

Annual Financial Report 2017

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.

The Company

Key Data of Raiffeisen Centrobank AG

| in € thousand / in per cent | 2017 | 2016 | Change |
|--|-----------|-----------|--------|
| Key ratios | | | |
| Operating income | 59,248 | 45,704 | 29.6% |
| Operating expenses | (40,134) | (37,146) | 8.0% |
| Result on ordinary activities | 19,081 | 9,632 | 98.1% |
| Net profit for the year | 16,576 | 3,178 | >100% |
| Balance sheet total | 3,200,183 | 2,728,234 | 17.3% |
| Return-on-equity before tax | 17.4% | 9.0% | - |
| Return-on-equity after tax | 15.1% | 3.0% | - |
| Cost/income ratio | 67.7% | 81.3% | - |
| Bank-specific information | | | |
| Core capital | 106,191 | 105,334 | 0.8% |
| Total risk-weighted assets | 487,930 | 437,035 | 11.6% |
| Surplus of own funds | 67,157 | 70,371 | (4.6%) |
| Core capital ratio | 21.8% | 24.1% | - |
| Core capital ratio/credit risk | 68.2% | 60.7% | - |
| Own funds ratio | 21.8% | 24.1% | - |
| Liquidity coverage ratio (LCR) | 205.2% | 149.8% | - |
| Non-financial performance indicators | | | |
| Employees at year-end | 181 | 175 | 3.4% |
| Average number of employees | 178 | 175 | 1.7% |
| Stock exchange memberships | 12 | 12 | 0.0% |
| Number of newly issued warrants and certificates | 6,941 | 3,811 | 82.1% |

Preface by the Chairman of the Supervisory Board



Ladies and Gentlemen,

During the 2017 financial year, the members of the Supervisory Board and its Committees were informed in a timely and comprehensive manner by the Management Board about the different business areas, risk developments and relevant business developments in Raiffeisen Centrobank AG. Information was provided verbally as well as in written form and enabled the Supervisory Board to fulfill its duty to supervise and advise the Management Board.

In the past year, Raiffeisen Centrobank AG focused on the raising of its profile as a competence center for equities and certificates. This was, among other things, achieved by bundling the full range of products and services related to the equity business into Raiffeisen Centrobank AG in May 2017. Since then, Raiffeisen Centrobank AG has been providing the complete spectrum of equity capital markets services.

The opening of the branch office in Slovakia supported sales and sales trading of certificates in Central and Eastern Europe and stressed the importance of the core markets in Austria and Central and Eastern Europe. Moreover, a broad range of digitalization initiatives was initiated in 2017 to make Raiffeisen Centrobank AG fit for the digital future.

The outstanding business result that was achieved in the 2017 financial year confirmed Raiffeisen Centrobank AG's strategic orientation. The achievement was fueled by a significant rise in profit contribution across almost all business segments.

The multiply awarded team Structured Products could again draw a very successful balance. The remarkable increase was mainly attributable to the high level of issuing and sales activities in the certificates segment, particularly in partial protection and guarantee certificates which represent an attractive investment alternative. The open interest 2017 reached again a record level with € 3.9 billion. Moreover, Raiffeisen Centrobank AG was the sole Austrian bank to participate with its ECM team in the IPO of BAWAG, the largest IPO in the history of the Vienna Stock Exchange with a volume of roughly € 2 billion. The favorable results of Sales & Sales Trading as well as of Execution & Electronic Trading were bolstered by the rising trading volumes on the exchanges.

Aside from the exceptional business result, Raiffeisen Centrobank AG successfully implemented MiFID II and PRIIPs requirements, the largest projects ever realized with merely in-house resources.

As Klemens Breuer took on a new professional challenge, he resigned as Chairman of the Supervisory Board and it was a great honor for me to take over the chair as from 1 November 2017.

On behalf of the Supervisory Board I would like to express my sincere gratitude to the Board Members and to Raiffeisen Centrobank AG's staff for their great effort and accomplishments in the past year.

A handwritten signature in black ink, appearing to read 'Hannes Mösenbacher'. The signature is fluid and cursive, with a prominent initial 'H' and a long, sweeping underline.

Hannes Mösenbacher
Chairman of the Supervisory Board

CEO Editorial



Ladies and Gentlemen,
dear Reader,

In 2017, positive market developments and the implementation of regulatory challenges on top level relating in particular to MiFID II, which became effective as of 3 January 2018, stood in the focus for Raiffeisen Centrobank AG. I would like to express my sincere gratitude to all employees for their great effort and achievements in relation thereto.

In the first half year, Raiffeisen Centrobank AG opened a branch office in Bratislava. The first certificate was launched by the branch at the end of June and was placed successfully in the Premium Banking Segment of Tatra Banka.

Following the establishment of the ECM team within Raiffeisen Centrobank AG, the Bank achieved a leading role in the ECM business and the relevant European market places despite the low volume of Initial Public Offerings (IPOs) and finalised ten equity capital market transactions on the exchanges in Vienna, Frankfurt, Warsaw and Bucharest. The total transaction volume amounted to over € 11 billion. Moreover, Raiffeisen Centrobank AG was the sole Austrian bank to participate in the largest issue in the history of the Vienna stock exchange, the IPO of BAWAG Group, which came to roughly € 2 billion.

Numerous awards confirmed Raiffeisen Centrobank AG's successful business activities.

In May 2017, we were rewarded as best Austrian issuer of certificates for the eleventh consecutive year by Certificates Awards Austria and again outperformed the last year's result with a total of eight awards (thereof seven top ranks).

In October, Raiffeisen Centrobank AG won the CFI Award as "Best Structured Products Bank CEE" for the first time and in November, the Bank was awarded "Best Issuer in Central and

Eastern Europe" in the "Structured Products Europe Awards" for the seventh time. Moreover, Raiffeisen Centrobank AG won the "Innovation Capital Markets" award of the stock exchange in Bucharest and was honored by the Warsaw stock exchange for its "Key Role in Market Development".

In 2017, Raiffeisen Centrobank AG maintained its leading position as major domestic market participant on the Vienna stock exchange and was again honored as largest market maker. Raiffeisen Centrobank AG's services were strongly promoted in 148 roadshow days. Seven roadshows were held in the US and created a sound basis for Raiffeisen Centrobank AG's business in the region.

The outstanding marketing of primary market transactions and the top 3 ranking in the Extel Broker Voting in 2017 support the growth strategy of Raiffeisen Centrobank AG in 2018.

"Digitalisation" was a buzzword throughout the financial sector. Raiffeisen Centrobank AG launched numerous initiatives to further enhance its service range for its customers and business partners and to provide them with even more comprehensive access to information.

I wish you an interesting review of the 2017 financial year which has been outlined in the present annual report of Raiffeisen Centrobank AG.

Kind regards,

Wilhelm Celeda
CEO of Raiffeisen Centrobank AG

The year in review

1 February – Raiffeisen Centrobank AG doubles product range

Raiffeisen Centrobank AG almost doubles its product range in certificates and offers more than 8,000 products on equity, equity index and commodity underlyings.

9 February – Russian Day in Stockholm

Raiffeisen Centrobank AG organizes numerous one-on-one meetings between leading Scandinavian investors and Russian companies in Stockholm.

22 February – Raiffeisen Centrobank AG again awarded by Börse Social Network

Raiffeisen Centrobank AG receives number one awards as largest certificates issuer and largest specialist/market maker. Heike Arbter, Head of Structured Products, is admitted to the BSN Hall of Fame.

27 February – Number one on the Vienna Stock Exchange

Raiffeisen Centrobank AG is the clear winner of the specialist tender of the Vienna Stock Exchange. Since 3 April 2017, the Austrian competence center for equities and certificates has been active as market maker for 20 out of 38 companies listed in the ATX Prime Market.

27-29 March – Investor conference Zürs

More than 120 investors and high ranking representatives of almost 70 companies visit the investor conference, organized by Raiffeisen Centrobank AG already for the 16th time.

7-8 April – Invest Stuttgart

The team Structured Products represents Raiffeisen Centrobank AG at the largest financial fair in German-speaking countries and shows which investments in the current market environment generate an attractive return.

26 April – Opening of Raiffeisen Centrobank AG Slovak Branch

Raiffeisen Centrobank's branch office in Bratislava is registered in the Slovak commercial register on 26 April 2017. The first certificate is issued in June and is placed successfully in the Premium Banking segment of Tatra Banka.

26 April – Turkey Day in Warsaw

Raiffeisen Centrobank AG is pleased to announce its Turkey Day in Warsaw, offering a unique opportunity for investors to meet the management and IR managers of a number of Turkey's listed companies in an informative meeting.

19 May – Overall winner Certificates Award Austria 2017

For the 11th time in a row Raiffeisen Centrobank AG is awarded best national issuer of certificates. Moreover, the bank is honored as "Certificates House of the Year".

20 May – Stock Exchange Day

Raiffeisen Centrobank AG is represented at the Stock Exchange Day Vienna and gives an overview of certificates providing attractive yields in the current market environment.

1 June – EMEA Fertilizer and Chemicals Day in Frankfurt

Raiffeisen Centrobank AG invites leading companies of the EMEA region to informative meetings with German investors in Frankfurt.

14 June – Raiffeisen Centrobank AG's press talk

High ranking representatives of Austrian financial papers follow Raiffeisen Centrobank AG's invitation to a talk focusing on the Vienna Stock Exchange. Christoph Boschan, CEO of the Vienna Stock Exchange, acts as key note speaker.

June 2017 – Raiffeisen Centrobank AG among top three brokers

According to the Extel Ranking published in London, Raiffeisen Centrobank AG ranks among the top-three brokers for Austrian and Central and Eastern European equities. In the categories "Brokerage Houses in EMEA - CEE" as well as "Brokerage Houses in Austria" Raiffeisen Centrobank AG is awarded the third place.

30 June 2017 – Establishment of the Equity Capital Markets team

The Equity Capital Markets team is successfully established in Raiffeisen Centrobank AG.

5 October – EMEA Oil & Gas in Paris

Raiffeisen Centrobank AG invites oil and gas producing companies from Poland, Turkey and Russia to informal talks and one-on-one meetings with French investors.

5 October – cfi.co Award

The renowned London print and online magazine cfi.co rewards Raiffeisen Centrobank AG for the first time as "Best Structured Product Bank CEE".

19-20 October – GEWINN fair

At the summit of the Austrian financial sector focusing on the topic "investing with future" Raiffeisen Centrobank AG presents its certificates and informs about current investment opportunities.

27 November – Austrian Day in Warsaw

In cooperation with the Vienna Stock Exchange, Raiffeisen Centrobank AG invites Austrian companies to meet with Polish investors.

29 November – Structured Products Europe Awards

For the seventh time and the fourth consecutive year, Raiffeisen Centrobank AG is awarded by the leading European specialist magazine Structured Products Magazine and wins the honorable category "Best in CEE".

Corporate Bodies

| | | |
|----------------------------|--|--|
| Management Board | Wilhelm Celeda Valerie Brunner | Chief Executive Officer Member of the Management Board |
| Supervisory Board | <p>Klemens Breuer Member of the Management Board until 18 March 2017, Raiffeisen Bank International AG, Vienna From 18 March 2017 to 31 October 2017 Deputy Chairman of the Management Board, Raiffeisen Bank International AG, Vienna</p> <p>Hannes Mösenbacher Head of Risk Controlling until 18 March 2017, Raiffeisen Bank International AG, Vienna As of 18 March 2017 Member of the Management Board, Raiffeisen Bank International AG, Vienna</p> <p>Michael Höllerer Member of the Management Board until 18 March 2017, Raiffeisen Zentralbank Österreich AG, Vienna As of 18 March 2017 until 20 December 2017 Plenipotentiary, Raiffeisen Bank International AG, Vienna As of 20 December 2017 Member of the Management Board, Raiffeisen Bank Polska</p> <p>Werner Kaltenbrunner Head of Participations until 18 March 2017, Raiffeisen Bank International AG, Vienna As of 18 March 2017 Head of International Equity Investments, Raiffeisen Bank International AG, Vienna</p> | <p>Chairman until 31 October 2017</p> <p>Member until 31 October 2017, as of 1 November 2017 Chairman</p> <p>1st Deputy Chairman</p> <p>Member</p> |
| State Commissioners | Alfred Hacker Karl-Heinz Tscheppe | |

Vienna, 4 April 2018
The Management Board



Wilhelm Celeda
Chief Executive Officer



Valerie Brunner
Member of the Management Board

Corporate Governance

Raiffeisen Centrobank AG's shares are not listed on a stock exchange. As leading Austrian issuer of structured products and as one of the most important securities brokers in Vienna and other financial centers, Raiffeisen Centrobank AG orients itself towards the rules and principles of good and responsible corporate governance as set forth in the Austrian Code of Corporate Governance to the extent that these rules and principles are applicable for Raiffeisen Centrobank AG. Raiffeisen Centrobank AG has not (yet) formally undertaken to comply with the Austrian Code of Corporate Governance.

Efficient collaboration between the various bodies of the Company based on a strong foundation of trust, protection of its shareholder's interests and open and transparent communication is a key element in Raiffeisen Centrobank AG's approach to good corporate governance. The following comments illustrate some aspects of Raiffeisen Centrobank AG's compliance with the Code in the reporting period (1 January to 31 December 2017).

Management Board

The Management Board is made up of two people and has sole responsibility to manage the Company based on concrete goals, concepts and guidelines. The Management Board pursues a future-oriented approach taking into account standards of good corporate management and the interests of the public well-being.

The rules of procedure for the Management Board as adopted by the Supervisory Board stipulate that meetings of the Management Board shall be held at regular intervals. The chairman of the Management Board shall convene and chair the meeting. The meetings of the Management Board focus on a mutual exchange of information and decision-making in all matters subject to approval by the Management Board. The Management Board conducts the business of the Company in accordance with the law, the Company bylaws and the rules of procedure. The rules of procedure for the Management contain stipulations regarding the disclosure and reporting obligations of the Management Board and formulate in concrete terms a list of business transactions that are subject to approval by the Supervisory Board.

Rules for Proprietary Trading

The Management Board makes its decisions on the basis of the members' professional expertise and irrespective of any personal interests. Members of the Management Board disclose all material personal interests in transactions of Raiffeisen Centrobank AG to the Supervisory Board. Conflicts of interest have to be reported to Compliance and to the Supervisory Board. All transactions between Raiffeisen Centrobank AG and the members of the Management Board or parties related to them are conducted in accordance with generally accepted industry standards and are approved by the Supervisory Board in advance.

Members of the Management Board are not permitted to operate businesses or be officers in other business entities without the approval of the Supervisory Board unless these entities are in a group relationship with Raiffeisen Centrobank AG or unless Raiffeisen Centrobank AG holds an interest in these entities. Furthermore, members of the Management Board are not permitted to conduct business transactions on their own account or that of another party or to hold shares in another company as a personally liable partner in the areas in which Raiffeisen Centrobank AG is active without the approval of the Supervisory Board.

Supervisory Board

The Supervisory Board monitors and assists the Management Board in the management of Raiffeisen Centrobank AG, in particular with regard to decisions of fundamental importance.

The rules of procedure for the Supervisory Board and its committees formulate in concrete terms a list of business transactions that are subject to the approval of the Supervisory Board or its committees.

The Supervisory Board has set up a risk committee, an audit committee, a remuneration committee, and a nomination committee.

Collaboration between the Supervisory Board and Management Board

A key principle of good corporate governance is open discussion between the Management Board and Supervisory Board or its committees and within these governing bodies.

The Management Board submits regular, responsive and comprehensive reports to the Supervisory Board about all relevant aspects of the Bank's business development, including the risk situation and risk management measures at the Bank. The Management Board immediately reports all important events to the Chairman of the Supervisory Board and also reports immediately on all circumstances that are of material relevance to the profitability or liquidity of the Company.

The Management Board coordinates the strategic orientation of the Company with the Supervisory Board and discusses the status of the implementation of the strategy at regular intervals with this Board.

The Supervisory Board meets at least four times per financial year.

Transparent Information Policy

Raiffeisen Centrobank AG attaches considerable importance to open and transparent communication with its shareholders and the interested public. Thus, Raiffeisen Centrobank AG provides on its website:

- Press releases, key data
- Shareholder structure
- Downloadable annual reports in PDF format
- Downloadable securities prospectuses in PDF format

Criteria for the Independence of the Supervisory Board Members for the Purposes of the Austrian Code of Corporate Governance

A Supervisory Board member is considered to be independent when he or she is not in any business or personal relationship with the Company or its Management Board that could cause a material conflict of interest and that could therefore influence the behavior of the Board member.

All members of the Supervisory Board of Raiffeisen Centrobank AG are independent according to the defined criteria for independence.

Compliance

To strengthen the 2nd Line of Defense, Legal, Compliance and Tax were separated as of 1 October 2015, and Compliance, Operational Risk and ICS (Internal Control System) were bundled into one organizational unit. This department assumes responsibility for all compliance-related tasks within Raiffeisen Centrobank AG and is subordinate to the CRO, but reports directly to the entire Management Board and the Supervisory Board. Moreover, there is a continuous exchange of information with Raiffeisen Bank International AG (RBI) Group Compliance. These comprehensive measures provide for an effective implementation of the high standards required by statutory demands.

Raiffeisen Centrobank AG applies Raiffeisen Bank International AG's Compliance Manual as the basis for its compliance guidelines, in addition to relevant legal and regulatory provisions. As a subsidiary of Raiffeisen Bank International AG the provisions contained in Raiffeisen Bank International AG's Code of Conduct are binding for and shall be observed by all employees of Raiffeisen Centrobank AG. The provisions have been implemented within Raiffeisen Centrobank AG in a binding set of rules including e.g. the Compliance and Anti-Money-Laundering Manual and organizational instructions.

Core compliance-related issues in Raiffeisen Centrobank AG include procedures and measures to prevent money laundering and terrorist financing, conflicts of interest, adherence to (financial) sanctions, implementation and monitoring of regulations for employee transactions and acceptance of gifts as well as training for employees. Moreover, major tasks include periodic reviews of the adherence to the Execution Policy when executing customer orders and measures to prevent insider trading and market manipulation.

In 2017, the Compliance Office at Raiffeisen Centrobank AG focused on analyzing the implications of the regulatory issues listed below, and on planning and finalizing their implementation:

MiFID II/MiFIR (Markets in Financial Instruments Directive II/Markets in Financial Instruments Regulation) are applicable as from 3 January 2018. Based on MiFID I, the rules for equity trading and investment advisory services (e.g. stricter rules for OTC transactions, comprehensive customer information requirements etc.) have been amended and tightened.

As from 1 January 2018, the PRIP regulations (Packaged Retail and Insurance-based Investment Products) are applicable which extend customer information obligations for PRIIP issuers such as Raiffeisen Centrobank AG. Retail investors must be provided with standardized information (key information documents) on the basic features and risks associated with a product.

The Financial Markets Anti-Money Laundering Act, which entered into force on 1 January 2017, implemented the 4th Anti-Money Laundering Directive which amends and tightens provisions relating to anti-money laundering and terrorist financing (e.g. definition of a beneficial owner, inclusion of domestic PEPs (Politically Exposed Persons) etc.).

Management Report of Raiffeisen Centrobank AG for the 2017 Financial Year

The addition of rounded numbers using automated systems, as was done for this report, may result in minor differences in amounts. The changes indicated in per cent refer to the actual amounts and not the rounded amounts shown in this report.

All designations that are used to refer to persons in this report apply equally to both genders unless reference is being made to a specific individual.

Economic Environment

In the 2017 financial year, the growth dynamics further gained momentum. The global upswing developed almost synchronously. As from the fourth quarter of 2016, the Eurozone has posted an average increase of 0.65 per cent p.q., a level which was last recorded between 2009 and 2011 and was exceeded only during the boom in 1999 and 2000 and from 2005 to 2007. The recovery was mainly propelled by domestic demand, in particular by public and private consumption and investment demand. At the end of 2017, sentiment indicators came to or even surpassed the historic peak. The situation on the labor market markedly eased and the Austrian economy recorded a substantial gain of over 3 per cent.

In 2017, the European Central Bank (ECB) left key interest rates unchanged (main refinancing rate at 0 per cent, deposit facility rate at minus 0.4 per cent). After the first quarter, the monthly bond purchase volume was cut back by € 20 billion. Thus, from April to December the volume came to € 60 billion per month.

In the USA, economic growth posted a sound performance. The GNP recorded a real increase of 2.3 per cent. Positive economic stimuli came from private spending, foreign trade and inventory investments. Over the course of the year, the labor market displayed a very favorable performance. The unemployment rate dropped noticeably from 4.7 per cent to 4.1 per cent. In 2017, the inflation rate came to 2.1 per cent. In the past year, the US Federal Reserve raised the key interest rate in three steps by 75 basis points in total.

In the 2017 financial year, the Euro appreciated versus the US dollar from roughly EUR/USD 1.05 to roughly EUR/USD 1.20. The gains were shored up by expectations that the ECB would abandon its accommodative monetary stance earlier than anticipated. Moreover, the US dollar was burdened by doubts that the US Federal Reserve would continue to return to a normal monetary policy.

Raiffeisen Centrobank AG's core markets in Central and Eastern Europe (CEE) continued their sound economic upswing for the fourth consecutive year which intensified yet again in 2017. Growth was supported primarily by a strong development of investment in plant and equipment and private consumption.

Financial Markets

| in € thousand | 2017 | 2016 | Change |
|--|-----------------|-----------------|-----------------|
| Net interest result | (13,923) | (18,584) | (25.1%) |
| Income from securities and financial investments | 7,947 | 9,224 | (13.8%) |
| Net fee and commission result | 1,994 | (2,506) | >100% |
| Net profit on financial trading activities | 61,338 | 55,616 | 10.3% |
| Other operating income | 1,891 | 1,954 | (3.2%) |
| Operating income | 59,248 | 45,704 | 29.6% |
| Staff expenses | (22,524) | (20,762) | 8.5% |
| Other administrative expenses | (15,567) | (14,576) | 6.8% |
| Depreciation | (1,135) | (1,353) | (16.1%) |
| Other operating expenses | (907) | (455) | 99.4% |
| Operating expenses | (40,134) | (37,146) | 8.0% |
| Operating result | 19,113 | 8,558 | >100% |
| Net valuations and net proceeds | (33) | 1,074 | >100% |
| Result on ordinary activities | 19,081 | 9,632 | 98.1% |
| Taxes | (2,505) | (6,454) | (61.2%) |
| Net income for the year | 16,576 | 3,178 | >100% |

In the course of the 2017 financial year, many stock indices recorded an all-time high against the backdrop of the economic upswing and the robust performance of company profits. The ATX increased by over 30 per cent and was one of the strongest performing indices worldwide. With a rise of roughly 31 per cent, the index has posted the strongest price increase since 2009. It was four times since 1990 that the ATX has gained over 30 per cent. This outstanding performance can be put down to the economic uptick in the CEE region which is of particular importance for many Austrian companies, the improved outlook for the index heavyweights of the financial industry and the favorable performance of small & midcap indices and emerging markets.

Throughout the year, the Euribor rates were in negative territory across all maturities for the year as a whole. The yield on two-year German government bonds initially reduced significantly, touching an all-time low of around minus 0.95 per cent in February 2017. As from April, interest oscillated around minus 0.7 per cent. The yield on ten-year German government bonds hovered mostly between 0.15 per cent and 0.50 per cent for the year as a whole, deviating from this range only briefly in July to reach a high of 0.65 per cent for 2017.

Development of Business and Earnings 2017

Development of Earnings

With an operating income of € 59,248 thousand (2016: € 45,704 thousand) and operating expenses of € 40,134 thousand (2016: € 37,146 thousand) an operating result of € 19,113 thousand (2016: € 8,558 thousand) was generated in the 2017 financial year. Taking into consideration net valuations and net proceeds in the amount of € minus 33 thousand (2016: € plus 1,074 thousand), the result on ordinary activities came to € 19,081 thousand. The previous year's result on ordinary activities of € 9,632 thousand was exceeded by € 9,449 thousand. Compared to the previous year's result, operating income rose by € 13,544 thousand to € 59,248 thousand, mainly due to the noticeably higher net profit on financial trading activities. Net interest result and net fee and commission result recorded an increase of € 4,661 thousand and

€ 4,500 thousand, respectively. Compared to 2016, income from securities and financial investments fell by € 1,277 thousand to € 7,947 thousand because no dividend payment was received from Centrottrade Holding GmbH, Vienna, which had come to € 1,880 thousand in the previous year.

Net interest result improved by € 4,661 thousand to € minus 13,923 thousand due to higher volume-related income from structured products held for hedging purpose and higher volume-related interest income from loans and advances to credit institutions which resulted in a rise in interest income from € 5,315 thousand to € 16,708 thousand.

Interest expenses rose by € 6,732 thousand to € 30,631 thousand and included mainly coupon payments for securitized liabilities. However, the increase was still 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.

Compared to the 2016 financial year, net fee and commission result rose by € 4,500 thousand to € 1,994 thousand due to higher fee and commission income from equity capital market transactions. In the previous year, net fee and commission result was impacted by high fee and commission expenses from the securities business.

Net profit on financial trading activities accounted for the main part of the operating income and went up from € 55,616 thousand in 2016 to € 61,338 thousand in 2017. This favorable development resulted from the profit contribution of the Structured Products segment which was substantially increased further to the higher issuance activity. The Global Equity Markets segment also improved its profit contribution as the sales business benefitted from higher sales volumes on the exchanges and rising stock prices.

Other operating income posted a modest decrease of € 63 thousand to € 1,891 thousand. The item included primarily income received from charging costs to third parties in the amount of € 730 thousand (2016: € 833 thousand) and the release of provisions coming to € 614 thousand (2016: € 657 thousand).

Operating expenses came to € 40,134 thousand and were 8.0 per cent or € 2,988 thousand above the previous year's figure of € 37,146 thousand.

Staff expenses came to € 22,524 thousand and increased by € 1,762 thousand mainly because of higher provisions for performance-related remunerations and the establishment of the Equity Capital Markets team within Raiffeisen Centrobank AG. Thus, wages and salaries went up from € 15,417 thousand to € 17,482 thousand, whereas expenses for severance payments and contributions to severance funds fell to € 590 thousand (2016: € 1,045 thousand).

Other administrative expenses increased from € 14,576 thousand to € 15,567 thousand yoy. The item primarily included expenses for information services coming to € 3,564 thousand (2016: € 3,631 thousand), IT costs in the amount of € 2,632 thousand (2016: € 2,336 thousand) and sundry coming to € 2,401 thousand (2016: € 1,835 thousand). Sundry included remunerations as well as expenses for severance payments and retirement benefits for the Management Board paid by Raiffeisen Bank International AG and charged to Raiffeisen Centrobank AG. In addition, other administrative expenses included payments to domestic and foreign financial market authorities as well as the annual contribution to the resolution fund in the amount of € 541 thousand (2016: € 687 thousand).

Depreciations fell from € 1,353 thousand to € 1,135 thousand due to decreased depreciations on office furniture and equipment (technical installations, office furniture, adaptations and hardware).

Other operating expenses which primarily contain expenses charged to third parties rose by € 452 thousand to € 907 thousand.

The cost/income ratio which had been 81.3 per cent in 2016 improved to 67.7 per cent owing to the significant rise in operating income.

In net valuations and net proceeds, expenses arising from shares in affiliated companies and equity participations and income arising from the valuation and disposal of loans and advances and of securities held as other current assets were almost equal resulting in a balance of € minus 33 thousand (2016: € 1,074 thousand). In 2016, the item included a liquidation profit in the amount of € 1,842 thousand resulting from the closing down of Centrottrade Chemicals AG.

The result on ordinary activities came to € 19,081 thousand compared to € 9,632 thousand in the previous year.

In the 2017 financial year, income taxes amounted to € 2,123 thousand (2016: tax income € 290 thousand). The change was primarily attributable to the higher group charge in the amount of € 1,655 thousand (2016: tax income € 809 thousand) following the significant improvement of the 2017 tax result (negative in the previous year). Furthermore, the item included expenses for foreign withholding tax in the amount of € 769 thousand (2016: € 743 thousand) as well as corporate income tax expenses adding up to € 88 thousand relating to the branch in Bratislava. Tax income from previous years' periods in the amount of € 397 thousand (2016: € 54 thousand) were derived from the settlement of group charges and the finalization of the external tax audit at Raiffeisen Bank International AG.

In the 2017 financial year, deferred taxes amounted to € 8 thousand. In the previous year, the item included an income in the amount of € 170 thousand.

In the reporting period other taxes added up to € 382 thousand (2016: € 6,744 thousand). The change resulted in particular from the one-off contribution to the Austrian bank levy in the amount of € 4,651 thousand in December 2016. Moreover, the current contribution decreased as well compared to the previous year.

The net income for the year amounted to € 16,576 thousand (2016: € 3,178 thousand).

Balance Sheet Development

Compared to December 2016, the balance sheet total increased by 17.3 per cent and rose from € 2,728,234 thousand to € 3,200,183 thousand.

On the asset side, "Loans and advances to credit institutions" went up by € 412,712 thousand to € 2,585,434 thousand. The rise was mainly due to an increase in tradable money market deposits of € 300,758 thousand to € 2,022,017 thousand. Moreover, the item included in particular interbank deposits (€ 407,220 thousand), unlisted bonds (€ 104,065 thousand) and collateral for the securities business and securities lending (€ 52,060 thousand). Compared to the previous year, interbank deposits and unlisted bonds rose by € 161,998 thousand and € 8,173 thousand, respectively, whereas collateral for the securities and option business dropped by € 58,238 thousand. On 31 December 2016 "Loans and advances to credit institutions" accounted for 79.6 per cent of the balance sheet total and increased to 80.8 per cent on 31 December 2017.

"Shares and other variable-yield securities" (7.3 per cent of the balance sheet total on 31 December 2017 and 6.4 per cent on 31 December 2016) went up by € 58,558 thousand to € 232,102 thousand, mainly following the rise in foreign shares of € 67,227 thousand. In contrast, other variable-yield securities decreased by € 14,717 thousand because they had reached their maturity date. 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" (4.1 per cent of the balance sheet total on 31 December 2017 and 3.7 per cent on 31 December 2016) increased by € 29,799 thousand yoy, mainly in positive fair values of derivative financial instruments, and came to € 131,975 thousand.

"Cash in hand and deposits with central banks" (5.7 per cent of the balance sheet total on 31 December 2017 and 6.5 per cent on 31 December 2016) rose marginally by € 7,036 thousand to € 183,472 thousand due to higher deposits at Oesterreichische Nationalbank for reasons of liquidity management.

"Loans and advances to customers" (1.1 per cent of the balance sheet total on 31 December 2017 and 2.1 per cent on 31 December 2016) dropped by € 23,247 thousand to € 34,766 thousand.

"Bonds, notes and other fixed-interest securities" (0.3 per cent of the balance sheet total on 31 December 2017 and 0.7 per cent on 31 December 2016) posted a volume-related decrease of € 7,804 thousand to € 10,770 thousand resulting from their replacement by tradable money market deposits.

The drop in "Shares in affiliated companies" (0.1 per cent of the balance sheet total on 31 December 2017 and 0.3 per cent on 31 December 2016) from € 8,475 thousand to € 3,900 thousand was attributable to the liquidation of Centrottrade Chemicals AG and the deletion of the company from the commercial register in February 2017.

"Equity participations" (0.2 per cent of the balance sheet total on 31 December 2017 and 0.2 per cent on 31 December 2016) remained almost unchanged yoy.

On the equity and liabilities side "Securitized liabilities" (73.3 per cent of the balance sheet total on 31 December 2017 and 72.0 per cent on 31 December 2016) recorded an increase yoy of € 380,458 thousand, rising to € 2,344,522 thousand. This was mainly due to the rise of issued bonds (Guarantee Certificates and Reverse Convertible Bonds) coming to € 253,492 thousand and other securitized liabilities (certificates with option character and warrants) amounting to € 126,966 thousand.

The increase in "Liabilities to customers" (10.4 per cent of the balance sheet total on 31 December 2017 and 5.9 per cent on 31 December 2016) of € 170,822 thousand to € 331,980 thousand was primarily attributable to higher deposits from foreign customers.

"Liabilities to credit institutions" (1.2 per cent of the balance sheet total on 31 December 2017 and 0.5 per cent on 31 December 2016) posted a rise of € 24,768 thousand to € 38,935 thousand further to higher liabilities for collateral.

Zero bonds, structured notes and tradable money market 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", "Other assets" and "Bonds, notes and other fixed-interest securities" and came to a total of € 2,021,526 thousand (31 December 2016: € 1,790,633 thousand).

"Provisions" (0.5 per cent of the balance sheet total on 31 December 2017 and 0.5 per cent on 31 December 2016) increased from € 12,929 thousand on 31 December 2016 to € 15,884 on 31 December 2017. The rise was mainly attributable to an increase in other provisions and tax provisions of € 2,655 thousand and € 375 thousand, respectively. In contrast, there was a decrease in provisions for severance payments in the amount of € 76 thousand.

"Retained earnings" (0.9 per cent of the balance sheet total on 31 December 2017 and 0.9 per cent on 31 December 2016) went up from € 24,852 thousand on 31 December 2016 to € 28,030 thousand on 31 December 2017. The change related to other reserves and can be put down to an allocation from the 2016 net profit in the amount of € 3,178 thousand.

"Other liabilities" (10.7 per cent of the balance sheet total on 31 December 2017 and 17.1 per cent on 31 December 2016) went down by € 123,488 thousand to € 342,370 thousand. This was attributable to a drop in negative fair values of derivative financial instruments as well as in the short selling of trading assets of € 53,468 thousand and € 66,007 thousand, respectively. Short-selling was effected in connection with the market making activities of the Bank and in relation to pension plans and represented offsetting items to equity and index futures as well as to cash positions on the asset side of the balance sheet.

Financial Instruments

Please refer to the notes.

Review of Business Segments

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 2016 financial year, the sales volume on the Vienna stock exchange increased by roughly 19 per cent and came to € 33.4 million (2016: € 28.0 million), whereas the leading international exchanges Euronext and Frankfurt rose by 10 per cent and 7 per cent, respectively and recorded a volume of € 1.3 billion (2016: € 1.2 billion) and € 1.7 billion (2016: € 1.6 billion). The stock exchange in Warsaw posted a rise of roughly 28 per cent to € 55.8 million and exceeded the previous year's volume of € 43.7 million. The exchanges in Bucharest and Budapest picked up by 22 per cent and 18 per cent, respectively, and came to € 2.0 million (2016: € 1.6 million) and € 8.7 million (2016: € 7.3 million), whereas the sales volume on the stock exchange in Prague fell by 15 per cent to € 5.3 million (2016: € 6.2 million).

At year-end, Raiffeisen Centrobank AG's market share on the spot market of the Vienna stock exchange amounted to roughly 6.7 per cent (2016: 6.4 per cent). In market making, Raiffeisen Centrobank AG as largest domestic market participant with a sales volume of roughly € 1.6 billion increased its market share to 10.9 per cent (2016: 9.4 per cent).

In the specialist tender of the Vienna stock exchange at the end of March, Raiffeisen Centrobank AG received 20 mandates. In addition, Raiffeisen Centrobank AG holds 19 mandates as market maker and, as largest market maker on the Vienna stock exchange, the Bank provides liquidity for all titles listed on the Prime Market. Raiffeisen Centrobank AG acted as market maker (designated sponsor) for 27 Austrian and 3 German titles listed on the XETRA in Frankfurt. On the futures exchange EUREX, Raiffeisen Centrobank AG provided quotes for listed derivatives on 13 Austrian single shares as well as for ATX and Eastern European indices. On the Warsaw stock exchange Raiffeisen Centrobank AG acted as market maker for 23 shares as well as WIG 20 index derivatives and stock futures. The number of market making mandates on the exchange in Bucharest came to 7 titles, whereas quotes for 5 shares were provided on the exchange in Prague.

Even though the 2017 financial year saw a rather favorable stock market environment, particularly low volatilities on the national and international financial markets resulted in a decrease of 8 per cent from € 14.5 million in 2016 to € 13.4 million in operating income excluding other operating income but including net valuations and net proceeds of securities held as other current assets.

Global Equity Markets & Company Research

In 2017, Europe saw a total of 98 IPOs with an offering volume of over € 75 billion, respectively – the second highest level of activities that was recorded in the past ten years.

In June, the establishment of the ECM business in Raiffeisen Centrobank AG was successfully finalized. Despite the low number of IPOs in Austria, Raiffeisen Centrobank AG took a leading position in the ECM business and executed 10 equity capital market transactions with a total volume of over € 11 billion on the relevant European exchanges in Vienna, Frankfurt, Warsaw and Bucharest.

In addition, Raiffeisen Centrobank AG was the sole Austrian bank to participate in the largest issue ever executed in the history of the Vienna Stock Exchange, the IPO of BAWAG Group coming to a total volume of roughly € 2 billion. Moreover, Raiffeisen Centrobank AG acted as sole Austrian bookrunner in the capital increase of Deutsche Bank (€ 8 billion) and the IPO of the Polish GetBack (PLN 740 million). Raiffeisen Centrobank AG participated in numerous transactions on the Romanian stock market which experienced a substantial rise in activities in 2017.

On the Vienna Stock Exchange Raiffeisen Centrobank AG accompanied BUWOG in their ABB-placement (€ 98 million) and supported RHI AG as tender agent in the merger with Magnesita.

Outside its core market in Austria, Raiffeisen Centrobank AG marketed its expertise in a wide range of advisory services in cooperation with local units and created a sound basis for the 2018 financial year. Supported by the strong performance of the stock markets and against the backdrop of intensive talks with customers and preparations Raiffeisen Centrobank AG's ECM team maintains a confident outlook as regards transactions in Austria and the CEE region in the 2018 financial year. Outside of Austria, major transactions are anticipated on the Russian, Polish, Romanian and Turkish markets.

Despite the comprehensive and challenging implementation of MiFID II requirements and shored up by 15 sales roadshows the customer basis in Execution and Electronic Trading was slightly expanded. The new services "Algo Execution" and "Corporate Action" were rolled out. As regards the successful "ETF Execution" services, additional brokers and customers were linked to Raiffeisen Centrobank AG's network. The new "Best Execution Monitoring" service was set up and offered to customers who execute

their orders primarily via Raiffeisen Centrobank AG. Moreover, customers are provided with an additional execution report upon request. On the whole, these activities contributed considerably to the rise in gross income in the 2017 financial year. The increase in trading volumes on the major exchanges provided additional tailwind.

In addition to implementing the regulatory requirements associated with MiFID II, the second half year focused on marketing the new research packages. Raiffeisen Centrobank AG's services were strongly promoted in 148 roadshow days. 7 roadshows were held in the US and created a sound basis for Raiffeisen Centrobank AG's business in the region. The outstanding marketing of primary market transactions and the top 3 ranking in the Extel Broker Voting in 2017 support the growth strategy additionally in 2018.

For the Global Equity Markets segment, operating income excluding other operating income came to € 9.0 million and markedly surpassed the previous year's result of € 4.4 million by 104.6 per cent.

As in the previous years, the coverage universe of Raiffeisen Centrobank AG comprised roughly 130 Austrian, Central and Eastern European as well as Russian companies. To expand the regional approach in Emerging Europe, a research cooperation with the Turkish broker Global Securities was established to cover the Turkish equity market.

The favorable stock market environment supported mainly primary market transactions. In 2017, Raiffeisen Centrobank AG's research team provided comprehensive transaction research and held investor education roadshows accompanying the IPOs of the Austrian credit institution BAWAG Group (October), the Romanian telecommunications company Digi Communications (May), the Polish financial institution GetBack (July) and the Romanian consumer company Sphera (November). In 2017, 1,177 research publications were prepared and marketed which undercut the previous year's number of publications by 211.

Analyst roadshows were held with investors in London, Paris, Frankfurt, Zurich, Stockholm, Warsaw, Budapest, Tallinn, Helsinki, Prague, Zagreb and Vienna. In the renowned Extel ranking, Raiffeisen Centrobank AG was elected among the top three brokers for Austrian and CEE stocks.

Expenses of Company Research are included in the Treasury & Trading, Global Equity Markets and Structured Products segments.

Structured Products

In the 2017 financial year, the segment achieved a record result. Sales volume and issuance activity both posted an increase. In 2017, 11,970 products were publicly offered (2016: 7,832) and 6,941 new certificates were issued (2016: 3,811). On the Austrian certificates market Raiffeisen Centrobank AG once again underpinned its market leadership. As per year-end 2017, the open interest reached the record level of € 3.9 billion and rose by roughly 14 per cent compared to 31 December 2016 (€ 3.4 billion). The sales volume remained high and contributed to a further increase in the segment's profit for the 2017 financial year.

In the Austrian Raiffeisen sector all former key data were outperformed. Roughly 100 certificates trainings for about 1,500 advisors were held. Compared to the previous year, the placed subscription volume was doubled and the total open interest among Raiffeisen customers in Austria soared by plus 40 per cent.

In the Raiffeisen network banks in CEE 57 customized products were placed in the private and 29 in the premium banking segment on the primary market which underpins the rising demand for investment certificates

in the retail business in Eastern Europe. Compared to 2016 (€ 1.2 billion), the sales volume (purchases and sales) went up by 45.4 per cent to € 1.8 billion and led 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. In the course of the year the first two Guarantee Certificates were successfully placed in the premium banking segment of Tatra Banka.

On the occasion of the Certificates Awards Austria in May 2017, Raiffeisen Centrobank AG was elected best certificates issuer in Austria for the eleventh time in a row and again outperformed the previous year's result with eight awards (seven top ranks).

In October and November, Raiffeisen Centrobank AG won the CFI Award "Best Structured Products Bank CEE" for the first time and, on the occasion of the Structured Products Europe Awards, was elected "Best Issuer in Central and Eastern Europe" for the seventh time. Moreover, Raiffeisen Centrobank AG won the "Innovation on Capital Markets" award of the stock exchange in Bucharest and was honored by the Warsaw stock exchange for its "Key Role in Market Development".

For the structured products segment (including the branch in Slovakia) operating income excluding other operating income came to € 33.1 million and surpassed the previous year's result of € 20.6 million by 61.2 per cent.

Investment Services

The segment services customers of Raiffeisen network banks in Central and Eastern Europe. Against the backdrop of the favorable market environment and the rising risk appetite among private investors, volumes developed very favorably.

Despite portfolio adjustments by Raiffeisenbank Russia, the deposit volume in the Investment Services/Booking Platform segment rose by 21 per cent from € 507 million on 31 December 2016 to € 612 million. A roll-out of the business model Booking Platform is currently prepared within RBI Group in cooperation with Raiffeisen Bank Romania.

Operating income excluding other operating income amounted to € 1.9 million and surpassed the previous year's figure of € 1.8 million by 2.7 per cent.

Performance Indicators

Financial Performance Indicators

| in per cent | 31/12/2017 | 31/12/2016 |
|--------------------------------|------------|------------|
| Return-on-equity before tax | 17.4 | 9.0 |
| Return-on-equity after tax | 15.1 | 3.0 |
| Cost/income ratio | 67.7 | 81.3 |
| Own funds ratio | 21.8 | 24.1 |
| Core capital ratio | 21.8 | 24.1 |
| Liquidity Coverage Ratio (LCR) | 205.2 | 149.8 |

Compared to the previous year, the result on ordinary activities increased substantially. Consequently, the return on equity before tax went up from 9.0 per cent to 17.4 per cent and correspondingly, the return on equity after tax came to 15.1 per cent (31/12/2016: 3.0 per cent)

The cost/income ratio of 81.3 per cent in 2016 improved markedly to 67.7 per cent, following the sharp rise in operating income.

Non-Financial Performance Indicators

| | 31/12/2017 | 31/12/2016 |
|--|------------|------------|
| Employees at year-end | 181 | 175 |
| Average number of employees | 178 | 175 |
| Stock exchange memberships | 12 | 12 |
| Number of newly issued warrants and certificates | 6,941 | 3,811 |

As per the end of December, the number of employees at Raiffeisen Centrobank AG amounted to 181, which, compared to 31 December 2016, represented an increase of 6 employees. In annual comparison, the staff rose on average by 3 employees to 178 employees.

Stock exchange memberships came to 12 and remained unchanged to the 2016 financial year (for details kindly see the website of Raiffeisen Centrobank AG www.rcb.at). The number of newly issued warrants and certificates rose by 3,130 or 82.1 per cent and came to 6,941.

Risk Management

Principles

Business opportunities and earnings potential are realized in Raiffeisen Centrobank AG based on active risk management by taking risk on 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.

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. In addition, 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 macro-economic 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 compliant with regulatory capital requirements, limiting specific banking risks and providing adequate risk coverage sums 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, Raiffeisen Centrobank AG applies the standard approach. To calculate option-related non-linear risks the scenario matrix method is employed.

For details on regulatory capital requirements please refer to the notes (page 40).

2. Identification 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 con-

cern" (VaR with a confidence interval of 95 per cent) and the "target rating perspective" scenario (VaR with a confidence interval 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.

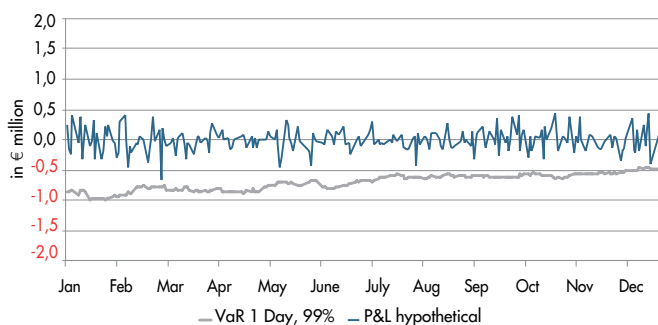
Major Risks

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 on 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 and approved on an annual basis. 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 31 December 2017, the VaR came to € 470 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 2017 financial year. 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. liquid assets, 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 31 December 2017, the LCR was at 205.2 per cent (31 December 2016: 149.8 per cent). Since January 2017, a minimum rate of 80 per cent has been mandatory on the single-institution level (as from 1 January 2018 the minimum rate is 100 per cent).

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

Risk situation

The Risk Appetite Framework is an internal tool to define and communicate the risk appetite of Raiffeisen Centrobank AG. The management of risk is done according to a limit and monitoring system pursuant to particular warning levels and limits. The following table depicts the bankwide key figures as at 31 December 2017 compared to 31 December 2016 as well as the respective minimum, maximum and average values for the 2017 financial year.

| | Key figure | Status | Limits | 12/2017 | 12/2016 | Change | Max ¹ | Min ¹ | Avg ¹ |
|---------------------------------|-------------------------------|--------|--------------------|----------|--------------------------|---------------------------|------------------|------------------|------------------|
| Pillar I | Total Capital Ratio | ● | 16% 18% | 21.8% | 24.1% | (2.3) PP | 24.5% | 17.9% | 22.1% |
| | CET 1 Ratio | ● | 16% 18% | 21.8% | 24.1% | (2.3) PP | 24.5% | 17.9% | 22.1% |
| | LCR | ● | 100% 120% | 205.2% | 149.8% | 55.4 PP | 247.9% | 146.6% | 187.2% |
| Pillar II (internal capital) | Total Capital Ratio in Stress | ● | 12.0% 14.0% | 21.8% | 22.9% | (1.1) PP | 24.5% | 17.9% | 22.1% |
| | Economic Capital Utilization | ● | 60.0% 50.0% | 22.6% | 30.8% | (8.2) PP | 30.3% | 22.6% | 25.5% |
| | Net Leverage Ratio | ● | 7.5% 9.0% | 13.7% | 13.6% | 0.1 PP | 14.3% | 10.7% | 12.6% |
| | Time-to-Wall | ● | 30 days 90 days | >90 days | >90 days | unchanged | n.a. | n.a. | n.a. |
| Risk reward profile | RORAC | ● | 15.0% 20.0% | 53.0% | 8.7 % 20.8% ² | 44.3 32.2 ² PP | 54.3% | 27.5% | 43.3% |
| | RORWA | ● | 1.1% 1.5% | 3.5% | 0.7 % 1.6% ² | 2.8 1.9 ² PP | 3.6% | 2.1% | 3.0% |

¹ during 2017

² NPAT excl. one-off payment of bank levy

The above key figures are defined as follows:

Total Capital Ratio and CET1 Ratio serve as quantitative measure to determine a credit institution's own funds in relation to the Risk-Weighted Assets (RWAs).

$$\text{CET1 Ratio} = \frac{\text{Common Equity Tier 1}}{\text{Total Risk-Weighted Assets}} \quad \text{Total Capital Ratio} = \frac{\text{Own funds}}{\text{Total Risk-Weighted Assets}}$$

The LCR (Liquidity Coverage Ratio) measures the liquidity outflow in a 30-day stress scenario.

$$\text{LCR} = \frac{\text{Liquid assets}}{\text{Net outflows}}$$

The Time-to-Wall is a liquidity key figure and indicates the time period for which liquidity is available in a stress scenario.

The Total Capital Ratio in stress measures the Total Capital Ratio in the going concern scenario (1 year retention period, 95 per cent confidence interval). Eligible own funds and expected profit are stressed at the VaR and contrasted with the Risk-Weighted Assets. The Total Capital Ratio acts as a floor.

$$\text{Total Capital Ratio in Stress} = \frac{\text{Eligible own funds} + \text{NPAT} - \text{Value at Risk}}{\text{Total Risk-Weighted Assets}}$$

The Economic Capital (EC) Utilization depicts the utilization of the risk coverage sum in the target rating scenario (1 year retention period, 99.92 per cent confidence interval).

$$\text{Economic Capital Utilization} = \frac{\text{Economic Capital}}{\text{Risk taking capacity}}$$

The Net Leverage Ratio limits the maximum business volume by the available core capital. The calculation of the Net Leverage Ratio excludes certain intragroup risk positions (e.g. funding passed on).

$$\text{Net Leverage Ratio} = \frac{\text{Core capital}}{\text{Balance sheet volume (excl. RBI)}}$$

The RORAC (Return on Risk-Adjusted Capital) and the RORWA (Return on Risk-Weighted Assets) are key figures of risk-adjusted return management. The net income is related to the allocated risk capital. Projects with higher risk profiles tie up more capital and should be more profitable.

$$\text{RORAC} = \frac{\text{NPAT}}{\text{Economic Capital (ytd avg)} + \text{Prudent valuation (ytd avg)}}$$

$$\text{RORWA} = \frac{\text{NPAT}}{\text{Risk-Weighted Assets (ytd avg)}}$$

On overall bank level, all key figures were stable and were above the regulatory limits.

Risk-Weighted Assets and Economic Capital by risk types are depicted in the below table:

| RWAs acc. to type of risk (in € million) | 31/12/2017 | 31/12/2016 | Change |
|--|--------------|--------------|--------------|
| Credit risk non-retail | 98.4 | 133.7 | (26.4%) |
| Market risk | 218.7 | 149.0 | 46.7% |
| Operational risk | 113.5 | 114.6 | (1.0%) |
| Equity participation risk | 9.0 | 13.6 | (33.6%) |
| CVA risk | 34.9 | 11.9 | >100% |
| Other risks ¹ | 13.4 | 14.2 | (5.9%) |
| RWAs Total | 487.9 | 437.0 | 11.6% |

¹ incl. Settlement risk and Owned property risk

| EC acc. to type of risk (in € million) | 31/12/2017 | 31/12/2016 | Change |
|--|-------------|-------------|----------------|
| Credit risk non-retail | 6.3 | 6.8 | (8.3%) |
| Market risk | 5.5 | 9.6 | (42.9%) |
| Operational risk | 8.1 | 8.8 | (8.2%) |
| Equity participation risk | 3.0 | 4.5 | (32.6%) |
| CVA risk | 2.5 | 0.8 | >100% |
| Other risks ¹ | 2.3 | 2.8 | (17.8%) |
| EC Total | 27.7 | 33.3 | (17.0%) |

¹ incl. Settlement risk and Owned property risk

In 2017, the major changes in the risk situation were as follows:

Equal to the previous year, the credit risk RWAs dropped significantly driven by a further reduction of the credit portfolio.

The increase in market risk RWAs is mainly driven by rise in non-linear risks at the portfolio's due date, which are handled differently to the calculation of the Economic Capital. Thus the rise is not reflected in the Economic Capital.

The CVA (Credit Value Adjustment) risk recorded a rise due to a group-wide modification in the calculation method.

The Internal Control System as Relevant for the Accounting System

Raiffeisen Centrobank AG and its governing bodies are committed to ensuring balanced and complete financial reporting. A fundamental requirement for this is compliance with all relevant legal regulations. In connection with the accounting process, the Management Board is responsible for designing and installing an internal control and risk management system that meets the requirements of the Company. The object of this internal control system is to support the management by making certain that effective internal controls are applied to the accounting process and that these controls are improved on whenever appropriate. The control system is designed to assure compliance with guidelines and regulations, as well as to create optimal conditions for specific control measures. An internal control system has already existed at Raiffeisen Centrobank AG for years in the form of directives and instructions for strategically important subject areas.

The financial statements are prepared on the basis of the pertinent Austrian laws, above all the Austrian Banking Act (BWG) in connection with EU Regulation 575/2013 (Capital Requirements Regulation "CRR") and the Austrian Commercial Code (UGB) as amended by the RÄG 2014. The department "Finance" is responsible for the Bank's accounting system and is directly subordinated to the Management Board. The department is responsible for dealing with all accounting issues and has the authority to provide for the safeguarding of the application of uniform standards. Organizational instructions and guidelines, which are comprised in a manual, have been set up for support.

Accounting according to the Austrian Banking Act and Austrian Commercial Code is effected via a central IT system using PAGORO/400, which is protected by the restricted assignment of access authorizations. The table of accounts is tailored to the Bank's individual requirements. Transactions are registered both automatically and manually. Accounting vouchers are then filed systematically and chronologically.

Monthly balance sheets are created and passed on to the Management Board and the senior management by means of a standardized financial reporting system. At least once per quarter the Supervisory Board is informed in the course of the Supervisory Board meetings of the current course of business including the Bank's operative planning and medium-term strategy.

The Management Board evaluates and monitors material risks in connection with the accounting process. In this, the focus is placed on the risks that are typically found to be material. The annual evaluation of the internal control measures applied by each of the responsible units is based on a

risk-oriented approach. The risk of incorrect financial reporting is assessed on the basis of a number of different criteria. For example, complex accounting principles can increase the risk of errors. Different principles for the measurement of assets and complex or changing business conditions can also lead to substantial errors in the financial reporting. Estimates must regularly be made during the preparation of the financial statements. In all of these cases, there is an inherent risk that actual developments may deviate from these estimates. This especially applies to the parameters in valuation models that are used to determine the fair values of financial instruments for which there is no current price quotation as well as to social capital, the outcome of legal disputes, the collectability of loans and advances, and the impairment of equity participations and inventories. In some cases, external experts are involved or publicly available information sources are used to minimize the risk of incorrect estimates.

In addition to the Management Board, the general control framework also includes senior management (the department heads). All control measures are applied to the daily business processes to ensure that potential errors or deviations in the financial reporting are prevented or discovered and corrected. The control measures that are applied at regular intervals range from the review of the periodic results by the management to the specific reconciliation and coordination of accounts and the analysis and further optimization of accounting processes. The Internal Audit department is also involved in the monitoring process. Its activities are based on the Austrian Financial Market Authority's minimum standards for internal auditing and international best practice. The Internal Audit department reports directly to the Management Board.

"Controlling" (part of the "Finance" department) is responsible for preparing the notes to the annual financial statements drafted according to the Austrian Banking Act and the Austrian Commercial Code. In addition, a management report is drawn up which explains the results in line with statutory requirements. The annual financial statements and the management report are forwarded to and reviewed by the Audit Committee of the Supervisory Board and are then presented to the Supervisory Board for its approval. The annual financial statements are published on the Company's website, in the Official Gazette of the Wiener Zeitung, and are also filed with the Austrian Company Register. Key employees and the Management Board review the annual financial statements prior to their distribution to the Supervisory Board. Moreover, analyses of the annual financial statements are prepared specially for the senior management.

Human Resources

As at 31 December 2017 Raiffeisen Centrobank AG had 181 employees, which, compared to 31 December 2016, represents an increase of 6 employees. In 2017, Raiffeisen Centrobank AG's staff came to 178 employees on average.

This modest rise is attributable to the newly established Equity Capital Markets team and the opening of Raiffeisen Centrobank AG's branch in Slovakia and was partly offset by maternity leaves and temporary vacancies in other departments.

Vacancies were filled in core functions to replace fluctuation-related departures. In the reporting period, the fluctuation rate came to 10 per cent.

Follow up employee survey

The first employee survey was carried out in October 2016. At the beginning of 2017, the results were analyzed in depth in interdisciplinary workshops. Employees developed further improvement measures and identified relevant topics which were presented to the Management Board for further action. Measures adopted such as the introduction of telework were presented during an employee event.

Diversity

At the end of December 2017, Raiffeisen Centrobank AG achieved the target rate of 30 per cent for the under-represented gender in Supervisory Board, Management Board and senior management functions (B-1 and B-2). The percentage of women in leadership positions came to 35.3 per cent.

In 2016, the initiative "Diversity 2020" was launched and continued with a number of programs in 2017.

One of the core issues is to consider equal treatment not only when it arises out of a particular occasion but to place special emphasis on establishing a clearly visible principle in everyday business. In the 2017 financial year, various seminars, workshops and lectures were organized which served to exchange information as well as experiences and views on the topic.

Outlook for 2018

Sentiment indicators which correlate closely with economic activity quote at an above-average level, some even stand at an all-time high. The economy is currently in full swing. Further to high capacity utilization and rising demand companies have increased investments and staff which, in turn, positively affects consumption. We anticipate a GDP growth rate for 2018 markedly above 2 per cent. The European Central Bank (ECB) has tied up a set of monetary measures for 2018. As from January the bond-buying program will be reduced to an average of € 30 billion per month and will be extended until September 2018. Key rates are set to remain unchanged for a longer period of time following the end of the bond-buying program. Thus, no interest rate hike is to be expected for 2018. In the course of the 2018 financial year we anticipate long-term interest to move up translating into a steepening of the yield curve.

The USA see a particularly stable and self-supporting upturn primarily fostered by private consumption and gross fixed capital investments. In addition, the economic outlook is shored up by the upcoming tax reform. Private consumption benefits from the unabated strong employment rate and rising real wages and salaries, and in tandem with the plant and equipment industry are anticipated to further gain traction against the backdrop of decreasing tax rates. We estimate the US economy to post an increase of roughly 2.5 per cent in the 2018 financial year. The monetary authorities anticipate three interest rate hikes in 2018 and three to four in 2019. At year-end 2018 the key interest rate should thus reach 2 to 2.5 per cent, and at year-end 2019 roughly 3 per cent. We reckon yields to continue their upswing in the forthcoming twelve months with the strongest rise at the long end.

We anticipate the favorable development on the stock market to continue in 2018. However, the upturn will be bumpier than in the previous years. Various sentiment surveys point to an overheated sentiment. The economic environment suggests an economic boom which should persist throughout the overall year.

Against the backdrop of the favorable outlook for the global stock markets and its core markets in Austria and CEE, Raiffeisen Centrobank AG expects the business segments Treasury & Trading, Structured Products, Investment Services and Global Equity Markets and Company Research to post a stable business result. The focus will be on the sustained development of both existing and new business activities in tandem with strict cost discipline and further efficiency enhancement. In 2018, the corporate/investor access in the ECM business will be further expanded and intensified. As regards transaction costs in the securities business further efficiency-raising measures will be implemented.

The impact of MiFID II, which took effect in January 2018, on the certificates business is difficult to assess. Compared to the record year 2017, a reduction of volumes and margins cannot be ruled out. The net profit for 2018 is expected to below the level achieved in 2017.

Research and Development

Raiffeisen Centrobank AG with its core area of business focusing on equities and structured products does not engage in research and development.

Vienna, 4 April 2018
The Management Board



Wilhelm Celeda
Chief Executive Officer



Valerie Brunner
Member of the Management Board

Statement of Legal Representatives pursuant to §82 Stock Exchange Act

We confirm to the best of our knowledge that the annual financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of Raiffeisen Centrobank AG 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.

Wien, 4 April 2018
The Management Board



Wilhelm Celeda
Chief Executive Officer



Valerie Brunner
Member of the Management Board

Financial Statements of Raiffeisen Centrobank AG as at 31 December 2017 according to the Austrian Banking Act

The addition of rounded numbers using automated systems, as was done for this report, may result in minor differences in amounts.

The changes indicated in per cent refer to the actual amounts and not the rounded amounts shown in this report.

Balance Sheet as at December 31, 2017

| Assets | 31/12/2017 in € | 31/12/2017 in € | 31/12/2016 in € thousand | 31/12/2016 in € thousand |
|--|--------------------|-------------------------|-----------------------------|-----------------------------|
| 1. Cash in hand and deposits with central banks | | 183,471,955.81 | | 176,436 |
| 2. Loans and advances to credit institutions | | | | |
| a) repayable on demand | 64,297,640.92 | | 125,619 | |
| b) other loans and advances | 2,521,136,283.90 | 2,585,433,924.82 | 2,047,103 | 2,172,722 |
| 3. Loans and advances to customers | | 34,766,110.91 | | 58,014 |
| 4. Bonds, notes and other fixed-interest securities | | | | |
| a) issued by public bodies | 2,348,232.48 | | 9,829 | |
| b) issued by other borrowers | 8,422,226.85 | 10,770,459.33 | 8,746 | 18,575 |
| 5. Shares and other variable-yield securities | | 232,102,233.46 | | 173,544 |
| 6. Equity participations | | 5,138,498.88 | | 5,139 |
| 7. Shares in affiliated companies | | 3,900,000.00 | | 8,475 |
| 8. Intangible fixed assets | | 54,203.01 | | 125 |
| 9. Tangible fixed assets thereof land and buildings used by the credit institution for own purposes: € 9,527,879.92 previous year: € 9,779 thousand | | 11,308,831.63 | | 11,522 |
| 10. Other assets | | 131,811,921.94 | | 102,175 |
| 11. Prepayments and other deferrals | | 1,262,662.11 | | 1,337 |
| 12. Deferred tax assets | | 162,687.57 | | 170 |
| Total assets | | 3,200,183,489.47 | | 2,728,234 |
| Off-balance sheet items | | | | |
| 1. Foreign assets | | 325,047,784.96 | | 301,300 |

| Equity and liabilities | 31/12/2017 | 31/12/2017 | 31/12/2016 | 31/12/2016 |
|--|-------------------|-------------------------|----------------------|----------------------|
| | in € | in € | in € thousand | in € thousand |
| 1. Liabilities to credit institutions | | | | |
| a) repayable on demand | 36,832,597.67 | | 7,442 | |
| b) with agreed maturity dates or periods of notice | 2,102,634.20 | 38,935,231.87 | 6,725 | 14,167 |
| 2. Liabilities to customers | | | | |
| a) repayable on demand | 94,014,530.31 | | 120,550 | |
| b) with agreed maturity dates or periods of notice | 237,965,940.32 | 331,980,470.63 | 40,608 | 161,158 |
| 3. Securitised liabilities | | | | |
| a) issued securitised liabilities | 1,158,784,229.67 | | 905,292 | |
| b) other securitised liabilities | 1,185,737,522.83 | 2,344,521,752.50 | 1,058,771 | 1,964,063 |
| 4. Other liabilities | | 342,370,028.58 | | 465,858 |
| 5. Accruals and deferred items | | 97,927.75 | | 240 |
| 6. Provisions | | | | |
| a) for severance payments | 3,961,491.00 | | 4,037 | |
| b) tax provisions | 374,943.29 | | 0 | |
| c) other provisions | 11,547,095.70 | 15,883,529.99 | 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 year | | 16,575,881.63 | | 3,178 |
| Total equity and liabilities | | 3,200,183,489.47 | | 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 | | 106,191,062.51 | | 105,334 |
| 4. Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013 (Total Risk-Weighted Assets) | | | | |
| hereof: capital requirements pursuant to Article 92 para 1 lit (a) to (c) | | 487,930,409.98 | | 437,035 |
| of Regulation (EU) No 575/2013 | | | | |
| hereof: capital requirements pursuant to Article 92 para 1 lit (a) | | 21.76% | | 24.10% |
| hereof: capital requirements pursuant to Article 92 para 1 lit (b) | | 21.76% | | 24.10% |
| hereof: capital requirements pursuant to Article 92 para 1 lit (c) | | 21.76% | | 24.10% |
| 5. Foreign equity and liabilities | | 477,669,750.43 | | 344,875 |

Income Statement for the 2017 Financial Year

| | 2017 in € | 2017 in € | 2016 in € thousand | 2016 in € thousand |
|--|-----------------|------------------------|-----------------------|-----------------------|
| 1. Interest and interest-like income thereof fixed-interest securities | 236,368.23 | 16,708,018.92 | 1,168 | 5,315 |
| 2. Interest and interest-like expenses | | (30,630,771.69) | | (23,899) |
| I. Net interest result | | (13,922,752.77) | | (18,584) |
| 3. Income from securities and financial investments | | | | |
| a) Income from shares, share rights and other variable-yield securities | 7,947,035.10 | | 7,344 | |
| b) Income from shares in affiliated companies | 0,00 | 7,947,035.10 | 1,880 | 9,224 |
| 4. Fee and commission income | | 14,057,937.03 | | 9,664 |
| 5. Fee and commission expenses | | (12,063,775.86) | | (12,170) |
| 6. Net profit on financial trading activities | | 61,338,064.04 | | 55,616 |
| 7. Other operating income | | 1,891,306.05 | | 1,954 |
| II. Operating income | | 59,247,813.59 | | 45,704 |
| 8. General administrative expenses | | (38,091,765.34) | | (35,338) |
| a) staff expenses | | | | |
| aa) salaries | (17,481,696.33) | | (15,417) | |
| bb) expenses for statutory social contributions and compulsory contributions related to salaries | (3,693,835.32) | | (3,571) | |
| cc) other social expenses | (379,602.66) | | (363) | |
| dd) expenses for pensions and assistance | (378,969.17) | | (366) | |
| ee) provisions for severance payments and contributions to severance funds | (590,232.24) | | (1,045) | |
| | | (22,524,335.72) | | (20,762) |
| b) other administrative expenses | (15,567,429.62) | | (14,576) | |
| 9. Value adjustments on asset items 8 and 9 | | (1,135,256.16) | | (1,353) |
| 10. Other operating expenses | | (907,387.91) | | (455) |
| III. Operating expenses | | (40,134,409.41) | | (37,146) |
| IV. Operating result | | 19,113,404.18 | | 8,558 |
| 11. Loan loss provisions and expenditures arising from the valuation of loans and advances and disposal of securities held as other current assets | | (5,157.37) | | (692) |
| 12. Income arising from the valuation and disposal of loans and advances and of securities held as other current assets | | 111,418.10 | | 108 |
| 13. Expenditures arising from the valuation of equity investments held as financial investments | | (139,118.18) | | (184) |
| 14. Income arising from the valuation and disposal of equity investments and of shares in affiliated companies held as financial investments | | 0.00 | | 1,842 |
| V. Result on ordinary activities | | 19,080,546.73 | | 9,632 |
| 15. Current income taxes | (2,114,717.49) | | 120 | |
| a) thereof passed on from parent company for the year: € (1,655,176.51); previous year: € 809 thousand | | | | |
| b) deferred taxes | (7,803.26) | (2,122,520.75) | 170 | 290 |
| 16. Other taxes unless included in item 15 | | (382,144.35) | | (6,744) |
| VI. Net income (=Net profit) for the year | | 16,575,881.63 | | 3,178 |

Development of Fixed Assets in the 2017 Financial Year

| Amounts in € | Cost of acquisition Balance as at 1/1/2017 | Cost of acquisition Additions | Cost of acquisition Disposals | Cost of acquisition Balance as at 31/12/2017 | Accumulated depr. Balance as at 1/1/2017 |
|---|---|----------------------------------|----------------------------------|---|---|
| I. Intangible fixed assets | | | | | |
| Software licenses | 1,968,597.47 | 5,865.06 | 0.00 | 1,974,462.53 | 1,843,133.46 |
| II. Tangible fixed assets | | | | | |
| 1. Land and buildings used by the credit institution for own purposes thereof value of property: € 2,637,765.92; previous year: € 2,638 thousand | 12,694,367.11 | 0.00 | 0.00 | 12,694,367.11 | 2,915,071.19 |
| 2. Office furniture and equipment | 13,233,905.90 | 782,723.10 | 52,590.70 | 13,964,038.30 | 11,490,801.87 |
| | 25,928,273.01 | 782,723.10 | 52,590.70 | 26,658,405.41 | 14,405,873.06 |
| III. Financial investments | | | | | |
| 1. Shares in affiliated companies thereof in credit institutions: € 0.00 | 8,474,754.91 | 0.00 | 4,574,754.91 | 3,900,000.00 | 0.00 |
| 2. Equity participations thereof credit institutions: € 0.00 | 5,157,829.82 | 0.00 | 18,894.94 | 5,138,934.88 | 19,329.94 |
| | 13,632,584.73 | 0.00 | 4,593,649.85 | 9,038,934.88 | 19,329.94 |
| Total | 41,529,455.21 | 788,588.16 | 4,646,240.55 | 37,671,802.82 | 16,268,336.46 |

| Accumulated depr. Additions / Depreciation | Accumulated depr. Write-up | Accumulated depr. Disposals | Accumulated depr. 31/12/2017 | Carrying amount 31/12/2017 | Carrying amount 31/12/2016 |
|---|-------------------------------|--------------------------------|---------------------------------|-------------------------------|-------------------------------|
| 77,126.06 | 0.00 | 0.00 | 1,920,259.52 | 54,203.01 | 125,464.00 |
| 251,416.00 | 0.00 | 0.00 | 3,166,487.19 | 9,527,879.92 | 9,779,295.92 |
| 806,714.10 | 61,838.68 | 52,590.70 | 12,183,086.59 | 1,780,951.71 | 1,743,104.04 |
| 1,058,130.10 | 61,838.68 | 52,590.70 | 15,349,573.78 | 11,308,831.63 | 11,522,399.96 |
| 0.00 | 0.00 | 0.00 | 0.00 | 3,900,000.00 | 8,474,754.91 |
| 0.00 | 0.00 | 18,893.94 | 436.00 | 5,138,498.88 | 5,138,499.88 |
| 0.00 | 0.00 | 18,893.94 | 436.00 | 9,038,498.88 | 13,613,254.79 |
| 1,135,256.16 | 61,838.68 | 71,484.64 | 17,270,269.30 | 20,401,533.52 | 25,261,118.75 |

Financial Statements as at 31 December 2017

Notes

A. Accounting Policies

General principles

The financial statements of Raiffeisen Centrobank AG for the 2017 financial year 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 Article 222 section 2 of the Austrian Commercial Code, the annual 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.

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. The business volume as well as income and expenses generated by the branch have been included into the 2017 financial statements.

No changes in the accounting and valuation methods have been made compared to the 2016 financial statements (see the website of Raiffeisen Centrobank AG <https://www.rcb.at/en/news-info/annual-reports>). Continuity with the presentation of the financial statements has been maintained.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are reported at the middle rates of exchanges fixed by the European Central Bank on the balance sheet date. Amounts denominated in currencies for which the European Central Bank published no rates are converted at the middle rates of exchange published by Raiffeisen Bank International AG on the balance sheet date.

Forward foreign exchange contracts are capitalized at the forward exchange rates. Any differences in rates resulting from currency conversion are reported as a profit or loss in the income statement.

Trading portfolio – valuation of securities, futures and options

A daily market price system is applied for the valuation of securities held for trading purposes or as other current assets.

In terms of securities held for trading purposes or as other current assets, the company's portfolio of shares in publicly listed companies as well as fixed-interest securities is reported at the share price prevailing on the balance sheet date. If no quotes or share prices are available, the value is determined by means of valuation models.

Bonds held by the company for trading purposes are valued at quotes provided by other credit institutions, brokers or at Reuters quotes, in case stock exchange quotes are not available or are not conclusive. If such quotes are not available, prices are calculated internally on the basis of the net present value method. This method is based on an interest rate curve comprised of money market, futures and swap rates as well as spreads.

Certificates acquired based on an equity-based or index-based performance are valued with the share prices prevailing on the balance sheet date, and if no share prices are available, with the assistance of valuation models to illustrate stochastic development processes.

Derivatives are reported in the balance sheet at fair value, which equals the market price or a synthetic value. Adjustments in value are recognized through profit or loss in the income statement. The synthetic values are determined according to the Bank's own evaluation methods, which are examined and approved by risk management and which are based on recognized option-theoretical models.

Options on securities of publicly listed companies and options on security indices (i.e. purchased and sold calls and puts, primarily EUREX options) as well as futures held for trading purposes are valued according to the market prices prevailing on the balance sheet date. Value adjustments were made to take temporal differences into account.

OTC options are primarily valued at tradable prices quoted by the counterparty. Options for which no tradable prices are available are valued by adequate models. For plain-vanilla options (American and European style), the Black-Scholes model and the binomial pricing model according to Cox-Ross-Rubinstein are applied. The Curran approximation is applied to Asian options, whereas barrier options use the Heynen-Kat model and spread options rely on the Kirk model.

Banking book – valuation of derivatives

The derivatives volume in the banking book relates on the one hand to an OTC product to hedge interest rate risks and on the other hand to FX forwards to hedge foreign currency risks. They are valued at fair value relying on observable market parameters.

Loans and advances to credit institutions and customers

Loans and advances to credit institutions and customers are shown at their nominal value. Individual loan loss provisions are made in the case of an identifiable recognizable risk of default on the part of borrowers.

Equity participations and shares in affiliated companies

Equity participations and shares in affiliated companies are valued at cost unless permanent losses or decreased equity require a non-scheduled depreciation of the fair value (subjective or objectified company value). In case, reasons for impairment are no longer applicable, a write-up to the cost of acquisition is carried out.

Intangible and tangible fixed assets

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

Depreciation rates applied are 33.3 per cent and 14.3 per cent p.a. for intangible fixed assets, 2.5 per cent and 10.0 per cent p.a. for immovable fixed assets, and 10.0 per cent - 33.0 per cent for movable fixed assets. A full year's depreciation is taken in the case of additions made during the first half of the financial year, whereas half-year depreciation applies to additions in the second half of the financial year. Low value assets (cost of acquisition per item less than € 0.4 thousand) are fully depreciated in the year of acquisition.

Liabilities to credit institutions and customers

Liabilities to credit institutions and customers are reported at the amount of repayment, taking into consideration the principle of financial prudence.

Securitized liabilities

Securitized liabilities are measured at fair value which equals the present value method, or the common option value methods for the option component. Securitized liabilities include capital guaranteed structured products, whose rate of interest depends on the equity price or equity index performance, reverse convertible bonds and certificates with option character (turbo, discount, open-end and bonus certificates) and warrants.

Provisions for severance payments

The provisions for severance payments are designed to fulfil legal demands, as well as those arising from individual or collective contractual agreements. Provisions are calculated in accordance with the guidelines specified by IAS 19, applying the Projected Unit Credit Method and assuming a calculatory interest rate of 1.5 per cent (31/12/2016: 1.6 per cent), as well as an unchanged annual salary increase amounting to 2.7 per cent (31/12/2016: 2.7 per cent). The AVÖ (Austrian actuaries' association) 2008-P-basis for calculating retirement pension insurances - Pagler & Pagler for salaried employees was taken as biometric basis for calculation.

The underlying presumption is a decreasing fluctuation rate in connection with the earliest possible retirement date, at the age of 60 for women and 65 for men, taking into account the changes to Austria's General Social Security Law in accordance to the Budgetary Amendment 2003. The premium reserve amounts to 75.9 per cent (31/12/2016: 78.3 per cent) of the statistical termination benefit obligations on the balance sheet date.

Other provisions

Other provisions have been made according to expected demands. They comprise identifiable risks and liabilities, the extent of which has not yet been determined. Subject to the provisions of the RÄG, long-term provisions were discounted as from the financial year 2016. The interest rate amounts to 1.5 per cent.

B. Notes to Balance Sheet Items

I. Cash in hand and deposits with central banks

The balance sheet item A 1, which encompasses cash in hand and deposits with the Austrian National Bank, amounted to € 183,472 thousand (31/12/2016: € 176,436 thousand). Prevailing regulations pertaining to liquidity and minimum reserves were observed.

II. Loans and advances

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

| 31/12/2017 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 | 64,298 | 378,623 | 336,119 | 1,633,995 | 172,399 | 2,585,434 |
| Loans and advances to customers | 22,443 | 2,604 | 0 | 2,768 | 6,950 | 34,766 |
| Bonds, notes and other fixed-interest securities | 0 | 0 | 1 | 10,769 | 0 | 10,770 |
| Shares and other variable-yield securities | 232,102 | 0 | 0 | 0 | 0 | 232,102 |
| Other assets | 22,573 | 2,209 | 10,525 | 89,606 | 6,898 | 131,812 |
| | 341,417 | 383,437 | 346,644 | 1,737,140 | 186,247 | 2,994,885 |

Comparative figures as at 31/12/2016

| 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 |

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

| 31/12/2017 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 | 2,383,236 | 0 |
| Loans and advances to customers | 2,041 | 514 |
| Bonds, notes and other fixed-interest securities | 8,422 | 0 |
| Shares and other variable-yield securities | 83 | 0 |
| Other assets | 977 | 8 |
| | 2,394,759 | 522 |

Comparative figures as at 31/12/2016

| 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” included tradable money market deposits in the amount of € 2,022,017 thousand (31/12/2016: € 1,721,259 thousand) serving as hedges for certificates and warrants issued by Raiffeisen Centrobank AG. Thereof € 2,013,932 thousand were attributable to Raiffeisen Bank International AG (31/12/2016: € 1,710,145 thousand).

III. Securities

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

| 31/12/2017 in € thousand | Unlisted | Listed | Total | Valued at market price |
|---|----------|---------|---------|---------------------------|
| Bonds, notes and other fixed-interest securities, A 4 | 0 | 10,770 | 10,770 | 10,770 |
| Shares and other variable-yield securities, A 5 | 55,767 | 176,335 | 232,102 | 232,102 |
| Equity participations, A 6 | 5,138 | 0 | 5,138 | x |
| Shares in affiliated companies, A 7 | 3,900 | 0 | 3,900 | x |

Comparative figures as at 31/12/2016

| 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 31/12/2017 balance sheet item A 4 included fixed-interest securities amounting to € 10,770 thousand (31/12/2016: € 18,575 thousand) of which € 1 thousand (31/12/2016: € 9,829 thousand) will fall due in the forthcoming year.

As at 31/12/2017 balance sheet item A 4 included securities classified as current assets amounting to € 0 thousand (31/12/2016: € 9,829 thousand) and securities of the trading book in the amount of € 10,770 thousand (31/12/2016: € 8,746 thousand).

The fair value of securities of the trading book (excluding hedge positions) exceeded the acquisition costs by € 81 thousand as at 31/12/2017 (31/12/2016: securities of the trading book and securities classified as current assets € 141 thousand).

IV. Equity participations and shares in affiliated companies

As at 31/12/2017, the Bank directly held a minimum of 20 per cent of the shares in the subsequent companies:

Figures as at 31/12/2017

| in € thousand | | | | |
|--|-------------------|------------|---------------------|--|
| Name | Shareholding in % | Equity | Annual results 2017 | |
| Domicile | | 31/12/2017 | | |
| 1 Centrotrade Holding GmbH, Vienna | 100 | 3,944 | (25) ¹ | |
| 2 Syrena Immobilien Holding AG, Spittal/Drau | 21 | 28,256 | (790) | |

¹ unaudited figures

Further to the sale of the commodity trading subsidiaries, Centrotrade Holding GmbH did not perform any operational activities.

Comparative figures as at 31/12/2016

| in € thousand | | | | |
|--|-------------------|--------------------|---------------------|--|
| Name | Shareholding in % | Equity | Annual results 2016 | |
| Domicile | | 31/12/2016 | | |
| 1 Centrotrade Holding GmbH, Vienna | 100 | 3,968 | (21) | |
| 2 Centrotrade Chemicals AG, Zug - in liquidation | 100 | 4,575 ¹ | (83) ² | |
| 3 Syrena Immobilien Holding AG, Spittal/Drau | 21 | 29,046 | (270) | |

¹ liquidation balance sheet as at 30 September 2016

² loss for the period until preparation of the liquidation balance sheet (30/09/2016)

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

V. Fixed assets

The composition and development of fixed assets is contained in the table outlining the development of fixed assets.

VI. Other assets

Balance sheet item A 10 "Other assets" totaling € 131,812 thousand (31/12/2016: € 102,175 thousand) referred primarily to purchase contracts from trading in derivative financial instruments reported at fair value as at 31/12/2017:

| 31/12/2016 | | 31/12/2017 | 31/12/2016 |
|---|--|----------------|---------------|
| in € thousand | | | |
| Positive fair values of derivative financial instruments | | | |
| from OTC options | | 108,620 | 60,849 |
| from trading in EUREX options | | 6,013 | 4,508 |
| from trading in other options | | 14,704 | 33,325 |
| | | 129,337 | 98,681 |

In addition, loans and advances to foreign tax authorities in the amount of € 1,269 thousand (31/12/2016: € 1,067 thousand), and settlement of Group charges (including capital yields tax charged to the Group) in the amount of € 808 thousand (31/12/2016: € 1,730 thousand) were included.

VII. Deferred tax assets

"Deferred tax assets" as at 31/12/2017 amounted to € 163 thousand (31/12/2016: € 170 thousand).

| Balance sheet items | Deferred tax assets | Deferred tax liabilities |
|--|---------------------|--------------------------|
| Shares and other variable-yield securities | 0 | (81) |
| Shares in affiliated companies | 5 | |
| Prepayments and other deferrals | 14 | |
| Provisions for severance payments | 1,242 | |
| Other provisions | 122 | |
| Total | 1,383 | (81) |
| Balance | 1,302 | |
| Deferred tax assets as at 31/12/2017 (12.5%) | 163 | |

Comparative figures as at 31/12/2016

| Balance sheet items | Deferred tax assets | Deferred tax liabilities |
|--|---------------------|--------------------------|
| Shares and other variable-yield securities | 0 | (141) |
| Shares in affiliated companies | 8 | |
| Prepayments and other deferrals | 14 | |
| Provisions for severance payments | 1,422 | |
| Other provisions | 61 | |
| Total | 1,505 | (141) |
| Balance | 1,364 | |
| Deferred tax assets as at 31/12/2016 (12.5%) | 170 | |

"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 un-taxable portion of the taxable profit on Group level.

VIII. Liabilities

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

| 31/12/2017 in € thousand | repayable on demand / without maturity | 0-3 months | 3-12 months | 1-5 years | >5 years | Total |
|------------------------------------|---|---------------|----------------|------------------|----------------|------------------|
| Liabilities to credit institutions | 36,833 | 2,054 | 0 | 0 | 48 | 38,935 |
| Liabilities to customers | 94,014 | 0 | 159,678 | 78,288 | 0 | 331,980 |
| Securitized liabilities | 0 | 74,044 | 218,422 | 1,691,417 | 360,640 | 2,344,522 |
| Other liabilities | 244,666 | 1,354 | 5,263 | 85,863 | 5,223 | 342,370 |
| | 375,513 | 77,452 | 383,363 | 1,855,568 | 365,911 | 3,057,807 |

Comparative figures as at 31/12/2016

| 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 | 32,764 | 465,858 |
| | 450,339 | 98,040 | 253,997 | 1,404,162 | 398,709 | 2,605,246 |

¹Adjustments of previous year's data

VIII.2. Liabilities to affiliated companies and equity participations

| 31/12/2017 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 | 1,866 | 0 |
| Liabilities to customers | 3,950 | 0 |
| Other liabilities | 21,485 | 1 |
| | 27,301 | 1 |

Comparative figures as at 31/12/2016

| 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 |

VIII.3. Securitized liabilities

The balance sheet item P 3 "Securitized liabilities" included issued and other securitized liabilities totaling € 2,344,522 thousand (31/12/2016: € 1,964,063 thousand), held for trading and allocated to the following product categories:

| in € thousand | 31/12/2017 | 31/12/2016 |
|---------------------------------------|------------------|------------------|
| Issued securitized liabilities | 1,158,784 | 905,292 |
| Guarantee Certificates | 826,591 | 727,889 |
| Reverse Convertible Bonds | 332,193 | 177,403 |
| Other securitized liabilities | 1,185,738 | 1,058,771 |
| Certificates with option character | 1,173,098 | 1,053,009 |
| Warrants | 12,639 | 5,762 |
| | 2,344,522 | 1,964,063 |

"Securitized liabilities" in the amount of € 292,465 thousand (31/12/2016: € 290,299 thousand) will fall due in the next year.

VIII.4. Other liabilities

The balance sheet item P 4 "Other liabilities" amounting to € 342,370 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 | 31/12/2017 | 31/12/2016 |
|---|----------------|----------------|
| Negative fair values of derivative financial instruments | 124,911 | 178,379 |
| from OTC options | 96,624 | 137,783 |
| from trading in EUREX options | 16,195 | 35,256 |
| from trading in other options | 12,092 | 5,340 |
| Short-selling of trading assets | 215,730 | 281,737 |
| | 340,642 | 460,116 |

¹ Adjustment of previous year data subject to a change in reporting

"Other liabilities" as at 31/12/2017 included various liabilities in relation to costs charged in the amount of € 989 thousand (31/12/2016: € 531 thousand) and liabilities related to payroll accounting in the amount of € 555 thousand (31/12/2016: € 560 thousand). As at 31/12/2016, the item contained a liability related to the contribution to the resolution fund coming to € 4,651 thousand.

IX. Share capital and reserves

The **share capital** remained unchanged and 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 |

Capital reserves amounted to € 20,651 thousand as at 31/12/2017, remained unchanged to the previous year (31/12/2016: € 20,651 thousand) and contain committed and uncommitted capital reserves adding up to € 6,561 thousand and € 14,000 thousand, respectively.

Retained earnings include legal reserves in the amount of € 1,031 thousand (31/12/2016: € 1,031 thousand) and other reserves totaling € 26,999 thousand (31/12/2016: € 23,821 thousand). The increase of other reserves amounting to € 3,178 thousand is attributable to the allocation of the 2016 net profit to other reserves.

Liability reserve pursuant to Article 57 section 5 Austrian Banking Act remained unchanged to the previous year, totaling € 13,539 thousand.

X. Provisions

"Provisions" were as follows:

| in € thousand | 31/12/2017 | 31/12/2016 |
|--|---------------|---------------|
| Provisions for severance payments | 3,962 | 4,037 |
| Tax provisions | 375 | 0 |
| Other provisions | 11,547 | 8,892 |
| Provisions for bonus payments | 2,787 | 1,275 |
| Provisions for litigation risks | 4,216 | 4,078 |
| Provisions for overdue vacation | 1,171 | 1,093 |
| Legal, auditing and consulting expenses | 231 | 351 |
| Provisions for outstanding incoming invoices in the securities segment | 610 | 357 |
| Provisions for outstanding incoming invoices (others) | 520 | 888 |
| Provisions for charged Management Board expenses | 1,307 | 771 |
| Provisions for outstanding licence fees | 325 | 0 |
| Provisions for charged third party fees | 120 | 0 |
| Sundry | 260 | 78 |
| | 15,884 | 12,929 |

XI. Obligations arising from the use of tangible fixed assets not recognized in the balance sheet

The rental and leasing expenses during the period under review amounted to € 447 thousand (2016: € 422 thousand), thereof € 99 thousand (2016: € 133 thousand) to affiliated companies. For the 2018 financial year, rental and leasing expenses are expected to total € 375 thousand and € 1,477 thousand for the 2019-2022 financial years, of which the rental and leasing expenses to affiliated companies will total € 46 thousand and € 164 thousand, respectively.

XII. Supplementary data

Assets and liabilities in foreign currencies

The following amounts are contained in the balance sheet in foreign currencies:

| in € thousand | 31/12/2017 | 31/12/2016 |
|---------------|------------|------------|
| Assets | 1,182,145 | 844,619 |
| Liabilities | 1,002,294 | 748,559 |

Volume of the securities trading book

As at the balance sheet date the securities trading book (notional amount) was made up as follows:

| in € thousand | 31/12/2017 | 31/12/2016 ¹ |
|-----------------------------|-------------------|-------------------------|
| Securities | 5,139,792 | 3,151,252 |
| Other financial instruments | 6,369,023 | 5,053,244 |
| | 11,508,815 | 8,204,497 |

¹Adjustment of previous year's data

Unsettled forward and option contracts

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

| in € thousand | 31/12/2017 | 31/12/2016 |
|--|------------|------------|
| Purchase contracts (notional amount) | | |
| Options on interest-rate instruments | 200 | 200 |
| Forward exchange contracts/gold contracts | 145,425 | 62,476 |
| Futures in asset values | 2,225 | 1,305 |
| Index future contracts | 377,547 | 384,703 |
| Options on asset values and equity/index-based options | 1,354,782 | 869,045 |
| Precious metals and commodity future contracts | 75,750 | 87,833 |
| Precious metals and commodity options | 40,274 | 33,063 |
| Other forward transactions, future contracts, options and similar transactions | 40,750 | 0 |

| in € thousand | 31/12/2017 | 31/12/2016 |
|--|------------|------------|
| Sales contracts (notional amount) | | |
| Interest rate futures | 9,000 | 0 |
| Forward exchange contracts/gold contracts | 93,753 | 22,757 |
| Futures in asset values | 4,260 | 394 |
| Index future contracts | 58,015 | 25,173 |
| Options on asset values and equity/index-based options | 2,056,321 | 1,805,414 |
| Precious metals and commodity options | 2,166 | 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 | 31/12/2017 | 31/12/2016 |
|------------------------|----------------|----------------|
| Shares/mutual funds | (16,940) | (130,429) |
| Listed options | (6,720) | (1,828) |
| Futures | 427,259 | 472,288 |
| Warrants/certificates | (1,184,806) | (1,061,052) |
| OTC options | 9,638 | (77,389) |
| Purchased bonds | 2,189,367 | 1,900,806 |
| Issued guarantee bonds | (1,160,000) | (913,514) |
| | 257,799 | 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 are 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.

Volumes of derivative financial transactions for 2017 were as follows:

| in € thousand 31/12/2017 | 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 | 9,000 | 0 | 69 | 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 | 9,000 | 0 | 69 | 0 | 0 |
| Interest rate futures | 0 | 9,000 | 0 | 69 | 0 | 0 |
| 2. Foreign exchange contracts | 185,735 | 53,443 | 0 | 1,942 | 355 | 0 |
| 2.1. OTC products | 185,735 | 28,485 | 0 | 1,545 | 355 | 0 |
| Forward foreign exchange contracts | 185,735 | 0 | 0 | 0 | 355 | 0 |
| Currency options | 0 | 62 | 0 | 48 | 0 | 0 |
| Gold contracts | 0 | 28,423 | 0 | 1,497 | 0 | 0 |
| 2.2. Products traded on stock exchange | 0 | 24,958 | 0 | 397 | 0 | 0 |
| Forward foreign exchange contracts | 0 | 24,958 | 0 | 397 | 0 | 0 |
| Currency futures/gold contracts | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Equity contracts | 0 | 3,893,901 | 0 | 124,148 | 0 | 123,486 |
| 3.1. OTC products | 0 | 2,850,737 | 0 | 105,966 | 0 | 96,070 |
| Equity/index-based options – purchased | 0 | 1,131,456 | 0 | 82,550 | 0 | 3,986 |
| Equity/index-based options – sold | 0 | 1,719,281 | 0 | 23,416 | 0 | 92,084 |
| Other equity-based contracts | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.2. Products traded on stock exchange | 0 | 1,043,164 | 0 | 18,182 | 0 | 27,416 |
| Share and other equity/index-based options and future contracts | 0 | 1,043,164 | 0 | 18,182 | 0 | 27,416 |
| 4. Commodities/precious metals | 0 | 118,190 | 0 | 3,178 | 0 | 1,070 |
| 4.1. OTC products | 0 | 42,393 | 0 | 1,109 | 0 | 199 |
| Commodity and precious metal options | 0 | 42,393 | 0 | 1,109 | 0 | 199 |
| 4.2. Products traded on stock exchange | 0 | 75,796 | 0 | 2,069 | 0 | 870 |
| Other commodity and precious metal future contracts | 0 | 75,796 | 0 | 2,069 | 0 | 870 |
| Total OTC products | 185,935 | 2,921,615 | 0 | 108,620 | 355 | 96,2693 |
| Total stock exchange traded products | 0 | 1,152,918 | 0 | 20,717 | 0 | 28,287 |
| | 185,935 | 4,074,533 | 0 | 129,337 | 355 | 124,556 |

Volumes of derivative financial transactions for 2016 were as follows:

| in € thousand 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 |
| Forward foreign exchange contracts | 0 | 21,090 | 0 | 0 | 0 | 1,247 |
| Currency futures/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 |
| Share 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 |
| | 44,299 | 3,271,540 | 3 | 98,678 | 90 | 178,289 |

C. Notes to the Income Statement

I. Interest and similar income

| in € thousand | 2017 | 2016 |
|--|---------------|--------------|
| from loans and advances to credit institutions | 4,101 | 1,471 |
| from loans and advances to customers | 800 | 1,008 |
| from fixed-interest securities | 236 | 1,168 |
| from structured products | 11,571 | 1,668 |
| | 16,708 | 5,315 |

II. Interest and similar expenses

| in € thousand | 2017 | 2016 |
|--|-----------------|-----------------|
| for liabilities to credit institutions | (2,958) | (2,141) |
| for liabilities to customers | (1,876) | (228) |
| for securitized liabilities | (25,796) | (21,530) |
| | (30,631) | (23,899) |

"Net interest result" in the amount of € 13,923 thousand was negative both in 2017 and 2016 (€ 18,584 thousand) and was comprised of interest income totaling € 16,708 thousand (2016: € 5,315 thousand) and interest expenses totaling € 30,631 thousand (2016: € 23,899 thousand). "Net interest result" improved by € 4,661 thousand to € minus 13,923 thousand 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 rose by € 6,732 thousand to € 30,631 thousand and include mainly coupon payments for securitized liabilities. The rise 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 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, item "Net interest result" included expenses resulting from negative interest for loans and advances in the amount of € 936 thousand (2016: € 750 thousand). In contrast, the item included income derived from negative interest for liabilities in the amount of € 152 thousand (2016: € 78 thousand).

III. Income from securities and financial investments

In the 2017 financial year, "Income from securities and financial investments" coming to € 7,947 thousand (2016: € 9,224 thousand) included solely income from variable-yield securities. The previous year's result included a dividend payment from Centrotech Holding GmbH in the amount of € 1,880 thousand. In 2017, no dividend was paid.

IV. Fee and commission income

| in € thousand | 2017 | 2016 |
|-----------------------------|---------------|--------------|
| from securities business | 9,341 | 9,281 |
| from ECM transactions | 4,451 | 150 |
| from payment transactions | 266 | 233 |
| from other banking services | 0 | 1 |
| | 14,058 | 9,664 |

V. Fee and commission expenses

| in € thousand | 2017 | 2016 |
|-----------------------------|-----------------|-----------------|
| from securities business | (11,520) | (11,854) |
| from ECM transactions | (232) | (27) |
| from payment transactions | (312) | (287) |
| from other banking services | 0 | (2) |
| | (12,064) | (12,170) |

The net fee and commission result in the amount of € 1,994 thousand (2016: € minus 2,506 thousand) was comprised of fee and commission income totaling € 14,058 thousand (2016: € 9,664 thousand) and fee and commission expenses in the amount of € 12,064 thousand (2016: € 12,170 thousand). In 2017, the rise in net fee and commission result was mainly attributable to income derived from equity capital market transactions.

VI. 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 € 55,616 thousand in 2016 to € 61,338 thousand in 2017. This favorable development resulted from positive net valuations and net proceeds of derivatives and money market deposits held for hedging purposes adding up to € 103,063 thousand (2016: € 88,708 thousand). In contrast, there was a negative result from the valuation and disposal of certificates and shares in the amount of € minus 29,443 thousand (2016: € minus 38,695 thousand) as well as from the valuation of spot and futures positions coming to € minus 12,282 thousand (2016: € plus 5,603 thousand).

VII. Other operating income

The item included mainly income from the release of provisions in the amount of € 614 thousand (2016: € 657 thousand). In addition, the item included income from charges passed on to third parties in the amount of € 730 thousand (2016: € 444 thousand) as well as income from charging internal expenses to Raiffeisen Bank International AG in the amount of € 405 thousand (2016: € 760 thousand).

VIII. Other administrative expenses

| in € thousand | 2017 | 2016 |
|---|-----------------|-----------------|
| Office space expenses (maintenance, operation, administration, insurance) | (964) | (1,202) |
| Office supplies, printed matter, literature | (286) | (252) |
| IT costs | (2,632) | (2,336) |
| Communication costs | (1,038) | (928) |
| Information services | (3,564) | (3,631) |
| Car expenses and travelling expenses | (644) | (586) |
| Advertising and promotional expenses | (1,301) | (1,003) |
| Legal, advisory and consultancy services | (1,045) | (1,345) |
| Contributions to associations | (1,151) | (771) |
| Resolution fund | (541) | (687) |
| Sundry | (2,401) | (1,835) |
| | (15,567) | (14,576) |

"Sundry" in the amount of € 2,401 thousand (2016: € 1,835 thousand) mainly included expenses for Management Board members charged by the parent company. The rise in "Contributions to associations" was due to higher fees paid to the Austrian Financial Market Authority resulting from the rise in Raiffeisen Centrobank AG's issuing activity.

IX. Other operating expenses

"Other operating expenses" in the amount of € 907 thousand (2016: € 455 thousand) primarily related to expenses charged in the amount of € 734 thousand (2016: € 437 thousand).

X. Net valuations and net proceeds

In the 2017 financial year, "Net valuations and net proceeds" amounted to € minus 33 thousand (2016: € 1,074 thousand) and 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 € 111 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 € 5 thousand as well as from the valuation of equity participations and shares in affiliated companies totaling € 139 thousand. In the previous year, the item was positively impacted by the profit derived from the liquidation of Centrottrade Chemicals AG coming to € 1,842 thousand.

XI. Income taxes and other taxes

Income taxes were as follows:

| in € thousand | 2017 | 2016 |
|---|----------------|------------|
| Group taxation | (1,655) | 809 |
| Corporate income tax/branch Slovakia | (88) | 0 |
| Taxes for former periods | 397 | 54 |
| Not recognized as foreign withholding tax | (769) | (743) |
| Current income taxes | (2,115) | 120 |
| Deferred income taxes | (8) | 170 |
| | (2,123) | 290 |

"Taxes for former periods" coming to € 397 thousand (2016: € 54 thousand) were attributable to the settlement of the Group charge from previous years and the finalization of an external tax audit at Raiffeisen Bank International AG.

In the 2017 financial year, "Other taxes" amounted to € minus 382 thousand (2016: € minus 6,744 thousand). The item included in particular the contribution to the Austrian bank levy coming to € minus 553 thousand (2016: € minus 6,614 thousand relating to the one-off contribution to the bank levy coming to € 4,651 thousand). The one-off payment of the bank levy in 2016 led to a decrease of the running fees for the 2017 financial year. Moreover, the item included income from VAT adding up to € 146 thousand (2016: tax expenses of € 108 thousand).

XII. Deferred taxes

In 2017, expenses for deferred tax assets came to € 8 thousand (2016: tax income of € 170 thousand).

XIII. Expenses for auditing the financial statements

"Expenses for auditing the financial statements" were contained in legal, advisory and consultancy services. Thereof € 133 thousand were attributable to the auditor (2016: € 110 thousand) and € 20 thousand to other consultancy services (2016: € 20 thousand).

D. Other Disclosures

Contingent liabilities

In accordance with Article 93 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 arm of the Raiffeisen Banking Group, registered as a limited liability company). In the financial year the theoretical claim on this insurance is limited to a rate of 1.5 per cent of the assessment basis in accordance with Article 22 section 2 Austrian Banking Act at the balance sheet date, plus the weighted items of the securities trading book, also in accordance with part 3 CRR. These contingent liabilities are reported at a market value of € 0.07.

Other contractual bank guarantee obligations

The following assets were pledged as security for obligations as at 31/12/2017:

Item A 2 Loans and advances to credit institutions

€ 358,265 thousand (31/12/2016: € 462,533 thousand)

Collateral deposited with banks for the securities and options business and securities lendings

Item A 3 Loans and advances to customers

€ 8,502 thousand (31/12/2016: € 8,309 thousand)

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

Item A 4 Fixed-interest securities

€ 2,348 thousand (31/12/2016: € 9,829 thousand)

Collateral deposited with banks 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

Commitments arising from fiduciary business transactions not included in the balance sheet referred to one equity participation held in trust in the amount of € 7,091 thousand on 31/12/2017 and 31/12/2016.

Own funds

The own funds pursuant to part 2 CRR were as follows:

| in € thousand | 2017 | 2016 |
|--|----------------|----------------|
| Capital paid-in | 47,599 | 47,599 |
| Earned capital | 62,220 | 59,042 |
| Core capital (tier 1 capital) before deductions | 109,819 | 106,641 |
| Intangible fixed assets | (54) | (126) |
| Prudent valuation | (2,119) | (1,181) |
| Holdings in non-significant investments in financial sector entities | (1,455) | 0 |
| Core capital (tier 1 capital) after deductions | 106,191 | 105,334 |
| Supplementary own funds | 0 | 0 |
| Core capital | 106,191 | 105,334 |
| Supplementary capital | 0 | 0 |
| Supplementary own funds (after deductions) | 0 | 0 |
| Total own funds | 106,191 | 105,334 |
| Total risk-weighted assets | 487,930 | 437,035 |
| Core capital ratio, credit risk | 68.2% | 60.7% |
| Core capital ratio, total | 21.8% | 24.1% |
| Own funds ratio | 21.8% | 24.1% |

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

| in € thousand | 2017 | 2016 |
|---|----------------|----------------|
| Risk-weighted assets (credit risk) | 155,738 | 173,414 |
| Standard approach | 120,793 | 161,501 |
| CVA (credit value adjustment) risk | 34,945 | 11,913 |
| Risk-weighted assets (position risk in bonds, equities, commodities and foreign currencies) | 218,664 | 149,035 |
| Risk-weighted assets (operational risk) | 68 | 1 |
| Risk-weighted assets (settlement and delivery risks) | 113,460 | 114,585 |
| Total risk-weighted assets | 487,930 | 437,035 |

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

| in € thousand | 2017 | 2016 |
|--|----------------|----------------|
| Risk-weighted assets according to standard approach | 120,793 | 161,501 |
| Central governments and central banks | 0 | 453 |
| Institutions | 65,743 | 81,458 |
| Corporates | 33,031 | 52,369 |
| Equity participations | 9,038 | 13,613 |
| Other positions | 12,980 | 13,608 |
| CVA risk | 34,945 | 11,913 |
| | 155,738 | 173,414 |

Number of staff

| | 31/12/2017 | Annual average | 31/12/2016 | Annual average |
|--------------------|------------|----------------|------------|----------------|
| Salaried employees | 181 | 178 | 175 | 175 |
| thereof part-time | 39 | 35 | 32 | 28 |

Advances and loans to members of the Management Board and Supervisory Board

At the balance sheet date no advances and loans had been granted to members of the Management Board. No advances, loans or guarantees had been granted to members of the Supervisory Board.

Expenses for severance payments and retirement benefits

"Expenses for severance payments and retirement benefits" (including contributions to pension funds and staff retirement benefit plans, as well as provisions for severance payments) for the Management Board (included in "Other administrative expenses") and the staff amounted to € 1,048 thousand (2016: € 1,592 thousand). Payments to employee pension funds totaled € 181 thousand (2016: € 168 thousand).

No break-down pursuant to Article 239 section 1 no 3 according to Article 242 section 4 was provided.

Remuneration for members of the Management Board and Supervisory Board

No break-down pursuant to Article 239 section 1 no 4 according to Article 242 section 4 was provided.

In 2017, attending fees in the amount of € 75 thousand were paid to members of the Supervisory Board (2016: € 75 thousand).

Remunerations and expenses on severance payments and retirement benefits for members of the Management Board were borne by Raiffeisen Bank International AG (an affiliated company) and were charged to Raiffeisen Centrobank AG (included in "Other administrative expenses").

Group relations

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

The formerly ultimate holding company Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna, was merged with Raiffeisen Bank International AG, Vienna, on 18 March 2017.

Since 17 December 2008, the company has been a member of the corporate group Raiffeisen Zentralbank Österreich Aktiengesellschaft (now Raiffeisen Bank International AG) pursuant to Article 9 Austrian Corporation Tax Act. The application submitted by the company to become a group member of the corporate group RZB as of the business year 2008 pursuant to Article 9 Austrian Corporation Tax Act was notified to the financial authorities on 19 December 2008 and was approved by notice on 22 April 2009.

The taxable results of the members of the group are attributed to the parent company. Any tax adjustments between the parent company and the individual members of the corporate group are regulated in the form of a tax allocation agreement.

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 Member of the Management Board until 18 March 2017, Raiffeisen Bank International AG, Vienna From 18 March 2017 to 31 October 2017 Deputy Chairman of the Management Board, Raiffeisen Bank International AG, Vienna | Chairman until 31 October 2017 |
| | Hannes Mösenbacher Head of Risk Controlling until 18 March 2017, Raiffeisen Bank International AG, Vienna As of 18 March 2017 Member of the Management Board, Raiffeisen Bank International AG, Vienna | Member until 31 October 2017, as of 1 November 2017 Chairman |
| | Michael Höllner Member of the Management Board until 18 March 2017, Raiffeisen Zentralbank Österreich AG, Vienna As of 18 March 2017 until 20 December 2017 Plenipotentiary, Raiffeisen Bank International AG, Vienna As of 20 December 2017 Member of the Management Board, Raiffeisen Bank Polska | 1st Deputy Chairman |
| | Werner Kaltenbrunner Head of Participations until 18 March 2017, Raiffeisen Bank International AG, Vienna As of 18 March 2017 Head of International Equity Investments, Raiffeisen Bank International AG, Vienna | Member |
| State Commissioners | Alfred Hacker Karl-Heinz Tscheppe | |

Significant Events after the Balance Sheet Date

There were no significant events after the balance sheet date.

Vienna, 4 April 2018
The Management Board



Wilhelm Celeda
Chief Executive Officer



Valerie Brunner
Member of the Management Board

Distribution of the Profit 2017

The 2017 financial year closed with a net profit of EUR 16,575,881.63.

The Management Board proposes to the Supervisory Board that a dividend in the amount of € 19.00 per share be distributed from the net profit as at 31 December 2017. This corresponds to a total dividend amounting to € 12,445,000 for 655,000 shares. The Management Board further proposes to allocate an amount of € 4,130,881.63 to other reserves. Other reserves will change from € 26,998,598.98 to € 31,129,480.61.

Vienna, 4 April 2018
The Management Board



Wilhelm Celeda
Chief Executive Officer



Valerie Brunner
Member of the Management Board

Auditor's Report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

Raiffeisen Centrobank AG,
Vienna, Austria,

which comprise the balance sheet as at 31 December 2017, 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 at 31 December 2017, 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 the Regulation (EU) 537/2014 ("EU 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 Company, in accordance with Austrian Generally Accepted Accounting Principles and 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.

Valuation of certificates, warrants and other financial instruments as well as dynamic hedging

The Financial Statement Risk

The issuance of certificates and warrants with a total volume of roughly 2.3 billion, i.e. roughly 73 per cent of the balance sheet total, as well as continual adjustments of hedging positions (dynamic hedging) connected to this activity represent the major business activities of Raiffeisen Centrobank AG.

The Management Board describes the process of valuating assets-related and liabilities-related products under "Accounting Policies" within the notes.

Raiffeisen Centrobank AG calculates prices for issued certificates, warrants and structured products based on internal valuation models. Market price risks and interest rate risks resulting from the issue of certificates are hedged dynamically. Structured products issued on the liabilities side

are replicated by counter-positions on the assets side. Hedging positions are continually adjusted to market conditions. Financial products without tradable prices are reported in the balance sheet at fair value which is determined by valuation models or, in individual cases, by external (indicative) quotes of brokers or other credit institutions. Following the principle of prudent valuation, value adjustments are made in the determination of the fair value of particular financial products.

The risk to the financial statements results from discretionary assumptions and parameters applied in the internal models and thus potential misjudgment for the valuation of financial instruments reported at fair value without tradable prices and observable market data. The same applies to the determination of the fair value based on external (indicative) pricing methods and value adjustments.

Our Response

We tested the processes of valuation, reconciliation of depositories and adjustment of general ledger and sub-ledger. In addition, we assessed the implementation of risk management in the trading book, in particular limit reviews, market conformity check and product introduction. We tested significant key controls in respect to their design, implementation and operating effectiveness.

We involved valuation specialists to assess the appropriateness of the fair values determined by the Bank as well as of the valuation models, value adjustments and the underlying parameters applied. We compared the parameters with market data on a sample basis and verified whether they represented adequate input factors. Further, we analyzed the results of the Bank's backtesting of value adjustment assumptions and critically assessed if the value adjustments were appropriate to determine the fair value. In addition, we assessed whether external (indicative) quotes were adequate to be used as fair values based on the inquiries of the responsible employees and the inspection of documents provided to us. On a sample basis we tested whether the underlying assumptions for the calculation were conclusive and recalculated the fair value.

Finally, we assessed whether the disclosures in the notes regarding the valuation methods were appropriate and complete.

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 control as management determines is 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.

Auditors' Responsibility

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 EU 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 EU 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, misrepresentations 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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant 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.
 - 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 Generally Accepted Accounting Principles 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 Generally Accepted Accounting Principles and other legal requirements (Austrian Banking Act).

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.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the financial statements, the management report and the auditor's report.

Our opinion on the financial statements does not cover other information and we do not provide any kind of 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 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 EU Regulation

At the Annual General Meeting dated 26 April 2016, we were elected as auditors. We were appointed by the supervisory board on 24 May 2016. We have been the Company's auditors for more than 20 years without interruption.

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 EU Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 EU 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. Wilhelm Kovsca.

Vienna, 4 April 2018

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Wilhelm Kovsca
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. Article 281 section 2 UGB (Austrian Commercial Code) applies.

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