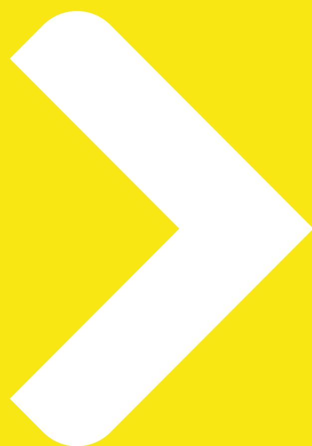
Group Management Report



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Market development

Weak economy in a crisis-ridden environment

While the US economy was remarkably robust in 2023, Europe's economic environment was characterized by a stagnant economic cycle. Economic support from the services sector weakened significantly over the course of the year, while the industrial sector remained in recession for most of the year. As a result, more service-driven economies achieved slightly above-average growth, while more manufacturing-oriented countries in Western Europe such as Germany and Austria found themselves in mild recessions. Overall inflation fell noticeably in 2023, mostly due to energy prices, although the core rate of inflation sank much more gradually. Both the US Federal Reserve and the ECB continued their series of interest rate hikes into the (late) summer and then left key rates unchanged for the rest of the year.

The euro area's gross domestic product was only slightly higher on average in 2023 than in 2022. In the second half of 2023, economic momentum weakened and GDP was below the level of the first half of the year. What is striking in this economic cycle is the robust labor market. Unemployment rates have barely risen, many jobs are vacant and employment levels are high despite the persistently weak economy. Inflation fell from 8.6 per cent at the beginning of the year to below 3 per cent in the fall. Price increases for food and many tangible goods have slowed, and energy goods are actually cheaper than in the year before. Services, on the other hand, saw stronger price growth in 2023 than in 2022.

The **European Central Bank (ECB)** raised its key rates 200 basis points in 2023. In addition, the bond holdings in the APP (asset purchase programme) portfolio were reduced around € 200 billion by stopping reinvestments of maturing bonds. The bulk of the central bank's balance sheet reduction was achieved by allowing refinancing transactions to mature. The outstanding volume of these loans to commercial banks fell over € 1,300 billion by the end of 2023. While short-dated money market rates rose roughly the same amount as key interest rates, interest on swap rates and yields on German government bonds with five- to ten-year maturities were barely higher at the end of the year than at the beginning. However, performance was extremely volatile over the course of the year. One key element in the interest rate market is the inverted yield curve. In 2023, the interest rate for swap rates and German bonds with short maturities was consistently higher than that for long maturities.

The **Austrian economy** was in recession in parts of 2023, with real GDP falling 0.7 per cent for the year as a whole. This made the Austrian economy one of the worst performers in the euro area. In addition to the industry and construction sector, this was also due to consumer related services. The construction industry experienced a stronger real correction in Austria than in many other euro countries. Inflation fell noticeably over the course of the year. However, at an annual average of 7.7 per cent, it was still well above the euro area's level (2 percentage points). Austria's conspicuously weak economy can also be partially attributed to above-average inflation.

CEE: High interest rates and inflation, sluggish growth

The CEE region's economy was affected by inflation and industry weakness in 2023 in much the same way as the euro area and Austria were. Some of the measures taken in 2022 to combat inflation (price regulations and energy price caps) expired in 2023, which shifted inflationary pressure from 2022 to 2023. Inflationary pressure was overall more persistent in the region than in the euro area, in large part because the labor markets were already very tight before the war in Ukraine drove up (energy) prices, which increased wage pressures. Nevertheless, base effects for energy prices caused inflation to start falling in the first half of 2023. Given the significant steps taken by central banks in Central and Eastern Europe back in 2021 and 2022, most CEE countries did not enact more interest rate hikes in the first half of 2023 (with the exception of Albania and Serbia). As the year progressed, some central banks in the CEE region felt able to cut key rates in response to a further decline in inflation rates; other banks continued to wait.

The industrial sector was weak in large parts of **Central Europe (CE)** in 2023. Because of this sector's importance to these economies and close ties with the German industrial sector, the region underperformed most of Europe. However, a strong inflow of EU funds, improving foreign trade and a moderate recovery in consumer demand fueled a slight recovery over the course of the year. Thanks to a strong boost from foreign trade, Slovakia (up 1.3 per cent) outperformed the rest of the Central European countries (up 0.1 per cent). Support also came from access to NextGenerationEU funds (NGEU funds), which Poland and Hungary could not (yet) tap.

Once again, the economy in **Southeastern Europe (SEE)** outperformed the euro area and Central Europe because SEE depends much less on the industrial sector, which had been battered more by the war in Ukraine and high energy prices. Southeastern Europe's strong performance was supported by an abundant inflow of EU funds along with a strong tourist season. Nevertheless, growth in SEE only reached 1.8 per cent in 2023, with Albania leading the way (up 3.5 per cent). Supporting factors in this country were the construction sector and tourism, private and public spending as well as investment. The lowest growth was posted in Romania (up 1.5 per cent), where the economy disappointed in the autumn due to the continued weakness of its industrial sector.

In **Eastern Europe (EE)**, Ukraine recorded the strongest growth in 2023 (up 5.7 per cent), due to its robust adjustment to the war and base effects. The Russian economy, in contrast, grew 2.5 per cent in 2023, supported by fiscal policy and defense spending. In Belarus, the impact of EU and US sanctions increased significantly, but the country managed to grow 3.9 per cent, partly due to state-subsidized investments in the modernization of industrial plants and machinery.

Annual real GDP growth in per cent compared to the previous year

Region/country	2022	2023e	2024f	2025f
Poland	5.1	0.2	3.1	3.5
Slovakia	1.7	1.3	2.1	2.1
Czech Republic	2.4	(0.5)	1.7	3.2
Hungary	4.6	(0.5)	3.0	4.0
Central Europe	**4.0**	**0.1**	**2.7**	**3.4**
Albania	4.9	3.5	3.5	3.8
Bosnia and Herzegovina	4.2	1.8	3.0	3.5
Croatia	6.3	2.1	2.5	2.6
Kosovo	5.2	3.2	3.9	4.0
Romania	4.1	1.5	2.8	3.5
Serbia	2.4	2.5	3.0	4.0
Southeastern Europe	**4.3**	**1.8**	**2.8**	**3.5**
Belarus	(4.7)	3.9	2.0	2.0
Russia	(2.1)	2.5	1.5	0.9
Ukraine	(29.1)	5.7	4.9	6.5
Eastern Europe	**(3.9)**	**2.8**	**1.8**	**1.4**
Austria	**4.8**	**(0.7)**	**0.2**	**1.4**
Euro area	**3.4**	**0.5**	**0.5**	**1.5**

Source: Raiffeisen Research, as of beginning of February 2024, (e: estimate, f: forecast); subsequent revisions are possible for years already completed

Banking sector in Austria

The Austrian banking sector carried on the good performance from 2022 and improved on it in 2023. The operating business was supported by increasing net interest income and stable performance in the commission business. Nevertheless, operating costs increased as well. Risk costs in 2023 were lower than in the previous year, however. The funding environment for the Austrian banking sector was challenging in 2023. Nevertheless, Austrian banks held their own in the primary market once again and placed significantly larger volumes than in the years before 2022, especially in the covered bond segment. Growth rates of the loan volumes granted in both the household and corporate loan segments show a significant year-on-year slowdown. This is primarily due to the different interest rate environment and, to a lesser extent, to the changed regulatory framework for lending guidelines. The household segment showed negative year-on-year growth of minus 1.9 per cent as of November 2023. Loan growth in this segment became negative as of the middle of the year. The corporate segment reported annual growth of 2.9 per cent (November 2023 vs. November 2022) compared to growth of 11.3 per cent at the same time in the previous year. The banking sector's capitalization increased further compared to the start of 2023, reaching 16.6 per cent (common equity tier 1 ratio) as of June 2023. The Austrian Financial Market Stability Board concluded in its September 2022 meeting that Austrian banks are less capitalized than their European peers and therefore recommended raising macroprudential buffer requirements for selected banks another 0.5 percentage points and gradually phasing in this increase over two years. Accordingly, these requirements rose 0.25 percentage points for selected institutions at the turn of the year.

Development of the banking sector in CEE

As key interest rates remained high for most of 2023 (and euro markets caught up), CE/SEE banks were able to further improve their profitability thanks to wider net interest margins while risk costs remained rather limited as the number of loan defaults remained low. The average return on equity in the region was over 15 per cent, which is consistent with the most successful years before the global financial crisis. The turbulence in the US banking sector had no major impacts. All in all, core banking income proved to be strong enough to compensate for the additional bank taxes levied in certain countries, inflationary pressure on operating costs and the switch to a more expensive refinancing mix (rising percentage of time deposits, expensive MREL funding). At the same time, stricter financial conditions and the weaker economic environment slowed down lending significantly, which particularly affected investment loans to companies and the market for residential construction loans. The Eastern European markets experienced a strong turnaround as banks returned to profitability in Russia (normalized monetary conditions, politically supported lending) and Ukraine (high interest rates, macroeconomic improvements).

Regulatory environment

Supervisory priorities and interaction with the ECB

- Reinforcing the management competence of the governing bodies to enable banks to effectively address the digitalization process: As a supervisory authority, the ECB wants to ensure that RBI has sound strategies and appropriate regulations in place to meet the challenges that digitalization presents. Effective digital transformation strategies and governance regulations can help RBI make its business models more resilient and sustainable.
- Strengthening the banks' resilience to direct macrofinancial and geopolitical shocks: In the current uncertain environment, it is essential for all banks that are under Single Supervisory Mechanism (SSM) supervision to remain resilient to external shocks. This means that they can withstand unexpected events, such as economic downturns or geopolitical crises, without jeopardizing their business operations. For this reason, the ECB wants to ensure that the European banks remedy weak points in their credit risk management frameworks, in order to strengthen their resilience against a possible asset quality deterioration, and quickly identify and mitigate risks. Sound planning and diversified funding sources can help ensure the European financial market maintains reliable access to funding.
- Intensified efforts to combat climate change: The risks associated with climate change are changing rapidly with far-reaching economic consequences, among other things. The ECB believes that European banks need to take measures to mitigate these risks and have a role to play in funding the transition to a more sustainable economy. It also considers that banks can only mitigate their risk exposure by taking appropriate consideration of climate and environmental factors in their strategies, risk management practices and decision-making processes.

New regulation in 2023

Finalization of Basel III (CRR III/CRD VI)

In June 2023, agreement was reached on the cornerstones in the trilogue negotiations held between the European Council, the European Parliament, and the European Commission. In the second half of 2023, the legislative bodies concentrated on reaching agreement in the technical trilogues, followed by the approval in the EU Parliament and the EU Council plenary session. The published consolidated texts of the political agreement reached on CRR III and CRD VI are expected to be voted on in the plenary session of the European Parliament by the end of the first quarter of 2024. Despite efforts made by the European Banking Industry Committee (EBIC) to postpone the Basel III implementation date in the EU, due to the comprehensive changes brought about by the Capital Requirements Regulation (CRR III), the effective date of 1 January 2025, remains unchanged.

RBI AG as a universal bank is affected by the proposed changes in various respects and makes substantial efforts to analyze and evaluate the new and updated requirements and their resulting impact. Through its intensive efforts at national and EU-level, RBI has clearly communicated its position on topics of particular interest. Among others, minority interest deductions, the treatment of equity holdings made pursuant to Legislative Programmes to promote specified sectors of the economy, retaining a 100 per cent risk-weighting for equity exposures that have been held for six years and applying a preferential treatment for intragroup exposures were addressed. RBI regularly analyzes the updated requirements and corresponding impact assessments for the standardized approach (STA) and the internal ratings-based approach (IRB). This allows it to prepare adequately for the implementation of the new requirements and assess the various changes affecting RWA calculations. This is to ensure a smooth transition to the new provisions and allows RBI to update its systems and adapt to the new calculation and reporting requirements.

Payment Services Directive and framework for financial data access

The European Commission is working on creating an efficient and integrated market for payment services in the EU. As a result, two packages of measures were proposed:

The first involves a revision of the Payment Services Directive. This proposal aims to extend and modernize the current Payment Services Directive (PSD2), which will become PSD3, and also to introduce a Payment Services Regulation (PSR). The proposed regulation determines standardized requirements for the provision of payment services and e-money services within the EU, with the objective of combating and curbing fraud in payment services, strengthening consumer rights, further aligning the competitive conditions between banks and non-banks, and improving the operation of open banking services.

Second, the Commission is putting forward a legislative proposal for a framework for financial data access. This framework will establish clear rights and obligations for exchanging customer data in the financial sector beyond payment accounts. In practice, this will lead to more innovative financial products and services for users and stimulate competition in the financial sector. By contributing actively in this regulation, RBI could be remunerated accordingly for introducing application programming interfaces (APIs) that were developed as part of the program for financial data exchanges.

Finally, the legislators agreed in the Commission's proposal to make instant payments in euro available for all citizens and companies in the EU. This regulation aims to ensure that instant payments in euro are made affordable and secure, and can be easily processed in the entire EU. Instant payments in euro allow money to be transferred at all times within seconds. As a result of the new regulations, they will become the new normal for transfers. They should make life simpler for EU citizens, improve businesses' cash flows and bring savings for retailers. This will encourage new innovation opportunities for banks.

Retail investment strategy

On 24 May 2023, the European Commission put forward the retail investment strategy, which aims to promote greater retail investor participation on the capital markets. The European Commission suggested changes to current legislation (e.g. making product information more comparable or easier to understand) to reach the objective of deepening the capital markets union.

Digital Operational Resilience Act (DORA)

DORA entered into force on 16 January 2023 and will apply from 17 January 2025. The aim is to improve the digital operational stability of financial corporations throughout the EU and further harmonize the requirements for this. This regulatory framework covers core areas, such as risk management, incident management and reporting, reviewing the digital operational stability and the management of information and communication technology (ICT) third-party risks. DORA mandates the European Supervisory Authorities to jointly develop 13 policy instruments, presented in two batches. The first batch of technical standards was introduced in June 2023. The objective of the technical standards is to create consistent and detailed requirements in ICT risk management, reporting of major ICT-related incidents and ICT risk management for third parties. RBI is directly impacted by DORA and its technical standards, and is working intensively on implementing all the applicable requirements.

Markets in Crypto Assets Regulation (MiCA)

MiCA entered into force in June 2023. It lays down standard market rules for crypto assets in the EU and is therefore the first comprehensive framework for regulating the crypto currency market. The regulation covers crypto assets that are currently not governed by existing EU financial services legislation (MiFiD II). The objective of the MiCA regulation is to protect investors, prevent crypto asset misuse, ensure financial stability, create regulatory clarity and protect against market abuse and manipulation. The regulation comprises a significant number of technical standards and guidelines that have to be developed before the new regulation comes into force (within a period of 12 to 18 months depending on the mandate). The European Supervisory Authorities (ESAs) are working as a matter of high priority on providing three batches of technical standards to further break down the requirements. RBI is closely observing and analyzing all the related developments, and working on potential applications.

Minimum requirements for own funds and eligible liabilities (MREL)

The Single Resolution Mechanism Regulation II (SRMR II) introduced the concept of the Maximum Distributable Amount related to MREL (M-MDA), which has been applicable since 1 January 2022. M-MDA allows the Single Resolution Board (SRB) to set restrictions on distributions for banks. While M-MDA has many similarities to the classic MDA regime of Article 141 CRD, it is subject to the discretionary decision of the resolution authority.

Regulation (EU) 2022/2036 (CRR Quick Fix) was formally adopted on 19 October 2022. It introduced changes to the CRR and Bank Recovery and Resolution Directive (BRRD) applying to the calibration of the MREL requirements for banking groups with a multiple point of entry (MPE) resolution strategy and a methodology for indirect subscription of MREL instruments. The SRB published the updated MREL on 15 May 2023.

In line with RBI's MPE resolution strategy, it must be possible to process each resolution unit separately, without impairing the resolution capability of other resolution groups. To achieve this objective, each resolution group aims to maintain the necessary MREL capacity and be separable, in order to ensure that the MPE approach is feasible and credible.

The MREL planning is an integral part of the budgeting process for RBI and its subsidiaries in the EU. The individual MREL capacities in the resolution groups are closely monitored. RBI and its subsidiaries in the EU conducted issues in order to fulfill their respective MREL requirements. Binding and final MREL requirements will apply within the Banking Union from 1 January 2024.

RBI was able to cover a significant portion of its MREL requirements by issuing green and sustainable bonds.

Crisis management and deposit insurance (CMDI) framework

The EU Commission proposed an extensive review of the CMDI framework for banks. This review covers various directives and regulations, including the Deposit Guarantee Schemes Directive (DGSD), the Bank Recovery and Resolution Directive (BRRD), the Single Resolution Mechanism Regulation (SRMR) and the Daisy Chain Regulation. These proposals will focus mainly on extending the resolution system to SME banks and facilitate the use of national deposit insurance funds for resolution purposes, especially for smaller banks. It is currently envisaged that the EU Parliament and the EU Council will reach a joint decision on the Commission proposal in May 2024.

Regulatory environment for ESG disclosures in the EU

The European Green Deal was at the very top of the political agenda and the European Commission's initiatives for 2023. This reaffirms the EU's commitment to be at the forefront of sustainability efforts with ambitious environmental laws and the goal of being climate neutral by 2050. The funding of this transition will be crucially important in the coming years. The EU taxonomy and the Green Bond Standard are the most relevant sustainable financial instruments. In June 2023, the EU Commission adopted further EU taxonomy criteria for economic activities that make a significant contribution to biodiversity, environmental pollution and the circular economy. The inclusion of more economic activities and sectors will increase the usability and potential of the EU taxonomy in scaling up sustainable investment in the EU. RBI will disclose its first taxonomy alignment ratios from January 2024 onwards.

The legislator will use the EU Corporate Sustainability Reporting Directive (CSRD), which was completed at the end of 2022, to rank the importance of ESG information equally with that of a company's financial data. This will be substantiated by the European Sustainability Reporting Standards (ESRS) that were developed by the European Financial Reporting Advisory Group (EFRAG). The standards serve to limit the burden on reporting companies, while at the same time enabling them to verify the efforts they are making to meet the green deal agenda, and accordingly get access to sustainable finance. The new CSRD follows a double materiality concept. This means that companies must consider how sustainability aspects impact a company's economic situation on the one hand and how a company's operations impact sustainability aspects on the other.

Significant events in the reporting period

RBI has decided to acquire shares in STRABAG SE

In December 2023 RBI has taken a decision to acquire 28,500,000 shares in STRABAG SE, representing 27.78 per cent of outstanding shares, via its Russian subsidiary AO Raiffeisenbank from Russian based MKAO Rasperia Trading Limited for a cash consideration of € 1,510 million (including dividend entitlements for 2021 and 2022). Closing of the acquisition is subject to various conditions precedent including satisfactory completion of the sanctions compliance due diligence by RBI, regulatory approvals, and merger clearance.

Upon the successful closing of the acquisition, AO Raiffeisenbank intends to transfer the shares in STRABAG SE to RBI by issuing a dividend in kind. The approval of the dividend in kind by the competent Russian authorities is also a condition precedent for the acquisition of the shares in STRABAG SE by AO Raiffeisenbank.

The impact on RBI consolidated CET1 ratio (16.5 per cent proforma including profits as of 31 December 2023) is expected to be c. minus 10 basis points at closing, while the CET1 ratio of RBI Group excluding Russia will increase by around 125 basis points (Price/Book zero deconsolidation scenario: 14.4 per cent proforma including profits as of 31 December 2023).

The acquisition of the shares in STRABAG SE and distribution of the dividend in kind, subject to regulatory approvals and satisfaction of other conditions precedent, are expected to close in the first quarter of 2024. After closing, RBI will retain the shares in STRABAG SE as a long-term equity participation which will be contributed to and managed by its fully consolidated subsidiary GABARTS Beteiligungs GmbH & Co KG.

With this transaction, RBI further reduces its exposure to Russia.

Russia and Belarus

In 2023, RBI continued to work on a spin-off or sale of AO Raiffeisenbank. Both alternatives require numerous approvals from various Russian and European authorities, and from the respective central banks. In the meantime, business activities in Russia will be further reduced. After the war broke out, the loan business has been scaled back significantly, and the loan volume has since fallen 43 per cent. In addition, the clearing, settlement and payment services business has been considerably reduced. This is reflected in the decline in net fee and commission income, which fell 43 per cent year-on-year.

RBI continues to assess strategic options for the future of Priorbank in Belarus.

Dividend

On 21 November 2023, the Extraordinary General Meeting resolved to distribute a dividend of € 0.80 for each share that was entitled to a dividend for the 2022 financial year.

The Board of Management will propose the distribution of a dividend of € 1.25 per share to the Annual General Meeting on 4 April 2024. Based on the shares issued, this would result in a maximum amount of € 411 million.

Earnings and financial performance

Due to the positive interest rate environment, RBI can look back on a successful business development in 2023. On the other hand, the financial year continued to be characterized by high inflationary pressure, a weak economy, low growth and, in some cases, tense labor markets. Nevertheless, RBI generated consolidated profit of € 2,386 million in this environment. If the earnings contributions from Russia and Belarus are excluded, this would result in a consolidated profit of € 997 million and thus an increase of 1 per cent compared to 2022 (excluding the proceeds of € 453 million realized at the time from the disposals of the Bulgarian Group units).

The ECB continued its cycle of interest rate hikes of 200 basis points in 2023 into the summer. Key interest rates in the countries of Central and Eastern Europe also remained at a high level for most of the year, resulting in a significant increase in profitability thanks to higher interest margins. Net interest income increased € 631 million to € 5,683 million. The interest margin reached 2.87 per cent in the reporting period, versus 2.59 per cent in the comparable period. Net fee and commission income stabilized at a high level; the decline of € 837 million was entirely attributable to Russia (down € 856 million), both due to active restrictions on activities and the currency devaluation. RBI's core revenues (net interest income and net fee and commission income) were down € 206 million or 2 per cent to € 8,725 million; excluding Russia and Belarus, however, there would have been an increase of € 868 million.

High core revenues compensated for additional bank taxation in certain countries, rising operating costs due to inflation and, in some cases, higher refinancing costs from an increasing proportion of time deposits and more expensive MREL funding.

General administrative expenses rose € 355 million year-on-year to € 3,908 million, primarily as a result of increases at head office and in Hungary, Romania and Russia. This was primarily due to the persistently high inflation rate, but also additional investments in many areas. The increased cost burden contributed to the deterioration of the cost/income ratio by 6.5 percentage points to 43.1 per cent.

The devaluations of the average exchange rates of the Russian ruble by 21 per cent and the Ukrainian hryvnia by 14 per cent also had a negative effect on the consolidated profit.

Risk costs of € 393 million, which were well below the previous year's figure (€ 949 million), were mainly recorded in the Eastern Europe region (€ 191 million, with Russia and Ukraine accounting for € 95 million and € 94 million respectively) and at head office (€ 138 million). A negative factor was the € 368 million increase to € 873 million in expenses for credit-linked litigation and annulments of loan agreements in Poland. The consolidated profit should also be appreciated in view of this burden.

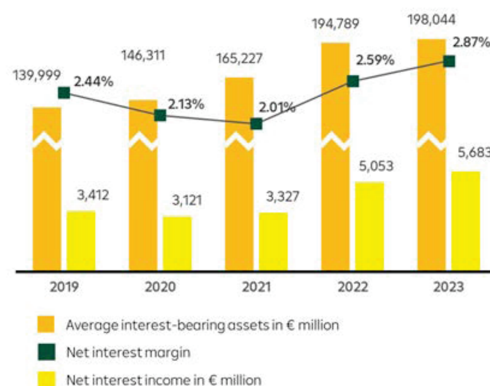
Total assets fell approximately € 9 billion or 4.3 per cent to € 198 billion since the start of the year. Currency effects were responsible for a 2.6 per cent fall. On a currency-adjusted basis, customer business was stable overall; the decline of € 4 billion is primarily attributable to Russia. Lending volumes in Russia have been actively reduced since the start of the Russian war of aggression against Ukraine. The decline since the beginning of 2023 - exacerbated by the devaluation of the Russian ruble - amounted to € 3 billion.

Comparison of results with the previous year

in € million	2023	2022	Change	
Net interest income	5,683	5,053	631	12.5 %
Dividend income	35	64	(29)	(44.8)%
Current income from investments in associates	85	64	21	32.5 %
Net fee and commission income	3,042	3,878	(837)	(21.6)%
Net trading income and fair value result	186	663	(477)	(71.9)%
Net gains/losses from hedge accounting	(28)	(41)	13	(32.3)%
Sundry operating income	62	29	33	115.1 %
Operating income	**9,065**	**9,710**	**(645)**	**(6.6)%**
Staff expenses	(2,209)	(2,010)	(199)	9.9 %
Other administrative expenses	(1,224)	(1,081)	(143)	13.2 %
Depreciation	(475)	(461)	(14)	3.0 %
General administrative expenses	**(3,908)**	**(3,552)**	**(355)**	**10.0 %**
Operating result	**5,158**	**6,158**	**(1,000)**	**(16.2)%**
Other result	(906)	(667)	(238)	35.7 %
Governmental measures and compulsory contributions	(284)	(337)	54	(16.0)%
Impairment losses on financial assets	(393)	(949)	557	(58.6)%
Profit/loss before tax	**3,576**	**4,203**	**(628)**	**(14.9)%**
Income taxes	(997)	(859)	(138)	16.1 %
Profit/loss after tax from continuing operations	**2,578**	**3,344**	**(766)**	**(22.9)%**
Gains/losses from discontinued operations	0	453	(453)	–
Profit/loss after tax	**2,578**	**3,797**	**(1,219)**	**(32.1)%**
Profit attributable to non-controlling interests	(192)	(170)	(22)	12.9 %
Consolidated profit/loss	**2,386**	**3,627**	**(1,241)**	**(34.2)%**

Operating income

The € 631 million increase in net interest income to € 5,683 million was largely driven by interest rates. Due to the liquidity position in the reporting period, rising market interest rates in numerous Group countries led to a sharper increase in interest income than in interest expense. The increases amounted to € 169 million in Hungary, € 90 million in Romania, € 83 million in Slovakia, € 64 million in Croatia and € 42 million in Albania. Raiffeisen Bausparkasse Österreich Gesellschaft m.b.H reported an increase of € 42 million due to upward repricing of variable-rate loans and increased interest income from derivatives. In Serbia, net interest income rose € 124 million as a result of higher interest income from loans for non-financial corporations and households and also partly due to the integration of Crédit Agricole Srbija AD (on 1 April 2022). Volume-related higher interest income from government certificates of deposit, from money market transactions and from government bonds led to an increase of € 43 million in net interest income in Ukraine. Net interest income in Russia, on the other hand, fell € 116 million, due to a partially currency-related 34 per cent decline in loan volume. In Belarus, net interest income fell € 36 million due to falling market interest rates and the resulting lower margins. Net interest income also fell € 10 million in the Czech Republic, as increasing interest expenses for customer deposits from households and for newly issued MREL-eligible debt securities significantly exceeded the increase in interest income from repo business and customer loans.



The group's average interest-bearing assets increased 2 per cent year-on-year. The net interest margin improved 28 basis points to 2.87 per cent, with the largest increases of 192 basis points in Serbia, 144 basis points in Albania and 109 basis points in Hungary.

Overall, net fee and commission income fell € 837 million to € 3,042 million. Net fee and commission income decreased due to the currency devaluations in Eastern Europe and continued to be influenced by the geopolitical situation. Russia reported the strongest decline of € 856 million, while the other countries of the Group remained stable. The result from foreign exchange business was down € 627 million, primarily in spot foreign exchange business in Russia and at head office. In Russia, this development was influenced by decreased volumes caused by the introduction of internal transaction limits as well as lower margins in corporate customer and retail business, at head office the fall in business was likewise margin-related. Due to lower fees, net income from the securities business also fell € 93 million, mainly in Russia. Net income from clearing, settlement and

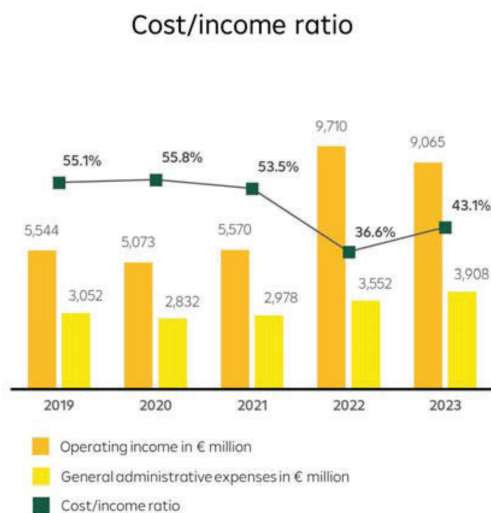
payment services decreased € 77 million as a result of lower volumes, primarily in Russia. Net income from loan and guarantee business also fell € 32 million, most notably in Russia and at head office.

Net trading income and fair value result declined € 477 million to € 186 million. The year-on-year decline was mainly due to a decrease of € 234 million in net trading income in Russia. Russian restrictions imposed on foreign currency transactions in 2022 led to a massive increase in foreign currency business in the previous year's period. The introduction of internal transaction limits in the reporting period led to a fall in transactions and a corresponding reduction in the trader margin. In certificates business at head office, the sharp increase in the Group's own credit spread resulted in the previous year in large valuation gains on certificate issues measured at fair value. Conversely, the Group's own credit spread narrowed by around 35 basis points in the reporting year, resulting in a € 108 million year-on-year reduction in the valuation result. Higher currency-related valuation losses of minus € 95 million were mainly recorded in Hungary, Ukraine and Belarus.

Other net operating income increased € 33 million to € 62 million. In the reporting period, net income from debt securities showed a € 31 million smaller loss of € 25 million. The loss in the reporting period was mainly attributable to Hungary, whereas in the previous year it mainly related to Russia. The derecognition of intangible assets at head office resulted in a loss of € 29 million in the previous year. An amount of € 48 million was allocated to other provisions in the reporting period for pending litigation in Russia and Austria, whereas in the previous year there were reversals of € 14 million, mainly in Romania and at head office. Charges for non-banking activities and operating leases on property resulted in higher income in the reporting period.

General administrative expenses

General administrative expenses were up 10 per cent or € 355 million year-on year to € 3,908 million. Staff expenses rose € 199 million to € 2,209 million, mainly at head office (up € 57 million) and in Russia (up € 48 million). The increase at head office was primarily attributable to salary adjustments under collective agreements and to an increase in the headcount. In Russia, the increase resulted from higher salaries and social security costs, provisions for one-off payments and an increase in the headcount, notably in IT. Staff expenses also increased in Hungary (up € 23 million), Slovakia (up € 20 million) and Romania (up € 15 million). The main drivers of the € 143 million rise in other administrative expenses were higher legal, advisory and consulting expenses (up € 44 million) and increased IT expenses (up € 37 million) at head office. There were further increases in other administrative expenses in Hungary (up € 27 million), Poland (up € 17 million) and Romania (up € 13 million). Depreciation and amortization of tangible and intangible fixed assets increased 3 per cent or € 14 million to € 475 million. The cost/income ratio increased year-on-year from 36.6 per cent to 43.1 per cent, primarily due to the decline in profit in Russia and to increased general administrative expenses.



The number of business outlets fell 145 year-on-year to 1,519. The largest decline resulted from the war in Ukraine (down 65), followed by Serbia due to consolidations following the merger (down 46), and Belarus (down 13). The average headcount increased 245 full-time equivalents year-on-year to 44,439, mainly in Russia (up 522) and at head office (up 195). There was a significant decrease in Ukraine (down 891).

Other result

The other result amounted to minus € 906 million in the reporting period, compared to minus € 667 million in the comparable period. Expenses for credit-linked, portfolio-based litigation and annulments had a negative effect of € 878 million (previous year's period: € 510 million). These mainly related to mortgage loans in Poland denominated in or linked to a foreign currency. The increase in Poland of € 368 million primarily resulted from a decision by the European Court of Justice in June, leading to significantly increased actual and expected legal cases, higher loss rates, and losses due to cancellations of credit agreements. In contrast, valuation of investments in subsidiaries and associates led to a gain of € 21 million in the reporting period, mainly relating to the investments in LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG and Oesterreichische Kontrollbank AG. In the previous year's period, impairment losses of € 37 million were recognized on investments in associates and € 30 million on investments in subsidiaries.

Governmental measures and compulsory contributions

Governmental measures and compulsory contributions decreased € 54 million to € 284 million. Contributions to the bank resolution fund fell € 15 million, mostly at head office. The € 21 million decrease in deposit insurance fees mainly related to Russia, Hungary, Slovakia and Romania. No other compulsory contributions were incurred in the reporting period, whereas this item in the previous year included € 26 million in contributions to the state support fund for distressed borrowers in Poland. In contrast, bank levies increased € 8 million, mainly in Hungary (up € 31 million). The bank levy at head office was down € 21 million.

Impairment losses on financial assets

At € 393 million, impairment losses on financial assets were significantly lower in the reporting period than the figure of € 949 million in the comparable period. Risk provisions in Eastern Europe accounted for the largest share at € 191 million (previous year's period: € 743 million) due to the ongoing Russian war of aggression in Ukraine and related risk factors. Of this, € 95 million (previous year's period: € 471 million) related to Russia and € 94 million (previous year's period: € 253 million) to Ukraine. Risk provisions at head office reached € 138 million (previous year's period: € 149 million), primarily for non-financial corporations in connection with real estate loans.

For defaulted loans (Stage 3), net impairments of € 389 million were recognized in the reporting period (previous year's period: net € 382 million), of which € 191 million related to non-financial corporations and € 135 million to households. At country level, the Stage 3 impairment losses were primarily incurred by head office (€ 230 million) and Russia (€ 53 million). In Stage 1 and Stage 2, net impairment losses of € 4 million were recognized in the reporting period (previous year's period: € 567 million, of which € 298 million in Russia and € 87 million in Ukraine).

The NPE ratio rose 0.3 percentage points to 1.9 per cent due to loan defaults at head office. The NPE coverage ratio was 51.7 per cent at the reporting date, compared to 59.0 per cent in the previous year.

Income taxes

The € 138 million increase in income taxes to € 997 million was primarily due to Ukraine, which accounted for €108 million. This mainly relates to a windfall tax and a significant increase in profit. Significant increases in profit led to higher tax expense in most countries, for example with increases of € 31 million in Romania, € 19 million each in Serbia and Slovakia, € 17 million in Croatia, and € 11 million in Hungary. In the Czech Republic, on the other hand, profit was down, and the higher tax expense of € 9 million was due to a windfall tax in the amount of € 26 million. In Russia, income taxes of € 464 million were € 95 million lower than in the comparable period. This was due to the sharp fall in profit of € 811 million and the resulting lower tax burden, which was partly offset by a windfall tax in the amount of € 47 million.

RBI's effective tax rate rose 7.5 percentage points year-on-year to 27.9 per cent, mainly due to the non-tax-deductible expenses for credit-linked litigation and for annulments of loan agreements in Poland in the amount of € 873 million (previous year's period: € 505 million) and to the newly introduced windfall taxes in Russia, the Czech Republic and Ukraine.

Gains/losses from discontinued operations

The gains/losses from discontinued operations in the previous year's period included the deconsolidation of the Bulgarian Group units.

Comparison of results with the previous quarter

Quarterly results

in € million	Q4/2022	Q1/2023	Q2/2023	Q3/2023	Q4/2023	Change	
Net interest income	1,462	1,385	1,364	1,441	1,494	52	3.6 %
Dividend income	24	11	7	10	8	(2)	(17.9)%
Current income from investments in associates	8	30	21	21	13	(7)	(36.2)%
Net fee and commission income	1,196	966	732	667	677	10	1.6 %
Net trading income and fair value result	192	86	30	89	(19)	(108)	–
Net gains/losses from hedge accounting	(20)	(10)	(7)	5	(16)	(21)	–
Other net operating income	(1)	(9)	51	15	5	(10)	(66.8)%
Operating income	**2,861**	**2,459**	**2,197**	**2,247**	**2,162**	**(86)**	**(3.8)%**
Staff expenses	(578)	(562)	(606)	(491)	(548)	(57)	11.6 %
Other administrative expenses	(278)	(277)	(323)	(271)	(354)	(83)	30.4 %
Depreciation	(123)	(111)	(116)	(116)	(132)	(17)	14.3 %
General administrative expenses	**(978)**	**(950)**	**(1,045)**	**(878)**	**(1,034)**	**(156)**	**17.8 %**
Operating result	**1,882**	**1,509**	**1,152**	**1,369**	**1,128**	**(242)**	**(17.6)%**
Other result	(442)	(96)	(354)	(138)	(317)	(178)	128.8 %
Governmental measures and compulsory contributions	(52)	(236)	(2)	(22)	(24)	(2)	9.8 %
Impairment losses on financial assets	(228)	(301)	42	8	(142)	(150)	–
Profit/loss before tax	**1,160**	**877**	**838**	**1,216**	**645**	**(572)**	**(47.0)%**
Income taxes	(270)	(176)	(211)	(269)	(341)	(72)	26.7 %
Profit/loss after tax from continuing operations	**890**	**700**	**627**	**947**	**304**	**(644)**	**(67.9)%**
Gains/losses from discontinued operations	0	0	0	0	0	0	–
Profit/loss after tax	**890**	**700**	**627**	**947**	**304**	**(644)**	**(67.9)%**
Profit attributable to non-controlling interests	(64)	(43)	(49)	(68)	(32)	37	(53.7)%
Consolidated profit/loss	**826**	**657**	**578**	**879**	**272**	**(607)**	**(69.0)%**

Development of the fourth quarter of 2023 compared to the third quarter of 2023

Net interest income rose € 52 million to € 1,494 million. Russia reported the largest increase of € 52 million, mainly due to a partly currency-related rise in interest income from loans to banks. In Slovakia, net interest income rose € 8 million due to higher market interest rates for loans to non-financial corporations and households. In the Czech Republic, higher interest income from government bonds and lower interest expenses for derivatives led to an increase in net interest income of € 7 million. In Hungary, net interest income increased € 6 million, mainly due to higher net income from derivatives and interest rate swaps. The net interest margin increased 10 basis points to 3.06 per cent, which was primarily due to Russia

Net fee and commission income increased 2 per cent, or € 10 million, to € 677 million. Net income from clearing, settlement and payment services improved € 5 million, primarily in Romania and the Czech Republic. Net income from customer resources distributed but not managed also increased € 5 million due to higher income and transactions, particularly in the Czech Republic and Romania.

Net trading income and fair value result decreased € 108 million to minus € 19 million. A significant portion of the decrease occurred at head office, which posted a decline of € 67 million that was concentrated in interest rate derivatives and foreign currency positions. In addition, Russia also recorded a decline of € 33 million, primarily due to volatility in the Russian ruble. Raiffeisen Bausparkasse Gesellschaft m.b.H. also posted a lower valuation result of € 21 million. This was mainly driven by negative valuation effects among interest rate derivatives.

Other net operating income came in at € 5 million in the second quarter, below the third-quarter level of € 15 million. Net income from insurance contracts was € 15 million lower in the fourth quarter, mainly in connection with the change to IFRS 17 in Croatia.

General administrative expenses were up € 156 million quarter-on-quarter to € 1,034 million. Staff expenses increased € 57 million to € 548 million; other administrative expenses rose € 83 million to € 354 million; and depreciation increased € 17 million to € 132 million. The main drivers of the increase in the fourth quarter were higher staff expenses in Russia (increase: € 20 million), higher other administrative expenses in Romania (increase: € 20 million) and Russia (increase: € 18 million) and higher IT expenses at head office (increase: € 13 million).

The other result decreased € 178 million to minus € 317 million. This was mostly driven by expenses for credit-linked, portfolio-based litigation and annulments, which totaled € 273 million in the fourth quarter of 2023 after reaching € 176 million in the third quarter of 2023. They mainly related to the mortgage loan portfolio in Poland. The valuation of investments in associates resulted in reversals of impairment losses of € 16 million in the fourth quarter that were mainly related to Oesterreichische Kontrollbank AG. This was set against an impairment loss of € 19 million on shares in subsidiaries.

Impairment losses on financial assets amounted to € 142 million in the fourth quarter after booking net releases of € 8 million in the third quarter. In the fourth quarter, net provisioning for impairment losses at head office of € 132 million (due to defaults at non-financial corporations) was offset by net releases of € 52 million in Russia. In the third quarter, the releases of loan loss provisions mainly affected Russia, with this effect being primarily due to the reduction of the customer portfolio that is subject to sanctions.

The € 72 million increase in income taxes is mainly due to windfall tax in Ukraine and the Czech Republic.

Statement of financial position

Total assets have decreased by around € 9 billion or 4.3 per cent since the beginning of the year, with currency effects being responsible for a decline of 2.6 per cent. The devaluation of the Russian ruble (down 22 per cent), the Belarusian ruble (down 18 per cent) and the US dollar (down 3 per cent) was set against the appreciation of the Hungarian forint (up 5 per cent) and the Swiss franc (up 6 per cent).

Assets

in € million	31/12/2022	31/3/2023	30/6/2023	30/9/2023	31/12/2023	Change year-to-date		Change previous quarter	
Loans to banks	15,716	17,442	17,358	15,716	14,714	(1,003)	(6.4)%	(1,003)	(6.4)%
Loans to customers	103,230	105,336	101,806	101,931	99,434	(3,796)	(3.7)%	(2,498)	(2.5)%
hereof non-financial corporations	48,829	48,939	48,296	47,713	47,049	(1,780)	(3.6)%	(664)	(1.4)%
hereof households	40,867	40,806	40,525	39,848	39,674	(1,193)	(2.9)%	(174)	(0.4)%
Securities	23,711	26,281	28,236	30,803	31,108	7,397	31.2 %	305	1.0 %
Cash and other assets	64,401	61,919	58,723	55,724	52,986	(11,415)	(17.7)%	(2,738)	(4.9)%
Total	**207,057**	**210,977**	**206,123**	**204,175**	**198,241**	**(8,817)**	**(4.3)%**	**(5,934)**	**(2.9)%**

Loans to banks decreased € 935 million due to loan repayments mainly at head office and € 455 million in the Czech Republic due to a decline in repo transactions, while an increase of € 431 million was recorded in Serbia due to repo transactions.

Loans to customer decreased by a total of € 3,796 million. The loan volume in Russia has been scaled back significantly since the beginning of the Russian war of aggression in Ukraine. It declined another € 3,014 million in total to € 5,973 million during the financial year, with the decline concentrated in unsecured loans, mortgage loans to households, working capital finance and fixed-term loans to non-financial corporations. However, the decline was mainly driven by the depreciation of the Russian ruble. Head office recorded a net decrease of € 1,411 million to € 26,382 million, half of which was attributable to repayments of loans to other financial corporations of € 809 million. In addition, both regular repayments and early repayments led to a € 764 million decrease in loans to non-financial corporations. In Slovakia, receivables increased € 371 million, mainly due to loans to households and non-financial corporations. In Romania, growth amounted to € 349 million, or 4 per cent, for non-financial corporations and other financial corporations, while growth in Croatia was € 293 million, or 9 per cent, mainly driven by loans to households and non-financial corporations. In the Czech Republic, an increase of € 257 million, or 1 per cent, was achieved mainly through project finance loans to non-financial corporations and consumer loans to households.

The increase in securities was primarily attributable to investments – especially in government bonds – at head office (up € 2,619 million, including trading securities), in the Czech Republic (up € 2,210 million), Hungary (up € 993 million), Ukraine (up: € 636 million) and Slovakia (up € 558 million).

The decline in cash balances of € 10,449 million was primarily due to a reduction at head office of € 9,797 million, mainly due to a reduction in central bank balances, while the increase in repo transactions partially offset this decline. Russia recorded a € 2,471 million fall in cash balances, primarily in overnight interbank placements. Slovakia posted a decline of € 456 million, with surplus cash being used for customer loans and investment loans. The market values of derivatives reported under other assets, primarily interest rate derivatives, declined € 1,831 million at head office.

Equity and liabilities

in € million	31/12/2022	31/3/2023	30/6/2023	30/9/2023	31/12/2023	Change year-to-date		Change previous quarter	
Deposits from banks	33,641	35,005	33,681	29,298	26,144	(7,496)	(22.3)%	(3,154)	(10.8)%
Deposits from customers	125,099	124,776	120,553	121,233	119,353	(5,746)	(4.6)%	(1,880)	(1.6)%
hereof non-financial corporations	50,042	49,850	45,827	45,813	45,084	(4,958)	(9.9)%	(729)	(1.6)%
hereof households	58,876	59,234	58,427	57,520	58,453	(423)	(0.7)%	932	1.6 %
Debt securities issued and other liabilities	29,554	31,971	32,561	33,792	32,894	3,340	11.3 %	(898)	(2.7)%
Equity	18,764	19,225	19,329	19,851	19,849	1,085	5.8 %	(2)	— %
Total	**207,057**	**210,977**	**206,123**	**204,175**	**198,241**	**(8,817)**	**(4.3)%**	**(5,934)**	**(2.9)%**

The € 7,496 million or 22 per cent decrease in deposits from banks was mainly due to the redemption of TLTRO instruments and lower short-term deposits at head office (€ 8,394 million) as well as the redemption of TLTRO instruments in Slovakia (€ 775 million), which were offset by an increase in the Czech Republic (€ 529 million) due to repo transactions.

The € 5,746 million reduction in deposits from customers compared to the end of the year was largely due to a reduction in short-term deposits from households and non-financial corporations in Russia, which were down € 5,537 million, largely as a result of currency effects. The decline in local currency was much smaller (8 per cent). The decrease in deposits of € 3,276 million at head office was mainly due to lower time deposits, in particular from Austrian and German non-financial corporations (total: € 3,160 million). In contrast, the Czech Republic recorded an increase of € 1,197 million, or 5 per cent, attributable to the rise in repo transactions with governments and short-term deposits mainly from households.

Debt securities issued rose € 4,377 million. In the reporting period, a € 1.0 billion senior preferred bond, two mortgage-backed bonds, each with a nominal value of € 500 million, and a € 500 million senior non-preferred benchmark bond were issued at head office. MREL-eligible bonds were issued in the Czech Republic (€ 300 million), in Romania (€ 300 million) and in Slovakia (€ 500 million), including covered bonds in the latter case. The negative market values of derivatives reported under other liabilities, primarily interest rate derivatives at head office, declined € 1,308 million.

For information relating to funding, please refer to note (44) Liquidity management in the risk report section of the consolidated financial statements.

Liquidity and funding

With its solid liquidity position and established processes for managing liquidity risk, RBI demonstrates its high adaptability even in times of crisis. In addition, separate monitoring of RBI's liquidity risk position excluding Russian subsidiaries was introduced in 2023. This shows that RBI's liquidity risk position remains within the target values even without the Russian business. The liquidity coverage ratio was 189 per cent as at 31 December 2023 (31 December 2022: 202 per cent) compared to a regulatory limit of 100 per cent, while the net stable funding ratio (NSFR) was 141 per cent (31 December 2022: 135 per cent).

Group funding is derived from a strong base of customer deposits – primarily retail business in Central and Southeastern Europe – and is supplemented by wholesale funding, mainly through RBI AG and the subsidiary banks. In addition to funding from the regional Raiffeisen banks, financing loans from third parties and interbank loans with third-party banks are also used. The loan/deposit ratio amounted to 83.8 per cent as at 31 December 2023 (31 December 2022: 82.4 per cent).

Equity on the statement of financial position

Equity including non-controlling interests rose € 1,085 million from the start of the year to € 19,849 million.

Total comprehensive income of € 1,518 million comprised profit after tax of € 2,578 million and other comprehensive income of minus € 1,060 million. The currency movements in particular had a negative impact of minus € 1,168 million on other comprehensive income.

The 22 per cent devaluation of the Russian ruble contributed negatively with € 989 million, while the 18 per cent devaluation of the Belarusian ruble contributed € 95 million and the 2 per cent devaluation of the Czech koruna contributed € 71 million to the negative currency impact.

On the other hand, there were positive effects from fair value changes of equity instruments and financial assets amounting to € 71 million, as well as from hedging of net investments, primarily in the Russian ruble (€ 21 million) and the Czech koruna (€ 17 million), which resulted in a positive valuation result of € 37 million.

Total capital pursuant to the CRR/Austrian Banking Act (BWG)

Common equity tier 1 (CET1) after deductions amounted to € 16,203 million, representing an increase of € 560 million compared to the 2022 year-end figure. The main driver of the increase was the net profit for the current financial year.

Tier 1 capital after deductions increased € 562 million to € 17,881 million. The increase was primarily attributable to effects in CET1. Tier 2 capital decreased € 96 million to € 2,287 million due to the regulatory maturing of outstanding instruments. Total capital amounted to € 20,168 million, which represents an increase of € 466 million year-on-year.

Total risk-weighted assets (RWA) decreased by a total of € 4,016 million to € 93,664 million compared to the 2022 year-end figure. The main drivers for the reduction in credit risk were foreign currency effects from the Russian ruble and a decrease in the corporate and retail portfolio of € 3,684 million and € 1,437 million, respectively. The reduction was set against an increase of € 1,392 million in credit risk for governments and central banks, primarily due to higher risk weightings. Inorganic effects, which were primarily due to the implementation of the IRB approach at the Austrian savings and loan institution, resulted in a decrease of € 2,370 million. The RWAs for market risk increased due to the RWA backing of investments in foreign currencies, particularly those of the Russian subsidiary bank.

This resulted in a (transitional) CET1 ratio of 17.3 per cent, a (transitional) tier 1 ratio of 19.1 per cent and a (transitional) total capital ratio of 21.5 per cent.

Research and development

Digitalization

A central theme for banks in the advancement of digitalization is the growing relevance of mobile banking. Penetration (the rate of active mobile banking use) reached 60 per cent in retail (though this figure varies between markets) and is above that of local peers. The sale of E2E digital loans at group level reached 52 per cent in 2023.

With its product range for retail customers and small businesses, RBI places a strong focus on the full end-to-end digitalization of core products (accounts, payments/cards and loans). RBI expects to achieve cost savings and additional income through this as well as the branch network optimization.

In addition, RBI is continuing its efforts to develop more products and individual product components centrally and make them available to all of the Group's banks. Aside from the cost benefit, this should lead to a substantial reduction in the time required for the full digitalization of the five most important products across the entire Group (current accounts, credit cards, consumer loans as well as current accounts and loans for SMEs).

With the Easy Digital Investing (EDI) platform, Raiffeisenbank Czech Republic was the first large bank in the Czech Republic to introduce a mobile investment application for retail clients at the end of 2022. At the end of 2023, around 18,000 customers were already using the platform's services. Half of the EDI users are new-to-invest customers (i.e. customers, who have never had an investment product with Raiffeisenbank Czech Republic), which positively confirms RBI's ability to attract new customers, and overall increases the penetration of investment products. EDI was developed as a standardized group solution, hence a timely rollout in other countries is currently being planned.

Digitalization is also a key issue for corporate and institutional customers. The main challenge is to enable process streamlining and a reduction of paper-based procedures in the interface with customers. Since the end of 2019, RBI has digitized a series of products and services on the myRaiffeisen platform. This includes a digital KYC process (eKYC) for companies and institutional customers, digital account opening (Group eAccount Opening), digital export finance (eSpeedtrack) as well as further services such as eFinance, eGateway, eArchive, and the digital payment questionnaire for correspondent banking clients (ePIC). In 2022, eTradeOn, a tool to manage guarantees online, was added to the myRaiffeisen product range.

RBI is one of the first banks in the CEE region to offer a group-wide account opening feature for international customers, addressing one of the core needs of the segment for region-wide services. Further products and solutions are planned to follow in the coming years with a similar setup. Since 2019, RBI has successfully rolled out features to the network banks, achieving more than 4,000 digitally initiated KYC cases group-wide, supported by more than 1,600 digital account opening requests and a digitally requested lending volume of € 1.3 billion. Digital penetration of KYC processes in RBI head office is on a stable level of >70 per cent and the majority of first account openings are requested digitally.

In response to customer needs in the FX business, RBI launched a single-bank FX platform (R-Flex) in Romania and Croatia in 2022 and in Hungary in 2023. R-Flex enables FX transactions in digital form, including real-time information and fast settlement, both in the online and mobile versions. Compared to the previous year, the number of platform users has increased from 4,500 to 37,000. It is planned to roll out the product to further countries in 2024.

Innovation Areas

The topics of artificial intelligence (AI) and blockchain technology have been identified as strategically important fields for further monitoring and research for the RBI in 2023.

In 2023, there was a notable surge in the adoption and utilization of AI technology, leading to the democratization of AI. To maintain competitiveness and consistently provide top-notch solutions to clients, RBI introduced a strategic AI initiative. This initiative aims to assess the impact of AI on RBI and explore its potential in customer-facing products. It will be implemented in stages, encompassing employee education, awareness, and the development of innovative products and services.

Blockchain technology is another strategic field of interest for RBI due to its potential to revolutionize the financial industry. Potential applications include fast and secure payments and transactions, improving internal processes, and enabling tokenization of clients' assets. A dedicated team for this topic was formed several years ago to monitor market developments and the technology's potential for client-facing products. In 2023, two internal projects explored the potential of asset tokenization and institutional-grade digital asset custody, both of which will continue in 2024.

IT

In 2023, RBI adopted its 2024-2025 Strategy Outlook, which outlines its commitment to being a data-centric company, emphasizing data accessibility, quality, and business value. The bank streamlined operations and automated processes to cater to the growing need for real-time services, and RBI's operating model shifted towards client-centricity, stability, and digitalization.

RBI's commitment to agility was emphasized by consistently developing maturity in this area, achieving enterprise agility, and securing a leading position in the CEE region.

IT security was bolstered through a risk-based alert system that enables a rapid response and the migration of more than 14,000 repositories to GitHub to ensure greater efficiency in source code management.

RBI attaches great importance to the introduction of cloud technology. By reaching the milestone of 50 per cent in Ukraine, Kosovo and Albania, RBI demonstrated a leading role among banks in these regions. The transition of applications to the cloud reached 44 per cent at head office level and 40 per cent at network banks level in 2023.

In a bid to solidify its standing as a top-tier IT employer, RBI inaugurated Raiffeisen Tech centers in Poland, Romania, and Kosovo, creating job opportunities for global IT professionals and promoting employee development.

Internal control and risk management system in relation to the Group accounting process

Balanced and comprehensive financial reporting is a priority for RBI and its governing bodies. Compliance with all relevant statutory requirements is therefore a basic prerequisite. The Management Board is responsible for establishing and defining a suitable internal control and risk management system that encompasses the entire accounting process while adhering to company requirements. This is embedded in the company-wide framework for the internal control system (ICS).

The ICS should ensure effective and continuously improving internal controls for accounting. The control system is designed to comply with all relevant guidelines and regulations and to optimize conditions for specific control measures in order to prevent any unintentional misstatements.

Control environment

The Group has an internal control system pertaining to financial reporting, which includes directives and instructions on key issues as a central element. This includes:

- The hierarchical decision-making process for approving Group and company directives, as well as departmental and divisional instructions,
- process descriptions for the preparation, quality control, approval, publication, implementation and monitoring of directives, and instructions including related controls, as well as
- regulations for the revision and repeal of directives and instructions.

The senior management of each Group unit is responsible for implementing the Group-wide instructions. Compliance with Group rules is monitored by the department Group Consolidation as well as through audits by Group and local auditors.

The consolidated financial statements are prepared by the department Group Consolidation (division Group Accounting & Financial Methodologies), which belongs to the CFO area under the CEO. The associated responsibilities are defined for the Group within the frame-work of a dedicated Group function.

Risk assessment

Significant risks relating to the Group accounting process are evaluated and monitored by the Management Board. Complex accounting standards can increase the risk of errors, as can the use of differing valuation standards, particularly in relation to the Group's principal financial instruments. A difficult business environment can also increase the risk of significant financial reporting errors. For the purpose of preparing the consolidated financial statements, estimates have to be made for asset and liability items for which no market value can be reliably determined. This essentially applies to risk provisions in the lending business, fair value and impairment of financial instruments, deferred taxes, provisions for pensions and pension-like obligations as well as provisions for legal cases.

Control measures

The preparation of financial information on an individual Group unit level is decentralized and carried out by the respective Group unit in accordance with RBI guidelines; the calculation of parts of the impairment charges under IFRS 9 is, however, carried out centrally. The Group unit employees and the managers responsible for accounting are required to provide a full presentation and accurate valuation of all transactions. The local management is responsible for ensuring implementation of mandatory internal control measures, such as the separation of functions and the principle of dual control. The reconciliation and validation controls are embedded in the aggregation, calculation, and accounting valuation activities for all financial reporting processes. Particular focus is placed on the controls for the core processes that play a fundamental role in the preparation of the financial statements. This primarily relates to processes which are relevant for valuations, the results of which have a significant impact on the financial statements (e.g. valuation of credit risk provisions, derivatives, equity participations, provisions for personnel expenses and market risk).

Consolidation

The financial statement data are predominantly automatically transferred to the IBM Cognos Controller consolidation system. The IT system is kept secure by limiting access rights.

The plausibility of each Group unit's financial information is initially checked by the responsible key account manager in the department Group Consolidation. Group-level control activities comprise the analysis and, where necessary, modification of the financial statements submitted by Group units. In this process, the results of internal meetings as well as comments from the Group units and comments from external reviews are taken into account. Both the plausibility of the reporting package as well as critical matters pertaining to the Group unit are acknowledged.

The subsequent consolidation steps are performed using the consolidation system, including capital consolidation, expense and income consolidation, and debt consolidation. Finally, intra-Group gains are eliminated where applicable. At the end of the consolidation process, the notes to the financial statements are prepared in accordance with IFRS and the BWG/UGB.

All control measures constitute part of the day-to-day business processes and are used to prevent, detect and correct any potential errors or inconsistencies in the financial reporting. Control measures range from process controls of the consolidation steps, to account reconciliation, to the managerial review of the results for the period.

The consolidated financial statements and management report are reviewed by the Audit Committee of the Supervisory Board and are also presented to the full Supervisory Board for its information.

Information and communication

The consolidated financial statements are prepared using Group-wide standardized data requirements. The accounting and valuation standards are defined and explained in the RBI Group Accounts Manual and must be applied when preparing the financial statements. Detailed instructions for the Group units on measuring credit risk and similar issues are provided in the Group directives. The relevant units are kept abreast of any changes to the instructions and standards through regular training courses.

Each year the Annual Report contains the consolidated results in the form of a complete set of consolidated financial statements. In addition, the Group management report contains comments on the consolidated results in accordance with the statutory requirements.

Throughout the year, consolidated monthly reports are produced for the RBI Management Board. The published statutory interim reports conform to the provisions of IAS 34 and are produced on a quarterly basis. Before publication, the consolidated financial statements are presented to senior managers and Management Board members for final approval and then submitted to the Supervisory Board's Audit Committee. Analyses pertaining to the consolidated financial statements are also provided for management, as are forecast Group figures at regular intervals. The financial and capital planning process, undertaken by the department Group Planning, Reporting & Analysis, includes a three-year Group budget.

Monitoring

Financial reporting is a primary focus of the ICS framework, whereby financial reporting processes are subject to risk-based prioritization and control examinations with results regularly reported to the Management Board and the Supervisory Board for evaluation. Additionally, the Audit Committee is required to monitor the financial reporting process. The Management Board is responsible for ongoing company-wide monitoring. The internal control system is based on three lines of defense.

The first line of defense consists of individual departments, whereby department heads are responsible for monitoring their business areas and ensuring that an appropriate control environment is established. The departments conduct plausibility checks and control activities on a regular basis, in accordance with the documented processes.

The second line of defense is made up of specialist areas focused on specific topics. These include, for example, Compliance, Data Quality Governance, Operational Risk Controlling, and Security & Business Continuity Management. Their primary aim is to support specialist areas with their control processes, to review the carrying out of controls, and to introduce leading practices within the organization.

Internal audits are the third line of defense in the monitoring process. Responsibility for auditing lies with Group Internal Audit and the respective internal audit departments of the Group units. All internal auditing activities are subject to the Group Audit Standards, which are based on the Austrian Financial Market Authority's minimum internal auditing requirements and international best practices. Group Internal Audit's internal rules also apply (notably the Audit Charter). Group Audit regularly and independently verifies compliance with the internal rules within the RBI Group units. The head of Group Internal Audit reports directly to the Management Board, with additional reporting obligations to the Chairman of the Supervisory Board and members of the Audit Committee of the Supervisory Board.

Capital, share, voting, and control rights

The following disclosures satisfy the provisions of § 243a (1) of the Austrian Commercial Code (UGB):

(1) As at 31 December 2023, the company's share capital amounted to € 1,003,265,844.05 and was divided into 328,939,621 voting common bearer shares. As at 31 December 2023, 573,938 (31 December 2022: 510,450) of those were own shares, and consequently 328,365,683 shares were outstanding at the reporting date.

Please see note (29) Equity and non-controlling interests for further disclosures.

(2) The Articles of Association contain no restrictions concerning voting rights or the transfer of shares. The regional Raiffeisen banks and direct and indirect subsidiaries of the regional Raiffeisen banks are parties to a syndicate contract (syndicate agreement) regarding RBI AG. The terms of this syndicate agreement include not only a block voting agreement and preemption rights, but also a prohibition on sales of the RBI shares held by the regional Raiffeisen banks (with few exceptions) , if the sale would reduce the regional Raiffeisen banks' aggregate shareholding in RBI AG (direct and/or indirect) to less than 40 per cent of the share capital plus one share.

(3) Raiffeisenlandesbank Niederösterreich-Wien AG holds directly and indirectly total around 24.83 per cent of the share capital of the company. By virtue of the syndicate agreement regarding RBI AG, the regional Raiffeisen banks and their direct and indirect subsidiaries as parties acting in concert as defined in § 1 (6) of the Austrian Takeover Act (ÜbG). The regional Raiffeisen banks hold a total of around 61.00 per cent of the voting rights. The remaining shares of RBI AG are held in free float, with no other direct or indirect shareholdings amounting to 10 per cent or more known to the Management Board.

(4) The Articles of Association do not contain any special rights of control associated with holding shares. According to the syndicate agreement for RBI AG, the regional Raiffeisen banks can nominate nine members of the RBI AG Supervisory Board. In addition to the members nominated by the regional Raiffeisen banks, the RBI AG Supervisory Board should also include three independent representatives of free-float shareholders who are not attributable to the Austrian Raiffeisen Banking Group.

(5) There is no control of voting rights arising from interests held by employees in the share capital.

(6) Pursuant to the Articles of Association, a person who is aged 68 years or older may not be appointed as a member of the Management Board or be reappointed for another term in office. The rule for the Supervisory Board is that a person who is aged 75 years or older may not be elected as a member of the Supervisory Board or be re-elected for another term in office. Moreover, no person who already holds eight supervisory board mandates in publicly traded companies may be a member of the Supervisory Board. Holding a position as chairman of the supervisory board of a publicly traded company would count twice for this purpose. The Annual General Meeting may choose to waive this restriction through a simple majority of votes if permitted by law. Any candidate who has more mandates for, or chairman positions on, supervisory boards in publicly traded companies must disclose this to the Annual General Meeting. There are no further regulations regarding the appointment or dismissal of members of the Management Board and the Supervisory Board beyond the provisions of the relevant laws. The Articles of Association stipulate that the resolutions of the Annual General Meeting are, provided that there are no mandatory statutory provisions to the contrary, adopted by a simple majority of the votes cast. Where the law requires a capital majority in addition to the voting majority, resolutions are adopted by a simple majority of the share capital represented in the votes. As a result of this provision, members of the Supervisory Board may be dis-missed prematurely by a simple majority. The Supervisory Board is authorized to adopt amendments to the Articles of Association that only affect the respective wording. This right may be delegated to committees. Furthermore, there are no regulations regarding amendments to the company Articles of Association beyond the provisions of the relevant laws.

(7) Pursuant to § 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 13 June 2019 to increase the share capital with the approval of the Supervisory Board – in one or more tranches – by up to € 501,632,920.50 through the issuance of up to 164,469,810 new voting common bearer shares in exchange for contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to § 153 (6) of the AktG) by 2 August 2024 at the latest and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Management Board is further authorized to exclude shareholders' subscription rights with the approval of the Supervisory Board (i) if the capital increase is carried out in exchange for contributions in kind, or (ii) if the capital increase is carried out in exchange for contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's share capital (exclusion of subscription rights). The (i) utilization of authorized capital with exclusion of the statutory subscription right in the event of a capital increase in return for a contribution in cash, and the (ii) implementation of the conditional capital resolved upon in the Annual General Meeting on 20 October 2020 in order to grant conversion or subscription rights to convertible bond creditors may not exceed 10 per cent in total of the share capital of the

company. The utilization of the authorized capital in the form of a capital increase in return for a contribution in kind is not covered by this restriction. No use has been made to date of the authority granted in June 2019 to utilize the authorized capital.

The share capital is conditionally increased (conditional capital) pursuant to § 159 (2) 1 of the AktG by up to € 100,326,584 by issuing of up to 32,893,962 ordinary bearer shares. The conditional capital increase will only be implemented to the extent that use is made of an irrevocable right of conversion into or subscription to shares which the company grants to the creditors holding convertible bonds issued on the basis of the resolution passed at the Annual General Meeting on 20 October 2020, or in the event of having to fulfil a conversion obligation set out in the convertible bonds' terms of issuance. In both cases, the Management Board does not decide to allocate own shares. The issue price and the conversion ratio are to be calculated in accordance with recognized quantitative financial methodologies and the price of the company's shares in a recognized pricing procedure (calculation basis of the issuance price); the issue price may not be below the proportionate amount of the share capital. The newly issued shares from the conditional capital increase are entitled to a dividend equivalent to that of the shares traded on the stock exchange at the time of issuance. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.

The Management Board was further authorized pursuant to § 174 (2) of the AktG by the Annual General Meeting on 20 October 2020, within 5 years from the date of the resolution, i.e. until 19 October 2025, with the consent of the Supervisory Board, to issue also in several tranches, convertible bonds with rights to convert into or subscribe to shares of the company or convertible bonds with conversion obligations (contingent convertible bonds pursuant to § 26 of the Banking Act), including convertible bonds that meet the requirements for Additional Tier 1 capital instruments pursuant to Regulation (EU) No. 575/2013 of the European Parliament and the Council of 26 June 2013 on supervisory requirements for credit institutions and investment firms, as amended, with full exclusion of shareholders' subscription rights. The authorization includes the issuance of convertible bonds in a total nominal amount of up to € 1,000,000,000 with rights to convert into or subscribe to up to 32,893,962 ordinary bearer shares of the company with a proportionate amount of the share capital up to € 100,326,584. The issue price and the conversion ratio are to be calculated in accordance with recognized quantitative financial methodologies and the price of the company shares in a recognized pricing procedure (calculation basis of the issuance price); the issue price of the convertible bonds may not be below the proportionate amount of the share capital. In this respect, the Management Board is authorized to determine all further issuance and structural features as well as the issuance terms and conditions of the convertible bonds, in particular the interest rate, issue price, term of validity and denomination, provisions protecting against dilution, conversion period, conversion rights and obligations, conversion ratio and conversion price. The convertible bonds may also be issued – observing the limit of the corresponding equivalent value in euros – in the currency of the United States of America and in the currency of any other Organization for Economic Cooperation and Development (OECD) member state. The convertible bonds may also be issued by a company which Raiffeisen Bank International AG owns 100 per cent of, directly or indirectly. For this event, the Management Board is authorized to provide, with the consent of the Supervisory Board, a guarantee for the convertible bonds on behalf of the company and to grant the holders of the convertible bonds conversion rights into ordinary bearer shares of Raiffeisen Bank International AG and, if a conversion obligation is stipulated in the convertible bonds' issuance terms, to enable the obligation of conversion into ordinary bearer shares of Raiffeisen Bank International AG to be fulfilled; with the exclusion of the rights of shareholders to subscribe to the convertible bonds.There have been no convertible bonds issued to date.

The Annual General Meeting held on 31 March 2022 authorized the Management Board pursuant to § 65 (1) 8, § 65 (1a) and § 65 (1b) of the AktG to purchase own shares and to retire them if appropriate without requiring any further prior resolutions to be passed by the Annual General Meeting, though with the approval of the purchase by the Supervisory Board can also be effected off-exchange under the exclusion of the shareholders' pro rata tender right. Own shares, whether already purchased or to be purchased, may not collectively exceed 10 per cent of the company's share capital. The authorization to purchase own shares expires 30 months after the date of the Annual General Meeting resolution, i.e. until 30 September 2024. The acquisition price for repurchasing the shares may be no lower than € 3.05 per share and no higher than 10 per cent above the average unweighted closing price over the 10 trading days prior to exercising this authorization. The authorization may be exercised in full or in part or also in several partial amounts, for one or more purposes – with the exception of securities trading – by the company, by a subsidiary (§ 189a (7) of the UGB) or by third parties for the account of the company or a subsidiary.

The Management Board was further authorized, pursuant to § 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad. Furthermore, shareholders' subscription rights may be excluded in the event that convertible bonds are issued in future, in order that (own) shares may be issued to such convertible bond creditors that have exercised their right of conversion into or subscription to shares in the company, and also in the event of a conversion obligation stipulated in the convertible bonds' issuance conditions in order to fulfil this conversion obligation. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary (§ 189a 7 UGB) or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 31 March 2027. Since that time, there were no own shares purchased based on this authorization from March 2022.

The Annual General Meeting of 31 March 2022 also authorized the Management Board, under the provisions of § 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 30 September 2024), provided that the trading portfolio of shares purchased for this purpose does not at the end of any given day exceed 5 per cent of the company's respective share capital. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition. This authorization may be exercised in full or in part or also in several partial amounts by the company, by a subsidiary (§ 189a (7) UGB) or by third parties acting for the account of the company or a subsidiary.

(8) The following material agreements exist, to which the company is a party, and which take effect, change, or come to an end upon a change of control in the company as a result of a takeover bid:

- RBI AG is insured under a Group-wide D&O policy. In the event of a merger with another legal entity, the insurance policy would automatically cease at the end of the insurance period in which the merger took effect. In such cases, insurance cover only exists for claims for damages arising from breaches of obligations that occurred before the merger, which are reported to the insurer prior to the termination of RBI AG's Group-wide D&O insurance cover.

- RBI AG is a member of the Professional Association of Raiffeisen Banks. Upon a change in control of RBI AG which results in the attainment of control by shareholders outside of the Raiffeisen Banking Group Austria, membership of the Professional Association of Raiffeisen Banks, as well as that of the Raiffeisen-IPS pursuant to Art. 113 (7) of the CRR, the Österreichische Raiffeisen-Sicherungseinrichtung eGen and of the Raiffeisen Customer Guarantee Scheme Austria may be terminated. RBI AG also serves as the central institution of the Raiffeisen Banking Group at a national level. Upon a change in control of RBI AG, related contracts (central institution of the liquidity group pursuant to § 27a of the BWG may end or change.

- The company's refinancing agreements and agreements concerning third-party financing for subsidiaries, which are guaranteed by the company, stipulate in some cases that the lenders can demand early repayment of the financing in the event of a change in control.

(9) There are no indemnification agreements between the company and its Management Board and Supervisory Board members or employees that would take effect in the event of a public takeover bid.

Risk management

For information on risk management, please refer to the risk report in the consolidated financial statements.

Corporate Governance

Further information can be found in the Corporate Governance Report chapter of the Annual Report, as well as on the RBI website (www.rbinternational.com → Investors → Corporate Governance & Remuneration).

Consolidated non-financial report

Pursuant to the Sustainability and Diversity Improvement Act (NaDiVeG), the consolidated non-financial statement, which has to be prepared in accordance with § 267a of the Austrian Commercial Code (UGB), is issued as an independent non-financial report (Sustainability Report). The report containing detailed information on sustainability management developments, will be published online at www.rbinternational.com → Sustainability & ESG → Sustainability Reports and also contains the disclosure for the parent company in accordance with § 243a of the UGB.

Human Resources

The Group People & Organisational Innovation division (P&OI) combines the areas of Human Resources and Organisational Development & Innovation. Combining these areas into a single division enables the group to forge an integrated approach to employee aspects, leadership, culture and organizational development. This makes P&OI a key partner in the implementation of RBI's strategy and goals. The division prioritizes the efficient execution of personnel processes, encompassing tasks such as data administration, contract preparation or recruitment. In addition, the division is responsible for personnel development, career management, leadership development as well as professional education and training. In the area of organizational development, the division extends support for restructurings and transformations within the group by leveraging its expertise in specialized fields, such as change management and organizational design, while spearheading targeted initiatives in the area of operational innovation.

Current labor market trends show increased turnover rates worldwide and a greater willingness to change jobs since the COVID-19 pandemic. On the other hand, the challenges stemming from the number of retirees leaving the workforce, evolving work preferences of Generations Y and Z, along with ongoing technological and regulatory changes, require existing employees to constantly adapt to new conditions. Furthermore, the number of retirees exiting the workforce, coupled with the evolving expectations and demands of Generations Y and Z, exert a significant influence on companies and the extent to which they are viewed as employers of choice. In 2023, RBI was honored multiple times as an employer of choice, including being named in the LinkedIn Top Employers 2023 and the We Are Developers top tech companies to work for. To maintain this position in the future, we must understand the expectations and demands of both current employees and applicants and strategically position the company accordingly.

In cooperation with the Vienna University of Economics and Business, the Career Dimensions @ RBI project was conducted in 2023 to comprehensively explore the career expectations of RBI employees and assess how well their expectations align with their actual experiences at RBI. The findings reveal that factors such as financial security, a healthy work-life balance, opportunities for continuous training and development as well as positive work relationships play a pivotal role in shaping the level of satisfaction employees experience in the course of their careers, while also influencing their level of motivation and commitment to their jobs. Drawing on these insights, RBI has initiated several programs to fulfill our key objectives:

Remote work within the EU: Due in part to the international nature of RBI's workforce, the desire to work abroad is growing. In July 2023, RBI became the first bank in Austria to enable its employees to work remotely in other EU countries on a temporary basis.

Learning organization: As learning and continuous development contribute significantly to career satisfaction, RBI aims for the seamless integration of lifelong learning and collaborative knowledge-sharing into the company culture and practices, with a focus on:

- Promoting a culture of learning, thereby repositioning learning as a priority within the company culture
- Developing a competency in and a flexible approach to leaning
- Achieving a higher level of automation and simplification through the use of new technologies
- Producing a portfolio of relevant learning content
- Devising uniform standards and quality criteria for learning formats and content (in terms of their approach to didactics, learning psychology and technology)

Team development: The retention of employees is influenced by various factors, including the quality of work relationships, the level of job and career satisfaction, and personal performance. To enhance retention, teams receive development support through a series of workshops, with a special focus on fostering mutual trust, open communication, and effective collaboration methods.

Management development: Managers receive support to optimize their role and guide their teams through periods of uncertainty and change, while giving due consideration to the individual needs and expectations of their team members. The training concentrated on bolstering individual resilience, fostering a common understanding of managerial expectations, and incorporating peer coaching and communication techniques.

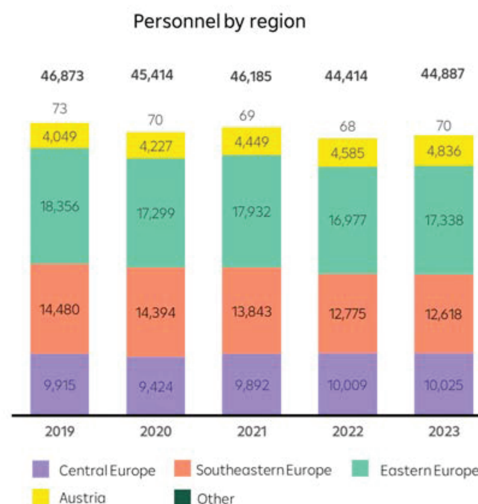
Transformation support: An internal team specializing in change management and change communication was formed to provide optimal support for a wide array of transformations, ranging from minor reorganizations to significant overhauls. The goal is to properly equip managers and employees for the transformation process, guide them through the process, garner their commitment to the change, and provide support to individuals and teams throughout the change journey.

AI – opportunities for the future: Artificial Intelligence (AI) holds the potential to revolutionize the way people work and enhance overall efficiency. Employees are encouraged to explore AI and consider how it could be used at RBI. Since October 2023, employees of RBI AG have been able to access a version of ChatGPT tailored specifically to RBI. Diverse learning formats, including eLearning, are offered to deepen employees' comprehension of AI and machine learning and discover the possibilities of this new technology while gaining insights into its limitations and potential challenges.

Personnel development

As at 31 December 2023, RBI had 44,887 employees (full-time equivalents), which was 473 more than at the end of 2022. The largest increases were recorded in Russia (plus 405), in head office (plus 148) and in Hungary (plus 91). The largest decrease occurred in Serbia (minus 236).

Personnel by region



Outlook

Economic outlook

After a year of stagnating economic growth, the economy is expected to return to a moderate growth trajectory in 2024. However, the economic upturn will probably only be moderate given the continuing high interest rates. The economy is expected to be supported by private consumption, which is benefiting from rebounding real wages. The industrial sector should exit its recessionary environment in the course of 2024. Significant increases in the price of fossil fuels due to military developments are a risk factor but not expected. A quick end to the war in Ukraine currently seems improbable. However, absent a further substantial military escalation, the war seems unlikely to have any additional negative implications for the economy in the euro area or the CE/SEE countries. Inflation will continue to fall in 2024 but not at the same pace as in 2023. The US Federal Reserve and the ECB are nevertheless likely to embark on a series of interest rate cuts over the course of the year, although they will proceed cautiously. Interest rates will therefore be significantly higher in 2024 than in previous years. One potential risk is that individual sectors of the financial system will struggle to cope with persistently higher interest rates.

Central Europe

Real wages in Central Europe (CE) are expected to rise as inflation continues to fall in 2024 despite a temporary increase in inflation due to the expiration of inflation-dampening measures. This should in turn help revive consumer demand, which should receive additional support from falling interest rates. Economic growth in the region is thus expected to be significantly higher in 2024 as a whole (2.7 per cent) than in the previous year (0.1 per cent). The top growth drivers are forecast to be Hungary (3.0 per cent), not least due to investments in the automotive and battery industry and the creation of new production capacity, and Poland (3.1 per cent). Poland is likely to receive a boost from NGEU funds as a result of the election and should receive economic tailwinds from the recovery of Germany's industrial sector.

Southeastern Europe

Alongside resurgent consumer demand across Europe, Southeastern Europe (SEE), especially the Western Balkans, will benefit from the EU's recently unveiled growth plan for the Western Balkans. GDP growth is expected to accelerate to 2.8 per cent in 2024 in this environment. Together with existing cash inflows from NGEU funds and the financial framework as well as the effects of nearshoring/friendshoring, the region should be able to benefit from its locational advantages (low labor costs and geographic location). The Western Balkan countries of Albania (3.5 per cent) and Kosovo (3.9 per cent) are predicted to have the highest economic growth in 2024.

Eastern Europe

In Eastern Europe, growth will once again be the strongest in Ukraine, where GDP is forecast to increase 4.9 per cent in 2024, driven by strong growth in private consumption and investment. Rising exports and inflows of external funds should support the economy as well. The Russian economy should record positive GDP growth in 2024 (1.5 per cent) despite the sanctions, military mobilization, unfavorable investment environment and economic isolation. However, its monetary policy has temporarily tightened in response to increasing inflationary pressure, some of which was prompted by the depreciation of the Russian ruble. In Belarus, limited domestic resources, growing competition from Chinese companies in the Russian market, ongoing EU/US sanctions and base effects will slow GDP growth in 2024 (2.0 per cent).

Austria

Following the 2023 recession, the Austrian economy is likely to return to a moderate growth trajectory in the first half of 2024. Real wage growth is expected to be clearly positive in 2024, which should support private consumption. Industrial companies should be finished with reducing their overflowing inventories by the spring, which should have a positive impact on new orders and ultimately on industrial production. However, the upturn is expected to be only moderate, with GDP growth of just 0.2 per cent expected for 2024 as a whole. Inflation will continue to drop in 2024, albeit at a much slower pace. Still, the inflation differential to the euro area is likely to be noticeably lower in 2024 than in 2023.

Banking sector in Austria

2023 was affected by regulatory decisions made in 2022 on mortgage lending standards for households and by the dramatic change in interest rates precipitated by the shift in the ECB's interest rate stance. Following the change in the ECB's interest rates, lending to both private households and companies is expected to remain significantly subdued in 2024. This is mirrored in the growth forecasts for the entire Austrian economy, which assume only a moderate upturn. Given the interest rate structure of outstanding retail and corporate loans, which contain a significant proportion of variable-rate-only loans, risks costs are expected to increase moderately in 2024 since higher interest rates will likely adversely affect both private households and companies. The steep increases in net interest income that the banking sector posted in 2022 and 2023 should begin to normalize in 2024. This is attributable to a progressive tightening of deposit conditions in the sector, especially for demand deposits, thereby exerting greater pressure on interest margins. Capital market refinancing costs also remain higher due to the changed interest rate environment across all bond classes. Nevertheless, the Austrian banking sector feels fundamentally well positioned to master the challenges ahead.

CEE banking sector

The upcoming monetary easing in CE/SEE core markets that fall outside the euro area will weigh on earnings for banks in the region. In contrast, the relative delay in the ECB cycle should continue to support interest margins for economies that are located in the euro area and tied to the euro. The weak economy could ultimately raise the risks to asset quality and moderately increase loan loss provisions, which the core earnings capacity should still be able to accommodate. On the cost side, special taxation and selected policy support programs for borrowers will likely remain in place (albeit probably in a weakened form), while EU-based banks will have to start refinancing MREL bonds. Regarding lending, the ongoing economic uncertainty may continue to discourage lending to the corporate sector while the retail market could bounce back faster. However, this will require an easing of financial conditions and a further recovery in real wages. On the regulatory front, ESG will remain high on the agenda and will see further implementation in the regulatory framework, with EU regulators setting the tone for the entire CEE region.

Outlook for RBI - Guidance 2024

The following guidance refers to RBI excluding Russia and Belarus, whereas the corresponding figures in brackets refer to the existing footprint. RBI will continue to progress potential transactions which would result in the sale or spin-off of Raiffeisenbank Russia and deconsolidation of Raiffeisenbank Russia from RBI.

In 2024, net interest income is expected around € 4.0 billion (around € 5.1 billion) and net fee and commission income around € 1.8 billion (around € 2.7 billion).

We expect customer loan growth to increase by around 6 per cent (around 5 per cent).

We expect general administrative expenses around € 3.3 billion (around € 4.0 billion), resulting in a cost/income ratio of around 52 per cent (around 47 per cent).

The provisioning ratio – before use of overlays – is expected to be around 50 basis points (around 60 basis points).

The consolidated return on equity is expected to be around 11 per cent (around 12 per cent) in 2024.

At year-end 2024 we expect a CET1 ratio of around 14.6 per cent* (around 17.8 per cent).

Any decision on dividends will be based on the capital position of the Group excluding Russia.

Medium term return on equity and payout ratio targets are suspended due to current uncertainties in Eastern Europe.

*In a 'P/B Zero' Russia deconsolidation scenario, before benefit from STRABAG dividend-in-kind.