

Semi-Annual Financial Report

Semi-Annual Financial Report as at 30 June 2017



Semi-Annual Financial Report 2017: An Overview

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This is a translation from German. In case of any discrepancies between the English and German version, the German text shall prevail and be binding.

Interim Management Report of Raiffeisen Centrobank AG as at 30 June 2017

In the summing-up of rounded amounts and percentages, the application of automatic calculating devices could result in rounding-off differences. Information on percentage changes refers to the actual and not to the rounded-off figures.

All designations that are used to refer to persons in this report apply equally to both genders.

Economic Environment

Market Development

In the first half year 2017, the GDP of the Eurozone recorded a rise of 2.0 per cent yoy. For the most part, the continued steady recovery has been driven by strong domestic demand, in particular by public, private and investment demand. Leading economic indicators have improved on a broad basis, and, along with the upswing, the sentiment among private households, companies and financial market participants has markedly brightened.

In the first half year 2017, the inflation rate was strongly influenced by seasonal effects as well as by the oil price. At the beginning of 2017, the oil price exceeded the previous year's level by over 70 per cent. The subsequent rise in energy prices caused the inflation rate to soar to 2.0 per cent p.a. In mid-2017, the oil price slowly retreated from its peak values and the inflation rate fell to 1.3 per cent p.a. in June 2017.

The employment rate has approximated the 2008 high. However, the unemployment rate is still far away from the last cyclical low. As had been announced at the end of 2016, the European Central Bank (ECB) reduced its monthly bond purchasing program in April from EUR 80 billion to EUR 60 billion on average. Between the end of 2016 and June 2017, the Euro gained roughly 9 cent versus the US dollar and came to 1.14 EUR/USD. The gain was fostered in particular by expectations intensifying on the markets that the ECB would abandon its accommodative monetary policy stance earlier than previously expected. Moreover, the US dollar was burdened by the US inflation rate's development that did not live up to expectations.

Financial Markets

In the first half year 2017, the established markets booked price gains. Further to strong economic and company data, leading indices such as the S&P 500 or the DAX recorded all-time highs in the second quarter. In the first half year 2017, the equity markets in Austria and the CEE region even outperformed the leading global exchanges. The ATX and the Polish WIG20 index posted a rise of plus 19 per cent and plus 18 per cent, respectively (including dividend payments: plus 21 per cent and 19 per cent, respectively). The performance of the European market in the Stoxx 600 came to roughly plus 5 per cent (including dividend payments: roughly plus 7 per cent). The clear outperformance can be mainly put down to the strong economic development in Eastern Europe and the above-average performance of small & midcap indices and emerging markets. The return on 10-year German government bonds was between 0.15 per cent and 0.5 per cent in the first six months of the year. Six and twelve months money market rates continued their slight downward trend and fell short of their values at the beginning of the year by only a few basis points in mid-2017. The yield on two-year German government bonds dropped substantially and came to an all-time low with roughly minus 0.95 per cent in February.

Development of Business and Earnings in the First Half Year 2017

Development of Earnings

With an operating income of € 32,691 thousand (first half year 2016: € 25,031 thousand) and operating expenses of € 19,785 thousand (first half year 2016: 19,459 thousand), an operating result of € 12,906 thousand (first half year 2016: € 5,572 thousand) was generated in the first half year 2017. Taking into consideration net valuations and net proceeds in the amount of nearly € 0 thousand (first half year 2016: € minus 710 thousand), the result on ordinary activities came to € 12,906 thousand in the reporting period. The result of the previous year's period which had come to € 4,862 thousand was exceeded by € 8,044 thousand.

in € thousand	06/2017	06/2016	Change
Net interest result	(8,850)	(10,491)	(15.6%)
Income from securities and financial investments	5,785	7,442	(22.3%)
Net fee and commission result	1,517	(1,050)	>100.0%
Net profit on financial trading activities	32,954	28,089	17.3%
Other operating income	1,285	1,041	23.4%
Operating income	32,691	25,031	30.6%
Staff expenses	(11,148)	(10,917)	2.1%
Other administrative expenses	(7,800)	(7,685)	1.5%
Depreciation	(472)	(638)	(26.1%)
Other operating expenses	(365)	(218)	67.0%
Operating expenses	(19,785)	(19,459)	1.7%
Operating result	12,906	5,572	>100.0%
Net valuations and net proceeds	0	(710)	>100.0%
Result on ordinary activities	12,906	4,862	>100.0%
Taxes	(2,306)	(1,287)	79.2%
Net income for the period	10,599	3,575	>100.0%

Operating income for the first half year 2017 rose by € 7,660 thousand to € 32,691 thousand compared to the first half year 2016. This increase was in particular attributable to higher net profit on financial trading activities and positive net fee and commission result. Net interest result and other operating income posted a rise of € 1,641 thousand and € 244 thousand, respectively. In contrast, income from securities and financial investments fell by € 1,657 thousand to € 5,785 thousand mainly due to the fact that no dividend payments were received in the reporting period compared to € 1,600 thousand dividend income from Centrotech Holding GmbH, Vienna, in the first half year 2016.

The rise in net interest result of € 1,641 thousand to € minus 8,850 thousand was due to higher volume-related interest income from deposit receivables as well as to increased income from structured products serving for hedging purposes.

Interest expenses in the amount of € 15,679 thousand primarily included coupon payments for structured issues. The rise in interest expenses for securitized liabilities was related to higher coupon payments. Due to scheduled redemptions, the increase was below the rise in interest income from structured products. Interest expenses were contrasted with interest income

from structured products as well as with a positive valuation result from tradable money market deposits and derivative financial instruments in the trading profit.

Net fee and commission result increased compared the first half year 2016 by € 2,567 thousand to € 1,517 thousand further to higher fee and commission income from equity capital market transactions, and showed a positive balance compared to the previous year's period.

Net profit on financial trading activities accounted for the main part of the operating income and went up from € 28,089 thousand in the first half year 2016 to € 32,954 thousand in the first half year 2017. This favorable development resulted from a substantial rise in issued products. In addition, the profit contribution of the Global Equity Markets segment posted a rise compared to the previous year's period due to increased sales activities against the backdrop of higher trading volumes on the exchanges and rising stock prices.

Other operating income posted an increase of € 244 thousand to € 1,285 thousand in the first half year 2017. The item primarily included income from the release of provisions amounting to € 546 thousand and income from expenses charged to third parties in the amount of € 470 thousand.

Operating expenses came to € 19,785 thousand and were by 1.7 per cent or € 326 thousand slightly below the result of the first half year 2016 (€ 19,459 thousand).

Staff expenses went up by € 231 thousand to € 11,148 thousand, mainly due to salary increases according to the collective bargaining agreement and changes in the employee structure. Salary expenses rose from € 7,871 thousand to € 8,568 thousand, whereas expenses for severance payments and contributions to severance funds fell to € 356 thousand (first half year 2016: € 841 thousand).

Other administrative expenses recorded a modest increase from € 7,685 thousand to € 7,800 thousand. The item mainly included expenses for information services totaling € 1,696 thousand (first half year 2016: € 1,849 thousand), IT costs in the amount of € 1,285 thousand (first half year 2016: € 1,075 thousand) and sundry coming to € 1,270 thousand (first half year 2016: € 929 thousand.) Sundry included primarily remunerations, expenses for severance payments and retirement benefits for the Management Board paid by Raiffeisen Bank International AG and charged to Raiffeisen Centrobank AG. In the reporting period, the item included a provision relating to location evaluations totaling € 200 thousand. In addition, the item included the annual contribution to the resolution fund in the amount of € 541 thousand (first half year 2016: € 687 thousand).

Depreciations fell by € 166 thousand to € 472 thousand. Depreciations on office furniture and equipment (technical installations, office furniture, hardware adaptations) recorded a decrease.

Other operating expenses mainly included expenses charged to third parties in the amount of € 361 thousand, and rose by € 146 thousand to € 365 thousand compared to the previous year's period.

The cost/income ratio that had been at 77.7 per cent in the first half year 2016 improved substantially to 60.5 per cent in the first half year 2017, primarily due to a strong rise in the operating income.

Net valuations and net proceeds almost reached a break-even (first half year 2016: € minus 710 thousand) and contained no major single amounts. In the first half year 2016, the item had included expenses relating to valuation and disposal of securities held as other current assets.

The result on ordinary activities came to € 12,906 thousand compared to € 4,862 thousand in the previous year's period.

In the first half year 2017, income taxes added up to € 2,033 thousand (first half year 2016: € 317 thousand). The change in income taxes related to a higher Group charge further to the improved business result achieved in the reporting period. In the comparative period, the item included income from deferred tax assets pursuant to RÄG 2014 in the amount of € 359 thousand. Moreover, a provision for an external tax audit coming to € 239 thousand was booked. In addition, the item contained expenses for foreign withholding tax amounting to € 537 thousand (first half year 2016: € 567 thousand).

The drop in other taxes of € 698 thousand to € 273 thousand (first half year 2016: € 970 thousand) related in particular to a lower contribution to the Austrian bank levy.

Net income for the first half year 2017 amounted to € 10,599 thousand (first half year 2016: € 3,575 thousand).

Balance Sheet Development

Compared to 31 December 2016, the balance sheet total increased by 4.8 per cent from € 2,728,234 thousand to 2,859,231 thousand.

On the asset side, "Cash in hand, deposits with central banks" (8.0 per cent of the balance sheet total on 30 June 2017 and 6.5 per cent on 31 December 2016) rose by € 52,240 thousand to € 228,675 thousand. The rise resulted from higher deposits at Oesterreichische Nationalbank for reasons of liquidity management.

"Loans and advances to credit institutions" went up by € 44,822 thousand to € 2,217,544 thousand. The rise was primarily due to an increase in tradable money market deposits of € 133,166 thousand to € 1,854,425 thousand. Moreover, the item included interbank deposits (€ 177,076 thousand), unlisted bonds (€ 124,937 thousand) and collateral for the securities business and securities lending (€ 60,806 thousand). Compared to the year-end 2016, unlisted bonds went up by € 29,044 thousand, whereas interbank deposits and collateral for the securities and option business decreased by € 68,146 thousand and € 49,492 thousand, respectively. Further to the rise in the balance sheet total, "Loans and advances to credit institutions" dropped from 79.6 per cent of the balance sheet total on 31 December 2016 to 77.5 per cent of the balance sheet total on 30 June 2017.

"Shares and other variable-yield securities" (6.5 per cent of the balance sheet total on 30 June 2017 and 6.4 per cent on 31 December 2016) posted an increase of € 13,545 thousand to € 187,089 thousand. The rise can be put down to an increase in foreign shares in the amount of € 20,707 thousand. Other variable-yield securities dropped further to their scheduled redemption. Shares and funds held by Raiffeisen Centrobank AG in tandem with purchased options ("Other assets"), tradable money market deposits ("Loans and advances to credit institutions") and zero bonds ("Loans and advances to credit institutions" and "Bonds, notes and other fixed-interest securities") served as hedges for issued certificates and warrants or were part of the Bank's market maker activities.

"Other assets" (5.0 per cent of the balance sheet total on 30 June 2017 and 3.7 per cent on 31 December 2016) went up by € 41,657 thousand to € 143,833 thousand, mainly in positive fair values of derivative financial instruments (options and futures).

"Bonds, notes and other fixed-interest securities" (0.4 per cent of the balance sheet total on 30 June 2017 and 0.7 per cent on 31 December 2016)

fell by € 7,346 thousand to € 11,229 thousand, because they were replaced by tradable money market deposits.

"Loans and advances to customers" went down by € 10,248 thousand to € 47,766 thousand (1.7 per cent of the balance sheet total on 30 June 2017 and 2.1 per cent on 31 December 2016).

"Shares in affiliated companies" (0.1 per cent of the balance sheet total on 30 June 2017 and 0.3 per cent on 31 December 2016) decreased from € 8,475 thousand to € 3,900 thousand following the liquidation of Centrottrade Chemicals AG and the deletion of the company from the Company Register in February 2017.

On the equity and liabilities side "Securitized liabilities" (74.6 per cent of the balance sheet total on 30 June 2017 and 72.0 per cent on 31 December 2016) recorded an increase of € 169,368 thousand to € 2,133,431 thousand compared to 31 December 2016. This results primarily from a rise in issued bonds (Guarantee Certificates and Reverse Convertible Bonds) of € 85,970 thousand as well as of other securitized liabilities (certificates with option character and warrants) in the amount of € 83,398 thousand.

"Liabilities to credit institutions" (1.6 per cent of the balance sheet total on 30 June 2017 and 0.5 per cent on 31 December 2016) rose compared to the year-end 2016. The rise of € 32,198 thousand to € 46,365 thousand was attributable to higher liabilities for collateral and increased deposit liabilities.

"Other liabilities" (14.0 per cent of the balance sheet total on 30 June 2017 and 17.1 per cent on 31 December 2016) went down by € 65,437 thousand to € 400,421 thousand, following a drop in negative fair values of derivative financial instruments and the short-selling of trading assets of € 32,549 thousand and € 29,018 thousand, respectively. Short-selling was effected in connection with the market making activities of the Bank in relation to pension plans and represented offsetting items to equity and equity index futures as well as to cash positions on the asset side of the balance sheet.

Zero bonds, structured notes, unlisted options and tradable deposits purchased from Raiffeisen Bank International AG related to the issuing activities in the certificates business were included in "Loans and advances to credit institutions", "Shares and other variable-yield securities" and "Bonds, notes and other fixed-interest securities" and came to a total of € 1,904,171 thousand (31 December 2016: € 1,790,633 thousand).

The decrease in "Liabilities to customers" (5.1 per cent of the balance sheet total on 30 June 2017 and 5.9 per cent on 31 December 2016) of € 15,869 thousand to € 145,289 thousand was mainly the result of a fall in sight deposits by foreign customers.

"Provisions" (0.5 per cent of the balance sheet total on 30 June 2017 and 0.5 per cent on 31 December 2016) rose marginally from € 12,929 thousand as at 31 December 2016 to € 13,088 thousand as at 30 June 2017. The increase was due to provisions for taxes and other provisions in the amount of € 301 thousand and € 95 thousand, respectively. In contrast, a provision for severance payments in the amount of € 236 thousand was used.

"Retained earnings" (1.0 per cent of the balance sheet total on 30 June 2017 and 0.9 per cent on 31 December 2016) increased from € 24,852 thousand on 31 December 2016 to € 28,030 thousand on 30 June 2017. The change related exclusively to other reserves and was attributable to the allocation of the 2016 net profit in the amount of € 3,178 thousand.

Key Figures

in € thousand or in per cent	30/06/2017	31/12/2016
Core capital (tier 1) after deductions	105,099	105,334
Eligible own funds	105,099	105,334
Own funds requirement	37,191	34,963
Surplus of own funds	67,908	70,371
Own funds ratio	22.6%	24.1%
Core capital ratio	22.6%	24.1%
Liquidity Coverage Ratio (LCR)	199.0%	149.8%

Financial Instruments

Please refer to the notes.

Review of Business Segments

Securities Trading & Sales and Treasury

Raiffeisen Centrobank AG is one of the largest players in equities and structured products on the Vienna Stock Exchange and holds a key position in the markets in Central and Eastern Europe.

Treasury & Trading

Compared to the first half year 2016, the sales volume on the Vienna Stock Exchange rose by roughly 23 per cent, whereas leading international exchanges such as XETRA Frankfurt or NYSE Euronext gained merely 1.5 per cent and 0.7 per cent, respectively. The Warsaw Stock Exchange stood out among the CEE exchanges with an increase in sales volume of roughly 50 per cent. The exchange in Budapest posted a rise of roughly 10 per cent, whereas the exchange in Prague recorded a fall of roughly 2 per cent compared to the first half year 2016.

Raiffeisen Centrobank AG's market share of 6.3 per cent on the domestic spot market was slightly above the previous year's period level (first half year 2016: 6.2 per cent). With a sales volume of € 802 million, the share in market making was also marginally increased and came to 9.1 per cent (first half year 2016: € 728 million and 8.5 per cent).

In the specialist tender in March, Raiffeisen Centrobank AG won 20 mandates. With additional 19 market maker mandates, Raiffeisen Centrobank AG provides liquidity for all 39 titles listed on the prime market and acts once again as largest market maker on the Vienna Stock Exchange. Market making for Austrian titles listed on the XETRA Frankfurt was expanded to 29 titles compared to the previous year's period, whereas market making in derivatives for 13 Austrian titles as well as for ATX and Eastern European indices on the EUREX Frankfurt remained stable. On the Warsaw Stock Exchange, Raiffeisen Centrobank AG acted as market maker for 23 shares, WIG 20 derivatives and single stock futures. The number of market making mandates on the stock exchanges in Prague and Budapest came to 11 titles and remained unchanged to the previous year's period.

In contrast to these positive effects, the first half year saw particularly low volatilities on the financial markets. Thus, operating income for Treasury & Trading, without taking into account other operating income but including net valuations and net proceeds of securities held as other current assets, fell by 7.5 per cent from € 8.7 million in the first half year 2016 to € 8.0 million in the first half year 2017.

Global Equity Markets

Operating income for Global Equity Markets, without taking into account other operating income, came to € 4.9 million in the first half year and exceeded the previous year's period of € 2.3 million by 112.2 per cent.

This increase can be put down to higher trading volumes on the exchanges (e.g. Austria: plus 34 per cent) and to intensified sales activities in the equity capital markets business. Raiffeisen Centrobank AG accompanied the capital increases of Deutsche Bank AG, Agrana Beteiligungs AG (Austria), Digi Communications N.V. (Romania) and GetBack S.A. (Poland).

The consolidation of the Equity Capital Markets team into Raiffeisen Centrobank AG was finalized successfully in June. The Execution & Electronic Trading team also benefitted from rising secondary market volumes and implemented a major efficiency enhancement project in cooperation with Raiffeisen Polbank.

Structured Products

Both the demand for certificates and Raiffeisen Centrobank AG's issuance activity remained high: in the first half year 2017 10,587 products were listed (plus 92 per cent, first half year 2016: 5,513). The sales volume (purchases and sales) rose by 56.8 per cent to € 972 million (first half year 2016: € 620 million) and to a record result on the income side.

The establishment of a branch in Bratislava (Raiffeisen Centrobank AG Slovak Branch, pobočka zahraničnej banky) was approved by the European Central Bank and was registered in the Company Register on 26 April 2017. The purpose of the branch is to distribute structured products on the Slovak market and to create a broader investor base in Slovakia to substantially increase local sales activities. At the end of June, the first certificate was successfully placed in the premium banking segment of Tatra Banka.

Operating income for Structured Products, including the new branch in Slovakia but without taking into account other operating income, came to € 17.5 million and exceeded the previous year's result of € 9.9 million by 77.2 per cent.

Raiffeisen Centrobank AG remained market leader on the Austrian certificates market. Open interest reached a record level of € 3.643 billion as at the end of June 2017 and gained plus 7.8 per cent compared to the year-end 2016 (€ 3.379 billion).

Trainings for the Austrian Raiffeisen sector were substantially extended and came to 50 specialist seminars and nearly 900 trained advisors in the first half year 2017 (plus 15 per cent compared to 782 in the first half year 2016).

In the Raiffeisen network banks, 30 products were placed in the private banking segment (plus 20 per cent compared to the first half year 2016: 25) and 17 products in the premium banking segment (plus 41.7 per cent compared to the first half year 2016: 12) on the primary market, which underpins the demand for flexible and customized solutions in retail banking in Eastern Europe. Compared to the previous year's period, sales volume also increased substantially.

At the Certificates Award Austria in May 2017, Raiffeisen Centrobank AG was elected best certificates issuer in Austria for the eleventh time in a row and again surpassed the previous year's result with eight prizes (thereof seven top ranks).

Investment Services

The department services customers of Raiffeisen network banks in Central and Eastern Europe and offers lombard lending and customized private banking services.

Fostered by the favorable market environment and the rising risk appetite of private investors, operating income (interest and fee income), without taking into account other operating income, rose by 5.1 per cent to € 1.0 million compared to the previous year's period.

Total assets under management in the Investment Services/booking platform segment decreased by 14 per cent to € 436 million compared to the first half year 2016, following portfolio adjustments carried out by Raiffeisenbank Russia.

In addition, a roll-out of the business model within Raiffeisen Bank International Group in cooperation with the network banks in Romania, Croatia and Hungary and the Czech Republic is currently being evaluated

Company Research

As in the previous years, the coverage universe of Raiffeisen Centrobank AG comprises roughly 130 Austrian, Central and Eastern European as well as Russian companies. The Turkish stock market is covered via a research cooperation with the Turkish broker Global Securities that was established in 2016. In the first half year 2017, the Austrian real estate developer UBM Development AG, the Romanian companies Medlife SA and Digi Communications N.V. after their IPOs and the Russian oil and gas company Rusneft OOO were added to the coverage list. In the first half year 2017, a total of 584 research publications was created and marketed. Moreover, the IPOs of the Romanian telecommunications company Digi Communications N.V. in May and the Polish GetBack S.A. in July were accompanied by comprehensive transaction research and investor education.

The favorable stock exchange performance and the relative outperformance of the stock markets in Austria and the CEE region is reflected in strong investor interest in Raiffeisen Centrobank AG's research universe. Roadshows were held in London, Paris, Frankfurt, Zurich, Stockholm, Warsaw, Budapest, Tallinn and Vienna. Company Research was also closely involved in the organization of the annual investor conference in Zürich. Analysts were asked to participate in multiple one-on-one meetings. In the renowned Extel ranking, Raiffeisen Centrobank AG was elected among the top three brokers for Austrian and CEE stocks.

Performance Indicators

Financial Performance Indicators

in per cent	30/06/2017	30/06/2016
Return-on-equity before tax	11.8	4.6
Return-on-equity after tax	9.7	3.4
Cost/income ratio	60.5	77.7

Non-Financial Performance Indicators

	30/06/2017	30/06/2016
Employees as at 30/06	178	173
Average number of employees	176	176
Stock exchange memberships	10	11
Number of newly issued warrants and certificates	5,739	1,332

Risk Report

Principles

Business opportunities and earning potential are realized in Raiffeisen Centrobank AG based on active risk management, by taking on risk in a targeted and controlled manner. The Bank has a system of risk instruments in place for measuring and monitoring risk. In all relevant areas of risk, efficient monitoring and controlling instruments are available, enabling the relevant bodies to react to market opportunities and specific banking business risk. Active risk management resulted in a stable and hardly volatile trading result, in particular against the backdrop of considerable market turmoil in the previous year, such as the crisis in China at the beginning of the year, the Brexit vote in June, the US presidential elections in November and the referendum in Italy in December.

As a subsidiary of Raiffeisen Bank International AG (RBI), Raiffeisen Centrobank AG is integrated into the risk management process of the RBI Credit Institution Group, safeguarding that all major risks are identified, measured and controlled on Group-level and ensuring that transactions are concluded solely if particular risk/reward ratios are complied with.

Risk Governance

The Management Board of Raiffeisen Centrobank AG is responsible for all risks on the part of the Bank as well as for developing and implementing a risk strategy. The Management Board is supported in implementing these tasks by an independent risk management unit separated clearly from the front offices.

Operational Risk, the Internal Control System and Compliance are bundled in one department (Compliance, Operational Risk & ICS).

Risk management at Raiffeisen Centrobank AG is divided into two categories:

- Risk Management (market, credit, liquidity risks, overall bank management)
- Operational Risk & ICS (operational risks and the Internal Control System)

The central risk management bodies are the Risk Management Committee (RMK), the Internal Limit Committee (ILC), the Operational Risk Management Committee (ORMK) and the Asset and Liability Committee (ALCO).

The RMK, which meets weekly, addresses all issues and regulations related to the risk management of the Bank, focusing in particular on credit risk, market risk and operational risk. Overdrafts, overdue loans and advances and necessary value adjustments are reported in due course and recommendations for the Management Board are developed. The RMK is a decision-taking body, authorized to approve risk-related principles, measures, processes and parameters.

The ILC, which meets every two weeks, decides within its competency (depending on the type and amount of the limit) on counterparty, country and market risk limits. Large exposures require the approval of the Supervisory Board. The aggregate of large exposures is reported to the Supervisory Board once a year.

The ORMK, which meets once a quarter, establishes an appropriate framework for operational risk management and defines and approves an adequate risk strategy. Moreover, risk assessments, scenario analyses and risk indicators are discussed and approved, and material cases of default and the resulting measures to be taken are analyzed.

The ALCO, which meets once a month, continuously evaluates the macroeconomic environment and controls and assesses interest rate risk, liquidity risk and balance sheet structural risk.

Risk Management System at Raiffeisen Centrobank AG

Raiffeisen Centrobank AG employs a comprehensive risk management system taking into account all legal, business and regulatory requirements. The applied processes and models are subject to ongoing review and further development. The key components of the risk management systems are compliance with regulatory capital requirements pursuant to Basel III, limiting specific banking risks by providing an adequate risk coverage sum as well as permanent supervision and control of process risk within a comprehensive Internal Control System.

1. Capital requirements to limit market risk, credit risk and operational risk

To secure adequate capital for credit risk, market risk and operational risk pursuant to Basel III, Raiffeisen Centrobank AG applies the standard approach. To calculate option-related non-linear risks the scenario matrix method is employed. For regulatory own funds requirements please refer to the notes (page 26).

2. Identifying and limiting specific banking business risks (ICAAP)

As a subordinate company of RBI, Raiffeisen Centrobank AG is integrated into the ICAAP of RBI on a consolidated basis. The risk-bearing capacity analysis is prepared by RBI on a monthly basis for both the "going concern" (VaR with a confidence level of 95 per cent) and the "target rating perspective" scenario (VaR with a confidence level of 99.92 per cent) and is provided to Raiffeisen Centrobank AG to support the Management Board in managing the overall banking risk.

3. Internal Control System

Raiffeisen Centrobank AG has implemented a company-wide modern Internal Control System that meets RBI Group standards. All banking processes and immanent risks are documented and controls are set up and reviewed, accordingly. Process descriptions, risks and monitoring are reviewed semi-annually and are optimized on an ongoing basis.

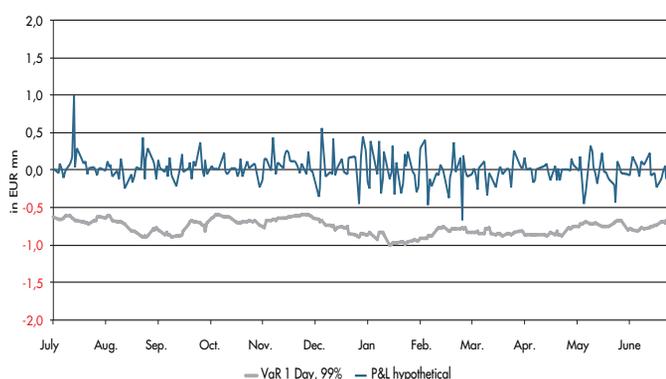
Major Risks

Market risk

Market risk is defined as the risk of possible losses in on and off-balance sheet positions arising from changes in market prices (equity and commodity prices, interest rates or exchange rates).

As the main focus of the business activities of Raiffeisen Centrobank AG is in securities trading and the issue of equity-index based derivatives and structured products, the top priority of Raiffeisen Centrobank AG is to counteract market risk. Raiffeisen Centrobank AG measures, monitors and manages market risk by setting a variety of limits that are reviewed on an annual basis and are submitted to the Raiffeisen Centrobank AG ILC, the RBI MACO and the Supervisory Board of Raiffeisen Centrobank AG for approval. All market risk positions are compared with the respective limits in a mostly automated process. Limit overdrafts are handled in an escalation process. Currently, over 15,000 limits in roughly 25 categories are monitored. Limits for single shares account for the majority.

In market risk management, the Value-at-Risk (VaR) is employed, which provides forecasts on potential losses in adverse scenarios under normal market conditions and contrasts them with a particular limit. On the basis of the variance-covariance model, the VaR for equity and product-specific positions is calculated daily with a confidence interval of 99 per cent and a retention period of one day. As at 30 June 2017, the VaR came to € 665 thousand (31 December 2016: € 843 thousand).



The above chart depicts the performance of the VaR and hypothetical P&L (profit and loss that would have occurred in a constant portfolio as well as actually recorded market movements) in the period from July 2016 to June 2017. In the period under review, backtesting revealed no VaR exceedance which underlines the conservative parametrization of the VaR.

In addition to the VaR, Raiffeisen Centrobank AG uses regulatory and management-defined stress tests to evaluate market risk. Stress tests simulate the performance of the portfolio under abnormal market situations and atypical price movements.

Credit risk

Credit risk represents the default risk that arises from the inability of a customer to fulfill contractually agreed financial obligations, when services have been rendered (e.g. liquidity, securities, advisory services) or when unrealized profits from pending business transactions can no longer be recovered (counterparty default risk).

Raiffeisen Centrobank AG's major credit risks result from positions of purchased debt instruments, tradable money market deposits and OTC options serving primarily to hedge issued certificates and structured products as well as from margin positions relating to OTC and stock exchange transactions. This primarily affects members of the RBI Credit Institution Group and to a limited extent other financial institutions. The traditional credit and loan business is not of material significance for Raiffeisen Centrobank AG due to the limited business volume and the company's strategic orientation (lombard loans, other loans to private and corporate customers).

Credit risk management is based on counterparty-related nominal limits which are comprehensively monitored by the internal limit system for credit risk. The limits are approved - depending on the type and size - by the relevant authority in the hierarchy. Credit decisions are taken depending on the assessment of the counterparty risk, taking into account the rating and applicable credit risk mitigating measures like financial collaterals (e.g. cash or securities collateral). In the Group-wide default and rating data base customers are registered and evaluated and cases of default are documented. The whole lending decision adheres to regulatory requirements and RBI Group Directives.

Operational risk

Operational risk is defined as the risk of unexpected losses resulting from internal processes and systems which are inadequate or have failed, from human error or from external events. This definition includes legal risk but excludes strategic and reputational risk. Operational risk is managed on the basis of the results of regular Bank-wide risk assessments, standardized key risk indicators, scenario analyses and Group-internal historical data.

Cases of default in operational risk are registered in the Group-wide data basis ORCA (Operational Risk Controlling Application) and are grouped by business segment and type of event. Measures taken are also documented and linked with the case of default.

Liquidity risk

Liquidity risk is calculated based on a liquidity model developed in cooperation with RBI. Daily balance sheet items of Raiffeisen Centrobank AG are split by maturity bands and currencies, their inflows and outflows are modeled based on pre-defined factors. The liquidity requirement in different maturity bands is limited by means of regulatory limits as well as by limits determined by RBI. Moreover, regular liquidity stress tests are carried out and the time-to-wall in the stress scenario is monitored in different currencies. Inflows need to exceed outflows for a period of at least 30 days in a crisis scenario (market crisis, name crisis and scenario involving both).

The liquidity coverage ratio (LCR) serves to measure the Bank's liquidity supply in a defined stress scenario (combination of market and name crisis). As at 30 June 2017, the LCR was at 199.0 per cent (31 December 2016: 149.9 per cent). Since January 2017, a minimum rate of 80 per cent has been mandatory on the single-institution level.

All key indicators confirmed the adequate liquidity supply of Raiffeisen Centrobank AG in the first half year 2017.

Risk Situation

As a subordinate company, Raiffeisen Centrobank AG is integrated into the ICAAP of RBI on a consolidated basis. Raiffeisen Centrobank AG is provided with monthly ICAAP reports including a going concern perspective with a confidence interval of 95 per cent and a target rating perspective with a confidence interval of 99.95 per cent.

The following tables depict the VaR per risk category as at 30 June 2017 and 31 December 2016, respectively:

Going concern perspective (VaR in EUR mn)	30/06/2017	31/12/2016	Change
Credit risk non-retail	2.6	2.9	(11.4%)
Market risk	1.9	2.4	(19.7%)
Operational risk	1.4	1.3	6.1%
Equity participation risk	0.9	1.1	(23.0%)
CVA risk	0.5	0.5	(6.6%)
Total	7.3	8.3	(12.3%)

Target rating perspective (VaR in EUR mn)	30/06/2017	31/12/2016	Change
Credit risk non-retail	5.1	6.8	(25.3%)
Market risk	7.8	9.6	(19.0%)
Operational risk	9.0	8.8	1.9%
Other risks	6.6	8.1	(18.2%)
Total	28.5	33.3	(14.5%)

On overall bank level, the key data in both scenarios marginally decreased. The major changes in individual risk categories were as follows:

- Following the reduction in 2016, credit risk dropped once again substantially mainly due to a further decrease in the loan portfolio.
- Compared to year-end 2016, market risk fell by roughly 20 per cent following a drop in the equity VaR and thus market risk is still at a very low level.

Human Resources

As at 30 June 2017, Raiffeisen Centrobank AG had 178 employees, which, compared to 31 December 2016 and 30 June 2016, represents an increase of 3 and 5 employees, respectively.

The rise is mainly attributable to the newly established Equity Capital Markets team as well as the branch in Bratislava.

Outlook

In the past few months, economic indicators in the Eurozone were at their highest level for years. We expect the Eurozone to post a growth rate of more than 2.0 per cent in 2017 and assume the upswing to persist well into the 2018 financial year. Current economic data exert only little inflationary pressure. The European Central Bank (ECB) decided to continue with its monetary policy in 2017 and is not likely to abandon its accommodative monetary stance before 2018. Respective announcements are expected in the forthcoming months. In the long term, risk premiums for the Euro countries will be determined by two diverging effects: the ECB's bond purchasing program and the development of fundamental data. This applies in particular to the tapering of the ECB's bond purchasing program which we expect for the beginning of 2018. The ECB's dampening influence will level off, whereas the impact of economic and fiscal fundamental data will gain influence.

The US economy is still on an upswing. We anticipate a reduction of the US Fed's balance sheet through a lower re-investment rate of maturing securities and a rise in the key interest rate. In principle, we consider the upside trend of the stock markets to continue against the backdrop of sound fundamental data. The favorable performance of the economies in Austria and Eastern Europe stimulates interest in our core financial markets. However, higher valuations, geopolitical risks and a change in the ECB's accommodative policy stance pose potential risks.

Against the backdrop of favorable forecasts for the global stock markets and our core markets in Austria and the CEE region, Raiffeisen Centrobank AG expects the Treasury & Trading, Structured Products, Investment Services, Global Equity Markets and Company Research segments to post a stable result. From an operating perspective, the main priority in the second half year will be on the sustained development of both existing and new business activities in tandem with strict cost discipline and further efficiency enhancement.

Opening digital distribution channels both on Bank-level and within the Raiffeisen sector is a core project to reach a wider investor audience. Following the successful issue of the first certificate by the Slovak branch, the distribution and issuance of structured products on the Slovak market, which is of particular importance for Raiffeisen Centrobank AG, will be further expanded.

Statement of Legal Representatives pursuant to Article 87 Stock Exchange Act

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial assets, and profit or loss of the Company as required by the applicable accounting standards and that the interim management report gives a true and fair view of important events that have occurred in the first six months of the financial year and their impact on the condensed interim financial statements and on the principal risks and uncertainties for the remaining six months of the financial year.

Vienna, 5 September 2017
The Management Board



Wilhelm Celeda
Chief Executive Officer



Valerie Brunner
Member of the Management Board

Interim Financial Statements of Raiffeisen Centrobank AG as at 30 June 2017 according to the Austrian Banking Act (BWVG)

In the summing-up of rounded amounts and percentages, the application of automatic calculating devices could result in rounding-off differences. Information on percentage changes refers to the actual and not to the rounded-off figures.

All designations that are used to refer to persons in this report apply equally to both genders.

Balance Sheet as at 30 June 2017

Assets	30/06/2017 €	30/06/2017 €	31/12/2016 in € thousand	31/12/2016 in € thousand
1. Cash in hand, deposits with central banks		228,675,328.82		176,436
2. Loans and advances to credit institutions				
a) repayable on demand	73,042,541.13		125,619	
b) other loans and advances	2,144,500,971.91	2,217,543,513.04	2,047,103	2,172,722
3. Loans and advances to customers		47,765,704.36		58,014
4. Bonds, notes and other fixed-interest securities				
a) issued by public bodies	2,364,761.70		9,829	
b) issued by other borrowers	8,864,293.57	11,229,055.27	8,746	18,575
5. Shares and other variable-yield securities		187,089,447.13		173,544
6. Equity participations		5,138,499.88		5,139
7. Shares in affiliated companies		3,900,000.00		8,475
8. Intangible fixed assets		90,635.95		125
9. Tangible fixed assets		11,621,728.86		11,522
thereof land and buildings used by the credit institution for own purposes: € 9,653,587.94 previous year: € 9,779 thousand				
10. Other assets		143,832,850.01		102,175
11. Prepayments and other deferrals		2,174,844.69		1,337
12. Deferred tax assets		169,862.81		170
Total assets		2,859,231,488.82		2,728,234
Off-balance sheet items				
1. Foreign assets		278,293,943.30		301,300

Equity and liabilities	30/06/2017 €	30/06/2017 €	31/12/2016 in € thousand	31/12/2016 in € thousand
1. Liabilities to credit institutions				
a) repayable on demand	25,532,104.93		7,442	
b) with agreed maturity dates or periods of notice	22,832,670.60	46,364,775.53	6,725	14,167
2. Liabilities to customers				
a) repayable on demand	85,634,365.54		120,550	
b) with agreed maturity dates or periods of notice	59,665,046.21	145,289,411.75	40,608	161,158
3. Securitised liabilities				
a) issued securitised liabilities	991,261,781.76		905,292	
b) other securitised liabilities	1,142,169,570.34	2,133,431,352.10	1,058,771	1,964,063
4. Other liabilities		400,420,553.91		465,858
5. Accruals and deferred items		218,860.68		240
6. Provisions				
a) for severance payments	3,800,874.00		4,037	
b) for taxes	300,553.00		0	
c) other provisions	8,986,943.95	13,088,370.95	8,892	12,929
7. Subscribed capital		47,598,850.00		47,599
8. Capital reserves				
a) committed	6,651,420.71		6,651	
b) uncommitted	14,000,000.00	20,651,420.71	14,000	20,651
9. Retained earnings				
a) legal reserve	1,030,936.83		1,031	
b) other reserves	26,998,598.98	28,029,535.81	23,821	24,852
10. Liability reserve pursuant to Article 57 para 5 Austrian Banking Act		13,538,860.00		13,539
11. Net profit for the period		10,599,497.38		3,178
Total equity and liabilities		2,859,231,488.82		2,728,234
Off-balance sheet items				
1. Contingent liabilities		0.07		0
2. Commitments arising from fiduciary business transactions		7,091,121.47		7,091
3. Eligible own funds pursuant to Part 2 of Regulation (EU) No 575/2013		105,098,912.72		105,334
4. Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013 (Total risk-weighted assets)		464,892,712.15		437,035
hereof: capital requirements pursuant to Article 92 (1)				
hereof: lit (a) of Regulation (EU) No 575/2013		22.61%		24.10%
hereof: lit (b) of Regulation (EU) No 575/2013		22.61%		24.10%
hereof: lit (c) of Regulation (EU) No 575/2013		22.61%		24.10%
5. Foreign equity and liabilities		306,252,981.43		344,875

Income Statement for the First Half Year 2017

	1-6/2017 €	1-6/2017 €	1-6/2016 in € thousand	1-6/2016 in € thousand
1. Interest and interest-like income		6,829,454.45		2,159
thereof fixed-interest securities	132,487.59		980	
2. Interest and interest-like expenses		(15,679,241.25)		(12,650)
I. Net interest result		(8,849,786.80)		(10,491)
3. Income from securities and financial investments				
a) Income from shares, share rights and other variable-yield securities	5,784,549.79		5,842	
b) Income from shares in affiliated companies	0.00	5,784,549.79	1,600	7,442
4. Fee and commission income		6,328,147.62		3,995
5. Fee and commission expenses		(4,811,007.88)		(5,045)
6. Net profit on financial trading activities		32,953,838.54		28,089
7. Other operating income		1,285,397.90		1,041
II. Operating income		32,691,139.17		25,031
8. General administrative expenses		(18,948,116.46)		(18,603)
a) staff expenses				
aa) wages and salaries	(8,567,866.32)		(7,870)	
bb) expenses for statutory social contributions and compulsory contributions related to wages and salaries	(1,869,933.60)		(1,847)	
cc) other social expenses	(173,631.30)		(172)	
dd) expenses for pensions and assistance	(180,741.54)		(187) ¹	
ee) expenses for severance payments and contributions to severance funds	(355,731.33)		(841) ¹	
	(11,147,904.09)		(10,917)	
b) other administrative expenses	(7,800,212.37)		(7,685)	
9. Value adjustments on asset items 8 and 9		(472,075.06)		(638)
10. Other operating expenses		(364,828.18)		(218)
III. Operating expenses		(19,785,019.70)		(19,459)
IV. Operating result		12,906,119.47		5,572

	1-6/2017 €	1-6/2017 €	1-6/2016 in € thousand	1-6/2016 in € thousand
IV. Operating result (=amount carried forward)		12,906,119.47		5,572
11. Loans loss provisions and expenditures arising from the valuation of loans and advances and disposal of securities held as other current assets		(8,485.80)		(639)
12. Income arising from the valuation of loans and advances and disposal of securities held as other current assets		74,262.13		35
13. Expenditures arising from the valuation of interests and shares in affiliated companies held as financial investments		(65,974.87)		(106)
V. Result on ordinary activities		12,905,920.93		4,862
14. Income taxes				
a) current income taxes thereof passed on from parent company for half year: € (1,179,495.00) (previous year: € (53) thousand)	(2,032,592.47)		(676)	
b) deferred taxes	(628.02)	(2,033,220.49)	359	(317)
15. Other taxes unless included in item 14		(273,203.06)		(971)
VI. Net income for the period		10,599,497.38		3,575
16. Profit carried forward		0.00		0
VII. Net profit for the period		10,599,497.38		3,575

¹ Adjustment of previous year's data

Notes

A. Accounting Policies

General

The interim financial statements of Raiffeisen Centrobank as at 30 June 2017 have been prepared in accordance with the general accounting principles stipulated in the Austrian Commercial Code as amended in the Austrian Act on Changes in Accounting Practices (RÄG 2014) and the specific sectoral regulations as specified by the Austrian Banking Act. 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, the interim financial statements give a true and fair view of the company's net assets, financial position and earnings.

The valuation of assets and equity and liabilities is based on the principle of individual valuation assuming a going concern perspective. The principle of prudence is applied, taking account of the specific characteristics of the banking business

The balance sheet and the income statement have been structured according to Appendix 2 of the forms contained in Article 43 Austrian Banking Act. Special regulations as stipulated by the RÄG 2014 have been taken into account.

The establishment of a branch in Bratislava (Raiffeisen Centrobank AG Slovak Branch, pobočka zahraničnej banky) was approved by the European Central Bank and was entered into the Commercial Register on 26 April 2017. The purpose of the branch is to distribute structured products on the Slovak market and to create a broader investor base in Slovakia to substantially increase local sales activities. Business volume as well as income and expenses generated by the Branch in the first half year have been included in the interim financial statements.

II. Loans and advances

II.1. Classification of loans and advances and securities positions according to their remaining term

as at 30/06/2017 in € thousand	repayable on demand/ without maturity	0-3 months	3-12 months	1-5 years	>5 years	Total
Loans and advances to credit institutions	73,043	234,728	264,745	1,474,322	170,706	2,217,544
Loans and advances to customers	27,233	514	9,933	3,126	6,960	47,766
Bonds, notes and other fixed-interest securities	0	2,365	0	8,390	475	11,229
Shares and other variable-yield securities	187,089	0	0	0	0	187,089
Other assets	48,198	3,209	10,017	76,354	6,055	143,833
	335,563	240,816	284,695	1,562,191	184,196	2,607,461

Comparative figures as at 31/12/2016

as at 31/12/2016 in € thousand	repayable on demand/ without maturity	0-3 months	3-12 months	1-5 years	>5 years	Total
Loans and advances to credit institutions	125,618	204,058	343,690	1,299,924	199,431	2,172,722
Loans and advances to customers	35,209	565	8,812	6,467	6,960	58,014
Bonds, notes and other fixed-interest securities	0	7,580	2,250	8,363	382	18,575
Shares and other variable-yield securities	151,083	21,461	1,001	0	0	173,544
Other assets	41,200	418	2,273	53,420	4,865	102,175
	353,110	234,082	358,026	1,368,174	211,638	2,525,030

The interim financial statements as at 30 June 2017 have been reviewed by KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft Wien.

Accounting principles

Compared to the financial statements as at 31 December 2016, no changes have been made in the accounting policies (see individual financial statements of Raiffeisen Centrobank AG as at 31 December 2016 according to the Austrian Banking Act, www.rcb.at/en/news-info/annual-reports/).

The valuation of intangible and tangible fixed assets (i.e. land and buildings, office furniture and equipment as well as other tangible fixed assets) has been carried out at the cost of acquisition less a scheduled monthly depreciation.

Provisions for severance payments have been calculated assuming a calculatory interest rate of 1.60 per cent (31/12/2016: 1.60 per cent).

B. Notes to the Balance Sheet

I. Cash in hand, deposits with central banks

Balance sheet item A 1, which encompasses cash in hand and deposits with the Austrian National Bank, amounted to € 228,675 thousand (31/12/2016: € 176,436 thousand). Prevailing regulations pertaining to liquidity and minimum reserves were observed.

II.2. Loans and advances to affiliated companies and equity participations

as at 30/06/2017 in € thousand	Loans and advances to affiliated companies (direct/indirect > 50%)	Loans and advances to equity participations in which Raiffeisen Centrobank AG has a direct shareholding (< 50%)
Loans and advances to credit institutions	2,029,348	0
Loans and advances to customers	3,537	514
Bonds, notes and other fixed-interest securities	8,389	0
Shares and other variable-yield securities	72	0
Other assets	532	8
	2,041,879	522

Comparative figures as at 31/12/2016

as at 31/12/2016 in € thousand	Loans and advances to affiliated companies (direct/indirect > 50%)	Loans and advances to equity participations in which Raiffeisen Centrobank AG has a direct shareholding (< 50%)
Loans and advances to credit institutions	1,878,452	0
Loans and advances to customers	4,652	514
Bonds, notes and other fixed-interest securities	8,363	0
Shares and other variable-yield securities	22,506	0
Other assets	1,926	8
	1,915,899	522

“Loans and advances to credit institutions” contained tradable money market deposits totaling € 1,854,425 thousand (31/12/2016: € 1,721,259 thousand) serving as hedges for certificates and warrants issued by Raiffeisen Centrobank AG. Thereof € 1,845,933 thousand (31/12/2016: € 1,710,145 thousand) were attributable to Raiffeisen Bank International AG.

III. Securities

Figures supplied pursuant to Article 64 para 1 no 10 and 11 Austrian Banking Act

as at 30/06/2017 in € thousand	Unlisted	Listed	Total	Valued at market price
Bonds, notes and other fixed-interest securities, A 4	0	11,229	11,229	11,229
Shares and other variable-yield securities, A 5	59,058	128,032	187,089	187,089
Equity participations, A 6	5,139	0	5,139	x
Shares in affiliated companies, A 7	3,900	0	3,900	x

Comparative figures as at 31/12/2016

as at 31/12/2016 in € thousand	Unlisted	Listed	Total	Valued at market price
Bonds, notes and other fixed-interest securities, A 4	0	18,575	18,575	18,575
Shares and other variable-yield securities, A 5	48,215	125,330	173,544	173,544
Equity participations, A 6	5,139	0	5,139	x
Shares in affiliated companies, A 7	8,475	0	8,475	x

As at 30 June 2017, balance sheet item A 4 included fixed-interest securities amounting to € 11,229 thousand (31/12/2016: € 18,575 thousand) of which € 2,365 thousand (31/12/2016: € 9,829 thousand) would fall due in the forthcoming year.

As at 30 June 2017 balance sheet item A 4 included securities classified as current assets amounting to € 2,364 thousand (31/12/2016: € 9,829 thousand) and securities of the trading book in the amount of € 8,865 thousand (31/12/2016: € 8,746 thousand).

IV. Equity participations and shares in affiliated companies

As at 30 June 2017, the Bank directly held a minimum of 20 per cent of the shares in the subsequent companies:

Name, Domicile	Shareholding in %
Centrotrade Holding GmbH, Vienna	100
Syrena Immobilien Holding AG, Spittal/Drau	21

Comparative figures as at 31/12/2016

Name, Domicile	Shareholding in %
Centrotrade Holding GmbH, Vienna	100
Centrotrade Chemicals AG, Zug - in liquidation	100
Syrena Immobilien Holding AG, Spittal/Drau	21

From November 2015, Centrotrade Chemicals AG was in liquidation. In February 2017, the liquidation was finalized and the company was deleted from the Commercial Register.

Pursuant to the Austrian Banking Act, the economic relations of the companies are depicted in the notes to the individual financial statements of Raiffeisen Centrobank AG as at 31 December 2016.

V. Other assets

Balance sheet item A 10 "Other assets" amounting to € 143,833 thousand (31/12/2016: € 102,175 thousand) referred primarily to purchase contracts from trading in derivative financial instruments reported at fair value.

in € thousand	30/06/2017	31/12/2016
Positive fair values of derivative financial instruments		
from OTC options	93,770	60,849
from trading in EUREX options	9,154	4,508
from trading in other options	38,714	33,325
	141,639	98,681

VI. Deferred tax assets

As at 30/06/2017, "Deferred tax assets" resulting from the application of RÄG 2014 remained nearly unchanged and amounted to € 170 thousand (31/12/2016: € 170 thousand).

"Deferred tax assets" were recognized at a tax rate of 12.5 per cent as, based on the prevailing group assessment agreement, this percentage provides for tax relief in the future. Any tax relief beyond this rate cannot be assessed by the Group member as no influence can be exerted on the amount of the untaxable portion of the taxable profit on Group level.

VII. Liabilities

VII.1. Classification of liabilities according to their remaining term

as at 30/06/2017 in € thousand	repayable on demand/ without maturity	0-3 months	3-12 months	1-5 years	>5 years	Total
Liabilities to credit institutions	23,532	22,579	0	0	253	46,365
Liabilities to customers	85,634	3,191	0	56,464	0	145,289
Securitized liabilities	0	57,519	250,685	1,471,176	354,051	2,133,431
Other liabilities	299,771	7,377	9,536	64,358	19,378	400,421
	408,938	90,667	260,221	1,591,999	373,682	2,725,506

Comparative figures as at 31/12/2016

as at 31/12/2016 in € thousand	repayable on demand/ without maturity	0-3 months	3-12 months	1-5 years	>5 years	Total
Liabilities to credit institutions	7,442	6,725	0	0	0	14,167
Liabilities to customers	120,550	0	22,955	17,653	0	161,158
Securitized liabilities	0	78,341	211,957	1,307,803	365,962	1,964,063
Other liabilities	322,347 ¹	12,974 ¹	19,084	78,706	32,746	465,858
	450,339	98,040	253,997	1,404,162	398,709	2,605,246

¹ Adjustment of previous year's data

VII.2. Liabilities to affiliated companies and equity participations

as at 30/06/2017 in € thousand	Liabilities to affiliated companies (direct/indirect > 50%)	Liabilities to equity participations in which Raiffeisen Centrobank AG has a direct shareholding (< 50%)
Liabilities to credit institutions	7,749	0
Liabilities to customers	3,956	21
Other liabilities	20,885	1
	32,590	23

Comparative figures as at 31/12/2016

as at 31/12/2016 in € thousand	Liabilities to affiliated companies (direct/indirect > 50%)	Liabilities to equity participations in which Raiffeisen Centrobank AG has a direct shareholding (< 50%)
Liabilities to credit institutions	4,122	0
Liabilities to customers	8,524	0
Other liabilities	17,792	0
	30,438	0

VII.3. Securitized liabilities

The balance sheet item P 3 "Securitized liabilities" contained issued certificates and warrants (mostly the Bank's own issues) totaling € 2,133,431 thousand (31/12/2016: € 1,964,063 thousand) held for trading and allocated to the following product categories:

in € thousand	30/06/2017	31/12/2016
Guarantee Certificates and Reverse Convertible Bonds	991,262	905,292
Certificates with option character	1,131,950	1,053,009
Warrants	10,219	5,762
	2,133,431	1,964,063

"Securitized liabilities" in the amount of € 308,204 thousand (31/12/2016: € 290,299 thousand) will fall due in the next year.

VII.4. Other liabilities

Balance sheet item P 4 "Other liabilities" amounting to € 400,421 thousand (31/12/2016: € 465,858 thousand) referred primarily to liabilities reported at fair value as well as premiums received from trading in securities and derivative financial instruments.

in € thousand	30/06/2017	31/12/2016
Negative fair values of derivative financial instruments	145,830	178,379
from OTC options	98,791	137,783
from trading in EUREX options	32,216	35,256
from trading in other options	14,823	5,340
Short-selling of trading assets	252,720	281,737
	398,549	460,116

“Other liabilities” as at 30 June 2017 included various liabilities in relation to costs charged in the amount of € 1,190 thousand (31/12/2016: € 551 thousand) and liabilities related to payroll accounting in the amount of € 668 thousand (31/12/2016: € 560 thousand). As at 31 December 2016, the item contained a liability related to the contribution to the resolution fund coming to € 4,651 thousand.

VIII. Share capital

The share capital is comprised of 655,000 no-par-value shares.

The shares in Raiffeisen Centrobank AG are owned by the following companies:

	%	Shares
RBI IB Beteiligungs GmbH, Vienna	100.00	654,999
Lexus Services Holding GmbH, Vienna	0.00	1
	100.00	655,000

IX. Provisions

Provisions were as follows:

in € thousand	30/06/2017	31/12/2016
Provisions for severance payments	3,801	4,037
Provisions for taxes	301	0
Other provisions	8,987	8,892
Provisions for bonus payments	1,422	1,275
Provisions for litigation risks	4,143	4,078
Provisions for overdue vacation	1,246	1,093
Provisions for legal, auditing and consulting expenses	365	351
Provisions for the Securities Trading & Sales Department	517	357
Provisions for outstanding invoices	245	888
Provisions for charged Management Board expenses	741	771
Sundry	309	78
	13,088	12,929

“Sundry” included a provision relating to location evaluations totaling € 200 thousand.

X. Supplementary data

Assets and liabilities in foreign currencies

The following amounts were contained in the balance sheet total in foreign currencies:

in € thousand	30/06/2017	31/12/2016
Assets	870,931	844,619
Liabilities	782,094	748,559

Volume of the securities trading book

As at the balance sheet date and pursuant to para 103 CRR, the securities trading book (notional amount) was made up as follows:

in € thousand	30/06/2017	31/12/2016
Securities	2,868,500	2,636,145
Other financial instruments	5,502,410	5,568,351
	8,370,911	8,204,497

Unsettled forward and options contracts

At the balance sheet date, the following forward and options transactions (banking and trading book) had not yet been settled:

in € thousand	30/06/2017	31/12/2016
Purchase contracts (notional amount)		
Options on interest-rate instruments	200	200
Forward exchange contracts/gold contracts	113,496	62,476
Futures in asset values	2,084	1,305
Index future contracts	360,674	384,703
Options on asset values and equity/index-based options	1,052,546	869,045
Precious metal and commodity future contracts	88,995	87,833
Precious metal and commodity options	28,520	33,063
Other forward transactions, future contracts, options and similar transactions	34,350	0

in € thousand	30/06/2017	31/12/2016
Sales contracts (notional amount)		
Interest rate futures	7,000	0
Forward exchange contracts/gold contracts	62,916	22,757
Futures in asset values	3,655	394
Index future contracts	44,169	25,173
Options on asset values and equity/index-based options	1,909,284	1,805,414
Precious metal and commodity options	6,458	23,476

Trading book

A trading book is maintained. At the balance sheet date, the trading volume at fair values (positive and negative fair values offset) estimated pursuant to internal risk calculation amounted to:

in € thousand	30/06/2017	31/12/2016
Shares/mutual funds	(78,387)	(130,429)
Listed options	(56)	(1,828)
Futures	421,932	472,288
Warrants/certificates	(1,143,878)	(1,061,052)
OTC options	(5,757)	(77,389)
Purchased bonds/tradable money market deposits	2,025,976	1,900,806
Issued guarantee bonds	(990,988)	(913,514)
Total	228,842	188,883

Data on transactions with derivative financial instruments

Exchange trading in derivative financial instruments focuses on equities and equity/index-based futures and options. The financial instruments issued by Raiffeisen Centrobank AG can be classified as warrants, certificates mainly on equities and equity indices (Turbo, Discount, Bonus and Open-End certificates), and guarantee bonds with a payment structure related to equity or equity indices.

Equities held by Raiffeisen Centrobank AG represent, together with purchased options, tradable money market deposits and zero bonds depicted in other balance sheet items, the hedge positions to issued certificates and warrants and are part of the Bank's market maker activities.

As at 30 June 2017, volumes of derivative financial transactions were as follows:

in € thousand as at 30/06/2017	Notional amount		Positive fair value		Negative fair value	
	Banking book	Trading book	Banking book	Trading book	Banking book	Trading book
1. Interest rate contracts	200	7,000	0	95	0	0
1.1. OTC products	200	0	0	0	0	0
Options on interest-rate instruments	200	0	0	0	0	0
1.2. Products traded on stock exchange	0	7,000	0	95	0	0
Interest rate futures	0	7,000	0	95	0	0
2. Foreign exchange contracts	124,497	51,915	0	1,123	111	82
2.1. OTC products	124,497	29,369	0	1,123	111	0
Forward foreign exchange contracts	124,497	0	0	0	111	0
Currency options	0	93	0	59	0	0
Gold contracts	0	29,276	0	1,064	0	0
2.2. Products traded on stock exchange	0	22,546	0	0	0	82
Currency futures	0	22,546	0	0	0	82
Other currency contracts/gold contracts	0	0	0	0	0	0
3. Equity contracts	0	3,406,762	0	136,039	0	142,078
3.1. OTC products	0	2,569,262	0	91,823	0	95,296
Equity/index-based options - purchased	0	879,585	0	71,599	0	2,030
Equity/index-based options - sold	0	1,655,326	0	18,246	0	93,266
Other equity-based contracts	0	34,350	0	1,978	0	0
3.2. Products traded on stock exchange	0	837,500	0	44,217	0	46,782
Shares and other equity/index-based options and future contracts	0	837,500	0	44,217	0	46,782
4. Commodities/precious metals	0	123,974	0	4,381	0	3,559
4.1 OTC products	0	34,887	0	825	0	3,384
Commodity and precious metal options	0	34,887	0	825	0	3,384
4.2. Products traded on stock exchange	0	89,087	0	3,556	0	175
Other commodity and precious metal future contracts	0	89,087	0	3,556	0	175
Total OTC products	124,697	2,633,518	0	93,770	111	98,680
Total stock exchange traded products	0	956,133	0	47,868	0	47,039
	124,697	3,589,650	0	141,639	111	145,719

Comparative figures as at 31/12/2016

in € thousand as at 31/12/2016	Notional amount		Positive fair value		Negative fair value	
	Banking book	Trading book	Banking book	Trading book	Banking book	Trading book
1. Interest rate contracts	200	0	0	0	0	0
1.1. OTC products	200	0	0	0	0	0
Options on interest-rate instruments	200	0	0	0	0	0
1.2. Products traded on stock exchange	0	0	0	0	0	0
Interest rate futures	0	0	0	0	0	0
2. Foreign exchange contracts	44,099	41,134	3	551	90	1,247
2.1. OTC products	44,099	20,044	3	551	90	0
Forward foreign exchange contracts	44,099	0	3	0	90	0
Currency options	0	94	0	59	0	0
Gold contracts	0	19,950	0	492	0	0
2.2. Products traded on stock exchange	0	21,090	0	0	0	1,247
Currency futures	0	21,090	0	0	0	1,247
Other currency contracts/gold contracts	0	0	0	0	0	0
3. Equity contracts	0	3,086,034	0	95,008	0	169,009
3.1. OTC products	0	2,375,889	0	58,643	0	131,085
Equity/index-based options - purchased	0	768,524	0	49,701	0	0
Equity/index-based options - sold	0	1,607,365	0	8,942	0	131,085
Other equity-based contracts	0	0	0	0	0	0
3.2. Products traded on stock exchange	0	710,145	0	36,365	0	37,925
Shares and other equity/index-based options and future contracts	0	710,145	0	36,365	0	37,925
4. Commodities/ precious metals	0	144,372	0	3,119	0	8,032
4.1 OTC products	0	53,855	0	1,651	0	6,608
Commodity and precious metal options	0	53,855	0	1,651	0	6,608
4.2. Products traded on stock exchange	0	90,516	0	1,467	0	1,424
Other commodity and precious metal future contracts	0	90,516		1,467	0	1,424
Total OTC products	44,299	2,449,788	3	60,846	90	137,693
Total stock exchange traded products	0	821,752	0	37,832	0	40,596
Total	44,299	3,271,540	3	98,678	90	178,289

C. Notes to the Income Statement

I. Interest and similar income

in € thousand	first half year 2017	first half year 2016
from loans and advances to credit institutions	1,597	499
from loans and advances to customers	448	497
from fixed-interest securities	132	980
from structured products	4,652	182
	6,829	2,159

II. Interest and similar expenses

in € thousand	first half year 2017	first half year 2016
for liabilities to credit institutions	(1,414)	(1,087)
for liabilities to customers	(517)	(86)
for securitized liabilities	(13,749)	(11,476)
	(15,679)	(12,650)

“Net interest result” in the first half year 2017 came to € 8,850 thousand and was negative, equal to the net interest result for the first half year 2016 which came up to € 10,491 thousand. “Net interest result” was made up of interest income in the amount of € 6,829 thousand (first half year 2016: € 2,159 thousand) and interest expenses in the amount of € 15,679 thousand (first half year 2016: € 12,650 thousand). The rise in “Net interest result” of € 1,641 thousand to € minus 8,850 thousand was due to higher volume-related interest income from deposit receivables as well as to increased income from structured products serving for hedging purposes.

The rise in interest expenses for securitized liabilities was related to higher coupon payments. Due to scheduled redemptions, the increase was below the rise in interest income from structured products. Interest expenses were contrasted with interest income from structured products and a positive valuation result from tradable money market deposits as well as from derivative financial instruments in the trading profit.

The liquidity derived from issues is primarily invested into tradable money market deposits without current coupons which are included in the trading book. The result from tradable money market deposits included in the trading book is shown in “Net profit on financial trading activities”.

Further to the low interest rate environment in the first half year 2017, “Net interest result” included expenses resulting from negative interest for loans and advances in the amount of € 458 thousand (first half year 2016: € 256 thousand). In contrast, income derived from negative interest for liabilities totaled € 79 thousand (first half year 2016: € 44 thousand).

III. Income from securities and financial investments

“Income from securities and financial investments” fell from € 7,442 thousand in the first half year 2016 to € 5,785 thousand in the first half year 2017. The previous year’s result included a dividend payment from Centrotech Holding GmbH in the amount of € 1,600 thousand. In the first half year 2017, no dividend was paid.

IV. Net fee and commission result

The positive “Net fee and commission result” in the amount of € 1,517 thousand (first half year 2016: € minus 1,050 thousand) was comprised of fee and commission income coming to € 6,328 thousand (first half year 2016: € 3,995 thousand) and fee and commission expenses in the amount of € 4,811 thousand (first half year 2016: € 5,045 thousand). The rise in “Net fee and commission result” in the first half year 2017 was mainly due to income from the securities business (equity capital market transactions) totaling € 2,163 thousand.

V. Net profit on financial trading activities

“Net profit on financial trading activities” accounted for the major part of the operating income and went up from € 28,089 thousand in the first half year 2016 to € 32,954 thousand in the first half year 2017. This development resulted from positive net valuations and net proceeds of derivatives and money market deposits held for hedging purposes in the amount of € 70,620 thousand. In contrast, there was a negative result from the valuation and disposal of certificates and shares totaling € 30,193 thousand as well as from the valuation of spot, futures and forward contracts adding up to € 7,472 thousand.

In the comparative previous year’s period, net valuations and net proceeds of derivatives and money market deposits held for hedging purposes were comprised of a negative result in the amount of € 6,059 thousand and a positive result from the valuation and disposal of certificates and shares coming to € 33,792 thousand.

VI. Other operating income

The item primarily included the release of provisions in the amount of € 546 thousand (first half year 2016: € 438 thousand). In addition, the item contained income from charging internal expenses to Raiffeisen Bank International AG in the amount of € 470 thousand (first half year 2016: € 566 thousand).

VII. Other administrative expenses

in € thousand	first half year 2017	first half year 2016
Office space expenses (maintenance, operation, administration, insurance)	(488)	(453)
Office supplies, printed matter, literature	(160)	(117)
IT costs	(1,285)	(1,075)
Communication costs	(483)	(502)
Information services	(1,696)	(1,849)
Car and traveling expenses	(327)	(268)
Advertising and promotional expenses	(599)	(567)
Legal, advisory and consultancy services	(597)	(876)
Contributions to associations	(353)	(361)
Resolution fund	(541)	(687)
Sundry	(1,270)	(929)
	(7,800)	(7,685)

"Sundry" in the amount of € 1,270 thousand (first half year 2016: € 929 thousand) mainly included expenses for Management Board members charged by the parent company. In addition, the item contained a provision relating to location evaluations totaling € 200 thousand.

VIII. Other operating expenses

"Other operating expenses" amounting to € 365 thousand (first half year 2016: € 218 thousand) included mainly expenses charged by the parent company totaling € 361 thousand (first half year 2016: € 207 thousand).

IX. Net valuations and net proceeds

In the first half year 2016, "Net valuations and net proceeds" were negative and amounted to € 710 thousand, whereas in the first half year 2017 the item almost reached a break-even. Income arising from the valuation and disposal of loans and advances and securities held as other current assets coming to € 74 thousand was contrasted with expenses for loan loss provisions and expenses arising from the valuation and disposal of securities held as other current assets in the amount of € 8 thousand as well as from the valuation of equity participations and shares in affiliated companies totaling € 66 thousand.

X. Income taxes and other taxes

Income taxes were made up as follows:

in € thousand	first half year 2017	first half year 2016
Group taxation	(1,179)	(53)
Corporate income tax/branch Slovakia	(77)	0
Taxes for former periods	(239)	(56)
Not recognized as foreign withholding tax	(537)	(567)
Current income taxes	(2,033)	(676)
Deferred taxes	(1)	359
Income taxes	(2,033)	(317)

In the first half year 2017, "Taxes for former periods" contained a provision for an external tax audit coming to € 239 thousand.

D. Other Disclosures

Contingent liabilities

In accordance with Article 93 of the Austrian Banking Act, the Bank is legally obliged to provide for proportionate deposit insurance as part of its membership in a professional association. Raiffeisen Centrobank AG is a member of the Fachverband der Raiffeisenbanken (professional association of the Raiffeisen Banking Group). This also entails an affiliation with Österreichische Raiffeisen Einlagensicherung reg. GenmbH, Vienna (the deposit insurance of the Raiffeisen Banking Group, registered as a limited liability company). In the reporting period, the theoretical claim on this insurance was limited to a rate of 1.5 per cent of the assessment basis in accordance with Article 22 para 2 of the Austrian Banking Act at the balance sheet date, plus the weighted items of the securities trading book, also in accordance with part 3 Capital Requirements Regulation (CRR). These contingent liabilities were reported at a market value of € 0.07.

Other contractual contingencies

The following assets were pledged as security for obligations as at 30 June 2017:

Item A 2 Loans and advances to credit institutions

€ 469,008 thousand (31/12/2016: € 462,533 thousand)

Collateral deposited with credit institutions for the securities and options business and securities lending

Item A 3 Loans and advances to customers

€ 8,837 thousand (31/12/2016: € 8,309 thousand)

Collateral deposited with stock exchanges and other financial institutions for the securities and options business

Item A 4 Fixed-interest securities

€ 2,362 thousand (31/12/2016: € 9,829 thousand)

Collateral deposited with credit institutions for the securities and options business

Letters of comfort

As at the balance sheet date, Raiffeisen Centrobank AG had not issued any letters of comfort.

Commitments arising from fiduciary business transactions

Commitments arising from fiduciary business transactions not included in the balance sheet referred to one equity participation held in trust and, unchanged to 31 December 2016, came to € 7,091 thousand.

Own funds

As at 30 June 2017, "Own funds" pursuant to part 2 CRR comprised the following:

in € thousand	30/06/2017	31/12/2016
Capital paid-in	47,599	47,599
Earned capital	62,220	59,042
Core capital (tier 1) before deductions	109,819	106,641
Intangible fixed assets	(91)	(126)
Prudent valuation	(2,142)	(1,181)
Holdings in non-significant investments in financial sector entities	(2,488)	0
Core capital (tier 1) after deductions	105,099	105,334
Supplementary own funds	0	0
Core capital	105,099	105,334
Supplementary capital	0	0
Supplementary own funds after deductions	0	0
Total own funds	105,099	105,334
Total risk-weighted assets	464,893	437,035
Core capital ratio, credit risk	64.3%	60.7%
Core capital ratio, total	22.6%	24.1%
Own funds ratio	22.6%	24.1%

Own funds requirement pursuant to para 92 Regulation (EU) No 575/2013 (total risk-weighted assets) were as follows:

in € thousand	30/06/2017	31/12/2016
Risk-weighted assets (credit risk)	163,506	173,414
Standard approach	154,572	161,501
CVA (credit value adjustment) risk	8,934	11,913
Risk-weighted assets (position risk in bonds, equities, commodities and foreign currencies)	183,218	149,035
Risk-weighted assets (settlement risk)	3,584	1
Risk-weighted assets (operational risk)	114,585	114,585
Total risk-weighted assets	464,893	437,035

Risk-weighted assets for the credit risk according to asset classes were as follows:

in € thousand	30/06/2017	31/12/2016
Risk-weighted assets according to standard approach	154,572	161,501
Central governments and central banks	474	453
Institutions	81,974	81,458
Corporates	48,698	52,369
Equity participations	9,038	13,613
Other positions	14,388	13,608
CVA risk	8,934	11,913
Total	163,506	173,414

Number of staff

	30/06/2017	Period average	30/06/2016	Period average
Salaried employees (incl. Management Board)	178	176	173	176
thereof part-time	33	33	25	26
Total	178	176	173	176

Group relations

The company is an affiliated company of Raiffeisen Bank International AG (ultimate holding company) and is integrated into its consolidated financial statements. The consolidated financial statements are deposited with the Commercial Court in Vienna and are available at the respective parent company.

Members of the Management Board, the Supervisory Board and State Commissioners

Management Board	Wilhelm Celeda Valerie Brunner	Chief Executive Officer Member of the Management Board
Supervisory Board	Klemens Breuer Deputy Chief Executive Officer, Raiffeisen Bank International AG, Vienna	Chairman
	Michael Höllner Plenipotentiary Raiffeisen Bank International AG, Vienna	1 st Deputy Chairman
	Hannes Mösenbacher Member of the Management Board, Raiffeisen Bank International AG, Vienna	Member
	Werner Kaltenbrunner Head of International Equity Investments, Raiffeisen Bank International AG, Vienna	Member
State Commissioners	Alfred Hacker, Karl-Heinz Tscheppe	

Vienna, 5 September 2017
The Management Board



Wilhelm Celeda
Chief Executive Officer



Valerie Brunner
Member of the Management Board

Report on the Review of the Interim Financial Statements

Introduction

We have reviewed the accompanying interim financial statements of Raiffeisen Centrobank AG, Vienna, for the period from 1 January 2017 to 30 June 2017. These interim financial statements comprise the balance sheet as at 30 June 2017, the income statement for the period from 1 January 2017 to 30 June 2017 and the condensed notes.

The legal representatives of the Company are responsible for the preparation of the interim financial statements. They are responsible that the interim financial statements give a true and fair view of the assets, liabilities, financial assets, and profit or loss of the Company as required by the applicable accounting and legal standards.

Our responsibility is to express a conclusion on these interim financial statements based on our review. Our liability towards the Company and towards third parties with respect to this review is subject to Article 62a Austrian Banking Act (BWG).

Scope of review

We conducted our review in accordance with Austrian legal requirements and Austrian Standards for chartered accountants, in particular in compliance with KFS/PG 11 "Principles of Engagements in Review Financial Statements". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Austrian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not, in all material respects, give a true and fair view of the assets, liabilities and financial position of the Company as at 30 June 2017 as well as the profit or loss of the Company for the period from 1 January to 30 June 2017 as required by the applicable Austrian accounting standards.

Report on the interim management report and on the statement of legal representatives in accordance with Article 87 Austrian Stock Exchange Act

We have read the interim management report for the 6-month period ended 30 June 2017 to verify whether the report does not contain any apparent inconsistencies with the interim financial statements. In our opinion, the interim management report for the 6-month period ended 30 June 2017 does not contain any apparent inconsistencies with the interim financial statements.

The semi-annual financial report contains the statement of legal representatives pursuant to Article 87 para 1 subsection 3 Austrian Stock Exchange Act.

Vienna, 5 September 2017
KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Wilhelm Kovsca
Austrian Chartered Accountant

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