

RBI – Additional Insights FY 2018 Results

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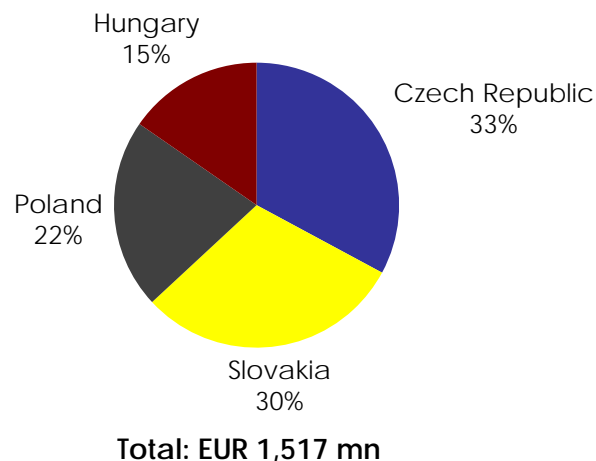
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Overview Segment CE

Operating Income Split by Country (FY/2018)



Strategic Initiatives

- Further lending growth in Czech Republic and Slovakia with focus on prime corporate relationships with cross-selling potential (e.g. cash management, capital markets & investment banking) and increase fee income through new pricing models
- Retail customer base growth in Czech Republic and Slovakia. Further increase contribution of secured and unsecured lending and exploit strong digital capabilities
- Strengthen retail lending business in Hungary with focus on mortgage and cash loans as well as on premium and micro customer acquisition, tap growth potential from small and mid-market companies while maintaining portfolio quality with focus on efficient operations
- Focus on retail investment products and capital markets solutions for corporates

Financials

In EUR mn	Q4/2018	Q3/2018	q-o-q	1-12/2018	1-12/2017	y-o-y
Operating income	336	414	(18.8%)	1,517	1,571	(3.4%)
General admin. expenses	(205)	(213)	(3.7%)	(854)	(887)	(3.7%)
Operating result	131	201	(34.7%)	663	684	(3.1%)
Other result	1	1	(12.1%)	(8)	(4)	135.6%
Levies and special government measures	(9)	(12)	(30.0%)	(85)	(91)	(6.4%)
Impairment losses on financial assets	(82)	(28)	196.5%	(122)	(59)	106.0%
Profit/loss before tax	41	162	(74.5%)	447	530	(15.7%)
Profit/loss after tax	33	129	(74.4%)	346	419	(17.3%)
Net interest margin (%)	2.31%	2.41%	(0.10 PP)	2.27%	2.13%	0.14 PP
RoE ¹ before tax (%)	4.1%	16.8%	(12.7 PP)	11.1%	17.3%	(6.2 PP)
RoE ¹ after tax (%)	3.3%	13.4%	(10.1 PP)	8.6%	13.7%	(5.1 PP)

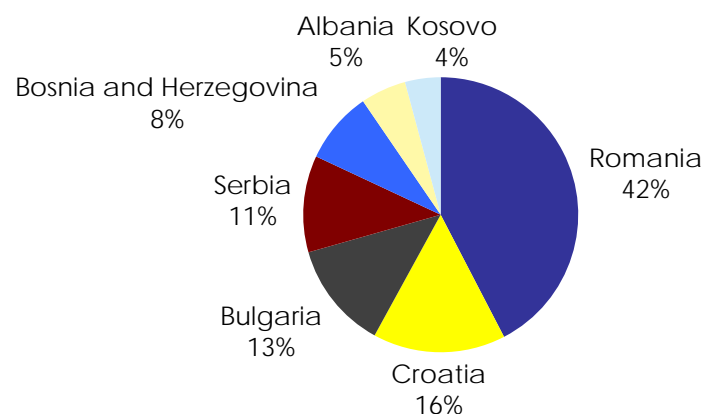
1) Annualized

Commentary on Financials (y-o-y)

- Operating income down EUR 54 mn:
 - Net interest income up EUR 15 mn from increase in Czech Republic (up EUR 58 mn, higher interest rates and customer loan volumes) and Slovakia (up EUR 15 mn, higher customer loan volumes); EUR 54 mn negative impact from Polish deconsolidation
 - Net gains/losses from hedge accounting down EUR 13 mn due to termination of portfolio cash flow hedges (Polish sale)
 - Other net operating income down EUR 40 mn, including EUR 22 mn due to sale of Polish core banking operations
 - General admin. expenses down due to sale of Polish core banking operations
- Impairment losses on financial assets: EUR 28 mn lower releases in Hungary after high levels of collections and increased mortgage loan collateral value in 2017, Slovakia up EUR 21 mn partly due to fine-tuning of Stage 3 provisions in retail, Czech Republic up EUR 12 mn from retail and non-retail
- Income taxes down EUR 10 mn driven by Czech Republic (income taxes paid in 2017 for former periods)

Overview Segment SEE

Operating Income Split by Country (FY/2018)



Total: EUR 1,297 mn

Financials

In EUR mn	Q4/2018	Q3/2018	q-o-q	1-12/2018	1-12/2017	y-o-y
Operating income	328	336	(2.3%)	1,297	1,189	9.1%
General admin. expenses	(192)	(170)	12.6%	(699)	(678)	3.1%
Operating result	136	165	(17.6%)	599	511	17.1%
Other result	(1)	1	-	(1)	(1)	(9.7%)
Levies and special governmental measures	(0)	(0)	162.6%	(11)	6	-
Impairment losses on financial assets	(57)	(9)	>500.0%	(61)	(113)	(45.5%)
Profit/loss before tax	77	157	(50.8%)	525	404	30.0%
Profit/loss after tax	67	134	(49.7%)	452	346	30.4%
Net interest margin (%)	3.73%	3.69%	0.05 PP	3.60%	3.44%	0.16 PP
RoE ¹ before tax (%)	12.7%	26.9%	(14.2 PP)	21.4%	19.3%	2.1 PP
RoE ¹ after tax (%)	11.0%	23.0%	(11.9 PP)	18.4%	16.6%	1.8 PP

1) Annualized

Strategic Initiatives

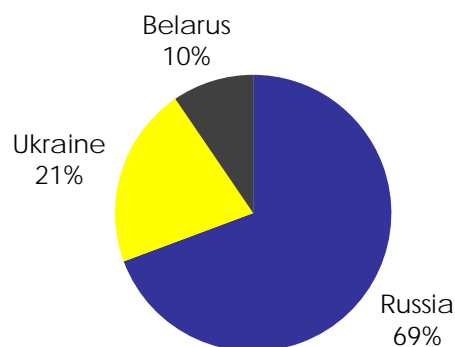
- Launch of new digital mobile and internet platforms for private and business clients in Romania
- Focus in Croatia on sales and service optimization, branch footprint, streamlined operating model and updated IT
- Further strengthen customer relationships with retail and corporate clients while increasing cross-selling efforts
- Continued emphasis on digitalization with rollout of pre-approved loans for PI and SME/corporate, new-to-bank digital lending; implementation of multichannel approach, testing of self-service zones, new branch models and remote advisory services
- Focus on retail investment products and capital markets solutions for corporates

Commentary on Financials (y-o-y)

- Operating income up EUR 108 mn:
 - Net interest income up EUR 83 mn mainly in Romania (up EUR 73 mn) due to higher interest rates and customer loans
 - Net fee and commission income up EUR 20 mn mostly driven by Romania (up EUR 13 mn) due to higher volumes and margins in payment and credit card business
- General administrative expenses up EUR 21 mn, triggered by higher staff and IT expenses, legal and consultancy expenses and deposit insurance fees mostly in Romania, Serbia, Bulgaria and Croatia
- Levies and special governmental measures in Romania lower in 2018 due to positive EUR 21 mn effect in 2017 (release of provisions related to mortgage Walkaway Law) and EUR 5 mn lower resolution fund fees in 2018
- Impairment losses on financial assets down EUR 51 mn due to improved risk situation in nearly all countries, particularly in Romania (EUR 35 mn lower following 2017 allocations mostly related to voluntary conversion of Swiss franc loans) and Croatia (EUR 29 mn lower after some large non-financial corporation defaults in 2017)

Overview Segment EE

Operating Income Split by Country (FY/2018)



Total: EUR 1,529 mn

Financials

In EUR mn	Q4/2018	Q3/2018	q-o-q	1-12/2018	1-12/2017	y-o-y
Operating income	412	388	6.2%	1,529	1,468	4.1%
General admin. expenses	(181)	(150)	20.4%	(631)	(600)	5.1%
Operating result	231	238	(2.8%)	898	868	3.5%
Other result	(9)	(1)	>500.0%	(11)	(1)	>500.0%
Levies and special governmental measures	0	0	-	0	0	-
Impairment losses on financial assets	(57)	0	-	(32)	5	-
Profit/loss before tax	165	237	(30.4%)	855	872	(2.0%)
Profit/loss after tax	141	186	(24.0%)	684	689	(0.7%)
Net interest margin (%)	6.32%	6.57%	(0.26 PP)	6.50%	6.68%	(0.18 PP)
RoE ¹ before tax (%)	34.3%	51.6%	(17.3 PP)	44.1%	51.2%	(7.2 PP)
RoE ¹ after tax (%)	29.4%	40.4%	(11.1 PP)	35.3%	40.4%	(5.2 PP)

1) Annualized

Strategic Initiatives

- In Russia, corporate focus remains on multinationals, large Russian corporates and the improving mid-market; increase capital efficient transactional business with SME as well as affluent customers; targeted growth in secured and unsecured retail customer lending; continuously improve our state-of-the-art digital banking services for retail and corporate clients
- In Ukraine, corporate focus is on multinationals, agro and food business. In retail, further cross-selling to existing clients and selectively increase new-to-bank business focusing on low-risk customers; execution of digital transformation program
- Tight cost management in Belarus; in retail, PI focus on digitalization and E2E lending while in corporate selective acquisition approach with focus on portfolio quality
- Focus on retail FX solutions and investment products through online FX and investment portal

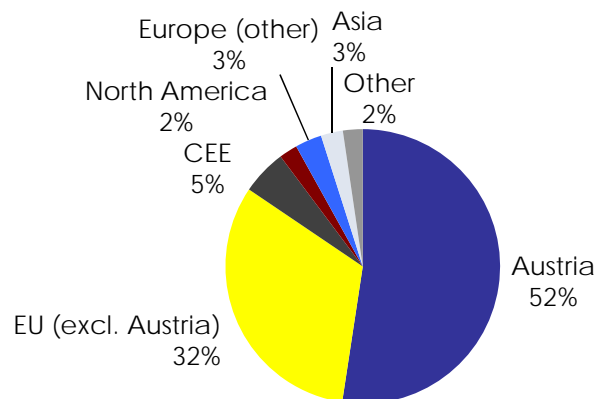
Commentary on Financials (y-o-y)

- Operating income up EUR 61 mn despite significant currency depreciation
 - Net interest income up EUR 39 mn: Ukraine (up EUR 32 mn) due to higher interest rates and higher volumes in business with non-financial corporations, Russia (up EUR 24 mn) due to lower customer deposit rates; Belarus (down EUR 16 mn) due to reduction of interest rates
 - Net trading income and fair value result down EUR 20 mn mostly stemming from Russia (lower valuation result from derivatives)
 - Gains/losses from hedge accounting: in 2017 EUR 20 mn loss due to termination of portfolio fair value hedge in Russia
 - Other net operating income improved EUR 20 mn mostly due to releases of provisions for litigation in Russia and Ukraine
- General administrative expenses: staff expenses up EUR 18 mn driven by salary increases and higher FTE in Russia and Ukraine; other admin. exp. up EUR 19 mn triggered by deposit insurance fees, advertising and IT exp.
- Impairment losses: Ukraine (releases down EUR 35 mn after higher loan sales in 2017), Russia (up EUR 7 mn, allocations due to fine-tuning of IFRS 9 models and other effects, partly offset by positive impact from NPL sales), Belarus (release of EUR 5 mn in 2018 due to loan sales)

Overview Segment Group Corporates & Markets



Exposure by Region (FY/2018)



Total: EUR 73.7 bn

Financials

In EUR mn	Q4/2018	Q3/2018	q-o-q	1-12/2018	1-12/2017	y-o-y
Operating income	252	256	(1.5%)	1,094	1,099	(0.4%)
General admin. expenses	(169)	(158)	6.7%	(647)	(648)	(0.1%)
Operating result	83	98	(14.7%)	447	451	(0.8%)
Other result	5	0	>500.0%	1	(36)	-
Levies and special governmental measures	(5)	(5)	8.0%	(22)	(21)	4.6%
Impairment losses on financial assets	(22)	6	-	62	(137)	-
Profit/loss before tax	61	98	(38.0%)	488	257	89.9%
Profit/loss after tax	55	74	(25.7%)	393	209	88.0%
<u>thereof:</u>						
Corporates Vienna	33	22	52.0%	167	61	172.2%
Markets Vienna	5	24	(80.1%)	12	72	55.2%
Specialized Financial Institution Subsidiaries/Other	17	28	(38.7%)	114	75	51.0%
Net interest margin (%)	1.22%	1.18%	0.04 PP	1.28%	1.44%	(0.16 PP)
RoE ¹ before tax (%)	7.2%	12.2%	(5.1 PP)	14.1%	8.9%	5.2 PP
RoE ¹ after tax (%)	6.5%	9.2%	(2.8 PP)	11.4%	7.2%	4.1 PP

1) Annualized

Strategic Initiatives

- Group-wide service approach for corporate customers and institutional clients including funding and capital light products (e.g. custody, cash management, DCM, ABF, loan syndication, factoring)
- Increase efficiency in distribution of Group products to corporates (e.g. project finance, real estate finance, export finance, cash management, investment banking products)
- Transformation of institutional clients business with improved client coverage on an agile basis
- Ongoing digitalization in capital markets (e.g. eFX platform), investment banking and institutional clients business
- Provide services to Raiffeisen Banking Group (e.g. Bausparkasse, asset management, pension fund management)
- Conservative trading strategy focused on client business
- Streamlining of processes and increasing efficiency in distribution and product delivery

Commentary on Financials (y-o-y)

- Operating income down EUR 4 mn:
 - Net interest income down EUR 53 mn, mostly due to margin decrease in business with non-financial corporations and impact of IFRS 9, EUR 5 mn higher dividend income
 - Net fee and commission income up EUR 63 mn in payment business, business with institutional investors and structured products, and system adaptations (changed allocation of fees and interest)
 - Net trading income and fair value result down EUR 59 mn stemming from valuation of derivatives and loans, and exchange rate differences, offset by increase in bank note trading
 - Other net operating income up EUR 38 mn: release of provisions of EUR 25 mn related to the termination of litigation with an Icelandic bank and proceeds from sale of registered notes of EUR 11 mn
- Other result improvement mostly from lower impairment charges on buildings
- Impairment losses on financial assets: large defaults in 2017 led to higher impairment losses; in 2018 reversal of impairment losses related to NPL sales and an Icelandic bank (EUR 25 mn)

Overview Corporate Center



Financials

In EUR mn	Q4/2018	Q3/2018	q-o-q	1-12/2018	1-12/2017	y-o-y
Operating income	14	(6)	-	687	1,036	(33.7%)
General admin. expenses	(108)	(77)	40.6%	(344)	(320)	7.3%
Operating result	(94)	(83)	14.0%	343	715	(52.0%)
Other result	(95)	6	-	(160)	(42)	279.1%
Levies and special governmental measures	1	1	32.1%	(52)	(58)	(10.0%)
Impairment losses on financial assets	0	(0)	-	(5)	(3)	88.3%
Profit/loss before tax	(188)	(75)	148.6%	125	612	(79.5%)
Profit/loss after tax	(180)	(55)	227.0%	211	646	(67.4%)

Following business areas are managed and reported in Corporate Center:

- The expenses related to the shared Group-wide service and control function of the head office in the areas: risk management, finance, legal, funding, capital and asset liability management (ALM), information technology, human resources
- The results from equity participation management related to dividends received and funding of network units
- The results from head office treasury that are not allocated to regional or functional segments from ALM as well as liquidity and liability management
- The result of business with special customers

Commentary on Financials (y-o-y)

- Operating income down EUR 349 mn:
 - net interest income down EUR 29 mn due to higher funding costs
 - dividend income down EUR 358 mn attributable to intra-Group dividends
 - EUR 21 mn increase in net trading income and fair value result mainly due to better result from capital hedges
 - other net operating income improved EUR 23 mn due to higher income from intra-Group service charges
- Other result down EUR 118 mn:
 - loss from sale of Polish core banking operations of EUR 120 mn; negative EUR 64 mn capital neutral impact due to recycling of cumulative FX differences (formerly directly booked in equity)
 - EUR 30 mn higher contribution from associates (UNIQA, Raiffeisen Informatik) and lower impairment on investments in subsidiaries (predominantly consolidated subsidiaries)
- Levies and special governmental measures amounted to EUR 52 mn, down EUR 6 mn due to lower resolution fund contributions allocated to this segment

Reconciliation

Financials

In EUR mn	Q4/2018	Q3/2018	q-o-q	1-12/2018	1-12/2017	y-o-y
Operating income	(48)	(54)	(11.5%)	(827)	(1,264)	(34.6%)
General admin. expenses	35	34	3.1%	127	123	3.7%
Operating result	(12)	(20)	(36.7%)	(700)	(1,141)	(38.7%)
Other result	25	0	>500.0%	19	84	(77.2%)
Impairment losses on financial assets	(3)	3	-	(7)	(6)	22.6%
Profit/loss before tax	9	(17)	-	(688)	(1,063)	(35.3%)
Profit/loss after tax	9	(17)	-	(688)	(1,063)	(35.3%)

Commentary on Financials (y-o-y)

- Operating income down mainly from lower intra-Group dividends
- General administrative expenses: reconciliation due to intra-Group charges

Following items are reported in Reconciliation:

- Reconciliation comprises consolidation adjustments to reconcile segments with Group results
- The financials of the reportable segments are shown after intra-segment items have been eliminated. However, the inter-segment items are consolidated and eliminated in the Reconciliation
- The main consolidation bookings carried out between segments are dividend payments to the head office, inter-segment revenues charged and expenses carried by the head office
- All other consolidation bookings that reconcile the totals of reported segments' profit or loss with the RBI Group financials are also eliminated in the Reconciliation
- Offsetting of intra-Group charges resulting in a reduction of operating income and general admin. expenses in the Reconciliation

Common equity tier 1 ratio (fully loaded) – Common equity tier 1 as a percentage of risk-weighted assets (total RWA) according to CRR/CRD IV without application of the transitional provisions set out in Part Ten of CRR and the accompanying CRR regulation of the FMA, respectively (425th regulation issued on 11 December 2013).

Common equity tier 1 ratio (transitional) – Common equity tier 1 as a percentage of risk-weighted assets (total RWA) according to CRR/CRD IV methodology.

Consolidated Return on Equity – Consolidated profit in relation to average consolidated equity, i.e. the equity attributable to the shareholders of RBI. Average equity is based on month-end figures excluding non-controlling interests and does not include current year profit.

Cost/income ratio – General administrative expenses in relation to operating income.

Interest-bearing assets – Total assets less investments in subsidiaries and associates, intangible fixed assets, tangible fixed assets, tax assets and other assets.

Leverage ratio – The ratio of tier 1 capital to specific exposures on and off the statement of financial position calculated in accordance with the methodology set out in CRD IV.

Loan/deposit ratio – Loans to non-financial corporations and households in relation to deposits from non-financial corporations and households.

Net interest margin (average interest-bearing assets) – Net interest income (excluding dividend income) in relation to average interest-bearing assets.

NPE coverage ratio – Individual (Stage 3) impairment losses on loans to customers and banks and on debt securities in relation to non-defaulted and defaulted non-performing loans to customers and banks and debt securities.

NPE ratio – Non-defaulted and defaulted non-performing exposure (loans and debt securities) in relation to entire loan portfolio of customers and banks (gross carrying amount) and debt securities.

NPL coverage ratio (non-banks) – Impairment losses on loans to customers in relation to defaulted non-performing loans to customers.

NPL ratio (non-banks) – Defaulted non-performing loans in relation to the entire customer loan portfolio (gross carrying amount).

Operating income – Comprises net interest income, dividend income, net fee and commission income, net trading income and fair value result, net gains/losses from hedge accounting and other net operating income.

Operating result – Consists of operating income less general administrative expenses.

Other result – Consists of impairment/reversal of impairment on investments in subsidiaries and associates, impairment on non-financial assets, negative goodwill recognized in profit or loss, current income from investments in subsidiaries and associates, result from non-current assets and disposal groups classified as held for sale and deconsolidation.

Provisioning ratio – Impairment or reversal of impairment on financial assets (customer loans) in relation to average customer loans (categories: financial assets measured at amortized cost and financial assets at fair value through other comprehensive income).

Risk-weighted assets (total RWA) – Risk-weighted assets (credit risk, CVA risk) including market risk and operational risk.

RoE – Return on equity. Return on the total equity including non-controlling interests, i.e. profit before tax respectively after tax in relation to average equity on the statement of financial position. Average equity is calculated on month-end figures including non-controlling interests and does not include current year profit.

Tax rate – Income tax expenses (or tax benefit) in relation to profit before tax.

Tier 1 ratio (transitional) – Tier 1 capital to risk-weighted assets (total RWA).

Total capital ratio – Total capital as a percentage of risk-weighted assets (total RWA).

Contact and Financial Calendar



Contact Details

Group Investor Relations

Raiffeisen Bank International AG

Am Stadtpark 9
1030 Vienna
Austria

+43 1 71 707 2089

ir@rbinternational.com

www.rbinternational.com

Financial Calendar

13 March 2019	Annual Report 2018, Conference Call
14 March 2019	RBI Investor Presentation, London
01 May 2019	Start of Quiet Period ¹
15 May 2019	First Quarter Report, Conference Call
03 June 2019	Record Date Annual General Meeting
13 June 2019	Annual General Meeting
19 June 2019	Ex-Dividend Date
21 June 2019	Record Date Dividends
24 June 2019	Dividend Payment Date
25 July 2019	(NEW) Start of Quiet Period ¹
08 August 2019	(NEW) Semi-Annual Report, Conference Call
31 October 2019	Start of Quiet Period ¹
14 November 2019	Third Quarter Report, Conference Call

1) Quiet Period: One-week period before the publication of preliminary numbers, two-week period before the publication of the quarterly financial statements. During these periods we do not hold investor or analyst meetings