

Annual Financial Report 2018

Annual Financial Report 2018: 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	2018	2017	Change
Key ratios			
Operating income	59,759	59,248	0.9%
Operating expenses	(42,366)	(40,134)	5.6%
Result on ordinary activities	15,728	19,081	(17.6%)
Net profit for the year	13,004	16,576	(21.5%)
Balance sheet total	3,735,352	3,200,183	16.7%
Return-on-Equity before tax	13.8%	17.4%	-
Return-on-Equity after tax	11.4%	15.1%	-
Cost/income ratio	70.9%	67.7%	-
Bank-specific information			
Core capital	112,343	106,191	5.8%
Total risk-weighted assets	475,262	487,930	(2.6%)
Surplus of own funds	74,322	67,157	10.7%
Core capital ratio	23.6%	21.8%	-
Core capital ratio/credit risk	76.0%	68.2%	-
Own funds ratio	23.6%	21.8%	-
Liquidity coverage ratio (LCR)	219.6%	205.2%	-
Non-financial performance indicators			
Employees at year-end	191	181	5.5%
Average number of employees	186	178	4.5%
Stock exchange memberships	10	11 ¹	(9.1%)
Number of newly issued warrants and certificates	4.869	6,941	(29.9%)

¹ Adjustment of previous year's data

Preface by the Chairman of the Supervisory Board



Dear Ladies and Gentlemen,

During the 2018 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 assessments and relevant business developments at 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.

After bundling its entire range of products and services in the equities business by taking on the Equity Capital Markets (ECM) segment in 2017, Raiffeisen Centrobank AG focused on further sharpening its profile as a centre of competence for equities and certificates last year.

In spite of a highly volatile year, Raiffeisen Centrobank AG managed to see a steady rise in profit contributions across the majority of its business segments. This was particularly evident with the Structured Products team, which recorded another exceptional year. The increase in issuing and sales activities was reported in the partial protection and guarantee certificates segments which, in this current low interest rate environment, represent an attractive investment choice for private investors. The open interest volume in 2018 broke the € 4 billion record, confirming once more that Raiffeisen Centrobank AG is the leading certificates issuer in Austria.

This performance was supported by the increased digital initiatives in the past year, which were conducted within the Elevator Lab of Raiffeisen Bank International AG as well as internally across almost

all divisions. An example of the internal efforts was the revamping of the website as well as the launch of the Certificate Finder tool. Together with the increase of webinars, these measures serve the purpose to make certificates more widely known and, thus, further expand Raiffeisen Centrobank AG's leading position in this field.

Raiffeisen Centrobank AG was also involved in major capital market transaction in CEE as well as a consortium member in international transactions. In addition, the marketing activities of the research product and the number of corporate roadshows were increased significantly as a countermeasure to the negative impact of the MiFID II "unbundling" requirement. The further development of the trading software was also pursued intensively in order to reduce the latency times, increase the competitiveness for order executions for international brokers, and continue to enable Raiffeisen Centrobank AG's position as leading market maker.

As Hannes Mösenbacher has taken on the role of Deputy Chairman of the Supervisory Board, it was a great honor for me to become Chairman on 25 April 2018.

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

A handwritten signature in black ink, appearing to read 'L. Januszewski', with a long horizontal stroke extending to the right.

Lukasz Januszewski
Chairman of the Supervisory Board

CEO Editorial



**Ladies and Gentlemen,
dear Reader,**

The past financial year was marked by high volatility, political tensions, such as the trade disputes between the US and China and demanding regulatory requirements for securities companies under MiFID II. Against the backdrop of this challenging environment, we still managed to improve our performance. I would like to express my sincere gratitude to all employees for their great effort and accomplishments in the past year.

160 roadshows and 12 conferences in Europe, Turkey and the US underpinned our intensive marketing activities. Moreover, we further strengthened our position the leading Austrian certificates issuer. The open interest reached again a record level.

Numerous awards confirmed Raiffeisen Centrobank AG's successful business activities. At the Certificates Awards Austria that were held in April 2018, we were awarded best Austrian certificates issuer for the twelfth consecutive year and won the prize "Certificates House of the Year". The outstanding performance of our CEE Structured Products team was honored within the cfi.co awards, which named Raiffeisen Centrobank AG "Best Structured Products Bank CEE" for the second time. Moreover, the Bank was named largest market maker and specialist by the Börse Social magazine.

Despite the low number of IPOs in Austria and the CEE region, Raiffeisen Centrobank AG achieved a strong position in the ECM business and participated as sole global coordinator in the sole Romanian IPO. A milestone for our ECM team was the USD 862 million IPO of

Hudson Group on the New York Stock Exchange, where we were successfully involved as a consortium member.

"Digitalization" is a buzzword throughout the financial sector. Raiffeisen Centrobank AG has launched numerous initiatives to further enhance the service range for its customers and business partners and to provide them with even more comprehensive access to information. The Certificate Finder, for example, enables investors to inform themselves about the certificate universe and to select and trade relevant products. In addition, several training measures have been set up including bilingual tutorial videos and webinars for customer advisors.

Another digitalization project was the cooperation with the startup 360kompany in the area RegTech. As operating mentor, Raiffeisen Centrobank AG has developed a compliance concept jointly with the startup 360kompany to enhance and make Know-Your-Customer (KYC) processes more efficient.

The past year focused clearly on increasing communication and transparency. Therefore, I wish you an interesting review of the 2018 financial year, which has been outlined in the present annual financial report of Raiffeisen Centrobank AG.

Kind regards,

A handwritten signature in black ink, appearing to read "Wilhelm Celeda". The signature is fluid and cursive, written on a white background.

Wilhelm Celeda
CEO of Raiffeisen Centrobank AG

The year in review

26 January – Raiffeisen Centrobank AG once again awarded by Börse Social Network

Raiffeisen Centrobank AG receives Number One Awards as largest certificates issuer and largest specialist/market maker. With a total of eight awards in the past four years Raiffeisen Centrobank AG has won more Börse Social Network awards than any other competitor.

7 February – Russian Day in Stockholm

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

March – Raiffeisen Centrobank AG sets up a cooperation with 360kompany, winner of the Elevator Lab, to automate compliance processes

With an innovative compliance concept, the startup 360kompany wins the Elevator Lab for the best RegTech solution. As operating mentor Raiffeisen Centrobank AG refines the concept in cooperation with the startup to speed up and enhance Know-Your-Customer (KYC) processes.

4 April – Raiffeisen Centrobank AG's ECM team "Best Equity House in Central and Eastern Europe"

The ECM team is awarded by the financial magazine EMEA Finance "Best Equity House in Central and Eastern Europe" as part of the "Achievement Awards 2017".

9-11 April – Investor Conference Zürs

More than 100 institutional investors such as pension funds, funds and insurance companies meet with roughly 70 companies at the Investor Conference in Zürs, which is organized by Raiffeisen Centrobank AG for the 17th time.

13-14 April – Invest Stuttgart

The Structured Products team represents Raiffeisen Centrobank AG at the largest financial fair in German speaking countries and presents interesting investment opportunities with attractive yield potential in the current market environment.

25 April – EUSIPA: Heike Arbter re-elected president

Heike Arbter, Head of Structured Products at Raiffeisen Centrobank AG, is unanimously re-elected president of the European umbrella association for structured investment products in Brussels for an additional two-year term.

26 April – Overall winner Certificates Award Austria 2018

For the 12th time in a row Raiffeisen Centrobank AG is awarded best national certificates issuer. Moreover, the bank is honored as "Certificates House of the Year".

4 May – Number one specialist on the Vienna Stock Exchange

Raiffeisen Centrobank AG is again the number one Market Maker and Specialist on the Vienna Stock Exchange. Between 2 May 2018 and 29 March 2019 Raiffeisen Centrobank AG provides liquidity for all 38 titles listed on the Prime Market.

5 May – Stock exchange day in Vienna

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.

11 May – Turkish Day in Warsaw

Raiffeisen Centrobank AG invites investors to meet the management and IR teams of Turkish listed companies in an informative meeting.

July – Cooperation "Zweite Gruft" and "Haus Amadou"

In the course of the "RCB helps!" social engagement initiative, Raiffeisen Centrobank AG sets up a cooperation with the Caritas projects "Zweite Gruft" and "Haus Amadou". Raiffeisen Centrobank AG's employees engage in numerous sponsoring and corporate volunteering activities including cooking together for "Zweite Gruft".

5 September – Board dinner for potential issuers

Jointly with Raiffeisen Bank International AG and the Vienna Stock Exchange, Raiffeisen Centrobank AG organizes a board dinner for 40 potential issuers focusing primarily on family and industrial companies to strengthen the cooperation with the Vienna Stock Exchange in the IPO segment.

13 September – Turkey IR day in Istanbul

Raiffeisen Centrobank AG organizes the Turkey IR day in Istanbul for investors and IR teams of top listed Turkish companies.

19-20 September – Raiffeisen Centrobank exclusive sponsor and exhibitor at the Börsianer Messe

Together with Raiffeisen Bank International AG and Raiffeisen Capital Management, Raiffeisen Centrobank AG participates as sponsor at the Börsianer Messe 18 held on the premises of the Vienna Hofburg palace, discussing megatrends and developing new ideas for the Austrian capital market.

1-2 October – Polish and Austrian days in Bucharest

Raiffeisen Centrobank AG organizes two investors' events in Bucharest bringing together leading Romanian investors with Polish and Austrian companies in multiple one-on-one meetings.

18 October – First Romanian investors' day in Stockholm

In cooperation the Bucharest Stock Exchange, Raiffeisen Centrobank AG invites Romanian companies to meet with Scandinavian investors. The event offers investors the opportunity to meet with five Romanian listed companies on a one-on-one basis.

18-19 October – GEWINN-fair

At the summit of the Austrian financial sector Raiffeisen Centrobank AG presents its certificates and informs about current investment opportunities.

29 October – cfi.co award

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

15 November – Russian IR day in Moscow

Raiffeisen Centrobank AG organizes the Russian IR day in Moscow for investors and leading listed Russian companies.

21 November – Austrian day in Warsaw

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

Corporate Bodies

Management Board	Wilhelm Celeda Valerie Brunner	Chief Executive Officer Member of the Management Board
Supervisory Board	Łukasz Januszewski Member of the Management Board as from 01 March 2018, Raiffeisen Bank International AG, Vienna	Chairman as from 25 April 2018
	Hannes Mösenbacher Member of the Management Board, Raiffeisen Bank International AG, Vienna	Chairman until 25 April 2018, Deputy Chairman as from 25 April 2018
	Michael Höllerer Plenipotentiary, Raiffeisen Bank International AG	Deputy Chairman until 25 April 2018, Member as from 25 April 2018
	Andrii Stepanenko Member of the Management Board as from 01 March 2018, Raiffeisen Bank International AG, Vienna	Member as from 25 April 2018
	Werner Kaltenbrunner	Member until 25 April 2018
State Commissioners	Alfred Hacker Karl-Heinz Tscheppe	

Vienna, 4 April 2019
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 shareholders' 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 2018).

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 bylaws 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 bylaws for the Management Board. The bylaws for the Management Board 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 takes 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 Supervisory Board has set up an Audit Committee.

The bylaws for the Supervisory Board and the audit committee formulate in concrete terms a list of business transactions that are subject to the approval of the Supervisory Board or the Audit Committee.

Collaboration between the Supervisory Board and Management Board

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

The Management Board submits regular, timely 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 all 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

The department Compliance, Operational Risk and ICS (Internal Control System) assumes responsibility for monitoring the non-financial risks within Raiffeisen Centrobank AG. These areas of responsibility have been bundled into one organizational unit which provides for the overall assessment and integrated control of non-financial risks, the rapid reaction to newly emerging or changing risks, and the safeguarding of the efficiency and efficacy of internal controls.

The internal control systems and the management of non-financial risks are based on three lines of defense. The first line of defense is formed by individual departments, where department heads are responsible for monitoring the processes and risks in their business areas. The second line of defense is provided by specialist areas focused on specific issues. These include in particular Compliance, Operational Risk and ICS. Their primary aim is to define standards for monitoring, measuring and managing risk, and to support the individual departments when carrying out control steps. Internal Audit acts as the third line of defense in the monitoring process, overseeing the first and second line of defense.

Compliance, Operational Risk and ICS is subordinate to the Chief Risk Officer (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's 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 Group Compliance guidelines 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 insider trading and market manipulation, and periodic reviews of the adherence to the Execution Policy when executing customer orders. Moreover, major tasks include measures and procedures to prevent money laundering, 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. In addition, Compliance, Operational Risk and ICS is responsible for handling the complaint management at Raiffeisen Centrobank AG.

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 PRIIP 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.

Management Report of Raiffeisen Centrobank AG for the 2018 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

Following several years of strong growth, the global economic momentum decelerated in the course of the 2018 financial year. The economic growth rate in the eurozone came to plus 1.8 per cent and thus dropped below the 2 per cent benchmark in annual comparison (plus 2.5 per cent in 2017). One-off effects negatively impacted economic activity and the GDP growth lacked the tailwind from net exports against the backdrop of a general decrease of economic activity. The slowing momentum of economic dynamics was also due to increasing uncertainties and the well-advanced economic cycle. The leading indicators diminished across all economic regions over the course of the year, except for the US economy that managed to intensify the growth dynamics in 2018 by fiscal political growth stimuli. In 2018, the real GDP went up by 2.9 per cent compared to 2017 which had posted an increase of 2.2 per cent. The trade dispute triggered by the US with its major trading partners did not show a negative impact on US economic data. In November 2018, the US unemployment rate was at 3.7 per cent, the lowest level since the end of 1969.

In the past quarters, the Austrian economy slowed down a notch but the pace tailed off less significantly than in the eurozone. This is largely due to fact that the tailwind from abroad has so far decreased only moderately. Domestic demand also developed solidly in Austria.

The inflation rate in the eurozone went up markedly until the first half year and was at or just above the 2 per cent target of the European Central Bank (ECB) in the second half of 2018. At the year-end, the inflation rate fell again slightly below the 2 per cent benchmark.

In annual comparison, the EUR decreased slightly versus the US dollar from roughly 1.20 to 1.15, oscillating in a range between 1.25 and 1.12 throughout the year.

The eurozone recorded a sharper economic slowdown than anticipated, whereas Raiffeisen Centrobank AG's core markets in CEE posted a sound performance and continued their strong upturn for the fifth consecutive year. Private consumption and investments were the main pillars of growth.

Financial Markets

In 2018, the ECB kept the key rates unchanged. In the past year, ten-year German government bonds earned between 0.2 per cent and 0.55 per cent and surpassed this sideways trend only at the end of February/beginning of March. Shored up by the ECB's expansive monetary policy and the positive economic performance in general, risk premiums of most other euro countries versus the German government bonds in the 10-year segment fell slightly until mid-May. The correction was triggered by the formation of the new government in Italy. Political uncertainties caused a substantial increase of the Italian risk premium.

The established stock markets saw a patchy year 2018. The year had a strong start fueled by the positive effects of the US tax reform and the rocketing US growth estimates. As from February the mood started to turn over the more hawkish stance of the Fed and decreasing US inflation rates. The downward trend gained traction against the backdrop of the trade dispute.

The DAX and the Euro STOXX 50 hit their highs in January and lost roughly 18 per cent and 15 per cent in annual comparison. Towards the end of the year, the S&P 500 had to give up its medium-term price gains and lost 7 per cent in 2018. The negative international environment hampered the ATX as well and dragged the index down by 20 per cent.

Development of Business and Earnings 2018

Development of Earnings

With an operating income of € 59,759 thousand (2017: € 59,248 thousand) and operating expenses of € 42,366 thousand (2017: € 40,134 thousand) an operating result of € 17,393 thousand (2017: € 19,113 thousand) was generated in the 2018 financial year. Taking into consideration net valuations and net proceeds in the amount of € minus 1,665 thousand (2017: € minus 33 thousand) the result on ordinary activities came to € 15,728 thousand. The previous year's result on ordinary activities of € 19,081 thousand was undercut by € 3,353 thousand or 17.6 per cent.

in € thousand	2018	2017	Change
Net interest result	(19,398)	(13,923)	39.3
Income from securities and financial investments	11,427	7,947	43.8
Net fee and commission result	(935)	1,994	<(100)
Net profit on financial trading activities	67,521	61,338	10.1
Other operating income	1,144	1,891	(39.5)
Operating income	59,759	59,248	0.9
Staff expenses	(23,907)	(22,524)	6.1
Other administrative expenses	(17,084)	(15,567)	9.7
Depreciation	(1,043)	(1,135)	(8.1)
Other operating expenses	(332)	(907)	(63.4)
Operating expenses	(42,366)	(40,134)	5.6
Operating result	17,393	19,113	(9.0)
Net valuations and net proceeds	(1,665)	(33)	>(100)
Result on ordinary activities	15,728	19,081	(17.6)
Taxes	(2,724)	(2,505)	8.7
Net income for the year	13,004	16,576	(21.5)

Compared to the previous year's result, operating income rose by 0.9 per cent or € 511 thousand to € 59,759 thousand (2017: € 59,248 thousand). This increase was in particular attributable to higher net profit on financial trading activities and higher income from securities.

Net profit on financial trading activities accounted for the main part of the operating income and further went up by 10.1 per cent from € 61,338 thousand in 2017 to € 67,521 thousand in 2018. The favorable development was attributable to the further rise of issuing activities in the Structured Products segment. The profit contribution of Global Equity Markets was below the previous year's result following the lack of substantial primary market transactions.

The improvement was also attributable to higher coupon payments for structured products and the related hedging strategy. These payments were hedged via tradable money market deposits, which were held in the trading book and did not yield ongoing coupons. Net profit on financial trading activities (trading profit) comprised the overall result of tradable deposits including interest.

The increase in income from securities and financial investments by € 3,480 thousand to € 11,427 thousand was due to higher dividend income from domestic and foreign shares.

Net interest result rose to € minus 19,398 thousand. This was related to higher coupon expenses for securitized liabilities (structured products). Depending on the hedge, these expenses were contrasted with interest income from structured products as well as with a positive valuation result from tradable money market deposits in the net profit on financial trading activities (trading profit).

Compared to the previous year, interest expenses went up by € 17,978 thousand to € 48,609 thousand. In addition to coupon payments for securitized liabilities, interest expenses for customer deposits posted a volume-related rise.

Due to higher coupon income from structured products and volume-related higher interest income from loans and advances to credit institutions, interest income increased by € 12,503 thousand to € 29,211 thousand.

In contrast to the previous year, the net fee and commission result in 2018 was negative and fell by € 2,930 thousand to € minus 935 thousand due to lower fee and commission income from equity capital market transactions.

Other operating income posted a decrease by 39.5 per cent to € 1,144 thousand following the lack of intragroup income from settlements and lower income from charging costs to third parties further to a change in the reporting.

Operating expenses came to € 42,366 thousand and surpassed the previous year's result (€ 40,134 thousand) by 5.6 per cent or € 2,232 thousand.

The increase in headcount following inter alia the setting-up of the Equity Capital Markets Team in Q2/2017 translated into a rise in staff expenses to € 23,907 thousand. Compared to the previous year, this represented an increase of € 1,383 thousand. Wages and salaries went up by € 833 thousand to € 18,315 thousand, and expenses for severance payments and contributions to severance funds rose by € 305 thousand to € 895 thousand.

Other administrative expenses increased by € 1,516 thousand to € 17,084 thousand yoy. The item primarily included IT costs coming to € 3,472 thousand (2017: € 2,632 thousand), expenses for information services in the amount of € 3,298 thousand (2017: € 3,564 thousand) as well as contributions to associations and to the resolution fund of € 2,224 thousand (2017: € 1,693 thousand).

Depreciations fell by 8.1 per cent to € 1,043 thousand compared to the previous year (€ 1,135 thousand) due to decreased depreciations on modifications and technical installations.

Other operating expenses, which primarily contained expenses, charged to third parties, fell by € 575 thousand to € 332 thousand yoy due to a change in the reporting method.

The cost/income ratio, which had been at 67.7 per cent in 2017 rose to 70.9 per cent in 2018 because of the increase in operating expenses, which was substantial in relation to the operating income.

Net valuations and net proceeds came to € minus 1,665 thousand and contained mainly expenses not covered by provisions in relation to a subsidiary coming to € minus 1,442 thousand. In addition, the item contained general impairment allowances calculated pursuant to the methodology as laid down in IFRS 9 adding up to € minus 238 thousand. In 2017, net valuations and net proceeds almost reached break-even (€ minus 33 thousand).

In the 2018 financial year, the result on ordinary activities came to € 15,728 thousand compared to € 19,081 thousand in 2017.

In the past financial year, income taxes amounted to € 2,397 thousand (2017: € 2,115 thousand). The item included expenses for group charges for the current year in the amount of € 1,046 thousand (2017: € 1,655 thousand) and for previous periods coming to € 216 thousand (2017: income € 397 thousand). Moreover, the item included corporate income tax relating to the Slovak branch of € 77 thousand (2017: € 88 thousand) and higher expenses for foreign withholding tax due to higher foreign dividend income adding up to € 1,059 thousand (2017: € 769 thousand).

In 2018, income from deferred taxes came to € 4 thousand (2017: tax expenses € 8 thousand).

In the reporting period, other taxes amounted to € 331 thousand, compared to € 382 thousand in the previous year. Lower tax expenses for 2018 were due to a non-periodic tax income in the course of a tax audit in the amount of € 348 thousand (2017: tax income of € 146 thousand). This was contrasted with a rise in expenses for the bank levy of Raiffeisen Centrobank AG and the Slovak branch in the amount of € 607 thousand and € 82 thousand (2017: € 544 thousand and € 9 thousand).

The net income for the 2018 financial year came to € 13,004 thousand (2017: € 16,576 thousand).

Balance Sheet Development

Compared to 31 December 2017, the balance sheet total increased by 16.7 per cent from € 3,200,183 thousand to € 3,735,352 thousand.

On the asset side, "Loans and advances to credit institutions" posted a rise of € 449,956 thousand to € 3,035,390 thousand. The rise was primarily attributable to the increase in tradable money market deposits of € 351,927 thousand to € 2,373,943 thousand. Moreover, the item included interbank deposits (€ 330,264 thousand), collateral for the securities business and securities lending (€ 158,641 thousand), and unlisted bonds (€ 166,429 thousand). Collateral for the option business and unlisted bonds went up by € 106,581 thousand and € 62,364 thousand compared to the year-end 2017, whereas interbank deposits fell by € 64,790 thousand. "Loans and advances to credit institutions" rose slightly from 80.8 per cent as at 31 December 2017 and accounted for 81.3 per cent of the balance sheet total as at 31 December 2018.

"Loans and advances to customers" increased mainly further to a rise in collateral for the option business to other financial institutions by € 85,447 thousand to € 120,213 thousand (3.2 per cent of the balance sheet total on 31 December 2018 and 1.1 per cent on 31 December 2017).

"Cash in hand, deposits with central banks" (6.3 per cent of the balance sheet total on 31 December 2018 and 5.7 per cent on 31 December 2017) went up by € 51,433 thousand to € 234,905 thousand because deposits at Oesterreichische Nationalbank increased for reasons of liquidity management.

Compared to 31 December 2017, "Bonds, notes and other fixed-interest securities" (0.5 per cent of the balance sheet total on 31 December 2018 and 0.3 per cent on 31 December 2017) rose by € 9,675 thousand to € 20,445 thousand.

"Shares and other variable-yield securities" (4.7 per cent of the balance sheet total on 31 December 2018 and 7.3 per cent on 31 December 2017) went down by € 54,960 thousand to € 177,142 thousand, compared to 31 December 2017, because variable-yield securities (funds) fell by € 43,124 thousand and shares by € 11,836 thousand.

Following a capital reduction in Centrotrade Holding GmbH by € 2,800 thousand to € 1,100 thousand "Shares in affiliated companies" posted a decrease. The rise in "Equity participations" was due to the acquisition of a shareholding in Einlagensicherung AUSTRIA Ges.m.b.H.

"Other assets" (3.4 per cent of the balance sheet total on 31 December 2018 and 4.1 per cent on 31 December 2017), which contained mainly purchase positions from trading in financial instruments in the amount of € 127,094 thousand (2017: € 129,337 thousand) remained stable at € 128,200 thousand compared to the previous year (2017: € 131,812 thousand).

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 making activities.

On the equity and liabilities side "Securitized liabilities" (73.6 per cent of the balance sheet total on 31 December 2018 and 73.3 per cent on 31 December 2017) went up by € 404,753 thousand to € 2,749,275 thousand. The rise was attributable to the volume-related increase of issued bonds (guarantee certificates and reverse convertible bonds) by € 301,771 thousand as well as of other securitized liabilities (certificates with option character and warrants) by € 102,981 thousand.

"Other liabilities" (12.5 per cent of the balance sheet total on 31 December 2018 and 10.7 per cent on 31 December 2017) increased by € 125,168 thousand to € 467,538 thousand. This rise was attributable to the increase of negative fair values of derivative financial instruments (options, futures and forward exchange contracts) by € 243,346 thousand. The item also included the short-selling of trading assets which fell by € 126,354 thousand.

Short-selling was effected in connection with the market maker activities of Raiffeisen Centrobank AG 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. "Other liabilities" and settlement accounts on the equity and liabilities side rose against the backdrop of a financial transaction at the year-end in the amount of € 8,176 thousand.

"Liabilities to customers" (9.8 per cent of the balance sheet total on 31 December 2018 and 10.4 per cent on 31 December 2017) went up by € 32,995 thousand to € 364,975 thousand mainly further to higher deposits from foreign customers. Contrary, collateral of other financial institutions for the option business fell by € 8,088 thousand.

The decrease of "Liabilities to credit institutions" (0.4 per cent of the balance sheet total on 31 December 2018 and 1.2 per cent on 31 December 2017) of € 24,582 thousand to € 14,353 thousand was also due to the drop of collateral for the option business at the year-end.

Zero bonds, unlisted options and tradable money market deposits purchased from Raiffeisen Bank International AG for hedging purposes were included in "Loans and advances of credit institutions", "Other assets" and "Bonds, notes and other fixed-interest securities" on the asset side and came to a total of € 2,393,967 thousand (31 December 2017: € 2,021,526 thousand).

"Provisions" (0.3 per cent of the balance sheet total on 31 December 2018 and 0.5 per cent on 31 December 2017) went down in the comparative period from € 15,884 thousand as at 31 December 2017 to € 12,153 thousand as at 31 December 2018. The decrease resulted mainly from the reduction of other provisions of € 4,020 thousand and of tax provisions of € 185 thousand. In contrast, provisions for severance payments posted a rise of € 475 thousand.

"Retained earnings" (0.9 per cent of the balance sheet total on 31 December 2018 and 0.9 per cent on 31 December 2017) rose from € 28,030 thousand as at 31 December 2017 to € 32,160 thousand as at 31 December 2018. The change related solely to other reserves and was attributable to the allocation from the 2017 net profit carried forward in the amount of € 4,131 thousand.

The net profit (0.3 per cent of the balance sheet total on 31 December 2018 and 0.5 per cent on 31 December 2017) as at 31 December 2018 coming to € 13,004 thousand was equal to the net income for the year. From the net profit an amount of € 10,480 thousand is to be distributed to the shareholders and € 2,524 thousand are to be allocated to other reserves.

Financial Instruments

Please refer to the notes.

Raiffeisen Centrobank AG Slovak Branch

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 business volume as well as income and expenses attributable to the branch office have been included in these financial statements.

In 2018, the Slovak Branch placed 5 customized products with a total issue volume of € 45 million. In the previous year, the first two Guarantee Certificates with a total issue volume of € 32 million were successfully placed in the premium banking segment of Tatra Banka.

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.

Trading & Treasury

Compared to the 2017 financial year, the spot market of the Vienna Stock Exchange recorded a rise in sales volume of 5.6 per cent to € 70.9 billion (2017: € 67.1 billion), while the leading European exchanges Frankfurt and Euronext rose by 15.4 per cent to € 1.5 billion (2017: € 1.3 billion) and by 8.4 per cent to € 1.9 billion (2017: € 1.7 billion). The sales volume on the exchanges Warsaw and Budapest rose by 15.5 per cent to € 48.3 million and by 0.2 per cent to € 8.7 million, which was below the previous year's levels of € 55.8 million and € 8.7 million, respectively. The exchanges in Bucharest and Prague gained 5.9 per cent coming to € 2.3 million (2017: € 2 million) and 5.1 per cent adding up to € 5.5 million (2017: € 5.3 million).

Raiffeisen Centrobank AG's market share on the domestic spot market came to 6.3 per cent with a sales volume of € 4.5 billion (2017: 6.7 per cent and € 4.5 billion). The share and sales volume in market making on the Vienna Stock Exchange was further expanded and came to € 2.0 billion or 13.0 per cent, respectively (2017: € 1.6 billion or 10.9 per cent). In terms of sales volumes Raiffeisen Centrobank AG ranked 4th in market making on the Vienna Stock Exchange.

In the annual specialist and market making tender Raiffeisen Centrobank AG received 20 specialist and 18 market maker mandates on the Vienna Stock Exchange. Thus Raiffeisen Centrobank AG fully covered the Austrian Prime Market and provided liquidity for all titles listed on the Prime Market. Moreover, Raiffeisen Centrobank took over mandates on the Standard Market Continuous and Global Market of the Vienna Stock Exchange. Raiffeisen Centrobank AG provided liquidity for 2 Austrian and 20 Russian titles.

In addition, Raiffeisen Centrobank AG was responsible for the market ma-

king in 25 Austrian and 2 German shares listed on the XETRA in Frankfurt. On the exchange in Warsaw, Raiffeisen Centrobank AG provided market making for 25 shares and traded single stock futures of 14 shares, WIG20 derivatives and MWIG40 indices. The number of market maker mandates in shares on the exchanges in Bucharest and Prague came to 11 and 22, respectively. In 2018, Raiffeisen Centrobank AG increased its mandates on both exchanges by 4 and 5, respectively (2017: 7 shares in Bucharest, 17 shares in Prague). Moreover, Raiffeisen Centrobank AG acted as market maker on the EUREX for listed derivatives on 15 Austrian titles as well as for ATX, Eastern European and Russian indices.

Whereas the first half of 2018 saw sideways moving markets and low volatility, the second half of the year was more volatile with negative price developments and rising volatility. Thus, operating income excluding other operating income for Trading & Treasury came to € 13.1 million and undercut the previous year's result of € 13.4 million by 2 per cent.

Global Equity Markets & Company Research

In 2018, Europe saw a total of 81 IPOs with an offering volume of over € 75 million each, which represents a decrease compared to 2017 with 98 comparable IPOs. In CEE, only 2 IPOs with over € 75 million took place which was substantially below the previous year's level. The Vienna Stock Exchange was also caught up in this trend as no IPO or major capital market placements were carried out in 2018.

The **ECM** team of Raiffeisen Centrobank AG successfully finalized three mandates for public offers in Austria. Raiffeisen Centrobank AG accompanied the takeover offers of Starwood Capital to the shareholders of CA Immobilien and Immofinanz, as well as the public tender offer of Ottakringer Getränke AG.

Following the takeover of the Romanian brokerage business from Raiffeisen Bank S.A. (the Romanian network bank), Raiffeisen Centrobank AG further intensified its transaction activities in Bucharest and was involved as sole global coordinator in the sole IPO on the Bucharest Stock Exchange, the IPO of Purcari Wineries. The transaction was one of only a few IPOs in the CEE region. Raiffeisen Centrobank AG's involvement underpins the Bank's strong position in the ECM business against the backdrop of a challenging regional capital market economy in 2018.

Another milestone for Raiffeisen Centrobank AG 2018 was the IPO of Hudson Group, a subsidiary of the Swiss Dufry AG, on the New York Stock Exchange which came to USD 862 million. For the first time, Raiffeisen Centrobank AG successfully participated as member of the consortium in an IPO on the New York Stock Exchange.

Several transactions which had been scheduled for 2018 had to be postponed further to unfavorable developments in some countries (Turkey, Russia) and because of increased volatilities on the exchanges in the second half of the year.

Raiffeisen Centrobank AG By provided comprehensive advisory services and marketed its competencies in cooperation with the local Raiffeisen units and thus created a sound basis for the 2019 financial year. 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 2019 financial year. Transactions are anticipated to take place mainly on the Austrian, Russian and Romanian market.

In **Sales & Sales Trading** the record volume of marketing activities (160 roadshows and 12 conferences in Europe and the USA) could not set off the sharp decrease of fee income from secondary market transactions. The substantial rise of Research fees could only partly cushion this decrease. The main burden was the lack of income derived from marketing primary market transactions. The 2018 financial year saw very low primary market activity in Austria and the CEE region. For the 2019 financial year, however, a noticeable recovery is anticipated.

Shored up by 13 sales roadshows, **Execution & Electronic Trading** managed to further expand its customer base. The pressure on margins in the wake of MiFID II could be set off and the income was slightly increased. Moreover, transaction costs were substantially reduced by implementing numerous efficiency enhancing measures. This contributes to rising competitiveness, acquiring new customers and to reducing the transaction cost basis sustainably in the forthcoming years. The successful "ETF Execution" was further improved by acquiring new trading partners and linking new customers to Raiffeisen Centrobank AG's network.

An additional focus was on providing the Best Execution Monitoring Tool and the service range related thereto. In this respect, Raiffeisen Centrobank AG has turned into a major MiFID II competence center within the Raiffeisen Banking Group. An additional core project was the implementation of a new brokerage scheme for the Russian stock market in close cooperation with Raiffeisen Bank Russia. The project will go live in Q1/2019 with corporate customers.

The **Company Research** team covers roughly 120 companies from Austria, the CEE region and Russia. Against the backdrop of a more focused coverage on Romania and Croatia, the number of coverages slightly decreased in annual comparison (from roughly 130). To expand the regional approach in Emerging Europe, coverage of the Turkish market is provided in cooperation with the Turkish broker Global Securities. Raiffeisen Centrobank AG's Company Research team consists of 20 analysts both in Vienna and several CEE countries. The analysts provide long-standing sector expertise in tandem with profound local market know how and a sectoral approach across the entire region.

Against the backdrop of MiFID II, research for Small & Mid Cap companies on the European market diminished. Raiffeisen Centrobank AG, however, considers this segment the core business of Company Research and thus kept the number of reports unchanged at over 1,100. The successful IPO of the Romanian company Purcari Wineries in February was supported by comprehensive transaction research and investor education.

The number of marketing roadshows was substantially increased. Roadshows were held for investors in New York, Boston, London, Paris, Frankfurt, Zurich, Stockholm, Helsinki, Dublin, Warsaw, Budapest, Bucharest, Tallinn, Prague, Zagreb, Vienna and Linz.

For the Global Equity Markets segment, operating income excluding other operating income amounted to € 6.6 million in the 2018 financial year and undercut the previous year's level of € 9.0 million by roughly 26 per cent.

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

Structured Products

In the 2018 financial year, the Structured Products business segment again achieved a record result. Sales volume and issuance activity both posted an increase. In 2018, 11,362 products were publicly offered (2017: 11,970) and 4,869 certificates were issued (2017: 6,941). On the Austri-

an certificates market, Raiffeisen Centrobank AG once again underpinned its market leadership. As per year-end 2018, the open interest reached a record level of € 4.3 billion and rose by roughly 10 per cent compared to € 3.9 billion on 31 December 2018. The sales volume went up as well and contributed to a further increase in the segment's profit for the 2018 financial year. Compared to the previous year, the sales volume (purchases and sales) gained 2 per cent and came to over € 1.8 billion, which translated into a record result on the income side.

In the Austrian Raiffeisen sector all key data were again outperformed. The team held a record number of education programs with 130 certificates trainings and roughly 2,000 trained advisors. Compared to the previous year, the volume of placements was again increased and gained plus 25 per cent. Moreover, the total open interest with Raiffeisen customers reached a new record level gaining plus 23 per cent. In addition to standard seminars, the number of live webinars strongly increased with up to several hundred participants taking part in one webinar.

In the Raiffeisen network banks in CEE 100 customized products were placed on the Prime Market which underpins the rising demand for investment certificates in the retail segment in the region. In CEE, the open interest rose by 29 per cent to € 1 billion.

Raiffeisen Centrobank AG's Slovak branch in Bratislava distributes structured products on the Slovak market. In 2018, the branch placed five products with a total issue volume of € 45 million. In the previous year, the first two Guarantee Certificates with an issue volume of € 32 million were successfully placed in the premium banking segment of Tatra Banka.

Raiffeisen Centrobank AG's performance in the certificates segment was also awarded by specialists and media. At the Certificates Award Austria in April 2018, Raiffeisen Centrobank AG was elected best certificates issuer in Austria for the twelfth time in a row, winning the top rank in eight out of nine categories. In October 2018, Raiffeisen Centrobank AG was awarded "Best Structured Products Bank CEE" for the second time by the London print and online magazine cfi.co.

The Structured Products segment focuses particularly on digitalization and innovation initiatives. This has been taken account of with the relaunch of the website and the Certificate Finder. Raiffeisen Centrobank AG has set a new benchmark with the Certificate Finder which provides an easy-to-understand introduction to the world of certificates. Explanatory videos about the major product categories, the monthly certificates magazine, and the product brochure "Zertifikate-Wissen Kompakt" are available in the new know-how section of the website.

For the structured products segment (including the branch in Slovakia) operating income excluding other operating income came to € 36.6 million and surpassed the previous year's result of € 33.1 million by 10 per cent.

Investment Services

The department services customers of Raiffeisen network banks in Central and Eastern Europe. Against the backdrop of portfolio adjustments on the part of Raiffeisenbank Russia, the deposit volume in the Investment Services/Booking Platform segment decreased from € 612 million to € 596 million compared to 31 December 2017.

The roll-out of the Booking Platform business model within RBI Group in cooperation with Raiffeisen Bank Romania was successfully finalized in 2018. The number of customers comes to 247 with a deposit volume of € 84 million.

Operating income excluding other operating income came to € 2.4 million and surpassed the previous year's result of € 1.9 million by 26 per cent.

Performance Indicators

Financial Performance Indicators

in per cent	31/12/2018	31/12/2017
Return-on-equity before tax	13.8	17.4
Return-on-equity after tax	11.4	15.1
Cost/income ratio	70.9	67.7
Own funds ratio	23.6	21.8
Core capital ratio	23.6	21.8
Liquidity Coverage Ratio (LCR)	219.6	205.2

Compared to the previous year, the result on ordinary activities decreased and translated into a drop of the return-on-equity before tax from 17.4 per cent to 13.8 per cent and the return-on-equity after tax from 15.1 per cent to 11.4 per cent.

The cost/income ratio which had been at 67.7 per cent in 2017 rose to 70.9 per cent due to the increase in operating expenses which was substantial in relation to the operating income.

Non-Financial Performance Indicators

	31/12/2018	31/12/2017
Employees at year-end	191	181
Average number of employees	186	178
Stock exchange memberships	10	11 ¹
Number of newly issued warrants and certificates	4,869	6,941

¹ Adjustment of previous year's data

As per the end of December 2018, the number of employees at Raiffeisen Centrobank AG amounted to 191, which, compared to 31 December 2017, represented an increase of 10 employees. In annual comparison, the staff rose on average by 8 to 186 employees. The increase was mainly due to the onboarding of the non-advisory brokerage business from Raiffeisenbank Romania as well as to the adjustment of staff resources further to the favorable business development.

Compared to the 2017 financial year, the number of stock and derivatives exchange memberships fell to 10 because the membership of "BATS Chi-X" was cancelled (for details kindly see the website of Raiffeisen Centrobank AG: <https://www.rcb.at/en/the-bank/business-segments/ed/>). The number of newly issued warrants and certificates went down by 2,072 or 30 per cent to 4,869. The drop was mainly attributable to the decrease of issued warrants

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. 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 little 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 risk management)
- Operational Risk & ICS (non-financial risks)

The central risk management bodies are the Risk Management Committee (RMK), the Internal Limit Committee (ILC), the Operational Risk Operational Risk Management and Control Committee (ORMKK) 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 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 (ORMKK), which meets once a quarter, establishes an appropriate framework for operational risk management, defines and approves an adequate risk strategy and monitors and assesses the adequacy of internal controls. Moreover, risk assessments, scenario analyses and risk indicators are discussed and approved, and material cases of default and the resul-

ting 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 Centробank AG

Raiffeisen Centробank 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 Centробank 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 42).

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

As a subordinate company of RBI, Raiffeisen Centробank 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 both for the going concern (Value-at-Risk (VaR) with a confidence interval of 95 per cent) and target rating perspective (VaR with a confidence interval of 99.92 per cent) and is provided to Raiffeisen Centробank AG to support the Management Board in managing the overall banking risk.

3. Internal Control System

Raiffeisen Centробank AG has implemented a company-wide modern Internal Control System that meets RBI Group standards. All key processes and immanent risks as well as other key risks of the Bank are documented and controls are set up and reviewed, accordingly. Once a year, the controls are reviewed in terms of implementation, efficiency and efficacy. The results are centrally monitored and are reported to the Management Board and the Supervisory Board.

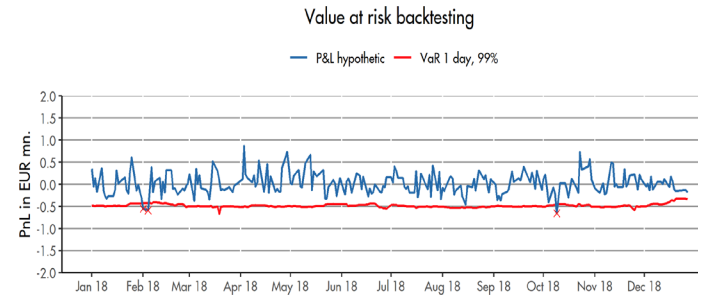
Major Risks

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 Centробank AG is on securities trading and the issue of equity-index based derivatives and structured products, the top priority of Raiffeisen Centробank AG is to counteract market risk. Raiffeisen Centробank 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 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 2018, the VaR for equity and product-specific positions came to € 335 thousand (31 December 2017: € 470 thousand).



The above chart depicts the performance of the VaR and hypothetical P&L (profit and loss that would have occurred in a constant portfolio as well as actually recorded market movements) in the period between 1 January 2018 and 31 December 2018.

In the period under review, backtesting revealed three VaR exceedances. Two were related to the “flash crash” in February 2018 which caused losses particularly on the American markets within a short time and strongly fluctuating volatility indices. Three VaR exceedances in one year are statistically expected by the quantile; this underlines the quality and conservative parametrization of the VaR.

In addition to the VaR, Raiffeisen Centробank AG uses regulatory and daily management-defined stress tests to evaluate market risk. The results are reported in the monthly Risk Management Committee. 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 fulfil contractually agreed financial obligations, when services have been rendered (e.g. liquidity, securities, advisory services) or when unrealized profits from pending business transactions can no longer be recovered (counterparty default risk).

Raiffeisen Centробank 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 Centробank 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 default risk, taking into account the rating and applicable credit risk mitigating measures like financial collateral (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 particular period 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 2018, the LCR came to 219.6 per cent (31 December 2017: 205.2 per cent). Since January 2018, a minimum rate of 100 per cent has been mandatory on single-institution level.

All key indicators confirmed the adequate liquidity supply of Raiffeisen Centrobank AG in the 2018 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 bank-wide key figures as at 31 December 2018 compared to 31 December 2017 as well as the respective minimum, maximum and average values for the 2018 financial year.

	Key figure	Status	Limits	12/2018	12/2017	Change	Max ¹	Min ¹	Avg ¹
Pillar I	Total Capital Ratio	●	16% 18%	23.6%	21.8%	+1.9 PP	24.1%	20.3%	22.5%
	CET 1 Ratio	●	16% 18%	23.6%	21.8%	+1.9 PP	24.1%	20.3%	22.5%
	LCR	●	110% 130%	219.6%	205.2%	+14.3 PP	348.3%	156.6%	243.3%
Pillar II (internal capital)	Total Capital Ratio in Stress	●	13.0% 15.0%	23.6%	21.8%	+1.9 PP	24.1%	20.3%	22.5%
	Economic Capital Utilization	●	50.0% 40.0%	16.9%	22.6%	(5.7) PP	29.6%	16.9%	23.3%
	Net Leverage Ratio	●	7.5% 9.0%	13.8%	13.7%	+0.1 PP	13.8%	11.9%	12.8%
	LCR Cash Puffer	●	20mn 30mn	137 mn	92 mn	+44 mn	254 mn	61 mn	154 mn
Risk reward profile	RORAC	●	20.0% 25.0%	46.4%	53.0%	(6.6) PP	46.4%	30.0%	39.2%
	RORWA	●	1.4% 1.7%	2.8%	3.5%	(0.7) PP	2.8%	2.2%	2.6%

¹ during 2018

The above key figures are defined as follows:

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

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

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 LCR Cash Buffer measures the liquidity surplus which exceeds regulatory requirements and serves to safeguard that the required LCR is met.

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 respective internal limits and warning levels. The internal warning levels and limits are defined conservatively, i.e. even if they are undercut, the regulatory levels are still complied with.

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

RWAs acc. to type of risk (in € million)	31/12/2018	31/12/2017	Change
Credit risk non-retail	85.9	98.4	(12.8%)
Market risk	204.9	218.7	(6.3%)
Operational risk	121.8	113.5	7.4%
Equity participation risk	6.2	9.0	(31.0%)
CVA risk	42.3	34.9	21.2%
Other risks ¹	14.0	13.4	4.9%
RWAs Total	475.3	487.9	(2.6%)

¹ incl. Settlement risk and Owned property risk

In 2018, 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 and a lower investment volume into short-term capital market instruments as at the due date. The utilization in market risk is low but well within the common fluctuation range. The equity participation risk decreased against the backdrop of a reduction in the carrying amount of Centrotech Holding GmbH. The rise of the RWAs of the CVA (Credit Value Adjustment) risk was attributable to the hedging of the increased certificates' volume.

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. 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 management.

Human Resources

As at 31 December 2018 Raiffeisen Centrobank AG had 191 employees, which, compared to 31 December 2017, represented an increase of 10 employees. In 2018, Raiffeisen Centrobank AG had on average 186 employees.

This modest rise is attributable to the onboarding of the non-advisory brokerage business from Raiffeisen Bank Romania as well as to the adjustment of staff resources further to the favorable business development. In the reporting period, the fluctuation rate came to 5 per cent.

Follow up employee survey

The employee survey was carried out in October 2018 and recorded a participation rate of 90 per cent. At the end of 2018, beginning of 2019, the results were analyzed and will be evaluated in detail in interdisciplinary workshops in the course of the year.

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). As at 31 December 2018, the percentage of women in leadership positions came to 30 per cent.

Training

Employees have responded very positively to agile working methods and have integrated them into their working routine. Further to pertinent trainings, a broad spectrum of agile working practices has been adopted throughout various departments.

In the course of the "Out of the Box" initiative, experts gave lectures on current topics. In the past year, 4 topics were presented covering behavioral finance, healthy diet at the workplace, e-mobility and sales methods using the IER model. More than 200 employees took part in the lectures and the discussions. Because of the very positive feedback and the active participation on the part of the employees, additional lectures will be organized in the course of the forthcoming year.

Outlook for 2019

Even though the economic indicators partly fell short of expectations, the prospects for the eurozone remain solid. The eurozone should continue its economic upswing. However, the pace of growth should be slackening. In 2019, the economic growth rate should come to 1.5 per cent compared to 1.1 per cent in 2018. Shored up by strong domestic demand, Austria (plus 1.7 per cent) and the CEE region (plus 3.4 per cent) should grow more vigorously than the entire currency union. The political issues that dominated the headlines in 2018 (trade conflicts, Brexit scenarios, geopolitical tensions, efforts to consolidate national budgets), will further impact the financial markets. With the end of the quantitative easing program at the end of 2018, the European Central Bank's monetary policy became more restrictive. Nevertheless, the European Central Bank indicated to leave interest rates unchanged until and beyond summer 2019.

The US economic momentum, which is a key driver for the New York Stock Exchange, is expected to taper off over the course of the year. In mid-2019, the tailwinds of the tax reform that was adopted at the end of 2017 and the public spending package that was passed at the beginning of 2018, should be waning. Thus, dynamics are anticipated to weaken in the second half of 2019 and 2020. US economic growth is expected to gain 2.3 per cent further to a rise of 2.9 per cent in 2018. Against the backdrop of slowing down dynamics, the Fed should reach the interest rate peak in 2019.

Following the longer than average upswing on the exchanges, the markets in general are in an advanced stage of the cycle.

As the competence center for equities and certificates, Raiffeisen Centrobank AG is well prepared and maintains a positive outlook as regards business opportunities in the expected market environment. Against the backdrop of the Bank's strong market position and cutting edge product portfolio, Raiffeisen Centrobank AG expects the business segments Trading & Treasury, Structured Products, Investment Services, Global Equity Markets and Company Research to post a stable result in the 2019 financial year.

In the forthcoming business year, 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 2019, Raiffeisen Centrobank AG expects to maintain or slightly surpass the business result achieved in the 2018 financial year.

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 2019
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 2019
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 2018
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 31 December 2018

Assets	31/12/2018 in €	31/12/2018 in €	31/12/2017 in € thousand	31/12/2017 in € thousand
1. Cash in hand, deposits with central banks		234,904,704.24		183,472
2. Loans and advances to credit institutions				
a) repayable on demand	164,753,913.89		64,298	
b) other loans and advances	2,870,636,491.34	3,035,390,405.23	2,521,136	2,585,434
3. Loans and advances to customers		120,212,876.36		34,766
4. Bonds, notes and other fixed-interest securities				
a) issued by public bodies	4,280,612.09		2,348	
b) issued by other borrowers	16,164,464.30	20,445,076.39	8,422	10,770
5. Shares and other variable-yield securities		177,142,167.41		232,102
6. Equity participations		5,139,498.88		5,138
7. Shares in affiliated companies		1,100,000.00		3,900
8. Intangible fixed assets		105,018.01		54
9. Tangible fixed assets thereof land and buildings used by the credit institution for own purposes: € 9,276,463.92 previous year: € 9,528 thousand		10,969,882.63		11,309
10. Other assets		128,199,705.82		131,812
11. Prepayments and other deferrals		1,575,339.70		1,263
12. Deferred tax assets		167,066.00		163
Total assets		3,735,351,740.67		3,200,183
Off-balance sheet items				
1. Foreign assets		488,583,523.70		325,048

Equity and liabilities	31/12/2018 in €	31/12/2018 in €	31/12/2017 in € thousand	31/12/2017 in € thousand
1. Liabilities to credit institutions				
a) repayable on demand	3,181,333.96		36,833	
b) with agreed maturity dates or periods of notice	11,171,449.66	14,352,783.62	2,103	38,935
2. Liabilities to customers				
a) repayable on demand	134,486,340.48		94,015	
b) with agreed maturity dates or periods of notice	230,488,688.16	364,975,028.64	237,966	331,980
3. Securitized liabilities				
a) issued securitized liabilities	1,460,555,635.32		1,158,784	
b) other securitized liabilities	1,288,718,926.90	2,749,274,562.22	1,185,737	2,344,522
4. Other liabilities		467,537,655.32		342,370
5. Accruals and deferred items		104,722.78		98
6. Provisions				
a) for severance payments	4,436,050.00		3,962	
b) tax provisions	189,649.33		375	
c) other provisions	7,527,311.08	12,153,010.41	11,547	15,884
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	31,129,480.61	32,160,417.44	26,999	28,030
10. Liability reserve pursuant to Article 57 para 5 Austrian Banking Act		13,538,860.00		13,539
11. Net profit for the year		13,004,429.53		16,576
Total equity and liabilities		3,735,351,740.67		3,200,183
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		112,342,566.64		106,191
4. Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013 (Total Risk-Weighted Assets)		475,262,345.75		487,930
hereof: capital requirements pursuant to Article 92 para 1 lit (a) to (c) of Regulation (EU) No 575/2013				
hereof: capital requirements pursuant to Article 92 para 1 lit (a)		23.64%		21.76%
hereof: capital requirements pursuant to Article 92 para 1 lit (b)		23.64%		21.76%
hereof: capital requirements pursuant to Article 92 para 1 lit (c)		23.64%		21.76%
5. Foreign equity and liabilities		696,106,851.33		477,670

Income Statement for the 2018 Financial Year

	2018 in €	2018 in €	2017 in € thousand	2017 in € thousand
1. Interest and interest-like income thereof fixed-interest securities	98,796.72	29,210,855.03	236	16,708
2. Interest and interest-like expenses		(48,608,914.29)		(30,631)
I. Net interest result		(19,398,059.26)		(13,923)
3. Income from securities and financial investments		11,426,712.45		7,947
4. Fee and commission income		12,828,333.08		14,058
5. Fee and commission expenses		(13,763,228.08)		(12,064)
6. Net profit on financial trading activities		67,521,483.39		61,338
7. Other operating income		1,144,097.57		1,891
II. Operating income		59,759,339.15		59,248
8. General administrative expenses a) staff expenses		(40,990,487.71)		(38,092)
aa) salaries	(18,315,191.89)		(17,482)	
bb) expenses for statutory social contributions and compulsory contributions related to wages and salaries	(3,891,434.88)		(3,694)	
cc) other social expenses	(383,058.08)		(380)	
dd) expenses for pensions and assistance	(422,143.68)		(379)	
ee) provisions for severance payments and contributions to severance funds	(895,075.37)		(590)	
	(23,906,903.90)		(22,524)	
b) other administrative expenses	(17,083,583.81)		(15,567)	
9. Value adjustments on asset items 8 and 9		(1,043,308.54)		(1,135)
10. Other operating expenses		(332,265.53)		(907)
III. Operating expenses		(42,366,061.78)		(40,134)
IV. Operating result		17,393,277.37		19,113
11. Loan loss provisions and expenditures arising from the valuation and disposal of securities held as other current assets		(237,945.32)		(5)
12. Income arising from the valuation and disposal of loans and advances and of securities held as other as other current assets		15,000.00		111
13. Expenditures arising from the valuation of equity investments held as financial investments		(1,442,036.74)		(139)
V. Result on ordinary activities		15,728,295.31		19,081
14. a) current income taxes thereof passed on from parent company for the year: € (1,045,500.00); previous year: € (1,655 thousand) b) deferred taxes	(2,396,907.53)		(2,115)	
	4,378.43	(2,392,529.10)	(8)	(2,123)
15. Other taxes unless included in item 14		(331,336.68)		(382)
VI. Net income (=Net profit) for the year		13,004,429.53		16,576

Development of Fixed Assets in the 2018 Financial Year

Amounts in €	Cost of acquisition Balance as at 1/1/2018	Cost of acquisition Additions	Cost of acquisition Disposals	Cost of acquisition Balance as at 31/12/2018	Accumulated depr. Balance as at 1/1/2018
I. Intangible fixed assets					
Software licenses	1,974,462.53	120,524.40	523,001.27	1,571,985.66	1,920,259.52
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	3,166,487.19
2. Office furniture and equipment	13,964,038.30	634,650.14	370,761.60	14,227,926.84	12,183,086.59
	26,658,405.41	634,650.14	370,761.60	26,922,293.95	15,349,573.78
III. Financial investments					
1. Shares in affiliated companies thereof in credit institutions: € 0.00	3,900,000.00	0.00	2,800,000.00	1,100,000.00	0.00
2. Equity participations thereof credit institutions: € 0.00	5,138,934.88	1000.00	0.00	5,139,934.88	436.00
	9,038,934.88	1,000.0	2,800,000.00	6,239,934.88	436.00
Total	37,671,802.82	756,174.54	3,693,762.87	34,734,214.49	17,270,269.30

Accumulated depr. Additions / Depreciation	Accumulated depr. Write-up	Accumulated depr. Disposals	Accumulated depr. 31/12/2018	Carrying amount 31/12/2018	Carrying amount 31/12/2017
69,709.40	0.00	523,001.27	1,466,967.65	105,018.01	54,203.01
251,416.00	0.00	0.00	3,417,903.19	9,276,463.92	9,527,879.92
722,183.14	0.00	370,761.60	12,534,508.13	1,693,418.71	1,780,951.71
973,599.14	0.00	370,761.60	15,952,411.32	10,969,882.63	11,308,831.63
0.00	0.00	0.00	0.00	1,100,000.00	3,900,000.00
0.00	0.00	0.00	436.00	5,139,498.88	5,138,498.88
0.00	0.00	0.00	436.00	6,239,498.88	9,038,498.88
1,043,308.54	0.00	893,762.87	17,419,814.97	17,314,399.52	20,401,533.52

Financial Statements as at 31 December 2018

Notes

A. Accounting Policies

General principles

The financial statements of Raiffeisen Centrobank AG for the 2018 financial year have been prepared in accordance with the general accounting principles stipulated in the most recent version of the Austrian Commercial Code 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 financial statements have been prepared in compliance with the consistency principle. Compared to the annual financial statements as at 31 December 2017, the accounting and valuation methods have changed as a result of the implementation of general impairment allowances for loans and advances to credit institutions and customers. The calculation of the general impairment allowances is group-wide based on IFRS 9. The implementation of the regulations has resulted in a one-off adjustment effect of € 198 thousand, which has been expensed immediately in the financial year under review.

The balance sheet and the income statement have been structured according to Appendix 2 of the forms contained in Article 43 Austrian Banking Act.

Since 26 April 2017, Raiffeisen Centrobank AG has been operating a branch office in Bratislava (Raiffeisen Centrobank AG Slovak Branch pobočka zahraničnej banky). The business volume as well as income and expenses attributable to the branch office have been included in the financial statements.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are reported at the rates of exchanges fixed by the European Central Bank. 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.

At year-end, foreign currency positions are converted at the rates published by the Vienna Stock Exchange on the last trading day. If no rate is available for a particular currency, rates published by the European Central Bank, Raiffeisen Bank International AG or the respective market rates are used.

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

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 exclusively 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. In addition, general impairment allowances have been made from 2018 onwards for expected credit losses (ECL), whereby Raiffeisen Centrobank AG has taken the opportunity to apply the regulations of IFRS 9 to calculate general impairment allowances under company law.

The general impairment allowances pursuant to IFRS 9 have been implemented based on a two-stage procedure. If the credit default risk for current assets does not increase significantly since initial recognition, the impairment loss for each asset is measured at the present value of an expected twelve-month loss as at the reporting date (ECL Stage 1). In the case of assets whose credit risk does not increase significantly since initial recognition and which are not classified as transactions with a low credit risk at the reporting date, the expected credit loss is calculated over the asset's entire

remaining term (ECL Stage 2). The expected losses for both stages are calculated on an individual transaction basis applying statistical risk parameters such as Probability of Default (PD), Exposure at Default (EAD) as well as Loss Given Default (LGD). The estimation of risk parameters includes not only historical default information but also the current economic environment (point-in-time orientation) and forward-looking information.

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 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 1.8 per cent (31/12/2017: 1.5 per cent), as well as an unchanged annual salary increase amounting to 3.5 per cent (31/12/2017: 2.7 per cent). The AVÖ (Austrian actuaries' association) 2018-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 77.5 per cent (31/12/2017: 75.9 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. Long-term provisions are discounted. The interest rate amounts to 1.8 per cent (31/12/2017: 1.5 per cent).

B. Notes to Balance Sheet Items

I. Cash in hand, deposits with central banks

The balance sheet item A 1, which encompasses cash in hand and deposits with the Austrian National Bank, amounted to € 234,905 thousand (31/12/2017: € 183,472 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

31/12/2018 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	164,754	150,084	366,354	1,881,283	472,916	3,035,390
Loans and advances to customers	110,867	564	1,676	7,017	90	120,213
Bonds, notes and other fixed-interest securities	0	0	1,287	12,028	7,130	20,445
Shares and other variable-yield securities	177,142	0	0	0	0	177,142
Other assets	44,307	2,068	10,147	60,870	10,807	128,200
	497,070	152,716	379,464	1,961,197	490,943	3,481,390

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

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

31/12/2018 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	2,692,527	0
Loans and advances to customers	0	514
Bonds, notes and other fixed-interest securities	8,441	0
Shares and other variable-yield securities	105	0
Other assets	450	8
	2,701,522	522

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

“Loans and advances to credit institutions” included tradable money market deposits in the amount of € 2,373,943 thousand (31/12/2017: € 2,022,017 thousand) serving as hedges for certificates and warrants issued by Raiffeisen Centrobank AG. Thereof € 2,369,340 thousand were attributable to Raiffeisen Bank International AG (31/12/2017: € 2,013,932 thousand).

III. Securities

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

31/12/2018 in € thousand	Unlisted	Listed	Total	Valued at market price
Bonds, notes and other fixed-interest securities, A 4	0	20,445	20,445	20,445
Shares and other variable-yield securities, A 5	42,119	135,023	177,142	177,142
Equity participations, A 6	5,139	0	5,139	x
Shares in affiliated companies, A 7	1,100	0	1,100	x

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

As at 31/12/2018, balance sheet item A 4 included fixed-interest securities held for trading amounting to € 20,445 thousand (31/12/2017: € 10,770 thousand) of which € 1,287 thousand (31/12/2017: € 1 thousand) will fall due in the forthcoming year.

The fair value of securities of the trading book (excluding hedge positions) exceeded the acquisition costs by € 95 thousand as at 31/12/2018 (31/12/2017: € 81 thousand).

IV. Equity participations and shares in affiliated companies

As at 31/12/2018, the Bank directly held a minimum of 20 per cent of the shares in the subsequent companies:

in € thousand			
Name Domicile	Shareholding in %	Equity 31/12/2018	Annual results 2018
1 Centrottrade Holding GmbH, Vienna	100	1,131	(12) ¹
2 Syrena Immobilien Holding AG, Spittal/Drau	21	27,688	(567)

¹ unaudited figures

Further to the sale of the commodity trading subsidiaries, Centrottrade Holding GmbH did not perform any operational activities. In November 2018, a reduction of the company's paid-in capital (from € 3 million to € 200 thousand) was finalized by paying back the capital invested to the sole shareholder (Raiffeisen Centrobank AG).

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

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 € 128,200 thousand (31/12/2017: € 131,812 thousand) referred primarily to purchase contracts from trading in derivative financial instruments reported at fair value as at 31/12/2018:

in € thousand			31/12/2018	31/12/2017
Positive fair values of derivative financial instruments				
from OTC options and forward exchange transactions			83,634	108,620
from trading in EUREX options and futures			39,034	6,013
from trading in other option and futures			4,425	14,704
			127,094	129,337

In addition, loans and advances to foreign tax authorities in the amount of € 747 thousand (31/12/2017: € 1,269 thousand) were included. In the previous year the item contained the settlement of Group charges (including capital yields tax charged to the Group) in the amount of € 808 thousand which were partly settled in the 2018 financial year.

V II. Deferred tax assets

“Deferred tax assets” pursuant to the application of RÄG amounted to € 167 thousand (31/12/2017: € 163 thousand) as at 31/12/2018.

Balance sheet items	Deferred tax assets	Deferred tax liabilities
Shares and other variable-yield securities	0	(95)
Shares in affiliated companies	3	
Prepayments and other deferrals	14	
Provisions for severance payments	1,390	
Other provisions	25	
Total	1,432	(95)
Balance	1,337	
Deferred tax assets as at 31/12/2018 (12.5%)	167	

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	

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

VIII. Liabilities

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

31/12/2018 in € thousand	repayable on demand / without maturity	0-3 months	3-12 months	1-5 years	>5 years	Total
Liabilities to credit institutions	3,181	11,070	0	0	101	14,353
Liabilities to customers	134,486	575	11,557	218,357	0	364,975
Securitized liabilities	0	75,383	411,014	1,604,430	658,448	2,749,275
Other liabilities	132,557	8,130	89,830	226,074	10,946	467,538
	270,225	95,158	512,401	2,048,861	669,496	3,596,140

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

VIII.2. Liabilities to affiliated companies and equity participations

31/12/2018 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	10,291	0
Liabilities to customers	1,139	0
Other liabilities	7,164	2
	18,594	2

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

VIII.3. Securitized liabilities

The balance sheet item P 3 "Securitized liabilities" included issued and other securitized liabilities totaling € 2,749,275 thousand (31/12/2017: € 2,344,522 thousand), held for trading and allocated to the following product categories:

in € thousand	31/12/2018	31/12/2017
Issued securitized liabilities	1,460,556	1,158,784
Guarantee Certificates	1,094,088	804,143 ¹
Reverse Convertible Bonds	366,467	354,642 ¹
Other securitized liabilities	1,288,719	1,185,738
Certificates with option character	1,280,236	1,173,098
Warrants	8,483	12,639
	2,749,275	2,344,522

¹ Adjustment of previous year's data due to a shift between Guarantee Certificates and Reverse Convertible Bonds

"Securitized liabilities" in the amount of € 486,397 thousand (31/12/2017: € 292,465 thousand) would fall due in the next year.

VIII.4. Other liabilities

The balance sheet item P 4 "Other liabilities" amounting to € 467,538 thousand (31/12/2017: € 342,370 thousand) referred primarily to liabilities reported at fair value as well as premiums received from trading in securities and derivative financial instruments.

in € thousand	31/12/2018	31/12/2017
Negative fair values of derivative financial instruments	368,257	124,911
from OTC options and forward exchange transactions	332,173	96,624
from trading in EUREX options and futures	3,792	16,195
from trading in other options and futures	32,291	12,092
Short-selling of trading assets	89,376	215,730
	457,633	340,642

"Other liabilities" as at 31/12/2018 included in particular short-term charges derived from security trades not yet settled at 31/12/2018 coming to € 5,003 thousand (31/12/2017: € 114 thousand) and a liability relating to an equity capital market transaction totaling € 1,461 thousand (31/12/2017: € 0 thousand). In addition, the item included various liabilities in relation to costs charged coming to € 447 thousand (31/12/2017: € 875 thousand), group charges in the amount of € 938 thousand (31/12/2017: € 0 thousand), liabilities to domestic tax authorities adding up to € 996 thousand (31/12/2017: € 126 thousand), and liabilities related to payroll accounting in the amount of € 573 thousand (31/12/2017: € 555 thousand).

IX. Provisions

"Provisions" were as follows:

in € thousand	31/12/2018	31/12/2017
Provisions for severance payments	4,436	3,962
Provisions for taxes	190	375
Other provisions	7,527	11,547
Provisions for bonus payments	3,016	2,787
Provisions for litigation risks	0	4,216
Provisions for overdue vacation	1,308	1,171
Provisions for legal, auditing and consulting expenses	347	231
Provisions for outstanding invoices in the securities segment	310	370
Provisions for outstanding invoices in the Investment Services segment	326	22
Provisions for outstanding invoices (others)	450	364
Provisions for securities supervision	350	240
Provisions for marketing costs	290	156
Provisions for charged Management Board expenses	1,043	1,307
Provisions for outstanding license fees	0	325
Provisions for charged third party fees	0	120
Sundry	87	238
	12,153	15,884

X. 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
Lexxus Services Holding GmbH, Vienna	0.00	1
	100.00	655,000

Capital reserves amounted to € 20,651 thousand as at 31/12/2018, remained unchanged to the previous year (31/12/2017: € 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 (31/12/2017: € 1,031 thousand) and other reserves totaling € 31,129 thousand (31/12/2017: € 26,999 thousand). The increase of other reserves amounting to € 4,131 thousand is attributable to the allocation of the undistributed balance sheet profit for 2017 to other reserves.

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

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 € 451 thousand (2017: € 447 thousand), thereof € 123 thousand (2017: € 99 thousand) to affiliated companies. For the 2019 financial year, rental and leasing expenses are expected to total € 419 thousand and € 2,314 thousand for the 2019-2023 financial years, of which the rental and leasing expenses to affiliated companies will total € 66 thousand and € 366 thousand, respectively.

XII. Supplementary data

Assets and liabilities in foreign currencies

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

in € thousand	31/12/2018	31/12/2017
Assets	1,179,190	1,182,145
Liabilities	1,127,785	1,002,294

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	31/12/2018	31/12/2017
Shares/mutual funds	41,151	(16,940)
Listed options	7,445	(6,720)
Futures	286	(754) ¹
Warrants/certificates	(1,287,876)	(1,184,806)
OTC options	(249,464)	9,638
Purchased bonds	2,583,238	2,189,367
Issued guarantee bond and reverse convertible bonds	(1,461,113)	(1,160,000)
	-366,333	-170,215

¹ Adjustment of previous year's data

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	31/12/2018	31/12/2017 ¹
Securities	3,554,790	3,272,283
Other financial instruments	6,909,103	6,369,023
	10,463,893	9,641,306

¹ Adjustment of previous year's data

Data on transactions with derivative financial instruments and unsettled forward transactions

Raiffeisen Centrobank AG's trading in derivative financial instruments focuses on options and forward transactions (mainly futures).

The financial instruments issued by Raiffeisen Centrobank AG can be classified as warrants, certificates mainly on equities and equity indices (turbo, discount, bonus and open-end certificates), and guarantee certificates and reverse convertible 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.

The volumes of derivative financial instruments and unsettled forward transactions as at 31/12/2018 were as follows:

in € thousand 31/12/2018	Notional amount		thereof Trading Book	Fair value	
	Purchase	Sale		Positive	Negative
1. Interest rate contracts	0	0	0	0	0
1.1. OTC products	0	0	0	0	0
Interest rate options	0	0	0	0	0
1.2. Products traded on stock exchange	0	0	0	0	0
Interest rate futures	0	0	0	0	0
2. Foreign exchange contracts	160,366	875	71,020	2,987	0
2.1. OTC products	136,059	875	46,713	1,844	0
Forward foreign exchange contracts	90,221	0	0	293	0
Currency options/gold contracts	45,839	875	46,713	1,551	0
2.2. Products traded on stock exchange	24,307	0	24,307	1,143	0
Currency futures	24,307	0	24,307	1,143	0
3. Equity contracts	2,100,476	2,165,382	4,265,858	121,157	(365,702)
3.1. OTC products	1,640,188	1,883,938	3,524,126	80,408	(331,712)
Equity/index-based options	1,640,188	1,883,938	3,524,126	80,408	(331,712)
3.2. Products traded on stock exchange	460,288	281,444	741,732	40,750	(33,990)
Equity/index-based future contracts	251,185	63,890	315,075	23,831	(24,163)
Equity/index-based options	209,103	217,554	426,657	16,919	(9,827)
4. Commodities/precious metals	94,511	4,444	98,955	2,949	(2,555)
4.1 OTC products	43,163	4,444	47,607	1,382	(462)
Commodity and precious metal future contracts	43,163	4,444	47,607	1,382	(462)
4.2. Products traded on stock exchange	51,348	0	51,348	1,568	(2,093)
Commodity and precious metal future contracts	51,348	0	51,348	1,568	(2,093)
Total OTC products	1,819,410	1,889,256	3,618,446	83,633	(332,173)
Total stock exchange traded products	535,943	281,444	817,386	43,460	(36,083)
	2,355,353	2,170,700	4,435,833	127,094	(368,257)

Comparative figures as at 31/12/2017

in € thousand 31/12/2017	Notional amount		thereof	Fair value	
	Purchase	Sale	Trading Book	Positive	Negative
1. Interest rate contracts	200	9,000	9,000	69	0
1.1. OTC products	200	0	0	0	0
Interest rate options	200	0	0	0	0
1.2. Products traded on stock exchange	0	9,000	9,000	69	0
Interest rate futures	0	9,000	9,000	69	0
2. Foreign exchange contracts	145,425	93,753	53,443	1,942	(355)
2.1. OTC products	120,467	93,753	28,485	1,545	(355)
Forward foreign exchange contracts	92,690	93,045	0	0	(355)
Currency options/gold contracts	27,777	708	28,485	1,545	0
2.2. Products traded on stock exchange	24,958	0	24,958	397	0
Currency futures	24,958	0	24,958	397	0
3. Equity contracts¹	1,775,304	2,118,596	3,893,901	124,148	(123,487)
3.1. OTC products	1,172,206	1,719,281	2,891,487	105,966	(96,070)
Equity/index-based options	1,172,206	1,719,281	2,891,487	105,966	(96,070)
3.2. Products traded on stock exchange	603,098	399,315	1,002,413	18,182	(27,417)
Equity/index-based future contracts	379,772	62,275	442,047	9,650	(12,069)
Equity/index-based options	223,326	337,040	560,366	8,532	(15,348)
4. Commodities/precious metals	116,023	2,166	118,190	3,178	(1,069)
4.1. OTC products	40,227	2,166	42,393	1,109	(199)
Commodity and precious metal options	40,227	2,166	42,393	1,109	(199)
4.2. Products traded on stock exchange	75,796	0	75,796	2,069	(870)
Commodity and precious metal future contracts	75,796	0	75,796	2,069	(870)
Total OTC products¹	1,333,100	1,815,200	2,962,365	108,620	(96,624)
Total stock exchange traded products¹	703,851	408,315	1,112,166	20,717	(28,287)
	2,036,951	2,223,515	4,074,533	129,337	(124,911)

¹ Adjustment of previous year's data due to a shift between OTC and stock exchange traded products

C. Notes to the Income Statement

I. Interest and similar income

in € thousand	2018	2017
from loans and advances to credit institutions	10,351	4,101
from loans and advances to customers	549	800
from fixed-interest securities	99	236
from structured products	18,211	11,571
	29,211	16,708

II. Interest and similar expenses

in € thousand	2018	2017
for liabilities to credit institutions	(4,668)	(2,958)
for liabilities to customers	(6,163)	(1,876)
for securitized liabilities	(37,778)	(25,796)
	(48,609)	(30,631)

"Net interest result" in the amount of € 19,398 thousand was negative both in 2018 and 2017 (€ 13,923 thousand).

Further to higher coupon income from structured products and a volume-related rise in interest income from loans and advances to credit institutions, interest income went up by € 12,503 thousand to € 29,211 thousand.

Compared to the previous year, interest expenses rose by € 17,978 thousand to € 48,609 thousand and contained mainly coupon payments for securitized liabilities. The increase was still below the rise in interest income from structured products. Moreover, interest expenses for customer deposits went up due to a volume-related rise.

"Net interest result" decreased by € 5,475 thousand to € minus 19,398 thousand due to the rise in coupon payments for securitized liabilities (structured products). The 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 "Net profit on financial trading activities" (trading result).

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 € 1,169 thousand (2017: € 936 thousand). In contrast, the item included income derived from negative interest for liabilities in the amount of € 172 thousand (2017: € 152 thousand).

III. Income from securities and financial investments

In the 2018 financial year, "Income from securities and financial investments" coming to € 11,427 thousand (2017: € 7,947 thousand) included primarily income from domestic and foreign securities.

IV. Fee and commission income

in € thousand	2018	2017
from securities business	9,782	9,341
from ECM transactions	1,706	4,451
from payment transactions	1,340	266
	12,828	14,058

V. Fee and commission expenses

in € thousand	2018	2017
from securities business	(12,365)	(11,520)
from ECM transactions	0	(232)
from payment transactions	(1,398)	(312)
	(13,763)	(12,064)

The net fee and commission result in the amount of € minus 935 thousand (2017: € plus 1,994 thousand) was comprised of fee and commission income totaling € 12,828 thousand (2017: € 14,058 thousand) and fee and commission expenses in the amount of € 13,763 thousand (2017: € 12,064 thousand). In 2018, the decrease in net fee and commission result was mainly attributable to lower 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 € 61,338 thousand in 2017 to € 67,521 thousand in 2018. This favorable development resulted from positive net valuations and net proceeds of certificates and shares adding up to € 154,362 thousand. In contrast, there was a negative result from the valuation and disposal of derivatives and money market deposits held for hedging purposes in the amount of € minus 92,238 thousand. The valuation of spot and futures positions came to € plus € 5,398 thousand.

VII. Other operating income

The item included mainly income from the release of provisions in the amount of € 658 thousand (2017: € 614 thousand). In addition, the item included income from charges passed on to third parties in the amount of € 315 thousand (2017: € 730 thousand) as well as other income in the amount of € 171 thousand (2017: € 546 thousand). The decrease was mainly attributable to the lack of intra-group income from charges as well as to lower income to charges passed on to third parties further to a change in the reporting method.

VIII. Other administrative expenses

in € thousand	2018	2017
Office space expenses (maintenance, operation, administration, insurance)	(1,003)	(964)
Office supplies, printed matter, literature	(322)	(286)
IT costs	(3,472)	(2,632)
Communication costs	(1,063)	(1,038)
Information services	(3,298)	(3,564)
Car expenses and travelling expenses	(652)	(644)
Advertising and promotional expenses	(1,491)	(1,301)
Legal, advisory and consultancy services	(1,379)	(1,045)
Contributions to associations	(1,502)	(1,151)
Resolution fund	(723)	(541)
Sundry	(2,179)	(2,401)
	(17,084)	(15,567)

"Sundry" in the amount of € 2,179 thousand (2017: € 2,401 thousand) mainly included expenses charged for the Management Board. The rise in "Contributions to associations" was attributable to higher fees payable to the Financial Market Authority stemming from an increase in Raiffeisen Centrobank AG's issuance activity.

IX. Other operating expenses

"Other operating expenses" in the amount of € 332 thousand (2017: € 907 thousand) primarily related to expenses charged in the amount of € 311 thousand (2017: € 734 thousand). The decrease was attributable to a change in the reporting.

X. Net valuations and net proceeds

In the 2018 financial year, "Net valuations and net proceeds" amounted to € minus 1,665 thousand (2017: € minus 33 thousand) and included mainly additional expenses not covered by provisions relating to a liability for a subsidiary amounting to € 1,442 thousand. In addition, the item contained a general impairment allowance pursuant to IFRS 9 adding up to € 238 thousand.

XI. Income taxes and other taxes

Income taxes were as follows:

in € thousand	2018	2017
Group taxation	(1,046)	(1,655)
Corporate income tax/Slovak branch	(77)	(88)
Taxes for former periods (settlement of Group charge)	(216)	397
Not recognized as foreign withholding tax	(1,059)	(769)
Current income taxes	(2,397)	(2,115)
Deferred income taxes	4	(8)
	(2,393)	(2,123)

“Taxes for former periods” coming to € 216 thousand (2017: tax income, of € 397 thousand) were attributable to the settlement of the Group charge from previous years at Raiffeisen Bank International AG. Due to a rise in foreign dividend income higher foreign withholding tax expenses adding up to € 1,059 thousand (2017: € 769 thousand) were due in 2018.

In the 2018 financial year, “Other taxes” came to € 331 thousand (2017: € 382 thousand). Low tax expenses were attributable to non-periodic VAT tax income following a tax audit in the amount of € 348 thousand (2017: tax income € 146 thousand). This was contrasted with a rise in expenses for the bank levy of Raiffeisen Centrobank AG and the Slovak branch in the amount of € 607 thousand and € 82 thousand (2017: € 544 thousand and € 9 thousand).

XII. Deferred taxes

In 2018, income from deferred tax assets came to € 4 thousand (2017: tax expenses of € 8 thousand).

XIII. Expenses for auditing the financial statements

“Expenses for auditing the financial statements” were contained in legal, advisory and consultancy services. Thereof € 110 thousand were attributable to the auditor (2017: € 133 thousand) and € 23 thousand to other consultancy services (2017: € 20 thousand).

D. Other Disclosures

Contingent liabilities

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

Other contractual bank guarantee obligations

The following assets were pledged as security for obligations as at 31/12/2018:

Item A 2 Loans and advances to credit institutions

€ 397,971 thousand (31/12/2017: € 358,265 thousand)
Collateral deposited with banks for the securities and options business and securities lending

Item A 3 Loans and advances to customers

€ 98,432 thousand (31/12/2017: € 8,502 thousand)
Collateral deposited with stock exchanges and other financial institutions for the securities and option business

Item A 4 Fixed-interest securities

€ 4,223 thousand (31/12/2017: € 2,348 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 31/12/2018 and 31/12/2017.

Own funds

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

in € thousand	31/12/2018	31/12/2017
Capital paid-in	47,599	47,599
Earned capital	66,351	62,220
Core capital (tier 1 capital) before deductions	113,950	109,819
Intangible fixed assets	(105)	(54)
Prudent valuation	(917)	(2,119)
Holdings in non-significant investments in financial sector entities	(585)	(1,455)
Core capital (tier 1 capital) after deductions	112,343	106,191
Supplementary own funds	0	0
Core capital	112,343	106,191
Supplementary capital	0	0
Supplementary own funds (after deductions)	0	0
Total own funds	112,343	106,191
Total risk-weighted assets	475,262	487,930
Core capital ratio, credit risk	76.0%	68.2%
Core capital ratio, total	23.6%	21.8%
Own funds ratio	23.6%	21.8%

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

in € thousand	31/12/2018	31/12/2017
Risk-weighted assets (credit risk)	147,799	155,738
Standard approach	105,450	120,793
CVA (credit value adjustment) risk	42,349	34,945
Risk-weighted assets (position risk in bonds, equities, commodities and foreign currencies)	204,926	218,664
Risk-weighted assets (settlement and delivery risks)	696	68
Risk-weighted assets (operational risk)	121,842	113,460
Total risk-weighted assets	475,262	487,930

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

in € thousand	31/12/2018	31/12/2017
Risk-weighted assets according to standard approach	105,450	120,793
Institutions	53,106	65,743
Corporates	32,898	33,031
Equity participations	6,240	9,038
Other positions	13,206	12,980
CVA risk	42,349	34,945
	147,799	155,738

Number of staff

	31/12/2018	Annual average	31/12/2017	Annual average
Salaried employees	191	186	181	178
thereof part-time	40	41	39	35

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 € 1,477 thousand (2017: € 1,048 thousand). Payments to employee pension funds totaled € 211 thousand (2017: € 181 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 2018, attending fees in the amount of € 70 thousand were paid to members of the Supervisory Board (2017: € 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.

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	Łukasz Januszewski Member of the Management Board as from 01 March 2018, Raiffeisen Bank International AG, Vienna	Chairman as from 25 April 2018
	Hannes Mösenbacher Member of the Management Board, Raiffeisen Bank International AG, Vienna	Chairman until 25 April 2018, Deputy Chairman as from 25 April 2018
	Michael Höllner Plenipotentiary, Raiffeisen Bank International AG	Deputy Chairman until 25 April 2018, Member as from 25 April 2018
	Andrii Stepanenko Member of the Management Board as from 01 March 2018, Raiffeisen Bank International AG, Vienna	Member as from 25 April 2018
	Werner Kaltenbrunner	Member until 25 April 2018
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 2019
The Management Board



Wilhelm Celeda
Chief Executive Officer



Valerie Brunner
Member of the Management Board

Distribution of the Profit 2018

The 2018 financial year closed with a net profit of € 13,004,429.53.

The Management Board proposes to the Supervisory Board that a dividend in the amount of € 16.00 per share be distributed from the net profit as at 31 December 2018. This corresponds to a total dividend amounting to € 10,480,000.00 for 655,000 shares. The Management Board further proposes to allocate an amount of € 2,524,429.53 to other reserves. Other reserves will change from € 31,129,480.61 to € 33,653,910.14.

Vienna, 4 April 2019
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 2018, the Income Statement for the year then ended, and the Notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and other legal requirements (Austrian Banking Act).

Basis for Our Opinion

We conducted our audit in accordance with the Regulation (EU) No 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the Company, in accordance with Austrian company law 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 2.7 billion EUR, ie 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 of financial products, 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 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 controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole, are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Management Report

In accordance with Austrian Company law the management report is to be audited as to whether it is consistent with the financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the management report in accordance with Austrian company law 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 2017, we were elected as auditors. We were appointed by the supervisory board on 31 July 2017. 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 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.

Engagement Partner

The engagement partner is Mr Wilhelm Kovsca..

Vienna, 4 April 2019

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by
Wilhelm Kovsca
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid. The financial statements, together with our auditor's opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Article 281 section 2 UGB (Austrian Commercial Code) applies.

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