analyses. Interest rate risk is subject to quarterly reporting in the context of the interest rate risk statistic submitted to the banking supervisor. This report also shows the change in the present value of the banking book as a percentage of total capital in line with the CRR requirements. Maturity assumptions needed in this analysis are defined as specified by regulatory authorities and based on internal statistics and empirical values.

The following table shows the change in the present value of the Group's banking book given a one-basis-point interest rate increase for the whole yield curve in € thousand for reporting dates 31 December 2018 and 31 December 2017.

2018 in € thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
ALL	(16)	1	(5)	(2)	(13)	1	(4)	0	2	2	1	1
BGN	89	0	(3)	1	21	34	63	(19)	(5)	(2)	0	0
BYN	(33)	0	(2)	(8)	(13)	(5)	(3)	(1)	(1)	0	0	0
CHF	(366)	47	0	1	(6)	(5)	(27)	(42)	(88)	(140)	(83)	(23)
CNY	(3)	0	(1)	(2)	0	0	0	0	0	0	0	0
CZK	(477)	1	(11)	(12)	25	(3)	(115)	69	53	41	(381)	(144)
EUR	84	(56)	(44)	389	(331)	50	564	271	201	(387)	(480)	(92)
GBP	4	(3)	10	1	(1)	0	(1)	(1)	0	0	0	0
HRK	(11)	3	(1)	(8)	(2)	10	(11)	(2)	(1)	1	0	0
HUF	(111)	6	(35)	2	(13)	(5)	(33)	(26)	(1)	(5)	(1)	0
PLN	11	5	0	1	2	7	5	(5)	(3)	(1)	0	0
RON	(34)	(8)	(5)	19	24	27	(13)	(40)	(28)	(5)	(2)	0
RSD	(28)	(1)	(1)	3	(12)	(2)	(10)	(5)	0	1	0	0
RUB	(482)	(2)	(15)	(30)	(233)	(99)	(77)	17	52	(54)	(31)	(9)
SGD	0	0	0	1	0	0	0	0	0	0	0	0
UAH	(45)	2	(3)	(7)	(13)	(6)	(10)	(3)	(3)	(2)	0	0
USD	54	36	(32)	(20)	(32)	30	66	1	10	3	(9)	0
Other	(30)	5	(2)	(6)	(7)	(3)	(5)	(10)	(1)	0	0	0

The presentation of currencies changed year-on-year depending on the absolute amount of interest rate sensitivity.

2017 in € thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
ALL	(25)	2	(5)	(3)	(19)	(3)	3	(3)	1	1	1	1
BAM	(11)	5	(1)	(7)	(4)	(2)	(4)	0	2	0	0	0
BGN	26	1	0	1	8	12	36	(18)	(10)	(3)	(1)	0
BYN	(16)	1	(1)	(3)	(7)	(3)	(2)	0	0	0	0	0
CHF	245	(10)	2	2	12	14	34	21	49	73	43	5
CNY	(3)	0	0	(3)	0	0	0	0	0	0	0	0
CZK	(246)	13	(18)	(2)	8	6	(46)	67	57	37	(268)	(102)
EUR	(443)	(8)	(6)	108	(268)	37	515	251	(262)	(433)	(228)	(149)
GBP	(4)	(1)	0	1	0	0	(1)	(1)	(1)	0	0	0
HRK	(17)	2	(6)	(9)	(1)	5	30	(28)	(8)	(2)	0	0
HUF	(32)	(2)	(11)	23	(2)	(19)	41	(55)	(1)	(3)	(2)	(1)
PLN	148	(22)	4	24	16	16	21	19	16	34	17	3
RON	106	2	(5)	7	39	63	19	(4)	(4)	(5)	(3)	(2)
RSD	(38)	(1)	(2)	(1)	(19)	(4)	(6)	(5)	(1)	0	0	0
RUB	(308)	7	(17)	(22)	(196)	(82)	(35)	29	76	(45)	(20)	(3)
SGD	1	0	0	1	0	0	0	0	0	0	0	0
UAH	(57)	1	(3)	(3)	(18)	(10)	(14)	(3)	(4)	(2)	0	0
USD	182	28	5	13	1	32	57	5	4	32	4	2
Other	1	1	0	1	0	0	0	0	0	0	0	0

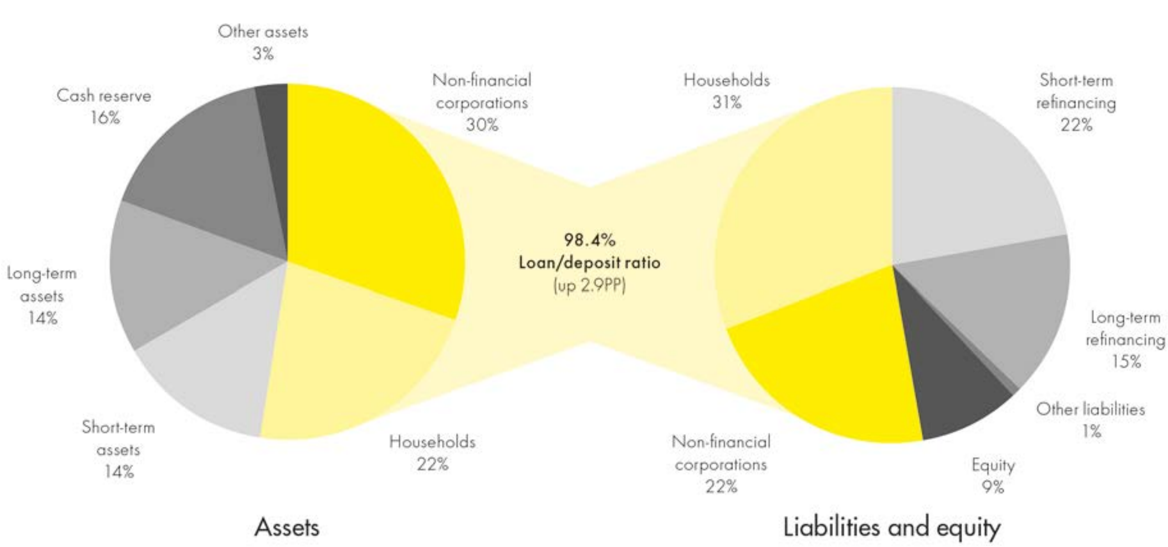
Credit spread risk

The market risk management framework uses time-dependent bond and CDS-spread curves as risk factors in order to measure credit spread risks. It captures all capital market instruments in the trading and banking book.

(53) 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 supranationals). Partly due to tight country limits and partly due to beneficial pricing, the Group units also use interbank loans with third-party banks.



Principles

Internal liquidity management is an important business processes within general bank management, because it ensures the continuous availability of funds required to cover day-to-day demands.

Liquidity adequacy is ensured from both an economic and a regulatory perspective. In order to approach the economic perspective RBI Group established a governance framework comprising internal limits and steering measures which complies with the Principles for Sound Liquidity Risk Management and Supervision set out by the Basel Committee on Banking Supervision and the Kreditinstitute-Risikomanagement-Verordnung (KI-RMV) by the Austrian regulatory authority.

The regulatory component is addressed by complying with the reporting requirements under Basel III (Liquidity Coverage Ratio, Net Stable Funding Ratio, and Additional Liquidity Monitoring Metrics) as well as by complying with the regulatory limits. In addition some Group units have additional liquidity and reporting requirements set by their local supervisory authorities.

Organization and responsibility

Responsibility for ensuring adequate levels of liquidity lies with the overall Management Board. The functionally responsible board members are the Chief Financial Officer (Treasury/ALM) and the Chief Risk Officer (Risk). Accordingly, the processes regarding liquidity risk are run essentially by two areas within the bank: On the one side the Treasury units, which take on liquidity risk positions within the strategy, guidelines and parameters set by the responsible decision making bodies. On the other side they are monitored and supported by independent Risk Controlling units, which measure and model liquidity risk positions, set limits and supervise the compliance with those. Besides the responsible units in the line functions, there are respective asset/liability management committees (ALCOs) set up in all network banks. These committees act as decision making bodies with respect to all matters affecting the management of the liquidity position and balance sheet structure of a unit including the definition of strategies and policies for managing liquidity risks. The ALCOs take decisions and provide standard reports on liquidity risk to the Board of Management at least on a monthly basis. On group level these functions are taken by the RBI Group ALCO. Treasury-ALM operations and respective ALCO decisions are mainly based on Group-wide, standardized Group rules and their local supplements, which take specific regional factors into account.

Liquidity strategy

Treasury units are committed to achieve KPIs and to comply to risk based principles. The current set of KPIs includes general targets (e.g. for return on risk-adjusted capital (RORAC) or coverage ratios), as well as specific Treasury targets for liquidity such as a minimum survival period in defined stress scenarios or diversification of the funding structure. While generating an adequate structural income from maturity transformation which reflects the liquidity and market risk positions taken by the bank, Treasury has to follow a prudent and sustainable risk policy when steering the balance sheet. Strategic goals comprise a reduction of parent funding within the group, a further increase of the stability of the depositor base and continuous compliance with regulatory requirements and the internal limit framework.

Liquidity risk framework

Regulatory and internal liquidity reports and ratios are generated based on particular modelling assumptions. Whereas the regulatory reports are calculated on specifications given by authorities, the internal reports are modelled with assumptions from empirical observations.

The Group has a substantial database along with expertise in forecasting cash flows arising from all material on- and off-balance sheet positions. The modelling of liquidity in- and outflows is carried out on a sufficient granular level, differentiating between product and customer segments, and, where applicable, currencies as well. Modelling of retail and corporate customer deposits includes assumptions concerning the retention times for deposits after maturity. The model assumptions are quite prudent, e.g. there is a "no rollover" assumption on funding from banks and all funding channels and the liquidity buffer are stressed simultaneously without taking mitigating effects from diversification into account.

The cornerstones of the economic liquidity risk framework are the Going Concern (GC) and the Time to Wall (TTW) scenario. The Going Concern report shows the structural liquidity position. It covers all main risk drivers which could detrimentally affect the group in a business-as-usual scenario. The Going Concern Models are also the main input factor for the liquidity contribution to the internal Funds transfer pricing model. On the other hand, the Time to Wall report shows the survival horizon for defined adverse scenarios and stress models (market, reputational and combined crisis) and determines the minimum level of the liquidity buffer (and/or the counter-balancing capacity) of the Group and its individual units.

The liquidity scenarios are modelled using a Group-wide approach, acknowledging local specifications where they are justified by influencing factors such as the market environment or particular business characteristics; the calculation is performed at RBI Head Office. The modelling of cash inflows and outflows differentiates between product and customer segments, while if applicable, a distinction between different currencies is made as well. For products without a contractual maturity, the distribution of cash inflows and outflows is calculated using a geometric Brownian motion which derives the statistical forecasts for future daily balances from the observed, exponentially weighted historical volatility of the corresponding products.

The liquidity risk framework is continuously developed at both Group level and at the level of the individual Group units. The technical infrastructure is enhanced in numerous Group-wide projects and data availability is improved in order to meet the new reporting and management requirements for this area of risk.

Risk appetite and liquidity limits

The liquidity position is monitored on Group level and on individual unit level and is restricted by means of a comprehensive limit system. Limits are defined both under a business as usual as well as under a stress perspective. In accordance with the defined risk appetite, each Group unit must demonstrate a survival horizon of several months (TTW) in a severe, combined stress scenario (reputational and market stress). This can be ensured either by a structurally positive liquidity profile or by a sufficiently high liquidity buffer. In a normal going concern environment, maturity transformation must be fully covered by the available liquidity buffer in the medium term. This means that the cumulative liquidity position over a period of up to one year must be positive. In the long term (one year or more), maturity transformation is permitted up to a certain level. For internal models, these limits are supplemented by limits for compliance with regulatory liquidity ratios, such as the liquidity coverage ratio (LCR). All limits must be complied with on a daily basis.

Liquidity monitoring

The bank uses a range of customized measurement tools and early warning indicators that provide board members and senior management with timely and forward-looking information. The limit framework ensures that the bank can continue to operate in a period of severe stress.

Monitoring of limits and reporting limit compliance is performed regularly and effectively. Any breach by Group units is reported to the Group ALCO and escalated. In such cases, appropriate steps are undertaken in consultation with the relevant unit or contentious matters are escalated to the next highest responsible body.

Liquidity stress testing

Stress tests are conducted for the individual Group units on a daily basis and on Group level on a weekly basis. The tests cover three scenarios (market, reputational and combined crisis), consider the effects of the scenarios for a period of several months and demonstrate that stress events can simultaneously result in a time-critical liquidity requirement in several currencies. The stress scenarios include the principal funding and market liquidity risks, without considering beneficial diversification effects. This means that in the stress tests of the Group, all network units are simultaneously subject to a pronounced combined crisis for all their major products. The results of the stress tests are reported to the Chief Risk Officer and the Chief Financial Officer as well as other members of management on a weekly basis; they also form a key component of the monthly ALCO meetings and are included in the bank's strategic planning and contingency planning.

A conservative approach is adopted when establishing outflow ratios based on historical data and expert opinions. The simulation assumes a lack of access to the money or capital market and simultaneously significant outflows of customer deposits. In this respect, the deposit concentration risk is considered by assigning higher outflow ratios to large customers. Furthermore, stress assumptions are formulated for the drawdown of guarantees and credit obligations. In addition, the liquidity buffer positions are adapted by haircuts in order to cover the risk of disadvantageous market movements, and the potential outflows resulting from collateralized derivative transactions are estimated. The bank continuously monitors whether the stress assumptions are still appropriate or whether new risks need to be considered. The time to wall concept has established itself as the main control instrument for day-to-day liquidity management and is therefore a central component of funding planning and budgeting. It is also fundamental to determining performance ratios relating to liquidity.

Liquidity buffer

As shown by the daily liquidity risk reports, each Group unit actively maintains and manages liquidity buffers, including high quality liquid assets (HQLA) which are always sufficient to cover the net outflows expected in crisis scenarios. The Group has sizeable, unencumbered and liquid securities portfolios and favors securities eligible for Central Bank tender transactions in order to ensure sufficient liquidity in various currencies. Each Group unit ensures the availability of liquidity buffers, tests its ability to utilize central bank funds, constantly evaluates its collateral positions as regards their market value and encumbrance and examines the remaining counterbalancing capacity, including the funding potential and the sale ability of the assets.

Generally, a haircut is applied to all liquidity buffer positions. These haircuts include a market-risk specific haircut and a central bank haircut. While the market risk haircut represents the potential price volatility of the securities held as assets as part of the liquidity buffer, the central bank haircut represents an additional haircut for each individual relevant security that may be offered as collateral.

Intraday liquidity management

In compliance with regulatory requirements for intraday liquidity management a daily stressed forecast of available intraday liquidity at defined critical times during a business day is calculated for RBI. This stressed forecast, which considers outflow assumptions analogous to the regular liquidity stress testing in the Group (see above), is quite conservative since inflows that are not final (revocable) are not considered at all. In case of limit breaches, the intraday contingency and escalation process is triggered. At Group Unit level the local intraday liquidity management process is within the responsibility of the local Treasury Unit which ensures that the following minimum standards are implemented locally: clear responsibilities and workflows for managing intraday liquidity; daily monitoring of available intraday liquidity; intraday liquidity forecasting model and limit; escalation and contingency processes and measures in case of limit breaches.

Contingency funding plan

Under difficult liquidity conditions, the units switch to a contingency process in which they follow predefined liquidity contingency plans. These contingency plans also constitute an element of the liquidity management framework and are mandatory for all significant Group units. The emergency management process is designed so that the Group can retain a strong liquidity position even in serious crisis situations.

Liquidity position

Group funding is founded on a strong customer deposit base supplemented by wholesale funding. Funding instruments are appropriately diversified and are used regularly. The ability to procure funds is precisely monitored and evaluated by the Treasury ALM units and the ALCOs.

In the past year and to date, the Group's excess liquidity was significantly above all regulatory and internal limits. The result of the internal time to wall stress test demonstrates that the Group would survive throughout the modelled stress phase of several months even without applying contingency measures.

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 the customer deposit 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 € thousand	2018		2017	
Maturity	1 month	1 year	1 month	1 year
Liquidity gap	22,097,151	26,432,462	20,675,411	24,397,396
Liquidity ratio	151%	130%	152%	129%

Liquidity coverage ratio (LCR)

The liquidity coverage ratio (LCR) requires the short-term resilience of banks by ensuring that they have an adequate stock of unencumbered high-quality liquid assets (HQLAs) 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. In 2017, the regulatory limit for the LCR stood at 80 per cent. In 2018, it was raised to the current level of 100 per cent.

in € thousand	2018	2017[1]
Average liquid assets	**29,140,356**	**23,050,130**
Net outflows	**21,706,212**	**16,641,671**
Inflows	8,391,923	10,186,435
Outflows	30,098,136	26,828,106
Liquidity Coverage Ratio	**134%**	**139%**

1 Previous-year figures adjusted

The uniform increase in average liquid assets and net outflows in the comparative period resulted in a 100 per cent convergence, as is the case with ratios of more than 100 per cent. The change was mostly driven by RBI AG, which saw an increase in average liquid assets due to an increase in holdings in a central bank account. The outflows related mainly to non-operational corporate deposits.

Net Stable Funding Ratio (NSFR)

The NSFR is defined as the ratio of available stable funding to require 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 € thousand	2018	2017
Required stable funding	99,974,470	101,657,724
Available stable funding	114,337,200	114,463,503
Net Stable Funding Ratio	**114%**	**113%**

Funding liquidity risk

Funding liquidity risk is mainly driven by changes in the risk strategy of lenders or by a deterioration in the creditworthiness of a bank that needs external funding. Funding rates and supply rise and fall with credit spreads, which change due to the market- or bank-specific situation.

As a consequence, long-term funding depends on restoring confidence in banks and increased efforts in collecting customer deposits. RBI AG's banking activities are financed by combining wholesale funding and the retail franchise of deposit-taking subsidiary banks. It is the central liquidity balancing agent for the local Group units in Central and Eastern Europe.

In the Group's funding plans, special attention is paid to a diversified structure of funding to mitigate funding liquidity risk. In the Group, funds are not only raised by RBI AG as the Group's parent institution, but also individually by different banking subsidiaries. Those efforts are coordinated and optimized through a joint funding plan. Moreover, RBI AG arranges medium-term and long-term funding for its subsidiaries through syndicated loans, bilateral funding agreements with banks, and financing facilities provided by supranational institutions. These funding sources are based on long-term business relationships.

For managing and limiting liquidity risks, the targets for loan/deposit ratios (the ratio of customer loans to customer deposits) in the individual subsidiary banks take into account the planned future business volumes as well as the feasibility of increasing customer deposits in different countries. On the one hand, this initiative reduces external funding requirements. On the other hand, it also reduces the need for internal funding operations and the risk associated with such liquidity transfers.

The following table shows a breakdown of cash flows according to the contractual maturity of financial assets:

2018 in € thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative financial assets	**132,866,446**	**142,137,666**	**53,315,027**	**16,958,523**	**43,224,316**	**28,639,800**
Cash, cash balances at central banks and other demand deposits	22,557,484	23,126,102	23,126,102	0	0	0
Loans and advances	**90,860,255**	**98,988,544**	**26,341,234**	**14,129,994**	**33,307,161**	**25,210,155**
Central banks	4,862,756	4,863,848	4,863,793	7	47	0
General governments	916,738	965,856	99,162	82,454	338,621	445,619
Banks	5,135,203	5,402,671	3,015,324	945,371	846,910	595,067
Other financial corporations	6,635,145	6,765,846	3,248,999	594,222	2,141,693	780,932
Non-financial corporations	42,139,749	44,767,212	12,555,506	8,181,233	17,671,749	6,358,724
Households	31,170,664	36,223,111	2,558,450	4,326,708	12,308,141	17,029,812
Debt securities	**19,448,707**	**20,023,019**	**3,847,691**	**2,828,529**	**9,917,155**	**3,429,644**
Central banks	1,409,946	1,412,678	1,342,769	69,909	0	0
General governments	13,322,908	13,593,036	1,679,628	2,318,916	7,127,938	2,466,554
Banks	3,150,497	3,194,339	376,153	354,268	1,851,368	612,550
Other financial corporations	799,217	970,746	234,369	56,474	496,752	183,150
Non-financial corporations	766,139	852,220	214,772	28,961	441,096	167,391
Derivative financial assets	**2,473,156**	**2,560,214**	**444,514**	**498,776**	**859,265**	**757,659**
Derivatives - Trading book	1,972,469	2,155,435	436,010	495,687	591,402	632,337
Derivatives - Hedge accounting	500,687	404,778	8,504	3,090	267,863	125,322

The following table shows a breakdown of cash flows according to the contractual maturity of financial liabilities:

2018 in € thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative financial liabilities	**124,071,167**	**126,110,635**	**86,796,339**	**11,716,379**	**20,552,403**	**7,045,514**
Deposits	**111,018,249**	**111,691,805**	**85,124,697**	**10,057,451**	**12,430,671**	**4,078,987**
Central banks	2,147,243	2,138,526	860,217	28,056	1,160,269	89,984
General governments	2,817,271	3,046,684	1,268,550	654,991	599,313	523,830
Banks	21,832,936	22,144,522	14,517,000	1,807,469	4,137,652	1,682,402
Other financial corporations	9,681,974	9,731,020	6,972,799	873,789	581,903	1,302,529
Non-financial corporations	31,443,056	31,452,481	29,017,368	2,024,854	286,828	123,431
Households	43,095,770	43,178,571	32,488,763	4,668,292	5,664,706	356,810
Short positions	**318,001**	**318,001**	**318,001**	**0**	**0**	**0**
Debt securities issued	**12,211,931**	**13,577,758**	**853,686**	**1,640,812**	**8,121,732**	**2,961,528**
Other financial liabilities	**522,986**	**523,070**	**499,955**	**18,116**	**0**	**5,000**
Derivative financial liabilities	**2,187,882**	**1,979,541**	**459,934**	**504,231**	**776,499**	**238,877**
Derivatives - Trading book	2,034,559	1,948,591	454,207	496,644	765,186	232,554
Derivatives - Hedge accounting	153,323	30,950	5,727	7,587	11,313	6,323
Issued financial guarantee contracts	**6,975,261**	**7,818,804**	**4,287,604**	**1,525,196**	**1,492,327**	**513,678**
Issued loan commitments	**12,579,692**	**14,973,125**	**5,364,420**	**2,271,985**	**6,090,440**	**1,246,280**

Due to the change in the structure of the statement of financial position, the effort required to prepare comparative figures would be disproportionately high. The following table presents the main items as at year-end 2017.

2017 in € thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative financial liabilities	120,963,756	122,624,232	84,238,936	10,205,823	20,399,175	7,780,301
Derivative financial liabilities	1,930,823	6,910,262	3,424,791	1,924,200	1,145,897	415,372
Contingent liabilities	9,917,133	9,891,978	5,593,080	2,166,142	1,783,679	349,077
Commitments	10,897,783	11,634,754	4,041,490	1,128,050	5,484,834	980,380

(54) Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In this risk category internal risk drivers such as unauthorized activities, fraud or theft, conduct-related losses, modelling errors, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or fraud are managed and controlled as well.

This risk category is analyzed and managed based on own historical loss data and the results of risk assessments.

As with other risk types the principle of firewalling of risk management and risk controlling is also applied to operational risk in the Group. To this end, individuals are designated and trained as Operational Risk Managers for each business area. Operational Risk Managers provide central Operational Risk Controlling with reports on risk assessments, loss events, indicators and measures. They are supported in their work by Dedicated Operational Risk Specialists (DORS).

Operational risk controlling units are responsible for reporting, implementing the framework, developing control measures and monitoring compliance with requirements. Within the framework of the annual risk management cycle, they also coordinate the participation of the relevant second line of defense departments (Financial Crime Management, Compliance, Vendor Management, Outsourcing Management, Insurance Management, Information Security, Physical Security, BCM, Internal Control System) and all first line of defense partners (Operational Risk Managers).

Risk identification

Identifying and evaluating risks that might endanger the Group's existence (but the occurrence of which is highly improbable) and areas where losses are more likely to arise more frequently (but have only limited impact) are important aspects of operational risk management.

Operational risk assessment is executed in a structured and Group-wide uniform manner according to risk categories such as business processes and event types. Moreover, risk assessment applies to new products as well. All Group units grade the impact of high probability/low impact events and low probability/high impact incidents according to their estimation of the loss potential for the next year and in the next ten years. Low probability/high impact events are quantified by a Group-wide analytical tool (scenarios). The internal risk profile, losses arising and external changes determine which cases are dealt with in detail.

Monitoring

In order to monitor operational risks, early warning indicators are used that allow prompt identification and minimization of losses.

Loss data is collected in a central database called ORCA (Operational Risk Controlling Application) in a structured manner and on a Group-wide basis according to the event type and the business line. In addition to the requirements for internal and external reporting, information on loss events is exchanged with international data pools to further develop operational risk management tools as well as to track measures and control effectiveness. Since 2010, The Group has been a participant in the ORX data pool (Operational Risk Data Exchange Association), whose data are currently used for internal benchmark purposes and analyses and as part of the operational risk model. The ORX data consortium is an association of banks and insurance groups for statistical purposes. The results of the analyses as well as events resulting from operational risks are reported in a comprehensive manner to the relevant Operational Risk Management Committee on a regular basis.

Quantification and mitigation

Since October 2016, the Group has calculated the equity requirement for a significant part of the Group using the Advanced Measurement Approach (AMA). This includes units in Bulgaria, Romania, Russia, Slovakia and principal banks in Austria (Raiffeisen Bank International AG, Vienna, Kathrein Privatbank Aktiengesellschaft, Vienna, Raiffeisen Centrobank AG, Vienna, Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna, Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna). The Standardized Approach (STA) is still used to calculate the operational risk of the remaining units in the CRR scope of consolidation.

To reduce operational risk, business managers decide on preventive risk reduction actions such as risk mitigation or risk transfer. The progress and effectiveness of these actions is monitored by risk control. The former also define contingency plans and nominate responsible persons or departments for initiating the defined actions if losses in fact occur. In addition, several dedicated organizational units provide support to business units for reducing operational risks. An important role in connection with operational risk activities is taken on by Financial Crime Management. Financial Crime Management provides support for the prevention and identification of fraud. The Group also conducts an extensive staff training program and has different contingency plans and back-up systems in place.

Other disclosures

(55) Other agreements

Raiffeisen-Kundengarantiegemeinschaft Austria

RBI AG is a member of Raiffeisen-Kundengarantiegemeinschaft Austria (Raiffeisen Customer Guarantee Scheme Austria (RKÖ)). The members of this association have a contractual obligation to guarantee jointly the punctual fulfillment of the entirety of an insolvent association member's commitments arising from customer deposits and its own issues up to the limit of the sum of the individual capacities of the remaining association members. The individual capacity of an association member is measured on the basis of its freely available reserves subject to the pertinent provisions of the Austrian Banking Act (BWG).

Institutional Protection Scheme

Several Institutional Protection Schemes (IPS) have been set up at RBG since the end of 2013. To this end, contractual or statutory liability arrangements have been concluded which protect the participating institutions and, in particular, ensure their liquidity and solvency if required. These Institutional Protection Schemes are based on uniform and joint risk monitoring as part of an early warning system pursuant to Article 113 (7) of the Capital Requirements Regulation of the European Union (CRR). In line with RBG's organizational structure, the IPS were also designed in two stages (currently one federal IPS and six regional IPS).

As RBG's central institution, RBI AG is a member of the federal IPS whose members, in addition to the regional Raiffeisen banks, include: Raiffeisen-Holding Niederösterreich-Wien reg GmbH, Vienna, Posojilnica Bank eGen, Klagenfurt, Raiffeisen Wohnbaubank AG, Vienna, and Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna. A regional IPS was also set up in most federal states.

(56) Fiduciary business

The following information was prepared pursuant to Section 48 (1) of the Austrian Banking Act (BWG).

Fiduciary business not recognized in the statement of financial position was concluded with the following volumes on the reporting date:

in € thousand	2018	2017
Fiduciary assets	**320,235**	**334,545**
Loans to customers	224,240	222,727
Financial investments	9,409	9,417
Other fiduciary assets	86,586	102,401
Fiduciary liabilities	**320,235**	**334,545**
Deposits from banks	99,955	113,148
Deposits from customers	124,285	109,579
Other fiduciary liabilities	95,995	111,817

The following table contains the funds managed by the Group:

in € thousand	2018	2017
Retail investment funds	**26,042,282**	**26,236,924**
Equity-based and balanced funds	15,574,286	15,183,745
Bond-based funds	10,420,410	10,981,300
Other	47,586	71,878
Special funds	**10,634,681**	**10,185,605**
Property-based funds	**288,770**	**275,227**
Total	**36,965,733**	**36,697,755**

(57) Finance leases

The following information was prepared pursuant to Section 64 (1) 1 of the Austrian Banking Act (BWG).

in € thousand	2018	2017
Gross investment value	**3,312,016**	**3,235,315**
Minimum lease payments	2,955,803	2,829,609
Up to 3 months	332,578	266,855
More than 3 months, up to 1 year	551,903	553,279
More than 1 year, up to 5 years	1,696,331	1,559,131
More than 5 years	374,991	450,344
Non-guaranteed residual value	356,213	405,707
Unearned finance income	**328,394**	**327,732**
Up to 3 months	37,192	26,026
More than 3 months, up to 1 year	70,487	70,438
More than 1 year, up to 5 years	159,246	173,465
More than 5 years	61,469	57,803
Net investment value	**2,983,622**	**2,907,583**

Write-offs on unrecoverable minimum lease payments increased to € 6,915 thousand (2017: € 4,849 thousand).

Assets under finance leases break down as follows:

in € thousand	2018	2017
Vehicles leasing	1,301,801	1,165,523
Real estate leasing	1,042,184	1,178,682
Equipment leasing	639,638	563,379
Total	**2,983,622**	**2,907,583**

(58) Operating leases

The following information was prepared pursuant to Section 64 (1) 1 of the Austrian Banking Act (BWG).

Operating leases from view of lessor

Future minimum lease payments under non-cancelable operating leases are as follows:

in € thousand	2018	2017
Up to 1 year	29,722	40,437
More than 1 year, up to 5 years	47,753	67,246
More than 5 years	7,998	14,570
Total	**85,473**	**122,254**

Operating leases from view of lessee

Future minimum lease payments under non-cancelable operating leases are as follows:

in € thousand	2018	2017[1]
Up to 1 year	70,063	92,720
More than 1 year, up to 5 years	161,024	234,984
More than 5 years	128,385	148,208
Total	**359,472**	**475,911**

1 Adaptation of previous year's figures in connection with the classification of rental contracts

(59) Geographical markets

The following tables were prepared pursuant to Section 64 (1) 18 of the Austrian Banking Act (BWG).

2018 in € thousand	Operating income	hereof net interest income	Profit/loss before tax	Income taxes	Number of employees as at reporting date
Central Europe	**1,516,941**	**964,813**	**446,913**	**(100,604)**	**9,692**
Poland	326,260	205,325	(136)	(17,192)	196
Slovakia	457,090	288,781	162,029	(34,836)	3,995
Slovenia	4,586	335	2,567	(313)	10
Czech Republic	497,064	337,618	199,304	(38,368)	3,402
Hungary	232,225	132,577	83,149	(9,895)	2,089
Southeastern Europe	**1,297,258**	**814,192**	**525,162**	**(73,495)**	**14,646**
Albania	69,577	55,162	30,620	(3,475)	1,226
Bosnia and Herzegovina	110,107	67,526	47,771	(5,030)	1,358
Bulgaria	163,822	103,358	72,161	(6,924)	2,589
Croatia	202,273	124,679	55,397	(9,675)	1,982
Kosovo	54,243	42,404	23,179	(2,594)	839
Romania	549,867	336,137	230,600	(37,166)	5,115
Serbia	147,431	84,843	65,432	(8,630)	1,537
Eastern Europe	**1,528,901**	**1,021,629**	**855,195**	**(171,222)**	**18,750**
Belarus	145,593	90,314	81,518	(16,969)	1,829
Russia	1,059,653	711,667	573,057	(117,770)	8,998
Ukraine	323,654	219,642	200,620	(36,483)	7,923
Austria and other	**1,781,234**	**502,760**	**613,808**	**(10,053)**	**3,991**
Reconciliation	(826,776)	58,352	(687,747)	(2)	0
Total	**5,297,557**	**3,361,746**	**1,753,331**	**(355,377)**	**47,079**

2017 in € thousand	Operating income	hereof net interest income	Profit/loss before tax	Income taxes	Number of employees as at reporting date
Central Europe	**1,570,565**	**950,210**	**529,877**	**(111,015)**	**13,069**
Poland	426,100	259,656	66,671	(17,450)	3,871
Slovakia	436,645	273,933	160,883	(31,510)	3,867
Slovenia	2,384	(82)	372	(252)	13
Czech Republic	472,030	279,845	195,301	(56,158)	3,325
Hungary	233,685	136,719	118,569	(5,645)	1,993
Southeastern Europe	**1,189,197**	**731,403**	**403,858**	**(57,494)**	**14,792**
Albania	73,341	55,787	34,007	(237)	1,229
Bosnia and Herzegovina	107,489	66,152	42,730	(4,654)	1,277
Bulgaria	155,711	101,351	76,536	(7,413)	2,576
Croatia	219,610	126,142	39,871	(13,967)	2,106
Kosovo	52,226	37,870	20,484	(2,357)	730
Romania	452,025	262,963	127,479	(20,900)	5,333
Serbia	128,794	81,068	62,750	(7,966)	1,541
Eastern Europe	**1,468,111**	**982,328**	**872,319**	**(183,767)**	**18,132**
Belarus	162,585	106,530	88,322	(23,122)	1,906
Russia	1,017,139	688,004	562,511	(119,754)	8,229
Ukraine	288,379	187,778	221,486	(40,891)	7,997
Austria and other	**2,134,229**	**584,214**	**869,258**	**(13,778)**	**3,707**
Reconciliation	(1,263,828)	(23,318)	(1,063,248)	0	0
Total	**5,098,274**	**3,224,837**	**1,612,063**	**(366,054)**	**49,700**

(60) Foreign assets/liabilities

Assets and liabilities with counterparties outside Austria pursuant to Section 64 (1) 2 of the Austrian Banking Act (BWG) were as follows:

in € thousand	2018	2017
Assets	110,196,915	113,639,859
Liabilities	77,209,870	82,837,933

The main reason for the reduction in both assets as well as liabilities was the disposal of the Polish core banking operations.

(61) Volume of the securities trading book

The following table was prepared pursuant to Section 64 (1) 15 of the Austrian Banking Act (BWG).

in € thousand	2018	2017
Securities	4,946,589	7,024,781
Other financial instruments	151,182,477	151,301,691
Total	**156,129,066**	**158,326,472**

(62) Securities admitted for trading on a stock exchange

The following table was prepared pursuant to Section 64 (1) 10 of the Austrian Banking Act (BWG).

	2018		2017	
in € thousand	Listed	Unlisted	Listed	Unlisted
Bonds, notes and other fixed-interest securities	15,393,333	865,206	13,541,822	321,072
Shares and other variable-yield securities	171,621	44,992	464,315	145,484
Investments	674	309,834	1,400	313,162
Total	**15,565,628**	**1,220,031**	**14,007,536**	**580,204**

(63) Subordinated assets

The following table was prepared pursuant to Section 45 (2) of the Austrian Banking Act (BWG).

in € thousand	2018	2017
Loans and advances	4,114	133,789
Debt securities	146,474	82,024
Total	**150,587**	**215,813**

(64) 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. Under affiliated companies, affiliated companies that are not consolidated due to immateriality are shown.

Transactions with related parties (companies and individuals) are limited to banking business transactions that are carried out at fair market conditions. Disclosures on related parties (individuals) are reported under (66) Relations to key management.

2018 in € thousand	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Selected financial assets	**200,643**	**439,490**	**1,792,068**	**689,754**
Equity instruments	0	199,211	765,001	266,142
Debt securities	13,612	154	44,003	12,148
Loans and advances	187,031	240,125	983,063	411,465
Selected financial liabilities	**2,000,473**	**107,033**	**4,849,048**	**472,000**
Deposits	2,000,473	106,154	4,849,048	472,000
Debt securities issued	0	879	0	0
Other items	**186,512**	**44,836**	**499,534**	**131,777**
Loan commitments, financial guarantees and other commitments given	166,922	44,712	468,650	107,970
Loan commitments, financial guarantees and other commitments received	19,589	124	30,883	23,806

2017 in € thousand	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Selected financial assets	**422,685**	**461,966**	**1,010,133**	**472,102**
Equity instruments	529	194,353	728,945	230,288
Debt securities	29,352	22,612	19,854	0
Loans and advances	392,804	245,001	261,334	241,814
Selected financial liabilities	**2,516,782**	**141,412**	**3,326,201**	**467,845**
Deposits	2,516,782	140,338	3,326,201	467,845
Debt securities issued	0	1,074	0	0
Other items	**35,763**	**85,935**	**307,295**	**75,329**
Loan commitments, financial guarantees and other commitments given	24,785	85,935	274,624	23,340
Loan commitments, financial guarantees and other commitments received	10,978	0	32,671	51,989

2018 in € thousand	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Interest income	21,340	6,067	9,706	17,473
Interest expenses	(36,960)	(2,483)	(29,774)	(3,197)
Dividend income	0	12,226	79,767	4,771
Fee and commission income	2,884	25,922	8,569	7,015
Fee and commission expenses	(969)	(14,085)	(6,657)	(3,030)

2017 in € thousand	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Interest income	5,771	7,763	7,343	9,114
Interest expenses	(19,590)	(1,206)	(29,608)	(983)
Dividend income	0	16,326	60,420	16,326
Fee and commission income	2,618	24,356	12,157	5,812
Fee and commission expenses	(1,659)	(1,079)	(2,264)	(3,804)

(65) Average number of staff

Full-time equivalents	2018	2017
Salaried employees	49,162	49,283
Wage earners	583	856
Total	**49,745**	**50,139**

Full-time equivalents	2018	2017
Austria	3,751	3,542
Foreign	45,994	46,597
Total	**49,745**	**50,139**

(66) Relations to key management

Group relationship with key management

Key management refers to the members of the Management Board and the Supervisory Board of RBI AG. Transactions between key management and RBI are as follows (respective fair values):

in € thousand	2018	2017
Sight deposits	3,208	70
Debt securities	469	653
Shares	4,192	4,513
Time deposits	3,914	25
Credit	331	339
Lease liabilities	35	12

The following table shows transactions of related parties of key management to RBI:

in € thousand	2018	2017
Shares	4	6
Other receivables	337	284
Time deposits	68	48
Credit	5	1

There is no compensation agreed between the company and members of the Management Board and Supervisory Board or employees in the case of a takeover bid.

Remuneration of members of the Management Board

The following table shows total remuneration of the members of the Management Board according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis and according to the rules of the underlying standards (IAS 19 and IFRS 2):

in € thousand	2018	2017
Short-term employee benefits	9,054	8,324
Post-employment benefits	2,050	841
Other long-term benefits	7,794	4,166
Termination benefits	0	0
Share-based payment	399	694
Total	**19,297**	**14,025**

Short-term employee benefits shown in the above table contain salaries and benefits in kind and other benefits, remuneration for membership of boards in affiliated companies and those parts of the bonuses which become due in the short term. Furthermore, it also includes changes possibly arising from the difference between the bonus provision and the bonus later awarded.

Post-employment benefits comprise payments to pension funds and payments according to Retirement Plan Act (Mitarbeiter-vorsorgegesetz), severance payments, leave compensation as well as net allocations to provisions for retirement benefits and severance payments.

Other long-term benefits contain portions of the provision for bonus payments relating to deferred bonus portions in cash and retained portions payable in instruments. For the latter, valuation changes due to currency fluctuations are taken into account.

Bonus calculation is linked to the achievement of annually agreed objectives. These comprise four or five categories covering specific targets and financial targets adapted to the respective function. These are, for example, profit after tax in a particular segment, return on risk adjusted capital (RORAC), total costs, risk-weighted assets, customer-oriented and employee-oriented targets, as well as process-based, efficiency-based, and infrastructure targets, and if necessary other additional targets. The bonus level is determined by the level of consolidated profit and the cost/income ratio, where the target values to be achieved are derived from the medium-term Group ROE objective. Payment is made according to the applicable regulations of the Austrian Banking Act (BWG) implemented in the bank's internal regulations (see employee compensation plans under the section recognition and measurement principles).

Share-based payments comprises adjustments for the SIP tranches launched up to 2013 see share-based remuneration in the notes under (30) Equity.

An amount of € 1,142 thousand (2017: € 1,277 thousand) was paid in pension benefits to former members of the Management Board and to their surviving dependants. In addition to these amounts, short-term benefits, deferred bonus components and pro-rata payments from a matured SIP tranche totaling € 3,258 thousand (2017: € 3,892 thousand) were paid to former members of the Management Board.

Remuneration of members of the Supervisory Board

in € thousand	2018	2017
Remuneration Supervisory Board	956	550

The Annual General Meeting held on 21 June 2018 approved a new remuneration model for the Supervisory Board, beginning in the 2017 financial year. It was decided to distribute the remuneration as follows: Chairman € 120 thousand, Deputy Chairman € 90 thousand, members of the Supervisory Board € 60 thousand, plus attendance fees. As a result, remuneration of € 956 thousand was paid to the Supervisory Board for the 2017 financial year. A provision of € 1,060 thousand was recognized for the 2018 financial year.

In the 2018 financial year, no contracts subject to approval within the meaning of Section 95 (5) 12 of the Austrian Stock Corporation Act (AktG) were concluded with members of the Supervisory Board.

Remuneration of members of the Advisory Council

in € thousand	2018	2017
Remuneration Advisory Council	104	160

The Annual General Meeting held on 21 June 2018 passed a resolution to grant remuneration to the Advisory Council members for their work. It was decided to distribute the remuneration as follows: Chairman € 25 thousand, Deputy Chairman € 20 thousand, each additional member € 15 thousand, plus attendance fees.

(67) Management Board

The Management Board as at 31 December 2018 was as follows:

Members of the Management Board	First assignment	End of period
Johann Strobl, Chairman	22 September 2010[1]	28 February 2022
Martin Grüll	3 January 2005	29 February 2020
Andreas Gschwenter	1 July 2015	30 June 2018
Lukasz Januszewski	1 March 2018	28 February 2021
Peter Lennkh	1 October 2004	31 December 2020
Hannes Mösenbacher	18 March 2017	29 February 2020
Andrii Stepanenko	1 March 2018	28 February 2021

1 Effective as of 10 October 2010

After Klemens Breuer resigned at the end of October 2017, Johann Strobl temporarily oversaw the Markets area of the Management Board and Peter Lennkh temporarily assumed responsibility for the Retail Banking area. This lasted until 28 February 2018. On 1 March 2018, responsibility for the Markets & Investment Banking area passed to Lukasz Januszewski while Andrii Stepanenko took over the Retail Banking area.

Supervisory Board

The Supervisory Board as at 31 December 2018 was as follows:

Members of the Supervisory Board	First assignment	End of period
Erwin Hameseder, Chairman	8 July 2010[1]	AGM 2020
Martin Schaller, 1st Deputy Chairman	4 June 2014	AGM 2019
Heinrich Schaller, 2nd Deputy Chairman	20 June 2012	AGM 2022
Klaus Buchleitner	26 June 2013	AGM 2020
Peter Gauper	22 June 2017	AGM 2022
Wilfried Hopfner	22 June 2007	AGM 2022
Rudolf Könighofer	22 June 2017	AGM 2022
Johannes Ortner	22 June 2017	AGM 2022
Günther Reibersdorfer	20 June 2012	AGM 2022
Eva Eberhartinger	22 June 2017	AGM 2022
Birgit Noggler	22 June 2017	AGM 2022
Andrea Gaal	21 June 2018	AGM 2023
Rudolf Kortenhof[2]	10 October 2010	Until further notice
Peter Anzeletti-Reikl[2]	10 October 2010	Until further notice
Suanne Unger[2]	16 February 2012	Until further notice
Gebhard Muster[2]	22 June 2017	Until further notice
Natalie Egger-Grunicke[2]	18 February 2016	Until further notice
Helge Rechberger[2]	10 October 2010	Until further notice

1 Effective as of 10 October 2010.
2 Delegated by the Staff Council

Bettina Selden (member of the Supervisory Board) resigned from the Supervisory Board with effect from 21 June 2018.

Andrea Gaal was appointed as a member of the Supervisory Board with effect from the end of the Annual General Meeting on 21 June 2018.

State Commissioners

- Alfred Lejsek, State Commissioner (since 1 January 2011)
- Anton Matzinger, Deputy State Commissioner (since 1 April 2011)

(68) Group composition

Consolidated group

Number of units	Fully consolidated 2018	2017
As at beginning of period	**236**	**106**
Included in the course of merger	0	175
Included for the first time in the financial period	9	4
Merged in the financial period	(2)	0
Excluded in the financial period	(17)	(49)
As at end of period	**226**	**236**

Of the 226 entities in the Group, 121 are domiciled in Austria (2017: 124) and 105 abroad (2017: 112). They comprise 29 banks, 140 financial institutions, 14 companies rendering bank-related ancillary services, 11 financial holding companies and 32 other companies.

Included units

Company, domicile (country)	Share	Included as at	Reason
Financial institutions			
AGIOS Raiffeisen-Immobilien Leasing Ges.m.b.H., Vienna (AT)	51.0%	31/12	Purchase
PELIAS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/8	Materiality
Raiffeisen Rehazentrum Schruns Immobilienleasing GmbH, Vienna (AT)	51.0%	31/12	Purchase
Realplan Beta Liegenschaftsverwaltung GmbH, Vienna (AT)	100.0%	1/3	Materiality
RL-Lamda s.r.o., Bratislava (SK)	100.0%	1/1	Materiality
Companies rendering bank-related ancilliary services			
Késmárk utca 11-13, Budapest (HU)	100.0%	1/4	Purchase
Other companies			
GTNMS RBI Immobilien-Leasing GmbH, Vienna (AT)	75.0%	1/1	Materiality
Raiffeisen Corporate Leasing GmbH, Vienna (AT)	100.0%	1/2	Materiality
Raiffeisen WohnBau Tirol GmbH, Vienna (AT)	100.0%	1/1	Materiality

Excluded units

Company, domicile (country)	Share	Excluded as at	Reason
Credit institutions			
Raiffeisen Bank Polska S.A., Warsaw (PL)	100.0%	1/11	Part sale
Financial institutions			
APUS Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	50.0%	1/1	Materiality
CURO Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Materiality
DAV Holding Ltd., Budapest (HU)	100.0%	1/1	Materiality
Infrastruktur Heilbad Sauerbrunn GmbH, Vienna (AT)	75.0%	1/1	Materiality
PARO Raiffeisen Immobilien Leasing Ges.m.b.H., Vienna (AT)	100.0%	1/1	Materiality
Priamos Immobilienleasing GmbH, Eschborn (DE)	100.0%	1/1	Materiality
Raiffeisen-Leasing Liegenschaftsverwaltung Kraußstraße Gesellschaft m.b.H., Vienna (AT)	70.0%	1/2	Sale
RAN elf Raiffeisen-Anlagenvermietung Ges.m.b.H., Vienna (AT)	100.0%	1/1	Materiality
REMUS Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	50.0%	1/1	Materiality
Rent Impex, Bratislava (SK)	100.0%	1/1	Materiality
SOLIDA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	50.5%	1/1	Materiality
SF Hotelerrichtungsgesellschaft m.b.H., Vienna (AT)	100.0%	1/8	Materiality
Companies rendering bank-related ancilliary services			
Harmadik Vagyonkezelő Kft., Budapest (HU)	100.0%	1/4	Materiality
Késmárk utca 11-13. Szolgáltató Korlátolt Felelősségű Társaság, Budapest (HU)	100.0%	1/11	Sale
Pointon Investment Limited, Limassol (CY)	100.0%	1/12	Merger
Other companies			
DAV-PROPERTY Kft., Budapest (HU)	100.0%	1/1	Materiality
RL-Prom-Wald Sp. Z.o.o, Warsaw (PL)	100.0%	1/1	Materiality
Valida Industrie Pensionskasse AG, Vienna (AT)	57.4%	1/10	Merger

Consolidated subsidiaries where RBI holds less than 50 per cent of the ordinary voting shares

The Group controls the following types of entities, even though it holds less than half of the voting rights.

Structured entities

Company, domicile (country)	Share	Reason
FWR Russia Funding B.V., Amsterdam (NL)	<0.1%	SPV

The above special purpose vehicle (SPV) is consolidated, as the Group is exposed to variability in returns from this structured entity. The returns are primarily from activities such as holding debt securities or issued financial guarantees. Beyond the ongoing management of the receivables (which is carried out by the Group under a service agreement), significant decisions only become necessary when there is a default on the part of the structured entity.

Subsidiaries not fully consolidated where RBI holds more than 50 per cent of the ordinary voting shares

Because of their minor importance in giving a view of the Group's assets, financial and earnings position 312 subsidiaries were not included in the consolidated financial statements (2017: 345). They are recognized at cost as interests in affiliated companies, under investments in subsidiaries and associates. Total assets of the companies not included came to less than 1 per cent of the Group's aggregate total assets.

List of fully consolidated affiliated companies

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
"Raiffeisen-Rent" Vermögensberatung und Treuhand Gesellschaft m.b.H., Vienna (AT)	364,000	EUR	100.0%	FI
Abade Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	FI
Abade Immobilienleasing GmbH & Co Projekt Lauterbach KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Abakus Immobilienleasing GmbH & Co Projekt Leese KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Abura Immobilienleasing GmbH & Co. Projekt Seniorenhaus Boppard KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Achat Immobilien GmbH & Co. Projekt Hochtaunus-Stift KG, Eschborn (DE)	10,000	EUR	1.0%	FI
Acridin Immobilienleasing GmbH & Co. Projekt Marienfeld KG, Eschborn (DE)	5,000	EUR	100.0%	FI
Adagium Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	FI
Adamas Immobilienleasing GmbH & Co. Projekt Pflegeheim Werdau KG, Eschborn (DE)	5,000	EUR	100.0%	FI
Adiantum Immobilienleasing GmbH & Co. Projekt Schillerhöhe Weimar KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Adipes Immobilienleasing GmbH & Co. Projekt Bremervörde KG, Frankfurt am Main (DE)	5,000	EUR	100.0%	FI
Adorant Immobilienleasing GmbH & Co. Projekt Heilsbronn und Neuendettelsau KG, Eschborn (DE)	5,000	EUR	6.0%	OT
Ados Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	75.0%	FI
Adrittura Immobilienleasing GmbH & Co. Projekt Eiching KG, Eschborn (DE)	5,000	EUR	70.0%	OT
Agamemnon Immobilienleasing GmbH & Co. Projekt Pflegeheim Freiberg KG, Eschborn (DE)	5,000	EUR	100.0%	FI
AGIOS Raiffeisen-Immobilien Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	51.0%	FI
AKRISIOS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
AL Taunussteiner Grundstücks-GmbH & Co KG, Eschborn (DE)	10,000	EUR	88.0%	FI
A-Leasing SpA, Treviso (IT)	68,410,000	EUR	100.0%	FI
AMYKOS RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
AO Raiffeisenbank, Moscow (RU)	36,711,260,000	RUB	100.0%	BA
ARCANA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
A-Real Estate S.p.A., Bozen (IT)	390,000	EUR	100.0%	FI
Austria Leasing Beteiligungsgesellschaft mbH, Eschborn (DE)	25,000	EUR	100.0%	FI
Austria Leasing GmbH, Eschborn (DE)	1,000,000	EUR	100.0%	FI
Austria Leasing GmbH & Co. Immobilienverwaltung Projekt Hannover KG, Eschborn (DE)	10,000	EUR	100.0%	FI
B52 RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	OT
BAILE Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	FI
Baumgartner Höhe RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
BUILDING BUSINESS CENTER DOO NOVI SAD, Novi Sad (RS)	559,220,792	RSD	100.0%	FI
Bulevard Centar BBC Holding d.o.o., Belgrade (RS)	63,708	RSD	100.0%	BR
Burgenländische Kommunalgebäudeleasing Gesellschaft m.b.H., Eisenstadt (AT)	35,000	EUR	100.0%	FI
Canopa Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
CARNUNTUM Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
CERES Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
CINOVA RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
CJSC Mortgage Agent Raiffeisen 01, Moscow (RU)	10,000	RUB	<0.1%	BR
CP Inlandsimmobilien-Holding GmbH, Vienna (AT)	364,000	EUR	100.0%	OT
CUPIDO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
DOROS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
EPPA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
ETEOKLES Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Expo 2000 Real Estate EOOD, Sofia (BG)	10,000	BGN	100.0%	OT
FCC Office Building SRL, Bucharest (RO)	30,298,500	RON	100.0%	BR
FEBRIS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Floreasca City Center Verwaltung Kft., Budapest (HU)	42,000	HUF	100.0%	FI
FMK Fachmarktcenter Kohlbruck Betriebs GmbH, Eschborn (DE)	30,678	EUR	94.5%	OT
FMZ PRIMUS Ingatlanfejlesztö Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
FWR Russia Funding B.V., Amsterdam (NL)	1	EUR	<0.1%	FI
GENO Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
GTNMS RBI Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	75.0%	OT
HABITO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Health Resort RBI Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
IGNIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Infrastruktur Heilbad Sauerbrunn RBI-Leasing GmbH & Co.KG., Bad Sauerbrunn (AT)	3,511,788	EUR	75.0%	FI
Invest Vermögensverwaltungs-GmbH, Vienna (AT)	73,000	EUR	100.0%	OT
JLLC "Raiffeisen-leasing", Minsk (BY)	430,025	BYN	91.4%	FI
Kathrein Privatbank Aktiengesellschaft, Vienna (AT)	20,000,000	EUR	100.0%	BA
KAURI Handels und Beteiligungs GmbH, Vienna (AT)	50,000	EUR	88.0%	FI
KHD a.s., Prague (CZ)	2,000,000	CZK	100.0%	OT
Kiinteistö Oy Rovaniemen tietotekniikkakeskus, Helsinki (FI)	100,000	EUR	100.0%	FI
Kiinteistö Oy Seinäjoen Joupinkatu 1, Helsinki (FI)	100,000	EUR	100.0%	FI
KONEVOVA s.r.o., Prague (CZ)	50,000,000	CZK	97.5%	BR
LARENTIA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Lentia Immobilienleasing GmbH & Co. Albert-Osswald-Haus KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Lexxus Services Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Limited Liability Company Raiffeisen Leasing Aval, Kiev (UA)	1,240,152,866	UAH	72.3%	FI
LLC "ARES Nedvizhimost", Moscow (RU)	10,000	RUB	50.0%	BR
LYRA Raiffeisen Immobilien Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
MOBIX Raiffeisen-Mobilien-Leasing AG, Vienna (AT)	125,000	EUR	100.0%	FI
MOBIX Vermögensverwaltungsges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
MP Real Invest a.s., Bratislava (SK)	4,647,159	EUR	100.0%	OT
Niederösterreichische Landes-Landwirtschaftskammer Errichtungs- und Betriebsgesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Objekt Linser Areal Immoblilienerrichtungs GmbH & Co. KG, Vienna (AT)	1,000	EUR	100.0%	OT
OOO Raiffeisen-Leasing, Moscow (RU)	1,071,000,000	RUB	100.0%	FI
Orestes Immobilienleasing GmbH & Co. Projekt Wiesbaden KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Ostarrichi Immobilienleasing GmbH & Co. Projekt Langenbach KG, Eschborn (DE)	5,000	EUR	100.0%	FI
Park City real estate Holding d.o.o., Novi Sad (RS)	63,708	RSD	100.0%	BR
PELIAS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	36,400	EUR	100.0%	FI
PERSES RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
PLANA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Priorbank JSC, Minsk (BY)	86,147,909	BYN	87.7%	BA
Propria Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	90.0%	FI
R Karpo Immobilien Linie S.R.L., Bucharest (RO)	200	RON	100.0%	OT
R.P.I. Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	131,074,560	RON	66.7%	BA
Raiffeisen Bank Aval JSC, Kiev (UA)	6,154,516,258	UAH	68.2%	BA
Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo (BA)	247,167,000	BAM	100.0%	BA
Raiffeisen Bank Kosovo J.S.C., Pristina (KO)	63,000,000	EUR	100.0%	BA
Raiffeisen Bank S.A., Bucharest (RO)	1,200,000,000	RON	99.9%	BA
Raiffeisen Bank Sh.a., Tirana (AL)	14,178,593,030	ALL	100.0%	BA
Raiffeisen Bank Zrt., Budapest (HU)	50,000,090,000	HUF	100.0%	BA
Raiffeisen banka a.d., Belgrade (RS)	27,466,157,580	RSD	100.0%	BA
Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (AT)	35,000,000	EUR	100.0%	BA
Raiffeisen Bausparkassen Holding GmbH, Vienna (AT)	10,000,000	EUR	100.0%	FH
Raiffeisen Burgenland Leasing GmbH, Vienna (AT)	38,000	EUR	100.0%	FI
Raiffeisen CEE Region Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen Centrobank AG, Vienna (AT)	47,598,850	EUR	100.0%	BA
Raiffeisen CIS Region Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen consulting d.o.o., Zagreb (HR)	105,347,000	HRK	100.0%	OT

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
Raiffeisen Corporate Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Raiffeisen Corporate Lízing Zrt., Budapest (HU)	50,100,000	HUF	100.0%	FI
Raiffeisen Factor Bank AG, Vienna (AT)	10,000,000	EUR	100.0%	FI
Raiffeisen Factoring Ltd., Zagreb (HR)	336,000,000	HRK	100.0%	FI
Raiffeisen FinCorp, s.r.o., Prague (CZ)	200,000	CZK	75.0%	FI
Raiffeisen Immobilienfonds, Vienna (AT)	0	EUR	<0.1%	FI
Raiffeisen International Invest Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen International Liegenschaftsbesitz GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung, Vienna (AT)	15,000,000	EUR	100.0%	FI
Raiffeisen Leasing Bulgaria EOOD, Sofia (BG)	35,200,000	BGN	100.0%	FI
Raiffeisen Leasing d.o.o., Belgrade (RS)	226,389,900	RSD	100.0%	FI
Raiffeisen Leasing d.o.o., Ljubljana (SI)	3,738,107	EUR	100.0%	FI
Raiffeisen Leasing d.o.o. Sarajevo, Sarajevo (BA)	15,405,899	BAM	100.0%	FI
Raiffeisen Leasing IFN S.A., Bucharest (RO)	14,935,400	RON	99.9%	FI
Raiffeisen Leasing Kosovo LLC, Pristina (KO)	642,857	EUR	100.0%	FI
Raiffeisen Leasing sh.a., Tirana (AL)	263,520,134	ALL	100.0%	FI
Raiffeisen Leasing-Projektfinanzierung Gesellschaft m.b.H., Vienna (AT)	72,673	EUR	100.0%	FI
Raiffeisen Mandatory and Voluntary Pension Funds Management Company Plc., Zagreb (HR)	143,445,300	HRK	100.0%	OT
Raiffeisen ÖHT Beteiligungs GmbH, Vienna (AT)	35,000	EUR	88.0%	FI
Raiffeisen Pension Insurance d.d., Zagreb (HR)	23,100,000	HRK	100.0%	VV
Raiffeisen Property Holding International GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen Property International GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Raiffeisen Property Management GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Raiffeisen Rehazentrum Schruns Immobilienleasing GmbH, Vienna (AT)	36,400	EUR	51.0%	FI
Raiffeisen Rent DOO, Belgrade (RS)	243,099,913	RSD	100.0%	OT
Raiffeisen RS Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen SEE Region Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen stambena stedionica d.d., Zagreb (HR)	180,000,000	HRK	100.0%	BA
Raiffeisen stavebni sporitelna a.s., Prague (CZ)	650,000,000	CZK	97.5%	BA
Raiffeisen WohnBau Tirol GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Raiffeisen WohnBau Vienna GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Raiffeisen WohnBau Wien GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Raiffeisen Wohnbaubank Aktiengesellschaft, Vienna (AT)	5,100,000	EUR	100.0%	FI
Raiffeisen-Anlagenvermietung Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	603,447,952	BGN	100.0%	BA
Raiffeisenbank a.s., Prague (CZ)	11,060,800,000	CZK	75.0%	BA
Raiffeisenbank Austria d.d., Zagreb (HR)	3,621,432,000	HRK	100.0%	BA
Raiffeisen-Gemeindegebäudeleasing Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Raiffeisen-Invest-Gesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	FI
Raiffeisen-Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen-Leasing Aircraft Finance GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen-Leasing Beteiligung GesmbH, Vienna (AT)	36,400	EUR	100.0%	FI
Raiffeisen-Leasing d.o.o., Zagreb (HR)	30,000,000	HRK	100.0%	FI
Raiffeisen-Leasing Finanzierungs GmbH, Vienna (AT)	5,000,000	EUR	100.0%	FI
Raiffeisen-Leasing Fuhrparkmanagement Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	OT
Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	363,364	EUR	100.0%	FI
Raiffeisen-Leasing Immobilienmanagement Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Raiffeisen-Leasing International Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
Raiffeisen-Leasing Lithuania UAB, Vilnius (LT)	100,000	EUR	92.3%	FI

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
Raiffeisen-Leasing, s.r.o., Prague (CZ)	450,000,000	CZK	75.0%	FI
Raiffeisen-RBHU Holding GmbH, Vienna (AT)	236,640	EUR	100.0%	FH
Raiffeisen-Rent Immobilienprojektentwicklung Gesellschaft m.b.H. Objekt Wallgasse 12 KG, Vienna (AT)	4,886,449	EUR	100.0%	OT
Raiffeisen-Rent-Immobilienprojektentwicklung Gesellschaft m.b.H., Objekt Lenaugasse 11 KG, Vienna (AT)	6,169,924	EUR	100.0%	OT
RALT Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	218,500	EUR	100.0%	FI
RALT Raiffeisen-Leasing Gesellschaft m.b.H. & Co. KG, Vienna (AT)	20,348,394	EUR	100.0%	BR
RAN vierzehn Raiffeisen-Anlagevermietung GmbH, Vienna (AT)	36,336	EUR	100.0%	FI
RAN zehn Raiffeisen-Anlagenvermietung Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
RB International Finance (Hong Kong) Ltd., Hong Kong (HK)	10,000,000	HKD	100.0%	FI
RB International Markets (USA) LLC, New York (US)	8,000,000	USD	100.0%	FI
RBI KI Beteiligungs GmbH, Vienna (AT)	48,000	EUR	100.0%	FH
RBI eins Leasing Holding GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
RBI IB Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
RBI ITS Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
RBI LEA Beteiligungs GmbH, Vienna (AT)	70,000	EUR	100.0%	FI
RBI Leasing GmbH, Vienna (AT)	100,000	EUR	75.0%	FI
RBI LGG Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RBI PE Handels- und Beteiligungs GmbH, Vienna (AT)	150,000	EUR	100.0%	FI
RBI Vajnoria spol.s.r.o., Bratislava (SK)	5,000	EUR	75.0%	FI
Realplan Beta Liegenschaftsverwaltung Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
REC Alpha LLC, Kiev (UA)	1,726,843,204	UAH	100.0%	BR
Regional Card Processing Center s.r.o., Bratislava (SK)	539,465	EUR	100.0%	BR
RIL VII Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
RIL XIV Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
RIRE Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RL Anlagenvermietung Gesellschaft m.b.H., Eschborn (DE)	50,000	DEM	100.0%	FI
RL Grundstückverwaltung Klagenfurt-Süd GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RL Hotel Palace Wien Besitz GmbH, Vienna (AT)	36,336	EUR	99.0%	FI
RL LUX Holding S.a.r.l., Luxembourg (LU)	12,500	EUR	100.0%	OT
RL Retail Holding GmbH, Vienna (AT)	36,000	EUR	100.0%	FI
RL Thermal Beteiligungen GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RL Thermal GmbH, Vienna (AT)	36,336	EUR	100.0%	FI
RL Thermal GmbH & Co Liegenschaftsverwaltung KG, Vienna (AT)	1,453,457	EUR	100.0%	FI
RL-ALPHA Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
RLI Holding Gesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	FI
RL-Lamda s.r.o., Bratislava (SK)	6,639	EUR	100.0%	FI
RL-Mörby AB, Stockholm (SE)	100,000	SEK	100.0%	FI
RL-Nordic AB, Stockholm (SE)	50,000,000	SEK	100.0%	FI
RL-Nordic OY, Helsinki (FI)	100,000	EUR	100.0%	FI
RL-Pro Auxo Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	FI
RL-PROMITOR Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-PROMITOR Spolka z.o.o., Warsaw (PL)	50,000	PLN	100.0%	OT
RLX Dvorak S.A., Luxembourg (LU)	31,000	EUR	100.0%	OT
ROOF Smart S.A., Luxembourg (LU)	1	EUR	<0.1%	FI
RUBRA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
RZB - BLS Holding GmbH, Vienna (AT)	500,000	EUR	100.0%	FI
RZB Finance (Jersey) III Ltd, St Helier (JE)	1,000	EUR	100.0%	FI
RZB Invest Holding GmbH, Vienna (AT)	500,000	EUR	100.0%	FH
RZB Sektorbeteiligung GmbH, Vienna (AT)	100,000	EUR	100.0%	FH
RZB Versicherungsbeteiligung GmbH, Vienna (AT)	500,000	EUR	100.0%	FI

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
S.C. PLUSFINANCE ESTATE 1 S.R.L., Bucharest (RO)	13,743,340	RON	100.0%	BR
SALVELINUS Handels- und Beteiligungsgesellschaft m.b.H, Vienna (AT)	40,000	EUR	100.0%	FI
SAMARA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
SINIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	FI
Sky Tower Immobilien- und Verwaltung Kft, Budapest (HU)	43,000	HUF	100.0%	OT
Skytower Building SRL, Bucharest (RO)	126,661,500	RON	100.0%	OT
SOLAR II Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
"S-SPV" d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	100.0%	OT
Styria Immobilienleasing GmbH & Co. Projekt Ahlen KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Tatra Asset Management, správ. spol., a.s., Bratislava (SK)	1,659,700	EUR	78.8%	FI
Tatra banka, a.s., Bratislava (SK)	64,326,228	EUR	78.8%	BA
Tatra Residence, a.s., Bratislava (SK)	21,420,423	EUR	78.8%	BR
Tatra-Leasing, s.r.o., Bratislava (SK)	6,638,785	EUR	78.8%	FI
THYMO Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
Ukrainian Processing Center PJSC, Kiev (UA)	180,000	UAH	100.0%	BR
Unterinntaler Raiffeisen-Leasing GmbH & Co KG, Vienna (AT)	36,336	EUR	100.0%	FI
URSA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Valida Holding AG, Vienna (AT)	5,000,000	EUR	57.4%	FI
Valida Pension AG, Vienna (AT)	10,200,000	EUR	57.4%	OT
Valida Plus AG, Vienna (AT)	5,500,000	EUR	57.4%	FI
Viktor Property, s.r.o., Prague (CZ)	200,000	CZK	75.0%	OT
Vindalo Properties Limited, Limassol (CY)	67,998	RUB	100.0%	BR
Vindobona Immobilienleasing GmbH & Co. Projekt Autohaus KG, Eschborn (DE)	5,000	EUR	6.0%	FI
WEGA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
ZHS Office- & Facilitymanagement GmbH, Vienna (AT)	36,336	EUR	98.6%	BR

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Structured units

The following tables show, by type of structured entity, the carrying amounts of the Group's interests recognized in the consolidated statement of financial position as well as the maximum exposure to loss resulting from these interests. The carrying amounts presented below do not reflect the true variability of returns faced by the Group because they do not take into account the effects of collateral or hedges.

Assets

2018 in € thousand	Loans and advances	Equity instruments	Debt instruments	Derivatives
Securitization vehicles	228,577	0	350,926	0
Third party funding entities	252,740	2,712	0	0
Funds	0	12,625	0	0
Total	**481,317**	**15,337**	**350,926**	**0**

2017 in € thousand	Loans and advances	Equity instruments	Debt instruments	Derivatives
Securitization vehicles	348,370	0	427,537	0
Third party funding entities	253,824	2,831	0	0
Funds	0	55,749	0	0
Total	**602,194**	**58,580**	**427,537**	**0**

Liabilities

2018 in € thousand	Deposits	Equity instruments	Debt securities issued	Derivatives
Securitization vehicles	156	0	0	0
Third party funding entities	22,629	0	0	347
Funds	0	0	0	0
Total	**22,786**	**0**	**0**	**347**

2017 in € thousand	Deposits	Equity instruments	Debt securities issued	Derivatives
Securitization vehicles	319	0	0	0
Third party funding entities	19,270	0	0	178
Funds	0	0	0	86
Total	**19,589**	**0**	**0**	**264**

Nature, purpose and extent of the Group's interests in non-consolidated structured entities

The Group engages in various business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is one that has been set up so that any voting rights or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate only to administrative tasks and the relevant activities are directed by contractual arrangements.

A structured entity often has some or all of the following features or attributes:

- Restricted activities
- A narrow and well-defined objective
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support
- Financing in the form of the issue of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The principal uses of structured entities are to provide clients with access to specific portfolios of assets and to provide market liquidity for clients through securitizing financial assets. Structured entities may be established as corporations, trusts or partnerships. Structured entities generally finance the purchase of assets by issuing debt and equity securities that are collateralized by and/or indexed to the assets held by the structured entities.

Structured entities are consolidated when the substance of the relationship between the Group and the structured entities indicates that the structured entities are controlled by the Group.

Below is a description of the Group's investments in non-consolidated structured entities by type.

Third-party funding entities

The Group provides funding to structured entities that hold a variety of assets. These entities may take the form of funding entities, trusts and private investment companies. The funding is collateralized by the assets in the structured entities. The Group's investment activity involves predominantly lending.

Securitization vehicles

The Group establishes securitization vehicles which purchase diversified pools of assets, including fixed income securities, company loans, and asset-backed securities (predominantly commercial and residential mortgage-backed securities and credit card receivables). The vehicles fund these purchases by issuing multiple tranches of debt and equity securities, the repayment of which is linked to the performance of the assets in the vehicles. The Group often transfers assets to these securitization vehicles and provides financial support to these entities in the form of liquidity facilities.

Funds

The Group establishes structured entities to accommodate client requirements to hold investments in specific assets. The Group also invests in funds that are sponsored by third parties. A Group entity may act as fund manager, custodian or in some other capacity and provide funding and liquidity facilities to both Group-sponsored and third-party funds. The funding provided is collateralized by the underlying assets held by the fund.

Maximum exposure to and size of non-consolidated structured entities

The maximum exposure to loss is determined by considering the nature of the interest in the non-consolidated structured entity. The maximum exposure for loans and trading instruments is reflected by their carrying amounts in the consolidated statement of financial position. The maximum exposure for derivatives and instruments off the statement of financial position such as guarantees, liquidity facilities and loan commitments under IFRS 12, as interpreted by the Group, is reflected by the respective notional amount. Such amounts do not reflect the economic risks faced by the Group because they do not take into account the effects of collateral or hedges or the probability of such losses being incurred. As at 31 December 2018, the notional values of derivatives and instruments off the statement of financial position were € 23,218 thousand (2017: € 25,975 thousand) and € 49,023 thousand (2017: € 61,793 thousand) respectively. Since information on the size of structured entities is not always publicly available, the Group has determined that its exposure is an appropriate guide to size.

Financial support

As in 2017, the Group has not provided financial support during the financial year to non-consolidated structured entities.

Sponsored structured entities

As a sponsor, the Group is often involved in the legal set up and marketing of the entity and supports the entity in different ways such as providing operational support to ensure the entity's continued operation. The Group is also deemed a sponsor for a structured entity if market participants would reasonably associate the entity with the Group. Additionally, the use of the Raiffeisen name for the structured entity often indicates that the Group has acted as a sponsor. The gross proceeds from sponsored entities for the year ending 31 December 2018 amounted to € 193,995 thousand (2017: € 197,987 thousand). No assets were transferred to sponsored non-consolidated structured entities in 2018 or 2017.

(69) List of equity participations

Associated companies valued at equity

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
card complete Service Bank AG, Vienna (AT)	6,000,000	EUR	25.0%	BA
EMCOM Beteiligungs GmbH, Vienna (AT)	37,000	EUR	33.6%	FI
LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna (AT)	32,624,283	EUR	33.1%	OT
NOTARTREUHANDBANK AG, Vienna (AT)	8,030,000	EUR	26.0%	FI
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (AT)	130,000,000	EUR	8.1%	BA
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna (AT)	11,627,653	EUR	31.3%	BA
Posojilnica Bank eGen, Klagenfurt (AT)	77,338,770	EUR	61.5%	BA
Prva stavebna sporitelna a.s., Bratislava (SK)	66,500,000	EUR	32.5%	BA
Raiffeisen Informatik GmbH, Vienna (AT)	1,460,000	EUR	47.6%	BR
Raiffeisen-Leasing Management GmbH, Vienna (AT)	300,000	EUR	50.0%	OT
UNIQA Insurance Group AG, Vienna (AT)	309,000,000	EUR	10.9%	VV

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Other affiliated companies

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
"A-SPV" d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	100.0%	OT
"K-SPV" d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	100.0%	OT
Abakus Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	FI
Abrawiza Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Abrawiza Immobilienleasing GmbH & Co. Projekt Fernwald KG, Eschborn (DE)	5,000	EUR	6.0%	OT
Abura Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Abutilon Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Abutilon Immobilienleasing GmbH & Co. Projekt Autohof Ibbenbüren KG, Eschborn (DE)	5,000	EUR	100.0%	FI
ACB Ponava, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Achat Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Acridin Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adamas Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adiantum Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adipes Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adorant Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adrett Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adrittura Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adufe Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adular Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adular Immobilienleasing GmbH & Co. Projekt Rödermark KG, Eschborn (DE)	5,000	EUR	100.0%	FI
Agamemnon Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
AGITO Immobilien-Leasing GesmbH, Vienna (AT)	36,400	EUR	100.0%	FI
ALT POHLEDY s.r.o., Prague (CZ)	84,657,000	CZK	100.0%	OT
Am Hafen" Sutterlüty GmbH & Co, Vienna (AT)	100,000	EUR	<0.1%	FI
Ambrosia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Angaga Handels- und Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Apate Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Appolon Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Aspius Immobilien Holding International GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Astra Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Ate Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
AURIGA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Austria Leasing GmbH & Co KG Immobilienverwaltung Projekt EKZ Meitingen, Eschborn (DE)	10,000	EUR	100.0%	OT
Austria Leasing GmbH & Co. KG Immobilienverwaltung CURA, Eschborn (DE)	10,000	EUR	100.0%	FI
Austria Leasing GmbH & Co. KG Immobilienverwaltung Projekt Eberdingen, Eschborn (DE)	10,000	EUR	100.0%	FI
Austria Leasing Immobilienverwaltungsgesellschaft mbH, Eschborn (DE)	25,000	EUR	100.0%	OT
BA Development, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	OT
Bad Sauerbrunn Thermalwasser Nutzungs- und Verwertungs GmbH., Bad Sauerbrunn (AT)	0	EUR	50.0%	OT
Bandos Handels- und Beteiligungs GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Boreas Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
BRL Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Eisenstadt (AT)	73,000	EUR	100.0%	FI
Bukovina Residential SRL, Timisoara (RO)	1,901,600	RON	100.0%	OT
Campus NBhf RBI Immobilien-Leasing Gmbh, Vienna (AT)	35,000	EUR	100.0%	FI
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest (RO)	2,820,000	RON	100.0%	BR
Centrotrade Holding GmbH, Vienna (AT)	200,000	EUR	100.0%	OT
Chronos Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
CP Linzerstraße 221-227 Projektentwicklungs GmbH, Vienna (AT)	37,000	EUR	100.0%	OT
CP Logistikcenter Errichtungs- und Verwaltungs GmbH, Vienna (AT)	37,000	EUR	100.0%	OT
CP Projekte Muthgasse Entwicklungs GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Credibilis a.s., Prague (CZ)	2,000,000	CZK	100.0%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
CRISTAL PALACE Property s.r.o., Prague (CZ)	400,000	CZK	100.0%	OT
CURO Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Dafne Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
DAV Holding Ltd., Budapest (HU)	3,030,000	HUF	100.0%	FI
DAV Management Kft., Budapest (HU)	3,010,000	HUF	100.0%	OT
DAV-ESTATE Kft., Budapest (HU)	3,010,000	HUF	100.0%	OT
DAV-PROPERTY Kft., Budapest (HU)	3,020,000	HUF	100.0%	OT
Deimos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Dike Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Dobré Bývanie s.r.o., Bratislava (SK)	6,639	EUR	100.0%	OT
Dom-office 2000, Minsk (BY)	283,478	BYN	100.0%	OT
Don Giovanni Properties, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Doplnková dôchodková spoločnosť Tatra banky, a.s., Bratislava (SK)	1,659,700	EUR	100.0%	FI
DORISCUS ENTERPRISES LTD., Limassol (CY)	19,843,400	EUR	86.6%	OT
Dúbravčice, s.r.o., Bratislava (SK)	5,000	EUR	100.0%	OT
Elevator Ventures Beteiligungs GmbH, Vienna (AT)	100,000	EUR	100.0%	OT
Eos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Erato Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Essox d.o.o., Belgrade (RS)	100	RSD	100.0%	OT
Esterhazy Real Estate s.r.o., Bratislava (SK)	5,000	EUR	100.0%	OT
Eunomia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Euro Green Energy Fejlesztő és Szolgáltató Kft., Budapest (HU)	8,100,000	HUF	100.0%	OT
Eurolease RE Leasing, s. r. o., Bratislava (SK)	6,125,256	EUR	100.0%	OT
Euros Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Exit 90 SPV s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Expo Forest 1 EOOD, Sofia (BG)	5,000	BGN	100.0%	OT
Expo Forest 2 EOOD, Sofia (BG)	5,000	BGN	100.0%	OT
Expo Forest 3 EOOD, Sofia (BG)	5,000	BGN	100.0%	OT
Expo Forest 4 EOOD, Sofia (BG)	5,000	BGN	100.0%	OT
Extra Year Investments Limited, Tortola (VG)	50,000	USD	100.0%	FI
FARIO Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	OT
Faru Handels- und Beteiligungs GmbH, Vienna (AT)	80,000	EUR	100.0%	OT
First Leasing Service Center GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Fobos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
FORZA SOLE s.r.o., Prague (CZ)	200,000	CZK	90.0%	OT
FVE Cihelna s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Gaia Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
GHERKIN, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Golden Rainbow International Limited, Tortola (VG)	1	SGD	100.0%	FI
Grainulos s.r.o., Prague (CZ)	1	CZK	100.0%	OT
Group Cloud Solutions, s.r.o., Bratislava (SK)	185,886	EUR	100.0%	BR
GS55 Sazovice s.r.o., Prague (CZ)	15,558,000	CZK	90.0%	OT
Harmonia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Hebe Property, s.r.o., Prague (CZ)	200,000	CZK	95.0%	OT
Hemera Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
HERA Raiffeisen Immobilien Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	49.0%	FI
Hermes Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Hestia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Holeckova Property s.r.o., Prague (CZ)	210,000	CZK	100.0%	OT
Humanitarian Fund "Budimir Bosko Kostic", Belgrade (RS)	30,000	RSD	100.0%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Hyperion Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Hypnos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
ICS Raiffeisen Leasing s.r.l, Chisinau (MD)	8,307,535	MDL	100.0%	FI
ICTALURUS Handels- und Beteiligungs GmbH, Vienna (AT)	36,336	EUR	100.0%	OT
IDUS Handels- und Beteiligungs GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Immoservice Polska Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	OT
INFRA MI 1 Immobilien Gesellschaft mbH, Vienna (AT)	72,673	EUR	100.0%	OT
Infrastruktur Heilbad Sauerbrunn GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Ino Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
INPROX Split d.o.o., Zagreb (HR)	100,000	HRK	100.0%	OT
Inprox Zagreb Sesvete d.o.o., Zagreb (HR)	10,236,400	HRK	100.0%	OT
Insurance Limited Liability Company "Priorlife", Minsk (BY)	7,682,300	BYN	100.0%	VV
Iris Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
ISIS Raiffeisen Immobilien Leasing GmbH, Vienna (AT)	36,400	EUR	100.0%	FI
Janus Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
JFD Real s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Kaliope Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Kalypso Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
KAPMC s.r.o., Prague (CZ)	100,000	CZK	100.0%	OT
Kappa Estates s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Kathrein & Co Life Settlement Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	OT
Kathrein & Co. Trust Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Kathrein Capital Management GmbH, Vienna (AT)	1,000,000	EUR	100.0%	FI
Kathrein Private Equity GmbH, Vienna (AT)	190,000	EUR	100.0%	OT
Késmárk utca 11-13. Szolgáltató Korlátolt Felelősségű Társaság, Budapest (HU)	100,000	HUF	100.0%	BR
Kleio Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Körlog Logistika Építö és Kivitelezö Korlátolt Feleösségü Társaság, Budapest (HU)	3,000,000	HUF	100.0%	OT
KOTTO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
LENTIA Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Leto Property, s.r.o., Prague (CZ)	200,000	CZK	77.0%	OT
LIBRA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Limited Liability Company European Insurance Agency, Moscow (RU)	120,000	RUB	100.0%	OT
Limited Liability Company REC GAMMA, Kiev (UA)	49,015,000	UAH	100.0%	BR
Logisticky areal Hostivar, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
LOTA Handels- und Beteiligungs-GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Lucius Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Luna Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
MAMONT GmbH, Kiev (UA)	66,872,100	UAH	100.0%	OT
Medea Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Melete Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
MELIKERTES Raiffeisen-Mobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	80.0%	OT
Melpomene Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Morfeus Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
MORHUA Handels- und Beteiligungs GmbH, Vienna (AT)	36,336	EUR	100.0%	OT
MOVEO Raiffeisen-Leasing GmbH, Vienna (AT)	35,000	EUR	51.0%	FI
Na Starce, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
NATUM Alfa, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
NAURU Handels- und Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Neptun Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Nereus Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT

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Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Niobe Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Nußdorf Immobilienverwaltung GmbH, Vienna (AT)	36,336	EUR	100.0%	OT
Nyx Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
OBI Eger Ingatlankezelö Korlatolt Felelössegü Tarsasag, Budapest (HU)	3,000,000	HUF	74.9%	FI
OBI Miskolc Ingatlankezelö Korlatolt Felelössegü Tarsasag, Budapest (HU)	3,000,000	HUF	74.9%	FI
OBI Veszprem Ingatlankezelö Korlatolt Felelössegü Tarsasag, Budapest (HU)	3,000,000	HUF	74.9%	FI
Objekt Linser Areal Immobilienerrichtungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Ofion Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Onyx Energy Projekt II s.r.o., Prague (CZ)	210,000	CZK	100.0%	OT
Onyx Energy s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
OOO "Extrusionnyie Tekhnologii", Mogilev (BY)	4,140,619	BYN	100.0%	OT
OOO "Vneshleasing", Moscow (RU)	131,770	RUB	100.0%	FI
OOO Estate Management, Minsk (BY)	10,913,040	BYN	100.0%	OT
OOO Raiffeisen Capital Asset Management Company, Moscow (RU)	225,000,000	RUB	100.0%	FI
OOO SB "Studia Strahovania", Minsk (BY)	34,924	BYN	100.0%	OT
Orchideus Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Orestes Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
OSTARRICHI Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Ötödik Vagyonkezelő Kft., Budapest (HU)	9,510,000	HUF	100.0%	OT
P & C Beteiligungs Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	OT
Palace Holding s.r.o., Prague (CZ)	2,700,000	CZK	90.0%	OT
PARO Raiffeisen Immobilien Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Peito Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Photon Energie s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 10 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 11 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 3 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 4 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 6 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 8 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
PILSENINEST SICAV, a.s., Prague (CZ)	2,120,000	CZK	100.0%	OT
PLUSFINANCE LAND S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
Polyxo Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Pontos Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Priamos Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	FI
Pro Invest da Vinci e.o.o.d., Sofia (BG)	5,000	BGN	100.0%	OT
PRODEAL, a.s., Bratislava (SK)	796,654	EUR	100.0%	BR
Production unitary enterprise "PriortransAgro", Minsk (BY)	50,000	BYN	100.0%	OT
PROKNE Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
PZ PROJEKT a.s., Prague (CZ)	2,000,000	CZK	100.0%	OT
Queens Garden Sp z.o.o., Warsaw (PL)	100,000	PLN	100.0%	OT
R MORMO IMMOBILIEN LINIE S.R.L., Bucharest (RO)	50,000	RON	100.0%	OT
R.B.T. Beteiligungsgesellschaft m.b.H, Vienna (AT)	36,336	EUR	100.0%	OT
R.L.H. Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Radwinter sp.z o.o., Warsaw (PL)	10,000	PLN	100.0%	OT
Raiffeisen (Beijing) Investment Management Co., Ltd., Beijing (CN)	2,000,000	CNH	100.0%	FI
Raiffeisen Asset Management (Bulgaria) EAD, Sofia (BG)	250,000	BGN	100.0%	FI
Raiffeisen Assistance D.O.O., Beograd, Belgrade (RS)	4,307,115	RSD	100.0%	OT
Raiffeisen Assistance doo Sarajevo, Sarajevo (BA)	4,000	BAM	100.0%	OT
Raiffeisen Autó Lízing Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT

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Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Raiffeisen Befektetési Alapkezelõ Zrt., Budapest (HU)	100,000,000	HUF	100.0%	FI
Raiffeisen Biztosításközvetítö Kft., Budapest (HU)	5,000,000	HUF	100.0%	VV
Raiffeisen Bonus Ltd., Zagreb (HR)	200,000	HRK	100.0%	BR
Raiffeisen Capital a.d. Banja Luka, Banja Luka (BA)	355,000	BAM	100.0%	FI
Raiffeisen Direct Investments CZ s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
Raiffeisen Energiaszolgáltató Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
Raiffeisen Future AD Beograd drustvo za upravljanje dobrovoljnim penzijskim fondom, Belgrade (RS)	143,204,921	RSD	100.0%	FI
Raiffeisen Gazdasági Szolgáltató Zrt., Budapest (HU)	20,099,879	HUF	100.0%	OT
Raiffeisen Immobilien Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)	5,000,000	EUR	100.0%	FI
Raiffeisen Ingatlan Üzemeltető Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
Raiffeisen Insurance and Reinsurance Broker S.R.L, Bucharest (RO)	180,000	RON	100.0%	BR
RAIFFEISEN INSURANCE BROKER EOOD, Sofia (BG)	5,000	BGN	100.0%	BR
Raiffeisen Insurance Broker Kosovo L.L.C., Pristina (KO)	10,000	EUR	100.0%	BR
RAIFFEISEN INVEST AD DRUSTVO ZA UPRAVLJANJE INVESTICIONIM FONDOVIMA BEOGRAD, Belgrade (RS)	47,662,692	RSD	100.0%	FI
Raiffeisen Invest d.o.o., Zagreb (HR)	8,000,000	HRK	100.0%	FI
Raiffeisen Invest Drustvo za upravljanje fondovima d.o.o Sarajevo, Sarajevo (BA)	559,300	BAM	100.0%	FI
Raiffeisen INVEST Sh.a., Tirana (AL)	90,000,000	ALL	100.0%	FI
Raiffeisen investicni spolecnost a.s., Prague (CZ)	40,000,000	CZK	100.0%	FI
Raiffeisen Investment Advisory GmbH, Vienna (AT)	730,000	EUR	100.0%	FI
Raiffeisen Investment Financial Advisory Services Ltd. Co., Istanbul (TR)	2,930,000	TRY	100.0%	FI
Raiffeisen Property Management Bulgaria EOOD, Sofia (BG)	80,000	BGN	100.0%	OT
Raiffeisen Salzburg Invest Kapitalanlage GmbH, Salzburg (AT)	2,600,000	EUR	100.0%	FI
RAIFFEISEN SERVICE EOOD, Sofia (BG)	4,220,000	BGL	100.0%	OT
Raiffeisen Windpark Zistersdorf GmbH, Vienna (AT)	37,000	EUR	100.0%	OT
Raiffeisen WohnBau Eins GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Raiffeisen WohnBau Zwei GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Raiffeisen Wohnbauleasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Raiffeisen-Leasing Gesellschaft m.b.H. & Co KG, Vienna (AT)	581,383	EUR	100.0%	OT
Raiffeisen-Leasing Immobilienverwaltung Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	OT
Raiffeisen-Leasing Wärmeversorgungsanlagenbetriebs GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen-Wohnbauleasing Österreich GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RAN elf Raiffeisen-Anlagenvermietung Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
RB International Investment Asia Limited, Labuan (MY)	1	USD	100.0%	FI
RB Szolgáltató Központ Kft. - RBSC Kft., Nyíregyháza (HU)	3,000,000	HUF	100.0%	OT
RBI Group IT GmbH, Vienna (AT)	100,000	EUR	100.0%	BR
RBI Real Estate Services Czechia s.r.o., Prague (CZ)	100,000	CZK	100.0%	FI
RBI Real Estate Services Polska SP.z.o.o., Warsaw (PL)	400,000	PLN	100.0%	FI
RBM Wohnbau Ges.m.b.H., Vienna (AT)	37,000	EUR	100.0%	OT
RCR Ukraine LLC, Kiev (UA)	282,699	UAH	100.0%	BR
RDI Czech 1 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
RDI Czech 3 s.r.o, Prague (CZ)	200,000	CZK	100.0%	OT
RDI Czech 4 s.r.o, Prague (CZ)	2,500,000	CZK	100.0%	OT
RDI Czech 5 s.r.o, Prague (CZ)	200,000	CZK	100.0%	OT
RDI Czech 6 s.r.o, Prague (CZ)	3,700,000	CZK	100.0%	OT
RDI Management s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Real Estate Rent 4 DOO, Belgrade (RS)	40,310	RSD	100.0%	OT
REF HP 1 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Rent CC, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	FI
Rent GRJ, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	OT

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Rent Impex, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	FI
Rent PO, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	FI
Residence Park Trebes, s.r.o., Prague (CZ)	20,000,000	CZK	100.0%	OT
Rheia Property, s.r.o., Prague (CZ)	200,000	CZK	95.0%	OT
RIL VI Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
RIL XIII Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
RIRBRO ESTATE MANAGEMENT S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
RL Gamma d.o.o., Zagreb (HR)	20,000	HRK	100.0%	FI
RL Jankomir d.o.o., Zagreb (HR)	20,000	HRK	100.0%	OT
RL Leasing Gesellschaft m.b.H., Eschborn (DE)	25,565	EUR	85.0%	FI
RL-ATTIS Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-Attis Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	OT
RL-BETA Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-Delta Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-Epsilon Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RL-Epsilon Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	FI
RL-ETA d.o.o., Zagreb (HR)	20,000	HRK	100.0%	OT
RL-ETA Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-FONTUS Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-Fontus Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	OT
RL-Gamma Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RL-Jota Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RL-Jota Sp.z o.o. w likwidacji, Warsaw (PL)	50,000	PLN	100.0%	FI
RL-Nordic Finans AB, Stockholm (SE)	100,000	SEK	100.0%	FI
RL-Opis Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-OPIS SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA, Warsaw (PL)	50,000	PLN	100.0%	OT
RL-Prom-Wald Sp. Z.o.o, Warsaw (PL)	50,000	PLN	100.0%	OT
RLRE Beta Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
RLRE Carina Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
RLRE Eta Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
RLRE Jota Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
RLRE Ypsilon Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Robert Károly Körút Irodaház Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
Rogofield Property Limited, Nicosia (CY)	2,174	USD	100.0%	OT
RPM Budapest KFT, Budapest (HU)	3,000,000	HUF	100.0%	OT
RSC Raiffeisen Service Center GmbH, Vienna (AT)	2,000,000	EUR	50.3%	BR
S.A.I. Raiffeisen Asset Management S.A., Bucharest (RO)	10,656,000	RON	100.0%	FI
SASSK Ltd., Kiev (UA)	152,322,000	UAH	88.7%	OT
SCT Kárász utca Ingatlankezelő Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
SCTE Elsö Ingatlanfejlesztö és Ingatlanhasznosító Kft., Budapest (HU)	3,000,000	HUF	100.0%	BR
SCTP Biatorbágy Ingatlanfejlesztő és Ingatlanhasznosító Kft., Budapest (HU)	3,000,000	HUF	75.3%	OT
SeEnergy PT, s.r.o., Prague (CZ)	700,000	CZK	100.0%	OT
Selene Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
SF Hotelerrichtungsgesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
Sirius Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Sky Solar Distribuce s.r.o., Prague (CZ)	200,000	CZK	77.0%	OT
SOLIDA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.5%	FI
St. Marx-Immobilien Verwertungs- und Verwaltungs GmbH, Vienna (AT)	36,336	EUR	100.0%	OT
Stadtpark Hotelreal GmbH, Vienna (AT)	500,000	EUR	100.0%	OT
Steffany's Court s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
STYRIA Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Szentkiraly utca 18 Kft., Budapest (HU)	5,000,000	HUF	100.0%	OT
Theia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
UPC Real, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Valida Consulting GmbH, Vienna (AT)	500,000	EUR	100.0%	OT
VINAGRIUM Borászati és Kereskedelmi Kft., Budapest (HU)	3,010,000	HUF	100.0%	OT
VINDOBONA Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
VN-Wohn Immobilien GmbH, Vienna (AT)	35,000	EUR	74.0%	OT
Wohnbauinvestitionsbank GmbH in Liqu., Vienna (AT)	6,000,000	EUR	26.0%	BA
Zatisi Rokytka s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Zefyros Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
ZRB 17 Errichtungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
ZUNO GmbH, Vienna (AT)	5,000,000	EUR	100.0%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Other equity participations

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
"Zentrum Puntigam" Errichtungs- und Betriebsgesellschaft m.b.H. in Liqu., Vienna (AT)	35,000	EUR	50.0%	OT
Accession Mezzanine Capital II L.P., Bermuda (BM)	2,613	EUR	5.7%	OT
Accession Mezzanine Capital III L.P., Hamilton (JE)	134,125,000	EUR	3.7%	OT
Adoria Grundstückvermietungs Gesellschaft m.b.H., Vienna (AT)	36,360	EUR	24.5%	FI
Agricultural Open Joint Stock Company Illintsi Livestock Breeding Enterprise, Illinci (UA)	703,100	UAH	4.7%	OT
AIL Swiss-Austria Leasing AG, Glattbrug (CH)	5,000,000	CHF	50.0%	FI
ALCS Association of Leasing Companies in Serbia, Belgrade (RS)	853,710	RSD	12.5%	OT
ALMC hf., Reykjavik (IS)	50,578,130	ISK	10.8%	OT
Analytical Credit Rating Agency (Joint Stock Company), Moscow (RU)	3,000,024,000	RUB	3.7%	OT
APUS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
A-Trust Gesellschaft für Sicherheitssysteme im elektronischen Datenverkehr GmbH, Vienna (AT)	5,290,013	EUR	12.1%	OT
Austrian Reporting Services GmbH, Vienna (AT)	41,176	EUR	15.0%	BR
Aventin Grundstücksverwaltungs Gesellschaft m.b.H., Horn (AT)	36,400	EUR	24.5%	FI
AVION-Grundverwertungsgesellschaft m.b.H., Vienna (AT)	36,336	EUR	49.0%	FI
Belarussian currency and stock exchange JSC, Minsk (BY)	14,328,656	BYN	<0.1%	OT
Biroul de Credit S.A., Bucharest (RO)	4,114,615	RON	13.2%	FI
BTS Holding a.s. "v likvidácii", Bratislava (SK)	35,700	EUR	19.0%	OT
Budapest Stock Exchange, Budapest (HU)	541,348,100	HUF	0.0%	SC
Burza cennych papierov v. Bratislave, a.s., Bratislava (SK)	11,404,927,296	EUR	0.1%	OT
CADO Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
Cards & Systems EDV-Dienstleistungs GmbH, Vienna (AT)	75,000	EUR	45.0%	OT
CASA DE COMPENSARE S.A., Bucharest (RO)	239,255	RON	0.1%	OT
Cash Service Company AD, Sofia (BG)	12,500,000	BGN	20.0%	BR
CEESEG Aktiengesellschaft, Vienna (AT)	18,620,720	EUR	7.0%	OT
Central Depository and Clearing Company, Inc., Zagreb (HR)	94,525,000	HRK	0.1%	FI
CF Pharma Gyógyszergyártó Kft, Budapest (HU)	5,918,760	HUF	13.2%	OT
Closed Joint Stock Company Truskavets Valeological Innovative Centre, Truskavets (UA)	100,000	UAH	5.0%	OT
Closed Joint Stock Company Vinegar-yeast Factory, Uzyn (UA)	9,450,000	UAH	33.8%	OT
Commodity Exchange Crimean Interbank Currency Exchange, Simferopol (UA)	440,000	UAH	4.5%	OT
Commodity Exchange of the Agroindustrial Complex of Central Regions of Ukraine, Cherkassy (UA)	90,000	UAH	11.1%	OT
CONATUS Grundstückvermietungs Gesellschaft m.b.H., St Pölten (AT)	36,360	EUR	24.5%	FI
CULINA Grundstückvermietungs Gesellschaft m.b.H., St Pölten (AT)	36,360	EUR	25.0%	FI
Czech Real Estate Fund (CREF) B.V., Amsterdam (NL)	18,000	EUR	100.0%	FI
D. Trust Certifikacná Autorita, a.s., Bratislava (SK)	331,939	EUR	10.0%	OT
Die Niederösterreichische Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	35.0%	OT
Die Niederösterreichische Leasing GmbH & Co KG, Vienna (AT)	72,673	EUR	40.0%	FI
DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (DE)	3,646,266,910	EUR	0.1%	BA
Easdaq NV, Leuven (BE)	128,526,849	EUR	0.0%	OT
Einlagensicherung AUSTRIA Ges.m.b.H., Vienna (AT)	515,000	EUR	1.7%	OT
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna (AT)	70,000	EUR	0.1%	BR
EMERGING EUROPE GROWTH FUND II, L.P., Delaware (US)	370,000,000	USD	1.9%	OT
Epsilon - Grundverwertungsgesellschaft m.b.H., Vienna (AT)	36,336	EUR	24.0%	FI
ESQUILIN Grundstücksverwaltungs Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	24.5%	FI
Euro Banking Association (ABE Clearing S.A.S.), Paris (FR)	51,000	EUR	2.0%	FI
European Investment Fund S.A., Luxembourg (LU)	3,000,000,000	EUR	0.2%	FI
Export and Industry Bank Inc., Makati City (PH)	4,734,452,540	PHP	9.5%	BA
FACILITAS Grundstücksvermietungs Gesellschaft m.b.H., St. Pölten (AT)	36,360	EUR	50.0%	FI
Fondul de Garantare a Creditului Rural S.A., Bucharest (RO)	15,940,890	RON	33.3%	FI
FORIS Grundstückvermietungs Gesellschaft m.b.H., Vienna (AT)	36,360	EUR	24.5%	FI
G + R Leasing Gesellschaft m.b.H., Graz (AT)	36,400	EUR	25.0%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
G + R Leasing Gesellschaft m.b.H. & Co. KG., Graz (AT)	72,673	EUR	50.0%	FI
Garantiqa Hitelgarancia ZRt., Budapest (HU)	7,839,600,000	HUF	0.2%	BR
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H., Vienna (AT)	3,336,336	EUR	0.2%	OT
Greenix Limited, Tortola (VG)	100,000	USD	25.0%	OT
HOBEX AG, Salzburg (AT)	1,000,000	EUR	8.5%	FI
Hrvatski registar obveza po kreditima d.o.o., Zagreb (HR)	13,500,000	HRK	10.5%	BR
INVESTOR COMPENSATION FUND, Bucharest (RO)	344,350	RON	0.4%	OT
Joint Stock Company Stock Exchange PFTS, Kiev (UA)	32,010,000	UAH	0.2%	OT
K & D Progetto s.r.l., Bozen (IT)	50,000	EUR	25.0%	FI
Kommunal-Infrastruktur & Immobilien Zeltweg GmbH, Zeltweg (AT)	35,000	EUR	20.0%	OT
Limited Liability Company Scientific-Production Enterprise Assembling and Implementation of Telecommunication Sytems, Dnepropetrovsk (UA)	500,000	UAH	10.0%	OT
LITUS Grundstückvermietungs Gesellschaft m.b.H., St Pölten (AT)	36,360	EUR	24.5%	FI
LLC "Insurance Company 'Raiffeisen Life", Moscow (RU)	240,000,000	RUB	25.0%	VV
MASTERINVEST Kapitalanlage GmbH, Vienna (AT)	2,500,000	EUR	37.5%	FI
Medicur - Holding Gesellschaft m.b.H., Vienna (AT)	4,360,500	EUR	25.0%	OT
MIRA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
N.Ö. Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	37,400	EUR	33.3%	FI
National Settlement Depositary, Moscow (RU)	1,180,675,000	RUB	0.0%	FI
NÖ Raiffeisen Kommunalprojekte Service Gesellschaft m.b.H., Vienna (AT)	50,000	EUR	26.0%	FI
NÖ Raiffeisen-Leasing Gemeindeprojekte Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	1.0%	FI
NÖ. HYPO Leasing und Raiffeisen-Immobilien-Leasing Traisenhaus GesmbH & Co OG, St Pölten (AT)	24,868,540	ATS	50.0%	FI
NÖ-KL Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	37,400	EUR	33.3%	FI
O.Ö. Leasing für Gebietskörperschaften Ges.m.b.H., Linz (AT)	510,000	ATS	16.7%	FI
O.Ö. Leasing für öffentliche Bauten Gesellschaft m.b.H., Linz (AT)	510,000	ATS	16.7%	FI
ÖAMTC-Leasing GmbH, Vienna (AT)	36,400	EUR	49.0%	OT
ÖAMTC-Leasing GmbH & Co KG, Vienna (AT)	14,535	EUR	49.0%	FI
Oberpinzg. Fremdenverkehrförderungs- und Bergbahnen AG, Vienna (AT)	3,297,530	EUR	0.0%	OT
OCTANOS Raiffeisen Immobilien Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
OJSC NBFI Single Settlement and Information Space, Minsk (BY)	23,429,095	BYN	4.2%	FI
Open Joint Stock Company Kiev Special Project and Design Bureau Menas, Kiev (UA)	3,383,218	UAH	4.7%	OT
Open Joint Stock Company Volodymyr-Volynskyi Sugar Refinery, Volodymyr-Volynskyi (UA)	13,068,010	UAH	2.6%	OT
Österreichische Raiffeisen-Einlagensicherung eGen, Vienna (AT)	3,500	EUR	25.7%	BR
Österreichische Wertpapierdaten Service GmbH, Vienna (AT)	100,000	EUR	25.3%	BR
OT-Optima Telekom d.d., Zagreb (HR)	694,432,640	HRK	3.0%	OT
OVIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	1.0%	FI
Pannon Lúd Kft, Mezokovácsháza (HU)	852,750,000	HUF	0.6%	OT
PEGA Raiffeisen-Immobilien Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
Private Joint Stock Company Bird Farm Bershadskyi, Viytivka (UA)	6,691,141	UAH	0.5%	OT
Private Joint Stock Company First All-Ukrainian Credit Bureau, Kiev (UA)	11,750,000	UAH	5.1%	OT
Private Joint Stock Company Sumy Enterprise Agrotechservice, Sumy (UA)	1,545,000	UAH	0.6%	OT
Private Joint Stock Company Ukrainian Interbank Currency Exchange, Kiev (UA)	36,000,000	UAH	3.1%	OT
PSA Payment Services Austria GmbH, Vienna (AT)	285,000	EUR	11.2%	FI
Public Joint Stock Company National Depositary of Ukraine, Kiev (UA)	103,200,000	UAH	0.1%	BR
Public Joint Stock Company Settlement Center for Servicing of Contracts in Financial Markets, Kiev (UA)	206,700,000	UAH	0.0%	FI
QUIRINAL Grundstücksverwaltungs Gesellschaft m.b.H., Vienna (AT)	37,063	EUR	33.3%	FI
Raiffeisen e-force GmbH, Vienna (AT)	145,346	EUR	28.2%	BR
Raiffeisen Kooperations eGen, Vienna (AT)	9,000,000	EUR	11.1%	OT
Raiffeisen Salzburg Leasing GmbH, Salzburg (AT)	35,000	EUR	19.0%	FI

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Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Raiffeisen Software GmbH, Linz (AT)	150,000	EUR	1.2%	BR
Raiffeisen-IMPULS-Immobilienleasing GmbH, Linz (AT)	500,000	ATS	25.0%	FI
Raiffeisen-IMPULS-Liegenschaftsverwaltung Gesellschaft m.b.H., Linz (AT)	500,000	ATS	25.0%	FI
Raiffeisen-Impuls-Zeta Immobilien GmbH, Linz (AT)	58,333	EUR	40.0%	FI
Raiffeisen-Leasing Anlagen und KFZ Vermietungs GmbH, Vienna (AT)	35,000	EUR	53.1%	FI
Raiffeisen-Leasing BOT s.r.o., Prague (CZ)	100,000	CZK	20.0%	OT
Raiffeisen-Leasing Mobilien und KFZ GmbH, Vienna (AT)	35,000	EUR	15.0%	FI
RC Gazdasági és Adótanácsadó Zrt., Budapest (HU)	20,000,000	HUF	22.2%	OT
Registry of Securities in FBH, Sarajevo (BA)	2,052,300	BAM	1.4%	FI
Rehazentrum Kitzbühel Immobilien-Leasing GmbH, Innsbruck (AT)	35,000	EUR	19.0%	FI
REMUS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
RLB Holding eGen OÖ, Linz (AT)	1,566,969	EUR	0.0%	FI
RLKG Raiffeisen-Leasing GmbH, Vienna (AT)	40,000	EUR	12.5%	FI
RSAL Raiffeisen Steiermark Anlagenleasing GmbH, Graz (AT)	38,000	EUR	19.0%	FI
RSIL Immobilienleasing Raiffeisen Steiermark GmbH, Graz (AT)	38,000	EUR	19.0%	FI
S.C. DEPOZITARUL CENTRAL S.A., Budapest (RO)	25,291,953	RON	2.6%	OT
Sarajevska berza-burza vrijednosnih papira dd Sarajevo, Sarajevo (BA)	1,967,680	BAM	10.5%	FI
Seilbahnleasing GmbH, Innsbruck (AT)	36,000	EUR	33.3%	FI
SELENE Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	1.0%	OT
SKR Lager 102 AB, Stockholm (SE)	100,000	SEK	49.0%	OT
Slovak Banking Credit Bureau, s.r.o., Bratislava (SK)	9,958	EUR	33.3%	BR
Societatea de Transfer de Fonduri si Decontari-TRANSFOND S.A, Bucharest (RO)	6,720,000	RON	3.4%	BR
Society for Worldwide Interbank Financial Telekommunication scrl, La Hulpe (BE)	13,746,250	EUR	0.4%	FI
SPICA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
SPRON ehf., Reykjavik (IS)	5,000,000	ISK	5.4%	OT
Steirische Gemeindegebäude Leasing Gesellschaft m.b.H., Graz (AT)	36,336	EUR	50.0%	FI
Steirische Kommunalgebäudeleasing Gesellschaft m.b.H., Graz (AT)	36,336	EUR	50.0%	FI
Steirische Leasing für Gebietskörperschaften Ges.m.b.H., Graz (AT)	36,336	EUR	50.0%	FI
Steirische Leasing für öffentliche Bauten Gesellschaft m.b.H., Graz (AT)	36,336	EUR	50.0%	FI
Stemcor Global Holdings Limited, St Helier (JE)	349,138	USD	0.9%	OT
Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) GmbH, Vienna (AT)	100,000	EUR	10.7%	OT
SUPRIA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
SWO Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	50.0%	FI
Syrena Immobilien Holding AG, Spittal an der Drau (AT)	22,600,370	EUR	21.0%	OT
The Zagreb Stock Exchange joint stock company, Zagreb (HR)	46,357,000	HRK	2.9%	OT
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck (AT)	42,000	EUR	8.3%	FI
Tiroler Landesprojekte Grundverwertungs GmbH in Liqu., Innsbruck (AT)	39,000	EUR	33.3%	FI
TKL II. Grundverwertungsgesellschaft m.b.H., Innsbruck (AT)	39,000	EUR	8.3%	FI
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck (AT)	39,000	EUR	33.3%	FI
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck (AT)	39,000	EUR	33.3%	FI
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck (AT)	39,000	EUR	33.3%	FI
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck (AT)	39,000	EUR	24.5%	FI
Top Vorsorge-Management GmbH, Vienna (AT)	35,000	EUR	25.0%	OT
TRABITUS Grundstücksvermietungs Gesellschaft m.b.H., Vienna (AT)	36,360	EUR	25.0%	FI
UNDA Grundstücksvermietungs Gesellschaft m.b.H., St Pölten (AT)	36,360	EUR	25.0%	FI
UNIQA Raiffeisen Software Service Kft., Budapest (HU)	19,900,000	HUF	1.0%	OT
VALET-Grundstücksverwaltungs Gesellschaft m.b.H., St Pölten (AT)	36,360	EUR	24.5%	FI
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH, Vienna (AT)	36,336	EUR	17.0%	OT
Viminal Grundstückverwaltungs Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	25.0%	FI
Visa Inc., San Francisco (US)	192,964	USD	0.0%	BR

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Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H., Dornbirn (AT)	42,000	EUR	33.3%	FI
W 3 Errichtungs- und Betriebs-Aktiengesellschaft, Vienna (AT)	800,000	EUR	20.0%	OT
Zhytomyr Commodity Agroindustrial Exchange, Zhitomir (UA)	476,515	UAH	3.1%	OT
Ziloti Holding S.A., Luxembourg (LU)	48,963	EUR	0.9%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Regulatory information

(70) 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 has instructed 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 the capital situation, for example. The most recent official notification from the ECB specifies that the Pillar 2 requirement must be adhered to at the level of RBI (consolidated) and the level of RBI AG (unconsolidated). 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 of 31 December 2018, the CET1 ratio requirement (including the combined buffer requirement) was 9.9 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 may in principle 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 both systemic risk buffers and add-ons for systemic banks are determined for an institution, only the higher of the two values is applicable. In September 2015, the Financial Market Stability Board (FMSB) responsible for this in Austria recommended to the Austrian financial supervisor – the FMA – that it required certain banks, including RBI, to adhere to a systemic risk buffer (SRB). The FMA consequently introduced a systematic risk buffer at the beginning of 2016 via the Capital Buffer Regulation (including subsequent amendments). The SRB for RBI was set at 0.25 per cent in 2016, was raised to 0.50 per cent as of 1 January 2017, and will increase progressively to 2 per cent by 2019.

Establishment of a countercyclical buffer is the responsibility of the national supervisors. The buffer established for RBI resulted in a weighted average at the level of the RBI Group in order to curb excessive lending growth. The buffer was set at 0 per cent for the present time due to restrained lending growth and the stable macroeconomic environment in Austria. 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 on an ongoing basis, included in scenario calculations, and analyzed by Group Regulatory Affairs. Potential effects are taken into account in planning and governance, insofar as their scope 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) issued by the European Banking Authority (EBA).

As at 31 December 2018, RBI's common equity tier 1 capital (CET1) after deductions amounted to € 9,702,017 thousand, representing a € 435,616 thousand increase compared to the 2017 year-end figure. A significant factor behind the improvement was the inclusion of earned income in regulatory capital. CET1 was negatively impacted through the implementation of the new IFRS 9 accounting standard on 1 January 2018, foreign exchange effects, and other deduction effects. Tier 1 capital after deductions increased € 1,088,848 thousand to € 10,927,869 thousand, particularly as a result of the placement of € 500,000 thousand of perpetual additional tier 1 capital in January 2018 and changes in CET1. In contrast, tier 2 capital declined € 689,918 thousand to € 2,362,918 thousand due to early repayments and matured capital instruments. RBI's total capital amounted to

€ 13,290,788 thousand, representing an increase of € 398,930 thousand compared to the 2017 year-end figure.

Risk-weighted assets (total RWA) increased € 769,571 thousand to € 72,671,743 thousand as at 31 December 2018. The increase was primarily due to growth in new and existing business at Group Corporates & Markets and in Russia, Romania, the Czech Republic (due among other things to reversal of a securitization position), and Slovakia. The sale of the Polish core banking operations had the opposite effect, reducing RWA by € 4,941,237 thousand.

The common equity tier 1 ratio (fully loaded) improved 0.6 percentage points to 13.4 per cent, with the sale of the Polish core banking operations accounted for 0.9 percentage points. The common equity tier 1 ratio (fully loaded) improved 1.3 percentage points to 14.9 per cent, and the total capital ratio (fully loaded) was up 0.3 percentage points to 18.2 per cent.

in € thousand	2018	2017
Paid-in capital	5,974,080	5,993,858
Earned capital	4,033,691	3,539,904
Non-controlling interests	428,618	421,071
Common equity tier 1 (before deductions)	**10,436,390**	**9,954,833**
Deduction intangible fixed assets/goodwill	(699,431)	(583,611)
Deduction provision shortage for IRB positions	0	(61,055)
Deduction securitizations	(14,809)	(36,672)
Deduction loss carry forwards	(20,133)	(7,093)
Common equity tier 1 (after deductions)	**9,702,017**	**9,266,401**
Additional tier 1	1,220,634	716,279
Non-controlling interests	5,219	9,877
Deduction intangible fixed assets/goodwill	0	(145,903)
Deduction provision shortage for IRB positions	0	(7,632)
Tier 1	**10,927,869**	**9,839,021**
Long-term subordinated capital	2,087,390	2,841,500
Non-controlling interests	40,840	27,307
Provision excess of internal rating approach positions	234,688	184,030
Tier 2 (after deductions)	**2,362,918**	**3,052,837**
Total capital	**13,290,788**	**12,891,858**
Total capital requirement	**5,813,739**	**5,752,174**
Common equity tier 1 ratio (transitional)	13.4%	12.9%
Common equity tier 1 ratio (fully loaded)	13.4%	12.7%
Tier 1 ratio (transitional)	15.0%	13.7%
Tier 1 ratio (fully loaded)	14.9%	13.6%
Total capital ratio (transitional)	18.3%	17.9%
Total capital ratio (fully loaded)	18.2%	17.8%

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

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

No direct transitional provisions have been used for RBI since the 31 December 2018 reporting date, for which reason they do not impact the common equity tier 1 ratio. Only the tier 1 ratio and the total capital ratio are affected due to capital instruments (in additional tier 1 capital) that are no longer eligible.

Total capital requirement and risk-weighted assets

in € thousand	2018	2017
Total capital requirement for credit risk	4,894,582	4,811,850
Internal rating approach	3,059,999	2,555,486
Standardized approach	1,817,492	2,236,010
CVA risk	17,090	20,354
Basel I floor	0	0
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	303,245	276,117
Total capital requirement for operational risk	615,913	664,207
Total capital requirement	**5,813,739**	**5,752,174**
Risk-weighted assets (total RWA)	**72,671,743**	**71,902,171**

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

in € thousand	2018	2017
Risk-weighted assets according to standardized approach	**22,718,655**	**27,950,121**
Central governments and central banks	540,815	1,105,473
Regional governments	98,128	102,934
Public administration and non-profit organizations	31,289	44,208
Multilateral development banks	0	0
Banks	171,035	309,058
Corporate customers	7,030,811	9,456,267
Retail customers	10,503,972	12,149,466
Equity exposures	1,822,812	2,037,548
Covered bonds	13,274	14,981
Mutual funds	52,635	37,704
Securitization position	240	3,846
Other positions	2,453,643	2,688,637
Risk-weighted assets according to internal rating approach	**38,249,992**	**31,943,576**
Central governments and central banks	2,186,652	1,018,927
Banks	1,424,099	1,163,634
Corporate customers	27,875,849	24,025,988
Retail customers	5,970,514	5,323,613
Equity exposures	373,916	178,028
Securitization position	418,963	233,385
CVA risk	**213,627**	**254,423**
Basel I floor	**0**	**0**
Risk-weighted assets (credit risk)	**61,182,274**	**60,148,120**
Total capital requirement (credit risk)	**4,894,582**	**4,811,850**

Leverage ratio

The leverage ratio is defined in Part 7 of the CRR. As at 31 December 2018, the leverage ratio was not yet a mandatory quantitative requirement and is therefore only used for informational purposes:

in € thousand	2018	2017
Leverage exposure	163,077,123	160,828,421
Tier 1	10,927,869	9,839,021
Leverage ratio (transitional)	**6.70%**	**6.12%**
Leverage ratio (fully loaded)	6.65%	6.08%

The following table provides an overview of the calculation methods that are applied to determine total capital requirements in the subsidiaries:

Unit	Credit risk Non-Retail	Retail	Market risk	Operational risk
Raiffeisen Bank International AG, Vienna (AT)	IRB	STA	Internal model	AMA
Raiffeisenbank a.s., Prague (CZ)	IRB	IRB	STA	STA
Raiffeisen Bank Zrt., Budapest (HU)	IRB	IRB	STA	STA
Tatra banka a.s., Bratislava (SK)	IRB	IRB	STA	AMA
Raiffeisen Bank S.A., Bucharest (RO)	IRB	IRB	STA	AMA
Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo (BA)	IRB	IRB	STA	STA
Raiffeisenbank Austria d.d., Zagreb (HR)	IRB	STA	STA	STA
Raiffeisen Banka a.d., Novi Beograd (RS)	IRB	IRB	STA	STA
Raiffeisenbank Russland d.d., Moscow (RU)	IRB	STA	STA	AMA
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	IRB	IRB	STA	AMA
Raiffeisen Centrobank AG, Vienna (AT)	STA	n.a.	STA	AMA
Kathrein Privatbank Aktiengesellschaft, Vienna (AT)	STA	STA	n.a.	AMA
All other units	STA	STA	STA	STA

IRB: internal ratings-based approach
Internal model for risk of open currency positions and general interest rate risk in the trading book
STA: standardized approach
AMA: advanced measurement approach

Recognition and measurement principles

Classification and measurement of financial assets and financial liabilities

According to IFRS 9, all financial assets, financial liabilities and derivative financial instruments are to be recognized in the statement of financial position. A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. On initial recognition, financial instruments are to be measured at fair value, which generally corresponds to the transaction price at the time of acquisition or issue. According to IFRS 13, the fair value is defined as the exit price. This is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For subsequent measurement, financial instruments are recognized in the statement of financial position according to the respective measurement category pursuant to IFRS 9, either at (amortized) cost or at fair value.

IFRS 9 contains a classification and measurement approach which is firstly based on the business model under which the assets are managed, and secondly on the cash flow characteristics of the assets. For RBI, this results in five classification categories for financial assets:

- Financial assets measured at amortized cost (AC)
- Financial assets measured at fair value through other comprehensive income (FVOCI)
- Financial assets mandatorily measured at fair value through profit or loss (FVTPL)
- Financial assets designated fair value through profit or loss (FVTPL) and
- Financial assets held for trading (HFT)

In RBI, a financial asset is measured at amortized cost if the objective is to hold the asset to collect the contractual cash flows and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An asset is subsequently measured at fair value through other comprehensive income (FVOCI) if it is held within a business model whose objective is both collecting contractual cash flows and selling financial assets. In addition, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, RBI may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This decision is made on an investment-by-investment basis for each investment and essentially covers strategic interests that are not fully consolidated.

All other financial assets – i.e. financial assets that do not meet the criteria for classification as subsequently measured at either amortized cost or FVOCI – are classified as subsequently measured at fair value, with changes in fair value recognized in profit or loss. In addition, RBI has the option at initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency – i.e. an accounting mismatch – that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases.

A financial asset is classified into one of these categories on initial recognition.

The recognition of financial liabilities is largely in accordance with the rules of IAS 39, with the exception that changes in the fair value of liabilities measured at fair value which are caused by changes in RBI's own default risk are to be booked in other comprehensive income.

In accordance with IFRS 9, embedded derivatives are not separated from the host contract of a financial asset. Instead, financial assets are classified in accordance with the business model and their contractual characteristics as explained in the chapter business model assessment and in the chapter analysis of contractual cash flow characteristics. The recognition of derivatives which are embedded in financial liabilities and in non-financial host contracts has not changed in IFRS 9.

Business model assessment

RBI makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The following factors are considered as evidence when assessing which business model is relevant:

- How the performance of the business model (and the financial assets held within that business model) are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed
- How managers of the business are compensated – e.g. whether the compensation is based on the fair value of the assets managed or the contractual cash flows collected
- The frequency, value and timing of sales in prior periods, the reasons for such sales, and expectations about future sales activity and
- Whether sales activity and the collection of contractual cash flows are each integral or incidental to the business model (hold-to-collect versus hold and sell business model).

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL.

A business model's objective can be to hold financial assets to collect contractual cash flows even when some sales of financial assets have occurred or are expected to occur. For RBI the following sales may be consistent with the hold-to collect business model:

- The sales are due to an increase in the credit risk of a financial asset.
- The sales are infrequent (even if significant), or are insignificant individually and in aggregate (even if frequent).
- The sales take place close to the maturity of the financial asset and the proceeds from the sales approximate the collection of the remaining contractual cash flows.

For RBI, the sale of more than 10 per cent of the portfolio (carrying amount) during a rolling three-year period will potentially be considered more than infrequent unless these sales are immaterial as a whole.

Analysis of contractual cash flow characteristics

Once RBI determines that the business model of a specific portfolio is to hold the financial assets to collect the contractual cash flows (or to both collect contractual cash flows and sell financial assets), it must then assess whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For this purpose, interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. This assessment will be carried out on an instrument-by-instrument basis on the date of initial recognition of the financial asset.

In assessing whether the contractual cash flows are solely payments of principal and interest, RBI considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it no longer meets this condition. RBI considers:

- Prepayment or extension terms
- Leverage agreements
- Claim is limited to specified assets or cash flows
- Contractually linked instruments

In 2018 the IASB issued an IFRS 9 amendment regarding prepayment regulations with negative compensation. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortized cost measurement, the negative compensation must be reasonable compensation for early termination of the contract. RBI does not have a significant volume of prepayment regulations with negative compensation which have to be measured mandatorily at FVTPL.

Modification of the time value of money and the benchmark test

The time value of money is the element of interest that provides consideration for only the passage of time. It does not take into account other risks (credit, liquidity etc.) or costs (administrative etc.) associated with holding a financial asset. In some cases, the time value of money element may be modified (imperfect). This would be the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate. In this case units must assess the modification as to whether the contractual cash flows still represent solely payments of principal and interest, i.e. the modification term does not significantly alter the cash flows from a perfect benchmark instrument. This assessment is not an accounting policy choice and cannot be avoided simply by concluding that an instrument, in the absence of such an assessment, will be measured at fair value.

A benchmark test is applied for the following main contractual features that can potentially modify the time value of money:

- Reset rate frequency does not match interest tenor
- Lagging indicator
- Smoothing clause
- Grace period
- Secondary market yield reference

Financial assets and financial liabilities

Financial assets – amortized cost

In RBI, a financial asset is measured at amortized cost (AC) if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These conditions are explained in more detail in the chapters business model assessment, analysis of contractual cash flow characteristics, and modification of the time value of money and the benchmark test.

Loans and advances to customers and banks in particular are assigned to this category. Loans and advances relating to finance lease business, which are recognized in accordance with IAS 17, and securities which meet the above conditions, are also shown in this measurement category.

They are measured at amortized cost. If there is a difference between the amount paid and face value – and this has an interest character – the effective interest method is used and the amount is stated under net interest income. Interest income is calculated on the basis of the gross carrying amount provided the financial asset is not impaired. As soon as the financial asset is impaired, interest income is calculated based on the net carrying amount. The amortized cost is also adjusted by the expected loss recognized, using the expected loss approach in accordance with IFRS 9, as outlined in the chapter impairment general (IFRS 9).

Financial assets – mandatorily at fair value through profit/loss

In RBI, a financial asset is mandatorily measured at fair value if the financial asset is managed neither at amortized cost nor at fair value through other comprehensive income, and if there is no intention to trade and the asset was not voluntarily designated at fair value. Essentially, this concerns securities and loans which do not pass the contractual cash flow characteristics analysis and portfolios of financial assets which are not held for trading, which are managed at fair value and whose performance is assessed.

Financial assets – fair value through other comprehensive income

In RBI, a debt instrument is measured at fair value through other comprehensive income if both of the following conditions are met:

- A financial asset is classified as subsequently measured at fair value through other comprehensive income (FVOCI) if it is held within a business model whose objective is both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Securities for the purpose of liquidity management are in particular assigned to this category.

Recognition is at fair value. Interest income, foreign exchange gains and losses from remeasurements and impairment expenses and write-ups are recorded in the income statement and calculated in the same way as financial assets measured at amortized cost. The remaining fair value changes are recorded in other comprehensive income. On derecognition, the cumulative net gains or losses from the fair value changes which are recorded in other comprehensive income are reclassified to the income statement. In addition, the debt instruments in the category FVOCI are subject to the same impairment model (see chapter impairment general (IFRS 9)) as financial assets measured at amortized cost. The difference between the fair value and amortized cost is shown in other comprehensive income until the asset is derecognized.

In RBI, an equity instrument is shown at fair value through other comprehensive income if RBI irrevocably decides to present subsequent changes in fair value in other comprehensive income (OCI). This decision is made on an investment-by-investment basis for each investment and essentially covers strategic interests that are not fully consolidated. In contrast to debt instruments, the gains and losses recorded in other comprehensive income (OCI) are not reclassified to the income statement on sale and no impairments are recorded through profit or loss.

Financial assets and financial liabilities – held for trading

Financial assets and liabilities – held for trading are acquired or incurred principally for the purpose of generating profit from short-term fluctuations in market prices. Securities and derivative financial instruments held-for-trading are recognized at their fair values. If securities are listed, the fair value is based on stock exchange prices. Where such prices are not available, internal prices based on present value calculations for originated financial instruments and futures or option pricing models for options are applied. Present value calculations are based on an interest rate curve which consists of money market rates, future rates and swap rates. Option price formulas Black-Scholes 1972, Black 1976 or Garman-Kohlhagen are applied depending on the kind of option. The measurement for complex options is based on a binominal tree model and Monte Carlo simulations.

Positive fair values (dirty price) are shown under financial assets – held for trading. Negative fair values are shown under financial liabilities – held for trading. Changes in fair value are shown in net trading income. Derivatives held for hedging purposes pursuant to IAS 39 are shown in the statement of financial position under the item hedge accounting. In addition, any liabilities from the short-selling of securities are shown in financial liabilities – held for trading.

Capital-guaranteed products (guarantee funds and pension plans) are shown as sold put options on the respective funds to be guaranteed, in accordance with statutory requirements. The valuation is based on a Monte Carlo simulation. The Group has provided capital guarantee obligations as part of the government-funded state-sponsored pension plans according to Section 108h (1) item 3 EStG (Austrian Income Tax Act). The bank guarantees that the retirement annuity, available for the payment amount, is not less than the sum of the amounts paid by the taxpayer plus credits for such taxable premiums within the meaning of Section 108g EStG.

Interest income is shown in net interest income, valuation results and proceeds from disposals are shown in net trading income and fair value result.

Financial assets and financial liabilities – designated fair value through profit/loss

This category comprises mainly all those financial assets that are irrevocably designated as financial instruments at fair value (so-called fair value option) upon initial recognition in the statement of financial position. An entity may use this designation only when doing so eliminates or significantly reduces incongruities in measurement or recognition. These arise if the measurement of financial assets or liabilities or the recognition of resulting gains or losses has a different basis. Financial liabilities are also designated as financial instruments at fair value, to avoid valuation discrepancies with related derivatives. The fair value of financial obligations under the fair value option in this category reflects all market risk factors, including those related to the credit risk of the issuer.

For financial liabilities designated at fair value through profit or loss, changes in fair value attributable to a change in own credit risk is not reported in the income statement but in other comprehensive income.

In 2018, as in 2017, observable market prices were used for the valuation of liabilities of subordinated issues measured at fair value. The financial liabilities are mostly structured bonds. The fair value of these financial liabilities is calculated by discounting the contractual cash flows with a credit-risk-adjusted yield curve, which reflects the level at which the Group could issue similar financial instruments at the reporting date. The market risk parameters are evaluated according to similar financial instruments that are held as financial assets. Valuation results for liabilities that are designated as a financial instrument at fair value are recognized in income from derivatives and liabilities.

In accordance with IFRS 9, these financial instruments are measured at fair value. Interest income is shown in net interest income; valuation results and proceeds from disposals are shown in net trading income and fair value result.

Financial liabilities – amortized cost

Liabilities are predominantly recognized at amortized cost. In addition to interest expense, if there are differences between the amount paid and face value, the effective interest method is used and amounts are shown in net interest income. This category mainly includes customer deposits and securities issues for refinancing purposes.

Relationships between assets/liabilities, measurement criteria and category pursuant to IFRS 9

	Measurement			
Assets/liabilities	Fair value	Amortized cost	Other	Category according to IFRS 9
Asset classes				
Cash, cash balances at central banks and other demand deposits			Nominal value	n/a
Financial assets - amortized cost		X		AC
hereof loans from finance lease		X		AC
Financial assets - fair value through other comprehensive income	X			FVOCI
Non-trading financial assets - mandatorily fair value through profit/loss	X			FVTPL
Financial assets - designated fair value through profit/loss	X			FVTPL
Financial assets - held for trading	X			FVTPL
Hedge accounting	X			n/a
Liability classes				
Financial liabilities - amortized cost		X		AC
hereof liabilities from finance lease		X		
Financial liabilities - designated fair value through profit/loss	X			FVTPL
Financial liabilities - held for trading	X			FVTPL
Hedge accounting	X			FVTPL

AC: Amortized Cost
FVOCI: Fair Value Through Other Comprehensive Income
FVTPL: Fair Value Through Profit/Loss

Amortized cost

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and allocating interest expenses and interest income to the relevant periods. The effective interest rate is the interest rate used to discount the forecast future cash inflows and outflows (including all fees which form part of the effective interest rate, transaction costs and other premiums and discounts) over the expected term of the financial instrument or a shorter period, where applicable, to arrive at the net carrying amount from initial recognition.

Fair value

The fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability, in an orderly business transaction between market participants on the measurement reference date. This applies irrespective of whether the price is directly observable or has been estimated using a valuation method. In accordance with IFRS 13, RBI uses the following hierarchy to determine and report the fair value for financial instruments.

Quotation on an active market (Level I)

If market prices are available, the fair value is reflected best by the market price. This category contains equity instruments traded on the stock exchange, debt instruments traded on the interbank market, and derivatives traded on the stock exchange. The valuation is mainly based on external data sources (stock exchange prices or broker quotes in liquid market segments). In an active market, transactions involving financial assets and liabilities are traded in sufficient frequency and volumes, so that price information is continuously available. Indicators for active markets are the number, the frequency of update or the quality of quotations (e.g. banks or stock exchanges). Moreover, narrow bid/ask spreads and quotations from market participants within a certain corridor are also indicators of an active liquid market.

Measurement techniques based on observable market data (Level II)

When quoted prices for financial instruments are unavailable, the prices of similar financial instruments are used to determine the current fair value or accepted measurement methods utilizing observable prices or parameters (in particular present value calculations or option price models) are employed. These methods concern the majority of the OTC-derivatives and non-quoted debt instruments.

Measurement techniques not based on observable market data (Level III)

If no sufficient current verifiable market data is available for the measurement with measurement models, parameters which are not observable in the market are also used. These input parameters may include data which is calculated in terms of approximated values from historical data among other factors (fair value hierarchy level III). The utilization of these models requires assumptions and estimates of the Management. The scope of the assumptions and estimates depends on the price transparency of the financial instrument, its market and the complexity of the instrument.

For financial instruments valued at amortized cost (this comprises loans and advances, deposits, other short-term borrowings and long-term liabilities), the Group publishes the fair value. In principle, there is low or no trading activity for these instruments, therefore a significant degree of assessment by the Management is necessary for determining the fair value.

Further information on measurement methods and quantitative information for determination of fair value is shown in the notes under (31) Fair value of financial instruments.

Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows arising from a financial asset have expired, when the Group has transferred the rights to the cash flows, or if the Group has the obligation, in case that certain criteria occur, to transfer the cash flows to one or more receivers. A transferred asset is also derecognized if all material risks and rewards of ownership of the assets are transferred. The Group has in place a write-off policy based on the principle that the bank being the creditor of loans does not expect any recovery/payment either on the entire exposure (full write-off) or on a part of the exposure (partial write-off). Furthermore the loans have to be either fully impaired in amount of the entire exposure or, in case of collateralized loans, they are impaired in the extent not being collateralized. Further information on write-offs is provided in (35) Expected loan defaults.

Modification of financial assets

In RBI, a financial asset is derecognized on account of a modification if the underlying contract is modified substantially. Terms are substantially different if the discounted present value of the cash flows under the new terms using the original effective interest rate differs by at least 10 per cent from the discounted present value of the remaining cash flows of the original financial asset (present value test). In addition to the present value test further quantitative and qualitative criteria are considered in order to assess whether a substantial modification applies. These criteria consider the extension of the average remaining term (whereby in the case of Stage 3 loans which are restructured, this is often done to match the maximum expected payments). If this is the case then additional judgement is required to determine whether the extension is a new instrument in economic terms. RBI has defined qualitative criteria for a significant change in the terms of the contract as a change in the underlying currency and also the introduction of clauses that would normally cause the contractual cash flow criteria according to IFRS 9 to fail, or a change in the type of instrument (e.g. a bond is converted to a loan).

Securitization transactions

RBI securitizes various financial assets from transactions with retail and commercial customers by placing risks from these financial assets and transferring them to special purpose vehicles (SPV) or structured entities (SE) that issue securities to investors. The assets transferred may be derecognized fully or partly, or be reflected in the form of a transfer of risks in the existence of portfolio guarantees received. Rights to securitized financial assets can be retained in the form of senior or subordinated tranches, interest claims or other residual claims (retained rights).

Derecognition of financial liabilities

The Group derecognizes a financial liability if the obligations of the Group have been paid, expired or revoked. The income or expense from the repurchase of own liabilities is shown in the notes under (6) Other net operating income. The repurchase of own bonds also falls under derecognition of financial liabilities. Differences on repurchase between the carrying value of the liability (including premiums and discounts) and the purchase price are reported in the income statement in other net operating income.

Reclassification of financial assets

Reclassification is only possible for financial assets, not for financial liabilities, In RBI a change in the measurement category is only possible if there is a change in the business model used to manage a financial asset. Reclassification is then mandatory in such cases. Such changes must be determined by the Management Board and be significant for corporate activities. If such reclassification is necessary, this must be effected prospectively from the date of reclassification and approved by the RBI Management Board.

Derivatives

Within the operating activity, the Group carries out different transactions with derivative financial instruments for trading and hedging purposes. The Group uses derivatives including swaps, standardized forward contracts, futures, credit derivatives, options and similar contracts. The Group uses derivatives in order to meet client requirements concerning their risk management, to manage and hedge risks and to generate profit in proprietary trading. Derivatives are initially recognized at the time of the transaction at fair value and subsequently revalued to fair value. The resulting valuation gain or loss is recognized immediately in net trading income and fair value result, unless the derivative is designated as a hedging instrument for hedge accounting purposes and the hedge is effective. Here the timing of the recognition of the gain or loss on the hedging instrument depends on the type of hedging relationship.

Derivatives which are used for hedging against market risk (excluding trading assets/liabilities) for a non-homogeneous portfolio do not meet the conditions for IAS 39 hedge accounting. These are recognized as follows: the dirty price is booked under the item financial assets – held for trading or financial liabilities – held for trading in the statement of financial position. The change in value of these derivatives, on the basis of the clean price, is shown in net trading income and fair value result and interest is shown in net interest income.

Credit derivatives, the value of which is dependent on future specified credit (non-)events are shown at fair value under the item financial assets – held for trading or financial liabilities – held for trading. Changes in valuation are recognized under net trading income and fair value result.

Additional information on derivatives is provided in the notes under (46) Derivative financial instruments.

Offsetting of financial instruments

Where the borrower and lender are the same, offsetting of loans and liabilities with matching maturities and currencies occurs only if a legal right, by contract or otherwise, exists and offsetting is in line with the actually expected course of the business. Information on offsetting of financial instruments is provided in the notes under (40) Offsetting financial assets and liabilities.

Hedge accounting

IFRS 9 grants accounting options for hedge accounting. In 2018 RBI continues to apply the provisions on hedge accounting pursuant to IAS 39 while, however, taking into account the changes in the disclosures in the notes pursuant to IFRS 7. The changes in the disclosures are shown in the notes (47) Hedge accounting additional information.

If derivatives are held for the purpose of risk management and if the respective transactions meet specific criteria, the Group uses hedge accounting. The Group designates certain hedging instruments as fair value hedges, cash flow hedges or capital hedges. Most of these are derivatives. At the beginning of the hedging relationship, the relationship between underlying and hedging instrument, including the risk management objectives, is documented. Furthermore, it is necessary to regularly document from the beginning and during the lifetime of the hedging relationship that the fair value or cash flow hedge is highly effective.

Fair value hedge

Hedge accounting according to IAS 39 applies to those derivatives that are used to hedge the fair values of financial assets and liabilities. The credit business is especially subject to such fair value risks if it deals with fixed-interest loans. Interest rate swaps that satisfy the prerequisites for hedge accounting are contracted to hedge against the interest-rate risks arising from individual loans or refinancing. Thus, hedges are formally documented, continuously assessed, and tested to be highly effective. Throughout the term of a hedge it can therefore be assumed that changes in the fair value of a hedged item will be nearly completely offset by a change in the fair value of the hedging instrument and that the actual effectiveness outcome will lie within a band of 80 to 125 per cent.

Derivative instruments held to hedge the fair values of individual items in the statement of financial position (except trading derivatives) are recognized at their fair values (dirty prices) under the item hedge accounting (for assets: positive dirty prices; for liabilities: negative dirty prices). Changes in the carrying amounts of hedged items (assets or liabilities) are allocated directly to the corresponding items of the statement of financial position and reported separately in the notes.

Both the effect of changes in the carrying values of positions requiring hedging and the effects of changes in the clean prices of the derivative instruments are recorded under net income from hedge accounting.

Within the management of interest rate risks, the hedging of interest rate risk is also undertaken on the portfolio level. Individual transactions or groups of transactions with similar risk structures, divided into maturities according to the expected repayment and interest rate adjustment date in a portfolio, are hedged. Portfolios can contain assets only, liabilities only, or both. For hedge accounting, the change in the value of the hedged asset or liability is shown in net income from hedge accounting. The hedged amount of the hedged items is determined in the consolidated financial statements including sight deposits (the rules of the EU carve-out are therefore applied).

Cash flow hedge

Cash flow hedge accounting according to IAS 39 applies for those derivatives that are used to hedge against the risk of fluctuating future cash flows. Variable-interest loans and liabilities, as well as expected transactions such as expected borrowing or investment, are especially subject to such cash flow risks. Interest rate swaps used to hedge against the risk of fluctuating cash flows arising from specific variable interest-rate items are recognized as follows: The hedging instrument is recognized at fair value, changes in its clean price are recorded in other comprehensive income. Any ineffective portion is recognized in the income statement in net gains/losses from hedge accounting.

Hedge of a net investment in an economically independent operation (capital hedge)

In the Group, foreign exchange hedges of investments in economically independent sub-units are executed in order to reduce differences arising from the foreign currency translation of equity components. Currency swaps are mainly used as hedging instruments. Where the hedge is effective the resulting gains or losses from foreign currency translation are recognized in other comprehensive income and shown separately in the statement of comprehensive income. Any ineffective part of the hedge is recognized in net trading income. The related interest components are shown in net interest income.

Financial guarantees

According to IFRS 9, a financial guarantee is a contract under which the guarantor is obliged to make certain payments. These payments compensate the party to whom the guarantee is issued for losses arising in the event that a particular debtor does not fulfill payment obligations on time as stipulated in the original terms of a debt instrument. At the date of recognition of a financial guarantee, the initial fair value corresponds under market conditions to the premium at the date of signature of the contract. In contrast to the presentation of impairments of financial assets, expected loan defaults are shown as a provision on the liabilities side.

Contingent liabilities and commitments

This item mainly includes contingent liabilities from guarantees, credit guarantees, letters of credit and loan commitments recognized at face value. Guarantees are used in situations in which the Group guarantees payment to the creditor of a third party to fulfill the obligation of the third party. Irrevocable credit lines must be reported when a credit risk may occur. These include commitments to provide loans, to purchase securities or to provide guarantees and acceptances. Loan loss provisions for contingent liabilities and irrevocable loan commitments are reported under provisions for liabilities and charges. Often, loan commitments are only partially drawn and thus comprise a drawn and an undrawn commitment. If it is not possible to separately identify the expected credit losses applicable to a drawn commitment and those to an undrawn commitment, these are shown together with the impairments for the financial asset, in accordance with IFRS 7. The total expected credit losses are shown as a provision if they exceed the gross carrying amount of the financial asset.

Impairment general (IFRS 9)

This section provides an overview of those aspects of the rules on impairment that involve a higher degree of judgement or complexity and major sources of estimation uncertainty and that resulted in a material adjustment in the financial year. Quantitative information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

Overview

As outlined in the chapter application of new and revised standards, the application of IFRS 9 has fundamentally changed the way in which RBI reports impairment losses on loans and advances. From 1 January 2018, impairment losses for all debt instruments which are not measured at fair value and for loan commitments and financial guarantees (hereinafter referred to in this section as financial instruments) are recorded in the amount of the expected credit loss. Equity instruments are not subject to the impairment rules of IFRS 9.

If the credit risk for financial instruments has significantly increased since initial recognition, then on each reporting date, the impairment for a financial instrument must be measured in the amount of the expected credit losses over the (remaining) term. If the credit risk for financial instruments has not significantly increased since initial recognition, then on each reporting date, the impairment for a financial instrument must be measured in the amount of the present value of an expected twelve-month loss. The expected twelve-month loss is that portion of the credit losses expected over the lifetime which correspond to the expected credit losses from default events possible for a financial instrument within the twelve months following the reporting date.

RBI has introduced recognition and measurement methods in order to be able to assess at the end of every reporting period whether or not the credit risk for a financial instrument has significantly increased since initial recognition. Based on the method outlined above, RBI classifies its financial instruments into Stage 1, Stage 2, Stage 3 and POCI as follows:

- Stage1 essentially includes all financial instruments whose credit default risk has not significantly increased since their initial recognition. Stage 1 also includes all transactions which show a low credit risk on the reporting date, where RBI has utilized the option available under IFRS 9 to waive the assessment of a significant increase in credit risk. A low credit risk exists for all financial instruments whose internal credit rating on the reporting date is within the investment grade range (at least corresponds to Standard & Poor's BBB-, Moody's Baa3 or Fitch BBB-). On initial recognition of loans, the bank records an impairment in the amount of the expected twelve-month loss. Stage 1 also includes loans where the credit risk has improved and which have thus been reclassified from Stage 2.
- Stage 2 includes those financial instruments whose credit risk has significantly increased since their initial recognition and which, as at the reporting date, are not classified as transactions with limited credit risk. Impairments in Stage 2 are recognized in the amount of the financial instrument's lifetime expected credit loss. Stage 2 also includes loans where the credit risk has improved and which have thus been reclassified from Stage 3.
- Stage 3 includes financial instruments which are classified as impaired as at the reporting date. RBI's criterion for this classification is the definition of a default in accordance with Article 178 CRR. The expected credit loss over the entire remaining lifetime of the financial instrument is also to be used as the basis for recognizing impairment of Stage 3 loans in default.
- POCI: Purchased or originated credit-impaired assets are financial assets which were already impaired at the time of initial recognition. On initial recognition, the asset is recorded at fair value without any impairment, using an effective interest rate that is adjusted for creditworthiness. The impairment recognized in subsequent periods equals the cumulative change in the lifetime expected credit loss of the financial instrument since the initial recognition in the statement of financial position. This remains the basis for measurement, even if the value of the financial instrument has risen.

The recognition and measurement principles for calculating expected credit losses are set out in the notes under (35) Expected credit losses in the chapter determination of expected credit losses. The recognition and measurement principles for determining a significant increase in the credit risk are set out under (35) Expected credit losses in the chapter significant increase in the credit risk. The expected credit losses are measured on either a collective or individual basis. The requirements for collective measurement are set out under (35) Expected credit losses in the section shared credit risk characteristics.

Determination of expected credit losses

RBI calculates the expected credit loss as the probability-weighted, expected value of all payment defaults taking into account various scenarios over the expected lifetime of a financial instrument discounted with the effective interest rate that was originally determined. A payment default is the difference between the contractually agreed and actually expected payment flows.

The twelve-month loss used for the recognition of impairments in Stage 1 is the portion of the lifetime expected credit loss for the financial instrument that results from default events which are expected to occur within twelve months following the reporting date. The ECL for Stage 1 and Stage 2 as well as for insignificant financial instruments in Stage 3 is determined on an individual transaction basis taking into account statistical risk parameters. These parameters have been derived from the Basel IRB approach and modified to meet the requirements of IFRS 9. The most important input parameters used by RBI for determining the expected credit losses are as follows:

- PD: In RBI, the probability of default is the probability of a borrower being unable to fulfill its payment obligations either within the next twelve months or in the entire remaining lifetime of the instrument.
- Exposure at default (EAD): The exposure at default is the amount which RBI expects to be owed at the time of default, over the next twelve months or over the entire lifetime.
- Loss given default (LGD): The loss given default represents RBI's expectation of the extent of loss on a defaulted exposure.

All risk parameters used from the bank's internal models are adjusted to meet the specific requirements of IFRS 9, and the forecast horizon has been extended accordingly to cover the entire term of the financial instruments. For example, the forecast for the development of the exposure over the entire term of the financial instrument therefore also includes, in particular, contractual and statutory termination rights.

Further details on determining expected credit losses are provided in (35) Expected credit losses.

Forward-looking information

As a rule, the risk parameters specific to IFRS 9 are estimated not only on historical default information but also, in particular, on the current economic environment (point-in-time perspective) and forward-looking information. This assessment primarily involves regularly reviewing the effects which the bank's macroeconomic forecasts will have regarding the amount of the ECL, and including these effects in the determination of the ECL. A baseline scenario is used for this purpose which relies on the respective applicable consensus (forecasts of Raiffeisen Research on significant macroeconomic factors, such as real GDP, unemployment rate, reference interest rates and Information about the currently assumed state of the credit cycle). This baseline scenario is then supplemented with additional macroeconomic parameters that are relevant for the model. Other risks which cannot be depicted in the standard model and the related expected losses are also taken into account.

Further details on forward-looking information are provided in (35) Expected credit losses in the chapter forward-looking information.

Significant increase in the credit risk

RBI's rating systems combine into the PD all available quantitative and qualitative information relevant for forecasting the credit risk. This metric is based primarily on a statistical selection and weighting of all available indictors. In addition, the PD adjusted in accordance with IFRS 9 requirements takes into account not only historical information and the current economic environment, but also, in particular, forward-looking information such as the forecast for the development of macroeconomic conditions. As a consequence, RBI uses the PD only as a frame of reference for assessing whether the credit risk of a financial instrument has risen significantly since the date of its initial recognition. By anchoring the review of the relative transfer criterion in the robust processes and procedures of the bank's Group-wide credit-risk-management framework, the bank ensures that a significant increase in the credit risk is identified in a reliable and timely manner based on objective criteria. The review to determine whether the credit default risk as at the financial reporting date has risen significantly since the initial recognition of the respective financial instrument is performed as at the reporting date. This review compares the observed probability of default over the residual maturity of the financial instrument (Lifetime-PD) against the lifetime PD over the same period as expected on the date of recognition. Further details on forward-looking information are provided in (35) Expected credit losses in the chapter significant increase in the credit risk.

Collateral

In order to mitigate credit risks for financial assets, RBI endeavors to use collateral wherever possible. This collateral can take different forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets and credit improvements such as netting agreements. The accounting principles for collateral remain unchanged compared to IAS 39. Collateral is not recorded in RBI's statement of financial position unless it is repossessed. The fair value of collateral does, however, affect the calculation of ECLs. Generally, it is valued at least at the outset, and subject to half-yearly reviews. Some collateral such as cash or securities are assessed daily in respect of margin requirements. Further details are provided in (34) Collateral and maximum credit risk.

A special case is the classification of land and buildings from bail-out purchases within the framework of collateral realization as such real estate or other assets have been primarily acquired to avoid losses from the lending business and are generally intended to be re-sold. In a first step, RBI assesses whether or not an asset that has been taken back can be used for its own business operations. Assets that are considered useful for own business operations are transferred to the bank's tangible fixed assets at the lower of the re-procurement value or the carrying amount of the originally collateralized asset. Assets which are planned to be sold are recognized in RBI's inventories at fair value less selling costs for non-financial assets at the time of repossession, in accordance with the bank's guidelines. When realizing collateral, however, RBI does not generally take physical possession of the assets but commissions external agents to obtain funds through auctions in order to settle outstanding debts of the customer. Any excess funds are returned to customers. Due to this practice, residential real estate is not reported in RBI's statement of financial position within the context of the realization of collateral.

Genuine sale and repurchase agreements

In a genuine sale and repurchase transaction, RBI sells assets to a third party and agrees at the same time to repurchase these assets at an agreed price and time. The assets remain on RBI's statement of financial position and are measured according to the standards applied to the item in the statement of financial position under which they are shown. The securities are not derecognized since all the risks and rewards of RBI associated with the ownership of the repurchased securities are retained. Cash inflows arising from a sale and repurchase transaction are recognized in the statement of financial position as financial liabilities – amortized cost.

Under reverse repurchase agreements, assets are acquired by RBI with the obligation to sell them in the future. The purchased securities on which the financial transaction is based are not reported in RBI's statement of financial position and accordingly not measured. Cash outflows arising from reverse repurchase agreements are recorded in the statement of financial position under the item financial assets – amortized cost.

Interest expense from sale and repurchase agreements and interest income from reverse sale and repurchase agreements is accrued in a straight line over their term to maturity and shown under RBI's net interest income.

Securities lending

RBI concludes securities lending transactions with banks or customers in order to meet delivery obligations or to conduct security sale and repurchase agreements. In RBI, securities lending transactions are shown in the same way as genuine sale and repurchase agreements. This means loaned securities continue to remain in the securities portfolio and are valued according to IFRS 9. Borrowed securities are not recognized and not valued in RBI. Cash collateral provided by RBI for securities lending transactions is shown as a claim under the item financial assets – amortized cost while collateral received is shown as financial liabilities – amortized cost in the statement of financial position.

Leasing

Leases are classified according to their contractual structure as follows:

Finance leases

When nearly all the risks and rewards of a leased asset are transferred to the lessee, RBI as lessor recognizes a loan under the item financial assets – amortized cost. The loan amount is the amount of the net investment. The income from the finance lease is spread over periods in such a way as to represent a constant periodic rate of interest on the outstanding net investment in the leases. Interest income is reported under net interest income.

If RBI holds assets under a finance lease as lessee, these are shown under the relevant tangible fixed asset item, which corresponds to a lease liability. Interest expenditure is reported under net interest income.

Operating leases

An operating lease exists when the risks and rewards of ownership remain with the lessor. The leased assets are allocated to RBI under the item tangible fixed assets and depreciated in accordance with the principles applicable to the type of fixed assets. Rental income from the corresponding lease object is spread on a straight-line basis over the term of the leasing contract and reported in other net operating income. Expenses for operating leases are generally amortized on a straight-line basis over the term of the leasing contract and reported as administrative expenses.

Consolidation principles

Subsidiaries

All material subsidiaries over which RBI AG directly or indirectly has control are fully consolidated. The Group has control over an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Structured entities are entities in which the voting or similar rights are not the dominant factor for determining control, e.g. if the voting rights are solely related to administration activities and the relevant activities are governed by contractual agreements.

Similar to subsidiaries, consolidation of structured entities is necessary, if the Group has control over the entity. In the Group, the need to consolidate structured entities is reviewed as part of the securitization transaction process, where the structured entity is either formed by the Group with or without participation of third parties, or, in which the Group with or without participation of third parties enters into contractual relationships with already existing structured entities. Whether an entity should be consolidated or not is reviewed at least quarterly. All fully consolidated structured entities and interests in non-consolidated structured entities are to be found in the notes under (65) Group composition.

In order to determine when an entity has to be consolidated, a series of control factors have to be checked. These include an examination of

- the purpose and the constitution of the entity,
- the relevant activities and how they are determined,
- if the Group has the ability to determine the relevant activity through its rights,
- if the Group is exposed to risks of or has rights to variable returns,
- if the Group has the ability to use its power over the investee in order to affect the amount of variable returns.

If voting rights are relevant, the Group has control over an entity in which it directly or indirectly holds more than 50 per cent of the voting rights; except when there are indicators that another investee has the ability to determine unilaterally the relevant activities of the entity. One or more of the following points may be such an indicator:

- Another investor has control over more than half of the voting rights due to an agreement with the Group,
- Another investor has the ability to control financial policy and operational activities of the equity participation due to legal provisions or an agreement,
- Another investor has control over the equity participation due to its possibility to appoint and withdraw the majority of members of the Board or members of an equivalent governing body,
- Another investor has control over the entity due to its possibility to possess the majority of the delivered voting rights in a meeting of members of the Board or of members an equivalent governing body.

When judging control, also potential voting rights are considered as far as they are material.

The Group assesses evidence of control in cases in which it does not hold the majority of voting rights but has the ability to unilaterally govern the relevant activities of the entity. This ability may occur in cases in which the Group has the ability to control the relevant activities due to the extent and distribution of voting rights of the investees.

In principle, subsidiaries are initially integrated into the consolidated group on the date when the Group obtains control of the company and are excluded from the date on when it no longer has control of the company. The results from subsidiaries acquired or disposed of during the year are recorded in the consolidated income statement, either from the actual date of acquisition or up to the actual date of disposal. The Group reviews the adequacy of previous decisions on which companies to consolidate at least every quarter. Accordingly, any organizational changes are immediately taken into account. Apart from changes in ownership, these also include any changes to the Group's existing contractual arrangements or new contractual arrangements with a unit.

Non-controlling interests are shown in the consolidated statement of financial position as part of equity, but separately from RBI AG's equity. The profit attributable to non-controlling interests is shown separately in the consolidated income statement.

In debt consolidation, intra-group loans and liabilities are eliminated. Remaining temporary differences are recognized under the items other assets/other liabilities in the consolidated statement of financial position.

Intra-group income and expenses are also eliminated and temporary differences resulting from bank business transactions are included partly in net interest income and partly in net trading income. Other differences are shown in the item other net operating income.

Intra-group results are eliminated insofar as they have a material effect on the income statement items. Transactions between Group members are executed on an arm's length basis.

Changes in the Group's ownership interests in existing subsidiaries

If, in the case of existing control, further shares are acquired or sold without loss of control, in subsequent consolidation such transactions are recognized directly in equity. The carrying amount of the shares held by the Group and the non-controlling interests are adjusted in such a way as to reflect changes in existing shareholdings in subsidiaries. Any difference between the amount which is adjusted for the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and is assigned to the shareholders of the parent company.

If the company loses control over a subsidiary, the income/loss from disposal of group assets is shown in the income statement. This is calculated as the difference between

- the total amount of fair value of the received consideration and fair value of the shares retained and
- the carrying amount of assets (including goodwill), liabilities of the subsidiary and all non-controlling interests.

All amounts related to these subsidiaries and shown in other comprehensive income are recognized in the same way as would be the case for the sale of assets. This means the amounts are reclassified to the income statement or directly transferred to retained earnings.

Associated companies

An associated company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity in which shares are held. No control or joint management of decision making processes exists. As a rule, significant influence is assumed if the Group holds 20 to 50 per cent of the voting rights. When judging whether the Group has the ability to exert a significant influence on another entity, the existence and the effect of potential voting rights which are actually usable or convertible are taken into account. Further parameters for judging significant influence are, for example, the representation in executive committees and supervisory boards (Supervisory Board in Austrian Joint Stock companies) of the entity and material business transactions with the entity. Shares in associated companies are valued at equity and shown in the statement of financial position under the item investments in subsidiaries and associates under the sub-item investments accounted for at equity.

The acquisition cost of these investments including goodwill is determined at the time of their initial consolidation, applying by analogy the same rules as for subsidiaries (offsetting acquisition costs against proportional fair net asset value). If associated companies are material, appropriate adjustments are made to the carrying value in the accounts, in accordance with developments in the company's equity. Profit or losses of companies valued at equity are netted and recognized in the item other result under the sub-item current income from investments in subsidiaries and associates. Losses attributable to companies accounted for using the equity method are only recognized up to the level of the carrying value. Losses in excess of this amount are not recognized, since there is no obligation to offset excess losses. Further, any amounts recognized by the associate through other comprehensive income will be recognized in the other comprehensive income statement of RBI. This is especially relevant for valuation effects seen from financial assets available-for-sale.

At each reporting date, the Group reviews to what extent there is objective evidence for impairment of an equity participation in an associated company. If there is objective evidence of impairment, an impairment test is carried out, in which the recoverable value of the participation – this is higher of the usable value and the fair value less selling costs – is compared to the carrying amount. An impairment made in previous periods is reversed only if the assumptions underlying the determination of the recoverable value have been changed since recognition of the last impairment. In this case the carrying amount is written up to the higher recoverable value.

Shares in subsidiaries not included in the consolidated financial statements because of their minor significance and shares in associated companies that have not been valued at equity are included under the item investments in subsidiaries and associates and assigned to the measurement category financial assets available-for-sale. They are measured at acquisition cost.

Business combinations

The acquisition of business operations is recognized according to the acquisition method. The consideration transferred in a business combination is measured at fair value. This is calculated as the aggregate of the acquisition-date fair value of all assets transferred, liabilities assumed from former owners of the acquired business combination and equity instruments issued by the Group in exchange for control of the business combination. Transaction costs related to business combinations are recognized in the income statement when incurred.

Goodwill is measured as the excess of the aggregate of the value of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree (if any), and the net of the acquisition-date amounts of the fair values of identifiable assets acquired and the liabilities assumed. In the event that the difference is negative after further review, the resulting gain is recognized immediately in the income statement.

Non-controlling interests which confer ownership rights and grant the right to the owner to receive a proportionate share of the net assets of the entity in the event of liquidation, are measured either at fair value or at the non-controlling interest's proportionate share of net assets of the acquiree at the acquisition date. This accounting policy choice can be newly made for every business combination. Other components of non-controlling interests are measured at fair value or with measurement values derived from other standards.

If the consideration transferred includes a contingent consideration, this is measured at the acquisition-date fair value. If the contingent consideration is classified as equity, it is not re-measured on the following reporting date. Its settlement is recognized within equity. A contingent consideration classified as assets or liabilities is measured on the following reporting dates at fair value and a resulting profit or loss is recognized in the income statement.

Adjustments to the measurement or additional recognition of further assets and liabilities in order to reflect information about facts and circumstances which already existed at the time of acquisition are corrected retrospectively within the measurement period and posted accordingly against goodwill. The measurement period may not exceed one year from the date of acquisition.

Cash, cash balances at central banks and other demand deposits

This item on the statement of financial position includes cash in hand, balances at central banks that are due on call, and demand deposits at banks that are due on call.

Equity participations

Shareholdings in subsidiaries not included in the consolidated financial statements because of their minor significance, and shareholdings in associated companies that are not valued at equity are shown in investments in subsidiaries and associates under the sub-item investments in affiliated companies.

Intangible fixed assets

Acquired intangible fixed assets

In RBI, separately acquired intangible fixed assets, i.e. those with a definite useful life not acquired in a business combination, are capitalized at acquisition cost less accumulated amortization and impairment. Amortization is accrued in a straight line over the expected useful life and reported as an expense in the income statement. The expected useful life and the depreciation method are reviewed at each reporting date and any possible changes in measurement taken into account prospectively. Separately acquired intangible fixed assets with an indefinite useful life are capitalized at acquisition cost less accumulated impairment. The normal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

Internally developed intangible fixed assets – research and development costs

Internally developed intangible assets comprise exclusively software and are capitalized if it is probable that the future economic benefits attributable to the asset will accrue to the Group and the cost of the asset can be measured reliably. Expenses for research are recognized as an expense when they are incurred.

An internally developed intangible fixed asset resulting from development activities or from the development stage of an internal project is capitalized when the following evidence is provided:

- The final completion of the intangible fixed asset is technically feasible so that it will be available for use or sale.
- It is intended to finally complete the intangible fixed asset and to use or to sell it.
- The ability exists to use or to sell the intangible fixed asset. The intangible fixed asset is likely to generate future economic benefit.
- The availability of adequate technical, financial and other resources required in order to complete development and to use or sell the intangible fixed asset is assured.
- The ability exists to reliably determine the expenditure incurred during the development of the intangible fixed asset.

The amount at which an internally developed intangible fixed asset is initially capitalized is the sum of all expenses incurred beginning from the day on which the aforementioned conditions are initially met. If an internally developed intangible fixed asset cannot be capitalized, or if there is as yet no intangible fixed asset, the development costs are reported in the income statement for the reporting period in which they are incurred.

Capitalized development costs are generally amortized in the Group in a straight line over a useful life of five years. The normal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

Intangible fixed assets acquired in a business combination

In RBI, intangible fixed assets acquired in a business combination are reported separately from goodwill and measured at fair value. Goodwill and other intangible fixed assets without definite useful lives are tested for impairment at each reporting date. Impairment tests are performed whenever certain events (trigger events) occur during the year. Whenever circumstances indicate that the expected benefit no longer exists, impairment must be recognized pursuant to IAS 36.

Intangible fixed assets with a definite useful life are amortized over the period during which the intangible fixed asset can be used. The useful life of the acquired customer base was set at 20 years in the retail business of Raiffeisen Bank Aval JSC.

Group companies use brands to differentiate their services from the competition. According to IFRS 3, brands of acquired companies are recognized separately under the item intangible fixed assets. Brands have an indeterminable useful life and are therefore not subject to scheduled amortization. Brands have to be tested annually for impairment and additionally whenever indications of impairment arise. Details on impairment testing can be found in the notes (20) Tangilbe and intangible fixed assets.

Tangible fixed assets

The land and buildings as well as office furniture and equipment reported under tangible fixed assets are measured at cost of acquisition or conversion less depreciation. Depreciation is recorded under the item general administrative expenses.

The straight-line method is used for depreciation and is based on the following useful life figures:

Useful life	Years
Buildings	25 – 50
Office furniture and equipment	5 – 10
Hardware	3 – 7

Land is not subject to depreciation.

Expected useful lives, residual values and depreciation methods are reviewed annually. Any necessary future change of estimates is taken into account. Any anticipated permanent impairment is reported in the income statement and shown under the item general administrative expenses. In the event that the reason for the write-down no longer applies, a write-up will take place up to a maximum of the amount of the amortized cost of the asset.

A tangible fixed asset is derecognized on disposal or when no future economic benefit can be expected from the continued use of the asset. The resulting gain or loss from the sale or retirement of any asset is determined as the difference between the proceeds and the carrying value of the asset and is recognized in other net operating income.

Investment property

This is property that is held to earn rental income and/or for capital appreciation. Investment property is reported at amortized cost using the cost model permitted by IAS 40 and is shown under tangible fixed assets because of minor importance. Straight line depreciation is applied on the basis of useful life. The normal useful life of investment property is identical to that of buildings recognized under tangible fixed assets. Depreciation is recorded under the item general administrative expenses.

Investment property is derecognized on disposal or when it is no longer to be used and no future economic benefit can be expected from disposal. The resulting gain or loss from the disposal is determined as the difference between the net proceeds from the disposal and the carrying value of the asset and is recognized in other net operating income in the reporting period in which the asset was sold.

Impairment of non-financial assets (tangible fixed assets, investment property and intangible fixed assets)

Impairment test for goodwill

On each reporting date, goodwill is examined with a view to its future economic utility on the basis of cash generating units (CGUs). A cash generating unit is defined by the management and represents the smallest identifiable group of assets of a company that generates cash inflows from operations. Within RBI, all segments according to segment reporting are determined as cash generating units. Legal entities within the segments form their own CGU for the purpose of impairment testing of goodwill. The carrying value of the relevant entity (including any assigned goodwill) is compared with its recoverable amount. This is, as a general principle, defined as the higher of the fair value less selling costs and the amount resulting from its value in use. The value in use is based on expected potential dividends discounted using a rate of interest reflecting the risk involved. The estimation of the future results requires an assessment of previous as well as future performance. The latter must take into account the likely development of the relevant markets and the overall macroeconomic environment.

Impairment tests for goodwill based on cash-generating units use a multi-year plan drawn up by the relevant management team and approved by the bodies responsible. This covers the CGU's medium-term prospects for success taking into account its business strategy, overall macroeconomic conditions (gross domestic product, inflation expectations, etc.) and the specific market circumstances. The data is then used to capture the terminal value based on a going concern concept. Discounting of the earnings relevant for the measurement, i.e. potential dividends, is undertaken using risk-adapted and country-specific equity capital cost rates determined by means of the capital asset pricing model. The individual interest rate parameters (risk-free interest rate, inflation difference, market risk premium, country-specific risks and beta factors) were defined by using external information sources. The entire planning horizon is divided into three phases with phase I covering the management planning period of three years. Detailed planning, including macroeconomic planning data, is extrapolated in phase II, which lasts another two years. The terminal value is then calculated in phase III based on the assumption of a going concern. Details on impairment testing can be found in the notes under (20) Tangible and intangible fixed assets.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when the related carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is only considered met if the sale is highly probable and the asset (or disposal groups) is immediately available for sale and furthermore that the Management Board has committed itself to a sale. Moreover, the sale transaction must be due to be completed within twelve months.

Non-current assets and disposal groups classified as held for sale are valued at the lower amount of their original carrying value or fair value less costs to sell and are reported under other assets. Income from non-current assets held for sale and discontinued operations is reported in the other result. If the impairment expense of the discontinued operations exceeds the carrying value of the assets which fall under the scope of IFRS 5 (Measurement), there is no special provision in the IFRS on how to deal with this difference. This difference is recognized in the item provisions for onerous contracts in the statement of financial position.

In the event that the Group has committed to a sale involving the loss of control over a subsidiary, all assets and liabilities of the subsidiary concerned are classified as held for sale provided the aforementioned conditions for this are met. This applies irrespective of whether the Group retains a non-controlling interest in the former subsidiary after the sale or not. Results from discontinued business operations are reported separately in the income statement as result from discontinued business operations.

Details on assets held for sale pursuant to IFRS 5 are included in the notes under (22) Other assets.

Provisions for liabilities and charges

Provisions are recognized when the Group has a present obligation from a past event, where it is likely that it will be obliged to settle, and a reliable estimate of the amount is possible. The level of provisions is the best possible estimate of expected outflow of economic benefits at the reporting date while taking into account the risks and uncertainties underlying the commitment to fulfill the obligation. If a provision is formed based on cash flows estimated to fulfill an obligation, the cash flows must be discounted if the interest effect is material.

These types of provision are reported in the statement of financial position under the item provisions for liabilities and charges. Allocation to the various types of provision is booked through different line items in the income statement depending on the nature of the provision. Allocation of loan loss provisions for contingent liabilities is recorded in the income statement under the line item impairment losses on financial assets. Restructuring provisioning, provisioning for legal risks and other employee benefits are recorded in general administrative expenses. Provision allocations that are not assigned to a corresponding general administrative expense are as a matter of principle booked against other net operating income.

Provisions for pensions and similar obligations

All defined benefit plans relating to so-called social capital (provisions for pensions, provisions for severance payments and provisions for service anniversary bonuses) are measured using the Projected Unit Credit Method in accordance with IAS 19 – Employee Benefits. The biometrical basis for the calculation of provisions for pensions, severance payments and service anniversary bonuses for Austrian companies is provided by AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung (Computational Framework for Pension Insurance) – Pagler & Pagler, using the relevant parameters for salaried employees. In other countries, comparable actuarial parameters are used for calculation.

Please refer to Provisions for pensions and similar obligations in the notes under (27) Provisions for liabilities and charges for further details.

Defined contribution plans

Under defined contribution plans, the company pays fixed contributions into a separate entity (a fund). These payments are recognized as staff expenses in the income statement.

Employee compensation plans

Variable remuneration – special remuneration policies

In the Group variable compensation is based on bonus pools on the bank or profit center level. Every variable remuneration system has fixed minimum and maximum levels and thus defines maximum payout values.

As of the financial year 2011, the following general and specific principles for the allocation, the claim and the payment of variable remuneration (including the payment of the deferred portion of the bonus) for board members of RBI AG and certain Group units and identified staff (risk personnel) are applied:

- 60 per cent for especially high amounts and 40 per cent of the annual bonus respectively will be paid out on a proportional basis as 50 per cent cash immediately (up-front), and 50 per cent through a phantom share plan (see details below), which will pay out after a holding period (retention period) of one year.
- 40 per cent and 60 per cent of the annual bonus respectively will be deferred according to local law over a minimum period of three (in Austria, five) years (deferral period). Payment will be made on a proportional basis, 50 per cent cash and 50 per cent based on the phantom share plan.

The specific structure of the above-mentioned principles results in deviations for individual group units in order to take into account the sometimes stricter national legal regulations.

Variable remuneration including a deferred portion is only allocated, paid or transferred if the following criteria are met:

- This is not prohibited at the level of RBI and/or RBI AG on the basis of a decision by the competent supervisory authority (e.g. by the European Central Bank for RBI).
- This is tenable overall based on the financial position of RBI and the financial position of RBI AG and is justified based on the performance of the Group, RBI AG, the business unit and the individual concerned.
- The minimum requirements applicable to RBI AG under local legislation for the allocation or payment of variable remuneration are fulfilled.
- The legally required CET 1 ratio of RBI is achieved, the capital and buffer requirements of the CRR and CRD IV for RBI are complied with in full and additionally neither the allocation, payment nor transfer of the variable remuneration is detrimental to the maintenance of a sound capital base for RBI.
- RBI has met the minimum requirements under applicable law for economic and regulatory capital and additionally neither the allocation, payment nor transfer of the variable remuneration is detrimental to the maintenance of a sound capital base for RBI.
- All additional criteria and prerequisites for the allocation and/or payment of variable remuneration, as defined from time to time by the Management Board or the Supervisory Board (REMCO) of RBI, are met.

The Group fulfills the obligation arising from Clause 11 of the Annex to Section 39b of the Austrian Banking Act (BWG) which stipulates that at least 50 per cent of the variable remuneration of risk personnel must be paid out in the form of shares or similar non-cash instruments by means of a phantom share plan as follows: 50 per cent of the up front and 50 per cent of the deferred portion of the bonus are divided by the average closing price of the RBI share on trading days of the Vienna Stock Exchange in the payment year serving as the basis for calculating the bonus. Thereby, a certain amount of phantom shares is determined. This amount is fixed for the entire duration of the deferral period. After the expiration of the respective retention period, the amount of specified phantom shares is multiplied by RBI's share price for the previous financial year, calculated as described above. The resulting cash amount is paid on the next available monthly salary payment date.

These rules are valid unless any applicable local laws prescribe a different procedure (e.g. Czech Republic, Poland).

Share-based compensation

The Management Board, with approval of the Supervisory Board, of RBI AG has approved a share incentive program (SIP) for the years 2011, 2012 and 2013 which provides performance based allotments of shares to eligible employees domestically and abroad for a given period. Eligible employees are current board members and selected executives of RBI AG, as well as executives of its affiliated bank subsidiaries and other affiliated companies. In 2014, it was already decided not to continue the program due to the complexity of the regulatory rules regarding variable compensation.

The number of ordinary shares of RBI AG which ultimately will be transferred depended on the achievement of two performance criteria: the targeted return on equity (ROE) and the performance of the shares of RBI AG compared to the total shareholder return of the shares of companies in the DJ EURO STOXX Banks index after a five-year holding period.

All expenses related to the share incentive program were recognized in staff expenses in accordance with IFRS 2 (share-based payment) and charged to equity. They are described in greater detail in the notes under (30) Equity. The final allocation under a SIP tranche was made in 2018.

Subordinated capital

Issued subordinated capital and supplementary capital are shown either in financial liabilities – amortized cost or financial liabilities – designated fair value through profit/loss. Assets are subordinated if, in the event of liquidation or bankruptcy, they can only be met after the claims of the other – not subordinated – creditors have been satisfied. Supplementary capital contains all paid-in capital provided by a third-party and available for the company for at least eight years, for which interest is paid only from profit and which can be repaid in the case of insolvency only after all other creditors are satisfied.

Net interest income

Interest and interest-like income mainly includes interest income on financial assets such as loans, fixed-interest securities, as well as interest and interest-like income from the trading portfolio. Interest expenses and interest-like expenses mainly include interest paid on deposits, debt securities issued and subordinated capital. Interest income and interest expenses are accrued in the reporting period. Negative interest from asset items is shown in interest income; negative interest from liability items is shown in interest expenses.

Dividend income

Dividends from equities, subsidiaries not fully consolidated, strategic investments and associates not valued at equity are recognized under dividend income. Dividends are recognized through profit/loss if RBI's legal entitlement to payment has materialized.

Net fee and commission income

Net fee and commission income mainly includes income and expenses arising from payment transfer business, asset management, foreign exchange business and credit business. Fee and commission income and expenses are accrued in the reporting period.

Net trading income and fair value result

Net trading income comprises the trading margins resulting from the foreign exchange business, results due to foreign exchange revaluations and all realized and unrealized gains and losses from financial assets and liabilities at fair value.

General administrative expenses

General administrative expenses include staff and other administrative expenses as well as amortization/depreciation on tangible and intangible fixed assets.

Other net operating income and other result

The differentiation between other net operating income and other result is mainly based on the reporting according to FINREP (Financial Reporting), which is specified by Implementing Regulation (EU) No. 680/2014.

Income taxes

RBI AG as group parent and 49 of its consolidated domestic subsidiaries are members of a tax group. Current taxes are calculated on the basis of taxable income for the current year taking into account the tax group (in terms of a tax group allocation). In the reporting year, a supplementary agreement was added to the current tax group allocation agreement. If RBI AG generates a negative taxable net income and these taxable losses are not usable in the group, then the group parent does not immediately pay a negative tax group allocation. Only and after withdrawal from the tax group at the latest, a final settlement is carried out. The taxable income deviates from the profit/loss before tax of the consolidated statement of comprehensive income due to expenses and income which are taxable or tax-deductible in the following years or which are never taxable or tax-deductible. The liability of the Group for current taxes is recognized on the basis of the actual tax rate or the expected applicable tax rate.

Deferred taxes are calculated and recognized in accordance with IAS 12 applying the liability method. Deferred taxes are based on all temporary differences that result from comparing the carrying amounts of assets and liabilities in the IFRS accounts with the tax bases of assets and liabilities, and which will reverse in the future. Deferred taxes are calculated by using tax rates applicable in the countries concerned. A deferred tax asset should also be recognized on tax loss carry-forwards if it is probable that sufficient taxable profit will be generated against which the tax loss carry-forwards can be utilized within the same entity. On each reporting date, the carrying amount of the deferred tax assets is reviewed and impaired if it is no longer probable that sufficient taxable income will become available in order to partly or fully realize the tax assets. Deferred tax assets and deferred tax liabilities within the same entity are netted. Income tax credits and income tax obligations are recorded under the items current and deferred tax assets and current and deferred tax liabilities.

Current taxes and movements of deferred taxes are recognized in the income statement unless they are linked to items which are recognized in other comprehensive income, in which case the current and deferred taxes are also directly recognized in other comprehensive income.

Other comprehensive income

Other comprehensive income comprises all income and expenses directly recognized in equity according to IFRS standards. Income and expenses recognized directly in equity that are reclassified in the income statement are reported separately from income and expenses recognized directly in equity that are not reclassified in the income statement. This applies to currency differences resulting from the translation of equity held in foreign currency, changes resulting from the hedging of net investments in a foreign entity (capital hedge), the effective part of a cash flow hedge, changes resulting from valuation of financial assets (debt instruments) of the category FVOCI, proportionate net income from associates accounted for at equity as well as deferred taxes on the mentioned items.

Revaluations of defined benefit plans, valuation changes of financial assets (equity instruments) of the category FVOCI, valuation changes on account of the change in the own default risk of financial liabilities at fair value, proportionate net income from associates accounted for at equity as well as deferred taxes on the mentioned items are reported in other comprehensive income and are not reclassified to the income statement.

Fiduciary business

Transactions arising from the holding and placing of assets on behalf of third parties are not shown in the statement of financial position. Fees arising from these transactions are shown under net fee and commission income.

Insurance contracts

Liabilities arising from insurance contracts change depending on changes in interest rates, income from investments and expenses for pension agreements for which future mortality rates cannot be reliably predicted. IFRS 4 must be applied to the reporting of liabilities resulting from the existence of mortality rate risks and discretionary participation features. All assets associated with pension products are reported in accordance with IFRS 9. Liabilities are recorded under other liabilities. Please refer to the notes under (29) Other liabilities for more information on insurance contracts.

Own shares

Own shares of RBI AG at the reporting date are deducted directly from equity. Gains and losses on own shares have no impact on the income statement.

Statement of cash flows

The cash flow statement reports the change in the cash and cash equivalents of the Group through the net cash from operating activities, investing and financing activities. Cash flows for investing activities mainly include proceeds from the sale, or payments for the acquisition of, financial investments and tangible fixed assets. The net cash from financing activities shows all cash flows from equity capital, subordinated capital, and participation capital. All other cash flows are – according to international practices for financial institutions – assigned to operating activities.

Segment reporting

Notes on segment reporting are to be found in the section segment reporting.

Notes on the nature and extent of risks

Information about risks arising from financial instruments is disclosed in the explanatory notes. The risk report in particular contains detailed information on credit risk, country risk, concentration risk, market risk and liquidity risk.

Capital management

Information on capital management, regulatory capital and risk-weighted assets is disclosed in the notes under (70) Capital management and total capital according to CCR/CRD IV and Austrian Banking Act (BWG).

Standards and interpretations that are not yet applicable (already endorsed by the EU)

The following new or amended standards and interpretations, which have been adopted, but are not yet mandatory, have not been applied early.

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

For lessees, the new standard establishes an accounting model which does not distinguish between financial leasing and operating leasing. In future, most lease agreements will have to be recognized in the statement of financial position. The standard requires lessees to recognize assets and liabilities in the statement of financial position for all leases of more than twelve months, unless the underlying asset has a low value. The lessee recognizes an asset which represents its right to use the underlying asset. It also recognizes a lease liability which represents its liability to effect the lease payments. For lessors, the rules under IAS 17 (Leases) remain largely valid, meaning that in future it will still also be necessary to distinguish between financial and operating leasing with corresponding different accounting consequences. In addition, the standard also requires entities to provide users of financial statements with more informative, relevant disclosures in the notes.

In 2017, RBI launched a group-wide preliminary study to analyze the impact of IFRS 16 on existing leases. In the context of this preliminary study, contracts (rental and leasing contracts) were analyzed on the basis of the extent to which the existing lease agreements were to be recorded as rights of use and lease liabilities on the statement of financial position, and on the other hand, group-wide accounting guidelines were drafted. The analysis has shown that as at 1 January 2019, usage rights of around € 505 million are expected to be recognized which which relate almost entirely to leases of buildings for own purposes. A significant effect on equity is not expected.

IFRS 16 transitional rule

With regard to the transitional arrangements, IFRS 16 grants RBI as lessee an accounting option concerning the transition to the new leasing provisions. IFRS 16 is either fully applied retrospectively including earlier reporting periods in accordance with the provisions in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, or the modified retrospective approach is used in which the cumulative impact of applying IFRS 16 retrospectively is accounted for under equity as an adjustment posting in the opening balance of retained earnings at the time of first application of the standard.

RBI has decided to use the modified retrospective approach, which also means that no adjustments of comparable information will be made in the 2019 reporting period. As lessee, RBI will measure the liabilities from lease contracts which in accordance with IAS 17 were to be classified as operating leases, 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, the rights of use must be recognized in the same amount, adjusted by previously recognized, prepaid or deferred lease payments. No adjustments are necessary for contracts which in accordance with IAS 17 were accounted for as operating leases, provided that the assets underlying the contract are low-value assets as defined by IFRS 16. The relevant option is utilized on an individual basis. In addition, RBI can, as lessee, utilize the following practical exemptions and simplifications on an individual basis. RBI as lessee can apply a uniform interest rate to portfolios with sufficiently identical characteristics and apply the exemption for short-term lease contracts to lease contracts with a remaining term of less than twelve months at the time of first application.

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

If RBI is lessor, no specific transitional provisions apply. Consequently, no adjustments of the values are made at the time of transfer. The existing values are continued from the time of first application in accordance with the rules of IFRS 16.

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

IFRIC 23 (Uncertainty over income tax treatments; entry into force 1 January 2019)

This interpretation clarifies the accounting for uncertainties in income taxes. The application of these amendments is not expected to have any impact on the consolidated financial statements of RBI.

Standards and interpretations not yet applicable (not yet endorsed by the EU)

Annual improvements to IFRS – 2015–2017 cycle (entry into force 1 January 2019)

The amendments include in particular:

- 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 remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure 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 specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The application of these amendments is not expected to have any significant impact on the consolidated financial statements of RBI.

Amendment to IAS 28 (Long-term interests in associates and joint ventures; entry into force 1 January 2019)

The amendments clarify that an entity is obliged to apply IFRS 9 Financial Instruments including its 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. The application of IFRS 9 thus takes precedence over the application of IAS 28. The application of this amendment is not expected to have any significant impact on the consolidated financial statements of RBI.

Amendment to IAS 19 (Plan amendments, curtailments, and settlements; entry into force 1 January 2019)

As a result of the amendments to IAS 19, it will in future be a mandatory requirement that in the event of a plan amendment, curtailment or settlement of a defined benefit plan, the current service cost and the net interest for the remaining fiscal year must be redetermined using the current actuarial assumptions used for the required remeasurement of the net liability (asset). In addition, amendments were included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The application of this amendment is not expected to have any significant impact on the consolidated financial statements of RBI.

Amendment to the conceptual framework for IFRS (entry into force 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 new conceptual framework does not constitute a substantial revision of the document as was originally intended when the project was first taken up 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.

IFRS 17 (Insurance contracts; entry into force 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 an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the 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 application of these amendments is not expected to have any significant impact on the consolidated financial statements of RBI.

Amendments to IFRS 10/IAS 28 (Sale or contribution of assets between an investor and its associate or joint venture)

The amendments clarify that for transactions with an associate or joint venture, the extent of recognition of gains or losses depends on whether the sold or contributed assets constitute a business. The effective date has been deferred indefinitely.

IFRS 14 (Regulatory deferral accounts; entry into force 1 January 2016)

Only entities applying IFRS for the first time and who recognize regulatory deferrals according to their previous accounting standards are allowed to continue with regulatory deferrals after transition to IFRS. The standard is intended to be a short-term interim solution till the IASB concludes the long-term project relating to price-regulated business transactions. The European Commission has decided not to adopt this standard.

Events after the reporting date

Romanian bank tax

At the end of 2018, the Romanian Government decided to introduce a new bank tax. As there is discussion surrounding the potential negative impact on the Romanian economy, there is still a need for consultation at government level. It therefore cannot be ruled out, that the draft which was presented at the end of 2018, could still be revised and mitigate the burden on the banking sector. The impact on RBI cannot be quantified at this point in time.

Vienna, 27. February 2019

The Management Board

Johann Strobl

Martin Grüll

Andreas Gschwenter

Łukasz Januszewski

Peter Lennkh

Hannes Mösenbacher

Andrii Stepanenko

Auditor’s report

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of

Raiffeisen Bank International AG,
Vienna, Austria,

and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Sections 245a UGB (Austrian Commercial Code) and 59a BWG (Austrian Banking Act).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 537/2014 (AP Regulation) and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the “Auditor´s Responsibilities” section of our report. We are independent of the audited Group in accordance with Austrian company and banking lawas well as professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

In the following we present the key audit matters from our point of view:

- Recoverability of loans and advances to customers reported under financial assets – amortized cost
- Valuation of financial liabilities at fair value through profit and loss

Recoverability of loans and advances to customers reported under financial assets – amortized cost

Risk for the Financial Statement

Loans and advances to customers are reported under financial assets – amortized cost in the amount of EUR 73.0 billion in the statement of financial position. They comprise EUR 42.0 billion in loans and advances to non-financial corporations and EUR 31.0 billion in loans and advances to households.

As of the Balance Sheet date, impairments of EUR 2.4 billion were recognized for the above loans. They comprised EUR 1.3 billion for non-financial corporates and EUR 1.1 billion for households.

The Management Board describes the processes of monitoring credit risk and the procedures for determining impairments in note 35 Expected credit losses and the Risk Report and Recognition and Measurement Principles chapters in the notes of the Financial Statements. The impact of the transition from IAS 39 to IFRS 9 as at 1 January 2018 is described in the section on IFRS 9 transition in the notes.

As part of the credit risk monitoring process, the bank checks whether there is an indication of default and therefore whether an individual impairment (stage 3) is required. The calculation of impairments for defaulted, individually significant customers is based on an analysis of the expected scenario-weighted future cash flows. This analysis is influenced by the assessment of the respective customer's economic situation and development, the estimate of collateral values and the estimated amount and timing of cash flows derived from the analysis. For defaulted, individually insignificant customers in the households segment, impairment is determined according to the so-called best estimate of expected loss model. This represents a best estimate of expected loss based on statistical evidence.

For non-defaulted loans, a collective impairment allowance is recognized for expected credit losses (ECL). In general, the twelve-month ECL is used (ECL stage 1). If credit risk has increased significantly (ECL stage 2), lifetime ECL is calculated.

The determination of ECL requires the use of estimates and assumptions. These cover rating-based probabilities of default and loss ratios, which take account of current and forward-looking information.

For the Financial Statements, this involves the risk that a transfer from one stage to the next and the determination of impairments are based to a significant extent on estimates and assumptions, which involves room for judgment and uncertainties regarding the amount of impairments, which may result in misstatements.

Our Response

We examined the implementation of the new IFRS 9 models in connection with their first-time application by assessing the concepts for assignment of loans to the respective stages and recognition of ECL impairments. Our financial mathematicians and IFRS 9 specialists have assessed whether the ECL models are consistent with IFRS 9 requirements and provide a suitable basis for determining assignment to the respective stages and calculating ECL. We recalculated the arithmetical correctness of the impairments in ECL stages 1 and 2 for loans and advances to non-financial corporations on the basis of given parameters, the loans and advances to housholds have been examined by us on a sample basis. We also assessed the reasonableness of the parameters used (PD, LGD and macroeconomic factors), to some extent we did so on a sample basis..

We have evaluated the documentation that describes the process of loan issuance, loan monitoring and recognizing impairments and assessed whether the processes adequately identify an impending credit default and ensure that valuations of loans and advances to customers are recognized at their appropriate carrying value. In addition, we tested the processes and, with the assistance of IT specialists, essential key controls. We thereby tested their design, implementation and effectiveness.

With regard to defaulted loans to customers (ECL stage 3), we used a sample based approach to determine whether there is an indication for a default. The method applied to select the sample is on the one hand risk-oriented, based on customer ratings and on the other hand a random sample. For defaults, on the basis of gross exposure, we critically assessed the bank's estimates regarding the amount and timing of future cash flows, including those resulting from realization of collateral, and whether the bank's assessment was in line with the internal and external information available. With regard to the internal collateral valuation, we assessed on a sample basis, together with our valuation specialists, whether the estimates used in the models were adequate and in line with available market data.

In the case of non-defaulted loans (ECL stage 1 and stage 2), whose impairment was calculated on an ECL basis, we analyzed the bank's documentation for consistency with IFRS 9 requirements. On the basis of the bank's internal validations, we also assessed the models and their parameters to determine whether they provide a suitable basis for calculating reasonable impairments. We evaluated the reasonableness of the probabilities of default for stage 1 and stage 2 and assessed the statistical models, parameters and mathematial principles. We also analyzed the selection and calculation of forward-looking estimates and scenarios and examined how they were taken into account in stage allocation and parameter estimates. We evaluated the arithmetical correctness of impairments in ECL stage 1 and 2 for loans and advances to non-financial corporations for the entire population.. For households, we did so on a sample basis. In these audit procedures, we were supported by our financial mathematicians. In addition, we performed a control-based audit approach to assess the processes, systems and interfaces underlying the calculation models.

Finally we asssessed whether the disclosures in the notes to the Financial Statements regarding the calculation of impairments on loans and advances to customers were appropriate, including the corresponding disclosures on the transition effect to IFRS 9 as of 1 January 2018.

Valuation of financial Liabilities at fair value through profit and loss

Risk for the Financial Statements

As at the Balance Sheet date, financial liabilities measured at fair value amount to about EUR 1.9 billion, of which EUR 0.4 billion are subordinated. In addition to the general market risk factors, their fair value is significantly influenced by the own credit risk of the issuing entity (credit spread).

The Board describes the process of calculating the fair value of these financial liabilities that are measured at fair value within note 24 and the Recognition and Measurement Principles chapter in the notes of the Financial Statements.

The fair value calculation of debt securities issued and other financial liabilities for which no market price is available is based on an internal valuation model. The fair value is determined using a Discounted Cash Flow Model applying estimated credit spreads. The credit spreads used in the model are derived from available market data.

The credit spread curve is a significant input to the fair value calculation of financial liabilities and due to the indicative nature of the price quotations leads to a risk of misstatement in the Financial Statements.

Our Response

We have analyzed the documentation that describes the process of issuance, valuation and risk and limit monitoring of liabilities measured at fair value. The design and implementation of essential controls in the processes were critically assessed and the effectiveness of these controls was tested.

We involved valuation specialists to assess the fair value models used by the Group. Further, we compared the data inputs to this model to the available market data to determine whether the data input lies within a reasonable range in comparison to the available market data. Based on the documentation obtained, we assessed whether the derived credit spread curve was adequate for determining the fair value of the financial liabilities. We tested whether the fair values calculation was appropriate on a sample basis.

Finally, we assessed whether the disclosures in the notes regarding the financial liabilities at fair value were appropriate and complete.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Sections 245a UGB (Austrian Commercial Code) and 59a BWG and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misprepresentations or override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication

Report on Other Legal Requirements

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian Company law.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Additional information in accordance with Article 10 AP Regulation

At the Annual General Meeting dated 22 June 2017, we were elected as group auditors. We were appointed by the Supervisory Board on 10 July 2017. We have been the Group's auditors since the company´s first listing on the stock exchange in 2005.

We declare that our opinion expressed in the *"Report on the Consolidated Financial Statements"* section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner

The engagement partner is Mr. Wilhelm Kovsca.

Vienna, 27 February 2019

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Wilhelm Kovsca

Wirtschaftsprüfer

(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

The financial statements, together with our auditor's opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 (1) of the Austrian Commercial Code (UGB) applies.

Management report
Market development

Euro area economy feeling effects of global headwind, interest rates still low

GDP growth in the euro area came in at 1.8 per cent for 2018, which was lower than in 2017, mainly due to weaker support from net exports. In contrast, the inflation rate rose significantly up until mid-2018 and for the most part slightly exceeded the European Central Bank's (ECB) target in the second half of the year. It was only towards the end of the year that inflation started to retreat below the 2 per cent level again. This up-and-down pattern was mainly due to the energy price trend, in turn driven by volatile oil prices.

The ECB left key rates unchanged in 2018 and incrementally scaled back its bond purchase program: Its net monthly purchases averaged € 30 billion from January to September 2018, with its net monthly volume reduced to € 15 billion from October to end-December 2018, at which time the program was completely halted. Money market rates remained largely flat across all maturities throughout the year. The yield on 10-year German government bonds, however, strongly fluctuated with rates of between 0.8 per cent in February to under 0.2 per cent in May being observed. Overall, it was a light downward trend (start of year: 0.4 per cent, end of year: 0.2 per cent).

Austria's economy put in a very robust performance once again in 2018, although it lost some growth momentum over the year. Thanks to the very strong 2017/2018 winter months, real GDP growth reached 2.7 per cent overall, following growth of 2.6 per cent in 2017. The overall positive development was broad based: exports withstood mounting global headwinds while private consumption continued to rise at a stable rate. Likewise, the strong equipment investment cycle continued in 2018 – albeit at a somewhat slower pace. Employment growth hit its peak in early 2018, posting its strongest growth rate in full-year 2018 since the beginning of the 90s. Mirroring this trend, the unemployment rate dropped below 5 per cent to come in at 4.9 per cent (2017: 5.5 per cent).

The US economy got off to a strong start in 2018 with quarter-on-quarter growth of 2.2 per cent (annualized) in the first quarter. It continued to expand at a significantly faster pace thereafter, averaging nearly 4 per cent per quarter (annualized) thanks to sizable tax cuts and a very large government spending package in the summer months. This positive development was thus primarily driven by consumer spending. In contrast, growth in investments weakened noticeably throughout the year. On balance, US economic output increased 2.9 per cent for full-year 2018.

In China, economic growth momentum slackened in 2018: Real GDP growth came to 6.6 per cent for the full year, around 0.3 percentage points below the previous year's rate. This was mainly attributable to the Chinese government's restructuring measures. Credit growth – notably on the part of shadow banks – slowed considerably while investment and production momentum temporarily dropped to the lowest level since 2015. In contrast, the simmering trade conflict with the US was initially reflected only in sentiment surveys while exports held up well for the time being thanks to pull-forward effects.

Solid economic growth in CE and SEE despite slowdown, growth in Russia benefits from one-off effects

Inflation in the CE region fluctuated around the 2 per cent level since the beginning of 2018, whereas in SEE it continuously climbed to a peak of just over 4 per cent before beginning to ease back slightly. Stronger inflation momentum in Southeastern Europe was largely driven by Romania, where it recently began to moderate again. Inflation rates in the CE region averaged 2.0 per cent and 3.4 per cent in the SEE region. The Czech central bank was the first in Europe to begin the interest rate normalization process, which commenced in August 2017 against the backdrop of a renewed pickup in inflation and a relatively weak Czech koruna / euro exchange rate. While Romania soon followed with liquidity tightening measures, subsequently hiking rates in early 2018, Hungary waited until the third quarter of 2018 to raise the prospect of a similar exit procedure, which it expects to implement in 2019. In contrast, Poland's monetary policy remained neutral given the country's muted pace of reflation.

GDP growth in the Central European (CE) region reached 4.5 per cent in 2018, and again exceeded the 4 per cent level (2017: 4.5 per cent) despite a modest slowdown. At country level, Poland was the top performer with 5.1 per cent GDP growth. Domestic demand was again the main driver of economic growth in the CE region in 2018. Investment spending remained dynamic while private consumption also started to record solid growth rates again in 2018. This was supported by the continued decline in unemployment rates, which even hit all-time lows in some of the region's countries. The resulting manpower shortage was reflected in appreciably higher wages.

In Southeastern Europe (SEE), GDP growth slowed again to 3.7 per cent during the period under review, following the strong 5.1 per cent increase in 2017. In the region's smaller markets, however, economic indicators exhibited a positive trend, resulting in stable growth overall. Serbia took the market by complete surprise with its 10-year high of 4.0 per cent, which was mainly driven by private investments with state co-financing and an increase in private consumption. In contrast, Romania, the region's largest economy, failed to match its exceptional performance from 2017 (7 per cent growth) as both gross fixed capital formation and private consumption expanded at a slower rate than in the previous year. However, it was precisely these components that drove growth in the remaining SEE countries.

Economic conditions in Eastern Europe (EE) continued to improve in 2018. Russia benefited from the recovery in oil prices, though private household demand continued to weaken. Moscow's cautious monetary and fiscal policy also had a stabilizing effect, albeit without delivering additional growth and investment impetus. GDP growth in Russia benefited from one-off effects, expanding 2.3 per cent and well above the previous year's level. At the same time, the inflation rate also rose following a record low in the previous year. In addition, the Russian ruble suffered setbacks due to new US sanctions in April and September. The rate cut cycle in Russia already came to a standstill in the first quarter of 2018, as US sanctions prompted Russia's central bank to exercise greater caution. The second half of the year saw a token rate hike of 0.5 percentage points to 7.75 per cent as a result of uncertainties surrounding possible further sanctions. The Ukrainian economy continued its recovery path, growing 3.3 per cent, somewhat stronger than the previous year's level. Moreover, financial risks for 2019 have been reduced thanks to renewed cooperation with the International Monetary Fund following a lengthy hiatus towards the end of 2018. The Belarus economy grew 3.0 per cent in 2018, influenced positively by its dominant trading partner Russia.

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

Region/country	2017	2018	2019f	2020f
Czech Republic	4.5	3.0	2.7	2.5
Hungary	4.1	4.8	3.4	2.2
Poland	4.8	5.1	3.6	2.9
Slovakia	3.2	4.1	4.0	2.8
Slovenia	4.9	4.6	3.2	2.3
Central Europe	**4.5**	**4.5**	**3.4**	**2.7**
Albania	3.8	4.0	3.8	2.5
Bosnia and Herzegovina	3.2	2.8	2.7	2.5
Bulgaria	3.8	3.3	3.0	2.5
Croatia	2.9	2.6	2.5	2.0
Kosovo	4.2	4.2	4.0	3.0
Romania	7.0	4.1	2.5	2.5
Serbia	2.0	4.0	3.5	3.5
Southeastern Europe	**5.1**	**3.7**	**2.8**	**2.6**
Belarus	2.5	3.0	2.5	2.0
Russia	1.5	2.3	1.5	1.5
Ukraine	2.5	3.3	2.7	3.1
Eastern Europe	**1.6**	**2.4**	**1.6**	**1.6**
Austria	**2.6**	**2.7**	**1.3**	**1.2**
Germany	**2.5**	**1.5**	**1.3**	**1.0**
Euro area	**2.5**	**1.8**	**1.1**	**1.0**

Banking sector in Austria

In 2018 the Austrian banking sector continued its solid performance from the previous year, underpinned by the positive macroeconomic trend. The corporate customer business in particular put in a robust performance in 2018 – also for longer loan maturities. The sector likewise benefited from continued dynamic real estate lending although macro-prudential regulation has been tightened significantly in this area over the past two years. Supported by low loan loss provisioning in domestic and foreign business, the return on equity of the Austrian banks not only continued to maintain a robust level of nearly 11 per cent on a consolidated basis in 2018, but this was also well above the euro area average. This positive earnings performance was supported in large measure by favorable business developments in the CEE region, notably in the Czech Republic, Russia, Romania, Hungary, Croatia and Slovakia. Adjustments and efficiency enhancement programs of recent years are also having an impact. Given the positive overall market trend, the Austrian banking sector continued to improve its capitalization relative to other Western European banking sectors during the period under review, as also evidenced by the latest stress test results at the European level. However, capital requirements will continue to increase gradually as a result of the introduction both of the systemic risk buffer and of the buffer for Other Systemically Important Institutions, which the Financial Market Stability Board has recommended. The reduction in the bank tax implemented in 2017, should also have a positive impact on the profitability of Austria's (major) banks in the years ahead.

Development of the banking sector in CEE

Multiple factors in 2018 underpinned the significant recovery of the CEE banking sector relative to the partly still subdued development of the previous years. New lending and asset growth both continued to accelerate in some CE and SEE countries (e.g. in the Czech Republic, Slovakia and Romania). Moreover, a greater number of banking markets (e.g. Hungary, Serbia and Croatia, as well as Bosnia and Herzegovina) participated in the overall positive trend, with significant asset growth recorded virtually across the board. In Russia, foreign banks with a sustainable business model benefited from the generally improving general market environment despite a further market shakeout driven by the central bank. In particular, the necessary nationalization of two of the larger banks in Russia in the fall of 2017 had no impact either on the overall market or on Western foreign banks operating as niche players, which even increased their market share slightly in Russia in 2018. Virtually all CEE banking markets now show a comfortable loan/deposit ratio (well below 100 per cent for the most part), which constitutes a solid foundation for future growth. In addition, significant progress was made in terms of reducing non-performing loans (NPLs). In CE and SEE in particular, the NPL ratio dropped to just under 5 per cent in 2018, its lowest level since 2008. Against the backdrop of the positive overall market development, return on equity in the CEE banking sector solidified at double-digit levels in 2018. In particular, banking markets in Southeastern Europe made a significant recovery. As a result, major Western European banks operating in the CEE region also posted a double-digit return on equity in 2018.

Regulatory environment

Changes in the regulatory environment

In the year under review, RBI continued to focus intensively on current and forthcoming regulatory developments.

Changes to prudential requirements (CRD IV/CRR) and the recovery and resolution framework (BRRD, SRMR)

The European Commission's proposals to revise the Capital Requirements Directive IV/Capital Requirements Regulation and the Bank Recovery and Resolution Directive (BRRD) have been finalized by the European legislature. The regulations are expected to take effect in 2021 and 2022, respectively. As far as RBI is concerned, the deduction exemption for software is particularly important in creating a level playing field with the US. The legislation also harmonizes reporting requirements for credit institutions. Other key changes include parameters for reducing risk-weighted assets for SMEs and infrastructure projects.

Basel IV

At the end of 2017, the Basel Committee on Banking Supervision finalized the new international rules for calculating capital requirements under Pillar 1 (Basel IV). The primary objective of the new rules is to make banks' risk calculations more comparable. To accomplish this, not only were large parts of the standard models changed, but the scope of application of internal models was also restricted and the requirements for these models were revised. In addition, an output floor will be phased in by 2027, which sets a floor for capital requirements calculated using internal models at 72.5 per cent of the values calculated using the standard models.

The Basel Committee is aiming for an implementation date of 1 January 2022. However, there is still no full legal implementation of the standards for the EU, which also means there are no detailed guidelines with respect to the expected implementation date.

BCBS 239

In January 2013, the Basel Committee on Banking Supervision issued 14 generally formulated principles for risk data aggregation and risk reporting of credit institutions (BCBS 239). They reflect the Basel Committee's conclusions that data quality and governance play a fundamental role in bank management and efficiency of banking operations.

Due to its classification as a systemically important institution, RBI is required to comply with these principles. It has developed a comprehensive Group-wide action and implementation plan that ensures compliance with the BCBS 239 principles which is currently being implemented in consultation with the relevant supervisory authorities.

Bank recovery and bank resolution

The BRRD was transposed into Austrian law by the Bank Recovery and Resolution Act (BaSAG). The review of the original BRRD was negotiated up until the end of 2018 as part of the trilogue process. It must be implemented within two years of its publication – which is expected in Q2 2019 – by an amendment to the BaSAG.

RBI has a Group recovery plan as required by law. It sets out measures for restoring financial stability in the event that this becomes necessary. The BaSAG also requires the resolution authority, in close collaboration with RBI, to draw up resolution plans based on the preferred resolution strategy, including analyzing which liabilities are eligible as MREL (minimum requirement for own funds and eligible liabilities). RBI has adopted a multiple point of entry (MPE) approach as the preferred resolution strategy. The resolution authorities define resolution groups, and for each resolution group an individual resolution plan has to be developed. The resolution plan has to describe the resolution strategy and its implementation, by the use of the resolution tools. The resolution authority decides which resolution tools (sale of business, bridge institution, asset separation and bail-in) should be used. Official MREL quotas are being set for each resolution group and are expected for the second half of 2019.

Payment Services Directive 2

The new Payment Services Directive (PSD 2), which came into force on 13 January 2018, is designed to better protect consumers by promoting service security and the use of new technologies as part of an open banking system. The directive opens up the payment services market to new participants – known as third-party providers (TPPs) – such as fintech companies. It also regulates TPPs' relationships with traditional banks, which are required to give the TPPs access to the accounts of customers who have given their consent. These rules governing TPP access to payment service user data will take effect on 14 September 2019. They were further elaborated on in the course of last year while work on their implementation had already begun.

General Data Protection Regulation (GDPR)

The EU General Data Protection Regulation (GDPR) has been in effect since 25 May 2018. It applies to personal data (e.g. that of customers or employees) and strengthens the rights of control that individuals have with respect to their data. The GDPR affects all departments at RBI that handle individuals' personal data. RBI has adopted the new requirements as part of a wide-ranging project. Various processes were implemented, including those for complying with the data subjects' rights (e.g. right of access, right of erasure) and identifying personal data protection breaches; the required IT framework was created; relevant contracts were thoroughly reviewed and examined; and the requisite organizational structure was established. In addition to the project at head office, other projects were conducted at the network units and the Austrian companies in which equity participations are held, with coordination and support provided by head office.

Capital markets and sustainable financing

The implementation of MiFID II began in 2018, which had a large-scale effect on RBI's market and customer divisions and required an extensive implementation project. PRIIPs (Packaged Retail and Insurance-based Investment Products) under which a 3-page standard customer information sheet is required for packaged (securities) products also came into effect in 2018. One new issue on European level is the regulation of covered bonds, which has not yet been implemented in Austria. The changeover of benchmark indices and related uncertainty – primarily Eonia and Euribor, scheduled for early 2020 – was postponed for two years in response to market participants' objections and concerns (implementation beginning in early 2022). Other important new developments for all financial market participants include the Commission's action plan and regulatory proposals on sustainable financing and investments, which aim to reorient capital flows towards green and sustainable economic activities from 2022 onwards. The objective is to transition financial sector products, services and activities – including transparency measures and corporate governance – to a framework based on uniform definitions and standards.

Regulatory compliance (§ 39 (6) of the Austrian Banking Act (BWG))

The EBA's Guidelines on Internal Governance were transposed into Austrian law in 2018. The process added new provisions to the Banking Act (§ 39 (6) BWG) which came into effect on 1 January 2019. There are now stronger regulatory compliance requirements for monitoring and ensuring RBI's adherence to applicable Austrian law. The implementation of these activities at RBI builds on existing methods and tools.

Banking supervision

In 2018, the ECB's banking supervision activities focused on four areas: risks related to the business model, profitability, credit risk with emphasis on non-performing loans, and risk management in general. In relation to this fourth area, i.e. activities with multiple risk dimensions, RBI participated in the European Banking Authority's EU-wide stress test in 2018. The stress test results essentially depend on three factors: the capital ratio at the beginning of the stress test, losses caused by the simulated stress scenario, and the resulting capital ratio at the end of the stress test horizon. RBI's performance with respect to these factors was significantly better than in the previous stress test conducted in 2016 (participating institution: RLB Holding), although the 2018 test was more stringent. In an adverse scenario, RBI's hypothetical remaining common equity tier 1 ratio (CET1) was projected to stand at 9.7 per cent in 2020. The stress scenario simulated a sharp slump in economic growth and house prices as well as pessimistic assumptions about economic developments in most Central, Eastern and Southeastern European countries. RBI's better result reflects in particular the strengthening of its capital ratio following the merger of RZB and RBI and improved portfolio quality.

In 2018, the focus of the Joint Supervisory Team included interest rate risk in RBI's banking book and a review of the internal credit risk models.

Significant events in the reporting period

Adoption of IFRS 9

On 1 January 2018, the new accounting standard for financial instruments (IFRS 9) took effect. This replaces the previous accounting standard, IAS 39 (Financial Instruments: Recognition and Measurement). The regulations set out in the new standard are primarily reflected in the impairment on financial instruments valued at amortized cost or at fair value recognized directly in equity. Under IFRS 9, the impairment requirements also apply to credit commitments and financial guarantees off the statement of financial position. The model used to determine impairment loss changes from a historically oriented model under IAS 39 (incurred losses) to a future oriented model under IFRS 9 (expected losses). The impact of the new regulations on the market valuation of loans, by contrast, is of lesser significance. In total, € 301 million of loans must be accounted for at market value, representing 0.3 per cent of the volume of financial instruments.

The adoption resulted in an adjustment of minus € 169 million to equity on 1 January 2018, taking deferred taxes into account; the effect on the CET1 ratio (fully loaded) amounted to around 19 basis points. Impairment losses increased € 285 million. As a result of the new classification of financial instruments, there was a positive impact of € 70 million, which was essentially due to the reallocation of liabilities recognized at fair value.

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

Sale of RBI's Polish subsidiary's core banking operations to BGZ BNP

In April 2018, RBI signed a contract to sell the core banking operations of Raiffeisen Bank Polska S.A. by way of demerger to Bank BGZ BNP Paribas S.A., a subsidiary of BNP Paribas S.A. (BNP). Following receipt of the regulatory approvals in particular, and eventual demerger, the transaction closed on 31 October 2018.

The sales price was PLN 3,250 million (€ 749 million), equating to a price/tangible book value multiple of 0.94 times. This is based on core banking operations equity of approximately € 869 million at the time of the demerger. The sale resulted in a positive impact of 85 basis points on RBI Group's CET1 ratio (fully loaded). Under the terms of the agreement with the buyer, total assets of approximately € 9.5 billion and total risk-weighted assets of approximately € 4.9 billion have been allocated to the core banking operations.

The direct impact of the sale on RBI Group's consolidated profit amounted to minus € 120 million, already recognized in the income statement in the second quarter of 2018. Additional equity neutral effects from the disposal after closing amounted to minus € 64 million and was primarily due to already realized currency effects.

RBI transferred the remaining Raiffeisen Bank Polska S.A. operations following the demerger, mainly comprising the foreign currency retail mortgage loan portfolio, to a newly established Polish branch of RBI AG. The branch has total assets of approximately € 3.2 billion at its disposal as at the reporting date.

Placement of additional tier 1 capital (AT1)

RBI placed a perpetual AT1 capital issue in an amount of € 500 million and with a value date of 24 January 2018. The issue has a discretionary coupon of 4.5 per cent p.a. until mid-June 2025, after which it will be reset. The AT1 is classified as equity under IAS 32 due to the terms and conditions of the issue. As a result of this issue, together with the € 650 million AT1 capital placed in July 2017, RBI has now completed its planned AT1 issuance program.

Green bond issuance

On 28 June, RBI issued the first benchmark-sized green bond from an Austrian bank. The bond has a notional amount of € 500 million, a maturity of three years, and carries a coupon of mid-swap plus 40 basis points. The offering was significantly oversubscribed, with an order book of € 1.3 billion. The issuance forms part of RBI's ongoing strategy - which it has been putting into effect for many years - to pursue sustainable business activities. The proceeds from the green bond will be used to finance sustainable projects across the entire RBI network. The allocation of funds follows a clearly defined selection and evaluation process. Ongoing reporting also ensures that the criteria are fulfilled after the investment is made and assesses the contribution to improved sustainability.

Earnings and financial performance

In the 2018 financial year, RBI continued to utilize the positive economic developments in Central and Eastern Europe, as well as in Austria, to generate further growth. The operating result improved 8 per cent, or € 162 million, to € 2,250 million, compared to the previous year, mainly due to higher interest income as well as higher fee and commission income. Lending volumes were up 4 per cent year-on-year, despite the deconsolidation of the Polish core banking operations. The continued positive economic environment facilitated a further reduction of non-performing loans in 2018, and many loans were sold at a profit as a result of active risk management on the part of RBI. At € 166 million, impairment losses on financial assets were € 146 million below the previous year, though new impairment losses of € 159 million were recognized in the fourth quarter for the fine-tuning of IFRS 9 models, as well as for expected credit risks arising from specific events which were not fully captured by the risk models.

The loss of € 120 million reported in the other result from the sale of the Polish core banking operations constituted a significant one-off effect. There was also an effect of minus € 64 million from the recycling of accumulated foreign currency differences previously recognized in equity as other comprehensive income.

Consolidated profit for the reporting period amounted to € 1,270 million, an improvement of 14 per cent, or € 154 million, compared to the prior year.

The Management Board has resolved to propose a dividend payment of € 0.93 per share for the 2018 financial year to the Annual General Meeting. This would correspond to a maximum dividend payout of € 306 million and a payout ratio of 24 per cent.

Comparison of results with the previous year

in € million	2018	2017	Change	
Net interest income	3,362	3,225	137	4.2%
Dividend income	51	35	16	46.1%
Net fee and commission income	1,791	1,719	72	4.2%
Net trading income and fair value result	17	35	(19)	(52.4)%
Net gains/losses from hedge accounting	(11)	(16)	4	(28.0)%
Other net operating income	88	100	(12)	(12.0)%
Operating income	**5,298**	**5,098**	**199**	**3.9%**
Staff expenses	(1,580)	(1,554)	(26)	1.7%
Other administrative expenses	(1,178)	(1,157)	(21)	1.8%
Depreciation	(290)	(300)	10	(3.2)%
General administrative expenses	**(3,048)**	**(3,011)**	**(37)**	**1.2%**
Operating result	**2,250**	**2,087**	**162**	**7.8%**
Other result	(161)	0	(161)	-
Levies and special governmental measures	(170)	(163)	(7)	4.0%
Impairment losses on financial assets	(166)	(312)	146	(46.9)%
Profit/loss before tax	**1,753**	**1,612**	**141**	**8.8%**
Income taxes	(355)	(366)	11	(2.9)%
Profit/loss after tax	**1,398**	**1,246**	**152**	**12.2%**
Profit attributable to non-controlling interests	(128)	(130)	2	(1.4)%
Consolidated profit/loss	**1,270**	**1,116**	**154**	**13.8%**

Operating income

Operating income was up 4 per cent year-on-year, or € 199 million, to € 5,298 million. Net interest income rose 4 per cent to € 3,362 million driven by lending growth, with Group average interest-bearing assets up 3 per cent. There was loan growth in almost all markets, with the main contributions coming from head office, the Czech Republic, Romania, and Slovakia. The net interest margin rose 3 basis points to 2.50 per cent, primarily driven by higher interest rates in Romania, the Czech Republic, and Ukraine. Net fee and commission income was up € 72 million year-on-year to € 1,791 million despite significant depreciation of Eastern European currencies (depreciation of the Russian ruble of 11 per cent and of the Belarusian ruble of 9 per cent). Increases were mainly posted at Raiffeisen Bausparkasse, head office, and in Romania.

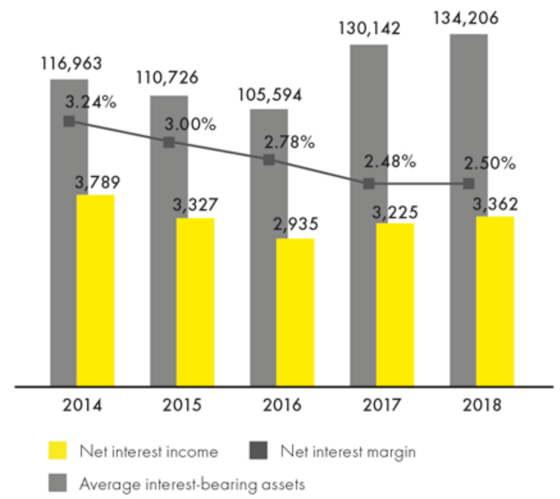
General administrative expenses

General administrative expenses increased € 37 million year-on-year to € 3,048 million. Currency developments caused a € 65 million reduction. The average number of staff decreased, by 394 full-time equivalents year-on-year to 49,745, due to the disposal of the Polish core banking operations. Excluding this effect, full-time equivalents would have increased by 759. Staff expenses rose € 26 million to € 1,580 million, mainly due to a higher level of salary increases in many markets, as well as higher bonus payments. Other administrative expenses rose € 21 million year-on-year, primarily due to higher deposit insurance fees in Russia, Romania, and Poland, as well as for IT services purchased for innovation projects at head office. The number of business outlets declined 250 year-on-year to 2,159, mainly reflecting the sale of the Polish core banking operations. Adjusting for the one-off effect of the sale, the reduction came to 13.

Depreciation of tangible and intangible fixed assets was down 3 per cent, or € 10 million, with Russia and Croatia reporting the largest reductions.

Development of the net interest margin

in € million



Other result

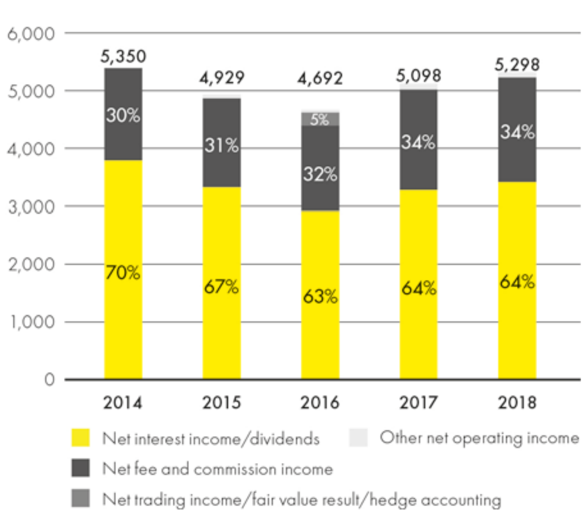
The other result amounted to minus € 161 million, compared to a flat result in the previous year. The main driver was the € 120 million loss from the sale of the Polish core banking operations. There was also an effect of minus € 64 million from recycling accumulated foreign currency differences previously recognized under other comprehensive income. This was offset by a higher results contribution from subsidiaries and associates (positive effect of € 21million), mainly due to lower impairment losses on associates.

Levies and special governmental measures

The expense for levies and special governmental measures rose € 7 million year-on-year to € 170 million. This change mainly resulted from a release of provisions totaling € 21 million in the previous year in connection with the Walkaway Law in Romania.

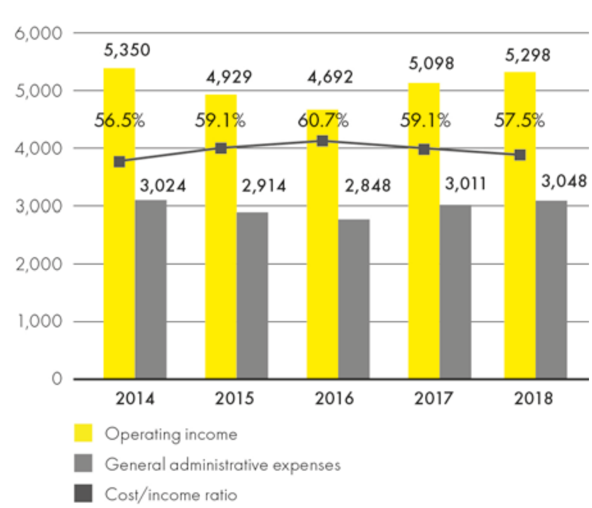
Development of operating income

in € million



Cost/income ratio performance

in € million



In contrast, contributions to the resolution fund, which (as with the majority of the bank levies) have to be recognized in full at the start of the year, fell € 11 million primarily due to lower contributions in Romania and Austria. The expense for bank levies declined € 5 million to € 116 million, reflecting the disposal of the Polish core banking operations.

Impairment losses on financial assets

Impairment losses on financial assets amounted to € 166 million in the reporting period, compared to € 312 million in the prior year. Non-performing loans decreased, reflecting the good macroeconomic environment. Drivers of this positive trend also included inflows and recoveries in an amount of € 587 million, generating a positive effect of € 116 million. The most significant changes to risk costs occurred in the Group Corporates & Markets segment (down € 199 million), in Romania (down € 35 million) and in Croatia (down € 29 million). Impairment losses in the fourth quarter, however, were up € 159 million due to fine-tuning of the IFRS 9 models (for performing loans) and provisions for expected credit losses, due to specific events which were not fully captured by the risk models. The improvement in the NPL ratio continued in 2018: it declined 1.9 percentage points since the start of the year and stood at 3.8 per cent at the end of December. The NPL coverage ratio rose a further 10.6 percentage points to 77.6 per cent, primarily due to sales of highly collateralized loans and the first-time application of IFRS 9.

Income taxes

The tax expense declined € 11 million to € 355 million. The effective tax rate declined 2 percentage points to 20 per cent. This mainly reflected the improved earnings contribution from RBI AG.

Consolidated profit/loss

Profit attributable to non-controlling interests changed only slightly year-on-year, from € 130 million to € 128 million. Consolidated profit improved € 154 million to € 1,270 million.

Comparison of results with the previous quarter

Quarterly results

in € million	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Q4/2018
Net interest income	818	829	834	856	843
Dividend income	5	9	48	3	(9)
Net fee and commission income	447	410	460	455	467
Net trading income and fair value result	9	(1)	18	4	(3)
Net gains/losses from hedge accounting	(23)	(1)	(1)	1	(11)
Other net operating income	21	45	20	14	8
Operating income	**1,277**	**1,291**	**1,379**	**1,334**	**1,294**
Staff expenses	(409)	(384)	(396)	(383)	(416)
Other administrative expenses	(315)	(286)	(287)	(280)	(325)
Depreciation	(75)	(70)	(71)	(71)	(79)
General administrative expenses	**(798)**	**(740)**	**(754)**	**(734)**	**(819)**
Operating result	**479**	**551**	**625**	**600**	**475**
Other result	(31)	27	(121)	7	(74)
Levies and special governmental measures	(17)	(132)	(8)	(16)	(13)
Impairment losses on financial assets	(121)	83	0	(28)	(222)
Profit/loss before tax	**311**	**529**	**496**	**563**	**166**
Income taxes	(77)	(98)	(106)	(111)	(40)
Profit/loss after tax	**234**	**430**	**389**	**452**	**127**
Profit attributable to non-controlling interests	(28)	(31)	(33)	(35)	(29)
Consolidated profit/loss	**206**	**399**	**357**	**417**	**97**

Development of fourth quarter 2018 compared to third quarter 2018

Operating income

Net interest income was down 2 percent, or € 13 million, to € 843 million, reflecting a € 35 million decline in Poland due to the sale of the Polish core banking operations, partly offset by higher interest income in a large number of other countries on the back of higher volumes. The Czech Republic reported the strongest growth of € 7 million following increased customer loans. In Russia, higher interest income, generated primarily from growth in investments in public sector bonds in the third quarter as well as higher customer loan volumes, led to a € 2 million increase. RBI's net interest margin increased 1 basis point to 2.52 percent.

Compared to the third quarter of 2018, net fee and commission income improved 3 per cent, or € 12 million, to € 467 million. The increase mainly resulted from higher fee and commission income from loan and guarantee business at head office and at Raiffeisen Bausparkasse, as well as higher revenue from clearing, settlement and payment services in Russia. This was offset by lower fee and commission income in Poland due to the sale of the Polish core banking operations.

Net trading income was down € 7 million quarter-on-quarter to minus € 3 million, predominantly due to losses on assets held for trading as well as negative currency differences. This was offset by lower valuation losses on loans in the mandatorily fair value through profit/loss category.

Net gains/losses from hedge accounting declined € 13 million, due to the recalibration of fair value hedges at head office.

Other net operating income fell quarter-on-quarter from € 14 million to € 8 million. This mainly reflected the recognition of other provisions (increase of € 5 million) in Russia and Romania for litigation in the fourth quarter. Net income from derecognition of financial assets and liabilities fell € 4 million to € 2 million, primarily in the Czech Republic and Russia. Offsetting this, net income from non-banking business improved € 5 million to € 15 million, due to developments in Slovenia, Belarus, and at Raiffeisen Leasing Austria.

General administrative expenses

At € 819 million, general administrative expenses in the fourth quarter were up 12 per cent, or € 85 million, from € 734 million in the previous quarter.

Staff expenses rose € 32 million quarter-on-quarter to € 416 million, primarily due to increases in provisions for retirement benefits, bonus payments and severance payments, mainly at head office and in Russia, as well as the release of provisions for overdue vacations in the third quarter. Growth in the number of staff in the fourth quarter occurred mostly in Russia and at head office.

Other administrative expenses were up € 45 million to € 325 million, driven by a seasonal increase in advertising expenses, mainly in Russia, and due to legal, advisory and consulting expenses incurred at head office for the disposal of the Polish core banking operations.

Depreciation of tangible and intangible fixed assets rose € 8 million to € 79 million in the fourth quarter. This was mainly due to an adjustment in relation to the useful life of a building in Hungary, as well as the capitalization of internally produced software in Romania and at head office.

Other result

In the fourth quarter of 2018, the other result was minus € 74 million, compared to a positive result of € 7 million in the third quarter. This was due to two main factors: In the fourth quarter, the recycling of cumulative foreign currency differences previously recognized under other comprehensive income in connection with the sale of the Polish core banking operations generated a negative effect of € 64 million, and impairment losses of € 19 million were recognized in relation to investments in associates.

Levies and special governmental measures

Levies and expenses from special governmental measures declined € 4 million compared to the third quarter to € 13 million, with the sale of the Polish core banking operations resulting in a € 4 million reduction in bank levies.

Impairment losses on financial assets

In the fourth quarter of 2018, impairment losses on financial assets amounted to € 222 million, compared with € 28 million in the previous quarter. The sharp rise in impairment losses derived mainly from provisions of € 105 million due to fine-tuning of the IFRS 9 models, and provisions of € 54 million for expected credit risks not fully captured by the model due to specific events (primarily potential sanctions relating to Russia).

The largest changes in this respect were in the Eastern Europe segment, with an increase of € 58 million. In Russia alone, impairment losses were € 52 million higher. The increase in Central Europe amounted to € 54 million, of which € 20 million derived from Slovakia, and € 16 million from both the Czech Republic and Poland. In Southeastern Europe, the quarter-on-quarter increase amounted to € 49 million, of which € 25 million was attributable to Romania, € 11 million to Croatia, and € 6 million to Bulgaria. The Group Corporates & Markets segment posted an increase of € 27 million.

Income taxes

Income taxes decreased € 71 million to € 40 million, mainly due to the level of profit. However, the effective tax rate increased 4 percentage points to 24 per cent.

Consolidated profit/loss

Consolidated profit reduced markedly by € 319 million to € 97 million. This mainly reflected a € 194 million increase in impairment losses on financial assets and a € 124 million reduction in the operating result, driven primarily by the sale of the Polish core banking operations and seasonal effects relating to general administrative expenses.

Statement of financial position

In 2018, RBI's total assets rose by 4 per cent, or € 4,969 million, to € 140,115 million, despite the sale of the Polish core banking operations (€ 9,506 million). Currency movements resulted in a € 661 million reduction; notably the depreciation of the Russian ruble against the euro by 13 per cent, of the Belarusian ruble by 5 per cent, and of the Hungarian forint and the Polish zloty each by 3 per cent, partly offset by the appreciation of the Ukrainian hryvnia by 6 per cent and of the US dollar by 5 per cent.

Assets

in € million	31/12/2018	31/12/2017	Change	
Loans to banks	9,998	10,741	(743)	(6.9)%
Loans to customers	80,866	77,745	3,121	4.0%
Securities	19,778	21,967	(2,189)	(10.0)%
Cash and other assets	29,473	24,694	4,780	19.4%
Total	**140,115**	**135,146**	**4,969**	**3.7%**

The 7 per cent, or € 743 million, decline in loans to banks to € 9,998 million, mainly resulted from a decrease in loans to the Czech and Hungarian central banks.

Despite the sale of the Polish core banking operations, loans to customers rose 4 per cent, or € 3,121 million, to € 80,866 million. Without the sale, they would have increased by 10 per cent, or € 7,754 million. A significant rise was recorded at head office (up € 3,596 million), due to short-term (utilization of loan commitments) and long-term loans. In addition, loans to households (mortgage loans) and non-financial corporations (investment financing) in particular increased; in the Czech Republic (up € 991 million or 10 per cent), in Romania (up € 898 million, or 19 per cent, in all product groups mainly to non-financial corporations and to a lesser extent households), in Slovakia (up € 717 million, or 8 per cent, mainly mortgage loans to households) and in Russia (up € 568 million, or 7 per cent, despite the strong currency devaluation, mainly to non-financial corporations and households). In Central, Southeastern and Eastern Europe, loans to households increased by € 2,371 million and loans to non-financial corporations by € 1,921 million.

The decline in securities was largely due to the sale of the Polish core banking operations (down € 3,311 million). This contrasted with a € 990 million increase in Russian government bonds.

Since the beginning of the year, cash balances increased € 5,652 million to € 22,557 million, primarily at head office as a result of deposits at the Austrian National Bank. Other assets fell € 872 million to € 6,916 million, mainly due to the decline in tangible fixed assets, financial derivatives and tax receivables.

Equity and liabilities

in € million	31/12/2018	31/12/2017	Change	
Deposits from banks	23,980	22,378	1,602	7.2%
Deposits from customers	87,038	84,974	2,064	2.4%
Debt securities issued and other liabilities	16,684	16,553	130	0.8%
Equity	12,413	11,241	1,172	10.4%
Total	**140,115**	**135,146**	**4,969**	**3.7%**

The Group's funding from banks, which mainly relates to short-term funding at head office, increased 7 per cent, or € 1,602 million, to € 23,980 million.

Deposits from customers rose € 2,064 million to € 87,038 million, despite the sale of the Polish core banking operations (€ 8,237 million). Without the sale, they would have increased by 12 per cent or € 10,301 million. The largest increases were posted at head office (up € 5,007 million, or 34 per cent, primarily due to short-term deposits), in Russia (up € 1,680 million, or 18 per cent, primarily due to short-term deposits from non-financial corporations and households), Slovakia (up € 891 million or 9 per cent), the Czech Republic (up € 738 million or 6 per cent), Romania (up € 679 million or 11 per cent), Hungary (up € 621 million or 12 per cent), and Croatia (up € 346 million or 10 per cent).

For information relating to funding, please refer to note (53) Liquidity management, in the risk report section of the consolidated financial statements.

Equity on the statement of financial position

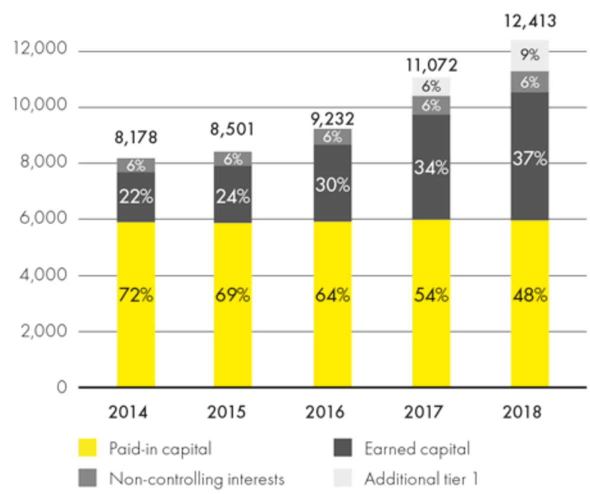
After taking into account the reduction of € 169 million resulting from the application of IFRS 9, equity including capital attributable to non-controlling interests increased € 1,341 million to € 12,413 million. Of this, € 496 million was attributable to capital transactions and € 1,217 million to the total comprehensive income for the financial year, while dividend payments had a negative effect of € 343 million.

At the start of 2018, RBI placed € 500 million of perpetual additional tier 1 capital (AT1). Taking into account the issuance costs and the discount, this increased capital by € 496 million. According to IAS 32, the AT1 is classified as equity due to the terms and conditions of the issue.

After RBI had not paid dividends to shareholders for the 2014 to 2016 financial years in order to strengthen the capital base, the June 2018 Annual General Meeting approved a dividend of € 0.62 per share for 2017. This resulted in a total payment of € 204 million. A further € 79 million was paid to non-controlling shareholders of Group companies and dividend payments of € 60 million were attributable to the AT1 capital.

Breakdown of equity

in € million



Total comprehensive income of € 1,217 million comprises profit after tax of € 1,398 million and other comprehensive income of minus € 181 million. Other comprehensive income was mainly affected by the Russian ruble exchange rate and the sale of the Polish core banking operations. The depreciation of the Russian ruble resulted in a negative contribution of € 223 million from currency translation within the Group, which was partly offset by net income from the hedging of the net investment in Russia (€ 42 million). The sale of the Polish core banking operations resulted in a recycling of the accumulated currency translation differences of € 64 million from equity to the income statement.

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

As at 31 December 2018, RBI's common equity tier 1 (CET 1) after deductions amounted to € 9,702 million, representing an increase of € 436 million compared to the end of 2017. The improvement was attributable to the recognition of profit generated in the regulatory capital. CET1 was reduced by the switch to the new IFRS 9 accounting standard on 1 January 2018, FX effects and other deductions. Tier 1 capital after deductions increased by € 1,089 million to € 10,928 million, notably due to the issue of € 500 million of perpetual additional tier 1 capital in January 2018 and to the changes in CET1. In contrast, tier 2 capital declined € 690 million to € 2,363 million due to early repayments and maturing of capital instruments. RBI's total capital amounted to € 13,291 million, representing an increase of € 399 million compared to the end of 2017.

Risk-weighted assets (total RWA) increased € 770 million to € 72,672 million as at 31 December 2018. The increase was primarily due to new business and to business developments in Group Corporates & Markets, Russia, Romania, the Czech Republic (due inter alia to the termination of a securitization transaction) and Slovakia. This was offset by the sale of the Polish core banking operations which reduced RWA by € 4,941 million.

The CET 1 ratio (fully loaded) improved 0.6 percentage points to 13.4 per cent, with the sale of the Polish core banking operations accounting for 0.9 percentage points. The tier 1 ratio (fully loaded) improved by 1.3 percentage points to 14.9 per cent, and the total capital ratio (fully loaded) by 0.3 percentage points to 18.2 per cent.

Research and development

As a universal bank, RBI's activities also include research and development.

Product development

In financial engineering, customized solutions in connection with investments, financing and hedging are developed for customers. Financial engineering encompasses not only structured investment products, but also structured financing in particular, i.e. financing concepts that go beyond the use of standard instruments and are employed in areas such as acquisition or project financing. RBI also develops individual solutions for its customers to hedge a broad spectrum of risks, from interest rate risk and currency risk through to commodity price risk. Besides financial engineering, RBI is also actively working on the further development of integrated product solutions for international clearing, settlement and payment services in the area of cash management.

Digitalization

RBI is continuously focused on the prospects and opportunities that the ongoing process of digitalization in the financial sector offers the Group. In view of the significance of this trend, RBI merged the former Group Strategy and Group Digital Banking & Innovation divisions in 2018. The new Group Strategy & Innovation area reports to the CEO and combines the Strategy department with the Fintech Partnerships and Innovation Management departments and the Group Transformation department. These changes were made not only to develop and implement innovations and partnerships, but also to shift the focus onto the strategic aspect of RBI's digital transformation. As part of its innovation strategy, the bank also established its own Innovation Board in April 2018 to coordinate and manage all of the Group's innovation activities.

RBI successfully concluded the first round of Elevator Lab, the fintech partnership program, at the start of 2018. Five selected fintechs presented the results of their pilot projects which they had developed over the previous four months. In May 2018, a cooperation agreement was also entered into with one of the participants, kompany, an Austrian enterprise. Working jointly with kompany, RBI has now developed and implemented an innovative know-your-customer (KYC) solution which is optimally aligned to RBI's regulatory needs. RBI continues to hold in-depth talks with two other participating companies and is in the process of developing joint projects.

In May 2018, RBI launched Elevator Ventures, its new corporate venture capital company. With investment capital of € 25 million, the company focuses on strategic direct investments in selected fintechs, co-investments and investments in other venture capital funds. Elevator Ventures thus represents a logical extension of Elevator Lab, as participants can now be offered the prospect of follow-up investments. Growth capital is therefore also available for young enterprises. Investment targets are fintechs that have gained some market experience and need capital to scale up their business models. Furthermore, RBI's expertise and extensive network in CEE is of particular interest to international fintechs.

The second round of Elevator Lab started in October 2018. From more than 400 applications – a 20 per cent increase from 2017 – eight fintechs were selected to work on pilot projects jointly with RBI. For the first time, eight RBI network banks took part in the selection of the fintechs in regional Elevator Lab Challenges.

In 2018, RBI not only expanded its collaboration with fintechs, but also increased the focus on strengthening the innovative capabilities of its own employees. In June 2018, for example, RBI launched a group-wide intrapreneurship program. More than 3,600 employees registered for the program and 765 ideas were submitted. From August to December, eight interdisciplinary teams worked on developing pilot projects. The employees also developed their knowledge of modern working practices and technologies during the process.

In 2018, RBI also worked extensively on blockchain technology. The focus was on specific applications in trade finance, capital markets business and in clearing, settlement and payment services. Moreover, the first feasibility studies for the necessary identification processes were successfully concluded. To further develop blockchain solutions, RBI entered into a cooperation agreement with the Institute for Cryptoeconomics at the Vienna University of Economics and Business. It has been a member of the international blockchain consortium R3 since the end of 2017.

The work that began in the previous year on advanced analytics – the advanced analysis and evaluation of data that can be used to better understand and also manage business processes – was continued in the reporting period. A concept developed in the prior year has now been made operational.

In 2018, RBI became the first bank in Austria to offer video identification (video ID) to its corporate customers. This allows customers to carry out the statutory identification by video in just a few minutes, eliminating the need for a time-consuming appointment with a bank employee or notary. RBI has set up the Identification & Verification Competence Center in Vienna to implement this service.

The network banks in CEE also regularly initiate innovative projects. RBI's subsidiary bank in Russia, for example, is a pioneer in the implementation of blockchain technology. In September 2018, in cooperation with the Russian central bank and leading state institutions and banks, it initiated the first mortgage certificate transaction on the state masterchain platform.

In 2018, Tatra banka was the first bank in Slovakia to introduce facial recognition in mobile banking to add to its list of biometric innovations. With its extensive offering of digital and mobile banking products, Tatra banka is one of the leading banks in CEE and regularly brings innovative solutions into the Group. In September 2018, Tatra banka, in collaboration with the HubHub coworking center in Bratislava, opened its own Elevator Lab. The aim is to offer a platform for startups from various sectors to enable them to develop and scale their business ideas jointly with the bank's experts and IT and data specialists.

The experience gained in head office and the network banks from the various digitalization projects is regularly evaluated and enhanced. The stated goal of RBI's digitalization strategy is to refine these insights and implement them at other Group network banks.

Internal control and risk management system in relation to the Group accounting process

Balanced and comprehensive financial reporting is a priority for RBI and its governing bodies. Compliance with all relevant statutory requirements is of course a basic prerequisite. The Management Board is responsible for establishing and defining a suitable internal control and risk management system that encompasses the entire accounting process while adhering to company requirements. This is embedded in the company-wide framework for the internal control system (ICS).

The ICS is intended to provide the Management Board with the information needed to ensure effective and continuously improving internal controls for accounting. The control system is designed to comply with all relevant guidelines and regulations and to optimize the conditions for specific control measures.

The consolidated financial statements are prepared in accordance with the relevant Austrian laws, predominantly the Austrian Banking Act (BWG) and Austrian Commercial Code (UGB), which govern the preparation of consolidated annual financial statements. The accounting standards, used to prepare the consolidated financial statements, are the International Financial Reporting Standards (IFRS) as adopted by the EU.

Control environment

An internal control system has been in place for many years at the Group, which includes directives and instructions on key strategic issues. It incorporates:

- The hierarchical decision-making process for approving Group and company directives, as well as departmental and divisional instructions.
- Process descriptions for the preparation, quality control, approval, publication, implementation, and monitoring of directives and instructions.
- Regulations for the revision and repeal of directives and instructions.

The senior management of each Group unit is responsible for implementing the Group-wide instructions. Compliance with Group rules is monitored by Group Accounting & Reporting and in the course of the audits performed by internal Group and local auditors.

The consolidated financial statements are prepared by Group Accounting & Reporting, which reports to the Chief Financial Officer. The associated responsibilities are defined for the Group within the framework of a dedicated Group function.

Risk assessment

Significant risks relating to the Group accounting process are evaluated and monitored by the Management Board. Complex accounting standards can increase the risk of errors, as can the use of differing valuation standards, particularly in relation to the Group's principal financial instruments. A difficult business environment can also increase the risk of significant financial reporting errors. For the purpose of preparing the consolidated financial statements, estimates have to be made for asset and liability items for which no market value can be reliably determined. This is particularly relevant for credit business, equity participations and goodwill. Social capital and the valuation of securities are also based on estimates.

Control measures

The preparation of financial information on an individual Group unit level is decentralized and carried out by each Group unit in accordance with the RBI guidelines, with the calculation of parts of the impairment charges under IFRS 9 carried out centrally. The Group unit employees and managers responsible for accounting are required to provide a full presentation and accurate valuation of all transactions. Differences in local accounting standards can result in inconsistencies between local individual financial statements and the financial information submitted to RBI. The local management is responsible for ensuring implementation of mandatory internal control measures, such as the separation of functions and the principle of dual control. The reconciliation and validation controls are imbedded in the aggregation, calculation and accounting valuation activities for all financial reporting processes. Particular focus is placed on the controls for the core processes that play a fundamental role in the preparation of the financial statements. This primarily relates to processes which are relevant for valuations, the results of which have a significant impact on the financial statements (such as credit risk provisions, derivatives, equity participations, provisions for personnel expenses and market risk).

Group consolidation

The financial statement data, which are examined by an external auditor or undergo an audit review, are mostly automatically transferred to the IBM Cognos Controller consolidation system by the end of January of the subsequent year. The IT system is kept secure by limiting access rights.

The plausibility of each Group unit's financial statements is initially checked by the responsible key account manager within Group Accounting & Reporting. Group-level control activities comprise the analysis and, where necessary, modification of the financial statements submitted by Group units. In this process, the results of meetings with representatives of the individual companies, in which the financial statements are discussed, and comments from the audit of the financial statements are taken into account. The discussions cover the plausibility of the individual financial statements as well as critical matters pertaining to the Group unit.

The subsequent consolidation steps are then performed using the consolidation system, including capital consolidation, expense and income consolidation, and debt consolidation. Finally, intra-Group gains are eliminated where applicable. At the end of the consolidation process, the notes to the financial statements are prepared in accordance with IFRS and the BWG/UGB.

In addition to the Management Board, the general control system also encompasses middle management. All control measures constitute part of the day-to-day business processes and are used to prevent, detect and correct any potential errors or inconsistencies in the financial reporting. Control measures range from managerial reviews of the results for the period, as well as the specific reconciliation of accounts, through to analyzing ongoing accounting processes.

The consolidated financial statements and management report are reviewed by the Audit Committee of the Supervisory Board and are also presented to the full Supervisory Board for information. The consolidated financial statements are published as part of the Annual Report on the company's website and in the Wiener Zeitung's official journal and are then filed in the commercial register.

Information and communication

The consolidated financial statements are prepared using Group-wide standardized forms. The accounting and valuation standards are defined and explained in the RBI Group Accounts Manual and must be applied when preparing the financial statements. Detailed instructions for the Group units on measuring credit risk and similar issues are provided in the Group directives. The relevant units are kept abreast of any changes to the instructions and standards through regular training courses.

Each year the Annual Report shows the consolidated results in the form of a complete set of consolidated financial statements. These consolidated financial statements are examined by an external auditor. In addition, the Group management report contains comments on the consolidated results in accordance with the statutory requirements.

Throughout the year, consolidated monthly reports are produced for the Group's senior management. The statutory interim reports conform to the provisions of IAS 34 and are published quarterly in accordance with the Austrian Stock Exchange Act. Before publication, the consolidated financial statements are presented to senior managers and the Chief Financial Officer for final approval and then submitted to the Supervisory Board's Audit Committee. Analyses pertaining to the consolidated financial statements are also provided for management, as are forecast Group figures at regular intervals. The financial and capital planning process, undertaken by Group Planning & Finance, includes a three-year Group budget.

Monitoring

Financial reporting is a main focus of the ICS framework, whereby financial reporting processes are subject to monitoring and control reviews, the results of which are regularly reported to the Management Board and the Supervisory Board for evaluation. Additionally, the Audit Committee is required to monitor the financial reporting process. The Management Board is responsible for ongoing company-wide monitoring. The internal control system is based on three lines of defense:

The first line of defense is formed by individual departments, where department heads are responsible for monitoring their business areas. The departments conduct control activities and plausibility checks on a regular basis, in accordance with the documented processes.

The second line of defense is provided by specialist areas focused on specific issues. These include, for example, Compliance, Data Quality Governance, Operational Risk Controlling, and Security & Business Continuity Management. Their primary aim is to support the individual departments when carrying out control steps, to validate the actual controls and to introduce state-of-the-art practices within the organization.

Internal audits are the third line of defense in the monitoring process. Responsibility for auditing lies with Group Internal Audit and also the respective internal audit departments of the Group units. All internal auditing activities are subject to the Group Audit Standards, which are based on the Austrian Financial Market Authority's minimum internal auditing requirements and international best practices. Group Internal Audit's internal rules also apply (notably the Audit Charter). Group Audit regularly and independently verifies compliance with the internal rules within the RBI Group units. The head of Group Internal Audit reports directly to the Management Boards, with additional reporting obligations to the Chairman of the Supervisory Board and members of the Audit Committee of the Supervisory Board.

Capital, share, voting, and control rights

The following disclosures satisfy the provisions of § 243a (1) of the Austrian Commercial Code (UGB):

(1) As at 31 December 2018, the company's share capital amounted to € 1,003,265,844.05 and was divided into 328,939,621 voting common bearer shares. As at 31 December 2018, 322,204 of those were own shares, and consequently 328,617,417 shares were outstanding at the reporting date. In comparison with 31 December 2017 (394,942 shares), this was a reduction of 72,738 own shares and was due to the transferring of shares within the framework of the share-based remuneration program. Please see note (30) for further disclosures.

(2) The Articles of Association contain no restrictions concerning voting rights or the transfer of shares. The principle of one share one vote applies and there is only one class of shares. Shares with multiple voting rights are not permissible under § 12 (3) of the Austrian Stock Corporation Act (AktG). The regional Raiffeisen banks and direct and indirect subsidiaries of the regional Raiffeisen banks are parties to a syndicate contract (syndicate agreement) regarding RBI AG. The terms of this syndicate agreement include not only a block voting agreement and preemption rights, but also a prohibition on sales of the RBI shares held by the regional Raiffeisen banks (with few exceptions) for a period of three years (lock-up period) from the effective date of the merger between RZB AG and RBI AG, i.e. from 18 March 2017, if the sale would reduce the regional Raiffeisen banks' aggregate shareholding in RBI AG (direct and/or indirect) to less than 50 per cent of the share capital plus one share. After the lock-up period expires, the shareholding threshold falls to 40 per cent of the share capital of RBI AG.

(3) RLB NÖ-Wien Sektorbeteiligungs GmbH holds around 22.24 per cent of the share capital of the company according to the most recent notification of voting rights published on 7 September 2018. By virtue of the syndicate agreement regarding RBI AG, the directly or indirectly held voting rights attached to a total of 193,449,778 shares, corresponding to a voting interest of around 58.81 per cent, are mutually attributable to the regional Raiffeisen banks and their direct and indirect subsidiaries pursuant to §§ 130 and 133 7 of the Austrian Stock Exchange Act (BörseG) as parties acting in concert as defined in § 1 6 of the Austrian Takeover Act (ÜbG) (see the notification of voting rights published on 7 September 2018). The remaining shares of RBI AG are held in free float, with no other direct or indirect shareholdings amounting to 10 per cent or more known to the Management Board.

(4) The Articles of Association do not contain any special rights of control associated with holding shares. According to the syndicate agreement for RBI AG, the regional Raiffeisen banks can nominate nine members of the RBI AG Supervisory Board. In addition to the members nominated by the regional Raiffeisen banks, the RBI AG Supervisory Board should also include three independent representatives of free-float shareholders who are not attributable to the Austrian Raiffeisen Banking Group.

(5) There is no control of voting rights arising from interests held by employees in the share capital.

(6) Pursuant to the Articles of Association, a person who is 68 years or older may not be appointed as a member of the Management Board or be reappointed for another term in office. The rule for the Supervisory Board is that a person who is aged 75 years or older may not be elected as a member of the Supervisory Board or be re-elected for another term in office. Moreover, no person who already holds eight supervisory board mandates in publicly traded companies may be a member of the Supervisory Board. Holding a position as chairman of the supervisory board of a publicly traded company would count twice for this purpose. The Annual General Meeting may choose to waive this restriction through a simple majority of votes if permitted by law. Any candidate who has more mandates for, or chairman positions on, supervisory boards in publicly traded companies must disclose this to the Annual General Meeting. There are no further regulations regarding the appointment or dismissal of members of the Management Board and the Supervisory Board beyond the provisions of the relevant laws. The Articles of Association stipulate that the resolutions of the Annual General Meeting are, provided that there are no mandatory statutory provisions to the contrary, adopted by a simple majority of the votes cast. Where the law requires a capital majority in addition to the voting majority, resolutions are adopted by a simple majority of the share capital represented in the votes. As a result of this provision, members of the Supervisory Board may be dismissed prematurely by a simple majority. The Supervisory Board is authorized to adopt amendments to the Articles of Association that only affect the respective wording. This right may be delegated to committees. Furthermore, there are no regulations regarding amendments to the company Articles of Association beyond the provisions of the relevant laws.

(7) Pursuant to § 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 4 June 2014 to increase the share capital with the approval of the Supervisory Board – in one or more tranches – by up to € 446,793,032.95 through issuing up to 146,489,519 new voting common bearer shares in exchange for contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to § 153 (6) of the AktG) by 25 August 2019 at the latest and to fix the offering price and terms of the issue with the approval of the Supervisory

Board. The Management Board is further authorized to exclude shareholders' subscription rights with the approval of the Supervisory Board (i) if the capital increase is carried out in exchange for contributions in kind, or (ii) if the capital increase is carried out in exchange for contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's share capital (exclusion of subscription rights).

The Annual General Meeting held on 21 June 2018 authorized the Management Board pursuant to § 65 (1) 8, § 65 (1a) and § 65 (1b) of the AktG to purchase own shares and to retire them if appropriate without requiring any further prior resolutions to be passed by the Annual General Meeting. Own shares, whether already purchased or to be purchased, may not collectively exceed 10 per cent of the company's share capital. The authorization to purchase own shares expires 30 months after the date of the Annual General Meeting resolution, i.e. until 20 December 2020. The acquisition price for repurchasing the shares may be no lower than € 1 per share and no higher than 10 per cent above the average unweighted closing price over the 10 trading days prior to exercising this authorization. The authorization may be exercised in full or in part or also in several partial amounts, for one or more purposes – with the exception of securities trading – by the company, by a subsidiary (§ 189a 7 of the UGB) or by third parties for the account of the company or a subsidiary.

The Management Board was further authorized, pursuant to § 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary (§ 189a 7 UGB) or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 20 June 2023.

This authorization replaces the authorization approved by the 16 June 2016 Annual General Meeting to purchase and retire own shares pursuant to § 65 (1) 8 of the AktG. No own shares have subsequently been purchased either on the basis of the now expired June 2016 authorization or the authorization from June 2018 which is now in effect.

The Annual General Meeting of 21 June 2018 also authorized the Management Board, under the provisions of § 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 20 December 2020), provided that the trading portfolio of shares purchased for this purpose does not at the end of any given day exceed 5 per cent of the company's respective share capital. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition. This authorization may be exercised in full or in part or also in several partial amounts by the company, by a subsidiary (§ 189a 7 UGB) or by third parties acting for the account of the company or a subsidiary.

(8) The following material agreements exist, to which the company is a party and which take effect, change or come to an end upon a change of control in the company as a result of a takeover bid:

- RBI is insured under a Group-wide D&O policy. Insurance cover would remain in place following a merger with another legal entity belonging to the RBI Group. In the event of a merger with a legal entity outside the RBI Group, the insurance policy would automatically cease at the end of the insurance period in which the merger took effect. In such cases, insurance cover only exists for claims for damages arising from breaches of obligations that occurred before the merger, which are reported to the insurer prior to any termination of RBI's Group-wide D&O insurance cover, and thereafter, within the agreed notification period of five years.
- RBI AG is a member of the Professional Association of Raiffeisen Banks. Upon a change in control of RBI AG which results in the attainment of control by shareholders outside of the Raiffeisen Banking Group Austria, membership of the Professional Association of Raiffeisen Banks and of the Raiffeisen Customer Guarantee Scheme Austria may be terminated. RBI AG continues to serve as the central institution of the Raiffeisen Banking Group at a national level. Upon a change in control of RBI AG, related contracts (membership of the liquidity group pursuant to § 27a of the BWG; membership of the federal IPS pursuant to Art. 113 (7) of the CRR) may end or change.
- The company's refinancing agreements and agreements concerning third-party financing for subsidiaries, which are guaranteed by the company, stipulate that the lenders can demand early repayment of the financing in the event of a change in control.

(9) There are no indemnification agreements between the company and its Management Board and Supervisory Board members or employees that would take effect in the event of a public takeover bid.

Risk management

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

Corporate Governance

The Corporate Governance Report can be found on the RBI website (www.rbinternational.com → Investors → Corporate Governance), as well as in the Corporate Governance Report chapter of the Annual Report.

Consolidated non-financial report

Pursuant to the Sustainability and Diversity Improvement Act (NaDiVeG), the consolidated non-financial statement, which has to be prepared in accordance with § 267a of the Austrian Commercial Code (UGB), is issued as an independent non-financial report (Sustainability Report). The report containing detailed information on sustainability management developments, will be published online – at www.rbinternational.com → About us → Sustainability Management – and also contains the disclosure for the parent company in accordance with § 243b of the UGB.

Outlook

Economic outlook

Central Europe

Economic conditions in Central Europe (CE) should remain favorable overall in 2019, despite global headwinds and that GDP growth is expected to slow somewhat: A growth rate of 3.4 per cent is anticipated for 2019 – down from 4.5 per cent in 2018. Thanks to a continuing decline in unemployment and solid real wage increases, private consumption should remain a stable pillar of economic growth. Despite the prospect of lower GDP growth rates, investment is also likely to be a key source of support for the economy in 2019. At country level, Slovakia and Poland are expected to post the strongest increases (at 4.0 per cent and 3.6 per cent, respectively).

Southeastern Europe

In Southeastern Europe (SEE), economic growth is expected to again slow to a low level. As in 2018, this is being driven by economic developments in Romania, where the GDP makes up the largest contribution to the region. GDP growth of 2.5 per cent is expected in Romania (following 4.1 per cent in 2018). In the remaining SEE countries, economic activity is expected to remain relatively stable or slightly decline; with a slowdown to 2.8 per cent from 3.7 per cent in 2018. Economic activity is expected to be driven primarily by domestic demand. An increase in wages should have a positive impact on spending on the part of private households. Similarly, investment activity is expected to remain at high levels, albeit heavily dependent on progress made in the utilization of EU funds and implementation of major infrastructure projects. All in all, the expected economic slowdown in the EU is also likely to curb the region's economic growth in 2019 and 2020.

Eastern Europe

Following a somewhat stronger 2018, the Russian economy is expected to grow at a low rate of 1.5 per cent in 2019, and therefore continue on its moderate growth trajectory. Oil prices should support the economy, while no significant impetus is expected from the continued comparatively restrictive monetary and fiscal policy. Risks of sanctions continue to persist, which could negatively affect the currency and economic development. In Ukraine, parliamentary and presidential elections are scheduled for 2019, but the renewed cooperation with the International Monetary Fund should have a stabilizing effect. Economic growth in Ukraine should reach a moderate 2.7 per cent in 2019.

Austria

Even though the economic peak in Austria has already passed, economic momentum should continue to remain over the average euro area rate, despite slowing down and increased external risks. Following 2.7 per cent in 2018, GDP growth is expected to expand at the low rate of from to 1.3 per cent in 2019. Domestic demand is anticipated to be the main driver while foreign trade should increasingly feel the effects of global headwinds. Thanks to the continuation of good labor market conditions, private consumption also looks set to achieve solid growth rates in 2019. Although investment activity should weaken, it is expected to also support economic growth in 2019.

Banking sector in Austria

The positive trend in new business in the Austrian banking market should continue in 2019. Depending on the market segment, credit growth rates are expected to range between 3 per cent and 5 per cent. A pick-up in the corporate customer business, despite the economic slowdown, continued to support positive momentum in the sector. Moreover, the continuing positive wage trends should support the granting of loans. Nonetheless, a moderate downturn in the granting of mortgage loans is expected following stricter communication by the regulator. All in all, the return on equity of Austrian banks should be in the high single-digit percentage range in 2019, with stable or only slightly increasing risk costs.

CEE banking sector

For the CEE banking markets, credit growth rates are expected to range between 5 per cent and 9 per cent over the next 12-18 months. Accordingly, solid economic growth in the CE and SEE regions should have an overall positive impact on CEE banks' earnings in 2019, despite moderately weaker momentum. Given new unemployment rate lows in CE and SEE, growth in wages should also be in the high single-digit percentage range in 2019, while some regional central banks in CE and SEE are expected to cautiously normalize monetary policy. It is anticipated that tightened macroprudential regulations will curb mortgage and consumer loan growth, notably in the Czech Republic, Slovakia and Romania, but conversely also maintain the sustainable return potential of these markets. Thanks to the adjustments carried out in recent years – e.g. reducing foreign currency loans and NPL portfolios – there should be no significant negative impact on returns from this side. Likewise, given the still positive overall economic growth and currently stable corporate insolvency situation, a significant increase in risk costs is not anticipated. Also, in Russia, Ukraine and Belarus, the general conditions for the banking sector should develop favorably in 2019 in view of high local interest rate levels and solid macroeconomic parameters. All in all, the return on equity of the CEE banking sector in 2019 should almost reach its 2018 level, even though there is the possibility of a slight rise in risk costs in some regions (starting from low levels). In Romania, a newly introduced bank tax is expected to have a negative impact on new loan business and the profitability of the Romanian banking sector.

Outlook for RBI AG

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 around 45 basis points.

We anticipate that the NPL 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.

Events after the reporting date

Romanian bank tax

At the end of 2018, the Romanian Government decided to introduce a new bank tax. As there is discussion surrounding the potential negative impact on the Romanian economy, there is still a need for consultation at government level. It therefore cannot be ruled out, that the draft which was presented at the end of 2018, could still be revised and mitigate the burden on the banking sector. The impact on RBI cannot be quantified at this point in time.

Annual financial statements

Statement of financial position

	ASSETS	31/12/2018 in €	31/12/2017 in € thousand
1.	Cash in hand and balances with central banks	10,521,347,322.23	4,780,629
2.	Treasury bills and other bills eligible for refinancing with central banks	5,317,410,267.94	5,510,399
3.	Loans and advances to credit institutions	6,551,413,546.43	9,013,053
	a) Repayable on demand	988,321,618.12	1,911,732
	b) Other loans and advances	5,563,091,928.31	7,101,321
4.	Loans and advances to customers	25,068,841,659.31	18,276,411
5.	Debt securities and other fixed-income securities	2,936,977,719.84	2,432,873
	a) issued by public bodies	338,694,091.31	500,806
	b) issued by other borrowers	2,598,283,628.53	1,932,068
	Hereof: own debt securities	751,988,570.53	15,721
6.	Shares and other variable-yield securities	291,146,631.15	196,404
7.	Participating interests	73,951,693.31	60,432
	Hereof: in credit institutions	37,755,785.21	24,223
8.	Shares in affiliated untertakings	10,632,209,984.36	11,298,110
	Hereof: in credit institutions	1,916,464,218.30	2,679,199
9.	Intangible assets	37,306,929.62	33,829
10.	Tangible assets	10,599,557.68	9,075
11.	Other assets	2,824,958,936.95	2,980,498
12.	Accruals and deferred income	157,178,827.94	148,775
13.	Deferred tax assets	26,109,560.01	828
	Total	**64,449,452,636.77**	**54,741,316**

	LIABILITIES	31/12/2018 in €	31/12/2017 in € thousand
1.	Liabilities to credit institutions	26,598,260,661.52	23,863,179
	a) Repayable on demand	3,457,347,331.21	2,819,417
	b) With agreed maturity dates or periods of notice	23,140,913,330.31	21,043,761
2.	Liabilities to customers (non-banks)	17,612,098,405.88	13,165,962
	a) Savings deposits	0.00	0
	b) Other liabilities	17,612,098,405.88	13,165,962
	aa) Repayable on demand	6,172,537,812.98	4,782,363
	bb) With agreed maturity dates or periods of notice	11,439,560,592.90	8,383,599
3.	Securitised liabilities	5,122,475,129.81	3,149,687
	a) Debt securities issued	4,037,849,163.18	1,919,406
	b) Other securitised liabilities	1,084,625,966.63	1,230,281
4.	Other liabilities	2,363,196,252.75	2,552,739
5.	Accruals and deferred income	82,154,900.23	101,903
6.	Provisions	309,394,415.02	327,368
	a) Provisions for severance payments	65,720,314.64	57,449
	b) Provisions for pensions	71,548,128.18	69,280
	c) Provisions for taxation	296,767.31	5,688
	d) Other	171,829,204.89	194,951
7.	Supplementary capital pursuant to chapter 4 of title I of part 2 of regulation (EU) no 575/2013	2,737,493,617.74	3,277,149
8.	Additional Tier 1 capital pursuant to chapter 3 of title I of Part 2 of regulation (EU) no 575/2013	1,152,660,822.30	651,859
9.	Subscribed capital	1,002,283,121.85	1,002,061
	a) Share capital	1,003,265,844.05	1,003,266
	b) Nominal value of own shares	(982,722.20)	(1,205)
10.	Capital reserves	4,431,352,336.41	4,431,574
	a) Committed	4,334,285,937.61	4,334,508
	b) Uncommitted	97,066,398.80	97,066
11.	Retained earnings	2,170,639,897.54	1,477,480
	a) Legal reserve	5,500,000.00	5,500
	b) Other reserves	2,165,139,897.54	1,471,980
12.	Liability reserve pursuant to Article 57 (5)	535,097,489.59	535,097
13.	Net profit for the year	332,345,586.13	205,256
	Total	**64,449,452,636.77**	**54,741,316**

Income statement

		2018 in €	2017 in € thousand
1.	Interest receivable and similar income	896,283,014.51	810,734
	Hereof: from fixed-income securities	90,236,107.06	82,433
2.	Interest payable and similar expenses	(585,371,253.05)	(565,935)
I.	**NET INTEREST INCOME**	**310,911,761.46**	**244,799**
3.	Income from securities and participating interests	636,251,727.98	1,379,785
	a) Income from shares and other variable-yield securities	10,431,961.04	7,731
	b) Income from participating interests	6,759,012.83	8,813
	c) Income from shares in affiliated undertakings	619,060,754.11	1,363,241
4.	Commissions receivable	333,617,795.53	293,227
5.	Commissions payable	(131,494,785.85)	(123,470)
6.	Net profit or net loss on financial operations	39,885,282.51	12,216
7.	Other operating income	181,132,644.68	147,207
II.	**OPERATING INCOME**	**1,370,304,426.31**	**1,953,763**
8.	General administrative expenses	(736,597,399.88)	(666,202)
	a) Staff costs	(378,714,478.41)	(333,203)
	aa) Wages and salaries	(271,269,295.45)	(257,276)
	bb) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	(55,792,364.55)	(52,592)
	cc) Other social expenses	(7,676,437.56)	(7,065)
	dd) Expenses for pensions and assistance	(9,811,703.27)	(10,993)
	ee) Allocation/Release of provision for pensions	(16,745,875.87)	3,046
	ff) Expenses for severance payments and contributions to severance funds	(17,418,801.71)	(8,322)
	b) Other administrative expenses	(357,882,921.47)	(332,999)
9.	Value adjustments in respect of asset items 9 and 10	(9,159,254.01)	(9,668)
10.	Other operating expenses	(104,888,299.37)	(38,799)
III.	**OPERATING EXPENSES**	**(850,644,953.26)**	**(714,668)**
IV.	**OPERATING RESULT**	**519,659,473.05**	**1,239,094**
11./12.	Net income/expenses from the disposal and valuation of loans and advances and securities classified as current assets	(31,566,329.64)	(156,614)
13./14.	Net income/expenses from the disposal and valuation of securities evaluated as financial investments and of shares in affiliated companies and participating interests	143,316,104.28	(47,885)
V.	**PROFIT ON ORDINARY ACTIVITIES**	**631,409,247.69**	**1,034,595**
15.	Tax on profit or loss	4,853,418.35	(18,173)
16.	Other taxes not reported under item 15	(53,413,869.63)	(56,612)
17.	Merger gain	442,359,241.80	0
VI.	**PROFIT FOR THE YEAR AFTER TAX**	**1,025,208,038.21**	**959,811**
18.	Changes in reserves	(694,375,858.99)	(187,979)
	Hereof: allocation to liability reserve	0.00	0
VII.	**NET INCOME FOR THE YEAR**	**330,832,179.22**	**771,831**
19.	Profit/Loss brought forward	1,513,406.91	(566,575)
VIII.	**Net profit for the year**	**332,345,586.13**	**205,256**

Items off the statement of financial position

	ASSETS	31/12/2018 in €	31/12/2017 in € thousand
1.	Foreign assets	40,161,912,956.14	37,124,281

	LIABILITIES	31/12/2018 in €	31/12/2017 in € thousand
1.	Contingent liabilities	5,213,077,852.84	5,936,929
	Guarantees and assets pledged as collateral security	5,213,077,852.84	5,936,929
2.	Commitments	13,206,744,167.08	13,003,003
	Hereof: liabilities from repurchase agreements	0.00	0
3.	Commitments arising from agengy services	231,259,294.81	218,297
4.	Eligible own funds according to part 2 of regulation (EU) no 575/2013	11,221,043,874.10	10,734,435
	Hereof: supplementary capital pursuant to chapter 4 of title I of part 2 of regulation EU) No 575/2013	2,304,718,087.99	2,978,860
5.	Capital requirements pursuant to article 92 of regulation (EU) No 575/2013	39,299,297,278.17	33,329,885
	Hereof: capital requirements pursuant to article 92 (1) (a) to (c) of regulation (EU) No 575/2013		
	a) Hereof: capital requirements pursuant to article 92 (a)	19.8%	21.4%
	b) Hereof: capital requirements pursuant to article 92 (b)	22.7%	23.3%
	c) Hereof: capital requirements pursuant to article 92 (c)	28.6%	32.2%
6.	Foreign liabilities	13,052,534,941.63	12,569,917

Notes

General disclosures

Raiffeisen Bank International AG (RBI AG) is registered in the company register at the Commercial Court of Vienna under FN 122.119m. Its registered office is at Am Stadtpark 9, 1030 Vienna. The annual financial statements are deposited at the company register court and published in the official journal of the Wiener Zeitung in accordance with the Austrian disclosure regulations.

The annual financial statements for the year ending 31 December 2018 were prepared by the Management Board in accordance with the Austrian Commercial Code (UGB) as amended by the 2014 Austrian Financial Reporting Amendment Act (RAG), taking into account the special provisions of the Austrian Banking Act (BWG) that apply to credit institutions, including the CRR Regulation 575/2013/EU and the Austrian Stock Corporation Act (AktG).

According to Section 221 (Size categories) of the Austrian Commercial Code (UGB), RBI AG qualifies as a large corporation. It is also a public interest entity pursuant to Section 43 (1a) of the Austrian Banking Act (BWG) in conjunction with Section 189a of the Austrian Commercial Code.

The Raiffeisen Bank International Group (RBI) is a corporate and investment bank for the top 1,000 companies in Austria and for large corporate customers in Western Europe. Through its equity participations, RBI has one of the largest networks held by Western banking groups in Central and Eastern Europe (CEE). It transacts business in this region through a closely-knit network of subsidiary banks, leasing companies and numerous specialized financial service providers with more than 2,100 branches. In Austria, RBI holds stakes in companies specializing in housing finance, leasing, asset management, equities and certificates, pension funds, factoring and private banking. RBI's 16.1 million clients include commercial clients, small and medium-sized entities, private individuals, financial institutions and government entities. In addition, RBI is the lead institution of the Raiffeisen Banking Group Austria (RBG) and serves as the central institution of the Raiffeisen regional banks as defined by the Austrian Banking Act (BWG).

RBI AG also has branch offices in Frankfurt, London, Beijing, Singapore and, since November 2018, Warsaw.

As shares in the company are traded on a regulated market within the meaning of Section 1 (2) BörseG (prime market of the Vienna Stock Exchange) and numerous securities issued by Raiffeisen Bank International (RBI AG) are admitted to a regulated market in the Ell, RBI AG has to publish annual consolidated financial statements in accordance with Section 59a of the Austrian Banking Act (BWG) in compliance with International Financial Reporting Standards. These consolidated financial statements are published on the Internet (www.rbinternational.com/ir).

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

The disclosure requirements set out in Part 8 of the EU Regulation 575/2013 on prudential requirements for credit institutions (Capital Requirements Regulation, CRR) are published online on the banks website at investor.rbinternational.com.

Sale of core Polish banking business and merger of Raiffeisen Bank Polska S.A. with RBI AG

In April 2018, an agreement was signed for the divestiture of the core banking business of Raiffeisen Bank Polska S.A. by means of a demerger to Bank BGZ BNP Paribas S.A., a subsidiary of BNP Paribas S.A. (BNP). Once the regulatory approvals have been obtained, this transaction was completed with the demerger on 31 October 2018. Pursuant to the agreement with the buyer, total assets of € 9.5 billion and risk -weighted assets of € 4.9 billion were allocated to the core banking business.

RBI AG transferred the remaining operations of Raiffeisen Bank Polska S.A., which after the demerger consisted primarily of the portfolio of retail foreign currency mortgage loans, to a newly established Polish branch office of RBI AG by means of a merger with continuation of carrying values. The merger became effective with the entry in the commercial register on 3 November 2018. 31 March 2018 was agreed as the merger date pursuant to Section 5 (2) number 6 of the EU Merger Act in combination with Section 220 (2) number 5 of the Austrian Stock Corporation Act (AktG) as well as Section 2 (5) of the Austrian Restructuring Act (UmgrStG), since which the actions of Raiffeisen Bank Polska S.A. – under accounting law and in the internal relationship between the latter and RBI AG as the acquiror - are deemed to have been performed for the account of RBI AG. After fulfillment of the contractual conditions of the disposal as of 31 October 2018 and the economic contribution of the remaining operations to the branch office of RBI AG, the branch office’s expenses and income were recognized in the income statement from 3 November 2018. For financial accounting reasons, it was not possible to present the net gain/loss generated between 1 April 2018 and 31 October 2019, although it did increase the amount of repatriated equity and thereby the reported merger gain. The branch office had total assets of € 3.2 billion at the reporting date. Of this amount, the retail credit portfolio accounted for € 3.1 billion and the corporate credit portfolio € 0.1 billion. As of the reporting date, the branch office had 196 staff organizing the reduction of the portfolio. New business is not planned. The branch offices are refinanced entirely by the head office in Vienna.

Federal IPS

Institutional protection schemes (IPS) approved by the Financial Market Authority have been established within the RBG since the end of 2014. Contractual or statutory liability arrangements were concluded as well. The schemes and liability arrangements protect the participating institutes and, in particular, ensure their liquidity and solvency where required. The IPS is based on uniform, joint risk monitoring pursuant to Article 49 CRR (Capital Requirements Regulation). The IPS was designed with two levels (federal and provincial IPS) to reflect RBG's organizational structure.

As the central institute of RBI, RBI AG is a member of the federal IPS, whose members include, in addition to the Henry regional banks, Raiffeisen-Holding Niederösterreich-Wien, Posojilnica Bank, Raiffeisen Wohnbaubank and Raiffeisen Bausparkasse. The federal IPS is subject to regulatory supervision. Consequently, the capital adequacy requirements of the CRR must also be complied with at the level of the federal IPS. Consequently, no deductions are made for the members of the federal IPS for their participation in RBI AG. Moreover, internal receivables within the IPS can be weighted at zero per cent.

The federal IPS relies on uniform, joint risk monitoring as part of the early warning system of the Osterreichische Raiffeisen- Einlagensicherung (ORE). The IPS hence supplements the RBG system of mutual assistance that comes into effect when members experience economic difficulties.

Recognition and measurement principles

General principles

The annual financial statements are prepared in accordance with the principles of proper accounting, and taking into account standard practice as described in Section 222 (2) of the Austrian Commercial Code (UGB), to give a true and fair view of the company's net assets, financial position and earnings.

The consolidated financial statements were prepared in compliance with the consistency principle. Due to the contribution of the Polish credit portfolio to RBI AG, comparison of the annual financial statements with the previous year is possible to only a limited extent.

Assets and liabilities are valued on the principle of individual valuation and on the assumption that the company will continue to exist as a going concern. The principle of prudence is applied, taking into account the special characteristics of the banking business. In the year under review, the methodology for determining impairment losses was modified. The IFRS 9 calculation model was also applied on the basis of corporation law from 1 January 2018.

Stock market prices are used to determine the fair value of listed products. If stock market prices are not available, prices for original financial instruments and forward transactions are determined based on the calculated present value. The prices for options are determined based on suitable option price models. The calculation of present value is based on a yield curve composed of money-market, futures and swap rates and does not include a credit spread. Option pricing formulas as described by Black-Scholes 1972, Black 1976 and Garman-Kohlhagen are used together with other common models for the valuation of structured options.

Amounts in foreign currencies

Assets and liabilities in foreign currencies are converted at the ECB's reference exchange rates as at 31 December 2018 pursuant to Section 58 (1) of the Austrian Banking Act (BWG).

Financial instruments in the banking book

Securities intended to serve business purposes on a permanent basis (investment portfolio) are valued as fixed assets. The difference between the purchase cost and repayment amount is written off or recognized pro rata over the residual term.

Securities held as current assets have been valued strictly according to the lower of cost or market value principle, with any reversals of impairment losses up to amortized cost.

Derivatives on interest rates (interest rate swaps, interest rate options and forward rate agreements) and on exchange rates (cross currency interest rate swaps and forward exchange transactions) are accounted for according to the accrued interest method, in which interest amounts are accrued for each period.

In designating derivatives as part of effective micro hedging transactions, compensatory valuation of the underlying transaction and hedging derivative takes place.

RBI AG uses interest rate swaps to hedge the interest rate risk from assets (bonds and loans) and liabilities (own issues, promissory notes and custodian business) on the statement of financial position. Fixed cash flows are exchanged for variable cash flows to minimize the interest rate risk.

These derivatives form part of a valuation unit. Their market value is therefore not reported in the annual financial statements, as they are offset by cash flows from the underlying transactions recognized through profit and loss.

The hedging relationships are determined on the basis of micro fair value hedges in accordance with IAS 39 and documented according to applicable regulations. On designation, the effectiveness of the hedging relationship is reviewed by a prospective effectiveness test with 100 basis point shifts in the yield curve.

The effectiveness is measured retrospectively on the basis of a monthly regression analysis. Here, a set of 20 data points is used to determine the required calculation parameters used for the retrospective effectiveness test. A hedge is deemed to be effective if changes in the fair value of the underlying and hedging transaction are in a range of 80-125 per cent.

The banking book also includes derivatives which do not meet the criteria of a trading book and are not part of a micro hedge relationship. The focus is not on short-term gains but on management of income and interest rate risk through positioning based on medium- to long-term market opinion.

These derivatives were administrated in defined portfolios in order to guarantee a documented mapping to functional units. Within these functional units an imparity-based valuation takes place. For a negative accounting balance per functional unit a provision for impending loss will be allocated, while a positive accounting balance will be unrecognized.

Derivatives of the bank book, which are not reflected in functional units, are valued according to the imparity principle. In the case of negative market values a provision for impending loss will be allocated. The disclosure is shown in the income statement under position 11./12. net income/expenses from the disposal and valuation of loans and advances and securities held as current assets.

Credit default swaps have the following effect on the income statement: The margins received or paid (including accruals) are reported under commissions; the valuation results are recorded against income based on the imparity principle.

Financial instruments in the trading book

The securities in the trading portfolio are valued on a mark-to-market basis. All derivatives transactions in the trading book are also recognized at fair value.

The capital-guaranteed products (guarantee funds and pension provisions) are reported as put options sold on the respective funds lo be guaranteed. Valuation is based on a Monte Carlo simulation and is in accordance with the framework conditions stipulated by law.

Derivative financial instruments

The price definition of OTC derivatives is subject to valuation adjustments to reflect the counterparty default risk (credit value adjustment - CVA) and adjustments for the Bank's own credit risk (debit value adjustment - DVA).

The CVA involves, first, the determination of the expected positive exposure and, second, the counterparty's probability of default. The DVA is determined by the expected negative exposure and RBI's credit quality.

To determine the expected positive exposure, a large number of scenarios for future points in time are simulated, reflecting all available risk factors (e.g. currency and yield curves). Having regard to these scenarios, the OTC derivatives are measured at market value and aggregated at counterparty level to finally determine the positive exposure for all the dates.

As a further component for the CVA, a probability of default has to be determined for each counterparty. If direct CDS (credit default swap) quotes are available, RBI derives the market-based probability of default for the respective counterparty and implicitly the loss-given default (LGD). To determine the probability of default of counterparties that are not actively traded in the market, the counterparty's internal rating is assigned to a sector- and rating-specific CDS curve.

The DVA is determined by the expected negative exposure and RBI's credit quality and represents the value adjustment with regard to RBI's own probability of default. The method applied to calculate the negative exposure is similar to that used for the CVA; the expected negative market value is applied instead of the expected positive market value. From the simulated future aggregated counterparty market values, negative, rather than positive, exposures are determined. These represent the expected liability to the counterparty at the respective future dates.

To determine the own probability of default values implied by the market are also used. If direct CDS quotes are available, these are applied. If no CDS quotes are available, the own rating is assigned to a sector- and rating-specific CDS curve to determine own probability of default.

Loans and advances

Loans and advances are generally recognized at amortized cost. Any difference between the amount paid out and the nominal amount is deferred on a straight-line basis and reported in net interest income, provided the difference is similar in nature to interest. Impairments are accounted for in the calculation of amortized cost. If the reasons for an impairment no longer apply, the impairment is reversed up to a maximum of no more than the cost of acquisition after reversing the difference (premium/discount).

Net provisioning for impairment losses

At the end of every reporting period, an assessment is conducted to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is considered impaired and impairment losses are incurred if:

- there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the asset and before the reporting date (loss event);
- the loss event had an impact on the estimated future cash flows of the financial asset or group of financial assets; and
- the amount can be reliably estimated.

Objective evidence of impairment includes the counterparty experiencing significant financial difficulties, a breach of contract (e.g. default or delinquency in interest or principal payments), or a high probability that the borrower will enter bankruptcy or another form of financial reorganization.

Risks in the credit business are accounted for by recognizing individual loan loss provisions and portfolio-based loan loss provisions. The individual loan loss provisions and portfolio-based loan loss provisions are set off against corresponding loans in the statement of financial position.

Individual loan loss provisions

As part of implementing individual loan loss provisions, provisions are recognized using standardized company-wide criteria to cover the expected default associated with the credit risks attributable to loans and advances to customers and banks. Loans are assumed to be at risk of default if the discounted projected repayment amounts and interest payments are less than the carrying amount of the loans, taking collateral into account.

Portfolio-based loan loss provisions

The application of IFRS 9 to portfolio-based loan loss provisions led to a change in the calculation methodology in the past financial year. After the application of IFRS 9 exerted a significant impact on corporate management and strategy, and the amended method led to an improvement in data quality in the calculation of expected credit losses, RBI AG took the opportunity to apply the provisions of IFRS 9 to calculate portfolio-based loan loss provisions under corporation law (see a joint position paper of the AFRAC and the FMA on issues relating to subsequent measurement of credit exposures banks).

The portfolio loan loss provision pursuant to IFRS 9 is implemented based on a two-stage procedure. If the credit default risk for current assets has not increased significantly since initial recognition, the impairment loss for each asset is measured at the present value of an expected twelve-month loss as at the reporting date. The expected twelve-month loss is the portion of the expected credit loss over the asset's life that is equal to the expected credit loss on the default of an asset within twelve months of the reporting date. In the case of assets whose credit risk has risen significantly since initial recognition and which are not classified as transactions with a low credit risk at the reporting date, the expected credit loss is calculated over the asset's entire remaining term. The expected losses for both stages are calculated on an individual transaction basis applying statistical risk parameters derived from the Basel IRB approach and adjusted to the requirements of IFRS 9. The following are the most important inputs for calculating expected credit losses at RBI:

- Probability of default (PD): At RBI AG, the probability of default (PD) is the probability with which a borrower will be unable to meet its payment obligations either within the next twelve months or over the entire remaining term.
- Exposure at default (EAD): Exposure at default (EAD) corresponds to the amount at the time of default owed to RBI AG over the next twelve months or over the entire term. Contractual and statutory termination rights are also taken into consideration.
- Loss given default (LGD): Loss given default (LCD) corresponds to the expectation at RBI AG relating to the loss amount in the event of default.

The estimation of risk parameters includes not only historical default information but also the current economic environment (point-in-time orientation) and forward-looking information. In particular, the bank's macroeconomic forecasts are reviewed regularly in relation to their impact on the level of expected credit losses, and such forecasts are integrated into the related calculations. For this purpose, a baseline scenario is applied based on current RBI Research forecasts relating to key macroeconomic parameters, supplemented by other model-relevant macroeconomic parameters. Other risks that cannot be modeled in the standard model and the resultant expected losses are also taken into consideration.

Prior to this, the historical Group default rates per rating level and risk model as well as other parameters based on statistical assumptions and empirical values were calculated applying centrally calculated historical Group default rates.

For guarantees, uniform provisions are calculated applying the same methodology, and reported under provisions for liabilities and charges.

The change in the calculation method for portfolio-based loan loss provisions in accordance with IFRS 9 resulted in a one-off adjustment effect of € 5.8 million, which was expensed immediately in the financial year under review.

As a matter of principle, deferred tax is taken into consideration when determining portfolio-based loan loss provisions.

Investments and shares in affiliated companies

Equity participations and interests in affiliated companies are carried at cost unless sustained losses or reduced equity require them to be written down to their fair value. They are written up to no more than their cost of acquisition if the reasons for the long-term impairment no longer apply.

Equity participations and affiliated companies are valued at the end of each financial year by means of an impairment test. Their fair value is determined during the test.

Fair value is calculated using a dividend discount model. The dividend discount model properly also accounts for the specific characteristics of the banking business, including the need to comply with capital adequacy regulations. The recoverable amount is considered to be the present value of the expected future dividends that may be distributed to the shareholders after meeting all appropriate capital adequacy regulations.

The recoverable amount is calculated based on a five-year detailed planning period. The sustainable future (permanent dividend phase) is based on a going concern assumption (perpetuity). In most cases, the income used for the valuation is assumed to grow at a country-specific nominal rate based on the projected long-term inflation rate. If companies are significantly overcapitalized, an interim phase of five years is defined without extending the detailed planning phase. During this period, these companies can distribute full dividends without violating capital adequacy regulations. In the permanent dividend phase, earnings must be retained as the company grows in order to continue to comply with capital adequacy regulations. Earnings retention is not required if no growth is expected in the permanent dividend phase.

In the permanent dividend phase, the model assumes a normalized, economically sustainable earnings situation in which the return on equity and the costs of equity capital converge.

Tangible and intangible fixed assets

Intangible fixed assets and tangible fixed assets are valued at acquisition or production cost less scheduled depreciation. Scheduled depreciation is on a straight-line basis (pro rata temporis). An impairment loss is recognized if an asset is permanently impaired.

Scheduled depreciation is based on the following periods of use (in years):

Useful life	Years	Useful life	Years
Buildings	50	Software	4 to 10
Office equipment	3 to 5	Hardware	3
Office fixtures and fittings	5 to 10	Business equipment	5 to 10
Vehicles	5	Tenancy rights	10

Low-value fixed assets are written off in full in the year of acquisition.

Deferred taxes

Deferred tax assets are recognized based on asset-side temporary differences or tax loss carryforwards wherever it appears likely that they will be used within a reasonable time period. There were no liability-side temporary differences that could have been set off against the asset-side temporary differences in the financial year.

Issuance expenses

Issuance and management fees and premiums or discounts for bonds issued are distributed over the given term of the obligation. Other issuance expenses are expensed immediately.

Pension and severance payment obligations

The provisions for pension and severance payment obligations are determined in accordance with IAS 19 – Employee Benefits – based on the projected unit credit method.

The actuarial calculation of pension obligations for active employees is based on an interest rate, as recommended by Mercer, of 1.9 per cent (31/12/2017: 1.7 per cent) p.a. and an effective salary increase of 3.5 per cent (31/12/2017: 2.7 per cent). The parameters for retired employees are calculated using a capitalization rate of 1.9 per cent (31/12/2017: 1.7 per cent) and an expected increase in retirement benefits of 2.0 per cent (31/12/2017: 1.2 per cent), and in the case of pension commitments with existing reinsurance policies of 0.5 per cent (31/12/2017: 0.5 per cent). The calculations are based on an assumed retirement age of 60 for women and 65 for men, subject to transitional statutory requirements and special arrangements contained in individual contracts.

The basis for the calculation of provisions for pensions is provided by the new AVÖ 2018- P Rechnungsgrundlagen fur die Pensionsversicherung (Computational Framework for Pension Insurance) by Pagler & Pagler, using the variant for salaried employees. The resultant allocation amount was expensed immediately.

The actuarial calculation of severance payment and long-service bonus obligations is based on an interest rate of 1.8 per cent (31/12/2017: 1.5 per cent) and an average salary increase of 3.5 per cent (31/12/2017: 2.7 per cent).

Other provisions

Other provisions are recorded at the level at which they are likely to be required. They take into account all identifiable risks and liabilities, the level of which is not yet known. Long-term provisions were discounted at prevailing market interest rates in the reporting period. The interest rate applied for discounting is 0.9 per cent (31/12/2017: 1.33-1.43 per cent) due to the uniform residual term of the individual provisions for liabilities and charges. The rates used were the discount rates published by Deutsche Bundesbank pursuant Io Section 253 (2) of the German Commercial Code (HGB).

Other provisions include provisions for bonuses for identified staff (pursuant to European Banking Authority CP 42, 46). RBI AG fulfills the obligations set forth in the Annex to Section 39b of the Austrian Banking Act (BWG) as follows: 60 per cent of the annual bonus is paid out 50 per cent as an upfront cash payment and 50 per cent by way of a phantom share plan with a retention period of one year per cent of the annual bonus is subject to a five-year deferral period and likewise paid out 50 per cent in cash and 50 per cent by way of the phantom share plan. The phantom shares are converted on allocation and payment each using the average price of the preceding financial year.

Liabilities

These are recognized at the higher of the nominal value or the repayment amount. Zero-coupon bonds, on the other hand, are recognized at their pro rata annual values.

Notes on the statement of financial position

Assets

Loans and advances

Breakdown of maturities

Loans and advances to credit institutions, loans and advances to customers and other assets break down by their residual terms as follows:

in € million	31/12/2018	31/12/2017
Loans and advances to credit institutions	**6,551.4**	**9,013.1**
Repayable on demand	988.3	1,911.7
Up to 3 months	2,652.5	2,919.5
More than 3 months, up to 1 year	580.2	1,098.5
More than 1 year, up to 5 years	1,039.3	1,595.9
More than 5 years	1,291.1	1,487.3
Loans and advances to customers	**25,068.8**	**18,276.4**
Repayable on demand	2,496.7	2,160.1
Up to 3 months	2,947.9	3,912.0
More than 3 months, up to 1 year	4,066.1	2,248.3
More than 1 year, up to 5 years	9,581.1	7,179.3
More than 5 years	5,977.0	2,776.7
Other assets	**2,825.0**	**2,980.5**
Up to 3 months	2,621.0	2,816.6
More than 3 months, up to 1 year	0.0	0.0
More than 1 year, up to 5 years	0.0	0.0
More than 5 years	204.0	163.9

As part of the takeover of the Polish credit portfolio, loans and advances to customers of € 3,110 million were taken over, predominantly with terms of more than 5 years.

The risk section of the management report includes more details about the distribution of loans and advances on a regional basis.

Derivative financial instruments

Hedging relationships

Economic hedges with hedging periods up to 2048 existed as at 31 December 2018. On the basis of clean prices, the positive market values of the hedging derivatives amounted to € 376.4 million at the reporting date (31/12/2017: € 400.0 million). The negative market values of the derivatives amounted to € 11.7 million (31/12/2017: € 24.0 million) as at 31 December 2018.

Interest rate management derivatives

As at 31 December 2018, a provision for impending losses of € 44.2 million (31/12/2017: € 28.5 million) was recognized for derivatives in connection with functional units. In the 2018 financial year, in this context € 18.6 million (2017: € 2.1 million) was allocated to the provision and € 2.9 million (2017: € 11.1 million] was released due to changes in market value of the functional units.

The portfolio-based management of functional units is summarized according to the strategy applied to manage interest risk for the currencies contained therein, with the positive and negative fair values shown below:

in € thousand	31/12/2018 Positive values	Negative values	31/12/2017 Positive values	Negative values	Valuation effect 31/12/2018
CHF	0	0	2	0	(2)
CZK	3,121	(141)	3,217	(110)	(127)
EUR	63,967	(44,047)	71,533	(28,397)	(23,216)
GBP	7	0	0	0	7
HUF	693	0	504	0	189
PLN	3	0	10	0	(7)
RON	24	0	0	0	24
RUB	22	0	116	0	(94)
USD	793	(43)	2,991	(4)	(2,237)
Total	**68,630**	**(44,231)**	**78,373**	**(28,511)**	**(25,463)**

The main factors driving the valuation result were the change in market value due to the change in the euro interest rate market, expanded netting volume as well as a reduction in business volume in USD.

The following tables show the open forward transactions for the reporting year and the previous year:

31/12/2018 in € thousand	Nominal amount by maturity Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Hereof trading book	Market value positive	negative
Total	**78,098,769**	**90,546,910**	**54,510,306**	**223,155,985**	**165,812,108**	**2,321,824**	**(1,925,226)**
a) Interest rate contracts	**38,999,727**	**80,613,828**	**53,193,495**	**172,807,050**	**122,097,721**	**1,680,804**	**(1,222,817)**
OTC products							
Interest rate swaps	28,845,631	71,602,599	49,733,387	150,181,617	101,231,320	1,525,329	(1,120,568)
Floating Interest rate swaps	0	0	0	0	0	0	0
Interest rate futures	6,626,648	466,490	0	7,093,138	7,093,138	1,289	(1,264)
Interest rate options - buy	1,591,842	4,231,252	1,813,821	7,636,915	7,027,883	154,186	0
Interest rate options - sell	1,881,225	4,155,528	1,590,298	7,627,051	6,477,051	0	(100,907)
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products				**0**			
Interest rate futures	10,500	142,799	36,607	189,906	189,906	0	0
Interest rate options	43,881	15,160	19,382	78,423	78,423	0	(78)
b) Foreign exchange rate contracts	**39,008,615**	**9,623,221**	**1,210,811**	**49,842,647**	**43,561,010**	**638,672**	**(698,704)**
OTC products							
Cross-currency interest rate swaps	4,883,508	8,550,781	1,210,811	14,645,100	10,256,781	310,264	(363,875)
Forward foreign exchange contracts	30,593,247	920,497	0	31,513,744	29,705,426	312,246	(319,809)
Currency options – purchased	1,757,344	73,910	0	1,831,254	1,746,254	16,162	0
Currency options – sold	1,774,516	78,033	0	1,852,549	1,852,549	0	(15,020)
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Currency contracts (futures)	0	0	0	0	0	0	0
Currency options	0	0	0	0	0	0	0
c) Securities-related transactions	**90,427**	**178,660**	**22,200**	**291,287**	**22,176**	**830**	**(748)**
OTC products							
Securities-related forward transactions	0	0	0	0	0	0	0
Equity/Index options -buy	82,339	175,660	22,200	280,199	11,088	830	0
Equity/Index options -sell	8,088	3,000	0	11,088	11,088	0	(748)
Exchange-traded products							
Equity/Index futures	0	0	0	0	0	0	0
Equity/Index options	0	0	0	0	0	0	0
d) Commodity contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**
e) Credit derivative contracts	**0**	**131,201**	**83,800**	**215,001**	**131,201**	**1,518**	**(2,957)**
OTC products							
Credit default swaps	0	131,201	83,800	215,001	131,201	1,518	(2,957)

31/12/2017	Nominal amount by maturity					Market value	
in € thousand	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	positive	negative
Total	**74,883,238**	**85,000,153**	**53,723,508**	**213,606,899**	**163,373,010**	**2,799,371**	**(2,207,672)**
a) Interest rate contracts	**28,594,476**	**74,504,908**	**51,952,246**	**155,051,629**	**113,815,739**	**1,998,639**	**(1,401,924)**
OTC products							
Interest rate swaps	22,583,828	64,245,731	48,088,759	134,918,317	95,775,222	1,834,182	(1,301,143)
Floating Interest rate swaps	0	0	0	0	0	0	0
Interest rate futures	2,538,623	0	0	2,538,623	1,671,859	246	(297)
Interest rate options - buy	1,253,343	5,092,370	1,981,872	8,327,585	7,851,554	163,644	0
Interest rate options - sell	1,077,782	4,963,647	1,766,609	7,808,039	7,058,039	0	(100,296)
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Interest rate futures	129,276	161,990	87,537	378,802	378,802	79	0
Interest rate options	1,011,624	41,170	27,469	1,080,263	1,080,263	488	(188)
b) Foreign exchange rate contracts	**46,237,573**	**10,142,566**	**1,619,062**	**57,999,202**	**49,436,463**	**798,910**	**(800,193)**
OTC products							
Cross-currency interest rate swaps	4,567,734	9,310,972	1,560,643	15,439,350	7,547,156	450,594	(439,595)
Forward foreign exchange contracts	39,172,187	723,747	58,419	39,954,352	39,283,807	322,187	(332,113)
Currency options – purchased	1,272,537	69,677	0	1,342,215	1,342,215	26,129	0
Currency options – sold	1,225,115	38,170	0	1,263,285	1,263,285	0	(28,485)
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Currency contracts (futures)	0	0	0	0	0	0	0
Currency options	0	0	0	0	0	0	0
c) Securities-related transactions	**47,020**	**208,510**	**68,400**	**323,930**	**22,470**	**1,714**	**(640)**
OTC products							
Securities-related forward transactions	0	0	0	0	0	0	0
Equity/Index options -buy	38,785	205,510	68,400	312,695	11,235	1,714	0
Equity/Index options -sell	8,235	3,000	0	11,235	11,235	0	(640)
Exchange-traded products							
Equity/Index futures	0	0	0	0	0	0	0
Equity/Index options	0	0	0	0	0	0	0
d) Commodity contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**
e) Credit derivative contracts	**4,169**	**144,169**	**83,800**	**232,138**	**98,338**	**108**	**(4,915)**
OTC products							
Credit default swaps	4,169	144,169	83,800	232,138	98,338	108	(4,915)

The following derivatives shown in the list of open forward transactions are recognized at fair value in the statement of financial position:

Derivatives in € million	Positive fair values 31/12/2018	 31/12/2017	Negative fair values 31/12/2018	 31/12/2017
Derivatives in the trading book				
a) Interest rate contracts	1,125.9	1,369.9	886.9	1,000.8
b) Foreign exchange rate contracts	585.1	554.5	620.9	591.6
c) Share and index contracts	0.6	0.6	0.7	0.6
d) Credit derivatives	1.5	0.1	0.2	2.5

Securities

Due to a change in investment strategies, securities with a carrying amount of €145.1 million were reclassified from current assets to fixed assets.

Debt securities and other fixed-income securities amounting lo € 228.9 million (31/12/2017: € 489.6 million) will mature next financial year.

The table below lists the securities admitted to stock exchange trading (asset side), broken down into listed and unlisted securities (amounts incl. interest accrued):

Securities in € million	Listed 31/12/2018	Unlisted 31/12/2018	Listed 31/12/2017	Unlisted 31/12/2017
Debt securities and other fixed-income securities	2,919.3	17.7	2,410.4	22.5
Shares and other variable-yield securities	33.6	0.0	8.5	0.0

The table below lists securities admitted lo stock exchange trading (asset side) measured as fixed assets or current assets (including trading portfolio):

Securities in € million	Fixed assets 31/12/2018	Current assets 31/12/2018	Fixed assets 31/12/2017	Current assets 31/12/2017
Debt securities and other fixed-income securities	1,401.8	1,535.1	1,541.5	891.4
Shares and other variable-yield securities	0.0	33.6	0.0	8.5

The table below shows the disposal of securities from fixed assets. Of this amount, € 1,600.4 million related to repayments (31/12/2017: € 1,089.2 million).

Balance sheet item in € million	Nominal amount 31/12/2018	Net gain 31/12/2018	Nominal amount 31/12/2017	Net gain 31/12/2017
Treasury bills and other bills eligible for refinancing with central banks	1,148.6	26.3	800.0	0.6
Loans and advances to credit institutions	32.7	0.0	26.2	0.1
Loans and advances to customers	369.8	0.0	75.0	(0.4)
Debt securities and other fixed-income securities	498.8	2.5	298.3	0.4
Shares and other variable-yield securities	20.0	0.0	0.0	0.0
Total	**2,049.9**	**28.8**	**1,199.5**	**0.6**

Difference between the acquisition cost and the repayment amount for securities (except zero-coupon bonds) in the investment portfolio (banking book):

The difference between the amortized costs and the repayment amounts is comprised of € 62.5 million (31/12/2017: € 138.9 million) to be recognized in the future as expenditure, and € 11.5 million (31/12/2017: € 3.3 million) to be recognized as income.

In the case of securities admitted to stock exchange trading and recognized at fair value that do not have the characteristics of financial investments, the difference between the acquisition cost and the higher fair value is € 12.2 million (31/12/2017:

€ 2.9 million) pursuant to Section 56 (4) of the Austrian Banking Act (BWG) and € 1.4 million (31/12/2017: € 1.9 million) pursuant to Section 56 (5) of the Austrian Banking Act (BWG).

The item loans and advances to credit institutions contains own bonds that are not admitted for public trading in an amount of € 17.1 million (31/12/2017: € 7.4 million).

Securities amounting to € 264.4 million (31/12/2017: € 251.9 million) are the subject of genuine repurchase transactions on the reporting date, whereby RBI AG is the seller and the securities continue to be recognized on the statement of financial position.

The volume of RBI's trading book pursuant to Article 103 CRR is € 171,191.3 million (31/12/2017: € 164,326.8 million), with € 961.6 million (31/12/2017: € 944.7 million) accounted for by securities and € 170,229.7 million (31/12/2017: € 163,382.1 million) accounted for by other financial instruments.

The fair value is lower than the carrying amount for the following financial instruments that are reported as financial investments:

	Financial investments in € million	Carrying amount 31/12/2018	Fair value 31/12/2018	Carrying amount 31/12/2017	Fair value 31/12/2017
1.	Treasury bills and other bills eligible for refinancing with central bank	117.9	117.3	266.7	265.9
2.	Loans and advances to credit institutions	0.0	0.0	0.0	0.0
3.	Loans and advances to customers	189.7	187.3	87.8	87.8
4.	Debt securities and other fixed-income securities				
	a) issued by public bodies	0.0	0.0	226.5	225.2
	b) issued by other borrowers	210.1	209.0	314.4	312.5
5.	Shares and other variable-yield securities	175.1	167.3	0.0	0.0
Total		**692.8**	**681.0**	**895.5**	**891.4**

An impairment (in accordance with Section 204 (2) of the Austrian Commercial Code (UGB)) is not accounted for as the assessment of the credit rating of the security borrower is such that scheduled interest payments and repayments are expected to be made.

Investments and shares in affiliated companies

There are cross shareholdings with Raiffeisenlandesbank Karnten - Rechenzentrum und Revisionsverband, registrierte Genossenschaft mbH, UNIQA Insurance Group AG, Vienna, and Posojilnica Bank eGen, Klagenfurt. There are no profit and loss transfer agreements as at 31 December 2018.

In the past, transactions to hedge the currency risk arising from the local currency denominated equity of the following companies were concluded:

- Ukrainian Processing Center JSC, Kiev
- VAT Raiffeisen Bank Aval, Kiev

The following table lists the affiliated companies:

Company, registered office (country)	Total nominal value	Exchange	Direct share of RBI	Equity in € thousand	Result in € thousand[1]	From annual financial statements[2]
Angaga Handels- und Beteiligungs GmbH, Vienna	35,000	EUR	100%	32	(11)	31/12/2018
AO Raiffeisenbank, Moscow[3]	36,711,260,000	RUB	100%	1,791,194	439,158	31/12/2018
BAILE Handels- und Beteiligungsgesellschaft m.b.H.,Vienna[2]	40,000	EUR	100%	249,159	18,133	31/12/2018
Centralised Raiffeisen International Services & Payments S.R.L., Bukarest	2,820,000	RON	100%	5,981	1,939	31/12/2017
Elevator Ventures Beteiligungs GmbH, Vienna	100,000	EUR	100%	204	(146)	31/12/2018
Extra Year Investments Limited, Tortola	50,000	USD	100%	10	(13)	31/12/2017
FARIO Handels- und Beteiligungsgesellschaft m.b.H., Vienna	40,000	EUR	100%	5,474	(1,649)	31/12/2018
Golden Rainbow International Limited, Tortola	1	USD	100%	5,546	1,101	31/12/2017
Kathrein Privatbank Aktiengesellschaft, Vienna[2]	20,000,000	EUR	0%	32,548	1,959	31/12/2018
KAURI Handels und Beteiligungs GmbH, Vienna[2]	50,000	EUR	88%	7,002	911	31/12/2018
LOTA Handels- und Beteiligungs-GmbH, Vienna	35,000	EUR	100%	95	(20)	31/12/2018
NAURU Handels- und Beteiligungs GmbH, Vienna	35,000	EUR	100%	641	533	31/12/2017
P & C Beteiligungs Gesellschaft m.b.H., Vienna	36,336	EUR	100%	9	(12)	31/12/2017
R.B.T. Beteiligungsges.m.b.H., Vienna	36,336	EUR	100%	266	(14)	31/12/2018
R.L.H. Holding GmbH, Vienna	35,000	EUR	100%	4,896	81	31/12/2018
R.P.I. Handels- und Beteiligungsges.m.b.H.,Vienna[2]	36,336	EUR	100%	234	(24)	31/12/2018
Radwinter sp.z o.o., Warsaw[3]	10,000	PLN	100%	-	-	31/12/2018
Raiffeisen Bank Aval JSC, Kiew[3]	6,154,516,258	UAH	68%	361,009	157,309	31/12/2018
Raiffeisen Investment Advisory GmbH, Vienna	730,000	EUR	100%	648	60	31/12/2018
Raiffeisen RS Beteiligungs GmbH, Vienna[2]	35,000	EUR	100%	5,056,311	45,320	31/12/2018
RBI Group IT GmbH, Vienna	100,000	EUR	100%	112	(1)	31/12/2018

1 The result (in part from the consolidated financial statements) in € thousand corresponds to the annual profit/loss; equity is reported in accordance with Section 224 (3) lit a UGB including untaxed reserves (lit b).
2 Equity and result reported in accordance with IFRS (fully consolidated domestic entities)
3 Equity and result reported in accordance with IFRS (fully consolidated foreign entities)

Company, registered office (country)	Total nominal value	Exchange	Direct share of RBI	Equity in € thousand	Result in € thousand[1]	From annual financial statements[2]
RALT Raiffeisen Leasing Ges.m.b.H, Vienna[2]	218,500	EUR	100%	43,135	1,489	31/12/2018
RALT Raiffeisen-Leasing GmbH & Co. KG, Vienna[2]	20,348,394	EUR	97%	373	1,609	31/12/2018
RB International Finance (Hong Kong) Ltd., Hong Kong[3]	10,000,000	HKD	100%	21,611	8,432	31/12/2018
RB International Investment Asia Limited, MY-Labuan[3]	1	EUR	100%	20	(486)	31/12/2017
RB International Markets (USA) LLC, New York[3]	8,000,000	USD	100%	10,633	300	31/12/2018
RBI KI Beteiligungs GmbH, Vienna[2]	48,000	EUR	100%	208	(916)	31/12/2018
RBI LEA Beteiligungs GmbH, Vienna[2]	70,000	EUR	100%	61,148	(70,175)	31/12/2018
RBI PE Handels- und Beteiligungs GmbH, Vienna[2]	150,000	EUR	100%	12,504	(286)	31/12/2018
REC Alpha LLC, Kiev[3]	1,726,843,204	UAH	85%	16,310	(2,502)	31/12/2018
Regional Card Processing Center s.r.o., Bratislava[3]	539,465	EUR	100%	10,771	946	31/12/2018
RL Leasing Gesellschaft m.b.H., Eschborn[3]	25,565	EUR	25%	2,430	(2)	31/12/2017
RZB Finance (Jersey) III Ltd, JE-St. Helier[3]	1,000	EUR	100%	115	(21)	31/12/2018
RBI IB Beteiligungs GmbH, Vienna[2]	35,000	EUR	100%	40,032	16,343	31/12/2018
RZB-BLS Holding GmbH, Vienna[2]	500,000	EUR	100%	430,325	27,870	31/12/2018
RZB-Invest Holding GmbH, Vienna[2]	500,000	EUR	100%	852,638	14,259	31/12/2018
Salvelinus Handels- und Beteiligungsges.m.b.H., Vienna[2]	40,000	EUR	100%	389,812	28,237	31/12/2018
Ukrainian Processing Center PJSC, Kiew[3]	180,000	UAH	100%	13,234	5,211	31/12/2018
ZHS Office- & Facilitymanagement GmbH, Vienna	36,336	EUR	1%	320	93	31/12/2018

1 The result (in part from the consolidated financial statements) in € thousand corresponds to the annual profit/loss; equity is reported in accordance with Section 224 (3) lit a UGB including untaxed reserves (lit b).
2 Equity and result reported in accordance with IFRS (fully consolidated domestic entities)
3 Equity and result reported in accordance with IFRS (fully consolidated foreign entities)

Fixed assets

The land value of developed land amounts to € 0.0 million (31/21/2017: € 0.1 million).

RBI AG was not directly involved in the leasing business as a lessor in 2018.

Obligations from the use of tangible fixed assets not reported on the statement of financial position amount to € 32.3 million (31/12/2017: € 32.3 million) for the following financial year, of which € 30.6 million were owed to affiliated companies (31/12/2017: € 30.3 million). The total amount of obligations for the following five years amounts to € 167.9 million (31/12/2017: € 168.3 million), of which € 159.1 million are owed to affiliated companies (31/12/2017: € 157.5 million).

The intangible fixed assets item includes € 0.0 million (31/12/2017: € 0.0 million) of intangible fixed assets acquired from affiliated companies.

The following tables show the changes in fixed assets:

in € thousand		Cost of acquisition or conversion						
Item	**Description of fixed assets**	**As at 1/1/2018 1**	**Additions due to merger 2**	**Exchange differences 3**	**Additions 4**	**Disposals 5**	**Reclassification 6**	**As at 31/12/2018 7**
1.	Treasury bills and other bills eligible for refinancing with central banks	5,210,083	0	2,588	943,678	(1,296,403)	0	4,859,946
2.	Loans and advances to credit institutions	30,282	0	0	73,121	(30,282)	0	73,121
3.	Loans and advances to customers	356,280	0	905	273,952	(181,774)	197,691	647,053
4.	Debt securities and other fixed-income securities	1,563,805	0	22,560	540,094	(507,335)	(197,691)	1,421,433
a)	issued by public bodies	226,167	0	10,726	8,704	(47,906)	(197,691)	0
b)	issued by other borrowers	1,337,638	0	11,834	531,391	(459,430)	0	1,421,433
5.	Shares and other variable-yield securities	108,900	0	0	100,000	(20,000)	0	188,900
6.	Participating interests	98,709	0	0	20,655	(46)	0	119,318
7.	Shares in affiliated untertakings	14,189,626	0	0	52,054	(1,371,352)	0	12,870,329
8.	Intangible fixed assets	194,486	3,040	13	7,795	(3,090)	1,625	203,868
9.	Tangible assets	28,322	2,423	14	1,848	(3,034)	(1,625)	27,948
10.	Other assets	116	0	0	0	0	0	116
	Total	**21,780,610**	**5,463**	**26,080**	**2,013,196**	**(3,413,316)**	**0**	**20,412,032**

in € thousand			Writing up/depreciation/revaluation						Carrying amount	
Item	Cumulative depreciation as of 1/1/2018 8	Additions due to merger 9	Exchange differences 10	Cumulative depreciation and amortization disposal 11	Write-ups 12	Depre-ciation 13	Reclassification 14	Cumulative depreciation as of 31/12/2018 15	31/12 2018 16	31/12 2017 17
1.	(121,628)	0	2	44,475	890	(36,201)	0	(112,461)	4,747,485	5,088,456
2.	86	0	1	(98)	11	(19)	0	(19)	73,101	30,368
3.	(2,334)	0	1	295	563	(2,866)	287	(4,054)	642,999	353,946
4.	(27,046)	0	14	9,535	508	(5,600)	(287)	(22,877)	1,398,556	1,536,759
a)	375	0	18	(122)	22	(6)	(287)	0	0.00	226,542
b)	(27,421)	0	(4)	9,657	486	(5,594)	0	(22,877)	1,398,556	1,310,217
5.	0	0	0	0	0	0	0	0	188,900	108,900
6.	(38,277)	0	0	0	3,626	(10,715)	0	(45,366)	73,952	60,432
7.	(2,891,516)	0	0	520,550	162,580	(29,733)	0	(2,238,119)	10,632,210	11,298,110
8.	(160,658)	(161)	11	2,878	0	(7,237)	(1,395)	(166,561)	37,307	33,829
9.	(19,247)	(120)	7	2,539	0	(1,923)	1,395	(17,348)	10,600	9,075
10.	0	0	0	0	0	0	0	0	116	116
	(3,260,618)	**(281)**	**36**	**580,174**	**168,179**	**(94,294)**	**0**	**(2,606,805)**	**17,805,227**	**18,519,991**

Other assets

As at 31 December 2018, other assets totaled € 2,825.0 million (31/12/2017: € 2,980.5 million). This item also contains loans and advances from treasury transactions (positive market values arising from derivatives in the trading book, as well as accrued interest from derivatives in the banking book - for details, refer to the table on open forward transactions) in the amount of € 1,857.5 million (31/12/2017: € 2,149.8 million) This item also includes loans and advances (special fund) to the Austrian Raiffeisen Deposit Guarantee scheme (ÖRE) relating to the Federal IPS contribution of € 204.0 million (31/12/2017: € 163.9 million), loans and advances to the tax administration in the amount of € 17.3 million (31/12/2017: € 128.1 million), holdings of precious metals in coin and other forms in the amount of € 102.0 million (31/12/2017: € 111.8 million), loans and advances to Group members arising from tax transfers in the amount of € 18.2 million (31/12/2017: € 41.3 million) and dividends receivable totaling € 460.5 million (31/12/2017: € 40.2 million).

The other assets also contain income of € 604.4 million (31/12/2017: € 265.1 million) which is not payable until after the reporting date.

Deferred tax assets

The deferred tax assets of € 26.1 million (31/12/2017: € 0.8 million) shown in the statement of financial position result in the amount of € 25.0 million for temporary differences, which relate to impairment losses not recognized for tax purposes for the newly established branch of Poland, and in the amount of € 1.1 million (31/12/2017: € 0.8 million) from the assumption of deferred tax assets, resulting from tax loss carryforwards against American tax authorities, of the subsidiary RB International Finance (USA), LLC, New York, which was liquidated in the previous year, of the subsidiary RB International Finance (USA), New York, LLC, which was liquidated in the previous year. No deferred tax assets were recognized for temporary differences of € 285.0 million (31/12/2017: € 313.7 million) and EUR 1,801.5 million (31/12/2017: EUR 1,809.4 million) from domestic tax loss carry forwards as it does not appear that they can be realized within a reasonable time from today's perspective. There were no liability-side temporary differences that could have been set off against the asset-side temporary differences in the financial year.

Subordinated assets

Subordinated assets contained under assets:

in € million	31/12/2018	31/12/2017
Loans and advances to credit institutions	**1,281.2**	**1,806.1**
Hereof to affiliated companies	1,275.6	1,757.4
Hereof to companies linked by virtue of a participating interest	3.6	16.7
Loans and advances to customers	**177.3**	**134.1**
Hereof to affiliated companies	56.6	26.1
Hereof to companies linked by virtue of a participating interest	2.1	0.0
Debt securities and other fixed-income securities	**30.1**	**11.8**
Hereof from affiliated companies	0.0	1.8
Hereof from companies linked by virtue of a participating interest	0.0	0.0
Shares and other variable-yield securities	**223.3**	**148.7**
Hereof from affiliated companies	197.3	126.1
Hereof from companies linked by virtue of a participating interest	1.3	0.0

Restrictions related to asset availability

As at the reporting date, there were restrictions related to asset availability (in accordance with Section 64 (1) 8 BWG):

in € million	31/12/2018	31/12/2017
Indemnification for securities lending transactions	1,001.8	932.7
Loans assigned to Oestereichische Kontrollbank (OeKB)	1,774.9	1,470.7
Indemnification for OeNB tender	1,000.0	1,000.0
Loans assigned to European Investment Bank (EIB)	48.8	178.9
Loans assigned to Kreditanstalt für Wiederaufbau (KfW)	41.1	14.7
Loans assigned to Swedish Export Corporation (SEK)	0.0	34.9
Loans assigned to Euler Hermes	0.9	0.3
Institutional Protection Scheme	204.0	163.9
Margin requirements	27.3	39.4
Treasury call deposits for contractual netting agreements	598.2	721.6
Total	**4,697.0**	**4,557.0**

In addition, assets with usage restrictions in an amount of € 1,429.8 million (31/12/2017: € 1,472.5 million) exist for covered bonds which have been established but not yet issued.

Asset items for affiliated companies and companies linked by virtue of a participating interest

Loans and advances as well as debt securities and other fixed-income securities to and from affiliated companies and companies linked by virtue of a participating interest:

in € million	31/12/2018	31/12/2017
Loans and advances to credit institutions		
To affiliated companies	2,044.7	4,009.6
To companies linked by virtue of a participating interest	65.2	259.2
Loans and advances to customers		
To affiliated companies	2,295.0	1,879.4
To companies linked by virtue of a participating interest	116.3	114.0
Debt securities and other fixed-income securities		
From affiliated companies	120.5	0.0
From companies linked by virtue of a participating interest	44.0	0.0

Equity and liabilities

Liabilities

Breakdown of maturities

Liabilities to credit institutions, liabilities to customers, securitized liabilities and other liabilities break down by their residual terms as follows:

in € million	31/12/2018	31/12/2017
Liabilities to credit institutions	**26,598.3**	**23,863.2**
Repayable on demand	3,457.3	2,819.4
Up to 3 months	13,079.2	11,818.8
More than 3 months, up to 1 year	2,207.7	1,199.5
More than 1 year, up to 5 years	5,877.7	6,092.5
More than 5 years	1,976.3	1,933.1
Liabilities to customers	**17,612.1**	**13,166.0**
Repayable on demand	6,172.5	4,782.4
Up to 3 months	6,172.7	2,581.0
More than 3 months, up to 1 year	3,397.4	4,580.1
More than 1 year, up to 5 years	956.0	308.1
More than 5 years	913.6	914.4
Securitized liabilities	**5,122.5**	**3,149.7**
Up to 3 months	293.2	307.0
More than 3 months, up to 1 year	502.6	986.2
More than 1 year, up to 5 years	3,384.8	1,382.8
More than 5 years	941.8	473.7
Other liabilities	**2,363.2**	**2,552.7**
Up to 3 months	2,363.2	2,552.7
More than 3 months, up to 1 year	0.0	0.0
More than 1 year, up to 5 years	0.0	0.0
More than 5 years	0.0	0.0

Bonds and notes issued amounting to € 572.3 million (31/12/2017: € 1,056.3 million) will become due in next financial year.

Liabilities to affiliated companies and companies linked by virtue of a participating interest:

in € million	31/12/2018	31/12/2017
Liabilities to credit institutions		
from affiliated companies	4,346.8	3,735.2
from companies linked by virtue of a participating interest	3,905.0	3,287.4
Liabilities to customers		
from affiliated companies	3,771.5	2,781.5
from companies linked by virtue of a participating interest	106.9	101.0

Other liabilities

As at 31 December 2018, other liabilities amounted to € 2,363.2 million (31/12/2017: € 2,552.7 million). This item also contains liabilities from treasury transactions (primarily negative market values arising from derivatives in the trading book, as well as accrued interest from derivatives in the banking book – for details, refer to the table on open forward transactions) in the amount of € 1,580.5 million (31/12/2017: € 1,692.9 million) and liabilities of € 158.1 million (31/12/2017: € 49.1 million) from short positions in bonds. The fair market value of the hedges for capital guarantees for funds is € 91.5 million (31/12/2017: € 97.6 million). The item also includes accrued interest for additional capital of € 273.7 million (31/12/2017: € 279.7 million), liabilities from tax transfers (corporate income tax) and liabilities from creditable capital yields and withholding tax toward Group members totaling € 21.4 million (31/12/2017: € 37.6 million).

The other liabilities also contain expenses in the amount of € 345.4 million (2017: € 385.1 million), for which payment is lo be made after the reporting date.

Provisions

Provisions amount to € 65.7 million (31/12/2017: € 57.4 million) for severance payments, € 71.5 million (31/12/2017: € 69.3 million) for pensions, € 0.3 million (31/12/2017: € 5.7 million) for tax provisions, and € 171.8 million (31/12/2017: € 195.0 million) for other provisions. Reinsurance policies for pension provisions are in place in the amount of € 12.5 million (31/12/2017: € 14.4 million). Due to changes in statutory regulations, in the financial year under review these were offset with claims of the same amount on other assets reported in the past under other assets.

Tax provisions of € 0.3 million relate in their entirety to provisions for income taxes at the Frankfurt and Singapore branches. The reduction in other provisions reflected mainly the almost complete reversal of provisions for litigation risks as well as lower provisions for guarantee credits.

Other provisions in € million	31/12/2018	31/12/2017
Provisions for bonus payments	44.3	39.3
Provisions for losses on bankbook interest rate derivatives	44.2	28.5
Provisions for participations and affiliated enterprises	0.0	0.0
Provisions for process risks	0.2	31.8
Provisions for audit costs	0.4	0.7
Provisions for anniversary payments	23.8	18.8
Provisions for overdue vacation	20.2	17.7
Provisions for guarantee loans	18.5	49.2
Provisions for Supervisory Board fees	1.1	0.6
Provisions for other expenses/outstanding invoices	16.6	5.0
Provisions for restructuring costs	1.4	2.0
Provisions for operational risk/losses/other	1.2	1.4
Total	**171.8**	**195.0**

Tier 2 capital according to part two, title I, chapter 4 of regulation (EU) no. 575/2013

As at 31 December 2018, tier 2 capital amounts to € 2,737,493,617.74 (31/12/2017: € 3,277,149 thousand).

Company tier 2 capital according to CRR:

in € million	31/12/2018	31/12/2017
6,625 per cent RBI bonds 2011-2021	9.4	1.4
5.875 per cent RBI debt securities issued 2023-2023	0.0	3.6
6 per cent RBI debt securities issued 2013-2023	2.4	2.4
RBI bonds 2014-2025	0.4	1.8
RBI bonds 2013-2024	6.5	0.1

In the reporting year issuances in the amount of € 5.1 million (2017: € 5.7 million) were redeemed. A loss of € 0.0 million (2017: € 1.4 million) including the release of the corresponding hedging transaction was booked.

Subordinated liabilities

List of subordinated loans (including tier 2 capital) that exceed 10 per cent of the total subordinated liabilities of € 2,737.5 million (i.e. that exceed € 273.8 million):

Name	Nominal value in € million	Maturity date	Interest rate
Subordinated Notes 2025 Serie 56	500	21/2/2015	4,500%
Subordinated Notes 2023 Serie 45	500	16/10/2023	6,000%
Subordinated Notes 2021 Serie 4	500	18/5/2021	6,625%

No regulations exist in relation to the aforementioned liabilities concerning any conversion.

Expenses for subordinated liabilities

The expenses for subordinated liabilities in the financial year amount to € 164.3 million (2017: € 180.8 million).

Additional tier 1 capital according to part two, title I, chapter 3 of regulation (EU) no 575/2013

RBI AG placed another issue of perpetual additional tier 1 capital (AT1) with a volume of € 500 million on 24 January 2018. The discretionary coupon on this issue is 4.5 per cent p.a. until June 2025, after which it will be reset. Together with the € 650 million AT1 issue in July 2017, RBI thus completed its planned AT1 issuance program. As of 31 December 2018, the additional tier 1 capital, plus accrued interest, amounts to € 1,152,660,822.30 (31/12/2017: € 651,859 thousand). The discount of € 5.7 million is carried as a deferred expense until the first call date on 15 December 2022 and by 15 June 2025 respectively.

Total amount of assets and liabilities in foreign currency

in € million	31/12/2018	31/12/2017
Assets in foreign currency	9,703.4	11,768.7
Liabilities in foreign currency	6,424.5	9,483.6

Equity

Subscribed capital

As of 31 December 2018, the capital stock of RBI AG pursuant to its articles of association was unchanged at € 1,003,266 thousand. The nominal capital consists of 328,939,621 no-par-value shares (bearer shares). After deduction of 322,204 own shares, the stated subscribed capital totaled € 1,002,283 thousand (31/12/2017: € 1,002,061 thousand).

Own shares

The Annual General Meeting held on 21 June 2018 authorized the Management Board pursuant to Section 65 (1) (8), Section 65 (1a) and Section 65 (1b) of the AktG to purchase own shares and to retire them if appropriate without requiring any further resolutions to be passed by the General Meeting. Own shares, whether already purchased or to be purchased, may not collectively exceed 10 per cent of the company’s share capital. The authorization to purchase own shares expires 30 months after the date of the General Meeting resolution, i.e. as of 20 December 2020. The acquisition price for repurchasing the shares may be no lower than € 1.00 per share and no higher than 10 per cent above the average unweighted closing price over the ten trading days prior to exercising this authorization.

The Management Board was further authorized, pursuant to Section 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders’ subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, branches of activity or shares in one or several companies in Austria or abroad. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary pursuant to Section 189a (7) UGB or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 20 June 2023.

The Annual General Meeting of 21 June 2018 also authorized the Management Board, under the provisions of Section 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 20 December 2020), provided that the trading portfolio of shares purchased for this purpose does not exceed 5 per cent of the company's respective share capital at the end of any given day. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition.

Authorized capital

Pursuant to Section 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 4 June 2014 to increase the capital stock – in one or more tranches – by up to € 446,793,032.95 subject to the approval of the Supervisory Board by issuing up to 146,489,519 new common bearer shares with voting rights against contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to Section 153 (6) of the Austrian Stock Corporation Act (AktG)) by 25 August 2019 at the latest and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Management Board is further authorized to exclude shareholders' subscription rights, with the approval of the Supervisory Board, (i) if the capital increase is carried out by contributions in kind or (ii| if the capital increase is carried out by contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's capital stock (exclusion of subscription rights).

Capital reserves

The committed capital reserves of € 4,334,285,937.61 (31/12/2017: € 4,334,508 thousand) and the uncommitted capital reserves of € 97,066,398.80 (31/12/2017: € 97,066 thousand) remained essentially unchanged over the entire financial year. The year-on-year change is the result of reducing committed capital reserves by € 221,850.90 due to the allocation of own shares in the SIP program.

Retained earnings

Retained earnings consist of legal reserves of € 5,500,000.00 (31/12/2017: € 5,500 thousand) and other free reserves amounting to € 2,165,139,897.54 (31/12/2017: € 1,471,980 thousand). Of the three reserves, an amount of EUR 217,135,678.09 (31/12/2017: € 170,760 thousand) is allocated to the federal IPS. An amount of € 46,375,858.99 (31/12/2017: € 40,979 thousand) was allocated Io other reserves in the 2018 financial year as a reserve for the federal institutional protection scheme (Federal IPS) based on the agreement Io establish an institutional protection scheme and a corresponding resolution by the Federal IPS Risk Council. The Federal IPS reserve is not eligible for inclusion in the calculation of own funds pursuant to CRR. An additional € 648,000,000.00 (31/12/2017: € 147,000 thousand) was allocated to other free reserves from the profit for the year after tax. The remaining change in other free reserves of € 1,216,398.64 is fully attributable to changes relating to the Share Incentive Program (SIP).

Liability reserves

As at 31 December 2018, liability reserves stood at € 535,097,489.59 (31/12/2017: € 535,097 thousand).

Additional notes

Notes on liability arrangements:

In the government-promoted, subsidized forward private planning scheme, RBI AG has issued capital guarantee obligations in accordance with Section 108h (1) 3 of the Income Tax Act (EStG). In this context, the bank guarantees that in the event of transferring the capital into a perpetual annuity the payment amount available for this annuity is not less than the sum of the contributions made by the taxpayer plus the premiums credited to this taxpayer pursuant to Section 108g EStG. As at 31 December 2018, the volume of these guarantees was € 1,029 million (31/21/2017: € 1,273 million).

RBI AG is a member of the Raiffeisen-Kundengarantiegemeinschaft Österreich (Deposit Guarantee Association of Austria). Members of the Association assume contractual liability under which they jointly guarantee the timely honoring of all customer deposits and securities issues of an insolvent member of the Association up to an amount equaling the sum of the individual financial strength of the other member institutions. The individual financial strength of a member institution is determined based on its available reserves, taking into account the relevant provisions of the Austrian Banking Act (BWG).

The liability was met by inserting a noted item of one euro off the statement of financial position, as it is not possible to determine the exact amount of RBI's potential liability in connection with the cross-guarantee system.

Like the other members of the Federal IPS, RBI AG signed a guarantee agreement with Posojilnica Bank regarding a loan portfolio (RBI's portion: around € 6.3 million). The cut-off date for this guarantee was 30 June 2018. In the previous year, a provision was formed for the full level of this guarantee, which was reversed in the financial year under review due to the subscription of new shares in Posojilnica Bank.

As at 31 December 2018, soft letters of comfort in the amount of € 382.8 million (31/12/2017: € 418.7 million) had been issued.

The volume of liabilities to affiliated companies amounted to € 130.6 million as at 31 December 2018 (31/12/2017: per cent € 101.9 million).

Open capital commitments on share capital in the amount of € 5.6 million (31/12/20167: € 5.6 million) exist vis-a-vis European Investment Fund S.A., Luxembourg.

Contingent liabilities off the statement of financial position of RBI AG of € 5,213.1 million were reported as at 31 December 2018 (31/12/2017: € 5,936.9 million). Of that amount, € 4,263.3 million (31/12/2017: € 5,153.7 million) was attributable to guarantees and € 949.8 million (31/12/2017: € 783.2 million) to letters of credit.

As at 31 December 2018, € 13,206.7 million (31/12/2017: € 13,003.0 million) in credit risk was reported under liabilities off the statement of financial position. In the reporting year, this credit risk was fully attributable to unused, irrevocable credit lines.

There are no other transactions with material risks or benefits that are not reported on or off the statement of financial position.

Total capital according to CCR

in € million	31/12/2018	31/12/2017
Paid-in capital	1,002	1,002
Less obligation to purchase own shares	(19)	(19)
Capital reserves and premium to CET1 instruments	4,431	4,432
Retained earnings and other reserves[1]	2,515	1,842
Common equity tier 1 (before deductions)	**7,929**	**7,257**
Net loss for the year	0	0
Adjustment for Prudent Valuation	(29)	
Intangible fixed assets/goodwill	(37)	(34)
Provision shortage for IRB positions	(70)	(103)
Deduction deferred tax assets	(1)	0
Deduction securitizations	0	0
Transitional adaptions for common equity tier 1	0	27
Common equity tier 1 (after deductions)	**7,792**	**7,147**
Additional tier 1	1,144	646
Less own AT1 capital	(14)	0
Less obligation to purchase own AT1	(6)	(20)
Transitional adaptions for common equity tier 1	0	(17)
Tier 1	**8,916**	**7,756**
Supplementary capital	2,210	2,971
Less own supplementary capital	(18)	(9)
Less obligation to purchase own supplementary capital	(22)	(31)
Less own supplementary capital of substantial participations	(2)	0
Provision excess of internal rating approach positions	137	57
Transitional adaptions for Supplementary Capital	0	(10)
Tier 2 (after deductions)	**2,305**	**2,978**
Total capital	**11,221**	**10,734**
Risk-weighted assets, total (assessment basis)	**39,299**	**33,330**
Common equity tier 1 capital ratio	19.8%	21.4%
Tier 1 capital ratio	22.7%	23.3%
Total capital ratio (transitional)	28.6%	32.2%
Common equity tier 1 capital ratio (fully loaded)	28.6%	21.4%
Total capital ratio (fully loaded)	19.8%	32.2%

1 Minus Federal IPS reserve of € 217.1 million (31/12/2017: € 170.8 million)

in € million	31/12/2018	31/12/2017
Risk-weighted assets, total (assessment basis)	**39,299**	**33,330**
Total capital requirement for credit risk	2,709	2,291
Internal rating approach	2,339	1,512
Standardized approach	355	737
CVA risk	15	17
Basel I - Floor	0	25
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	195	120
Total capital requirement for operational risk	240	255
Total capital requirement	**3,144**	**2,666**

Capital requirements

in € million	31/12/2018	31/12/2017
Capital requirement according to standardized approach	**355**	**737**
Banks	1	0
Corporate customers	1	2
Retail exposures	11	0
Receivables secured by real estate	285	0
Defaulted positions	10	0
Equity exposures	14	695
Other positions	33	40
Capital requirement according to internal rating approach	**2,339**	**1,512**
Central governments and central banks	3	2
Banks	170	247
Corporate customers	1,004	922
Equity exposures	1,135	334
Securitization position	27	7
CVA risk	**15**	**17**
Basel I - Floor	**0**	**25**
Total capital requirement for credit risk	**2,709**	**2,291**

	31/12/2018	31/12/2017
Leverage ratio (fully loaded)	13.0%	10.2%
Risk weighted assets of total assets	61.0%	60.9%

Notes to the income statement

Income by geographic market in accordance with section 64 (1) 9 BWG

A regional allocation to segments according to the business outlets' registered offices results in the following distribution:

2018 in € million	Total	Austria	Europe	Asia
Interest receivable and similar income	896.3	887.7	6.9	1.7
Hereof: from fixed-income securities	90.2	90.1	0.0	0.1
Income from variable-yield securities and participations	636.3	636.3	0.0	0.0
Commissions receivable	333.6	332.2	1.3	0.1
Net profit or net loss on financial operations	39.9	41.6	0.1	(1.8)
Other operating income	181.1	180.8	0.3	0.0

2017 in € million	Total	Austria	Europe	Asia
Interest receivable and similar income	810.7	803.9	0.0	6.8
Hereof: from fixed-income securities	82.4	82.3	0.0	0.1
Income from variable-yield securities and participations	1,379.8	1,379.8	0.0	0.0
Commissions receivable	293.2	292.3	0.7	0.2
Net profit or net loss on financial operations	12.2	(1.2)	0.0	13.4
Other operating income	147.2	147.0	0.1	0.1

Negative interest rates

Due to the low interest rate situation prevailing in the financial year 2018 as well, an expense, resulting from negative interest for loans and advances, was shown in an amount of € 45.1 million (2017: € 38.4 million) in the item interest receivable and similar income. This contrasted with income of € 57.2 million (2017: € 40.7 million) resulting from negative interest for liabilities which was shown in the item interest payable and similar expenses. The larger volume is responsible for the increase in expense and income resulting from negative interest.

Other operating income

Other operating income includes staff and administrative expenses passed on for services in the amount of € 89.0 million (2017: € 80.6 million), income from releases of provisions for impending losses from derivatives in the amount of € 2.9 million (2017: € 11.1 million), income from close-out fees for derivatives on the banking book in an amount of € 25.8 million (2017: € 27.2 million), as well as other income from the release of other provisions in the amount of € 43.5 million (2017: € 8.8 million).

Staff expenses

Expenses for severance payments and benefits for occupational employee pension funds include € 14.5 million (2017: € 5.6 million) in expenses for severance payments.

Other administrative expenses

The auditor expenses for the financial year, broken down by service, are presented in the consolidated financial statements.

Sundry operating expenses

The sundry operating expenses increased € 66.1 million to € 104.9 million in 2018. This includes allocations for provisions for pending losses for banking book derivatives in an amount of € 19.8 million (2017: € 2.1 million), allocations for other provisions for liabilities and charges of € 22.1 million (2017: € 6.1 million), expenses relating to the foreign branches in an amount of € 13.7 million (2017: € 16.3 million) as well as expenses deriving from close-out fees for banking book derivatives in an amount of € 46.2 million (2017: € 17.0 million).

Disposal and valuation of loans and advances as well as securities held as current assets

Net income/expenses from the disposal and valuation of loans and advances and securities classed as current assets recorded a net expense - as in the previous year - of € 31.6 million in 2017 (2017: minus € 156.6 million). This change derived, firstly, from an improvement in the net gain/loss on the valuation and disposal of marketable securities and banking book derivatives in the amount of € 4.8 million (2017: minus € 23.0 million) and, secondly, from an improvement on the net gain/loss on the valuation of loans and advances as well as guarantees to an amount of minus € 36.4 million (2017: minus € 133.6 million). The year-on-year lower requirement for loan loss provisions derived mainly from an improvement in the macroeconomic environment.

In the financial year under review, losses were realized on shares in investment funds in an amount of € 0.4 million (2017: € 0.0 million). As in the previous year, no income was generated from dividends.

Disposal and valuation of securities valued as financial investments and from shares in affiliated companies and equity participations

The item net income/expenses from the disposal and valuation of securities valued as financial investments and from shares in affiliated companies and equity participations included a write-up for Raiffeisen Bank Aval JSC, Kiev, in an amount of € 88.1 million, RBI IB Beteiligungs GmbH, Vienna, in an amount of € 29.4 million as well as BAILE Handels- und Beteiligungsges. m.b.H.Vienna, in an amount of € 21.0 million. In addition, the carrying amount of the investment in ALPHA LLC, Kiev, was written down by € 23.1 million. In total, losses of € 125.8 million (2017: losses of € 56.0 million) on the valuation of shares in affiliated companies and equity participations were reported.

The sale of the core banking business of Raiffeisen Bank Polska S.A., Warsaw, lead to a loss on disposal of € 7.0 million. The pro rata disposal of the carrying amount of € 750.9 million, less the purchase price reductions booked, which will be subject to final negotiations in the subsequent year, is offset by disposal proceeds of € 743.9 million. Overall, the disposal of shares in affiliated companies and participations led to a loss of minus € 6.5 million (2017: gain of € 2.5 million).

Group taxation

Since the 2017 financial year, RBI AG has been the group parent of a corporate group pursuant to Section 9 of the Corporation Tax Act (KStG). As at 31 December 2018, 50 companies were members of the group of companies (31/12/2017: 53 companies) in accordance with Section 9 of the Corporation Tax Act (KStG).

Merger gain

The entire merger gain relates to the net gain/loss on the contribution of the remaining business of Raiffeisen Bank Polska S.A. following the sale of the banking business to Bank BGZ Paribas S.A. The pro rata carrying amount deduction of € 99.9 million (based on a current valuation survey) is offset by € 542.3 million of repatriated equity. This results in a merger gain a € 442.4 million.

Overall return on assets

The overall return on assets (net loss or profit after tax divided by the average total assets) in 2018 was 1.7 per cent (2017: 1.9 per cent).

Recommendation for the Appropriation of Profits

The Management Board of RBI AG will propose to the Annual General Meeting to pay a dividend of € 0.93 per share from the net profit shown in the 2018 annual financial statements. Based on the shares issued, this would result in a maximum amount of € 305,914 thousand.

Other

The company did not conclude any significant transactions with related companies or persons at unfair market conditions.

In the 2018 financial year the company had an average of 2,533 employees (2017: 2,341).

Expenses for severance payments and pensions broke down as follows:

	Pension expenditure		Severance payments	
in € thousand	**2018**	**2017**	**2018**	**2017**
Members of the managing board and senior staff	3,340	(85)	1,738	2,154
Employees	22,563	7,853	15,680	6,165
Total	**25,903**	**7,768**	**17,418**	**8,319**

The increase in severance payments expense was due to an increase in salaries. The increase in pension expenditure was the result of changes to the mortality tables.

Management Board

The Management Board as at 31 December 2018 was as follows:

Members of the Management Board	First assignment	End of period
Johann Strobl, Deputy Chairman	22 September 2010[1]	28 February 2022
Martin Grüll	3 January 2005	28 February 2020
Andreas Gschwenter	1 July 2015	30 June 2018
Lukasz Januszewski	1 March 2018	28 February 2021
Peter Lennkh	1 October 2004	31 December 2020
Hannes Mösenbacher	18 March 2017	28 February 2020
Andrii Stepanenko	1 March 2018	28 Februar 2021

1 Effective as of 10 October 2010

Supervisory Board

The Supervisory Board as at 31 December 2018 was as follows:

Members of the Supervisory Board	First assignment	End of period
Erwin Hameseder, Chairman	8 July 2010[1]	AGM 2020
Martin Schaller, 1st Deputy Chairman	4 June 2014	AGM 2019
Heinrich Schaller, 2nd Deputy Chairman	20 June 2012	AGM 2022
Klaus Buchleitner	26 June 2013	AGM 2020
Peter Gauper	22 June 2017	AGM 2022
Wilfried Hopfner	22 June 2007	AGM 2022
Rudolf Könighofer	22 June 2017	AGM 2022
Johannes Ortner	22 June 2017	AGM 2022
Günther Reibersdorfer	20 June 2012	AGM 2022
Eva Eberhartinger	22 June 2017	AGM 2022
Birgit Noggler	22 June 2017	AGM 2022
Andrea Gaal	21 June 2018	AGM 2023
Rudolf Kortenhof[2]	10 October 2010	Until further notice
Peter Anzeletti-Reikl[2]	10 October 2010	Until further notice
Suanne Unger[2]	16 February 2012	Until further notice
Gebhard Muster[2]	22 June 2017	Until further notice
Natalie Egger-Grunicke[2]	18 February 2016	Until further notice
Helge Rechberger[2]	10 October 2010	Until further notice

1 Effective as of 10 October 2010.
2 Delegated by the Staff Council

Bettina Selden (member of the Supervisory Board) resigned from the Supervisory Board with effect from 21 June 2018.

Andrea Gaal was appointed as a member of the Supervisory Board with effect from the end of the Annual General Meeting on 21 June 2018.

State Commissioners

- Alfred Lejsek, State Commissioner (since 1 January 2011)
- Anton Matzinger, Deputy State Commissioner (since 1 April 2011)

Remuneration of the Management Board

The following remuneration was paid to the Management Board:

in € thousand	2018	2017
Fixed remunerations	5,154	4,571
Bonus (performance-based)	2,493	1,882
Share-based remuneration (performance-based)	399	694
Payments to pension funds and reinsurance policies	355	301
Other remunerations	2,345	2,438
Total	**10,746**	**9,885**
Hereof remuneration of affiliated companies	1,813	2,309

The fixed remuneration shown in the table contains salaries and benefits in kind.

The performance-based components of the Management Board's remuneration cover bonus payments and share-based compensation under the Share Incentive Program (SIP) – payment of the 2013 tranche. The bonuses reported above are immediately payable bonus amounts for 2017 and deferred bonus amounts for previous years.

Bonus calculation is linked to the achievement of annually agreed objectives. These cover four or five categories and in addition to specific objectives, include financial objectives which are specifically adjusted to the respective function, such as profit after tax in a segment, return on risk adjusted capital (RORAC), total costs, risk-weighted assets, customer, employee and process/efficiency and infrastructure objectives, plus other objectives where applicable. The amount of the bonus depends on the consolidated profit and on the cost/income ratio, and the objectives are derived from the Group's target medium-term ROE. Payment is made according to the applicable regulations of the Austrian Banking Act (BWG) implemented in the internal regulations (see employee compensation plans in the section recognition and measurement principles).

Other remuneration covers remuneration for functions in the boards of affiliated subsidiaries, payments to pension funds, insurance policies and grants.

An amount of € 1,142 thousand (2017: € 1,277 thousand) was paid in pension benefits to former members of the Management Board and to their surviving dependents. In addition to these amounts, short-term benefits, deferred bonus components and pro-rata payments from a matured SIP tranche totaling € 3,258 thousand (2017: € 3,892 thousand) were paid to former members of the Management Board.

Share-based remuneration

In 2014, the share incentive program (SIP) was terminated due to regulatory complexities. The last tranches of the SIP were issued in 2011, in 2012 and in 2013. The respective duration periods were five years. Therefore, the 2013 tranche matured in 2018. In accordance with the terms and conditions of the program (published by euro adhoc on 27 June 2013), the number of shares actually transferred was as follows:

Share incentive program (SIP) 2013 Group of persons	Number of shares due	Value as at stock price € 27.12 on allocation day (9 April 2018)	Number of shares actually transferred
Members of the management board of the RBI AG	29.170	791.090	24.233
Members of the management boards of bank subsidiaries affiliated with the RBI AG	43.470	1.178.906	34.005
Executives of the company and other affiliated companies	21.640	586.877	14.500

To avoid legal uncertainties, eligible employees in three countries were given a cash settlement instead of an allocation of shares as permitted by the program terms and conditions. In Austria, eligible parties were granted the option of accepting a cash settlement in lieu of half of the shares due in order to offset the income tax payable at the time of transfer. Therefore, fewer shares were actually transferred than the number that was due. The portfolio of own shares was subsequently reduced by the lower number of shares actually transferred.

On the reporting date, no more contingent shares were allocated.

Remuneration of members of the Supervisory Board

in € thousand	2018	2017
Remuneration Supervisory Board	956	550

The Annual General Meeting held on 21 June 2018 approved a new fee model for the Supervisory Board, beginning in the 2017 financial year. It was decided to distribute the remuneration as follows: Chairman € 120 thousand, Deputy Chairman € 90 thousand, members of the Supervisory Board € 60 thousand, plus attendance fees. As a result, remuneration of € 956 thousand was paid to the Supervisory Board for the 2017 financial year. A provision of € 1,060 thousand was recognized for the 2018 financial year.

In the 2018 financial year, no contracts subject to approval within the meaning of Section 95 (5) 12 of the Austrian Stock Corporation Act (AktG) were concluded with members of the Supervisory Board.

Remuneration of members of the Advisory Council

in € thousand	2018	2017
Remuneration Advisory Council	104	160

The Annual General Meeting held on 21 June 2018 passed a resolution to grant remuneration to the Advisory Council members for their work. It was decided to distribute the remuneration as follows: Chairman € 25 thousand, Deputy Chairman € 20 thousand, each additional member € 15 thousand, plus attendance fees.

Events after the reporting date

There were no significant events after the reporting date.

Wien, am 27. Februar 2019

The Management Board

Johann Strobl

Martin Grüll

Andreas Gschwenter

Łukasz Januszewski

Peter Lennkh

Hannes Mösenbacher

Andrii Stepanenko

Management report

Market development

Euro area economy feeling effects of global headwind, interest rates still low

GDP growth in the euro area came in at 1.8 per cent for 2018, which was lower than in 2017, mainly due to weaker support from net exports. In contrast, the inflation rate rose significantly up until mid-2018 and for the most part slightly exceeded the European Central Bank's (ECB) target in the second half of the year. It was only towards the end of the year that inflation started to retreat below the 2 per cent level again. This up-and-down pattern was mainly due to the energy price trend, in turn driven by volatile oil prices.

The ECB left key rates unchanged in 2018 and incrementally scaled back its bond purchase program: Its net monthly purchases averaged € 30 billion from January to September 2018, with its net monthly volume reduced to € 15 billion from October to end-December 2018, at which time the program was completely halted. Money market rates remained largely flat across all maturities throughout the year. The yield on 10-year German government bonds, however, strongly fluctuated with rates of between 0.8 per cent in February to under 0.2 per cent in May being observed. Overall, it was a light downward trend (start of year: 0.4 per cent, end of year: 0.2 per cent).

Austria's economy put in a very robust performance once again in 2018, although it lost some growth momentum over the year. Thanks to the very strong 2017/2018 winter months, real GDP growth reached 2.7 per cent overall, following growth of 2.6 per cent in 2017. The overall positive development was broad based: exports withstood mounting global headwinds while private consumption continued to rise at a stable rate. Likewise, the strong equipment investment cycle continued in 2018 – albeit at a somewhat slower pace. Employment growth hit its peak in early 2018, posting its strongest growth rate in full-year 2018 since the beginning of the 90s. Mirroring this trend, the unemployment rate dropped below 5 per cent to come in at 4.9 per cent (2017: 5.5 per cent).

The US economy got off to a strong start in 2018 with quarter-on-quarter growth of 2.2 per cent (annualized) in the first quarter. It continued to expand at a significantly faster pace thereafter, averaging nearly 4 per cent per quarter (annualized) thanks to sizable tax cuts and a very large government spending package in the summer months. This positive development was thus primarily driven by consumer spending. In contrast, growth in investments weakened noticeably throughout the year. On balance, US economic output increased 2.9 per cent for full-year 2018.

In China, economic growth momentum slackened in 2018: Real GDP growth came to 6.6 per cent for the full year, around 0.3 percentage points below the previous year's rate. This was mainly attributable to the Chinese government's restructuring measures. Credit growth – notably on the part of shadow banks – slowed considerably while investment and production momentum temporarily dropped to the lowest level since 2015. In contrast, the simmering trade conflict with the US was initially reflected only in sentiment surveys while exports held up well for the time being thanks to pull-forward effects.

Solid economic growth in CE and SEE despite slowdown, growth in Russia benefits from one-off effects

Inflation in the CE region fluctuated around the 2 per cent level since the beginning of 2018, whereas in SEE it continuously climbed to a peak of just over 4 per cent before beginning to ease back slightly. Stronger inflation momentum in Southeastern Europe was largely driven by Romania, where it recently began to moderate again. Inflation rates in the CE region averaged 2.0 per cent and 3.4 per cent in the SEE region. The Czech central bank was the first in Europe to begin the interest rate normalization process, which commenced in August 2017 against the backdrop of a renewed pickup in inflation and a relatively weak Czech koruna / euro exchange rate. While Romania soon followed with liquidity tightening measures, subsequently hiking rates in early 2018, Hungary waited until the third quarter of 2018 to raise the prospect of a similar exit procedure, which it expects to implement in 2019. In contrast, Poland's monetary policy remained neutral given the country's muted pace of reflation.

GDP growth in the Central European (CE) region reached 4.5 per cent in 2018, and again exceeded the 4 per cent level (2017: 4.5 per cent) despite a modest slowdown. At country level, Poland was the top performer with 5.1 per cent GDP growth. Domestic demand was again the main driver of economic growth in the CE region in 2018. Investment spending remained dynamic while private consumption also started to record solid growth rates again in 2018. This was supported by the continueddecline in unemployment rates, which even hit all-time lows in some of the region's countries. The resulting manpower shortage was reflected in appreciably higher wages.

In Southeastern Europe (SEE), GDP growth slowed again to 3.7 per cent during the period under review, following the strong 5.1 per cent increase in 2017. In the region's smaller markets, however, economic indicators exhibited a positive trend, resulting in stable growth overall. Serbia took the market by complete surprise with its 10-year high of 4.0 per cent, which was mainly driven by private investments with state co-financing and an increase in private consumption. In contrast, Romania, the region's largest economy, failed to match its exceptional performance from 2017 (7 per cent growth) as both gross fixed capital formation and private consumption expanded at a slower rate than in the previous year. However, it was precisely these components that drove growth in the remaining SEE countries.

Economic conditions in Eastern Europe (EE) continued to improve in 2018. Russia benefited from the recovery in oil prices, though private household demand continued to weaken. Moscow's cautious monetary and fiscal policy also had a stabilizing effect, albeit without delivering additional growth and investment impetus. GDP growth in Russia benefited from one-off effects, expanding 2.3 per cent and well above the previous year's level. At the same time, the inflation rate also rose following a record low in the previous year. In addition, the Russian ruble suffered setbacks due to new US sanctions in April and September. The rate cut cycle in Russia already came to a standstill in the first quarter of 2018, as US sanctions prompted Russia's central bank to exercise greater caution. The second half of the year saw a token rate hike of 0.50 percentage points to 7.75 per cent as a result of uncertainties surrounding possible further sanctions. The Ukrainian economy continued its recovery path, growing 3.3 per cent, somewhat stronger than the previous year's level. Moreover, financial risks for 2019 have been reduced thanks to renewed cooperation with the International Monetary Fund following a lengthy hiatus towards the end of 2018. The Belarus economy grew 3.0 per cent in 2018, influenced positively by its dominant trading partner Russia.

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

Region/country	2017	2018	2019f	2020f
Czech Republic	4.5	3.0	2.7	2.5
Hungary	4.1	4.8	3.4	2.2
Poland	4.8	5.1	3.6	2.9
Slovakia	3.2	4.1	4.0	2.8
Slovenia	4.9	4.6	3.2	2.3
Central Europe	**4.5**	**4.5**	**3.4**	**2.7**
Albania	3.8	4.0	3.8	2.5
Bosnia and Herzegovina	3.2	2.8	2.7	2.5
Bulgaria	3.8	3.3	3.0	2.5
Croatia	2.9	2.6	2.5	2.0
Kosovo	4.2	4.2	4.0	3.0
Romania	7.0	4.1	2.5	2.5
Serbia	2.0	4.0	3.5	3.5
Southeastern Europe	**5.1**	**3.7**	**2.8**	**2.6**
Belarus	2.5	3.0	2.5	2.0
Russia	1.5	2.3	1.5	1.5
Ukraine	2.5	3.3	2.7	3.1
Eastern Europe	**1.6**	**2.4**	**1.6**	**1.6**
Austria	**2.6**	**2.7**	**1.3**	**1.2**
Germany	**2.5**	**1.5**	**1.3**	**1.0**
Eurozone	**2.5**	**1.8**	**1.1**	**1.0**

Banking sector in Austria

In 2018 the Austrian banking sector continued its solid performance from the previous year, underpinned by the positive macroeconomic trend. The corporate customer business in particular put in a robust performance in 2018 – also for longer loan maturities. The sector likewise benefited from continued dynamic real estate lending although macro-prudential regulation has been tightened significantly in this area over the past two years. Supported by low loan loss provisioning in domestic and foreign business, the return on equity of the Austrian banks not only continued to maintain a robust level of nearly 11 per cent on a consolidated basis in 2018, but this was also well above the euro area average. This positive earnings performance was supported in large measure by favorable business developments in the CEE region, notably in the Czech Republic, Russia, Romania, Hungary, Croatia and Slovakia. Adjustments and efficiency enhancement programs of recent years are also having an impact. Given the positive overall market trend, the Austrian banking sector continued to improve its capitalization relative to other Western European banking sectors during the period under review, as also evidenced by the latest stress test results at the European level. However, capital requirements will continue to increase gradually as a result of the introduction both of the systemic risk buffer and of the buffer for Other Systemically Important Institutions, which the Financial Market Stability Board has recommended. The reduction in the bank tax implemented in 2017 should also have a positive impact on the profitability of Austria's (major) banks in the years ahead.

Development of the banking sector in CEE

Multiple factors in 2018 underpinned the significant recovery of the CEE banking sector relative to the partly still subdued development of the previous years. New lending and asset growth both continued to accelerate in some CE and SEE countries (e.g. in the Czech Republic, Slovakia and Romania). Moreover, a greater number of banking markets (e.g. Hungary, Serbia and Croatia, as well as Bosnia and Herzegovina) participated in the overall positive trend, with significant asset growth recorded virtually across the board. In Russia, foreign banks with a sustainable business model benefited from the generally improving general market environment despite a further market shakeout driven by the central bank. In particular, the necessary nationalization of two of the larger banks in Russia in the fall of 2017 had no impact either on the overall market or on Western foreign banks operating as niche players, which even increased their market share slightly in Russia in 2018. Virtually all CEE banking markets now show a comfortable loan/deposit ratio (well below 100 per cent for the most part), which constitutes a solid foundation for future growth. In addition, significant progress was made in terms of reducing non-performing loans (NPLs). In CE and SEE in particular, the NPL ratio dropped to just under 5 per cent in 2018, its lowest level since 2008. Against the backdrop of the positive overall market development, return on equity in the CEE banking sector solidified at double-digit levels in 2018. In particular, banking markets in Southeastern Europe made a significant recovery. As a result, major Western European banks operating in the CEE region also posted a double-digit return on equity in 2018.

Regulatory environment

Changes in the regulatory environment

In the year under review, RBI continued to focus intensively on current and forthcoming regulatory developments.

Changes to prudential requirements (CRD IV/CRR) and the recovery and resolution framework (BRRD, SRMR)

The European Commission's proposals to revise the Capital Requirements Directive IV/Capital Requirements Regulation and the Bank Recovery and Resolution Directive (BRRD) have been finalized by the European legislature. The regulations are expected to take effect in 2021 and 2022, respectively. As far as RBI is concerned, the deduction exemption for software is particularly important in creating a level playing field with the US. The legislation also harmonizes reporting requirements for credit institutions. Other key changes include parameters for reducing risk-weighted assets for SMEs and infrastructure projects.

Basel IV

At the end of 2017, the Basel Committee on Banking Supervision finalized the new international rules for calculating capital requirements under Pillar 1 (Basel IV). The primary objective of the new rules is to make banks' risk calculations more comparable. To accomplish this, not only were large parts of the standard models changed, but the scope of application of internal models was also restricted and the requirements for these models were revised. In addition, an output floor will be phased in by 2027, which sets a floor for capital requirements calculated using internal models at 72.5 per cent of the values calculated using the standard models.

The Basel Committee is aiming for an implementation date of 1 January 2022. However, there is still no full legal implementation of the standards for the EU, which also means there are no detailed guidelines with respect to the expected implementation date.

BCBS 239

In January 2013, the Basel Committee on Banking Supervision issued 14 generally formulated principles for risk data aggregation and risk reporting of credit institutions (BCBS 239). They reflect the Basel Committee's conclusions that data quality and governance play a fundamental role in bank management and efficiency of banking operations.

Due to its classification as a systemically important institution, RBI is required to comply with these principles. It has developed a comprehensive Group-wide action and implementation plan that ensures compliance with the BCBS 239 principles which is currently being implemented in consultation with the relevant supervisory authorities.

Bank recovery and bank resolution

The BRRD was transposed into Austrian law by the Bank Recovery and Resolution Act (BaSAG). The review of the original BRRD was negotiated up until the end of 2018 as part of the trilogue process. It must be implemented within two years of its publication – which is expected in the second quarter 2019 – by an amendment to the BaSAG.

RBI has a Group recovery plan as required by law. It sets out measures for restoring financial stability in the event that this becomes necessary. The BaSAG also requires the resolution authority, in close collaboration with RBI, to draw up resolution plans based on the preferred resolution strategy, including analyzing which liabilities are eligible as MREL (minimum requirement for own funds and eligible liabilities). RBI has adopted a multiple point of entry (MPE) approach as the preferred resolution strategy. The resolution authorities define resolution groups, and for each resolution group an individual resolution plan has to be developed. The resolution plan has to describe the resolution strategy and its implementation, by the use of the resolution tools. The resolution authority decides which resolution tools (sale of business, bridge institution, asset separation and bail-in) should be used. Official MREL quotas are being set for each resolution group and are expected for the second half of 2019.

Payment Services Directive 2

The new Payment Services Directive (PSD2), which came into force on 13 January 2018, is designed to better protect consumers by promoting service security and the use of new technologies as part of an open banking system. The directive opens up the payment services market to new participants – known as third-party providers (TPPs) – such as fintech companies. It also regulates TPPs' relationships with traditional banks, which are required to give the TPPs access to the accounts of customers who have given their consent. These rules governing TPP access to payment service user data will take effect on 14 September 2019. They were further elaborated on in the course of last year while work on their implementation had already begun.

General Data Protection Regulation (GDPR)

The EU General Data Protection Regulation (GDPR) has been in effect since 25 May 2018. It applies to personal data (e.g. that of customers or employees) and strengthens the rights of control that individuals have with respect to their data. The GDPR affects all departments at RBI that handle individuals' personal data. RBI has adopted the new requirements as part of a wide-ranging project. Various processes were implemented, including those for complying with the data subjects' rights (e.g. right of access, right of erasure) and identifying personal data protection breaches; the required IT framework was created; relevant contracts were thoroughly reviewed and examined; and the requisite organizational structure was established. In addition to the project at the Group head office, other projects were conducted at the network units and the Austrian companies in which equity participations are held, with coordination and support provided by the Group head office.

Capital markets and sustainable financing

The implementation of MiFID II began in 2018, which had a large-scale effect on RBI's market and customer divisions and required an extensive implementation project. PRIIPs (Packaged Retail and Insurance-based Investment Products) under which a 3-page standard customer information sheet is required for packaged (securities) products also came into effect in 2018. One new issue on European level is the regulation of covered bonds, which has not yet been implemented in Austria. The changeover of benchmark indices and related uncertainty – primarily Eonia and Euribor, scheduled for early 2020 – was postponed for two years in response to market participants' objections and concerns (implementation beginning in early 2022). Other important new developments for all financial market participants include the Commission's action plan and regulatory proposals on sustainable financing and investments, which aim to reorient capital flows towards green and sustainable economic activities from 2022 onwards. The objective is to transition financial sector products, services and activities – including transparency measures and corporate governance – to a framework based on uniform definitions and standards.

Regulatory compliance (§ 39 (6) of the Austrian Banking Act (BWG))

The EBA's Guidelines on Internal Governance were transposed into Austrian law in 2018. The process added new provisions to the Banking Act (§ 39 (6) BWG) which came into effect on 1 January 2019. There are now stronger regulatory compliance requirements for monitoring and ensuring RBI's adherence to applicable Austrian law. The implementation of these activities at RBI builds on existing methods and tools.

Banking supervision

In 2018, the ECB's banking supervision activities focused on four areas: risks related to the business model, profitability, credit risk with emphasis on non-performing loans, and risk management in general. In relation to this fourth area, i.e. activities with multiple risk dimensions, RBI participated in the European Banking Authority's EU-wide stress test in 2018. The stress test results essentially depend on three factors: the capital ratio at the beginning of the stress test, losses caused by the simulated stress scenario, and the resulting capital ratio at the end of the stress test horizon. RBI's performance with respect to these factors was significantly better than in the previous stress test conducted in 2016 (participating institution: RLB Holding), although the 2018 test was more stringent. In an adverse scenario, RBI's hypothetical remaining common equity tier 1 ratio (CET1) was projected to stand at 9.7 per cent in 2020. The stress scenario simulated a sharp slump in economic growth and house prices as well as pessimistic assumptions about economic developments in most Central, Eastern and Southeastern European countries. RBI's better result reflects in particular the strengthening of its capital ratio following the merger of RZB and RBI and improved portfolio quality.

In 2018, the focus of the Joint Supervisory Team included interest rate risk in RBI's banking book and a review of the internal credit risk models.

Business performance at Raiffeisen Bank International AG

Business development

RBI AG is one of Austria's leading corporate and investment banks. The Corporates business looks after the top 1,000 companies in the country and numerous large international and multinational customers. These clients benefit from RBI AG's extensive know-how and service portfolio in the areas of export financing, trade financing, cash management, treasury and fixed-income.

Institutional Clients groups business with banks and institutional customers. It has developed out of Correspondent Banking in its original form and today stands for an integrated approach to doing business with banks, insurance companies and other institutional customers. An extensive product and service range includes, among others, transaction and clearing services, custody and deposit bank services, credit financing and capital market and securities transactions.

The Capital Markets business includes trading on own account and for third parties. Here, RBI AG offers its customers individually tailored solutions for liquidity and balance-sheet management, and for managing interest and currency risks. Its special strengths are interest rate, currency and credit products for the German-speaking countries (Austria, Germany and Switzerland) and CEE. Cash products, derivatives and structured products are also offered, as well as the issuance of debt capital via bonds and the securitization of loans and advances. A professional structuring team as well as sales strength and placement power ensure the successful implementation of projects.

The Treasury and Group Participations businesses are internal control areas for managing refinancing and the Bank's investment portfolio.

Corporates

The Corporates business services Austrian and international corporate customers. In addition to Austria's largest companies, these include Western European corporate customers with business activities in CEE, large corporate customers from Central and Eastern Europe and internationally active commodities and trading companies.

In Austria, the strategic focus was on structured customer acquisition and further exploitation of Group-wide earnings potential using strategic management tools and targeted sales initiatives. A core element here was the Global Account Management System, which offers international clients advisory services and support coordinated across the entire Group and enables a comprehensive product portfolio throughout the whole network.

In addition, work continues to further increase the attractiveness of products. Since RBI AG's customers are used to integral solutions, cross-business collaboration between Retail and Corporates is extremely important, particularly for digital customer solutions. In this connection, RBI AG collaborated with five international fintech companies on pilot projects for innovative banking products as part of its Elevator Lab fintech accelerator program. First tests were conducted in Austria and four CEE markets and always placed the main focus on customer benefit. This and further optimization of service and support processes, as well as the continuing high degree of cost discipline made a positive contribution to the cost/income ratio in the last financial year.

Despite the low interest rate environment and the continuing challenging economic and geopolitical environment, the result in terms of income was good. In addition to traditional credit business, the bank's outstanding product expertise led to structured project and acquisition financing, real estate financing, export and trade finance business and transaction banking also making a significant contribution to the positive performance.

Additionally, the once again positive development in the Asset Based Finance and Factoring business should also be highlighted, where income further increased significantly as a result of a strong reputation and a high degree of solutions-oriented expertise. In the Debt Capital Markets business, RBI AG benefited considerably from the positive market development and consolidated its key position in promissory note and senior bond issuance.

The substantial reduction in the allocation to loan loss provisions in the financial year (both for Western European and Austrian as well as Central and Eastern European customers) reflected the high quality of the credit portfolio and made a significant contribution to the very good result.

Institutional Clients

For the Institutional Clients business, the 2018 financial year was shaped by the continuing economic recovery in the core markets in Central and Eastern Europe. This was reflected in increasing transaction numbers and volumes, in the expansion of business relations with existing customers and in the securing of numerous new customers. 2018 was also shaped by extremely positive development in risk costs, resulting in the release of loan loss provisions. RBI again proved its key role for business in and from Central and Eastern Europe.

As in previous years, sales activities focused on equity and liquidity-preserving banking products; income from commission-based business reached a new record level. In addition to the traditionally good results from clearing, settlement and payment services, which again posted higher than average performance, the entire capital market business such as new bond issuances, the associated securities sales, customer currency trading and securities lending also increased significantly. Performance for investment fund business and securities services was also pleasing, adding to the positive picture.

Traditional credit business with banks was stable at a low level and mainly focused on longstanding customer relationships with high cross-selling potential. These endeavors were very well complemented by the aforementioned product offensives.

The deglobalization within the financial sector which set in following the financial crisis led to the emergence of regional specialists. This trend supports the RBI Group's positioning as a leading institute in Central and Eastern Europe with a bridging function between East and West. This was again confirmed by the successes achieved in recent years.

Capital Markets

In 2018, the underlying macroeconomic conditions were characterized by asymmetric growth. The US economy grew significantly as a result of economic measures and tax breaks, while international tensions and trade disputes burdened the economy in Europe and Asia. This led to higher credit spreads for emerging markets. Spreads also widened in Europe fueled by Italy's budget dispute with the EU. German and Austrian government bonds proved a safe haven.

Despite this challenging environment, RBI AG succeeded in further expanding its bonds business thanks to increased customer demand for bonds in local currencies.

The trend towards digitalization continued in 2018: The entry into force of MiFID 2 at the start of the year resulted in increasing numbers of trading activities being transferred to electronic platforms. RBI AG implemented these regulatory requirements on time and became a systematic internaliser for bonds, enabling it to continue offering them to its international client base.

Despite a challenging capital market environment with a mixture of continuing low volatility for most G10 currency pairs and extremely high volatility in some EM currencies, currency trading again recorded a strong annual performance, notably due to an increase in electronic trading activity and strategic positions in the CEE/CIS markets.

In the bonds segment, Institutional Sales followed on from its successful previous year and again recorded pleasing results in both the primary and secondary markets in the 2018 financial year. Currency business posted a similarly strong result. An increased level of customer trading activity made a significant contribution to the pleasing annual performance.

Despite more stringent regulatory framework conditions, Corporate Sales maintained its earnings level of the previous year and surpassed its budget. Ongoing weak demand for interest hedges attributable to the ECB's continuing low interest rate policy was offset by increased business activity by our customers in the core currency markets.

Treasury

For medium to long-term financing, RBI AG used long-term deposits and issuances. Senior issues are mainly under RBI AG's EUR 25,000,000,000 Debt Issuance Program, which enables bonds to be issued in different currencies and with different structures.

In 2018, RBI AG increasingly used international large-volume bonds alongside long-term deposits in order to implement its funding plan. The successful issuance of € 500 million of additional core capital (additional tier 1) in January was followed by a € 500 million green first-ranking issuance in June and a further € 500 million first-ranking issuance in November. The green first-ranking issuance was the first benchmark issuance of this type by an Austrian bank (issue volume of at least € 500 million). The remaining requirement was covered by small unsecured private placements. The total volume of multi-year deposits and issuances taken up amounted to around € 5.3 billion and had a weighted maturity of approximately 5.2 years. At year-end 2018, the total volume of outstanding issued unsecured bonds excluding additional core capital amounted to approximately € 6.4 billion.

Group Participations

In addition to 13 subsidiary banks in CEE, RBI AG's subsidiaries also include numerous additional Austrian and international subsidiaries in the strategic financial services sector. These companies are completed by a number of other banking-related ancillary services as well as other participations.

RBI AG's participation strategy aims to safeguard and expand the strategic interests of RBI AG and also to steadily increase the value of the overall portfolio.

Governance and administration of all participations is steered by RBI Group Participations.

In the financial year, the core banking business of Raiffeisen Bank Polska S.A., Warsaw, was sold by spin-off to Bank BGZ BNP Paribas S.A., a subsidiary of BNP Paribas S.A., for a purchase price of € 753 million. Immediately after the spin-off, the remaining operations of Raiffeisen Bank Polska, primarily comprising the portfolio of retail foreign currency mortgage loans, were transferred to a Polish branch of RBI AG.

Significant write-ups occurred at Raiffeisen Bank Aval JSC, Kiev (€ 89.1 million), RBI IB Beteiligungs GmbH, Vienna (€ 29.4 million), BAILE Handels- und Beteiligungsges.m.b.H., Vienna (€ 21.0 million) and RB International International Finance (Hong Kong) Ltd (€ 10.6 million).

At the end of June 2018, Raiffeisen-Leasing Bank AG surrendered its banking licenses and changed its name (to Raiffeisen-Leasing Finanzierungs AG) and business purpose. This enabled the successful completion of the process, commenced in the second half of 2017, to close a CRR bank regulated by the ECB.

In May 2018, Elevator Ventures Beteiligungs GmbH was established as RBI's corporate venture capital company, with € 25 million of available investment capital. It focuses on investments in young, technology-driven companies from the financial sector (fintechs) which have already obtained initial market experience with their products and services.

Retail

The sale of the Polish core banking operations and the subsequent merger of the remaining operations of Raiffeisen Bank Polska S.A., Warsaw, into a newly established Polish branch of RBI AG on 3 November 2018 gave RBI AG a portfolio of retail foreign currency mortgage loans with a volume of around € 3.1 billion. The portfolio comprises € 2.3 billion in CHF loans and advances, € 0.7 billion in EUR loans and advances and € 0.1 billion in PLN loans and advances.

The branch offers neither deposit business nor new customer business and focuses on administering the foreign currency loans taken over until their final maturity, and on providing services for the borrowers. Beyond this, RBI AG has no further plans actively to expand retail business.

Branches and representative offices

RBI AG operates a total of five branches – in Frankfurt, London, Warsaw, Singapore and Beijing. As service branches, these support the RBI head office in Vienna and RBI network banks with customer care and sales activities.

RBI AG has had a branch in Poland since the start of November 2018. The sale of the core banking operations of the former Raiffeisen Bank Polska S.A. to Bank BGZ BNP Paribas S.A. was completed at the end of October 2018. As part of this transaction, the remaining portfolio of the former Raiffeisen Bank Polska S.A. was incorporated into RBI AG's Warsaw branch, which had been established in October 2018. The portfolio's loan volume is around € 3.1 billion, mainly comprising retail customers' foreign-currency mortgage loans. The branch offers neither deposit business nor new customer business and focuses on administering the foreign currency loans taken over until their final maturity, and on providing services for borrowers. Additionally, the branch restructures and manages certain loans to corporate customers and serves a liquidator function for selected investment funds.

Through its extensive knowledge of the local markets in Southeast Asia and its contacts with companies, banks and authorities, the Singapore branch supports customers in sales activities, and also in establishing branches or partnerships with local companies. The free trade agreement negotiated between Singapore and the European Union in 2018 is expected to bolster trading activities.

Under the Belt-and-Road initiative, the Peking branch initiated cooperation agreements with major Chinese banks for cooperation in Central and Eastern Europe and provided the full range of RBI's banking services to support numerous large Chinese companies in their activities in Eastern European markets. The Peking branch secured success in export finance. As a result, RBI is now one of the few Western banks able to accept coverage of the Chinese export and credit insurance corporation Sinosure as China sovereign risk. RBI export financing covered by Sinosure can now be offered to companies that produce in China and export to third markets from there. The Peking branch also works closely with the Austrian Business Agency in advertising Austria as an investment location and as a gateway to CEE.

The Frankfurt branch office further expanded its consulting and structuring services in various forms of receivables financing, as well as its local sales-support activities for RBI in its business with subsidiaries of German corporate customers, especially in CEE. In 2018, additional receivables financing mandates were won and implemented for customers in RBI's numerous focus markets, and business was further developed. In addition to winning new customers, another key task in the corporate customer business involves providing sales support for RBI's network. The increasing demand from German SME corporate customers for contact points in Germany reflects customers' centralization of administration functions and decision-making authorities. Establishing contacts with decision makers at customers' head offices strengthens customer relationships in CEE and opens up cross-selling potential.

The branch office in London provides key support for the placement of RBI's capital market solutions. Many international investors are based in London. RBI AG's wealth of CEE expertise is of particular interest to these investors. In 2018, additional investor groups were won for RBI AG in the London market. Moreover, the branch has a dedicated corporate desk to support British and Irish corporate customers, notably with regard to their CEE investment. The corporate desk also facilitates contact with partner banks in Great Britain and their corporate customers with a CEE relationship. In the referendum of June 2016, the citizens of Great Britain voted to leave the European Union as of 29 March 2019. The London branch has made all necessary preparations under the regulatory requirements of the European (European Central Bank) and British (Prudential Regulation Authority, Financial Conduct Authority) financial market supervisory authorities and is seeking a third-country license in order to maintain its future business operations.

In addition to its branch offices, RBI AG also operates representative offices in Paris, Stockholm, Mumbai, Seoul, Ho Chi Minh City and Zhuhai (China).

Financial Performance Indicators

Statement of Financial Position

Raiffeisen Bank International AG's (RBI AG) total assets increased € 9.7 billion, or 17.7 per cent, to € 64.4 billion in the 2018 financial year. The growth in total assets resulted in particular from the increase of € 5.7 billion in cash and cash balances at central banks and the increase of € 6.8 billion in loans and advances to customers.

On the asset side, the cash reserve and balances at central banks increased € 5.7 billion to € 10.5 billion. This resulted mainly from short-term liquidity reserves at the European Central Bank. Loans and advances to banks decreased 27.3 per cent, or € 2.5 billion, to € 6.6 billion. This development mainly reflected a reduction of € 1.0 billion in lending, € 1.3 billion which originate from the refinancing of the former Polish subsidiary bank. In addition, long- and short-term money market business fell € 0.7 billion and giro and clearing business was down € 0.5 billion.

Loans and advances to customers increased 37.2 per cent, or € 6.8 billion, to € 25.1 billion. This included the € 3.1 billion portfolio of foreign currency mortgage loans acquired from Raiffeisen Polska S.A. Lending thus increased € 7.2 billion, while the share of loan loss provisions for the acquired retail portfolio amounted to € 0.2 billion.

Bonds, notes and other fixed-interest securities rose 20.7 per cent, or € 0.5 billion year-on-year, to € 2.9 billion. This increase was due mainly to the increase in repurchased own issues. The volume of shares and other variable-yield securities also rose 48.2 per cent or € 0.1 billion, to € 0.3 billion.

Shares in affiliated companies fell € 0.7 billion to € 10.6 billion. This development was largely attributable to the sale of parts of the core banking operations of Raiffeisen Bank Polska S.A. for € 0.8 billion and the latter's subsequent merger into RBI AG.

Other assets declined € 0.2 billion year-on-year, or 5.2 per cent, to € 2.8 billion. This was primarily attributable to the € 0.2 billion decline in positive fair values arising out of derivative financial instruments in the trading book.

On the liabilities side, liabilities to credit institutions rose € 2.7 billion, or 11.5 per cent, to € 26.6 billion due largely to a significant €1.3 billion increase in money market transactions and a € 0.7 billion rise in short-term giro and clearing business. Liabilities to credit institutions continued to represent a significant source of funding for RBI AG at 41 per cent of total assets.

Liabilities to customers were up € 4.4 billion, or 33.8 per cent, to € 17.6 billion, largely due to a considerable € 3.4 billion increase in time deposits.

Debt securities issued and additional capital according to CRR increased 22.3 per cent, or € 1.4 billion year-on-year, to € 7.9 billion. Funds raised through new issues amounted to € 3.3 billion in 2018 (2017: € 0.2 billion). In contrast, debt securities issued fell € 1.9 billion in 2018 as a result of repayments and retirements (2017: € 2.2 billion).

Other liabilities decreased year-on-year € 0.2 billion, predominantly due to the decline in holdings of derivatives in the trading book.

The provisions include provisions of € 65.7 million for severance payments (31.12.2017: € 57.4 million) provisions of € 71.5 million for pensions (31.12.2017 € 69.3 million), provisions of € 0.3 million for taxes (31.12.2017: € 5.7 million), and other provisions of € 171.8 million (31.12.2017: € 195.0 million). The increase in provisions for severance payments reflected a higher salary base and an increase in the expected average salary rise. The increase in pension provisions due to the new AVÖ 2018-P legal basis for pension insurance was largely offset by changes in the law, according to which existing reinsurance policies are netted against claims of the same amount reported in the past under other assets. The decrease in other provisions was mainly due to the almost complete release of the provision for litigation risks and from lower provisions for guarantee loans.

Total risk exposure at year-end 2018 was € 39.3 billion (2017: € 33.3 billion). Of this amount, credit risk accounted for € 33.9 billion (2017: € 28.6 billion), operational risk for € 3.0 billion (2017: € 3.2 billion), and market risk for € 2.4 billion (2017: € 1.5 billion). Total risk exposure increased around € 6.0 billion year-on-year, which included € 4.0 billion at the branch in Poland. Common equity tier I (CET1) capital amounted to € 7.1 billion at year-end 2018 (2017: € 7.1 billion). In 2018 further additional tier 1 capital (AT1) was issued; the level of tier 1 capital therefore amounted to € 8.2 billion (2017: € 7.8 billion). Additional capital amounted to € 2.3.0 billion (2017: € 3.0 billion). All in all, total capital amounted to € 10.5 billion, a year-on-year rise of € 0.2 billion. Despite the increase in total capital, the higher total risk exposure resulted led to fall in all the ratios. While the CET1 ratio of 19.8 per cent was 2.0% lower than in the previous year (21.8 per cent), the tier 1 ratio of 22.7 per cent was also somewhat lower than at 31.12.2017 (23.3 per cent). The total capital ratio was 26.9 per cent (2017: 32.2 per cent). The total capital surplus was € 8.1 billion and thus remained more or less unchanged from the previous year.

The committed capital reserves of € 4.3 million (31.12.2017: € 4.3 million) and uncommitted capital reserves of € 97.1 million (31.12.2017: € 97.1 million) were mostly unchanged in the financial year. The change compared to the previous year reflected the reduction of € 0.2 million in committed capital reserves due to the allocation of own shares under the SIP program.

The number of own shares related to the share incentive program (SIP) for key personnel in the company (Management Board and senior executives) and members of the management boards of associated bank subsidiaries and acquired in the years 2005 to 2009 amounted to 322,204 shares at year-end 2018. With a nominal value of € 1.0 million, this represented 0.1 per cent of share capital. 72,738 of these own shares were allocated to the entitled individuals in the financial year 2018. The nominal value of these allocated shares was € 0.2 million, representing 0.0 per cent of share capital.

Retained earnings cover legal reserves of € 5.5 million (31.12.2017: € 5.5 million) and other free reserves of € 2.2 million (31.12.2017: € 1.5 million). Of the other free reserves, an amount of € 217.1 million (31.12.2017: € 170.8 million) was earmarked for the federal institutional protection scheme (Federal IPS). As a result of the agreement on the establishment of the institutional protection scheme and a corresponding decision of the Federal IPS Risk Council, a contribution of € 46.4 million (31.12.2017: € 41.0 million) was allocated to other reserves in 2018 as a reserve for the Federal IPS. The reserve for the Federal IPS is not eligible for inclusion in the calculation of own funds under the CRR. In addition, an amount of € 648.0 million

(31.12.2017: € 147.0 million) was transferred to other free reserves. The remaining change in other free reserves of € 1.2 million is fully attributable to changes relating to the Share Incentive Program (SIP).

As of 31.12.2018, the liability reserve amounted to € 535.1 million (31.12.2017: € 535.1 million).

Earnings performance

In the 2018 financial year, Raiffeisen Bank International AG (RBI AG) reported an increase in net interest income of 27.0 per cent, or € 66.1 million, to € 310.9 million. This was driven mainly by a volume-related increase in loans and advances to customers, an increase in income from negative interest rates from deposits, the elimination of expenses in connection with synthetic securitization transactions and lower funding costs from customer business customers.

Income from securities and participating interests fell € 743.5 million to € 636.3 million mainly due to the € 744.2 decline in million in income from shares in affiliated companies resulting from lower dividend income from affiliated companies in 2018. Income from participating interests consisted mostly of € 460.0 million from RS Beteiligungs GmbH, € 90.6 million from Raiffeisen Bank Aval, and € 54.7 million from AO Raiffeisenbank.

The net amount of commissions payable and commissions receivable was up € 32.4 million to € 202.1 million. The largest contribution to net fee and commission income was provided by the payment transfer business (34.4 per cent, or € 69.6 million), followed by the securities business (24.7 per cent, or € 50.0 million) and the guarantee business (18.8 per cent, or € 38.1 million).

The net profit on financial operations increased 226.5 per cent, or € 27.7 million, to € 39.9 million. This mainly reflected the € 99.0 million improvement in net trading income from currency-based derivative transactions, which increased to € 95.6 million (2017: minus € 3.3 million). In contrast, the profit contribution of the predominantly interest-based derivative and securities transactions fell to minus € 55.1 million (2017: € 10.8 million).

Other operating income rose € 33.9 million to € 181.1 million. This item included income from services provided to network banks of € 89.0 million (2017: € 80.6 million), income from the release of other provisions amounting to € 43.5 million (2017: € 8.8 million), and income from the release of provisions for losses on bank book derivatives amounting to € 2.9 million (2017: € 11.3 million).

Operating income therefore amounted to € 1,370.3 million, a 29.9 per cent decline year-on-year.

Total operating expenses were up 19.0 per cent year-on-year, to € 850.6 million.

Staff costs increased, year-on-year, by € 45.5 million to € 378.7 million. This was due in part to increased staffing levels and partly to an adjustment to mortality tables and an associated increase in pension provisions. Other administrative expenses increased € 24.9 million, or 7.5 per cent, to € 357.9 million. Other administrative expenses consisted mainly of IT expenses amounting to € 151.3 million (2017: € 125.8 million), rent amounting to € 30.0 million (2017: € 29.8 million), and consulting fees and audit fees amounting to € 43.9 million (2017: € 44.4 million). They also included the annual contribution to the bank resolution fund of € 16.5 million (2017: € 21.2 million). Depreciation of tangible assets and intangible fixed assets declined € 0.5 million to € 9.2 million.

Other operating expenses of RBI AG increased € 66.1 million to € 104.9 million in 2018, mainly as a result of an increase of € 17.7 million in provisions for derivatives, an increase of € 29.7 million in close-out fees and an increase € 16.0 million in other provisions.

After deducting operating expenses from operating income, RBI AG generated an operating result of € 519.7 million for the 2018 financial year. This represents a year-on-year decline of 58.1 per cent, or € 719.4 million.

As a consequence, the cost/income ratio (operating expenses divided by operating income) was 62.1 per cent (2017: 36.6 per cent).

Net income/expenses from the disposal and valuation of loans and advances and securities classed as current assets recorded a net expense – as in the previous year – of minus € 31.6 million (2017: minus € 156.6 million). This development was due firstly to an improvement in the result from the valuation sale of securities held as current assets and the derivatives bank book to € 4.8 million (2017: minus € 23.0 million), and secondly to an improvement in gains/loss on the valuation of loans and guarantees to minus € 36.4 million (2017: minus € 133.6 million). The lower requirement for loan loss provisions compared to the previous year resulted mainly from an improved macroeconomic environment. With regard to individual loan loss provisions, this led to a net release of provisions in the amount of € 6.7 million, an improvement of € 146.7 million compared to the previous year. In the case of portfolio-based loan loss provisions, there was a net allocation of € 38.5 million, which represented an increase of € 44.5 million from the previous year. The increase was partly due to a change in the method used to determine portfolio loan loss provisions after the IFRS 9 calculation model was also applied under company law from 1 January 2018. This non-recurring effect of € 5.8 million was immediately recognized in the income statement. The remaining increase of € 38.7 million resulted from the refinement of IFRS 9 models and provision for expected credit losses that cannot be captured in the model due to exceptional circumstances (primarily potential sanctions against Russia).

Net income/expenses from the disposal and valuation of financial investments changed from a net expense of € 52.9 million in 2017 to net income of € 143.3 million in 2018, mainly due to an increase of € 23.5 million in write-ups and a decrease of € 158.2 million in unscheduled write-downs of affiliated companies. Net gains/losses on sale were up € 19.1 million, reflecting gains on the sale of securities held as fixed assets.

As a result, the profit on ordinary activities for the year under review amounted to € 631.4 million (2017: € 1,034.6 million).

The return on equity before tax (profit before tax divided by average equity in 2018) was 8,0 per cent (2017: 14.7 per cent).

Taxes on profit or loss showed a gain of € 4.9 million in 2018 (2017: expense € 18.2 million), which was due to lower expenses for withholding taxes. Expenses for other taxes amounted to € 53.4 million (2017: € 56.6 million), mainly reflecting € 56.2 million for the stability contribution for banks (2017: € 55.0 million).

The merger gain related entirely to the result from the contribution of the operations of Raiffeisen Bank Polska S.A., Warsaw remaining after the sale of the core bank operations to Bank BGZ BNP Paribas S.A. The pro rata carrying value of the operations of € 99.9 million (on the basis of a current valuation report) stood against repaid equity of € 542.3 million. This resulted in a merger gain of € 442.4 million (2017: € 0 million).

The return on equity after tax (net income after tax divided by average equity in 2018) was 4.2 per cent (2017: 11.0 per cent).

Profit after tax in 2018 was € 1,025.2 million (2017: € 959.8 million).

After movements in reserves of € 694.4 million and profit of € 1.5 million brought forward the previous year, the net profit in 2018 was € 332.3 million.

Capital, share, voting, and control rights

The following disclosures satisfy the provisions of § 243a (1) of the Austrian Commercial Code (UGB):

(1) As at 31 December 2018, the company's share capital amounted to € 1,003,265,844.05 and was divided into 328,939,621 voting common bearer shares. As at 31 December 2018, 322,204 of those were own shares, and consequently 328,617,417 shares were outstanding at the reporting date. In comparison with 31 December 2017 (394,942 shares), this was a reduction of 72,738 own shares and was due to the transferring of shares within the framework of the share-based remuneration program.

(2) The Articles of Association contain no restrictions concerning voting rights or the transfer of shares. The principle of one share one vote applies and there is only one class of shares. Shares with multiple voting rights are not permissible under § 12 (3) of the Austrian Stock Corporation Act (AktG). The regional Raiffeisen banks and direct and indirect subsidiaries of the regional Raiffeisen banks are parties to a syndicate contract (syndicate agreement) regarding RBI AG. The terms of this syndicate agreement include not only a block voting agreement and preemption rights, but also a prohibition on sales of the RBI shares held by the regional

Raiffeisen banks (with few exceptions) for a period of three years (lock-up period) from the effective date of the merger between RZB AG and RBI AG, i.e. from 18 March 2017, if the sale would reduce the regional Raiffeisen banks' aggregate shareholding in RBI AG (direct and/or indirect) to less than 50 per cent of the share capital plus one share. After the lock-up period expires, the shareholding threshold falls to 40 per cent of the share capital of RBI AG.

(3) RLB NÖ-Wien Sektorbeteiligungs GmbH holds around 22.24 per cent of the share capital of the company according to the most recent notification of voting rights published on 7 September 2018. By virtue of the syndicate agreement regarding RBI AG, the directly or indirectly held voting rights attached to a total of 193,449,778 shares, corresponding to a voting interest of around 58.81 per cent, are mutually attributable to the regional Raiffeisen banks and their direct and indirect subsidiaries pursuant to §§ 130 and 133 7 of the Austrian Stock Exchange Act (BörseG) as parties acting in concert as defined in § 1 6 of the Austrian Takeover Act (ÜbG) (see the notification of voting rights published on 7 September 2018). The remaining shares of RBI AG are held in free float, with no other direct or indirect shareholdings amounting to 10 per cent or more known to the Management Board.

(4) The Articles of Association do not contain any special rights of control associated with holding shares. According to the syndicate agreement for RBI AG, the regional Raiffeisen banks can nominate nine members of the RBI AG Supervisory Board. In addition to the members nominated by the regional Raiffeisen banks, the RBI AG Supervisory Board should also include three independent representatives of free-float shareholders who are not attributable to the Austrian Raiffeisen Banking Group.

(5) There is no control of voting rights arising from interests held by employees in the share capital.

(6) Pursuant to the Articles of Association, a person who is 68 years or older may not be appointed as a member of the Management Board or be reappointed for another term in office. The rule for the Supervisory Board is that a person who is aged 75 years or older may not be elected as a member of the Supervisory Board or be re-elected for another term in office. Moreover, no person who already holds eight supervisory board mandates in publicly traded companies may be a member of the Supervisory Board. Holding a position as chairman of the supervisory board of a publicly traded company would count twice for this purpose. The Annual General Meeting may choose to waive this restriction through a simple majority of votes if permitted by law. Any candidate who has more mandates for, or chairman positions on, supervisory boards in publicly traded companies must disclose this to the Annual General Meeting. There are no further regulations regarding the appointment or dismissal of members of the Management Board and the Supervisory Board beyond the provisions of the relevant laws. The Articles of Association stipulate that the resolutions of the Annual General Meeting are, provided that there are no mandatory statutory provisions to the contrary, adopted by a simple majority of the votes cast. Where the law requires a capital majority in addition to the voting majority, resolutions are adopted by a simple majority of the share capital represented in the votes. As a result of this provision, members of the Supervisory Board may be dismissed prematurely by a simple majority. The Supervisory Board is authorized to adopt amendments to the Articles of Association that only affect the respective wording. This right may be delegated to committees. Furthermore, there are no regulations regarding amendments to the company Articles of Association beyond the provisions of the relevant laws.

(7) Pursuant to § 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 4 June 2014 to increase the share capital with the approval of the Supervisory Board – in one or more tranches – by up to € 446,793,032.95 through issuing up to 146,489,519 new voting common bearer shares in exchange for contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to § 153 (6) of the AktG) by 25 August 2019 at the latest and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Management Board is further authorized to exclude shareholders' subscription rights with the approval of the Supervisory Board (i) if the capital increase is carried out in exchange for contributions in kind, or (ii) if the capital increase is carried out in exchange for contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's share capital (exclusion of subscription rights).

The Annual General Meeting held on 21 June 2018 authorized the Management Board pursuant to § 65 (1) 8, § 65 (1a) and § 65 (1b) of the AktG to purchase own shares and to retire them if appropriate without requiring any further prior resolutions to be passed by the Annual General Meeting. Own shares, whether already purchased or to be purchased, may not collectively exceed 10 per cent of the company's share capital. The authorization to purchase own shares expires 30 months after the date of the Annual General Meeting resolution, i.e. until 20 December 2020. The acquisition price for repurchasing the shares may be no lower than € 1 per share and no higher than 10 per cent above the average unweighted closing price over the 10 trading days prior to exercising this authorization. The authorization may be exercised in full or in part or also in several partial amounts, for one or more purposes – with the exception of securities trading – by the company, by a subsidiary (§ 189a 7 of the UGB) or by third parties for the account of the company or a subsidiary.

The Management Board was further authorized, pursuant to § 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary (§ 189a 7 UGB) or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 20 June 2023.

This authorization replaces the authorization approved by the 16 June 2016 Annual General Meeting to purchase and retire own shares pursuant to § 65 (1) 8 of the AktG. No own shares have subsequently been purchased either on the basis of the now expired June 2016 authorization or the authorization from June 2018 which is now in effect.

The Annual General Meeting of 21 June 2018 also authorized the Management Board, under the provisions of § 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 20 December 2020), provided that the trading portfolio of shares purchased for this purpose does not at the end of any given day exceed 5 per cent of the company's respective share capital. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition. This authorization may be exercised in full or in part or also in several partial amounts by the company, by a subsidiary (§ 189a 7 UGB) or by third parties acting for the account of the company or a subsidiary.

(8) The following material agreements exist, to which the company is a party and which take effect, change or come to an end upon a change of control in the company as a result of a takeover bid:

- RBI is insured under a Group-wide D&O policy. Insurance cover would remain in place following a merger with another legal entity belonging to the RBI Group. In the event of a merger with a legal entity outside the RBI Group, the insurance policy would automatically cease at the end of the insurance period in which the merger took effect. In such cases, insurance cover only exists for claims for damages arising from breaches of obligations that occurred before the merger, which are reported to the insurer prior to any termination of RBI's Group-wide D&O insurance cover, and thereafter, within the agreed notification period of five years.
- RBI AG is a member of the Professional Association of Raiffeisen Banks. Upon a change in control of RBI AG which results in the attainment of control by shareholders outside of the Raiffeisen Banking Group Austria, membership of the Professional Association of Raiffeisen Banks and of the Raiffeisen Customer Guarantee Scheme Austria may be terminated. RBI AG continues to serve as the central institution of the Raiffeisen Banking Group at a national level. Upon a change in control of RBI AG, related contracts (membership of the liquidity group pursuant to § 27a of the BWG; membership of the federal IPS pursuant to Art. 113 (7) of the CRR) may end or change.
- The company's refinancing agreements and agreements concerning third-party financing for subsidiaries, which are guaranteed by the company, stipulate that the lenders can demand early repayment of the financing in the event of a change in control.

(9) There are no indemnification agreements between the company and its Management Board and Supervisory Board members or employees that would take effect in the event of a public takeover bid.

Non-financial Performance Indicators

Pursuant to the Sustainability and Diversity Improvement Act (NaDiVeG), the consolidated non-financial statement, which has to be prepared in accordance with § 267a of the Austrian Commercial Code (UGB), is issued as an independent non-financial report (Sustainability Report). The report containing detailed information on sustainability management developments, will be published online – at www.rbinternational.com → About us → Sustainability Management – and also contains the disclosure for the parent company in accordance with § 243b of the UGB.

Corporate Governance

The Corporate Governance Report is available on RBI's website (www.rbinternational.com → Investor Relations → Corporate Governance).

Risk report

Active risk management is a core competency of RBI AG. In order to effectively identify, measure, and manage risks the bank continues to develop its comprehensive risk management system. Risk management is an integral part of overall bank management. In particular, in addition to legal and regulatory requirements, it takes into account the nature, scale, and complexity of the business activities and the resulting risks. The risk report describes the principles and organization of risk management and explains the current risk exposures in all material risk categories.

Risk management principles

RBI AG has a system of risk principles and procedures in place for measuring and monitoring risk. It is aimed at controlling and managing the risks at all banks and specialist companies owned by the bank. The risk policies and risk management principles are determined by the Management Board of RBI AG. The bank's risk principles include the following:

- Integrated risk management
  Credit, country, market, liquidity, participation and operational risks are managed as main risks on a bank-wide basis. For this purpose, these risks are measured, limited, aggregated, and compared to available risk coverage capital.
- Standardized methodologies
  Risk measurement and risk limitation methods are standardized in order to ensure a consistent and coherent approach to risk management. This is efficient for the development of risk management methods and it forms the basis for consistent overall bank management across all countries and business segments in RBI AG.
- Continuous planning
  Risk strategies and risk capital are reviewed and approved in the course of the annual budgeting and planning process, whereby special attention is also paid to preventing risk concentrations.
- Independent control
  A clear personnel and organizational separation is maintained between business operations and any risk management or risk controlling activities.
- Ex ante and ex post control
  Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. It is thereby ensured that business in general is conducted only having regard to risk-return considerations and that there are no incentives for taking high risks.

Organization of risk management

The Management Board of RBI AG ensures the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions on the basis of the risk reports and analyses. Independent risk management units and special committees support the Management Board in implementing these tasks.

RBI AG's risk management functions are performed on different levels. RBI AG develops and implements the relevant concepts as the parent credit institution and in cooperation with the subsidiaries of the Group. The central risk management units are responsible for the adequate and appropriate implementation of the risk management processes throughout the company. In addition, they implement the risk policy in the respective risk categories and manage RBI AG's activities within the approved risk budget.

The central and independent risk controlling function under the Austrian Banking Act is performed by the Group Risk Controlling organizational area. It is responsible for developing the company-wide framework for overall bank risk management (integrating all risk types) and preparing independent and neutral reports on the risk profile for the Risk Committee of the Supervisory Board, for the Management Board, and for the heads of the individual business areas.

Risk committees

The Group Risk Committee is the most senior decision-making body for all of the Group's risk-related topic areas. It decides on the risk management methods and on the control concepts used for the overall Group and for key subdivisions, and is responsible for ongoing development and implementation of methods and parameters for risk quantification and for refining steering instruments. This also includes the risk appetite, different risk budgets and limits at overall bank level and monitoring of the current risk situation with respect to internal capital adequacy and the corresponding risk limits. It approves risk management and controlling activities (e.g. allocation of risk capital) and advises the Management Board on these matters.

The Group Asset/Liability Committee assesses and manages the statement-of-financial-position structure and liquidity risks and defines the methodology for internal funds transfer pricing. In this context, it plays an important role in long-term funding planning and the hedging of structural interest rate and foreign exchange risks. The Capital Hedge Committee is a sub-committee of the Group Asset/Liability Committee and manages the currency risk of the capital position.

The Market Risk Committee controls market risks of trading and banking-book transactions and establishes corresponding limits and processes. In performing its control function, it relies in particular on profit and loss reports, the risks calculated and the limit utilization, as well as the results of scenario analyses and stress tests with respect to market risks.

The Credit Committees are staffed by front-office and back-office representatives with different participants depending on the customer segment (corporate customers, financial institutions and the public sector). They decide on the specific lending criteria for different customer segments and countries. Under the lending approval process and credit approval authority based on rating and exposure size, they also make all credit decisions relating to them.

The Problem Loan Committee is the most important committee in the assessment and decision-making process for problem customers. The Problem Loan Committee primarily comprises decision-making authorities (Management Boards) and is chaired by the Chief Risk Officer (CRO) of RBI AG. Additional voting members include Management Board members responsible for the customer divisions, the Chief Financial Officer (CFO) and the relevant division and department heads of Risk Management and Special Exposures Management (Workout).

The Securitization Committee is the decision-making committee for limit applications relating to securitization positions within the scope of the specific decision-making authority and for the development of proposals to modify the securitization strategy for the Management Board. The Securitization Committee also serves as a platform for the exchange of information pertaining to securitization positions and market developments.

The Group Operational Risk Management & Control Committee chaired by the CRO comprises representatives of the business areas (retail, market and corporate customers), as well as participants from Compliance, (including Financial Crime Management), Internal Control System (ICS), Operations, and Security and Risk Controlling. This committee is responsible for managing operational risk (including conduct risk) for the purpose of deriving and establishing an operational risk strategy based on the risk profile and business strategy and for making decisions concerning measures, controls and risk acceptance.

The Contingency/Recovery Committee is a decision-making body which is convened by the Management Board. The composition of the committee varies as circumstances require depending on the intensity and focus (e.g. capital and/or liquidity) requirements of the specific situation. The committee's core task is to maintain/restore financial stability as defined by the Federal Act on the Recovery and Resolution of Banks (BaSAG) and/or the Banking Recovery and Resolution Directive (BRRD) in the event of a critical financial situation.

Quality assurance and auditing

Quality assurance with respect to risk management refers to ensuring the integrity, soundness, and accuracy of processes, models, calculations, and data sources. This is to ensure that RBI AG adheres to all legal requirements and that it can achieve the highest quality standards in its risk management practices.

All these aspects are coordinated by the Group Compliance division, which continuously analyzes the internal control system and – if actions are necessary for addressing any deficiencies – is also responsible for tracking their implementation.

Two very important functions in assuring independent auditing are performed by the Audit and Compliance divisions. Independent internal auditing is a legal requirement and a central pillar of the internal control system. Audit periodically assesses all business processes and thus contributes considerably to securing and improving them. It sends its reports directly to the Management Board of RBI AG, which discusses them on a regular basis in its board meetings.

The Compliance Office is responsible for all issues concerning compliance with legal requirements in addition to and as an integral part of the internal control system. This ensures that compliance with existing regulations in daily operations is monitored.

Moreover, an independent and objective audit, free of potential conflicts of interest, is carried out during the audit of the annual financial statements by the auditing companies.

Overall bank risk management

Maintaining an adequate level of capital is a core objective of the Company's risk management. Capital requirements are monitored regularly on the basis of the risk determined by internal models; the choice of models used reflects the materiality of risks. This overall bank risk management approach takes account of capital requirements from a regulatory point of view (sustainability and going concern perspective) and from an economic standpoint (target rating perspective). It is therefore in line with the quantitative aspects of the internal capital adequacy assessment process (ICAAP) as legally required. RBI AG's overall ICAAP process is audited on an annual basis during the supervisory review process for the RBI credit institution group (RBI Kreditinstitutsgruppe).

The Risk Appetite Framework (RAF) limits the Group's overall risk in line with the strategic business objectives and allocates this to the various risk categories and business areas. The RAF's primary aim is to limit risk in particular in adverse scenarios and for major singular risks in such a way as to ensure compliance with regulatory minimum ratios. The RAF is therefore based on the ICAAP's three pillars (target rating, going-concern, sustainability perspective) and sets concentration risk limits for the risk types identified as significant in the risk assessment. In addition, the risk appetite decided by the Management Board and the Group's risk strategy and its implementation are reported regularly to the Supervisory Board's Risk Committee.

Objective	Description of risk	Measurement technique	Confidence level
Target rating perspective	Risk of not being able to satisfy claims of the Group´s senior debt holders	Unexpected losses on an annual basis (economic capital) must not exceed the present value of equity and subordinated liabilities	99.92 per cent as derived from the default probability implied by the target rating
Going concern perspective	Risk of not meeting the capital requirement as defined in the Basel III regulations	Risk-taking capacity (projected earnings plus capital exceeding regulatory requirements) must not fall below the annualized value-at-risk of the Group	95 per cent presuming the owners´ willingness to inject additional own funds
Sustainability perspective	Risk of falling short of a sustainable tier 1 capital ratio over a full business cycle	Capital and loss projection for a three-year planning period based on a severe macroeconomic downturn scenario	85-90 per cent based on the management decision that the Group might be required to temporarily reduce risks or raise additional core capital

Target rating perspective

Risks in the target rating perspective are measured on the basis of economic capital, which represents a comparable measure across all types of risks. It is calculated as the sum of unexpected losses stemming from different risk categories (credit, participation, market, liquidity, macroeconomic and operational risk as well as risk resulting from other tangible assets). In addition, a general buffer for other risks that are not explicitly quantified is held.

The following table shows the risk distribution of individual risk types to economic capital:

in € thousand	2018	Percentage	2017	Percentage
Participation risk	1,957,305	62.2%	2,375,902	68.9%
Credit risk corporate customers	511,939	16.3%	448,070	13.0%
Market risk	119,952	3.8%	77,670	2.3%
Operational risk	102,268	3.2%	86,162	2.5%
Credit risk sovereigns	83,282	2.6%	117,988	3.4%
Credit risk financial institutions	74,081	2.4%	75,686	2.2%
Other tangible assets	55,900	1.8%	42,655	1.2%
Credit risk retail	45,090	1.4%	0	0.0%
Macroeconomic risk	33,301	1.1%	43,019	1.2%
CVA risk	14,691	0.5%	17,084	0.5%
Risk buffer	149,890	4.8%	164,212	4.8%
Total	**3,147,698**	**100.0%**	**3,448,448**	**100.0%**

The objective of calculating the economic capital is to determine the amount of capital that would be required for servicing all customer and creditor claims including for such a rare loss event. To calculate the economic capital, RBI AG applies a confidence level of 99.92 per cent derived from the default probability implied by the target rating. Based on the empirical analysis of rating agencies, the selected confidence level corresponds to a rating of Single A.

Economic capital is an important instrument in overall bank risk management and is used in allocating risk budgets. Economic capital limits are allocated to individual business segments during the annual budgeting process and are supplemented for day-to-day management by volume, sensitivity, or value-at-risk limits. At RBI AG, this is planned on a revolving basis for the upcoming three years and incorporates the future development of economic capital as well as available internal capital. Economic capital thus substantially influences the plans for future lending activities and the overall limit for taking market risks.

Risk-adjusted performance measurement is also based on this risk measure. The ratio of the profitability of business units to the amount of economic capital attributable to such units is determined (risk-adjusted return on risk-adjusted capital, RORAC) to yield a comparable performance measure for all of the bank's business units. This measure is in turn used as an indicator in overall bank management, related capital allocation and in the compensation of executive management.

Going concern perspective

Parallel to the target rating perspective, internal capital adequacy is also assessed with a focus on the uninterrupted operation of the bank on a going concern basis. The risk is compared to risk-taking capacity – having regard to regulatory capital and minimum capital requirements.

In line with this target, risk taking capacity is calculated as the amount of expected profits, expected impairment losses, and the excess of total capital (taking into account various limits on eligible capital). This capital amount is compared to the overall value-at-risk (including expected losses). Quantitative models used in the calculation are based on methods comparable (albeit with a lower 95 per cent confidence level) to those used in the target rating perspective. Using this approach, the bank ensures adequate regulatory capitalization (going concern) with the given probability.

Sustainability perspective

The sustainability perspective is designed to ensure that RBI AG can maintain a sufficiently high tier 1capital ratio at the end of the full multi-year planning period even if the macroeconomic environment deteriorates unexpectedly. The analysis of the sustainability perspective is based on a multi-year macroeconomic stress test which simulates hypothetical market developments in a significant, but realistic economic downturn. The risk parameters include: interest rates, foreign exchange rates and securities prices, as well as changes in default probabilities and rating migrations in the credit portfolio.

The main focus of this integrated stress test is on the ensuing tier 1 capital ratio at the end of the multi-year period. The ratio should not fall below a sustainable level and make it necessary for the bank to increase capital substantially or significantly reduce business activity. The current minimum amount of tier 1 capital is thus determined by the extent of the potential economic downturn. The need to allocate loan loss provisions, potential pro-cyclical effects that increase minimum regulatory capital requirements, the impact of foreign exchange fluctuations as well as other valuation and earnings effects are incorporated into this downturn scenario.

This perspective thus also complements traditional risk measurement based on the value-at-risk concept (which is mainly based on historical data). It is able to incorporate exceptional market situations that have not been observed in the past and it is possible to estimate the potential impact of such developments. The stress test also enables risk concentrations to be analyzed (e.g., individual positions, industries, or regions) and gives insight into profitability, liquidity and solvency under extreme situations. Based on these analyses, RBI AG's risk management actively manages portfolio diversification, for example through limits for total exposure in individual industry segments and countries or through ongoing adjustments to lending standards.

Credit risk

RBI AG's credit risk stems mainly from default risks that arise from business with retail and corporate customers, other banks and sovereign borrowers. It is by far the most important risk category for RBI AG, which is also indicated by internal and regulatory capital requirements. Credit risk is therefore analyzed and monitored both on an individual loan and customer basis as well as on a portfolio basis. Credit risk management and lending decisions are based on the respective credit risk policies, credit risk manuals, and the tools and processes which have been developed for this purpose. The internal control system for credit risks includes different types of monitoring measures, which are tightly integrated into the workflows to be monitored – from the customer's initial credit application, to the bank's credit approval, and finally to the repayment of the loan.

No lending transaction is performed in the non-retail segments before the limit application process has been completed. This process applies not only to new lending, but also to increases in existing limits, roll-overs, overdrafts, and to cases in which the borrower's risk profile is no longer the same as the profile that formed the basis for the original lending decision (e.g., with respect to the financial situation of the borrower, purpose or collateral). It also applies to the setting of counterparty limits in trading and new issuance operations, other credit limits, and to participations.

Credit decisions are made within the context of a hierarchical competence authority scheme depending on the type and size of a loan. The approval of the business and the credit risk management divisions is always required for individual limit decisions and the regular rating renewals. If the individual decision-making parties disagree, the potential transaction has to be decided upon by the next higher-ranking credit authority.

In April, RBI AG concluded an agreement to sell the core banking operations of Raiffeisen Bank Polska S.A. by way of demerger to Bank BGZ BNP Paribas S.A., a subsidiary of BNP Paribas S.A. (BNP). RBI transferred the remaining operations of Raiffeisen Bank Polska S.A., mainly comprising the portfolio of retail foreign currency mortgage loans, to a Polish branch of RBI AG.

The following table shows total credit exposure by asset classes:

in € thousand	2018	Percentage	2017	Percentage
Corporate customers	34,248,392	46.9%	30,352,359	47.9%
Project finance	2,285,772	3.1%	2,285,447	3.6%
Retail customers	3,231,751	4.4%	0	0.0%
Banks	16,405,224	22.5%	18,919,400	29.9%
Sovereigns	16,835,683	23.1%	11,775,979	18.6%
Total	**73,006,822**	**100.0%**	**63,333,185**	**100.0%**

Credit portfolio – Corporates

The internal rating models for corporate customers take into account qualitative parameters, various ratios from the statement of financial position and profit ratios covering different aspects of customer creditworthiness for various industries and countries. In addition, the model for smaller corporates also includes an account behavior component.

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

in € thousand		2018	Percentage	2017	Percentage
1	Minimal risk	4,669,102	13.6%	4,234,841	14.0%
2	Excellent credit standing	8,739,378	25.5%	7,338,638	24.2%
3	Very good credit standing	6,764,990	19.8%	5,070,761	16.7%
4	Good credit standing	4,976,510	14.5%	5,610,697	18.5%
5	Sound credit standing	5,787,680	16.9%	4,725,897	15.6%
6	Acceptable credit standing	1,832,702	5.4%	1,695,912	5.6%
7	Marginal credit standing	308,633	0.9%	231,779	0.8%
8	Weak credit standing / sub-standard	331,012	1.0%	309,342	1.0%
9	Very weak credit standing / doubtful	35,010	0.1%	165,311	0.5%
10	Default	791,786	2.3%	958,895	3.2%
NR	Not rated	11,589	0.0%	10,287	0.0%
Total		**34,248,392**	**100.0%**	**30,352,359**	**100.0%**

The total credit exposure for corporate customers increased € 3,896,033 thousand compared to year-end 2017 to € 34,248,392 thousand.

The increase of € 1,400,740 thousand in rating grade 2 to € 8,739,378 thousand was mainly attributable to a rise in repo transactions in Austria. This was, however, partially offset by a decline in Great Britain. Moreover, credit financing increased in Austria and Germany. Rating grade 3 reported an increase of € 1,694,229 thousand to € 6,764,990 thousand, which was due to facility financing in Great Britain and Luxembourg and to credit financing in France, Austria, the Czech Republic and Switzerland. The increase of € 1,061,783 thousand in rating grade 5 to € 5,787,680 thousand resulted from a customer's rating shift in Singapore from rating grade 4 and from facility and credit financing.

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

in € thousand		2018	Percentage	2017	Percentage
6.1	Excellent project risk profile - very low risk	1,690,396	74.0%	1,563,041	68.4%
6.2	Good project risk profile - low risk	225,636	9.9%	383,081	16.8%
6.3	Acceptable project risk profile - average risk	2,164	0.1%	26,108	1.1%
6.4	Poor project risk profile - high risk	39,582	1.7%	4,757	0.2%
6.5	Default	154,513	6.8%	193,811	8.5%
NR	Not rated	173,481	7.6%	114,650	5.0%
Total		**2,285,772**	**100.0%**	**2,285,447**	**100.0%**

Credit exposure to loans reported under project financing showed an increase of € 325 thousand to € 2,285,772 thousand as at 31 December 2018.

Credit portfolio – Retail customers

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

in € thousand		2018	Percentage
0.5	Minimal risk	2,029,459	62.8%
1.0	Excellent credit standing	346,466	10.7%
1.5	Very good credit standing	83,580	2.6%
2.0	Good credit standing	100,462	3.1%
2.5	Sound credit standing	70,450	2.2%
3.0	Acceptable credit standing	126,938	3.9%
3.5	Marginal credit standing	33,980	1.1%
4.0	Weak credit standing / sub-standard	53,444	1.7%
4.5	Very weak credit standing / doubtful	10,909	0.3%
5.0	Default	243,197	7.5%
NR	Not rated	132,867	4.1%
Total		**3,231,751**	**100.0%**

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 € thousand		2018	Percentage	2017	Percentage
1	Minimal risk	2,561,163	15.6%	2,403,990	12.7%
2	Excellent credit standing	6,680,272	40.7%	1,907,743	10.1%
3	Very good credit standing	5,002,354	30.5%	12,181,881	64.4%
4	Good credit standing	1,030,192	6.3%	966,742	5.1%
5	Sound credit standing	669,620	4.1%	804,530	4.3%
6	Acceptable credit standing	266,501	1.6%	306,548	1.6%
7	Marginal credit standing	15,516	0.1%	126,952	0.7%
8	Weak credit standing / sub-standard	169,061	1.0%	203,879	1.1%
9	Very weak credit standing / doubtful	121	0.0%	4,183	0.0%
10	Default	8,288	0.1%	9,304	0.0%
NR	Not rated	2,136	0.0%	3,649	0.0%
Total		**16,405,224**	**100.0%**	**18,919,400**	**100.0%**

Total credit exposure amounted to € 16,405,224 thousand, a decrease of € 2,514,176 thousand compared to year-end 2017. The decrease was primarily due to the sale of the Polish core banking operations. In rating grades 2 and 3, shifts occurred that were largely attributable to improved ratings of Raiffeisen banks.

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 € thousand		2018	Percentage	2017	Percentage
1	Minimal risk	1,054,165	6.3%	1,410,877	12.0%
2	Excellent credit standing	13,447,712	79.9%	8,384,364	71.2%
3	Very good credit standing	930,867	5.5%	585,005	5.0%
4	Good credit standing	693,841	4.1%	774,813	6.6%
5	Sound credit standing	490,222	2.9%	442,934	3.8%
6	Acceptable credit standing	169,494	1.0%	143,763	1.2%
7	Marginal credit standing	19,057	0.1%	7,138	0.1%
8	Weak credit standing / sub-standard	3,836	0.0%	16,261	0.1%
9	Very weak credit standing / doubtful	26,488	0.2%	10,755	0.1%
10	Default	0	0.0%	70	0.0%
NR	Not rated	0	0.0%	0	0.0%
Total		**16,835,683**	**100.0%**	**11,775,979**	**100.0%**

Credit exposure to sovereigns increased € 5,059,704 thousand to € 16,835,683 thousand compared to year-end 2017. The increase of € 5,063,348 thousand in rating grade A2 to € 13,447,712 thousand was due to deposits at the Austrian National Bank.

Credit portfolio management

RBI AG's credit portfolio is managed, among other factors, on the basis of the portfolio strategy. This limits the exposure to different countries, industries and product types to avoid undesired risk concentrations. In addition, the long-term opportunities in the single markets are regularly analyzed. This enables future lending activities to be strategically repositioned at an early stage.

RBI AG's credit portfolio is broadly diversified by region and sector. The geographical breakdown of the loans on and off the statement of financial position reflects the broad diversification of the credit business in the European markets. These loans are broken down by region according to the customer's country of risk as follows (countries with credit exposure greater than € 1 billion are shown separately):

in € thousand	2018	Percentage	2017[1]	Percentage
Austria	32,145,939	44.0%	25,750,344	40.7%
Germany	7,889,752	10.8%	7,981,841	12.6%
Great Britain	4,753,446	6.5%	4,940,076	7.8%
Poland	4,527,834	6.2%	2,289,612	3.6%
France	3,411,128	4.7%	2,311,383	3.6%
Swiss	2,090,161	2.9%	2,012,461	3.2%
Luxembourg	1,621,344	2.2%	921,161	1.5%
Russia	1,461,724	2.0%	1,701,516	2.7%
USA	1,431,375	2.0%	1,710,219	2.7%
Far East	1,416,584	1.9%	1,340,508	2.1%
Czech Republic	1,382,293	1.9%	1,354,654	2.1%
Romania	1,193,745	1.6%	1,223,879	1.9%
Netherlands	1,127,720	1.5%	1,259,158	2.0%
Spain	1,014,978	1.4%	787,075	1.2%
Others	7,538,798	10.3%	7,749,297	12.2%
Total	**73,006,822**	**100.0%**	**63,333,185**	**100.0%**

1 Adjustment of prior-year figures due to change from risk country to risk country having regard to guarantor

RBI AG's loan portfolio grew € 9,673,637 thousand to € 73,006,822 thousand. Austria reported the biggest increase of € 6,395,595 thousand to € 32,145,939 thousand, which reflected an increase in deposits at the Austrian National Bank and credit financing. In Poland, the increase of € 2,238,222 thousand to € 4,527,834 thousand resulted from the transfer of the remaining operations of Raiffeisen Bank Polska S.A., which mainly comprised the portfolio of retail foreign currency mortgage loans, to the Polish branch of RBI AG. However, the increase was partially offset by a decline in credit financing. France reported an increase of € 1,099,745 thousand to € 3,411,128 thousand. This was due to an increase in the bonds portfolio, facility and credit financing and money market and repo transactions. Luxembourg reported a rise of € 700,183 thousand to € 1,621,344 thousand, which was due to credit and facility financing and an increase in the bonds portfolio.

Risk policies and the assessment of credit ratings at RBI AG also take account of the borrowers' industries. Banking and insurance represents the largest industry class in the credit portfolio. However, this is largely attributable to exposures to members of the Austrian Raiffeisen Group. Sovereigns mainly includes securities of the Republic of Austria as issuer.

The following table sets out the credit exposure broken down by customers' industry classification:

in € thousand	2018	Percentage	2017	Percentage
Financial Intermediation	32,924,066	45.1%	29,557,283	46.7%
Real estate, renting and business activities	9,155,982	12.5%	8,794,547	13.9%
Public administration and defence, compulsory social security	7,285,955	10.0%	6,840,031	10.8%
Manufacturing	6,635,667	9.1%	5,847,157	9.2%
Wholesale and retail trade; repair of motor vehicles, motorcyles and personal and household goods	6,348,130	8.7%	5,711,127	9.0%
Agriculture, hunting and forestry; fishing; mining and quarrying	5,522	0.0%	1,373,671	2.2%
Construction	1,396,111	1.9%	948,663	1.5%
Transport, storage and communication	939,051	1.3%	877,358	1.4%
Education; health and social work; other community, social and personal service activities	855,060	1.2%	677,820	1.1%
Electricity, gas and water supply	1,144,658	1.6%	621,703	1.0%
Private households	3,077,530	4.2%	0	0.0%
Others	3,239,090	4.4%	2,083,826	3.3%
Total	**73,006,822**	**100.0%**	**63,333,185**	**100.0%**

A more detailed credit portfolio analysis is based on individual customer ratings. Customer ratings are tailor-made and are therefore carried out separately for different asset classes. Internal risk classification models (rating and scoring models), which are validated by a central organization unit, are used. The rating models in the main non-retail segments – corporates and financial institutions – provide for 27 rating grades, and in the public sector for ten rating grades. Rating and validation software tools are available for rating preparation and validation (e.g. business valuation, rating and default database).

Collateralization is one of the main strategies and an actively pursued measure for reducing potential credit risks. The value of collateral and the effects of other risk mitigation techniques are determined during the limit application process. The risk mitigation effect taken into account is the value that RBI AG expects to receive when it sells the collateral within a reasonable period. Types of eligible collateral are defined in the collateral list and relevant valuation guidelines. The collateral value is calculated according to uniform methods, including standardized calculation formulas based on market values, predefined minimum discounts, and expert assessments.

Credit default and workout process

The credit portfolio and individual borrowers are subject to constant monitoring. The main objectives of monitoring are to ensure that the borrower meets the terms and conditions of the contract and to keep track of the borrower's financial position. Such a review is conducted at least once annually in the non-retail asset classes (corporates, financial institutions, and sovereigns). This includes a rating review and the revaluation of financial and tangible collateral.

Problem loans (where debtors might run into material financial difficulties or a delayed payment is expected) need special treatment. In non-retail divisions, problem loan committees make decisions on problematic exposures. If restructuring is necessary, problem loans are assigned either to a designated specialist or to a restructuring unit (workout department). Involving employees of the workout departments at an early stage can help reduce losses from problem loans.

According to Article 178 CRR, a default and thus non-performing loan (NPL) is defined as a case in which a specific debtor is unlikely to pay its credit obligations to the bank in full, or a case in which the debtor is overdue more than 90 days on any material credit obligation. Twelve indicators have been defined to identify a default event in the non-retail segment. These include: a customer is involved in insolvency or similar proceedings; an impairment provision has been allocated or a direct write-off has been taken; credit risk management has judged that a customer account receivable is not wholly recoverable; the Workout unit is considering stepping in to help a customer regain its financial soundness.

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

	NPL		NPL ratio		NPL Coverage ratio	
in € thousand	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Other financial corporations	52,100	39,714	0.7%	0.7%	>100%	>100%
Non financial corporations	871,023	1,098,698	6.1%	9.0%	57.9%	44.4%
Households	173,497	743	5.5%	9.1%	78.3%	>100%
Total non-banks	**1,096,621**	**1,139,224**	**4.3%**	**5.9%**	**63.3%**	**47.4%**
Banks	7,757	9,299	-	0.1%	-	99.4%
Total	**1,104,378**	**1,148,523**	**3.9%**	**4.2%**	**63.6%**	**47.8%**

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

in € thousand	As at 1/1/2018	Additions due to merger	Allocation	Release	Usage	Reclassifications, exchange differences[1]	As at 31/12/2018
Individual loan loss provisions	**548,193**	**142,393**	**383,352**	**(368,091)**	**(109,459)**	**247,691**	**844,079**
Banks	8,594	0	140	(6,549)	4,663	328	7,175
Corporate customers	495,568	60,893	357,191	(309,279)	(113,410)	247,193	738,156
Retail customers	817	81,398	14,225	(69)	(712)	(356)	95,302
Sovereigns	0	0	0	0	0	0	0
Off-balance sheet obligations	43,215	102	11,797	(52,193)	0	526	3,447
Portfolio-based loan loss provisions	**24,111**	**44,166**	**123,134**	**(84,618)**	**0**	**55**	**106,848**
Banks	339	0	2,547	(1,905)	0	(39)	941
Corporate customers	17,302	6,995	68,912	(43,646)	0	258	49,821
Retail customers	438	37,139	12,155	(8,696)	0	(255)	40,781
Sovereigns	32	0	392	(144)	0	0	280
Off-balance sheet obligations	6,000	32	39,129	(30,227)	0	91	15,025
Total	**572,304**	**186,559**	**506,486**	**(452,708)**	**(109,459)**	**247,746**	**950,927**

1 Includes reclassifications of provisions, changes to customer categories and changes to ILLP booked through net interest income. Includes the reversal of a write-off amounting to € 152.1 million from 2017.

Country risk

Country risk includes transfer and convertibility risks as well as political risk. It arises from cross-border transactions and direct investments in foreign countries. RBI AG's business activities in the converging Central, Eastern European and Asia markets expose it to this risk. In those markets, political and economic risks are to some extent still considered to be significant.

RBI AG's active country-risk management is based on the country risk policy, which is set by the Management Board. This policy is part of the credit portfolio limit system and sets a strict limitation on cross-border risk exposure to individual countries. In day-to-day work, business units therefore have to submit limit applications for the respective countries for all cross-border transactions in addition to the limit applications for specific customers. A model which takes into account the internal rating for the sovereign, the size of the country, and RBI AG's own capitalization is applied to determine the absolute limit for individual countries.

Country risk is also reflected through the internal funds transfer pricing system in product pricing and in risk-adjusted performance measurement. In this way, the bank offers the business units an incentive to hedge country risks by seeking insurance (e.g. from export credit insurance organizations) or guarantors in third countries. The insights gained from the country risk analysis are not only used to limit total cross-border exposure, but also to cap total credit exposure in each individual country (i.e. including the exposure that is funded by local deposits). RBI AG thus realigns its business activities to the expected economic development in different markets and enhances the broad diversification of its credit portfolio.

Counterparty credit risk

The default of a counterparty in a derivative, repurchase, securities or commodities lending or borrowing transaction can lead to losses from reestablishing an equivalent contract. At RBI AG, this risk is measured by the mark-to-market approach where a predefined buffer is added to the current positive fair value of the contract in order to account for potential future changes. The total amount of the potential expected credit exposures from derivatives transactions determined in this way is set out in the tables of the individual customer segments. For internal management purposes, potential price changes, which affect the fair value of an instrument, are calculated specifically for different contract types based on historical market price changes.

For derivative contracts, the standard limit approval process applies; the same risk classification, limitation, and monitoring procedures as in traditional lending are used. Credit risk mitigation instruments such as netting agreements and collateralization represent an important strategy for reducing counterparty credit risk. In general, RBI AG strives to conclude standardized ISDA master agreements with all major counterparties for derivative transactions to perform close-out netting and to agree on credit support annexes (CSA) for full risk coverage for positive fair values on a daily basis.

Participation risk

The risks from listed and unlisted participations are also considered to be part of the banking book. They are reported separately under this risk category. Most of RBI AG's direct or indirect participations are fully consolidated in the consolidated financial statements and their risks are therefore captured in detail. Accordingly, the management, measurement and monitoring methods described for the other types of risk are used for the risks arising out of such participations.

The roots of participation risk and default risk are similar: a deterioration in the financial situation of a participation is normally followed by a rating downgrade (or default) of that unit. The calculation of the value-at-risk and of the economic capital for participations is based on an extension of the credit risk approach according to Basel III.

RBI AG's participations are managed by RBI Group Participations. It monitors the risks that arise from long-term participations in equity and is also responsible for the ensuing results. New investments are made only by RBI AG's Management Board on the basis of a separate due diligence.

Market risk

RBI AG defines market risk as the risk of possible losses arising from changes in market prices of trading and banking book positions. Market risk is determined by fluctuations in exchange rates, interest rates, credit spreads, equity and commodity prices, and other relevant market parameters (e.g. implied volatilities).

Market risks from the customer divisions are transferred to the Treasury division by using the transfer price method. Treasury is responsible for managing these structural market risks and for complying with the bank's overall limit. The Capital Markets division comprises proprietary trading, market making, and customer business with money market and capital market products.

Organization of market risk management

RBI AG measures, monitors, and manages all market risks for the bank as a whole.

The Market Risk Committee is responsible for strategic market risk management. It is responsible for managing and controlling all market risks. The bank's overall limit is set by the Management Board on the basis of the risk-taking capacity and income budget. This limit is apportioned to sub-limits in coordination with business divisions according to strategy, business model and risk appetite.

The Market Risk Management department ensures that the business volume and product range comply with the defined and agreed strategy and risk appetite. It is responsible for developing and enhancing risk management processes, manuals, measurement techniques, risk management infrastructure and systems for all market risk categories and secondary credit risks arising from market price changes in derivative transactions. In addition, the department independently measures and reports all market risks on a daily basis.

All products in which open positions can be held are listed in the product catalog. New products are added to this list only after successfully completing the *product approval process*. Product applications are investigated thoroughly for any risks. They are approved only if the new products can be implemented in the bank's front-office and back-office (and risk management) systems respectively.

Limit system

RBI AG uses a comprehensive risk management approach for trading and banking books (total-return approach). Market risks are managed consistently in all trading and banking books. The following values are measured and limited on a daily basis in the market risk management system:

- Value-at-Risk (VaR) confidence level 99 per cent, horizon one day
  The VaR limit caps the maximum loss which is not exceeded with a confidence level of 99 per cent within one day. It is the main steering instrument in liquid markets and normal market situations.

- Sensitivities (to changes in exchange rates, interest rates, gamma, vega, equity and commodity prices).
  Sensitivity limits are designed to avoid concentrations in normal market situations and represent the main steering instrument in stress situations or in illiquid markets or those markets that are structurally difficult to measure.

- Stop loss
  This limit strengthens traders' management of their proprietary positions to ensure that they do not allow losses to accumulate, but strictly limit them instead.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio. The risk concentrations revealed by these stress tests are reported to the Market Risk Committee and limits are set to reflect them. Stress test reports for individual portfolios are included in daily market risk reports.

Value-at-Risk (VaR)

VaR is measured based on a hybrid approach in which 5,000 scenarios are simulated. The approach combines the advantages of a historical simulation and a Monte Carlo simulation. The market parameters used are based on 500-day historical time series. Distribution assumptions include modern features such as volatility declustering and random time change in order to accurately reproduce fat-tailed and asymmetrical distributions. The Austrian Financial Market Authority has approved this model as an internal model for calculating total capital requirements for market risks. Value-at-risk results are used for economic capital allocation as well as risk limitation purposes.

Structural interest rate risks and spread risks from bond books maintained as a liquidity buffer dominate RBI AG's VaR.

Trading book VaR 99% 1d in € thousand	VaR as of 31/12/2018	Average VaR	Maximum VaR	Minimum VaR
Currency risk	678	1,883	4,864	413
Interest rate risk	1,351	828	1,733	389
Credit spread risk	728	719	1,611	431
Vega risk	78	142	405	62
Basis risk	775	594	1,265	276
Total	1,262	2,299	4,979	1,200

Trading book VaR 99% 1d in € thousand	VaR as of 31/12/2017	Average VaR	Maximum VaR	Minimum VaR
Currency risk	806	1,587	8,468	415
Interest rate risk	1,489	1,052	2,418	420
Credit spread risk	638	664	1,262	321
Vega risk	87	181	400	80
Basis risk	1,120	434	1,120	321
Total	1,910	2,380	9,084	1,298

Banking book VaR 99% 1d in € thousand	VaR as of 31/12/2018	Average VaR	Maximum VaR	Minimum VaR
Currency risk	0	0	72	0
Interest rate risk	1,803	2,710	5,815	700
Credit spread risk	3,745	3,436	6,447	2,282
Vega risk	86	197	664	82
Basis risk	1,541	1,534	2,432	1,032
Total	4,711	4,844	7,289	3,634

Banking book VaR 99% 1d in € thousand	VaR as of 31/12/2017	Average VaR	Maximum VaR	Minimum VaR
Currency risk	0	0	55	0
Interest rate risk	1,563	1,858	6,568	761
Credit spread risk	4,713	4,821	12,760	1,323
Vega risk	195	1,137	4,011	178
Basis risk	1,706	1,207	1,893	895
Total	5,148	6,828	21,319	3,097

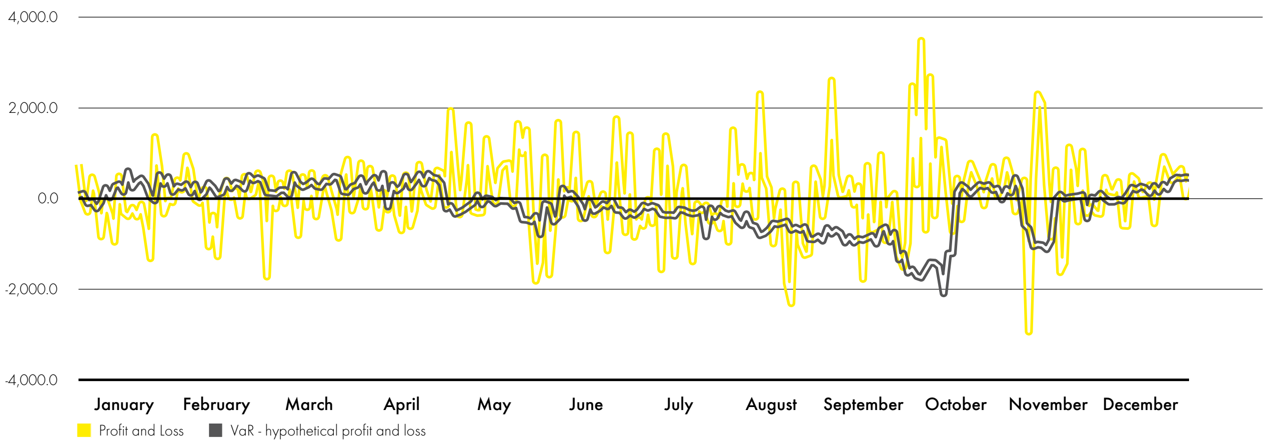
Total VaR 99% 1d in € thousand	VaR as of 31/12/2018	Average VaR	Maximum VaR	Minimum VaR
Currency risk	678	1,883	4,864	413
Interest rate risk	2,322	2,741	5,981	682
Credit spread risk	3,842	3,466	5,946	2,260
Vega risk	100	257	694	98
Basis risk	1,841	1,763	2,754	1,219
Total	4,470	5,217	7,616	3,679

Total VaR 99% 1d in € thousand	VaR as of 31/12/2017	Average VaR	Maximum VaR	Minimum VaR
Currency risk	806	1,587	8,468	415
Interest rate risk	2,285	1,758	4,736	924
Credit spread risk	4,794	4,984	12,791	1,468
Vega risk	183	1,129	4,091	177
Basis risk	2,291	1,305	2,291	940
Total	5,634	7,091	20,573	3,331

Besides qualitative analysis of profitability, backtesting and statistical validation techniques are regularly used to monitor the risk measurement methods employed. If model weaknesses are identified, the methods are adjusted. The following chart compares VaR with the hypothetical profits and losses for RBI AG's regulatory trading book on a daily basis. VaR denotes the maximum loss that will not be exceeded with a 99 per cent confidence level within a day. The respective hypothetical profit or loss represents that which would have been realized due to changes in the actual market movements on the next day. Last year there were no hypothetical backtesting exceptions.

Value-at-Risk and theoretical market price changes of trading book

in € thousand



Interest rate risk in the trading book

The following table shows the largest present value changes in the trading book given a parallel one-basis-point interest rate increase (significant currencies shown separately). The trading book strategy remains largely unchanged.

2018 in € thousand	Total	< 3 m	> 3 to 6 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	(1)	(10)	(2)	14	(2)	3	(3)	5	(6)	0	1	0
CNY	4	0	0	4	0	0	0	0	0	0	0	0
CZK	8	9	(9)	2	5	(2)	1	(1)	3	0	0	0
EUR	(207)	20	(18)	23	(38)	(29)	(8)	(59)	41	(30)	(20)	(87)
GBP	(1)	0	0	(1)	0	0	0	0	0	0	0	0
HRK	0	0	0	0	0	1	(2)	0	0	0	0	0
HUF	0	(6)	2	3	1	(4)	7	2	(4)	0	0	0
NOK	1	0	0	0	0	(2)	2	0	0	0	0	0
PLN	34	(3)	15	5	8	(8)	2	0	16	0	0	0
RON	(2)	(1)	1	0	4	6	0	(5)	(1)	(7)	0	0
RUB	(8)	1	(1)	3	(3)	(1)	(6)	0	0	0	0	0
USD	(12)	(6)	1	(5)	5	(13)	(12)	2	10	(10)	14	2
Others	(1)	0	0	0	0	0	(1)	0	0	0	0	0

2017 in € thousand	Total	< 3 m	> 3 to 6 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	3	5	0	0	5	(5)	(1)	1	(1)	0	1	0
CNY	4	0	0	4	0	0	0	0	0	0	0	0
CZK	24	4	(3)	(3)	14	7	(1)	1	4	0	0	0
EUR	(65)	7	(28)	37	(78)	59	48	(66)	40	(39)	(9)	(36)
GBP	(1)	0	0	(1)	0	0	0	0	0	0	0	0
HRK	0	0	0	0	0	1	1	(1)	0	0	0	0
HUF	21	(3)	(9)	4	22	3	2	17	(15)	0	0	0
NOK	1	0	0	1	0	0	1	0	0	0	0	0
PLN	12	1	(2)	1	9	1	0	4	(3)	0	0	0
RON	1	0	0	(1)	2	0	3	(3)	0	0	0	0
RUB	(3)	(2)	2	(2)	(2)	1	1	0	0	0	0	0
USD	9	(3)	2	6	(15)	(9)	1	21	(18)	(15)	25	13
Others	1	0	0	0	(2)	0	(1)	1	3	0	0	0

Interest rate risk in the banking book

As a result of different maturities and repricing schedules of assets and the corresponding liabilities (i.e. deposits and refinancing on debt and capital markets), RBI AG is subject to interest rate risk. This risk arises in particular from different interest rate sensitivities, rate adjustments, and other optionality of expected cash flows. Interest rate risk in the banking book exists in the euro and US dollar as major currencies.

This risk is mainly hedged by a combination of transactions on and off the statement of financial position, in particular interest rate swaps and – to a lesser extent – interest rate forwards and interest rate options are also used. Management of the statement of financial position is a core task of the Treasury division, which is supported by the Group Asset/Liability Committee. The latter uses scenarios and interest income simulations that ensure proper interest rate sensitivity in line with expected changes in market rates and the overall risk appetite.

Interest rate risk in the banking book is measured not only in a value-at-risk framework, but is also managed by the traditional tools of nominal and interest rate gap analyses. The following table shows the change in the present value of the banking book given a one-basis-point parallel interest rate increase. The main currencies are shown separately.

2018 in € thousend	Total	< 3 m	> 3 to 6 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	(367)	48	1	(1)	(9)	(9)	(34)	(40)	(84)	(134)	(82)	(23)
CNY	(3)	0	(1)	(2)	0	0	0	0	0	0	0	0
CZK	23	1	0	(8)	13	5	13	0	1	(2)	0	0
EUR	629	(58)	(12)	453	(268)	62	21	89	276	145	(51)	(27)
GBP	3	(3)	9	0	0	0	(1)	(1)	0	0	0	0
HUF	2	0	0	0	(1)	0	2	0	0	0	0	0
PLN	8	2	0	1	2	7	5	(5)	(3)	(1)	0	0
SGD	0	0	0	1	0	0	0	0	0	0	0	0
USD	(140)	11	(24)	(1)	(14)	(11)	(18)	(6)	(13)	(40)	(24)	0
Others	(16)	0	0	1	1	(1)	(3)	(11)	(3)	0	0	0

2017 in € thousend	Total	< 3 m	> 3 to 6 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	(14)	6	0	1	1	2	3	(2)	(7)	(17)	0	0
CNY	(3)	0	0	(3)	0	0	0	0	0	0	0	0
CZK	12	1	1	0	0	7	6	0	(2)	0	0	0
EUR	311	(12)	1	200	(18)	22	125	117	13	(28)	(19)	(90)
GBP	(4)	0	0	0	0	0	(1)	(1)	(1)	0	0	0
HUF	1	1	0	0	(1)	0	2	0	0	0	0	0
PLN	16	1	0	1	2	2	17	(1)	(6)	0	0	0
SGD	1	0	0	1	0	0	0	0	0	0	0	0
USD	(90)	11	(9)	6	(10)	(5)	3	(6)	(25)	(34)	(21)	2
Others	0	1	0	0	0	0	0	0	0	0	0	0

Credit spread risk

The market risk management framework uses time-dependent bond and CDS-spread curves as risk factors to measure credit spread risks. It covers all capital market instruments in the trading and banking book.

Liquidity management

Principles

Internal liquidity management is an important business process within general bank management because it ensures the continuous availability of funds required to cover day-to-day demands.

Liquidity adequacy is ensured from both an economic and also a regulatory perspective. In order to approach the economic perspective RBI AG established a governance framework comprising internal limits and steering measures which complies with the Principles for Sound Liquidity Risk Management and Supervision established by the Basel Committee on Banking Supervision and the regulation on credit institution risk management (KI-RMV) issued by the Austrian regulatory authority.

The regulatory component is addressed by compliance with reporting requirements under Basel III (liquidity coverage ratio, net stable funding ratio and additional liquidity monitoring metrics) and also by complying with the regulatory limits.

Organization and responsibility

Responsibility for ensuring adequate levels of liquidity lies with the overall Management Board. The functionally responsible board members are the Chief Financial Officer (Treasury/ALM) and the Chief Risk Officer (Risk Controlling). Accordingly, the processes regarding liquidity risk are essentially run by two areas within the bank: Firstly by the Treasury unit, which takes on liquidity risk positions within the strategy, guidelines and parameters set by the responsible decision-making bodies. Secondly, they are monitored and supported by the independent Risk Controlling unit, which measures and models liquidity risk positions, sets limits and supervises their compliance.

Besides the responsible units in the line functions, the Group Asset/Liability Management Committee (ALCO) acts as the decision-making body with respect to all matters affecting the management of the liquidity position and statement-of-financial-position structure of RBI AG, including the definition of strategies and policies for managing liquidity risks. The ALCO takes decisions and provides standard reports on liquidity risk to the Management Board at least on a monthly basis.

Liquidity strategy

Treasury is required to achieve KPIs and to comply with risk-based principles. The current set of KPIs includes general targets (e.g. for return on risk-adjusted capital (RORAC) or coverage ratios), as well as specific Treasury targets for liquidity such as a minimum survival period in defined stress scenarios or diversification of the funding structure. While generating an adequate structural income from maturity transformation which reflects the liquidity and market risk positions taken by the bank, Treasury has to follow a prudent and sustainable risk policy when steering the statement of financial position. Strategic goals include a reduction in parent funding within the Group, a further increase in the stability of the depositor base, and continuous compliance with regulatory requirements and the internal limit framework.

Liquidity Risk Framework

Regulatory and internal liquidity reports and ratios are generated and determined based on defined modelling approaches. Whereas the regulatory reports are generated in accordance with the requirements of the authorities, the internal reports are based on assumptions from empirical observations.

RBI AG has a substantial database along with expertise in forecasting capital flows arising from all material items on and off the statement of financial position. Cash inflows and outflows are modelled in a sufficiently detailed manner which, as a minimum, distinguishes between products, customer segments and, where applicable, currencies. Modelling of retail and corporate customer deposits includes assumptions concerning the retention times for deposits after maturity. The modelling approaches are prudent, in that they do not, for example, assume rollover of deposits from financial institutions and all financing channels and liquidity buffers are subject to simultaneous stress testing, without considering the mitigating effects of diversification.

The mainstays of the internal liquidity risk framework are the going concern and the time to wall scenario (TTW). The going concern report shows the structural liquidity position and covers all main risk drivers which could detrimentally affect RBI AG in a normal business environment (business as usual). The going concern models are also the main input factors for the cost contribution for the funds transfer pricing model. The time to wall report, on the other hand, shows the survival horizon for defined adverse scenarios and stress models (market, reputational and combined crisis) and determines the minimum level of the liquidity buffer (and/or the counter-balancing capacity) for each Group unit.

The liquidity scenarios are modelled using a Group-wide approach which considers local specifics where warranted due to influencing factors such as the market or the legal environment or certain business characteristics. When modelling cash inflows and outflows a distinction is at minimum made between products, customer segments and individual currencies (where applicable). For products without a contractual maturity, the distribution of cash inflows and outflows is calculated using a geometric Brownian motion which derives statistical forecasts for future daily balances from the observed, exponentially weighted historical volatility of the corresponding products.

The liquidity risk framework is continuously developed. In various projects, the technical infrastructure is enhanced and data availability is improved in order to meet the new reporting and management requirements for this area of risk.

Risk appetite and liquidity limits

The liquidity position is monitored at the level of RBI AG and at the level of its branches and is restricted by means of a comprehensive limit system. The limits are determined both for a normal business environment and also for stress scenarios. In accordance with the defined risk appetite, each unit must demonstrate a survival horizon of a few months (TTW) in a severe, combined stress scenario (reputational and market stress). This can be ensured either by a structurally positive liquidity profile or by a sufficiently high liquidity buffer. In a normal going concern environment (GC), maturity transformation must be fully covered by the available liquidity buffer in the medium term. This means that the cumulative liquidity position over a period of up to one year must be positive. In the long term (one year or more), maturity transformation is permitted up to a certain level. For internal models, these limits are supplemented by limits for compliance with regulatory liquidity ratios, such as the liquidity coverage ratio (LCR). All limits must be complied with on a daily basis.

Liquidity monitoring

The bank uses a range of customized measurement tools and early warning indicators that provide board members and senior management with timely and forward-looking information. The limit framework ensures that the bank can continue to operate in a period of severe stress.

Monitoring of limits and reporting limit compliance is performed regularly and effectively and the respective escalation channels are utilized and work as designed. Limit compliance is generally very high and any breach is reported to ALCO and escalated. In such cases, appropriate steps are undertaken or contentious matters are escalated to the Management Board.

Liquidity stress test

Stress tests are conducted on a daily basis for RBI AG and once a week at Group level. The tests cover three scenarios (market, reputational and combined crisis), consider the effects of the scenarios for a period of several months and demonstrate that stress events can simultaneously result in a time-critical liquidity requirement in several currencies. The stress scenarios include the principal funding and market liquidity risks, without considering beneficial diversification effects (i.e. all units of RBI AG are simultaneously subject to a severe combined crisis for all their major products). The results of the stress tests are reported to the Management Board and other members of management on a weekly basis; they also form a key component of the monthly ALCO meetings and are included in the bank's strategic planning and contingency planning.

A conservative approach is adopted when establishing outflow ratios based on historical data and expert opinions. The simulations assume a lack of access to the money or capital markets and also assume simultaneous significant outflows of customer deposits. In this respect, the deposit concentration risk is considered by assigning even higher outflow ratios to large customers. Furthermore, stress assumptions are formulated for the drawdown of guarantees and credit obligations. In addition, the liquidity buffer positions are adapted by haircuts in order to cover the risk of disadvantageous market movements, and the potential outflows resulting from collateralized derivative transactions are estimated. The bank continuously monitors whether the formulated stress assumptions are still appropriate or whether new risks need to be considered.

The time to wall concept has established itself as the main control instrument for day-to-day liquidity management and is therefore a central component of funding planning and budgeting. It is also fundamental to determining performance ratios relating to liquidity

Liquidity buffer

As shown by the daily liquidity risk reports, each Group unit actively maintains and manages liquidity buffers, including high-quality liquid assets (HQLA) which are always sufficient to cover the net outflows expected in crisis scenarios. RBI AG has sizeable, unencumbered and liquid securities portfolios and favors securities eligible for Central Bank tender transactions in order to ensure sufficient liquidity in various currencies. Each Group unit ensures the availability of liquidity buffers, tests its ability to utilize central bank funds, constantly evaluates its collateral positions with regard to their market value and encumbrance and examines their other countermeasures, including the funding potential and the liquidity of the assets.

Generally, a haircut is applied to all liquidity buffer positions. These haircuts include a market-risk-specific haircut and a central bank haircut. While the market risk haircut represents the potential price volatility of the assets-side securities in the liquidity buffer, the central bank haircut represents an additional haircut for each individual relevant security that may be offered as collateral.

Intraday liquidity management

In compliance with regulatory requirements for intraday liquidity risk management, a daily stressed forecast of available intraday liquidity at defined critical times during a business day is calculated for RBI AG. This stressed forecast, which considers outflow assumptions analogous to the regular liquidity stress testing in the Group (see above), is quite conservative since inflows that are not final (revocable) are not considered at all. In case of limit breaches, the intraday contingency and escalation process is triggered.

Emergency funding plan

Under aggravated liquidity conditions, the units switch to a contingency process in which they follow predefined liquidity contingency plans. These contingency plans also constitute an element of the liquidity management framework and are mandatory for all significant Group units and thus also for RBI AG. The emergency management process is sophisticated and is designed so that the Group can retain a strong liquidity position even in serious crisis situations.

Liability structure and liquidity position

Funding is founded on a strong base of customer deposits and is supplemented by wholesale funding. The ability to procure funds is precisely monitored and evaluated by Treasury.

In the past year and to date, RBI AG's excess liquidity was significantly above all regulatory and internal limits. The result of the internal time to wall stress test demonstrates that RBI AG would survive throughout the modelled stress phase of a few months even without applying contingency measures.

The results of the going concern scenario are shown in the following table. The table shows excess liquidity and the ratio of expected capital inflows and the counter-balancing capacity to capital outflows (liquidity ratio) for selected maturities on a cumulative basis. The capital flows are based on assumptions taken from expert opinions, statistical analyses and country specifics. This calculation also includes estimates of the stability of the customer deposit base, outflows from off-balance sheet items and downward market movements in relation to positions which are included in the counter-balancing capacity.

in € thousand	2018		2017	
Maturity	1 month	1 year	1 month	1 year
Liquidity gap	2,871,841	3,318,873	2,379,611	3,724,891
Liquidity ratio	108%	105%	107%	105%

Liquidity gap and liquidity ratio have declined due to the planned reduction of excess liquidity.

Liquidity coverage ratio

The Liquidity Coverage Ratio (LCR) supports the short-term resilience of banks, which must ensure that they have an adequate stock of unencumbered high-quality liquid assets (HQLA) in order to be able to cover potential outflows due to liabilities that may be incurred during crises. HQLAs can be converted into cash in order to cover the liquidity requirement within the framework of a liquidity stress scenario for at least 30 calendar days.

The calculation of the expected cash inflows and outflows as well as HQLAs is based on regulatory guidelines.

In 2017 the regulatory LCR limit was 80 per cent; it will be 100 per cent from 2018.

in € thousand	31/12/2018	31/12/2017
Average liquid assets	17,042,412	11,404,506
Net outflows	14,030,981	9,084,032
Inflows	4,293,880	4,559,677
Outflows	18,324,861	13,643,709
Liquidity Coverage Ratio	**121%**	**126%**

A uniform increase in average liquid assets and net liquidity outflows leads to a convergence to 100 per cent for ratios of >100 per cent. The increase in average liquid assets resulted mainly from an increase in holdings on the central bank account. With regard to outflows, the majority of the increase was attributable to non-operational financial customers.

Net Stable Funding Ratio (NSFR)

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 that 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 held and of off-balance sheet exposures.

RBI AG targets a balanced funding position. The regulatory provisions are currently being revised by the regulatory authorities.

in € thousand	2018	2017
Required stable funding	33,901,396	32,282,796
Available stable funding	32,871,966	29,326,354
Net Stable Funding Ratio	**97%**	**91%**

Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. Internal risk drivers such as unauthorized activities, fraud or theft, losses caused by conduct, model errors, execution and process errors, or business disruption and system failures are managed in this risk category. External factors such as damage to physical assets or fraudulent intentions are also managed and controlled.

These risks are analyzed and managed on the basis of RBI AG's own historical loss data and the results of the risk assessment.

As with other risk types, the principle of firewalling between risk management and risk controlling also applies to operational risk at RBI AG. To this end, individuals are designated and trained as Operational Risk Managers for each division. Operational Risk Managers provide central Operational Risk Controlling with reports on risk assessments, loss events, indicators and measures. They are supported in their work by Dedicated Operational Risk Specialists (DORS).

Operational risk controlling units are responsible for reporting, implementing the framework, developing control measures and monitoring compliance with requirements. Within the framework of the annual risk management cycle, they also coordinate the participation of the relevant second line of defense departments (Financial Crime Management, Compliance, Vendor Management, Outsourcing Management, Insurance Management, Information Security, Physical Security, BCM, Internal Control System) and all first line of defense contacts (Operational Risk Managers).

Risk identification

Identifying and evaluating risks that would endanger the bank as a going concern (but which have a very low probability of occurrence) and other areas in which losses occur more frequently (but cause only small losses) represent key tasks in the management of operational risk.

Operational risk is assessed, through risk assessments, in a structured form according to categories such as business processes and event types. Moreover, all new products are subject to a risk assessment. The impact of high probability/low impact events and low probability/high impact events is measured over a one-year and a ten-year horizon. Low probability/high impact events are quantified on the basis of scenarios. The internal risk profile, loss events or external changes determine which scenarios are analyzed.

Monitoring

In order to monitor operational risks, early warning indicators are used for prompt identification and mitigation of losses.

Operating losses are recorded in a structured manner in a central database named ORCA (Operational Risk Controlling Application) and are broken down by business line and type of event. In addition to requirements for the internal and external reporting, loss events are used for the exchange of information with international loss databases to further develop the measurement methods used as well as to track measures and the effectiveness of controls. Since 2010, RBI AG has participated in the ORX data consortium (Operational Risk data eXchange Association), whose data is currently used for internal benchmark purposes and analyses and as part of the operational risk model. The ORX data consortium is an association of banks and insurance groups for statistical purposes. The results of the analyses and events resulting from operational risk are reported in a comprehensive manner to the relevant Operational Risk Management Committee on a regular basis.

Quantification and mitigation

Since October 2016, RBI AG has calculated the equity requirement using the Advanced Measurement Approach (AMA).

The Advanced Measurement Approach is based on an internal model with the input factors from the external and internal loss events and the Group-wide scenarios. Risk-based management is carried out with the allocation on the basis of the input factors of the corresponding units and operating income for stabilization. The implementation of these high qualitative standards has already been rolled out in broad sections of the Group.

To mitigate operational risk, the business division heads take preventive action to reduce and transfer risk. The progress and success of these actions is monitored by Risk Controlling. The business division heads also draw up contingency plans and nominate persons or departments to take the required measures if losses do in fact occur. In addition, several dedicated organizational units provide support to business divisions to reduce operational risks. Financial Crime Management assumes an important role in connection with operational risk activities, providing support in fraud prevention and identification. RBI AG also organizes regular extensive staff training programs and has a range of contingency plans and back-up systems in place.

Internal control and risk management system with regard to the accounting process

Introduction

The establishment and definition of a suitable internal control and risk management system with regard to the accounting process is extremely significant for RBI AG. The annual financial statements of RBI AG are prepared in the Financial Accounting and Treasury Accounting departments, which fall within the CFO's area of responsibility. The foreign branches deliver financial statements to head office and they themselves are responsible for preparing the financial statements.

The annual financial statements are prepared on the basis of the relevant Austrian laws, above all the Austrian Banking Act (BWG) and the Austrian Commercial Code (UGB), which deal with the preparation of annual financial statements.

RBI AG's general ledger is maintained in SAP. The GEBOS core banking system fulfills important sub-ledger functions such as credit and deposit processing, and clearing, settlement and payment services. Other sub-ledgers exist in addition to GEBOS, including in particular:

- Wall Street Systems and Murex (Treasury transactions)
- GEOS und GEOS Nostro (securities settlement and nostro securities management)
- Clearing, settlement and payment services
- Trade finance (guarantees and letters of credit)
- UBIX (stock exchange traded securities derivatives)
- ARTS/SE4 (Repo and lending business)
- SAP sub-ledgers (accounts receivable/accounts payable/fixed asset accounting)
- FineVare (loan loss provisioning)

The accounting process can be described as follows:

- Day-to-day accounting
  Day-to-day accounting records are mainly posted to the respective sub-ledgers (sub-systems). This posting data is transferred to the general ledger (SAP) in aggregated form on a daily basis, using automated interfaces. In addition, individual postings are recorded directly in the SAP general ledger.
  The general ledger in SAP has multi-GAAP functionality, which means two equivalent parallel general ledgers are maintained in SAP: one in accordance with UGB/BWG reporting standards and also a parallel ledger in accordance with IFRS. An operational chart of accounts exists for the two general ledgers; depending on the respective content, all postings are effected either simultaneously in both general ledgers or in only one of the two ledgers. The parallelism of the entries and the parallel existence of the two general ledgers remove the need for reconciliations from UGB/BWG to IFRS.

- Individual financial statements for RBI head office in accordance with UGB/BWG and IFRS
  The SAP trial balance in accordance with UGB/BWG and/or IFRS results from the posting data of the respective sub-systems which is delivered via automated interfaces. In addition, a number of supplementary ledger-specific closing entries are made directly in SAP. These are independent of the respective sub-systems. The sum of all these entries gives the statement of financial position and the income statement pursuant to UGB/BWG or IFRS.

- Individual financial statements of RBI AG
  In a final step, the financial statements of RBI AG in accordance with UGB/BWG are produced. These include head office and also the branches. Both the branch data and also the closing data of head office are conveyed by automated transfer from SAP or in some cases by direct input into the IBM Cognos Controller consolidation system. The data are consolidated in this system, on the basis of which RBI AG's overall individual financial statements are prepared.

Control environment

In general, all Group-internal instructions can be retrieved from the Group Internal Law Database. With regard to accounting, mention should be made above all of the Group Accounts Manual, which contains a description of the following points in particular:

- General accounting rules
- Measurement methods
- Required (quantitative) information in the notes
- Accounting rules for special transactions

Further guidelines relate solely to RBI AG or only deal with functions within departments. The Corporate Directive Accounting Guidelines for example apply to the accounting system. These deal with the instruction process for the settlement of purchase invoices, cost refunds and the management of clearing accounts.

Risk assessment

The assessment of the risk of incorrect financial reporting is based on various criteria. Valuations of complex financial instruments may lead to an increased risk of error. In addition, asset and liability items have to be valued for the preparation of the annual financial statements; in particular the assessment of the impairment of receivables, securities and participations, which are based on estimates of future developments, gives rise to a risk.

Control measures

The control measures encompass a wide range of reconciliation processes, notably the reconciliation between the general ledger in SAP and the sub-ledgers. Besides the four eyes principle, automation-aided controls and monitoring instruments dependent on risk levels are used, such as the reconciliation between financial accounting and balance sheet risk management. The duties assigned to individual positions are documented and updated on an ongoing basis. Particular emphasis is placed on effective deputizing arrangements to ensure that deadlines are not missed due to the absence of one person. The controls in the core processes are important for the financial statements process. These primarily involve measurement-related processes whose results have a significant influence on the financial statements (e.g. loan loss provisioning, derivatives, equity participations, personnel provisions, market risk).

The Audit Committee of the Supervisory Board considers and approves the annual financial statements and the management report. They are published in the Wiener Zeitung and finally filed with the commercial register.

Information and communication

Information on the accounting treatment of the respective products is regularly exchanged with the specialist departments. For example, regular monthly meetings take place with the Capital Markets and Treasury departments, in which among other topics accounting for complex products is addressed. The Accounting team is also represented at regularly scheduled jour-fixe meetings during the product launch process in order to provide information on the technical aspects of accounting and their implications for product launches. Regular department events ensure that employees receive ongoing training on changes to accounting rules under UGB, BWG and IFRS.

As part of the reporting process, the Management Board receives monthly and quarterly reports analyzing the results of RBI AG. The Supervisory Board is also regularly informed about the results at its meetings.

External reports are for the most part prepared only for the consolidated results of RBI AG. The reporting cycle is quarterly: besides the consolidated financial statements, a semi-annual financial report and interim quarterly reports for the Group are published. In addition, reports have to be regularly provided to the banking supervisory authority.

Monitoring

Financial reporting is an important part of the ICS, in which the accounting processes are subject to additional monitoring and control, the results of which are presented to the Management Board and Supervisory Board. The Audit Committee is also responsible for monitoring the accounting process. The Management Board is responsible for ongoing company-wide monitoring. In accordance with the target operating model, three successive lines of defense are established to meet the increased requirements for internal control systems.

The first line of defense is formed by the individual departments, where department heads are responsible for monitoring their business areas. Controls and plausibility checks are conducted on a regular basis within the departments, in accordance with the documented processes.

The second line of defense is provided by issue-specific specialist areas. These include, for example, Compliance, Data Quality Governance, Operational Risk Controlling or Security & Business Continuity Management. Their primary aim is to support the individual departments when carrying out control steps, to validate the actual controls and to introduce state-of-the-art practices within the organization.

Internal audits are the third line of defense in the monitoring process. Responsibility for auditing lies with Group Internal Audit at RBI and also the respective internal audit departments of the Group units. All internal auditing activities are subject to the Group Audit standards, which are based on the Austrian Financial Market Authority's minimum internal auditing requirements and international best practices. Group Audit's internal rules are additionally applicable (notably the Audit Charter). Group Audit regularly and independently verifies compliance with the internal rules within the RBI Group units. The head of Group Internal Audit reports directly to the Management Boards.

Outlook

Economic outlook

Central Europe

Economic conditions in Central Europe (CE) should remain favorable overall in 2019, despite global headwinds and that GDP growth is expected to slow somewhat: A growth rate of 3.4 per cent is anticipated for 2019 – down from 4.5 per cent in 2018. Thanks to a continuing decline in unemployment and solid real wage increases, private consumption should remain a stable pillar of economic growth. Despite the prospect of lower GDP growth rates, investment is also likely to be a key source of support for the economy in 2019. At country level, Slovakia and Poland are expected to post the strongest increases (at 4.0 per cent and 3.6 per cent, respectively).

Southeastern Europe

In Southeastern Europe (SEE), economic growth is expected to again slow to a low level. As in 2018, this is being driven by economic developments in Romania, where the GDP makes up the largest contribution to the region. GDP growth of 2.5 per cent is expected in Romania (following 4.1 per cent in 2018). In the remaining SEE countries, economic activity is expected to remain relatively stable or slightly decline; with a slowdown to 2.8 per cent from 3.7 per cent in 2018. Economic activity is expected to be driven primarily by domestic demand. An increase in wages should have a positive impact on spending on the part of private households. Similarly, investment activity is expected to remain at high levels, albeit heavily dependent on progress made in the utilization of EU funds and implementation of major infrastructure projects. All in all, the expected economic slowdown in the EU is also likely to curb the region's economic growth in 2019 and 2020.

Eastern Europe

Following a somewhat stronger 2018, the Russian economy is expected to grow at a low rate of 1.5 per cent in 2019, and therefore continue on its moderate growth trajectory. Oil prices should support the economy, while no significant impetus is expected from the continued comparatively restrictive monetary and fiscal policy. Risks of sanctions continue to persist, which could negatively affect the currency and economic development. In Ukraine, parliamentary and presidential elections are scheduled for 2019, but the renewed cooperation with the International Monetary Fund should have a stabilizing effect. Economic growth in Ukraine should reach a moderate 2.7 per cent in 2019.

Austria

Even though the economic peak in Austria has already passed, economic momentum should continue to remain over the average euro area rate, despite slowing down and increased external risks. Following 2.7 per cent in 2018, GDP growth is expected to expand at the low rate of from to 1.3 per cent in 2019. Domestic demand is anticipated to be the main driver while foreign trade should increasingly feel the effects of global headwinds. Thanks to the continuation of good labor market conditions, private consumption also looks set to achieve solid growth rates in 2019. Although investment activity should weaken, it is expected to also support economic growth in 2019.

Banking sector in Austria

The positive trend in new business in the Austrian banking market should continue in 2019. Depending on the market segment, credit growth rates are expected to range between 3 per cent and 5 per cent. A pick-up in the corporate customer business, despite the economic slowdown, continued to support positive momentum in the sector. Moreover, the continuing positive wage trends should support the granting of loans. Nonetheless, a moderate downturn in the granting of mortgage loans is expected following stricter communication by the regulator. All in all, the return on equity of Austrian banks should be in the high single-digit percentage range in 2019, with stable or only slightly increasing risk costs.

CEE banking sector

For the CEE banking markets, credit growth rates are expected to range between 5 per cent and 9 per cent over the next 12-18 months. Accordingly, solid economic growth in the CE and SEE regions should have an overall positive impact on CEE banks' earnings in 2019, despite moderately weaker momentum. Given new unemployment rate lows in CE and SEE, growth in wages should also be in the high single-digit percentage range in 2019, while some regional central banks in CE and SEE are expected to cautiously normalize monetary policy. It is anticipated that tightened macroprudential regulations will curb mortgage and consumer loan growth, notably in the Czech Republic, Slovakia and Romania, but conversely also maintain the sustainable return potential of these markets. Thanks to the adjustments carried out in recent years – e.g. reducing foreign currency loans and NPL portfolios – there should be no significant negative impact on returns from this side. Likewise, given the still positive overall economic growth and currently stable corporate insolvency situation, a significant increase in risk costs is not anticipated. Also, in Russia, Ukraine and Belarus, the general conditions for the banking sector should develop favorably in 2019 in view of high local interest rate levels and solid macroeconomic parameters. All in all, the return on equity of the CEE banking sector in 2019 should almost reach its 2018 level, even though there is the possibility of a slight rise in risk costs in some regions (starting from low levels). In Romania, a newly introduced bank tax is expected to have a negative impact on new loan business and the profitability of the Romanian banking sector.

Outlook for RBI AG

Given the continuing positive economic outlook for the coming financial year 2019, we assume RBI AG will report sustainable loan growth in the mid-single-digit area for the next few years.

Due to the volume-related increase in the net interest margin in 2018, we also expect very positive interest-rate effects in the coming financial year. An increase in volumes should also result in a corresponding increase in net fee and commission income. We also expect a moderate increase in dividend income from affiliated companies in the 2019 financial year. These positive developments should lead to an increase in operating income in the high single-digit area.

In the area of general administrative expenses, continuing high investment for digitalization and regulatory requirements is squeezing earnings.

At € 36 million, net provisioning for impairment losses was at a historic low in 2018; this was in particular attributable to proceeds from the sale of impaired loans and also to the robust economy. With the economy remaining strong, we anticipate only a slight increase in loan loss provisions in 2019. However, a significant reduction in proceeds from loan sales is expected.

We target a CET1 ratio (fully loaded) after dividend of around 13 per cent for the RBI Group in the medium term. Based on this target we intend dividend distributions of 20 to 50 per cent of the consolidated profit.

Auditor's Report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

Raiffeisen Bank International AG,
Vienna

which comprise the Statement of financial position as of 31 December 2018, the income statement for the year then ended, and the notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2018, and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles, and other legal requirements (Austrian Banking Act).

Basis for our Opinion

We conducted our audit in accordance with EU Regulation 537/2014 ("AP Regulation") and the Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the Company, in accordance with Austrian company and banking law as well as professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole. However, we do not provide a separate opinion thereon.

In the following we present the key audit matters from our point of view:

- Recoverability of loans and advances to customers
- Recoverability of shares in affiliated companies

Recoverability of loans and advances to customers

The Financial Statement Risk

Loans and advances to customers are reported in the statement of financial position net of loan loss provisions (individual and portfolio-based loan loss provisions), in an amount of EUR 25.1 billion. They comprise predominantly loans and advances to Austrian and foreign corporate customers and about EUR 3.1 billion of mortgage loans to retail customers in the Warsaw branch.

The Management Board describes the composition of the loans and advances to customers, the process of monitoring the credit risk and the procedures for determining the loan loss provisions in the "Recognition and Measurement Principles" section in the notes to the Financial Statements and in the "Credit Risk" section of the Risk Report in the Management Report.

As part of the credit risk monitoring process the bank checks if there is a default and if individual loan loss provisions are therefore needed. This includes assessing whether the customer can fully meet the contractually agreed repayments without the need to realize collateral.

In case of a default, individual loan loss provisions are recognized in the amount of the expected loss according to homogeneous standards. The provision amount is determined by the difference between the carrying value of the loan and the lower present value of projected future repayments including interest and any recoveries from the realization of collaterals. The assessment as to whether a loan loss provision is required is significantly influenced by the estimate of the client's economic situation and development, the estimate of collateral values and the scenario-weighted forecast amount and timing of future cash flows.

Even for non-defaulted loans as at balance sheet date, there is a credit risk to be considered. Losses associated with any future default potential of such borrowers are defined as expected credit losses. Portfolio-based loan loss provisions are calculated for those expected credit losses. Under Section 201 (2) 7 UGB, their estimation has to be prudent, considering existing collaterals and based on statistical assumptions and historical data. Credit institutions that calculate expected credit losses under IFRS 9 meet that condition. The bank has applied the IFRS 9 method to determine expected credit losses since 2018. Previously, portfolio-based loan loss provisions were calculated using centrally calculated historical Group default rates in the Group for each rating grade and risk model and other parameters based on statistical assumptions and historical data.

The calculation of loan loss provisions is significantly influenced by management's assumptions and estimates. These assumption and estimate uncertainties lead to a risk of misstatement in the Financial Statements.

Our Audit Approach

We have obtained the documentation that describes the processes of loan issuance, loan monitoring and determination of a loan provision for corporate and retail customer loans and assessed these documents to determine whether the processes adequately identify impairment indicators and ensure that the valuation of loans and advances to customers is appropriately reflected in the Financial Statements. In addition, we tested the essential key controls within these processes. As part of this work we checked the design, implementation and effectiveness of these key controls.

For individual loan loss provisions, we used a sampling based approach to determine whether there was a default and thus impairment indicators were identified and appropriate individual loan loss provisions were calculated. We assessed the bank's estimates regarding the amount and timing of future cash flows, including those resulting from realization of collateral, and whether the bank's assessment was appropriate and in line with the internal and external information available. The sample selection was made using both a risk based approach, and a random selection approach. With regard to the internal collateral valuation, we assessed on a sample basis whether the assumptions used in the models were adequate and in line with available market data.

For portfolio-based loan loss provisions, we critically assessed whether the models and relevant parameters used were adequate for calculating loan loss provisions. We analyzed the bank's documentation for consistency with IFRS 9 requirements. On the basis of the bank's internal validations, we also assessed the models and their parameters to determine whether they provide a suitable basis for calculating reasonable impairments. We evaluated the reasonableness of the probabilities of default for stage 1 and stage 2 and assessed the statistical models, parameters and mathematical principles. We also analyzed the selection and calculation of forward-looking estimates and scenarios and examined how they were taken into account in stage allocation and parameter estimates. We assessed the arithmetical correctness of expected credit losses in ECL stage 1 and 2 for loans and advances to corporate customers for the entire population. For retail customer, we did so on a sapmle basis. In these audit procedures, we were supported by our financial mathematicians. In addition, we performed a control-based audit approach to assess the processes, systems and interfaces underlying the calculation models.

Finally, we assessed whether the disclosures in the notes to the Financial Statements and the Management Report regarding customer loan loss provisions were appropriate.

Recoverability of shares in affiliated companies

The Financial Statement Risk

Shares in affiliated companies amount to around EUR 10.6 billion in total and represent a significant item on the balance sheet of Raiffeisen Bank International AG. In particular, the bank has shareholdings in domestic and foreign credit institutions and in finance and project companies.

The Management Board describes the process for managing the participation portfolio and the procedures for assessing impairment of shares in affiliated companies under "Recognition and measurement principles" in the notes to the Financial Statements and in the Participation risk section in the Risk Report in the Management Report.

The banks division Group Participations assesses whether, on the basis of the fair value of the individual equity participations, there are triggers for permanent impairment in any given case or whether a reversal of a previous impairment up to the amount of the acquisition cost is necessary.

Internal and external company valuations are used to calculate the fair value. The company valuation calculations are primarily based on assumptions and estimates of the future business development and expected returns to the owners, especially as dividends. These are based on the budgeted figures approved by the governing bodies of the respective company. The discount rates applied are derived from the financial and capital markets and can be affected by market-based, economic and legal factors which may change in the future.

As a consequence, valuations are by nature based on judgment within certain limits and are subject to estimation uncertainties. There is therefore a potential risk of misstatement in the Financial Statements.

Our Audit Approach

We have examined the key processes in the Group Participations division and examined the key controls on a test basis to assess whether the process structure and implementation are adequate to identify necessary impairments or potential impairment reversals on a timely basis.

Our valuation specialists have examined the valuation models, which in their design are based on the dividend discount approach, the main planning assumptions and the valuation parameters. The valuation models applied were analyzed to assess whether they formed an adequate basis for calculating the value of the companies in a correct manner. The planning and valuation parameters used in the models were evaluated. We assessed the reasonableness of interest rate parameters by comparing them to market- and industry-specific benchmarks. Backtesting was performed to assess the forecasting accuracy with respect to the main assumptions in the detailed planning phase. In this process, the cash flows used in the valuation model from the previous year were compared with and assessed in relation to the actual values and the current budgeted values regarding their appropriateness. The calculation of the company valuations was analyzed on a sampling basis. The material company valuations were compared with market data and publicly available information (in particular industry-specific market multiples.

Finally, we assessed whether the disclosures in the notes to the Financial Statements and in the Management Report regarding the recoverability of shares in affiliated companies are appropriate.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and other legal requirements (Austrian Banking Act) and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor´s Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with the AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misprepresentations or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

  We conclude on the appropriateness of management's use of the going concern basis of accounting assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast considerable doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.

- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Management Report

In accordance with Austrian company law, the management report is to be audited as to whether it is consistent with the financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of management reports as applied in Austria.

Opinion

In our opinion, the management report is consistent with the financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the management report.

Additional information under Article 10 AP Regulation

At the Annual General Meeting dated 22 June 2017, we were elected as auditors. We were appointed by the supervisory board on 10 July 2017. We have been the Company's auditors since the Company's first listing on the stock exchange in 2005.

We declare that our opinion expressed in the "Report on the Financial Statements" section of our report is consistent with our additional report to the audit committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.

Engagement Partner

The engagement partner is Mr. Mag. Wilhelm Kovsca.

Vienna, 27 February 2019

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Wilhelm Kovsca

Wirtschaftsprüfer

(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

The financial statements, together with our auditor's opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 (1) of the Austrian Commercial Code (UGB) applies.

Statement of all legal representatives

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

We confirm to the best of our knowledge that the financial statement give a true and fair view of the assets, liabilities, financial positions and profit or loss of the company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 27 February 2019

The Managing Board

Johann Strobl

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

Martin Grüll

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

Andreas Gschwenter

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

Łukasz Januszewski

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

Peter Lennkh

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

Hannes Mösenbacher

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

Andrii Stepanenko

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