Annual Report 2019

Raiffeisen Bank International

# Insight 2019


**Overview of RBI**

| | |
|---|---|
| Interview with the CEO | 6 |
| Report of the Supervisory Board | 8 |
| Raiffeisen at a glance | 13 |
| RBI's strategy | 15 |
| RBI in the capital markets | 17 |
| Corporate Governance Report | 21 |

**Group management report**

| | |
|---|---|
| Market development | 42 |
| Significant events in the reporting period | 47 |
| Earnings and financial performance | 48 |
| Research and development | 55 |
| Internal control and risk management system | 56 |
| Capital, share, voting, and control rights | 59 |
| Risk management | 61 |
| Corporate Governance | 61 |
| Consolidated non-financial report | 61 |
| Human Resources | 61 |
| Outlook | 62 |
| Events after the reporting date | 63 |

**Segment reports**

| | |
|---|---|
| Segment overview | 66 |
| Segment performance | 67 |

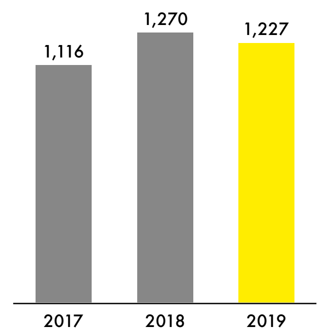
**Consolidated financial statements**

| | |
|---|---|
| Statement of comprehensive income | 89 |
| Statement of financial position | 91 |
| Statement of changes in equity | 92 |
| Statement of cash flows | 93 |
| Segment reporting | 95 |
| Notes | 102 |
| Notes to the financial instruments | 142 |
| Risk report | 178 |
| Other disclosures | 211 |
| Regulatory information | 244 |
| Recognition and measurement principles | 248 |
| Key figures | 272 |
| Events after the reporting date | 274 |
| Statement of all legal representatives | 275 |
| Auditor's report | 276 |

# RBI at a glance

Raiffeisen Bank International AG (RBI) regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. 13 markets in the CEE region are covered by subsidiary banks. Additionally, the Group comprises numerous other financial service providers, for instance in the areas of leasing, asset management and M&A.

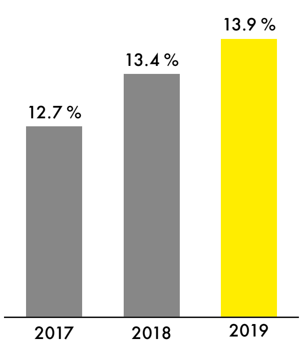
OVER 30 YEARS BANKING EXPERIENCE IN CEE



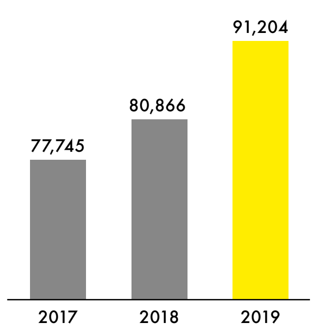

Consolidated profit
in € million

16.7 MILLION CUSTOMERS

46,873 EMPLOYEES




Common equity tier 1 ratio (fully loaded)




Loans to customers
in € million

# Overview – Raiffeisen Bank Interantional (RBI)

| Monetary values in € million | 2019 | 2018 | Change | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| **Income statement** | **1/1-31/12** | **1/1-31/12** | | **1/1-31/12** | **1/1-31/12** | **1/1-31/12** |
| Net interest income | 3,412 | 3,362 | 1.5% | 3,225 | 2,935 | 3,327 |
| Net fee and commission income | 1,797 | 1,791 | 0.3% | 1,719 | 1,497 | 1,519 |
| General administrative expenses | (3,093) | (3,048) | 1.5% | (3,011) | (2,848) | (2,914) |
| Operating result | 2,382 | 2,330 | 2.3% | 2,164 | 1,844 | 2,015 |
| Impairment losses on financial assets | (234) | (166) | 41.2% | (312) | (754) | (1,264) |
| Profit/loss before tax | 1,767 | 1,753 | 0.8% | 1,612 | 886 | 711 |
| Profit/loss after tax | 1,365 | 1,398 | (2.4)% | 1,246 | 574 | 435 |
| Consolidated profit/loss | 1,227 | 1,270 | (3.4)% | 1,116 | 463 | 379 |
| **Statement of financial position** | **31/12** | **31/12** | | **31/12** | **31/12** | **31/12** |
| Loans to banks | 9,435 | 9,998 | (5.6)% | 10,741 | 9,900 | 10,837 |
| Loans to customers | 91,204 | 80,866 | 12.8% | 77,745 | 70,514 | 69,921 |
| Deposits from banks | 23,607 | 23,980 | (1.6)% | 22,378 | 12,816 | 16,369 |
| Deposits from customers | 96,214 | 87,038 | 10.5% | 84,974 | 71,538 | 68,991 |
| Equity | 13,765 | 12,413 | 10.9% | 11,241 | 9,232 | 8,501 |
| Total assets | 152,200 | 140,115 | 8.6% | 135,146 | 111,864 | 114,427 |
| **Key ratios** | **1/1-31/12** | **1/1-31/12** | | **1/1-31/12** | **1/1-31/12** | **1/1-31/12** |
| Return on equity before tax | 14.2% | 16.3% | (2.1) PP | 16.2% | 10.3% | 8.5% |
| Return on equity after tax | 11.0% | 12.7% | (1.7) PP | 12.5% | 6.7% | 5.2% |
| Consolidated return on equity | 11.0% | 12.6% | (1.6) PP | 12.2% | 5.8% | 4.8% |
| Cost/income ratio | 56.5% | 56.7% | (0.2) PP | 58.2% | 60.7% | 59.1% |
| Return on assets before tax | 1.18% | 1.33% | (0.15) PP | 1.23% | 0.79% | 0.60% |
| Net interest margin (average interest-bearing assets) | 2.44% | 2.50% | (0.07) PP | 2.48% | 2.78% | 3.00% |
| Provisioning ratio (average loans to customers) | 0.26% | 0.21% | 0.06 PP | 0.41% | 1.05% | 1.64% |
| **Bank-specific information** | **31/12** | **31/12** | | **31/12** | **31/12** | **31/12** |
| NPE ratio | 2.1% | 2.6% | (0.5) PP | 4.0% | – | – |
| NPE coverage ratio | 61.0% | 58.3% | 2.7 PP | 56.1% | – | – |
| Risk-weighted assets (total RWA) | 77,966 | 72,672 | 7.3% | 71,902 | 60,061 | 63,272 |
| Common equity tier 1 ratio (fully loaded) | 13.9% | 13.4% | 0.6 PP | 12.7% | 13.6% | 11.5% |
| Tier 1 ratio (fully loaded) | 15.4% | 14.9% | 0.5 PP | 13.6% | 13.6% | 11.5% |
| Total capital ratio (fully loaded) | 17.9% | 18.2% | (0.3) PP | 17.8% | 18.9% | 16.8% |
| **Stock data** | **1/1-31/12** | **1/1-31/12** | | **1/1-31/12** | **1/1-31/12** | **1/1-31/12** |
| Earnings per share in € | 3.54 | 3.68 | (3.7)% | 3.34 | 1.58 | 1.30 |
| Closing price in € (31/12) | 22.39 | 22.20 | 0.9% | 30.20 | 17.38 | 13.61 |
| High (closing prices) in € | 24.31 | 35.32 | (31.2)% | 30.72 | 18.29 | 15.69 |
| Low (closing prices) in € | 18.69 | 21.30 | (12.3)% | 17.67 | 10.21 | 9.01 |
| Number of shares in million (31/12) | 328.94 | 328.94 | 0.0% | 328.94 | 292.98 | 292.98 |
| Market capitalization in € million (31/12) | 7,365 | 7,302 | 0.9% | 9,934 | 5,092 | 3,986 |
| Dividend per share in € | 1.00 | 0.93 | 7.5% | 0.62 | – | – |
| **Resources** | **31/12** | **31/12** | | **31/12** | **31/12** | **31/12** |
| Employees as at reporting date (full-time equivalents) | 46,873 | 47,079 | (0.4)% | 49,700 | 48,556 | 51,492 |
| Business outlets | 2,040 | 2,159 | (5.5)% | 2,409 | 2,506 | 2,705 |
| Customers in million | 16.7 | 16.1 | 4.3% | 16.5 | 14.1 | 14.9 |

In this report, Raiffeisen Bank International (RBI) refers to RBI Group. RBI AG is used wherever statements refer solely to Raiffeisen Bank International AG. Head office refers to Raiffeisen Bank International AG excluding branches. As of January 2017, Raiffeisen Zentralbank AG contributed business is fully included.

The figures for previous periods are only to a limited extent comparable due to the adoption of IFRS 9.

# Overview of RBI

| | |
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| RBI's strategy | 15 |
| RBI in the capital markets | 17 |
| Corporate Governance Report | 21 |

# "We want to make banking as easy as possible."

## Interview with CEO Johann Strobl

**In 2019, RBI posted a consolidated profit of 1.23 billion euros. Are you satisfied with this after the record result in the previous year?**
I am very satisfied with it, we have generated consolidated profit in excess of one billion euros for a third year in a row – and have done so in an environment of mostly declining interest rates and margins. The loan growth of 13 per cent significantly exceeded even our expectations. I would like to emphasize the trend in net interest income and net fee and commission income: Adjusted for the income from the Polish core banking operations which we sold in 2018, these revenues were up 8 per cent from the previous year. The development of risk costs was also positive; although they were higher in 2019 than in the preceding year, they remain at a very low level.

**That does sound very positive. However, how do you view the developments in relation to COVID-19?**
We are on a very solid footing to navigate periods of turbulence, such as the one we are witnessing at present. It is still too early to quantify the ultimate economic impact. In the event that the situation turns out to be relatively short-lived and the macroeconomic outlook becomes clearer, we are ready to continue growing. If, on the other hand, the situation worsens, we are well-prepared to quickly respond to a changed environment.

**Aside from this, where do you see the biggest challenges going forward?**
As we would like to increase our digital product and service offering and to digitalize the underlying end-to-end processes as much as possible, we will need to make the necessary investments while ensuring that our prices remain competitive. It will require a balancing act. Despite the low interest rate environment, I am confident that we will achieve this. On the cost side, we expect a positive effect of around 130 million euros both from the optimization program we began in 2019 in Austria and additional measures in the subsidiary banks.

**How are the individual countries, in which RBI is active, currently developing?**
We expect positive economic growth in all our markets in the next couple of years. In most cases, this will be well above the euro area growth rate. I would prefer some more structural reforms in one or another country. Overall, I think that we can be very happy about the development of our CEE markets.

**In several CEE markets, the banking sector is currently undergoing consolidation. What role will RBI play in this process?**
We have always emphasized that we would like to make use of opportunities to grow selectively. Our preference is for organic growth, which we have already demonstrated over the last couple of years. Due to our good earnings development and solid capital position, we are also able to respond to appropriate opportunities should an attractive acquisition prospect arise. At the moment, there are several banks on the market and we are thoroughly examining all potential acquisition targets, but we will certainly not make bids everywhere.

**But you have made no acquisitions in 2019. What does that mean for the dividend?**
We will propose a dividend of 1 euro per share to the Annual General Meeting for the 2019 financial year. That is 7 cents higher than in the previous year. We defined our dividend policy with a payout ratio of 20 to 50 per cent of consolidated profit in order to remain flexible for in the event of an acquisition or very strong organic growth. Therefore, there are no plans to alter our dividend policy at present.

**What were the key themes for you in 2019?**
Our focus over the last year has been very much on innovation and the resulting improvement in customer value. We have opened ourselves up to cooperating with fintechs, strengthened our internal innovation and further developed RBI as an adaptive organization. This will all help us to make banking as easy as possible for our customers and to offer a high level of convenience, as banking is a means to an end for our customers and not an end in itself. This applies to both business with large corporate customers as well as in our retail business. One good example of how we can make life easier for our customers through innovation is our digital know-your-customer process e-KYC. We were the first Austrian bank to offer this to large companies in 2019. Furthermore, our Slovakian subsidiary bank, Tatra banka, was named the most innovative bank worldwide by Global Finance last year. We as an entire Group are very proud of this success.

**What role does sustainability play at RBI?**
The Raiffeisen brand arose from the idea of responsible business more than 130 years ago. For us, sustainability means being guided in our business activities by social and environmental, as well as economic, concerns. We will therefore continue to contribute towards a sustainable financial system and carry on with our pioneering work in this field. RBI is the largest issuer of green bonds in Austria and we will continue to place green bonds regularly in the future. The proceeds from the issues are invested in sustainable projects according to a clearly defined policy to contribute towards improving the carbon footprint. Moreover, these innovative bonds have helped us to expand our investor base and gain green investors. Green bonds are just one part of the extensive range of sustainability measures that we are taking however. Our sustainability report for 2019 provides a comprehensive overview and further insights.

**RBI's Management Board has been reduced following the expiration of CFO Martin Grüll's mandate. What was the reasoning behind this change?**
In 2018, we increased the Management Board to seven members to have three people to oversee the different market segments (retail customers, corporate customers, institutional clients and investment banking). With the reorganization, we are able to cut the size of the Management Board down to six members again. I would like to take this opportunity to thank Martin Grüll once again for his outstanding services to the bank over many years. In his 15 years as CFO, he left his mark on the bank and was responsible for some extremely important RBI capital market transactions. Our IPO, capital increases and green bond issues are just a few of these.

**What are your strategic goals?**
We will place our focus fully on our customers. Efficient and fast processes are material elements of superior customer service. New technology enables us to make substantial improvements in these areas. In a time characterized by ever shorter innovation cycles, we want to continue to further transform RBI into an agile organization. This will enable us to be in a position in which we are able to react more flexibly to technological change, to new customer needs as well as to new competitors, as nobody can seriously predict future trends. We are already working on a cultural change at the bank and will continue to drive it forward this year. We have set ourselves a clear goal for 2025: to be the most recommended financial services group. In 2020, we intend to make significant progress towards this ambitious goal.

# Report of the Supervisory Board

## Review and performance

RBI ended the 2019 financial year on a very good note with a consolidated profit of 1,227 million euros and therefore was able to continue the successful path of recent years. This result is also especially encouraging as core revenues increased on the back of stronger loan growth. Adjusted for the sale of the Polish core banking operations in 2018, net interest income and net fee and commission income were up by 8 per cent and 7 per cent respectively year-on-year, with the net interest margin remaining stable. This revenue growth is particularly striking given the current low interest rate environment and level of competition. The results also strengthened RBI's capital position. The CET1 ratio of 13.9 per cent lays the groundwork for further sustainable growth. The risk situation also continued to improve; the NPE ratio fell to 2.1 per cent, and the NPE coverage ratio improved to 61.0 per cent. Aside from a better result at head office, the subsidiary banks have also consistently contributed towards consolidated profit. Overall, the emerging picture resulting from these developments is that RBI's on a solid trajectory in terms of revenues, as well as in the areas of capital and risk.

The general trend in cost development has proved challenging. Continuing wage pressure and necessary investment in the areas of digitalization and IT led to an increase in general administrative expenses in 2019. To counter this development and ensure the reaching of the targeted cost/income ratio of 55 per cent by 2021, the Management Board has launched an optimization program at head office. A series of measures towards increasing transparency and efficiency, as well as towards a sustainable reduction in costs, were defined under this program; the implementation of which had already commenced in 2019. Furthermore, in light of advancing digitalization and ever-changing customer requirements, the Management Board introduced important initiatives to realize the process of transforming RBI into an adaptive organization where customer needs come first. Further strategic focus areas for the Management Board and Supervisory Board in 2019, included the digital services offering as well as focused innovation measures designed to optimally intertwine the traditional and digital banking business. With an overarching goal of placing customers at the forefront of our banking business, the customer product offering should be made more attractive and cross-channel access to banking should be made as easy and as flexible as possible for customers. Developments at the subsidiary banks have been very pleasing in this regard, which is proven time and again by numerous awards from international specialist publications. Particularly notable was Tatra banka being awarded as “Best Digital Bank in the World” by specialist publication Global Finance. Furthermore, The Banker, trade magazine of the Financial Times, honored the subsidiary banks in Bulgaria, Bosnia & Herzegovina, as well as Ukraine, with the “Bank of the Year 2019” award for their respective market, whilst awarding RBI with the title of “Bank of the Year in Central and Eastern Europe”.

2019 was again marked by the dynamic political climate. Continuing tensions between the US and Iran, with no end in sight to the US-China trade dispute, which have gradually had an increasing impact on the global economy, resulted in a global economic slowdown with persistently low inflation rates. As a countering monetary policy measure, the ECB maintained its existing low interest rate policy and resumed its bond purchasing program. This very expansive monetary policy poses a big challenge for European banks in terms of their yields and profitability. At the same time, there are continuing economic sanctions on Russia, which is one of RBI's most important markets. All these factors provided for uncertainty among investors and on the capital market, which was also reflected in RBI's negative share price development over the last year despite RBI's solid financial results.

Legal disputes relating to consumer protection rights were also being followed by capital market participants with great interest. Concerning the currently pending legal cases in Poland relating to FX-loans, it should be noted that the European Court of Justice's ruling did not qualify individual contractual clauses as invalid. The guidance is more so provided for questions from the Polish judiciary on the interpretation of civil rights. In addition, pending legal proceedings in Croatia relating to consumer protection right issues and their potential impact where also discussed in principle in the Supervisory Board. The Management Board and Supervisory Board continually monitored the development of potential legal risks and their impact on the Group, in order to appropriately address the basis of joint discussions as part of group-wide risk management and business policy.

Responsible business, to deliver sustainable added value, forms one of the core values of Raiffeisen Banking Group Austria. Consistent with the values and founding principles of Raiffeisen, RBI became a leader in the area of sustainable finance in Austria and was the largest issuer of green bonds in 2019. Following in the Raiffeisen tradition, RBI positioned itself as a responsible and active sustainably operating company through its initiatives for financing ecological projects with climate relevance. Through the issuance of green bonds, RBI will not only provide an important contribution towards an environmentally friendly future, but also will gain a new group of investors at the same time. Ultimately, it will also provide a positive contribution towards RBI's economic future.

## Changes in the Management Board and Supervisory Board

At the Annual General Meeting on 13 June 2019, Martin Schaller was re-elected to the Supervisory Board of Raiffeisen Bank International AG, until the close of the Annual General Meeting which will resolve on the release from liability for the 2023 financial year, and his role was confirmed.

At its inaugural meeting on 13 June 2019, the Supervisory Board re-elected Martin Schaller as 1st Deputy Chairman of the Supervisory Board. Furthermore, Birgit Noggler was newly elected during the meeting as Chairman of the Risk Committee.

At its meeting on 10 September 2019, the Supervisory Board decided to allow the Management Board mandate of CFO Martin Grüll to expire at the end of February 2020, and not to subsequently fill the vacancy. The former areas of responsibility under the CFO will be reallocated.

The Supervisory Board thanks Martin Grüll for his long-standing successful and loyal cooperation, in which he unquestionably shaped RBI and its reputation on the capital market.

## Meetings of the Supervisory Board and of its Committees

In the 2019 financial year, the members of the Supervisory Board and its Committees held meetings as detailed in the table below. This demonstrates a high level of attendance for both the Supervisory Board members and the Committees.

| Decision-making body | Number of meetings | Level of attendance |
|---|---|---|
| Supervisory Board (total) | 7 | 90% |
| Working Committee | 8 | 95% |
| Nomination Committee | 4 | 86% |
| Audit Committee | 4 | 94% |
| Personnel Committee | 2 | 100% |
| Risk Committee | 4 | 94% |
| Remuneration Committee | 2 | 100% |

As part of its responsibilities, the Supervisory Board regularly and comprehensively monitored the business performance and risk developments at RBI and its principal subsidiaries. Based on the reports on risks arising from banking business, the Supervisory Board held discussions with the Management Board on the adequacy of capital and liquidity, and on the direction of the Group's business and risk strategies. In addition, the Management Board provided the Supervisory Board with regular and detailed reports on relevant matters concerning performance in the respective business areas. It also provided the Supervisory Board with regular reports on regulatory developments and the resulting measures. Based on the periodic compliance reports, the Supervisory Board addressed adherence to the Group-wide compliance policies and the results of the compliance monitoring program including on the measures taken. The Supervisory Board also regularly discussed on a well-informed and knowledgeable basis the proposals submitted by the Management Board relating to matters which require Supervisory Board approval in accordance with the Articles of Association and Rules of Procedure. The Supervisory Board made decisions after considering any potential risks. Finally, the Supervisory Board was regularly informed by the respective chairmen of the work carried out in the individual Supervisory Board Committees.

In order to gain direct insight into the work of individual subsidiary banks, the Chairman of the Supervisory Board, together with the Chairman of the Management Board, visited RBI's subsidiary banks in Slovakia, Hungary and Ukraine in 2019. During these on-site visits, as in the previous year, the banks current issues as well as business and risk developments are discussed with the local Management Board. The Chairman of the Supervisory Board regularly reported on the respective visits during the Supervisory Board meetings, which generally depicted a very positive development at the subsidiary banks.

## Key focus areas of the Supervisory Board

While setting priority areas, a strong focus was placed on the subject of adaptive organization in order to ensure continued competitiveness and to be able to react more effectively to future changes. Substantial progress in the transformation process represented a key building block in taking account of rapid technological development. In this connection, the Supervisory Board placed great importance on continuing to drive forward Group-wide digital initiatives, and the opportunities within the area of digitalization and their implementation were discussed in detail. As part of strategy considerations, the Supervisory Board discussed the material aspects of the new Vision statement for RBI with the Management Board, to be the most recommended financial services group in its markets in 2025.

In course of meetings on the digital transformation of RBI, the Supervisory Board also concentrated intensively on the strategic measures being taken to strengthen cyber security at RBI, to ensure the highest level of protection for customers and the early identification and successful remedy of potential threat scenarios for the bank's IT infrastructure.

To achieve the targeted cost/income ratio of around 55 per cent by 2021, the Supervisory Board also concentrated on the sustainable optimization of the cost structure in 2019. Aside from active cost management measures, there was an optimization program launched at head office to support the transformation into an adaptive and agile organization, as well as to further measures to increase transparency and efficiency and sustainably reduce costs. The details of the analyses and measures presented by the Management Board were regularly discussed and assessed accordingly.

In terms of strategy, the opportunities for focused organic and inorganic growth were discussed in depth with the Management Board. This approach is being further pursued taking a balanced risk and profitability assessment into account. Given the significance, the Supervisory Board also dealt extensively with the development and strategic direction of the Austrian financial service providers, particularly those of Raiffeisen Bausparkasse GmbH, Raiffeisen Leasing GmbH and Raiffeisen Kapitalanlage GmbH. Aside from RBI's role as the central institution, these Austrian subsidiaries play an important role in collaborating with the Raiffeisen Banking Group Austria through their service partnership agreements.

In context of special reports, compliance matters relating to anti-money laundering (AML) were discussed extensively with the Management Board and responsible experts from Compliance and Legal, as were the measures to be taken. The Austrian Financial Market Authority's proceedings against RBI relating to the fulfilment of formal KYC documentation requirements was closely followed by the Supervisory Board and its progress and details were extensively reported on in Supervisory Board and committee meetings. At the end of 2019, RBI won its appeal at the Austrian Supreme Administrative Court which led to the fine being annulled. The Management Board and Supervisory Board placed great emphasis on the continuous advancement of RBI's Group Compliance division. Therefore, RBI invested in a lot of resources in the continual further development of Compliance, employed more expert staff and implemented modern Compliance systems groupwide.

With regard to geopolitical developments, this year the Supervisory Board again held discussions on detailed country-specific reports. A focus of these discussions was on the consequences of and risk-specific precautions and measures relating to the US sanctions on Russia, as well as Brexit. In coordination with RBI's Risk Committee, the Management Board implemented a comprehensive set of measures in the areas of Compliance and Risk Management designed to ensure adherence to existing sanctions and to adequately address sanction risk. The appropriate balance of Russia risk appetite was managed at Group level through the introduction of risk thresholds and early warning indicators. On the customer side, business and limits with companies at risk of potential sanctions were either restricted or reduced. The Supervisory Board intensively monitors RBI's measures to ensure that all the different sanction requirements are followed and to gain a comprehensive picture of the adequateness of RBI's internal procedures and resources.

The Supervisory Board also addressed further development in the area of Corporate Governance, commissioned corresponding policies and monitored their implementation. In the course of its monitoring and advisory activities, the Supervisory Board maintained direct contact with the responsible Management Board members, the auditor and the heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives of the banking supervisory authorities on topical issues. Between meetings, the Supervisory Board also maintained a regular exchange of information on current developments and business issues with the Management Board. The Management Board was available where required for bilateral or multilateral discussions with members of the Supervisory Board, when applicable with the involvement of experts on the matters addressed.

## Cooperation between the Supervisory Board and Management Board

The Members of the Supervisory Board and Management Board also maintained constant contact between Supervisory Board meetings. There is a frequent exchange of information between the Chairman of the Management Board and Chairman of the Supervisory Board and his deputy. The work undertaken together with the Management Board was based on a relationship of mutual trust and conducted in a spirit of efficient and constructive collaboration, whereby discussions are open and critical and opposing viewpoints are considered within the decision-making processes. The Chairman of the Supervisory Board safeguards an effective flow of information between the Management Board and Supervisory Board as well as within the Supervisory Board.

## Training and professional development measures

The members of the Supervisory Board undertook independent training and professional development measures required for their Supervisory Board roles and for which adequate support from RBI was received. In addition, the members of the Supervisory Board were able to undertake regular professional development training in the form of Fit & Proper courses, two of which were offered during the year.

In March 2019, the ECB's key audit areas for 2019 and the topic of adaptive organization and related aspects of transformation were the focus of the courses.

In September 2019, a new program on the evaluation and further development of the efficiency and effectiveness of the Supervisory Board was presented, which will be conducted together with the Vienna University of Economics and Business, and the areas of Compliance and AML measures primarily focused on. There was also a comprehensive update on current regulatory and legal issues at both meetings.

On account of the interesting topics and practical relevance of the talks at the Fit & Proper courses, there was a very high attendance rate of around 85 per cent of Supervisory Board members.

## Consolidated and annual financial statements

The annual financial statements and the management report of Raiffeisen Bank International AG for the 2019 financial year were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft Vienna (KPMG). According to the final results of the audit, the auditor had no reason for objections and issued an unqualified auditor's report.

The consolidated financial statements, prepared by the Management Board pursuant to Section 245a of the Austrian Commercial Code (UGB) in accordance with the provisions of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) mandatorily applicable on the reporting date, and the consolidated management report of RBI AG for the 2019 financial year were audited by KPMG and issued with an unqualified auditor's report.

The reports of the auditor of the financial statements and of the auditor of the consolidated financial statements were submitted to the Supervisory Board. The Audit Committee reviewed the 2019 annual financial statements including the management report and the 2019 consolidated financial statements and the consolidated management report and undertook preparations for the adoption of the annual financial statements by the Supervisory Board. The Supervisory Board reviewed all documents and also the Audit Committee's report. The Supervisory Board concurred with the 2019 annual financial statements and consolidated financial statements and approved the 2019 financial statements, which were thus adopted in accordance with Section 96 (4) of the Austrian Stock Corporation Act (AktG).

## Corporate Governance Report and non-financial report

The Supervisory Board also discussed the efficiency of its activities, its organization and work procedures in accordance with Rule 36 of the Austrian Corporate Governance Code, and a self-evaluation and efficiency assessment conducted with support from KPMG.

The consistency check of the Corporate Governance Report according to Section 243c of the Austrian Commercial Code (UGB) was performed by KPMG. For RBI, an independent consolidated non-financial report pursuant to Section 267a UGB, which also contains the disclosures pursuant to Section 243b UGB for the parent company, was prepared and audited by KPMG. This report was reviewed by the Supervisory Board in accordance with Section 96 (1) of the Austrian Stock Corporation Act (AktG). There were no grounds for objections to either the Corporate Governance Report or the non-financial report.

## Strategy 2020

Building on RBI's pleasing results of recent years, the already established approach is being consistently pursued in order to become the most recommended financial services group in our markets. This should secure the strategic aim of creating solid and sustainable added value for RBI's shareholders.

One side of the approach is the clear focus on growth strategies RBI in individual business areas relating to the further digital transformation through customer orientation. A material aspect of this transformation process is RBI's development into an adaptive organization, in order to ensure the ability to quickly respond to changing market conditions and to adapt operations and service models to technological advancements. An appropriate IT strategy should ensure the building of a sustainable and scalable IT infrastructure and a stronger focus on the development of Data & Analytics capabilities should also enable more target-orientated analysis and understanding of customer behavior.

In expectation of a continuing low interest rate environment in the near future, and on the basis of a prudent risk policy, revenue growth should be achieved through a sharper focus on organic customer growth. A balanced tradeoff between risk and profitability form the basis of these decisions. On the cost side, increased synergies through optimizing the Group-wide IT governance, as well as centralization and automation initiatives are planned.

RBI carries out an important role as the central institute of Raiffeisen Banking Group Austria and collaborates with the institutes of Raiffeisen Banking Group Austria in special areas and on select projects.

On behalf of the members of the Supervisory Board, I would like to thank all employees for their tireless efforts for the bank. Consistent with collective collaboration, we will also overcome future challenges together.

On behalf of the Supervisory Board
Erwin Hameseder, Chairman

# Raiffeisen at a glance

## Raiffeisen Bank International

RBI regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. Subsidiary banks cover 13 markets across the region. In addition, the Group includes numerous other financial service providers active in areas such as leasing, asset management and M&A.

In total, almost 47,000 RBI employees serve 16.7 million customers in more than 2,000 business outlets, the vast majority of which are in CEE. RBI AG shares have been listed on the Vienna Stock Exchange since 2005.

At year-end 2019, RBI's total assets stood at € 152 billion. The regional Raiffeisen banks hold approximately 58.8 per cent of RBI shares, with the remaining approximately 41.2 per cent in free float.

### RBI's markets

| 2019 | Total assets in € million | Change[1] | Business outlets | Employees |
|---|---|---|---|---|
| Czech Republic | 17,433 | 3.3% | 136 | 3,413 |
| Hungary | 7,862 | 4.4% | 71 | 2,237 |
| Poland | 2,974 | (9.0)% | 1 | 227 |
| Slovakia | 14,613 | 9.9% | 182 | 4,029 |
| **Central Europe** | **42,094** | **4.3%** | **391** | **9,915** |
| Albania | 1,838 | 1.6% | 78 | 1,241 |
| Bosnia and Herzegovina | 2,469 | 7.5% | 103 | 1,316 |
| Bulgaria | 4,626 | 12.3% | 148 | 2,633 |
| Croatia | 4,959 | 4.3% | 76 | 1,860 |
| Kosovo | 1,062 | 15.6% | 47 | 862 |
| Romania | 9,246 | 3.1% | 354 | 4,987 |
| Serbia | 2,789 | 11.6% | 88 | 1,581 |
| **Southeastern Europe** | **26,986** | **6.4%** | **894** | **14,480** |
| Belarus | 2,088 | 19.0% | 86 | 1,746 |
| Russia | 18,178 | 29.0% | 154 | 8,819 |
| Ukraine | 3,139 | 33.7% | 492 | 7,791 |
| **Eastern Europe** | **23,381** | **28.5%** | **732** | **18,356** |
| **Group Corporates & Markets** | **53,706** | **20.7%** | **23** | **2,908** |
| **Corporate Center** | **31,549** | **(10.7)%** | **–** | **1,214** |
| Reconciliation/other | (25,515) | – | – | – |
| **Total** | **152,200** | **8.6%** | **2,040** | **46,873** |

1 Change in total assets compared to 31 December 2018 expressed in local currencies varies due to fluctuations in euro exchange rates.

## The Raiffeisen Banking Group Austria (RBG)

The RBG is the country's largest banking group and has the densest branch network in Austria. In financing, it primarily serves small and mid-sized retail, service, industrial and commercial enterprises as well as the tourism and agriculture sectors. The RBG is organized into three tiers: the independent, local Raiffeisen banks (first tier), the eight independent regional Raiffeisen banks (second tier), and RBI AG (third tier).

Together, the 368 Raiffeisen banks with their branches, the regional Raiffeisen banks and specialist companies, make up a comprehensive and extensive banking network. The Raiffeisen banks are universal banks that provide a full range of banking services and are also the owners of their respective regional bank.

The regional Raiffeisen banks (Raiffeisen Landesbanken and Raiffeisenverband) provide liquidity balancing and other central services for the Raiffeisen banks in their area of activity. In turn, the regional Raiffeisen banks are connected to RBI AG as the central institution of the RBG.

## Statutory deposit insurance system

Austria has had a new sector-wide statutory deposit insurance system in place since 1 January 2019. All members of RBG have joined the new Einlagensicherung AUSTRIA Ges.m.b.H. Detailed information can be found under www.einlagensicherung.at.

## Raiffeisen Customer Guarantee Scheme Austria (RKÖ)

In 1999, the Raiffeisen Customer Guarantee Scheme Austria (Raiffeisen-Kundengarantiegemeinschaft Österreich – RKÖ) was established as a sign of mutual support within the RBG. The members of the RKÖ at federal level consist of six regional customer guarantee associations and RBI AG. Currently, local Raiffeisen banks from six federal states, six regional Raiffeisen banks and RBI AG have joined forces in the RKÖ. If required, the economic reserves of the participating banks will be drawn upon in a legally binding manner. From such funds, the customers are then offered recoverable claims against other RBG institutions.

In view of the change in the legal and regulatory framework and implementation of Institutional Protection Schemes, the RKÖ and its respective member institutions have decided to discontinue the scheme for new transactions. Accordingly, the supplementary protection by RKÖ will only be granted to protected transactions entered until 30 September 2019. The rights of customers with regard to statutory deposit insurance are not affected and remain fully in place.

## Institutional protection schemes (IPS)

From 2013, it has been possible to establish new mutual support structures on the basis of the new – henceforth European – banking legislation. Therefore, various institutional protection schemes have been established within the RBG since the end of 2013. Contractual or statutory liability arrangements were also entered into, under which the parties ensure one another's security and, in particular, join forces to ensure liquidity and solvency when required. The institutional protection schemes are based on uniform, joint risk monitoring within an early warning system pursuant to Article 113 (7) CRR (Capital Requirements Regulation of the European Union). The institutional protection schemes were designed with two levels (currently one federal IPS and six regional IPS) to reflect RBG's organizational structure.

RBI AG is a member of the federal IPS as RBG's central institution. Its members, in addition to the regional Raiffeisen banks, include: Raiffeisen-Holding Niederösterreich-Wien regGenmbH, Posojilnica Bank eGen (formerly ZVEZA Bank), Raiffeisen Wohnbaubank AG, and Raiffeisen Bausparkasse GmbH. The federal IPS is itself subject to regulatory requirements. It was within this framework that the responsible supervisory authorities, the European Central Bank (ECB) and Austrian Financial Market Authority (FMA), granted authorizations under which, among other things, receivables between federal IPS members may be risk weighted at zero per cent. This also involves joint regulatory supervision. Capital requirements must be met on a consolidated basis at federal IPS level.

Comparable mutual support structures apply to the members of the regional IPS. The institutional protection schemes hence supplement the RBG system of mutual assistance that comes into effect if a member experiences economic difficulty.

## Liquidity groups

Pursuant to Section 27a of the Austrian Banking Act (Bankwesengesetz - BWG), credit institutions affiliated to a central institution are required to hold a liquidity reserve with that central institution in order to protect financial market stability. There are liquidity groups established at both state and federal level; RBI is the central institution at federal level. There are corresponding contractual arrangements, in place for the respective liquidity groups, which cover potential utilization for in the event that this is necessary, as well as liquidity contingency plans which are also subject to regular tests.

# RBI's strategy

## Vision 2025: The most recommended financial services group

RBI is a leading universal banking group in CEE and corporate and investment bank in Austria. It provides financial services to retail and corporate customers, as well as to banks and other institutional clients. RBI will continue to concentrate its core business activities in the CEE region, which offers structurally higher growth rates than Western Europe and therefore more attractive potential returns. Complemented by leading specialist institutions in Austria, RBI is broadly diversified and also benefits from the opportunities of the Austrian market.

After the successful conclusion of the Ambition 2020 transformation program, which was aimed at exiting non-core operations, a strategic repositioning in selected markets and a significant reduction in risk and complexity, RBI has turned its focus back on growth, digitalization and innovation.

In response to the profound and fast-paced industry dynamics and ever-changing customer expectations, RBI has determined a new strategic direction: the Mission & Vision 2025. RBI believes in strong growth through customer centricity and digital transformation, which is reflected in the Vision to be "the most recommended financial services group" in 2025 by "transforming continuous innovation into superior customer experience", RBI's new Mission statement, which consists of four key dimensions:

- Customers: We constantly strive to improve customer experience and enable our clients to achieve more in their lives and businesses
- Employees: We value expertise and create a working environment which promotes collaboration, creativity and entrepreneurial spirit
- Shareholders: We aim to generate solid and sustainable shareholder value
- General public: We act in a socially responsible manner, fostering the long-term welfare of the people and businesses in our markets

To achieve this target, RBI is pursuing a strategy which is anchored around customer centricity and providing a stress-free, effortless banking experience, as well as excellent products and services. In addition to leveraging RBI's already established competitive strengths (customer focus, extensive local presence, strong brand, long-term relationships, as well as a comprehensive product and service offering across all channels), efforts are being intensified in the following strategic areas:

- Sales & service model: Transformation of branches, redesign of sales & service models for large corporate and institutional clients, set-up of dedicated customer experience management across all business lines
- Digital operational excellence: Improved efficiency and effectiveness through digitalization and automation; redesign of critical customer touchpoints and processes from scratch
- Group-wide innovation process: Strengthening of payments and FX capabilities with scalable group solutions, development of innovative digital lending propositions
- Data & analytics capabilities: Leveraging Artificial Intelligence and Advanced Analytics to develop new business opportunities and improve existing processes
- IT architecture: Transformation of core IT into lean and scalable architecture, evaluation of greenfield infrastructure, especially for digital retail banking
- Adaptive organizational set-up: Transformation of culture, organization and processes enabling higher responsiveness, improved collaboration and new ways of working

Ultimately the strategic initiatives are aimed at creating customer and revenue growth across all business lines and markets. This will be based on improved digital customer acquisition, as well as further leveraging RBI's broad CEE coverage. The latter, specifically to further expand the Corporate and Markets & Investment Banking business.

Based on the overarching Vision & Mission, each client segment is following individual business strategies aimed at differentiating RBI in terms of customer experience, which are to support RBI's aim to be the most recommended financial services group. Based on its Vision, RBI aims to be the most recommended bank in most of its markets already by the end of 2021, in retail and corporate banking business and in servicing institutional clients, as measured by the Net Promoter Score (NPS).

### Retail banking

RBI provides services to over 16.5 million retail, private banking and small business customers in around 2000 branches in CEE, offering a full product range (e.g. account packages, clearing, settlement and payment services, consumer finance, as well as mortgage loans and investment products).

Retail customer behavior is changing, demand for digital solutions has been increasing and customers expect fully optimized distribution channels for their needs. Therefore, the strategic focus of RBI's retail banking area is on the further enhancement of digital banking capabilities to facilitate solid retail customer growth.

RBI's retail customers already benefit from state-of-the-art online and mobile banking, including video identification and contact center solutions based on telephone or chat functions. The aim is to further accelerate the adoption of these digital channels; the target is to increase active usage of mobile banking from 32 per cent in 2019 to 55 per cent by 2021. Ultimately, the aim is to further exploit the potential of new technologies and data analytics in order to provide a superior customer experience for all retail customers.

### Corporate clients

RBI services roughly 100,000 corporate clients across CEE (incl. medium-sized businesses, large local companies, international corporations and local authorities). Supported by deep local market expertise and strong advisory skills, RBI aims to build long-term business partnerships and to provide customers with the right financial services to meet their needs.

As part of the new strategic direction, several areas will be addressed in 2020-2021: developing new cross-border solutions for clients across the entire CEE region; improving Customer Experience across all processes by redesigning the most crucial customer touchpoints (e.g. KYC, account opening, online banking); expanding the convenient digital product and services offering, fast information flows and short decision-making processes; focusing on responsible customers and businesses while building on sustainability as an opportunity (including respective products and advisory services).

By offering innovative and convenient solutions, RBI's long-term ambition is to become the corporate bank of choice across CEE.

### Institutional clients

For RBI's institutional clients (e.g. banks, insurances, asset managers), one of the main focuses is on developing and implementing digital products and features in order to enhance the Markets & Investment Banking product offering; the target is to have 80 per cent of deals captured digitally in the next two years. Furthermore, RBI is designing a digital sales channel for foreign exchange (FX) business in order to become an FX-business leader in the region. Further strategic pillars are an optimization of the investment banking setup, as well as of the capital markets trading and sales architecture.

While implementing these strategic ambitions, RBI will further enhance the usage and analysis of data, transform the Markets & Investment Banking area following agile principles, focus on sustainable business growth and continue intense group-wide collaboration.

The strategic goal in this business segment is to become the best bank in the CEE region for institutional clients. RBI wants to achieve this by inspiring clients with excellent services and innovative products across all business areas.

# RBI in the capital markets

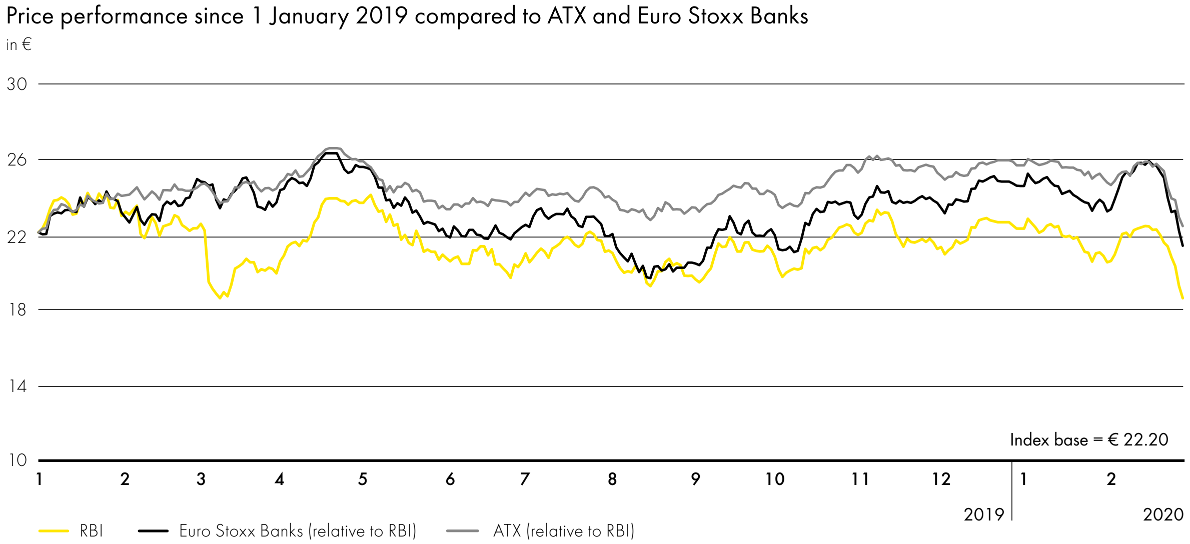
## Performance of RBI stock

Following the sharp slump on the global stock markets in the fourth quarter of 2018, sentiment improved at the start of 2019, with markets recovering significantly in the first months of the year. Signs of a possible deal in the US-China trade dispute led to renewed confidence despite the risks of a weakening economy. Stock and bond prices were given further impetus as the US Federal Reserve System (Fed) announced that it planned to suspend further moves on interest rates. New tariffs imposed by the US and China later in the year, however, dampened optimism about an imminent resolution of the simmering trade dispute, repeatedly unsettled capital market participants and are increasingly affecting the economy.

Against this backdrop, the US Fed ended the cycle of interest rate increases that it had initiated in 2015, and lowered benchmark interest rates three times in quick succession, each time by a quarter of a percentage point, in the third and fourth quarter. The European Central Bank followed suit with its own form of quantitative easing. It left key lending rates unchanged at zero per cent but resumed net bond purchases after recently stopping them at the end of 2018. Bond markets responded to these actions by reducing yields significantly. At times, the yields on 10-year German government bonds reached around minus 0.8 per cent, a new historic low. This and the prospect of an imminent end to the Brexit impasse following pro-Brexit Boris Johnson's clear election victory buoyed international stock markets again toward the end of the year, thereby offsetting the losses of the previous year.

RBI's stock opened 2019 at € 22.20 and reached its highest price for the year of € 24.31 in January. It then moved sideways, fluctuating within a broad corridor in the further course of the year and closed at € 22.39 at year-end. The Austrian Traded Index (ATX) gained 16 per cent year-on-year, while Euro Stoxx Banks, the European banks index, rose 11 per cent.

Price performance since 1 January 2019 compared to ATX and Euro Stoxx Banks




Media reports at the beginning of March purporting possible involvement in money laundering was material in the weak development of RBI's share price despite the good financial results. The charge against an unknown party was dropped and there were no subsequent measures taken by authorities relating to the complaint. An internal audit confirmed that there were no transgressions made by RBI or its customers with regard to fully complying with anti-money laundering measures, and that strict directives as well as a comprehensive AML system are in place.

As at the editorial deadline for this report on 28 February 2020, RBI's stock was priced at € 18.68. The stock therefore lost 17 per cent compared to the end of 2019. The ATX and the Euro Stoxx Banks both decreased 13 per cent over the same period. At the end of February 2020, global markets were impacted by fears of the spreading of the corona virus.

At year-end 2019, the market capitalization was € 7.4 billion. At the editorial deadline, it stood at € 6.1 billion. The number of shares issued remained unchanged at 328,939,621.

## Stock data and details

| | |
|---|---|
| Share price as at 31 December 2019 | € 22.39 |
| High/Low (closing share price) 2019 | € 24.31/€ 18.69 |
| Earnings per share 2019 | € 3.54 |
| Book value per share as at 31 December 2019 | € 35.93 |
| Market capitalization as at 31 December 2019 | € 7.4 billion |
| Average daily trading volume (single count) 2019 | 494,179 shares |
| Free float as at 31 December 2019 | approximately 41.2% |
| ISIN | AT0000606306 |
| Ticker symbols | RBI (Vienna Stock Exchange) |
| | RBI AV (Bloomberg) |
| | RBIV.VI (Reuters) |
| Market segment | Prime Market |
| Number of shares issued as at 31 December 2019 | 328,939,621 |

# Shareholder structure

The regional Raiffeisen banks' holding was unchanged at approximately 58.8 per cent of RBI's shares, with 41.2 per cent in free float. The shareholder base is well-diversified due to the broad geographic spread and various investment strategies. The institutional investors are primarily from North America and Europe, as well as increasingly from Asia and Australia. These include sovereign wealth funds and supranational organizations, which offer stability due to their preferred long-term investment strategies. There are also a large number of Austrian private investors among RBI's shareholders.

# RBI rating

Last year, RBI continued to be rated by Moody's Investors Service and Standard & Poor's. In order to ensure an accurate assessment, RBI maintains regular contact with rating agency analysts and informs them about current developments in its business.

| **Rating** | **Moody's Investors Service** | **Standard & Poor's[1]** |
|---|---|---|
| Long-term rating | A3 | A- |
| Outlook | stable | stable |
| Short-term rating | P-2 | A-2 |
| Subordinated (Tier 2) | Baa3 | BBB |
| Additional Tier 1 | Ba3(hyb) | BB+ |
| Junior Subordinated (Legacy Tier 1) | Ba3 | BB+ |

1 Rating was upgraded on 3 March 2020 (after editorial deadline).

# Annual General Meeting and dividend proposal

RBI's Annual General Meeting on 13 June 2019 approved all of the proposed resolutions relating to the individual agenda items. Among other things, the Annual General Meeting passed a resolution to distribute a dividend of € 0.93 per share for the 2018 financial year. Martin Schaller was re-elected to the Supervisory Board. His term of office now runs until the Annual General Meeting resolving on the release from liability for the 2023 financial year.

The next Annual General Meeting will take place on 18 June 2020. The Management Board has decided to propose a dividend of € 1.00 per share to the Annual General Meeting for the 2019 financial year. Based on the number of shares issued, this equates to a maximum distribution amount of around € 329 million. The dividend will be distributed to shareholders on 29 June 2020, provided that the Annual General Meeting approves the resolution.

# Capital market communication

RBI offered investors and analysts numerous opportunities to obtain first-hand information at over 60 capital market events in 2019. The number of activities therefore remained at the same high level as in the previous year.

On 6 February 2019, RBI announced its preliminary figures for the 2018 financial year. To mark the release of RBI's final results for the 2018 financial year, RBI's Management Board met with investors in Vienna on 13 March and also held a conference call with over 170 participants. On the following day, RBI invited institutional investors and analysts to its customary investor presentation in London. As in previous years, the event met with keen interest. A key focus of this year's investor day was RBI's digitalization strategy.

In addition to regular conference calls and webcasts accompanying the publication of the quarterly results, RBI once again offered analysts as well as interested equity and debt investors many opportunities to obtain information in person at road shows and conferences during the year. RBI visited the following destinations, some of them on more than one occasion: Amsterdam, Basel, Boston, Brussels, Budapest, Copenhagen, Frankfurt, Helsinki, Lausanne, London, Miami, Milan, Munich, New York, Nuremberg, Paris, Vienna and Zürs. The growing investor base in Asia was considered by holding road shows in Hong Kong, Singapore, Taiwan and Tokyo. The events at these locations included large international bank conferences in places such as London, Paris and Prague. The conference in Prague has a particularly strong CEE focus. The conferences were regularly followed by further individual and group discussions. In late September, meetings with debt analysts took place in London again, as did the annual meeting with equity analysts.

For investors and analysts, the recurring core issue for 2019 was the future macroeconomic outlook in CEE and the resulting possible impacts on the business and on credit risks. The discussions also frequently covered margins and costs, acquisition opportunities and future dividend policy.

A total of 21 equity analysts and 22 debt analysts (as at 31 December 2019) regularly provide investment recommendations on RBI. Consequently, RBI is the Austrian company with the largest number of analyst teams regularly reporting on it.

RBI continuously strives to keep market participants fully informed. In the interest of making its communications as easily accessible and widespread as possible, RBI makes conference call presentations and other important events available as online webcasts. These can be viewed online at www.rbinternational.com → Investors.

# New issues

RBI issued a tier 2 bond (10-year maturity) in an amount of € 500 million on 4 September 2019. Due to very strong demand, the spread was eventually reduced to 210 basis points over mid-swaps in the course of the issuance process. Even at this price, demand still exceeded the actual issue amount by a factor of five and a half and demonstrated investors' strong interest in the bond. The first early call date is in 5 years.

Following an initial successful transaction in the previous year, RBI issued its second benchmark green bond on 17 September 2019, thereby strengthening its commitment to the green bond market. The new bond for institutional investors has a nominal amount of € 750 million and a maturity of seven years. It carries a coupon of 0.375 per cent (equivalent to a spread of 75 basis points over mid-swaps). The issue was significantly oversubscribed, with an order book of € 1.8 billion. The issue proceeds will be used to finance environmentally friendly residential and commercial properties as well as sustainable transportation infrastructure and transportation projects in Central and Eastern Europe.

By issuing the bond, RBI continues to execute the sustainable business strategy it has employed for many years. It has already become an important issuer in this steadily growing market. The proceeds from the green bond will be used to finance sustainable projects across the RBI network, with allocation of funds based on a clearly defined selection and evaluation process. Ongoing post-investment reporting will verify compliance with the stated criteria and track how much the investment contributes to sustainability improvements.

The first benchmark issue of a Pfandbrief (covered bond) with a 10-year maturity and a nominal amount of € 500 million on 25 November 2019, was also met with considerable interest among investors. The issue was oversubscribed by a factor of two at 11 basis points over the mid-swap rate. The underlying mortgage portfolio is internationally broadly diversified which was reflected in the spread at which the bond was issued.

## Financial Calendar 2020

| | |
|---|---|
| 30 April 2020 | Start of Quiet Period |
| 14 May 2020 | First Quarter Report, Conference Call |
| 08 June 2020 | Record Date Annual General Meeting |
| 18 June 2020 | Annual General Meeting |
| 25 June 2020 | Ex-Dividend Date |
| 26 June 2020 | Record Date Dividends |
| 29 June 2020 | Dividend Payment Date |
| 28 July 2020 | Start of Quiet Period |
| 11 August 2020 | Semi-Annual Report, Conference Call |
| 29 October 2020 | Start of Quiet Period |
| 12 November 2020 | Third Quarter Report, Conference Call |

# Contact for equity and debt investors

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# Corporate Governance Report

This Corporate Governance Report combines the Corporate Governance Report of RBI AG and the consolidated Corporate Governance Report of RBI pursuant to § 267b of the Austrian Commercial Code (UGB) in conjunction with § 251 (3) of the UGB.

RBI attaches great importance to responsible and transparent business management in order to maintain the understanding and confidence of its various stakeholders – not least capital market participants. Hence, RBI is committed to adhering to the Austrian Corporate Governance Code (ACGC, or the Code) as laid out in the version dated January 2018. The ACGC is publicly available on the Austrian Working Group for Corporate Governance website (www.corporate-governance.at) and on the RBI website (www.rbinternational.com → Investors → Corporate Governance). In addition to RBI, Tatra banka, a.s., as a listed subsidiary bank, is obliged to publish a corporate governance report due to local statutory regulations. This report is published with the annual report and can be downloaded from the Tatra banka website (www.tatrabanka.sk → About bank → Economic results → Annual Reports). RBI has no further subsidiaries which are required to publish a corporate governance report.

As a listed bank, the governance of RBI is shaped by a multitude of legal regulations which apply equally to all market participants. Aside from complying with the ACGC, RBI also has a self-imposed Code of Conduct (www.rbinternational.com → About us → Code of Conduct), which obliges RBI to commit to sustainable corporate management and the corresponding social and environmental responsibility.

Furthermore, in 2019, RBI completed a comprehensive Group-wide process to review its strategy and governance for the first time and determined a Group-wide applicable Vision & Mission and related values. With a goal to be the most recommended financial services group in 2025, the company has established a clear Vision. The Mission statement was developed in order to realize this: "We transform continuous innovation into superior customer experience". The four central stakeholder groups for the Mission statement are customers, employees, shareholders of RBI, as well as the general public. The Vision & Mission and corporate values together form the central element of the corporate governance of the company.

Transparency is a key corporate governance issue and is therefore of particular importance to RBI. This Corporate Governance Report is structured according to the legal provisions contained in § 243c of the UGB and is based on the structure set forth in Appendix 2a of the ACGC.

The ACGC is subdivided into L, C and R Rules. L Rules are based on compulsory legal requirements. C Rules (Comply or Explain) should be observed; any deviation must be explained and justified in order to ensure conduct that complies with the Code. R Rules (Recommendations) have the characteristics of guidelines; non-compliance does not need to be reported or justified. RBI deviates from the C Rules below, but conducts itself in accordance with the Code through the following explanations and justifications:

**C Rule 45: non-competition clause for members of the Supervisory Board**

RBI AG is the central institution of the Raiffeisen Banking Group Austria (RBG). Within RBG, RBI AG serves as the central institution (as defined by § 27a of the Austrian Banking Act (BWG)) of the regional Raiffeisen banks and other affiliated credit institutions. Some members of the Supervisory Board in their function as shareholder representatives therefore also hold executive roles in RBG banks. Consequently, comprehensive know-how and extensive experience specific to the industry can be applied in exercising the control function of the Supervisory Board, to the benefit of the company.

**C Rule 52a: The number of members on the Supervisory Board (without employees' representatives) shall be ten at most**

The Supervisory Board currently consists of twelve members: nine core shareholder representatives for RBG and three free float representatives. This higher number of members was based on a resolution passed by the Annual General Meeting on 22 June 2017. It provides the Supervisory Board with additional industry knowledge, more diversity, and further strengthens its ability to exercise its control function.

In accordance with C Rule 62 of the ACGC, RBI AG commissioned KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna (KPMG) to conduct an external evaluation of compliance with the C Rules of the Code. The report on this external evaluation is publicly available at www.rbinternational.com → Investors → Corporate Governance → External Evaluation of the CG Code.

# Composition of the Management Board

As at 31 December 2019, the Management Board consisted of the following members:

| Management Board member | Year of birth | Original appointment | End of term |
|---|---|---|---|
| Johann Strobl<br>Chairman | 1959 | 22 September 2010[1] | 28 February 2022 |
| Martin Grüll | 1959 | 3 January 2005 | 28 February 2020* |
| Andreas Gschwenter | 1969 | 1 July 2015 | 30 June 2023 |
| Lukasz Januszewski | 1978 | 1 March 2018 | 28 February 2021 |
| Peter Lennkh | 1963 | 1 October 2004 | 31 December 2020 |
| Hannes Mösenbacher | 1972 | 18 March 2017 | 28 February 2025 |
| Andrii Stepanenko | 1972 | 1 March 2018 | 28 February 2021 |

1 Effective as of 10 October 2010

*The number of members of RBI AG's Management Board will be reduced from seven to six when Martin Grüll's Management Board mandate expires at the end of February 2020. The Management Board areas of responsibility will be reorganized in a way that aims to exploit opportunities to streamline the organization.

Members of the Management Board held supervisory board seats or comparable functions in the following domestic and foreign companies that are not included in the consolidated financial statements:

| | |
|---|---|
| Andreas Gschwenter | RSC Raiffeisen Service Center GmbH, Austria, Deputy Chairman |
| | Raiffeisen Informatik Geschäftsführungs GmbH, Deputy Chairman (since 26 September 2019) |
| Peter Lennkh | Oesterreichische Kontrollbank Aktiengesellschaft, Austria, Member |
| Martin Grüll | UNIQA Insurance Group AG, Austria, Member (since 26 June 2019) |

In addition to the management and governance of RBI AG, the members of the Management Board performed supervisory and managerial duties at the following material subsidiaries in executive roles or as supervisory board members in the 2019 financial year:

| | Supervisory Board mandate | Management |
|---|---|---|
| **Johann Strobl** | AO Raiffeisenbank, Russia, Chairman<br>Raiffeisen Bank S.A., Romania, Chairman<br>Raiffeisenbank a.s., Czech Republic, Member<br>Tatra banka, a.s., Slovakia, Member | |
| **Martin Grüll** | Priorbank JSC, Belarus, Chairman<br>Raiffeisen Bank Aval JSC, Ukraine, Chairman<br>Raiffeisenbank (Bulgaria) EAD, Bulgaria, Chairman<br>Raiffeisen Bank S.A., Romania, Deputy Chairman<br>AO Raiffeisenbank, Russia, Member | Raiffeisen CEE Region Holding GmbH, Austria, Managing Director<br>Raiffeisen CIS Region Holding GmbH, Austria, Managing Director<br>Raiffeisen RS Beteiligungs GmbH, Austria, Managing Director<br>Raiffeisen SEE Region Holding GmbH, Austria, Managing Director |
| **Andreas Gschwenter** | Raiffeisenbank Austria d.d., Croatia, Chairman<br>Raiffeisen Bank Zrt., Hungary, Chairman<br>AO Raiffeisenbank, Russia, Member<br>Raiffeisen Bank S.A., Romania, Member<br>Raiffeisenbank a.s., Czech Republic, Member<br>Tatra banka, a.s., Slovakia, Member | |
| **Lukasz Januszewski** | Raiffeisenbank a.s., Czech Republic, Chairman<br>Raiffeisen Centrobank AG, Austria, Chairman<br>Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Austria, Deputy Chairman<br>AO Raiffeisenbank, Russia, Member<br>Raiffeisen Bank S.A., Romania, Member (from 7 February 2019)<br>Tatra banka, a.s., Slovakia, Member | |
| **Peter Lennkh** | Raiffeisen banka a.d., Serbia, Chairman<br>Raiffeisen Bank Kosovo J.S.C., Kosovo, Chairman<br>Raiffeisen Bank Sh.A., Albania, Chairman<br>Raiffeisenbank a.s., Czech Republic, Deputy Chairman<br>Raiffeisen Bank d.d., Bosnia and Herzegovina, Deputy Chairman (until 25 February 2019)<br>AO Raiffeisenbank, Russia, Member<br>Raiffeisen Bank S.A., Romania, Member<br>Tatra banka, a.s., Slovakia, Member | |

| | | |
|---|---|---|
| **Hannes Mösenbacher** | Raiffeisen Bank d.d., Bosnia and Herzegovina, Chairman (until 25 February 2019)<br>Raiffeisen Centrobank AG, Austria, Deputy Chairman<br>AO Raiffeisenbank, Russia, Member<br>Raiffeisen Bank S.A., Romania, Member<br>Raiffeisenbank a.s., Czech Republic, Member<br>Tatra banka, a.s., Slovakia, Member | |
| **Andrii Stepanenko** | Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung, Austria, Chairman<br>Tatra banka, a.s., Slovakia, Chairman<br>Kathrein Privatbank Aktiengesellschaft, Austria, Deputy Chairman<br>AO Raiffeisenbank, Russia, Member<br>Raiffeisenbank a.s., Czech Republic, Member<br>Raiffeisen Bank Aval JSC, Ukraine, Member<br>Raiffeisen Bank S.A., Romania, Member (from 7 February 2019)<br>Raiffeisen Centrobank AG, Austria, Member | |

# Composition of the Supervisory Board

As at 31 December 2019, the Supervisory Board comprised:

| Supervisory Board member | Year of birth | Original appointment | End of term |
|---|---|---|---|
| Erwin Hameseder<br>Chairman | 1956 | 8 July 2010[1] | Annual General Meeting 2020 |
| Martin Schaller<br>1st Deputy Chairman | 1965 | 4 June 2014 | Annual General Meeting 2024 |
| Heinrich Schaller<br>2nd Deputy Chairman | 1959 | 20 June 2012 | Annual General Meeting 2022 |
| Klaus Buchleitner | 1964 | 26 June 2013 | Annual General Meeting 2020 |
| Peter Gauper | 1962 | 22 June 2017 | Annual General Meeting 2022 |
| Wilfried Hopfner | 1957 | 22 June 2017 | Annual General Meeting 2022 |
| Rudolf Könighofer | 1962 | 22 June 2017 | Annual General Meeting 2022 |
| Johannes Ortner | 1966 | 22 June 2017 | Annual General Meeting 2022 |
| Günther Reibersdorfer | 1954 | 20 June 2012 | Annual General Meeting 2022 |
| Eva Eberhartinger | 1968 | 22 June 2017 | Annual General Meeting 2022 |
| Andrea Gaal | 1963 | 21 June 2018 | Annual General Meeting 2023 |
| Birgit Noggler | 1974 | 22 June 2017 | Annual General Meeting 2022 |
| Rudolf Kortenhof[2] | 1961 | 10 October 2010 | Until further notice |
| Peter Anzeletti-Reikl[2] | 1965 | 10 October 2010 | Until further notice |
| Gebhard Muster[2] | 1967 | 22 June 2017 | Until further notice |
| Sigrid Netzker[2] | 1971 | 1 January 2019 | Until 31 December 2019 |
| Helge Rechberger[2] | 1967 | 10 October 2010 | Until further notice |
| Susanne Unger[2] | 1961 | 16 February 2012 | Until further notice |

1 Effective as of 10 October 2010
2 Delegated by the Staff Council

Sigrid Netzker took over Natalie Egger-Grunicke's Supervisory Board functions for one year starting on 1 January 2019. Natalie Egger-Grunicke reassumed her Supervisory Board functions on 1 January 2020.

# Independence of the Supervisory Board

In accordance with and taking into consideration C Rule 53 and Appendix 1 of the ACGC, the Supervisory Board of RBI AG specified the following criteria for the independence of the members of the company's Supervisory Board:

- The Supervisory Board member shall not have been a member of the Management Board or a senior executive of the company or one of its subsidiaries in the past five years.

- The Supervisory Board member shall not have, or have had in the previous year, any significant business relationships with the company or a subsidiary of the company. This also applies to business relationships with companies in which the Supervisory Board member has a significant financial interest, albeit not with regard to carrying out executive functions within the Group. The approval of individual transactions by the Supervisory Board according to L Rule 48 of the ACGC does not automatically lead to a non-independent qualification.

- The exercise of functions within the company or merely exercising the function of a management board member or senior executive by a Supervisory Board member does not, as a rule, lead to the company concerned being regarded as a company in which a Supervisory Board member has a significant financial interest, to the extent that circumstances do not support the presumption that the Supervisory Board member derives a direct personal advantage from doing business with the company.

- The Supervisory Board member shall not have been an auditor of the company, nor a stakeholder in or employee of the auditing company in the previous three years.

- The Supervisory Board member shall not be a member of the management board of another company in which a Management Board member of the company is a member of the supervisory board.

- The Supervisory Board member shall not be part of the Supervisory Board for longer than 15 years. This does not apply to Supervisory Board members who are shareholders with business interests in the company, or who represent the interests of such shareholders.

- The Supervisory Board member shall not be a close relative (direct descendant, spouse, partner, father, mother, uncle, aunt, brother, sister, nephew, niece) of a member of the Management Board or of persons who meet one of the criteria described in the preceding points.

In accordance with the criteria listed above for the independence of Supervisory Board members, all RBI AG Supervisory Board members are considered independent.

Eva Eberhartinger, Birgit Noggler and Andrea Gaal are free float representatives on the Supervisory Board of RBI AG according to C Rule 54 of the ACGC. These members of the Supervisory Board are neither shareholders with a shareholding of greater than 10 per cent, nor do they represent the interests of such shareholders.

Members of the Supervisory Board had the following additional supervisory board mandates or comparable functions in domestic and foreign stock exchange listed companies from 1 January to 31 December 2019:

| | |
|---|---|
| Erwin Hameseder | AGRANA Beteiligungs-Aktiengesellschaft, Austria, Chairman; STRABAG SE, Austria, Deputy Chairman; UNIQA Insurance Group AG, Austria, 2nd Deputy Chairman; Südzucker AG, Germany, 2nd Deputy Chairman |
| Heinrich Schaller | voestalpine AG, Austria, Deputy Chairman; AMAG Austria Metall AG, Austria, Deputy Chairman |
| Klaus Buchleitner | BayWa AG, Germany, Deputy Chairman; AGRANA Beteiligungs-Aktiengesellschaft, Austria, Deputy Chairman |
| Rudolf Könighofer | UNIQA Insurance Group AG, Austria, Member (until 26 June 2019) |
| Birgit Noggler | Semperit AG Holding, Austria, Member (since 4 September 2019) |

In addition to their functions as members of RBI AG's Supervisory Board, the following members also held supervisory board mandates at material subsidiaries during this period:

| | |
|---|---|
| Erwin Hameseder | LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Austria, Chairman |
| Klaus Buchleitner | LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Austria, Member |

No management functions at RBI AG's material subsidiaries were undertaken by Supervisory Board members.

The Supervisory Board, both in its entirety and in its committees, has the necessary knowledge and experience to match the type, scope and complexity of RBI's business and its risk structure.

# Members of the Committees

The procedural rules of the Supervisory Board govern its organization and allocate particular tasks to the Working, Risk, Audit, Remuneration, Nomination and Personnel Committees. These committees comprised the following members as of 31 December 2019:

| | Working Committee | Risk Committee | Audit Committee | Remuneration Committee | Nomination Committee | Personnel Committee |
|---|---|---|---|---|---|---|
| Chairman | Erwin Hameseder | Birgit Noggler | Eva Eberhartinger | Erwin Hameseder | Erwin Hameseder | Erwin Hameseder |
| 1st Deputy Chairman | Heinrich Schaller | Martin Schaller | Erwin Hameseder | Heinrich Schaller | Heinrich Schaller | Heinrich Schaller |
| 2nd Deputy Chairman | Martin Schaller | Erwin Hameseder | Heinrich Schaller | Martin Schaller | Martin Schaller | Martin Schaller |
| Member | Andrea Gaal | Heinrich Schaller | Johannes Ortner | Eva Eberhartinger | Rudolf Könighofer | Rudolf Könighofer |
| Member | Birgit Noggler | Eva Eberhartinger | Andrea Gaal | Andrea Gaal | Andrea Gaal | Andrea Gaal |
| Member | – | Andrea Gaal | Birgit Noggler | Birgit Noggler | Birgit Noggler | Birgit Noggler |
| Member | Rudolf Kortenhof | Rudolf Kortenhof | Rudolf Kortenhof | Rudolf Kortenhof | Rudolf Kortenhof | – |
| Member | Peter Anzeletti-Reikl | Peter Anzeletti-Reikl | Peter Anzeletti-Reikl | Peter Anzeletti-Reikl | Peter Anzeletti-Reikl | – |
| Member | Susanne Unger | Susanne Unger | Susanne Unger | Susanne Unger | Susanne Unger | – |

The following changes were made during the financial year:

Birgit Noggler was elected Chairman of the Risk Committee from among the Supervisory Board/Risk Committee members at the inaugural Supervisory Board meeting on 13 June 2019.
She succeeded Martin Schaller, who was elected to 1st Deputy Chairman after serving as Chairman. Erwin Hameseder was elected to 2nd Deputy Chairman after serving as 1st Deputy Chairman. Heinrich Schaller was elected a Member of the Risk Committee after serving as 2nd Deputy Chairman.

Birgit Noggler is Chairman of the Risk Committee within the meaning of § 39d of the BWG. She satisfies the legal standards, technical qualifications and independence requirements set out in § 39d (3) of the BWG. In addition to serving as the Chairman of the Risk Committee, her principal occupation is the provision of tax advisory services. She was the Chief Financial Officer of Immofinanz AG from 2011 to 2016 and held management positions at Immofinanz AG from 2007 to 2011. Birgit Noggler has worked in accounting from the start of her professional career and therefore has extensive expertise in this field. Birgit Noggler also holds supervisory board positions at B & C Industrieholding GmbH, Semperit Aktiengesellschaft Holding and NOE Immobilien Development GmbH.

The Audit Committee, Working Committee and Risk Committee all consist of one-third core shareholder representatives, one-third free float representatives and one-third employee representatives.

According to § 63a (4) of the BWG, one member of the Audit Committee must be a financial expert. This requirement is fulfilled by Eva Eberhartinger as Chairman of the Audit Committee. Three other members of the Audit Committee also have relevant expertise from their positions as senior executives of banks.

In addition to serving as Chairman of the Audit Committee, in her main role Eva Eberhartinger chairs the Tax Management division at the Institute for Accounting & Auditing at the Vienna University of Economics and Business and was Vice Rector for financial affairs at the Vienna University of Economics and Business from 2006 to 2011. On account of her high level of expertise and many years of experience in research and lecturing at both national and international universities, Eva Eberhartinger is a recognized expert in the areas of finance and accounting, as well as taxation. Her research focuses on accounting, taxation, financing and taxes, European/international accounting, and international tax law. Furthermore, Eva Eberhartinger has numerous publications in various specialist journals. She has been on the supervisory board of the Austrian Treasury since 2013, and served as the Vice Chair until 2017. She has also been a member of the supervisory board of maxingvest AG (Germany) since 2014.

The responsibility of free float representatives has been further strengthened by the appointment of Eva Eberhartinger as Chairman of the Audit Committee and Birgit Noggler as Chairman of the Risk Committee.

# The Advisory Council

The Advisory Council consists of representatives of RBG and has a purely consultative function for the Management Board of RBI AG. The rights and obligations that the Management Board and Supervisory Board have under the law and the Articles of Association are not curtailed by the Advisory Council's activities.

The Advisory Council provides advice on matters relating to material ownership interests of the regional Raiffeisen banks as core shareholders and on selected aspects of the relationship between RBI and RBG. It also gives advice on RBI's central institution function as defined in § 27a of the BWG and the responsibilities associated with it, and on the affiliated companies in their capacity as RBG's distribution partners.

The Advisory Council consists of the seven Chairmen of the supervisory boards of the regional Raiffeisen banks and the Chairman of Raiffeisenverband Salzburg. It met five times in 2019. Out of the eight members of the Advisory Council, four members attended all the meetings in 2019. Two members were excused from one meeting, one member from two meetings and one member from three meetings. Member attendance at each meeting thus ranged between 62 per cent and 100 per cent.

Advisory Council members receive reasonable compensation for their activities. The compensation for the 2017 financial year and subsequent years was determined by the Annual General Meeting on 21 June 2018.

As long as the General Meeting passes no resolutions to the contrary in the future, Advisory Council members are paid the following annual remuneration:

- For the Chairman of the Advisory Council: € 25,000 (excluding VAT)
- For the Deputy Chairman of the Advisory Council: € 20,000 (excluding VAT)
- For every other member of the Advisory Council: € 15,000 each (excluding VAT)

Each member of the Advisory Council is additionally paid an attendance fee of € 1,000 (excluding VAT) for each meeting.

Depending on the duration of the respective Advisory Council mandate, the annual remuneration for the financial year is allocated on a pro rata basis or in its entirety.

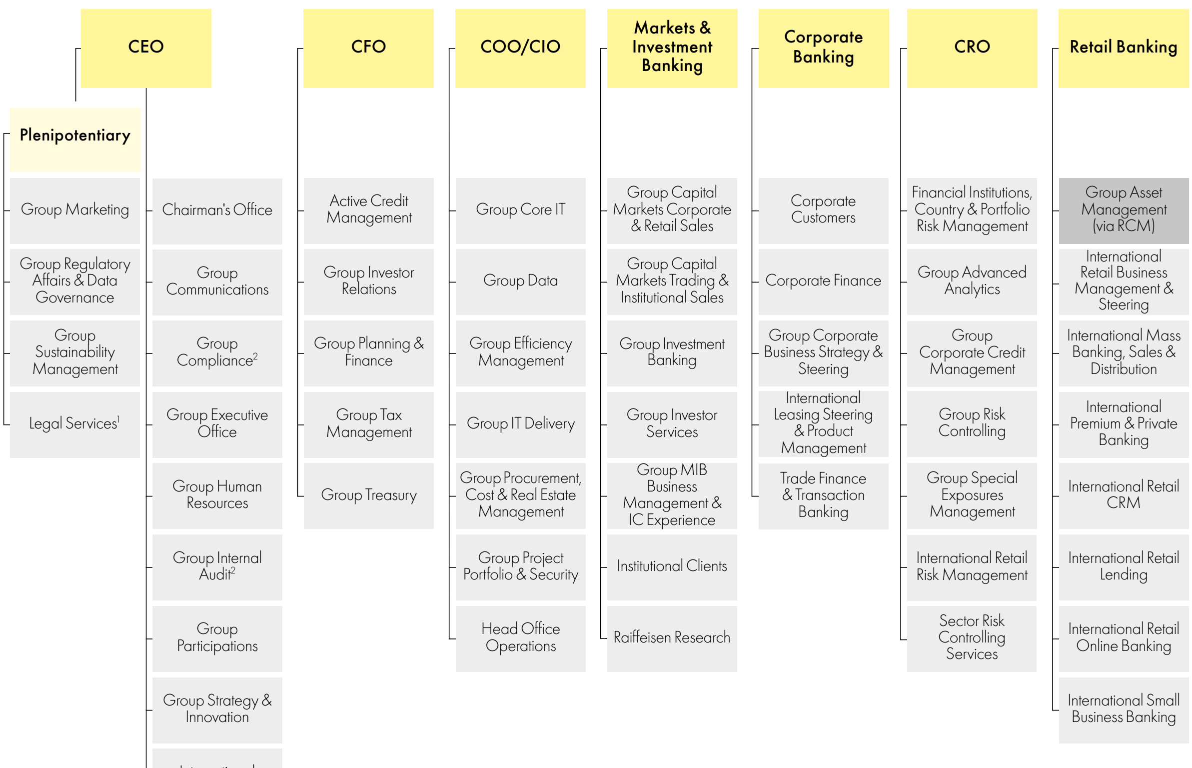
# Functions of the Management Board and the Supervisory Board

## Division of responsibilities and functions of the Management Board

The RBI AG Management Board manages the company according to clearly defined goals, strategies and guidelines on its own authority, with a focus on future-oriented business management and in line with modern, sustainable business principles. In doing so, the Management Board pursues the good of the company at all times and considers the interests of customers, shareholders and employees.

The Management Board manages the company's business in accordance with the law, the Articles of Association and the Management Board's rules of procedure. The Management Board's weekly meetings are convened and led by the Chairman. The meetings facilitate mutual gathering and exchange of information, consultation and decision-making with respect to all matters requiring the Board's approval. The procedural rules of the Supervisory Board and the Management Board describe the duties of the Management Board in terms of information and reporting, as well as a catalog of measures that require the approval of the Supervisory Board.

Management Board members' areas of responsibility have been defined by the Supervisory Board, without prejudice to the general responsibility of the Management Board, as follows (as at 31 December 2019):




[1] Data Protection Officer for RBI and its Austrian subsidiaries – reports to the Management Board
[2] Reports to the entire Management Board and Supervisory Board

In the 2019 financial year, the following significant organizational changes, among others, took place at Tier 2 management level (B-1):

### Management Board area of the Chief Executive Officer (CEO)

- The Group Regulatory Affairs division was renamed Group Regulatory Affairs & Data Governance to reflect the growing importance of data governance in the Group. Group Governmental and Public Affairs was also integrated into the division in order to ensure a stronger uniform approach, particularly in relation to regulatory issues.
- In addition, the following changes were approved in December 2019 and put into effect on 1 February 2020:
  - The Group Participations and International Banking Units divisions will be merged to form the Group Equity Investments division. This division will be the central point of contact for all equity investments (affiliated credit and financial institutions, associated companies and other equity investments held in and outside Austria) and RBI internal stakeholders. To maximize synergies and optimize existing processes, a single division will handle the tasks previously performed by the equity investment managers and relationship managers.
  - The Retail Banking Management Board area will take over managing the Group Marketing division in order to support tighter integration between digital marketing activities and business activities.

### Management Board area of the Chief Operating Officer/Chief Information Officer (COO/CIO)

- Group IT was dissolved, and its tasks distributed among three new B-1 units; Group IT Delivery, Group Core IT and Group Data. These units pursue objectives that are clearly linked to RBI's strategic priorities. COO Strategy, Governance & Change was also dissolved and most of the tasks integrated into Group IT Delivery.

### Management Board area of Markets & Investment Banking

- The Group Business Management & Development division was renamed Group MIB Business Management & Institutional Clients Experience. Its responsibility includes the Group-wide Markets & Investment Banking (MIB) strategy, managing the MIB business and implementing compliance methods and measures for Institutional Clients.
- The Institutional Clients division was reorganized and split into two organizational units: Institutional Clients and Group Investor Services. The change eliminated one hierarchical level and separated responsibilities between account management and business management.
- The Group Capital Markets division was renamed Group Capital Markets Trading & Institutional Sales in consideration of its Group function.
- The Group Competence Center for Capital Markets Corporate/Retail Sales was renamed Group Capital Markets Corporate & Retail Sales, taking its function into account.

### Management Board area of the Chief Risk Officer (CRO)

- A new Group Advanced Analytics division was created. Due to the growing importance of advanced analytics for RBI, the advanced analytics team was established as a separate B-1 unit that is responsible for the Group and reports directly to the CRO.

The Management Board areas of Martin Grüll (CFO) will be reallocated when his Management Board mandate expires on 28 February 2020.

## Decision-making authority and activities of the Committees of the Supervisory Board

The procedural rules of the Management Board, as well as the Supervisory Board and its Committees, outline the business management measures that require the approval of the Supervisory Board or of the appropriate Committee.

The **Working Committee** is responsible for all matters referred to it by the Supervisory Board. It handles general focus reports on individual industries in the corporate customer business and financial institutions area as part of reviewing loan and limit applications. It takes these opportunities to discuss selected customer groups and financial institutions, as well as material changes in customer creditworthiness. The Working Committee also looks at developments with respect to the 20 largest groups of connected customers in the corporate customer business in the course of the year and reviews special reports on certain customers or industries in response to current events. The Working Committee discusses and decides on limit applications for companies and financial institutions and confers on limit applications that fall within the Supervisory Board's decision-making authority as well as reports written for the Supervisory Board, such as the annual report on all significant investments under § 28b of the BWG, before they are addressed by the Supervisory Board.

In addition, the Working Committee considers requests and reports on the formation, closure and liquidation of subsidiaries and the acquisition and disposal of equity participations up to the ceiling amount for Supervisory Board responsibility. The Working Committee also discusses and decides on the assumption of new board-level functions by Management Board members and the allocation of duties among the individual members of the Management Board.

The responsibilities of the **Risk Committee** include advising the Management Board on current and future risk propensity and risk strategy, monitoring the implementation of this risk strategy with regard to the controlling, monitoring and limitation of risk in accordance with the BWG, as well as the observing of capitalization and liquidity. To fulfill these responsibilities, the Risk Committee obtains quarterly reports on issues such as credit, liquidity and market risk, the Internal Capital Adequacy Assessment Process (ICAAP) and non-performing loans. The Committee also looks at current risk aspects, including selected country reports on current political changes as well as reports on regulatory developments and their repercussions for RBI. In addition, the Risk Committee discusses relevant metrics and tolerances regarding the Group's risk appetite, with due consideration given to budgeting and strategy.

Furthermore, the Risk Committee is also responsible for examining whether adequate consideration is given to the business model and risk strategy in the pricing of the services and products offered. To this end, the Risk Committee discusses reports submitted to it on pricing and price calculations in the customer and financial institutions business and discusses remedial action plans if necessary. The Risk Committee also monitors whether the incentives offered by the internal remuneration system give adequate consideration to risk, capital and liquidity, as well as the timing of realized profits and losses. This involves the presentation of a report on remuneration policies in the Risk Committee, which is used to assess whether the remuneration structure reflects RBI's risk appetite.

In the last financial year, the Risk Committee focused especially on ongoing reporting, monitoring compliance with Russian and US sanctions and the regular status reports on money laundering prevention. It also devoted particular attention to reporting on possible risks associated with the portfolio of mortgages denominated in Swiss francs in Poland.

The **Audit Committee** monitors the accounting process. It issues recommendations for improving reliability and supervises the effectiveness of the company's internal control, audit and risk management systems.

The Audit Committee also oversees the annual audit of the financial statements and consolidated financial statements and thus monitors the independence of the external Group auditor/bank auditor, particularly with respect to additional work performed for the audited company. The Committee examines the annual financial statements, the management report, the consolidated financial statements and the Group management report, and is responsible for the preparation for their adoption by the Supervisory Board. The Audit Committee reviews the audit plan in great detail and engages in discussions with the auditor about key facts covered in the audit of the financial statements, special focuses of the audit, the management letter and the report on the effectiveness of risk management and the internal control system. It also examines the Management Board's proposal for earnings appropriation and the Corporate Governance Report. The Audit Committee presents a report on the results of its examinations to the Supervisory Board. It also conducts a process, in accordance with statutory requirements, for the selection of the Group auditor and bank auditor and submits a recommendation to the Supervisory Board concerning the appointment of the auditor.

The Audit Committee also engages in regular discussions with Internal Audit about general audit issues, defined audit areas, findings made during audits and steps taken to make improvements in response to audit findings. Group Compliance also reports regularly to the Audit Committee and discusses the status and effectiveness of the internal control system with the Audit Committee. In particular, the parties discuss the findings from reviews of key controls in financial reporting and non-financial reporting areas as well as additional required improvements. The Audit Committee also devotes attention to the accounting framework and discusses the implementation of necessary projects.

One important issue that the Audit Committee addressed in 2019 was the selection of a new external auditor/bank auditor for the business years from 2021. The associated tender criteria were coordinated and defined, the audit tender conducted, and the proposals reviewed and evaluated. The Audit Committee prepared a shortlist from these proposals and submitted it to the Supervisory Board for a decision.

Another key issue in 2019 was reporting on outsourcing management.

Special reports are compiled on current issues; at the end of each year, the Audit Committee also defines core issues for the upcoming year.

The **Remuneration Committee's** responsibilities include, first and foremost, establishing guidelines for the company's remuneration policies and practices, particularly on the basis of the BWG, as well as relevant sections of the ACGC. In doing so, the company's interests along with the long-term interests of shareholders, investors and employees of the company are taken into account, as are the economic interests of maintaining a functioning banking system and the stability of the financial market. The Remuneration Committee issues detailed internal remuneration policies for RBI and makes changes as needed as part of a regular review process. On that basis, the Remuneration Committee selects the companies within RBI that are subject to the remuneration principles. This selection and the underlying selection process are reviewed at regular intervals. The Remuneration Committee is also responsible for approving the proposed list of employees and functions which have a material impact on the risk profile of the Group and/or company. The Remuneration Committee conducts regular reviews of these Identified Staff.

In addition, the Remuneration Committee supervises and regularly reviews remuneration policies, remuneration practices and relevant incentive structures to ensure that all related risks are controlled, monitored and limited in accordance with the BWG, as well as with respect to capitalization and liquidity. To this end, reports from Human Resources, Internal Audit, Compliance and Risk Management are presented to the Remuneration Committee and the associated findings and measures are discussed. The Remuneration Committee further reviews the remuneration of executives responsible for risk management and compliance.

The Remuneration Committee is also responsible for deciding whether employees are subject to penalty or clawback events. It reviews potential cases and then, based on the facts, decides how the event will affect the payment of variable remuneration.

The **Nomination Committee's** duties include filling any posts on the Management Board and Supervisory Board that have become vacant. The Nomination Committee evaluates potential candidates based on a description of the duties entailed and, after conducting an appropriate fit & proper test, issues recommendations for filling the board vacancy, giving consideration to the balance and diversity of knowledge, skills and experience of all members of the governing body in question.

The Nomination Committee also specifies a target ratio for the under-represented gender on the Management Board and the Supervisory Board, consults on the strategy for achieving the defined target ratio and regularly discusses the adoption of development programs. The Nomination Committee is also responsible for evaluating decision-making within the Management Board and Supervisory Board, ensuring that the Management Board and the Supervisory Board are not dominated by one individual person or a small group of persons in a way which is contrary to the company's interests. The Nomination Committee verifies and makes this assessment based on the meeting processes and communication lines within each board (e.g. minute-taking, deputizing arrangements, resolutions passed by circulation in urgent cases, monitoring of courses of action taken, meeting preparations, forwarding of documents) and on the perceptions of the members themselves. The Nomination Committee's responsibilities also include regularly assessing the structure, size, composition and performance of the Management Board and Supervisory Board, with reports on the bodies' composition, organizational structures and the results of their work being presented as a basis for any decisions. It also regularly evaluates the knowledge, skills and experience of the individual members of both the Management Board and Supervisory Board and also of the respective governing body as a whole. The evaluation takes place in the Nomination Committee and is based on the self-evaluation of the individual members of the Management Board and Supervisory Board, as well as on individual continuing education reports.

The diversity report was addressed and the resolution to extend Martin Schaller's term of office on the Supervisory Board was recommended in the past financial year. The Nomination Committee evaluated various options and discussed aspects of succession planning in detail in connection with the expiration of Martin Grüll's term of office on the Management Board.

The Nomination Committee also reviews the Management Board's policy with regard to the selection of executives and supports the Supervisory Board in preparing recommendations for the Management Board. As part of its responsibility, the Nomination Committee evaluates the selection of key function holders, the guiding principles of executive selection and development, succession planning and the policies and steps taken for filling upper management positions.

The **Personnel Committee** deals with the remuneration of Management Board members as well as their employment contracts. In particular, it discusses and decides on provisions in the individual Management Board members' employment contracts and makes changes to the contracts as needed. It is also responsible for approving any acceptance of secondary employment by members of the Management Board.

It sets targets for the Management Board based on applicable rules and regulations and makes any required changes. The Personnel Committee also discusses whether the Management Board has attained its targets and approves bonus allocations on that basis. In addition, it discusses, and reviews submitted information that appears to require a clawback of past bonuses or non-payment of bonuses from existing provisions (penalty). The Personnel Committee then decides whether to pay amounts from bonus payments that were deferred as required by law.

## Number of meetings of the Supervisory Board and of the Committees

The Supervisory Board (SB) held seven meetings during the reporting period. In addition, the Management Board fully informed the Supervisory Board on a prompt and regular basis of all relevant matters pertaining to the company's performance, including the risk position and risk management of the company and material Group companies, particularly in relation to important issues.

The Working Committee (WC) held eight meetings in the 2019 financial year. The Risk Committee (RiC) met four times, the Audit Committee (AC) four times, the Remuneration Committee (ReC) twice, the Nomination Committee (NC) four times, and the Personnel Committee (PC) twice.

No member of the Supervisory Board was unable to personally attend more than half of the meetings of the Supervisory Board.

In 2019, Supervisory Board members attended the meetings of the Supervisory Board and its Committees as shown below:

| Supervisory Board member | SB (7) | WC (8) | RiC (4) | AC (4) | ReC (2) | NC (4) | PC (2) | Total (31) |
|---|---|---|---|---|---|---|---|---|
| Erwin Hameseder | 7/7 | 8/8 | 4/4 | 4/4 | 2/2 | 4/4 | 2/2 | 31 |
| Martin Schaller | 7/7 | 8/8 | 4/4 | n/a | 2/2 | 4/4 | 2/2 | 27 |
| Heinrich Schaller | 5/7 | 6/8 | 3/4 | 3/4 | 2/2 | 3/4 | 2/2 | 24 |
| Klaus Buchleitner | 4/7 | n/a | n/a | n/a | n/a | n/a | n/a | 4 |
| Peter Gauper | 7/7 | n/a | n/a | n/a | n/a | n/a | n/a | 7 |
| Wilfried Hopfner | 7/7 | n/a | n/a | n/a | n/a | n/a | n/a | 7 |
| Rudolf Könighofer | 7/7 | n/a | n/a | n/a | n/a | 3/4 | 2/2 | 12 |
| Johannes Ortner | 7/7 | n/a | n/a | 4/4 | n/a | n/a | n/a | 11 |
| Günther Reibersdorfer | 7/7 | n/a | n/a | n/a | n/a | n/a | n/a | 7 |
| Eva Eberhartinger | 7/7 | n/a | 4/4 | 4/4 | 2/2 | n/a | n/a | 17 |
| Andrea Gaal | 7/7 | 8/8 | 4/4 | 4/4 | 2/2 | 4/4 | 2/2 | 31 |
| Birgit Noggler | 7/7 | 8/8 | 4/4 | 4/4 | 2/2 | 4/4 | 2/2 | 31 |
| Rudolf Kortenhof | 5/7 | 8/8 | 4/4 | 4/4 | 2/2 | 4/4 | n/a | 27 |
| Peter Anzeletti-Reikl | 7/7 | 8/8 | 4/4 | 4/4 | 2/2 | 4/4 | n/a | 29 |
| Gebhard Muster | 4/7 | n/a | n/a | n/a | n/a | n/a | n/a | 4 |
| Sigrid Netzker | 5/7 | n/a | n/a | n/a | n/a | n/a | n/a | 5 |
| Helge Rechberger | 7/7 | n/a | n/a | n/a | n/a | n/a | n/a | 7 |
| Susanne Unger | 7/7 | 8/8 | 4/4 | 4/4 | 2/2 | 4/4 | n/a | 29 |

n/a – not applicable, as not a member of the respective Committee

In addition, the Supervisory Board as well as the Working and Remuneration Committees also passed resolutions by circulation.

## Self-evaluation and efficiency review by the Supervisory Board

As required by C Rule 36 of the ACGC, the Supervisory Board of RBI AG conducted a self-evaluation and efficiency review for the 2019 financial year. This evaluation was performed in cooperation with the Vienna University of Economics and Business and is designed to ensure that the Supervisory Board's work consistently improves in terms of efficiency and effectiveness.

In addition to the conventional questionnaire-based evaluation, experts conducted individual interviews with each Supervisory Board member. The Supervisory Board members were asked in particular for their assessment of the organizational structure, working methods of the Supervisory Board, the work done by the Committees, access to information, and the composition and independence of the Supervisory Board. Based on the granularity of the evaluation, the Supervisory Board's work will be analyzed to see in what way it can be optimized and how a positive contribution can be made to strategic business development. Following the evaluation, appropriate measures are to be developed in Q1 2020.

# Remuneration disclosure

## Principles of remuneration policy and practices in accordance with § 39 (2) in conjunction with § 39b of the BWG

In accordance with § 39 (2) in conjunction with § 39b of the BWG including annexes, RBI AG's Supervisory Board approved the General Principles of the Remuneration Policy and Practice in 2011. Remuneration of all employees including the Management Board and other Identified Staff, whose professional activities have a material impact on the risk profile of the company and/or the Group, must comply with these principles. These principles also applied to bonus payments for 2011 and subsequent years. The Remuneration Committee of the Supervisory Board of RBI AG reviews these principles on a regular basis and is responsible for monitoring their implementation. To reflect changes in the regulatory requirements and framework and/or adjustments to the RBI remuneration system, the remuneration principles that apply within the RBI Group in the form of an Internal Regulation Total Rewards Management (including annexes) are regularly updated and submitted to the Remuneration Committee for approval. This was last done in March 2019.

## General remuneration principles of RBI

RBI uses a simple, transparent remuneration system which reflects the Group's business strategy and complies with regulatory requirements. The remuneration principles support the company's long-term objectives, interests and values while at the same time containing measures to avoid conflicts of interest.

RBI's remuneration system does not encourage the assumption of disproportionate risks, and instead supports sound, effective risk management (e.g. through a performance management process with financial and non-financial targets as well as qualitative and quantitative key performance indicators and the use of a bonus pool approach). This goal is also achieved by limiting variable remuneration through thresholds and upper limits, which also enables more precise long-term cost planning. In addition, special rules apply to Identified Staff Examples are shown below:

- Variable remuneration payment installments (the payment of variable remuneration for Identified Staff is determined by a defined deferred period)
- As a general rule, 50 per cent of the variable remuneration is administered in the form of non-cash instruments (phantom shares are used to fulfil this regulatory requirement at RBI)
- Ex-post risk review of variable remuneration (penalty/clawback)

Total remuneration consists of both fixed and variable components, with an appropriate ratio between the two. Employees' fixed income is set at a level that allows them to maintain an adequate standard of living. This aims to provide maximum flexibility in the choice and implementation of the variable remuneration components, including the ability to forgo the granting of variable remuneration entirely. In addition, the total amount of the variable remuneration does not restrict RBI's ability to improve its capitalization. The basis for all variable remuneration programs is performance, which is measured at the Group, company and also individual level.

The remuneration system of RBI helps to address silo mentality by linking a significant part of variable remuneration to the Group's performance – in compliance with statutory and regulatory requirements. At the same time, the remuneration and performance management system provides quality enhancement and aims to strengthen customer relationships in the long term.

## Management Board remuneration

The following total amounts were paid to the Management Board of RBI AG:

| in € thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Fixed remuneration | 5,434 | 5,154 | 4,571 |
| Bonuses (incl. portions for prior years) | 3,196 | 2,493 | 1,882 |
| Share-based payments | 0 | 399 | 694 |
| Other remuneration | 2,778 | 2,345 | 2,738 |
| **Total** | **11,408** | **10,391** | **9,885** |

Fixed remuneration, as shown in the table, includes salaries and benefits in kind. Performance-based components of the Management Board's remuneration essentially consist of bonus payments, i.e. deferred bonus amounts from previous years as well as immediately payable bonus amounts for 2018 were paid out.

The payment of a bonus is linked to the achievement of annually agreed goals from various areas based on a balanced scorecard approach. These are weighted financial targets (adjusted to the respective function, e.g. return on risk-adjusted capital, total costs, risk-weighted assets), customer and employee goals, as well as process/efficiency/infrastructure goals and, where necessary, additional objectives. The amount of the bonus is determined based on return on equity (ROE) and the cost/income ratio (CIR); the targets to be achieved reflect the strategic targets for ROE and CIR at RBI level. Payment of bonuses is deferred as set forth in the BWG and implemented according to internal regulations.

Management Board members' contracts specify a maximum bonus. A maximum limit is thus in place for all variable compensation components. The total of all variable compensation components is capped at 100 per cent of the fixed remuneration. This cap applies to the Chairman of the Management Board as well as to all the members and includes all forms of variable remuneration. Fixed remuneration includes regular salaries and benefits in kind. Other remuneration consists of compensation for board-level functions in affiliated companies (supervisory board remuneration), payments to pension funds, employee retirement funds and insurance companies, subsidies, fringe benefits (accommodation allowance, tuition allowance, company car, company parking spaces and most of the benefits that employees receive) as well as non-cash benefits.

The Management Board's remuneration paid in 2019 is shown in detail as follows:

| in € thousand | Fixed Remuneration | Bonus allocations for 2018 and prior years | Other | Total |
|---|---|---|---|---|
| Johann Strobl | 900 | 832 | 414 | 2,146 |
| Martin Grüll | 761 | 696 | 383 | 1,840 |
| Andreas Gschwenter | 760 | 498 | 408 | 1,666 |
| Lukasz Januszewski | 776 | 125 | 332 | 1,233 |
| Peter Lennkh | 699 | 631 | 444 | 1,774 |
| Hannes Mösenbacher | 762 | 301 | 402 | 1,465 |
| Andrii Stepanenko | 776 | 113 | 395 | 1,284 |
| **Total** | **5,434** | **3,196** | **2,778** | **11,408** |

In addition to the amounts listed above, Herbert Stepic, Klemens Breuer, Aris Bogdaneris, and Karl Sevelda were paid deferred bonus amounts totaling € 1,346 thousand on account of their previous work on the Management Board. No other additional payments or exceptional one-off payments were made.

## Expenditure for severance payments and pensions

The same rules essentially apply for the members of the Management Board as for employees. They provide for a basic contribution to a pension fund by the company and an additional contribution when the employee makes their own contributions in the same amount. Additional individual pension benefits, which are financed by a reinsurance policy, apply to two members of the Management Board.

Furthermore, protection against occupational disability risk is provided by a pension fund and/or on the basis of an individual pension benefit, which is covered by a reinsurance policy. Contracts for Management Board members are limited to the duration of their term in office or a maximum of five years.

Regulations regarding severance payments, in case of the early termination of Management Board mandates, are essentially based on the principles stipulated by the ACGC. Severance payments do not exceed the maximum limits stipulated in the ACGC (a maximum of two years' total annual remuneration for early termination without serious cause – except for severance payments made under contractual agreements before 1 January 2010 – and in any case no longer than the remaining term; no severance payment is made in the event of premature termination for serious reasons attributable to the Management Board member). There are no special severance payment provisions for change of control situations, i.e. the principles laid out above also essentially apply in such cases.

In the event of a function or contract termination, one member of the Management Board is entitled to severance payments in accordance with a contractual agreement. The amount of the assessment base is determined with reference to the provisions of § 23 and § 23a of the Salaried Employees Act, especially in relation to the term compensation. Six members are entitled to severance payments in accordance with the Company Retirement Plan Act. In principle, the severance payment claims under contractual agreements expire if the Management Board member resigns.

## Supervisory Board remuneration

A new remuneration model for the Supervisory Board was adopted at the Annual General Meeting on 21 June 2018. Under the new model, elected Supervisory Board members are paid the following annual remuneration starting in the 2017 financial year as long as the General Meeting does not pass any future resolutions to the contrary:

- For the Chairman of the Supervisory Board: € 120,000
- For the Deputy Chairman of the Supervisory Board: € 90,000 each
- For every other elected member of the Supervisory Board: € 60,000 each
- For the Chairman of the Audit Committee and Risk Committee: an additional € 10,000 each

The annual remuneration for the financial year is allocated and paid on a pro rata basis or in its entirety depending on how long the Supervisory Board member has served on the Supervisory Board or committee, and whether he or she chairs the Supervisory Board or committee. In addition, the Annual General Meeting resolved on 21 June 2018 to pay each elected member of the Supervisory Board an additional attendance fee of € 1,000 for each meeting they attend.

Corresponding provisions for Supervisory Board remuneration for the financial year 2019 were formed. Members of the Supervisory Board will be paid the following remuneration for 2019, reflecting their time in office and chairman positions held:

| Supervisory Board member in € thousand | Fixed remuneration | Attendance payments | Total remuneration |
|---|---|---|---|
| Erwin Hameseder | 120 | 31 | 151 |
| Martin Schaller | 94 | 27 | 121 |
| Heinrich Schaller | 90 | 24 | 114 |
| Klaus Buchleitner | 60 | 4 | 64 |
| Peter Gauper | 60 | 7 | 67 |
| Wilfried Hopfner | 60 | 7 | 67 |
| Rudolf Könighofer | 60 | 12 | 72 |
| Johannes Ortner | 60 | 11 | 71 |
| Günther Reibersdorfer | 60 | 7 | 67 |
| Eva Eberhartinger | 70 | 17 | 87 |
| Andrea Gaal | 60 | 31 | 91 |
| Birgit Noggler | 66 | 31 | 97 |
| **Total** | **860** | **209** | **1,069** |

The total remuneration for the Supervisory Board members in 2019 corresponds to 66 per cent of the average compensation of an RBI Management Board member for 2019.

## D&O insurance

A D&O (Directors & Officers) financial loss and liability insurance policy was maintained with UNIQA Österreich Versicherungen AG for the 2019 financial year for the Supervisory Board, the Management Board and key executives, the cost of which is borne by the company. The policy covers both third-party claims (external cover) and also claims of the company itself (internal cover) against the managers. The internal cover also protects the company.

# Annual General Meeting

The Annual General Meeting for the 2018 financial year was held on 13 June 2019 in Vienna. The Annual General Meeting for the 2019 financial year will take place on 18 June 2020. The convening notice will be published in the Wiener Zeitung's official journal and in electronic form a minimum of 28 days before the Annual General Meeting.

At the Annual General Meeting the shareholders, as owners of the company, can exercise their rights by voting. The fundamental principle of "one share one vote" applies. Accordingly, there are no restrictions on voting rights and all shareholders have equal rights. Every share issued confers one vote; registered shares have not been issued. Shareholders may exercise their voting rights themselves or by means of an authorized agent.

# Syndicate agreement concerning RBI

Due to a syndicate agreement relating to RBI, the regional Raiffeisen banks and direct and indirect subsidiaries of the regional Raiffeisen banks are parties acting in concert as defined in § 1 6 of the Austrian Takeover Act (see notification of voting rights most recently published on 20 August 2019). The terms of the syndicate agreement include a block voting agreement for all matters that require a resolution from the General Meeting of RBI, rights to nominate members of the RBI Supervisory Board and preemption rights among the syndicate partners. The terms also include a contractual restriction on sales of the RBI shares held by the regional Raiffeisen banks (with a few exceptions) for a period of three years from the effective date of the merger between Raiffeisen Zentralbank (RZB) and RBI in March 2017 if the sale would directly and/or indirectly reduce the regional Raiffeisen banks' aggregate shareholding in RBI to less than 50 per cent of the share capital plus one share (at the end of the three-year period, the threshold drops to 40 per cent of the share capital).

# Report on measures taken by the company to promote women to the Management Board, the Supervisory Board and into executive positions and a description of the diversity strategy (§ 80 of the Austrian Stock Corporation Act (AktG)) as laid down in § 243c (2) 2 and 2a of the UGB

## Description of the diversity strategy

Prejudice and discrimination have no place in RBI. This is also clearly stated in the Code of Conduct which is valid across the entire Group. RBI instead advocates equality, and in keeping with its corporate identity, it offers equal opportunities for equal performance within the company, regardless of gender or other factors. This begins with staff selection, which must be done without prejudice and where the same standards must always be applied.

The RBI Group Diversity Policy was published in June 2018. It describes the relevance of this issue for RBI, defines the various responsibilities, and also describes how to implement a diversity strategy in the Group. The subsidiaries focused on local strategies in 2019.

The key components of this policy include RBI's diversity vision and mission statement, which were drawn up in 2017, and the daily implementation guidelines. In them, RBI presents its stance on this issue: "RBI believes that diversity adds value. Capitalizing on the opportunities of diversity provides long-term benefits to the company and its employees, as well as to the economy and society as a whole. RBI is continuing Raiffeisen's 130-year success story as it embraces diversity. RBI actively and professionally harnesses the potential of diversity to give clients the best possible service as a strong partner and to position itself as an attractive employer."

The RBI Group Diversity Policy defines a strategy for filling Management Board and Supervisory Board positions whereby hiring must give consideration to both diversity and compliance with statutory requirements. Other important diversity aspects include age, gender and geographic origin. The main requirements for holding such a position also include solid education and professional experience, preferably in roles related to banks or financial institutions. The objective is that the boards include a wide range of qualifications and expertise in order to obtain the broadest possible variety of experience and diverse opinions, collectively resulting in sound decision-making.

The composition of the Management Board and Supervisory Board should be structured so that the board members' geographic origins reflect the diversity of RBI's markets and its cultural context. With respect to the age structure of the Management Board and Supervisory Board, the board members should preferably not have all been born in the same decade. The aim is for women to fill 35 per cent of the positions within the Supervisory Board, Management Board and Tier 2 management of the RBI Group by no later than 2024.

The RBI Management Board did not change in 2019. One Management Board member's term was extended. Of the seven Management Board members, currently five are from Austria, one from Poland, and one from Ukraine. Members of non-Austrian origin therefore constituted 29 per cent of the Management Board at the end of 2019. One Supervisory Board position was again filled by a woman in 2019. All the Supervisory Board members are of Austrian origin. Ages of members range between 45 to 65 years for the Supervisory Board (2018: between 44 to 64 years), and between 41 to 60 years for the Management Board (2018: between 40 to 59 years).

## Measures taken to promote women to the Management Board, the Supervisory Board and into executive positions

RBI is convinced that increasing the proportion of women in management is good for the results generated by the company. Female empowerment is therefore strategically embedded in its diversity management and supported by numerous programs.

To further improve the framework conditions for work and career, RBI continuously endeavors to reconcile family responsibilities and day-to-day work schedules as far as possible. Working arrangements such as flexible working hours, part-time and home-office working are offered and actively supported in accordance with statutory provisions. Likewise, some locations have company kindergartens with employee-friendly opening hours. Among other things, these aim to facilitate effective management of maternity leave, which should encourage women to return to work. RBI adopts a positive stance towards paternity leave as well and considers it an important means of ensuring equality.

The Diversity 2020 initiative continued in Austria in 2019 with a number of programs that had launched in previous years. One of the current core issues targeted by this diversity initiative is the empowerment of women. In particular, it aims to increase the number of women in top management positions. RBI is convinced that a lasting impact can only be achieved by directly addressing personnel processes. For this reason, management positions are advertised but not filled until there is at least one qualified female candidate. Potentially suitable candidates are actively invited to apply if needed to meet this goal. If no women apply for the position, it can be filled with male applicants after a waiting period of one month. External HR consultants are encouraged to always present female candidates. Documents needed for interviews or hearings are anonymized in order to guarantee objectivity in the selection process. At least one female assessor must be involved in the talent selection process; self-nomination is now an option as well. Subconscious prejudices are a key factor currently preventing the increased appointment of women to management positions. To counter this, RBI executives (since 2018) and employees have been offered a specific e-microlearning program to help them identify prejudices that they may hold and learn how to consciously deal with them. In addition, RBI supports arrangements such as part-time management in order to overcome structural barriers. It also sees gender-specific mentoring as an important tool for increasing the representation of women in management positions. In 2019, two female employees completed Lead F, a corporate innovation program for future female leaders.

For RBI AG, the Nomination Committee has set a target of filling 30 per cent of the positions on the Supervisory Board, Management Board and in upper management (Tier 2 and Tier 3 management) with women by 2024. Women held the following proportions of Tier 3 management positions and higher (positions with staff responsibility) at RBI AG as at 31 December 2019: Supervisory Board, 28 per cent (2018: 28 per cent); Management Board, 0 per cent (2018: 0 per cent); Tier 2 management, 20 per cent (2018: 19 per cent); and Tier 3 management, 24 per cent (2018: 20 per cent). Female employees make up 47 per cent (2018: 46 per cent) of the total workforce. RBI AG therefore meets the legal requirement, which took effect in Austria on 1 January 2018, for the share of women on its Supervisory Board. The percentage of women in top management increased marginally in the year under review. RBI AG is currently undergoing an extensive realignment and transformation intended to capitalize on the opportunities arising from changes in the banking business environment. The current figures on the percentage of women are thus only a snapshot of this process. The staffing structure and recruitment and promotion practices in connection with the proportion of women in top management were analyzed in detail with an external organization. The analysis identified potential for development in the RBI corporate culture. An extensive change management project will therefore be launched in 2020, which will also address aspects of diversity, link them to other key cultural elements and reflect current changes.

For the entire RBI Group, the Nomination Committee has set a target of filling 35 per cent of the positions on the Supervisory Board, Management Board and in Tier 2 management with women by no later than 2024. The following figures include RBI AG and 13 network banks in CEE as well as Raiffeisen Bausparkasse Gesellschaft m.b.H., Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Raiffeisen-Leasing Gesellschaft m.b.H, Valida Vorsorge Management, Kathrein Privatbank Aktiengesellschaft and Raiffeisen Centrobank AG. As at 31 December 2019, the total proportion of women among employees in the RBI Group was 66 per cent (2018: 66 per cent). Women held 14 per cent of Management Board positions (2018: 14 per cent), 35 per cent of Tier 2 management positions (2018: 35 per cent) and 46 per cent of Tier 3 management positions (2018: 46 per cent). Women currently hold 24 per cent of Supervisory Board positions (2018: 18 per cent).

The Management Board is aware of the need to continue to pursue the existing initiatives as well as to maintain its openness to new initiatives in order to further increase the percentage of women in highly qualified positions. To achieve this end, it encourages women to take advantage of the opportunities in this respect and to actively participate in further development.

# Transparency

The internet, particularly the company website, plays an important role for RBI with regard to open communication with shareholders, their representatives, customers, analysts, employees, and the interested public. Therefore, the website offers regularly updated information and services, including the following: annual and interim reports, company presentations, telephone conference webcasts, ad-hoc releases, press releases, investor relations releases, share price information and stock data, information for debt investors, financial calendar with advance notice of important dates, information on securities transactions of the Management Board and Supervisory Board that are subject to reporting requirements (directors' dealings), RBI AG's Articles of Association, the corporate governance report, analysts' recommendations, as well as an ordering service for written information and registration for the automatic delivery of investor relations news by e-mail.

A whistleblower hotline was established at the RBI in keeping with regulatory and statutory guidelines. Employees can use the hotline to anonymously report possible violations throughout the Group in their local language to an independent company. All reports are investigated by RBI's Compliance department. The investigation findings must be reported back before the case can be closed.

# Conflicts of interest

Both the Management Board and the Supervisory Board of RBI AG are required to disclose any potential conflicts of interest.

Members of the Management Board must therefore disclose to the Supervisory Board any significant personal interests in transactions involving the company and Group companies, as well as any other conflicts of interest. They must also inform the other members of the Management Board. Members of the Management Board who occupy management positions within other companies must ensure a fair balance between the interests of the companies in question.

Members of the Supervisory Board must immediately report any potential conflicts of interest to the Chairman of the Supervisory Board, who is supported by Compliance when carrying out his evaluation. In the event that the Chairman himself should encounter a conflict of interest, he must report this immediately to the Deputy Chairman. Company agreements with members of the Supervisory Board that require members to perform a service for the company or for a subsidiary outside of their duty on the Supervisory Board (§ 189 a 7 of the UGB) in exchange for not-insignificant compensation require the approval of the Supervisory Board. This also applies to agreements with companies in which a member of the Supervisory Board has a significant financial interest. Furthermore, related party transactions as defined by § 28 of the BWG require the approval of the Supervisory Board.

These and other requirements and rules of conduct are covered by a corporate policy that contains the duties required by law and by the ACGC. The policy also gives due consideration to the European Banking Authority's (EBA) guidelines on internal governance, the joint European Securities and Markets Authority/EBA guidelines to assess the suitability of members of management bodies and key function holders, the European Central Bank's guide to fit and proper assessments and the Basel Committee on Banking Supervision's corporate governance principles for banks.

For a number of years, RBI has had internal policies that govern in detail the business transactions conducted to avoid conflicts of interest. The rules enacted in Austria in mid-2019 on transactions with related companies and people (as part of the transposition of the EU Shareholder Rights Directive into Austrian law) have been reflected in a separately issued internal directive.

# Independent consolidated non-financial report (§ 267a of the UGB) as well as disclosures for the parent company according to § 243b of the UGB

The company prepared an independent consolidated non-financial report according to § 267a of the UGB for the 2019 financial year for RBI, which also contains the disclosures for the parent company according to § 243b of the UGB. The report was reviewed by the Supervisory Board according to § 96 (1) of the AktG. In addition, KPMG was appointed by the Management Board to audit the consolidated non-financial report and will report its findings to the Supervisory Board at its March 2020 meeting. The Supervisory Board will report on the results of the audit at the Annual General Meeting.

# Accounting and audit of financial statements

RBI's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU. They also comply with the regulations of the BWG in conjunction with the UGB to the extent that these are applicable to the consolidated financial statements. The consolidated annual financial statements are published within the first four months of the financial year following the reporting period. Interim reports are published no later than two months after the end of the respective reporting period pursuant to IFRS.

The Annual General Meeting on 21 June 2018 selected KPMG as external Group auditor and bank auditor for the 2019 financial year. KPMG has confirmed to RBI AG that it has the certification of a quality auditing system. It has also declared that there are no reasons for disqualification or prejudice. The Supervisory Board is informed of the result of the audit by a statutory report regarding the audit of the consolidated financial statements by the auditor, as well as by the report of the Audit Committee. Furthermore, the auditor assesses the effectiveness of the company's risk management in accordance with the ACGC, based on the documents submitted to the auditor and otherwise available. The resulting report is presented to the Chairman of the Supervisory Board, who is responsible for ensuring the report is addressed in the Audit Committee and presented to the Supervisory Board.

The Management Board

Johann Strobl

Martin Grüll

Andreas Gschwenter

Łukasz Januszewski

Peter Lennkh

Hannes Mösenbacher

Andrii Stepanenko

# Group management report

| | |
|---|---|
| Market development | 42 |
| Significant events in the reporting period | 47 |
| Earnings and financial performance | 48 |
| Comparison of results with the previous year | 48 |
| Comparison of results with the previous quarter | 51 |
| Statement of financial position | 53 |
| Total capital pursuant to the CRR/ Austrian Banking Act (BWG) | 54 |
| Research and development | 55 |
| Internal control and risk management system | 56 |
| Capital, share, voting, and control rights | 59 |
| Risk management | 61 |
| Corporate Governance | 61 |
| Consolidated non-financial report | 61 |
| Human Resources | 61 |
| Outlook | 62 |
| Events after the reporting date | 63 |

# Market development

## Industrial development dampens the euro area economy while interest rates remain low

At 1.2 per cent in 2019, gross domestic product (GDP) growth in the euro area came in lower than in the previous year (1.9 per cent). The economic slowdown was driven by very diverse developments in individual sectors. While the output of the industrial sector experienced a noticeable decline, economic output in the services and construction sectors developed solidly. The unemployment rate declined over the course of the year. At 1.2 per cent, the inflation rate was well below the European Central Bank (ECB) target of 2 per cent.

The ECB initially left key interest rates unchanged until the summer of 2019, while reinvestments were limited to redemption payments from its existing bond portfolio. The ECB adopted a new package of monetary easing measures at the meeting in early September. The package included a reduction in the deposit rate for commercial banks from minus 0.4 per cent to minus 0.5 per cent and the resumption of net bond purchases. The ECB's expansive monetary policy caused money market rates and yields on German government bonds to fall to historic lows over the course of the year. Between August and mid-October, even the yield on the 30-year German government bond was negative for the first time.

The Austrian economy also lost considerable momentum over the year. As a result of the good winter half-year 2018/19, real GDP growth for the whole of 2019 amounted to 1.6 per cent (2018: 2.4 per cent), thus remaining above the euro area average. Industrial production slowed markedly from spring 2019, after having previously seen a notable decoupling from the weak industrial production trends in Germany. Against this challenging external environment backdrop, foreign trade momentum also declined steadily over the course of the year, but nevertheless provided a positive impetus. Capital expenditures weakened noticeably as well. Consumer spending however provided support to the economy, benefiting from continued favorable labor market conditions and the growth in real disposable household incomes.

Growth in the US economy slowed in 2019, albeit remained robust. Real GDP grew 2.3 per cent, after 2.9 per cent growth in 2018. The US also suffered from a period of notable weakness in the industrial sector, although this had little impact on other parts of the economy. On the demand side, consumer spending supported the economy, benefiting from the continuation of the positive trend in the labor market. Job creation continued in tandem with a decline in the unemployment rate.

In China, economic growth momentum eased off in 2019: real GDP growth of 6.1 per cent was recorded for the entire 2019 year, around 0.6 percentage points less than the previous year. Credit growth continued to decline year-on-year, while growth rates for capital expenditures and industrial production reached new record lows. While the trade conflict with the US had initially only made itself felt in the sentiment surveys, it increasingly left its mark on exports and consequently also on real economic data.

## Solid economic climate in CE and in SEE, while restrictive fiscal policy slowed growth in Russia

Inflation in the Central Europe (CE) region rose on average in 2019, compared with the previous year, and at 2.6 per cent was well above the two per cent mark. In Southeastern Europe (SEE), in contrast, inflation fell to just below 3 per cent. Inflationary pressure in SEE, as in the previous year, was driven by Romania, though this started to abate towards the end of 2019. All in all, central banks in Central & Eastern Europe (CEE) therefore found themselves able to continue their loose or rather neutral monetary policy. One exception was the Czech central bank, which had initiated a process of interest rate normalization in 2017 and reached a key interest rate level of 2.25 per cent at the beginning of 2020. Notably, the Romanian National Bank also decided to combat the underlying inflationary pressure through restrictive liquidity management. The renewed monetary easing measures taken by leading central banks, such as the ECB and the Fed, fundamentally increased the latitude for an expansive monetary policy in CEE countries. In Russia and Ukraine, in particular, the key rate was lowered in 2019 alongside falling inflation.

Economic growth in the CE region slowed comparatively moderately in 2019, reaching 3.6 per cent for the year compared to 4.5 per cent in the previous year. At 4.9 per cent, Hungary achieved the highest growth rate on an individual country level.

Domestic demand, particularly consumer spending, supported by solid wage growth and a low unemployment rate, proved again to be the main driver of the CE economy in 2019. Despite the close trade links between industry in the CE region and Germany, the slowdown in industrial activity in CE was less pronounced than in Germany, especially in the automotive sector.

In the SEE region, economic growth in 2019 was 3.6 per cent, roughly on par with the previous year (3.7 per cent) and driven mainly by strong domestic demand. In the region's smaller markets, momentum slowed; especially in Serbia, where the growth rate recorded a sharp decline of 1.4 percentage points to 3.0 per cent, compared to 2018. Romania, the largest economy in the region, maintained its strong growth rate of around 4.1 per cent, making it the main growth engine in SEE.

GDP growth in Eastern Europe (EE) declined considerably to 1.4 per cent in 2019, after positive one-off growth effects in Russia (e.g. investment projects which had been completed in 2018), had led to a rate of 2.4 per cent in the previous year. Russia, which continued its restrictive fiscal policy while running federal budget surpluses, achieved only 1.2 per cent growth. Domestic demand remained weak. At the same time, inflation developed more moderately than expected despite an increase in VAT, which allowed the central bank to start significantly lowering key interest rates again from mid-2019. In addition, the absence of additional burdens from sanctions allowed the Russian ruble to appreciate. In Ukraine, 2019 was marked primarily by political events, i.e. presidential and parliamentary elections. The new leadership now faces the task of implementing ambitious reform plans. The economy performed well despite the political uncertainties, and the upswing continued with growth of 3.3 per cent year-on-year. The currency appreciated significantly with strong investment inflows. The inflation rate also fell in Ukraine, giving the central bank scope for stronger interest rate cuts in the second half of the year. In contrast, the pace of GDP growth in Belarus declined significantly to 1.2 per cent in 2019, which was partly related to the economic slowdown in Russia.

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

| Region/country | 2018 | 2019e | 2020f | 2021f |
|---|---|---|---|---|
| Czech Republic | 2.9 | 2.4 | 2.0 | 2.2 |
| Hungary | 5.1 | 4.9 | 3.2 | 3.2 |
| Poland | 5.2 | 4.1 | 3.3 | 3.2 |
| Slovakia | 4.0 | 2.2 | 2.0 | 2.5 |
| Slovenia | 4.1 | 2.5 | 2.2 | 2.5 |
| **Central Europe** | **4.5** | **3.6** | **2.8** | **2.9** |
| Albania | 4.1 | 2.5 | 2.8 | 3.0 |
| Bosnia and Herzegovina | 3.7 | 2.5 | 2.1 | 2.6 |
| Bulgaria | 3.1 | 3.5 | 2.8 | 2.9 |
| Croatia | 2.7 | 2.8 | 2.5 | 1.8 |
| Kosovo | 3.8 | 4.1 | 3.8 | 3.8 |
| Romania | 4.0 | 4.1 | 3.0 | 2.0 |
| Serbia | 4.4 | 3.0 | 3.0 | 3.0 |
| **Southeastern Europe** | **3.7** | **3.6** | **2.9** | **2.3** |
| Belarus | 3.1 | 1.2 | 1.8 | 1.5 |
| Russia | 2.3 | 1.2 | 1.6 | 1.3 |
| Ukraine | 3.3 | 3.3 | 3.1 | 3.5 |
| **Eastern Europe** | **2.4** | **1.4** | **1.7** | **1.5** |
| **Austria** | **2.4** | **1.6** | **0.8** | **1.4** |
| **Germany** | **1.5** | **0.6** | **0.6** | **1.2** |
| **Euro area** | **1.9** | **1.2** | **0.8** | **1.2** |

Source: Raiffeisen Research on 26 February 2020 (e: estimate, f: forecast). Subsequent revisions to data for prior years are possible.

# Banking sector in Austria

The Austrian banking sector extended its solid track record from previous years into 2019, despite light economic headwinds during the second half of the year. The corporate customer business sustained its positive momentum in 2019. Likewise, real estate lending continued its upward trajectory, but did not reach levels that would be deemed as clearly excessive from a supervisory perspective. At just over 2 per cent, non-performing loans (NPLs) remained below the euro area average of 2.9 per cent, while the coverage ratio significantly exceeded 50 per cent. The return on equity (before tax) of Austrian banks was 9 to 10 per cent on a consolidated basis in 2019 (mostly supported by low risk costs in domestic and foreign operations), and thus well above the euro area average of 6 to 7 per cent. This positive earnings trend was broadly underpinned by ongoing positive business developments in CEE, with double-figure return on equity in the core markets of the Czech Republic, Hungary, Romania, and Russia. Adjustments and efficiency enhancement programs implemented in recent years within the CEE business of Austrian banks, (e.g. changes to geographical footprint, stronger focus on retail business, expansion of branch network), have also had an effect. Given the positive developments in the overall market, the Austrian banking sector was able to further bolster its capitalization in the reporting period relative to other Western European banking sectors, ranking it in the upper-middle echelon of its European peers. However, the capital requirements for large Austrian banks could gradually increase further due to the recalibration of the systemic risk buffer and the buffer for other systemically important institutions as recommended by the Financial Market Stability Board.

# Development of the banking sector in CEE

The development of the CEE banking sector was again promising in 2019. New lending and asset growth increased even further in some CE and SEE countries, such as in the Czech Republic, Slovakia and Romania. In addition, more banking markets (e.g. Hungary, Serbia and Bosnia and Herzegovina) participated in the overall positive trend, with asset growth recorded in almost all markets. In a few markets with identifiable sectoral overheating risks (e.g. real estate lending in the Czech Republic and Slovakia, with anticyclical capital buffers at bank level in the Czech Republic and Slovakia, or the retail segment in Russia), the respective central banks have responded with micro- and/or macro-prudential regulatory measures. In Russia, established western foreign banks benefited from a general improvement in the market environment (e.g. market shakeout, temporarily subsiding sanction risks, increasing local investment), with continuing attractive interest rate margin. Western foreign banks acting as niche players were even able to slightly increase their market share in Russia in 2019. Almost all CEE banking markets (except for Ukraine and Belarus) currently have a comfortable loan-to-deposit ratio (near to or well below 100 per cent), providing a solid basis for future growth. In addition, significant progress was made in the reduction of NPLs. In CE and SEE, the NPL ratio declined to just under 5 per cent and 7 per cent respectively in 2019, the lowest levels since 2008. In the three particularly important CE markets for western foreign banks – the Czech Republic, Slovakia and Hungary – the NPL ratio even approached 3 per cent at the end of 2019. Against a backdrop of positive overall market developments, the CEE banking sector’s return on equity solidified in the double-digit range in 2019. Banking markets in Southeastern Europe as well as Ukraine, were particularly characterized by a significant recovery in 2018 and 2019. All three regions (CE, SEE and EE) recorded double-digit returns on equity in 2019 as well. As a result, the major Western European banks active in CEE were also able to generate a double-digit return on equity in CEE business in 2019.

# Regulatory environment

## Changes to prudential requirements (CRD IV/CRR) and the recovery and resolution framework (BRRD, SRMR)

The European Commission’s proposals to revise the Capital Requirements Directive IV/Capital Requirements Regulation and the Bank Recovery and Resolution Directive (BRRD) have been finalized by the European legislature. The regulations are expected to take effect for the most part in 2021 and 2022, respectively. As far as RBI is concerned, the deduction exemption for software is particularly important in creating a level playing field with the US. Additional improvements to the regulatory capital situation are expected as a result of the revised Pillar II framework. Moreover, the harmonization of reporting requirements for credit institutions is of significant importance. Other key changes include parameters for reducing risk-weighted assets for small and medium-sized enterprises (SMEs) and infrastructure projects.

## Basel IV

At the end of 2017, the Basel Committee on Banking Supervision finalized the new international rules for calculating capital requirements under Pillar 1 (Basel IV). The primary objective of the new rules is to make banks' risk calculations more comparable. To accomplish this, not only were large parts of the standard models changed, but the scope of application of internal models was also restricted and the requirements for these models were revised. In addition, an output floor will be phased in by 2027, which sets a floor for capital requirements calculated using internal models at 72.5 per cent of the values calculated using the standard models.

The Basel Committee is aiming for an implementation date of 1 January 2022. However, there is still no full legal implementation of the standards for the EU, which also means there are currently no detailed guidelines with respect to the expected implementation date.

## BCBS 239

The Basel Committee on Banking Supervision issued 14 principles for risk data aggregation and risk reporting of credit institutions (BCBS 239). They reflect the Basel Committee's conclusions that data quality and governance play a fundamental role in bank management and efficiency of banking operations.

Due to its classification as a systemically important institution, RBI will comply with these principles. It has developed a comprehensive Group-wide action and implementation plan that ensures compliance with the BCBS 239 principles which is currently being implemented in consultation with the relevant supervisory authorities.

## Bank recovery and bank resolution

In Austria, the Bank Recovery and Resolution Directive (BRRD) was transposed into Austrian law by the Bank Recovery and Resolution Act (BaSAG). The review of the BRRD was negotiated up until the end of 2018 as part of the trilogue process. It must be implemented within two years of its publication by an amendment to the BaSAG.

RBI has a Group recovery plan as required by law. It sets out measures for restoring financial stability in the event that this becomes necessary. The BaSAG also requires resolution authorities, in close collaboration with RBI, to draw up resolution plans based on the underlying resolution strategy (multiple point of entry or single point of entry). RBI has adopted a multiple point of entry (MPE) approach. The responsible authorities define resolution groups for those units identified as relevant to the resolution process. The resolution plan has to facilitate the effective application of the resolution tools and describe the resolution strategy and its implementation. The resolution authority decides which resolution tools (sale of business, bridge institution, asset separation and bail-in) should be used. Official targets for minimum requirements for own funds and eligible liabilities (MREL targets) are being set for each resolution group and are expected for the first quarter of 2020.

## Payment Services Directive 2

The new Payment Services Directive (PSD 2), which came into force on 13 January 2018, strengthens consumer protection and security requirements for online payments and has brought far-reaching changes with respect to an open banking system. The directive enables other market participants known as third party providers (TPPs) - such as other banks, payment service providers and fintechs - to offer payment services to banking customers. PSD 2 also includes a technical standard that governs the terms for granting access to client accounts and data when clients have given their consent to offer such access. These rules took effect on 14 September 2019 together with more stringent security provisions regarding access to payment accounts and the authorization of payments (Strong Customer Authentication – SCA). The details of the implementation of these requirements at the European level had previously been discussed up to the summer of 2019 and a transition period was instituted for the introduction of some of the new requirements. RBI has implemented the new provisions within the framework of various projects at Group head office and in the affected network banks.

## General Data Protection Regulation (GDPR)

RBI considers the comprehensive protection of all data that is either transmitted to it or made available to it, in particular data relating to natural persons (e.g. customers and employees), to be an integral part of its business activities. As such, RBI attaches great importance to data protection. In the collection, storage, processing and transmission of personal data relating to natural persons, in addition to observing the mandatory legal requirements RBI maintains internal policies and procedures which must be adhered to, embedded in an organizational and operational structure specifically for data protection. Compliance with these requirements, policies and procedures is managed by the organizational units Group Data Privacy & Quality Governance, Group Information & Cyber Security and Group Business Continuity Management & Physical Security. Compliance is also monitored and supervised by the data protection officer.

## Capital markets and sustainable financing

The year 2019 was marked by new developments in the field of sustainable financing. The European Commission's Green Deal aims to make Europe the first climate neutral continent by 2050. Various measures will be introduced, ranging from effective $CO_2$ pricing and mechanisms to adjust $CO_2$ limits for selected sectors, to cleaner energy and the mobilization of industry for a clean and circular economy. The financial sector has also been called upon to support these objectives. Sustainable financing is a central theme for 2020 and the coming years. The integration of climate and environmental risks into the EU supervisory framework will be a significant issue over the coming years in the financial sector, in addition to increased transparency and disclosure requirements for financial products.

Another Capital Markets Union initiative aims to reduce the dependence of SMEs on bank loans, diversify their capital market funding opportunities and encourage SMEs to issue more bonds and shares on public markets. In addition, the legal framework for covered bonds is to be harmonized, the aim of which is to establish minimum harmonization requirements that all covered bonds marketed in the EU must meet.

## Regulatory compliance (§ 39 (6) of the Austrian Banking Act (BWG))

The European Banking Authority's (EBA) Guidelines on Internal Governance were transposed into Austrian law in 2018. The process added new provisions to the Austrian Banking Act (§ 39 (6) BWG) which came into effect on 1 January 2019, thereby extending the regulatory compliance requirements for monitoring and ensuring the bank's adherence to applicable Austrian law. The implementation of these activities at RBI builds on existing methods and tools, which were extended with further approaches.

The legal provisions stipulate, among other things, that all credit institutions must establish in writing appropriate policies and procedures, which take into account the nature, scope and complexity of their business activities, and update them regularly while complying with them on an ongoing basis. These policies and procedures are designed to detect and minimize the risks of non-compliance with the provisions listed under § 69 (1) of the BWG by management, supervisory board members and employees, as well as any associated risks that may ensue from such non-compliance.

## Banking supervision

In 2019, the EBA focused its attention on the following areas: 1. Credit risk, with an emphasis on lending criteria and credit quality in general; 2. Risk management in connection with internal models (completion of the Targeted Review of Internal Models, TRIM) and internal bank processes to ensure adequate capital and liquidity (ICAAP, ILAAP); and 3. Risk management in the areas of IT and cyber risks. Furthermore, during 2019 RBI participated in the ECB's EU-wide liquidity stress test, in which the supervisory authority conducted a sensitivity analysis of liquidity risk in order to assess the resilience of banks to hypothetical liquidity shocks. The liquidity reserves of the 103 banks tested were deemed adequate to cover the simulated net outflows. The results of the individual banks were not published but were taken into account in the banks' annual Supervisory Review and Evaluation Process (SREP).

# Significant events in the reporting period

## Optimization program in Austria

An optimization program entitled "TOM – Target Operating Model" was launched at head office and the specialized subsidiaries in Austria in 2019. The transformation processes will not only focus on cost reduction but also on transparency, simplicity and efficiency.

A provision of € 18 million was recognized at head office to carry out these measures, primarily for the intended workforce reduction. Most of this provision will be used in 2020. The program is expected to reduce general administrative expenses in the coming years.

In the course of this program, at its meeting in September 2019, RBI's Supervisory Board decided that the Management Board would be reduced from seven to six members when Martin Grüll's term of office expires at the end of February 2020.

## IPO of SoftwareONE

Raiffeisen Informatik GmbH & Co KG (R-IT), in which RBI AG indirectly holds nearly 47 per cent of the equity, sold its 100 per cent stake in Comparex AG to SoftwareONE Holding AG (SWO), a Swiss software company, at the start of the year. As part of the sale, R-IT received 14.6 per cent of the share capital of SWO among other things. R-IT sold a portion of its SWO share capital in an IPO on the Swiss stock exchange at the end of October 2019 and reduced its holding to 7.9 per cent. A positive effect of €117 million resulted from the IPO proceeds and share price increase, which is included under current income from investments in associates.

## Increase in bank levy in Slovakia

The government of Slovakia plans to double the existing bank levy, which was introduced in 2012 and originally intended to expire in 2020. The levy amounts to 0.2 per cent of total assets (minus shareholders' equity) and will increase to 0.4 per cent. It will be collected until further notice under a resolution that the Slovakian parliament passed in November 2019. RBI's subsidiary bank in Slovakia paid € 24 million in bank levies in 2019.

## Early adoption of the EBA's new definition of default

In 2016, the EBA published its guidelines on the application of the definition of default, which are required to be adopted by the end of 2020. Risk management follows the new default definition, which also has an impact on the regulatory calculation parameters: probability of default (PD) and loss given default (LGD). Since these serve as the basis for the parameter calculations in the context of the calculation of expected credit loss (ECL) for the consolidated financial statements, changes in the default definition have an effect on the impairments that influence consolidated profit/loss.

RBI implemented the new guidelines in its risk management activities ahead of time in 2019. This resulted in an increase of € 74 million in impairment losses on financial assets in the financial year.

# Earnings and financial performance

RBI's growth story continued in 2019 despite a slightly weakening economy in some markets: The 13 per cent increase in customer loans enabled core revenues – net interest income and net fee and commission income, adjusted for the 2018 sale of the Polish banking business – to rise significantly, by 8 and 7 per cent respectively.

Profit before tax reached € 1,767 million in the 2019 financial year, a slight 1 per cent, or € 13 million, increase on the previous year. As expected, the very strong results from the previous year, which were driven by exceptionally low net allocations to loan loss provisions (€ 166 million) due to impairment loss reversals and gains on sales of non-performing loans, could not be replicated, but RBI nonetheless continued on its growth trajectory in 2019. The common equity tier 1 ratio (after deduction of the proposed dividend for the 2019 financial year) reached 13.9 per cent, an increase of 0.6 percentage points.

Due to the positive developments, the Management Board has decided to propose a slightly higher dividend of € 1.00 per share for the 2019 financial year to the Annual General Meeting, an increase of 7 cents. This would correspond to a maximum dividend payout of € 329 million. Based on consolidated profit, the payout ratio would be 27 percent.

## Comparison of results with the previous year

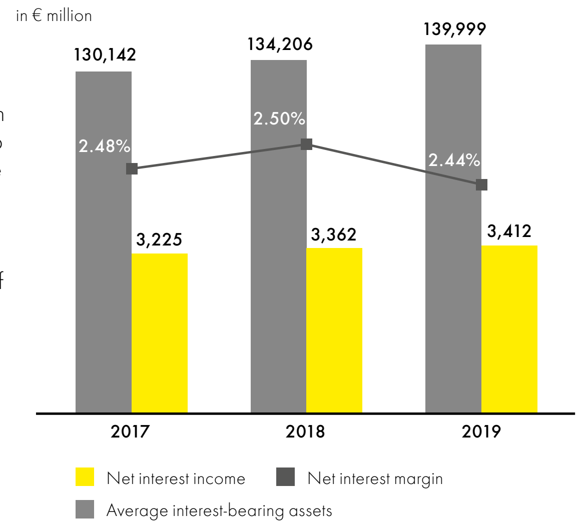
| in € million | 2019 | 2018 | Change | |
|---|---|---|---|---|
| Net interest income | 3,412 | 3,362 | 50 | 1.5% |
| Dividend income | 31 | 51 | (20) | (39.0)% |
| Current income from investments in associates[1] | 171 | 80 | 91 | 114.6% |
| Net fee and commission income | 1,797 | 1,791 | 5 | 0.3% |
| Net trading income and fair value result | (17) | 17 | (34) | – |
| Net gains/losses from hedge accounting | 3 | (11) | 14 | – |
| Other net operating income | 78 | 88 | (9) | (10.5)% |
| **Operating income** | **5,475** | **5,377** | **98** | **1.8%** |
| Staff expenses | (1,610) | (1,580) | (30) | 1.9% |
| Other administrative expenses | (1,094) | (1,178) | 84 | (7.1)% |
| Depreciation | (389) | (290) | (99) | 34.1% |
| **General administrative expenses** | **(3,093)** | **(3,048)** | **(45)** | **1.5%** |
| **Operating result** | **2,382** | **2,330** | **53** | **2.3%** |
| Other result[1] | (219) | (241) | 22 | (9.0)% |
| Levies and special governmental measures | (162) | (170) | 7 | (4.4)% |
| Impairment losses on financial assets | (234) | (166) | (68) | 41.2% |
| **Profit/loss before tax** | **1,767** | **1,753** | **13** | **0.8%** |
| Income taxes | (402) | (355) | (47) | 13.2% |
| **Profit/loss after tax** | **1,365** | **1,398** | **(33)** | **(2.4)%** |
| Profit attributable to non-controlling interests | (138) | (128) | (9) | 7.4% |
| **Consolidated profit/loss** | **1,227** | **1,270** | **(43)** | **(3.4)%** |

1 The current income from investments in associates previously reported in other result is now shown in a separate item.

## Operating income

Operating income was up 2 per cent, or € 98 million, year-on-year to € 5,475 million. Adjusted for the sale of the Polish core banking operations, operating income grew 8 per cent. Net interest income rose 1 per cent to € 3,412 million and was driven by lending growth, with Group average interest-bearing assets up 4 per cent. Net interest income rose in nearly all markets, with the largest increases coming from Russia, the Czech Republic, Romania and Ukraine. The net interest margin fell 7 basis points to 2.44 per cent, mainly due to lower margins in new business in Russia as a result of increased competition, a higher proportion of low-margin head office business, as well as the sale of the core banking operations in Poland. In the period under review, current income from investments in associates rose € 91 million to € 171 million. The increase stemmed primarily from Raiffeisen Informatik GmbH & Co KG due to a valuation gain on a listed equity interest. Despite the sale of the Polish core banking operations, net fee and commission income also increased € 5 million year-on-year to € 1,797 million. This was primarily attributable to increases in Russia, at head office and in Hungary. The net trading income and fair value result fell to minus € 17 million, driven by interest rate-related valuation changes for certificates issued (down € 57 million), as well as valuation results from derivatives held for economic hedging purposes, including for a building society portfolio, leading to an effect of minus € 29 million. As these are certificates that are repayable once they reach maturity and hedging transactions, the valuation results are neutralized over the portfolios' lifetime. In contrast, predominantly gains on the sale and valuation of debt securities held for trading purposes combined with one-off income from the sale of equity instruments in Slovakia (€ 27 million) led to a positive change of € 44 million at head office.

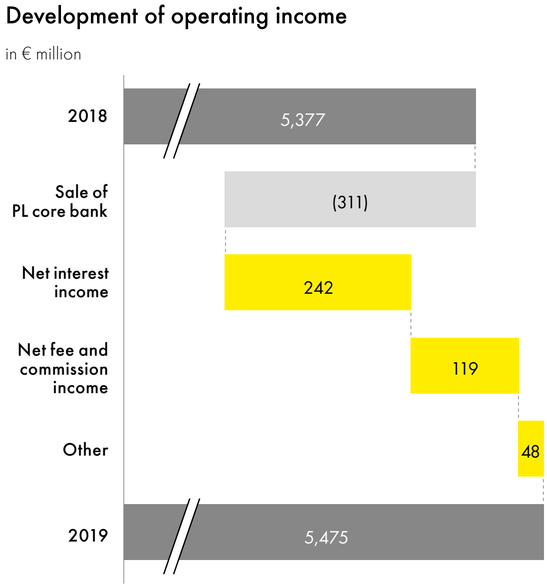
### Development of the net interest margin



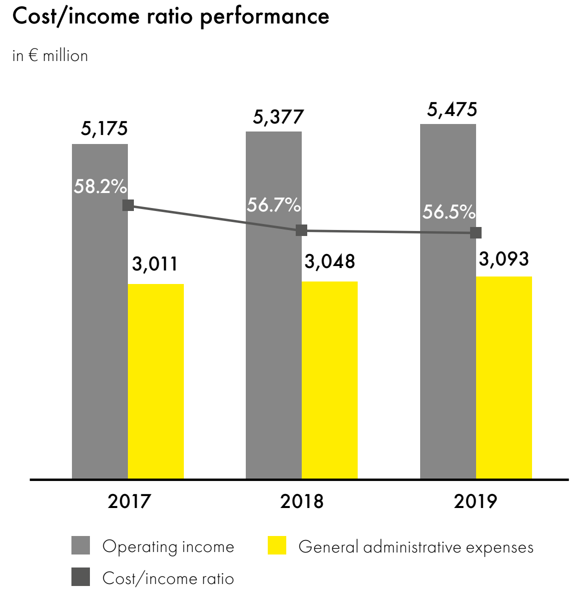

## General administrative expenses

General administrative expenses increased € 45 million year-on-year to € 3,093 million. Comparability with the previous period is limited due to the sale of the Polish core banking operations and the first-time adoption of IFRS 16 with the corresponding effects on other administrative expenses and depreciation. The sale of the Polish core banking operations led to a reduction of € 179 million, adjusted for which the increase in general administrative expenses would have been € 224 million. Staff expenses rose especially as a result of salary adjustments in several countries and a rise in staffing levels in Russia and at head office. In addition, a restructuring provision of € 18 million was formed for an optimization program at head office.

### Development of operating income




### Cost/income ratio performance



Overall, the average number of employees declined by 2,572 full-time equivalents year-on-year to 47,173. Excluding the sale in Poland, the number of full-time equivalents increased by 587. The increase in other administrative expenses is attributable to higher deposit insurance fees as well as higher advertising and consulting expenses. The number of business outlets fell by 119 year-on-year to 2,040, primarily in Romania (down 68) and Russia (down 37). Depreciation also increased, mainly as a result of higher capitalization of software at head office and in Russia, and an adjustment to the expected useful life of tangible fixed assets in Ukraine.

### Other result

The other result was minus € 219 million, compared to minus € 241 million in the previous year. Net income from the disposal of Group assets increased € 236 million. This was principally due to a loss of € 120 million recognized in the previous year in connection with the sale of the Polish core banking operations and an effect of minus € 64 million from recycling the accumulated foreign currency differences previously recognized in other comprehensive income. In the reporting period, net income from the disposal of Group assets amounted to € 52 million, which came mainly from the sale of a property in Slovakia.

During the reporting period, credit-related provisions for litigation were allocated on a portfolio basis in an amount of € 83 million. These were related to pending lawsuits in connection with foreign currency-denominated or foreign currency-indexed mortgage loans to consumers in Poland (€ 49 million), credit clauses in Croatia (€ 20 million), and proceedings with the consumer protection authority in Romania, also with respect to alleged misuse of credit clauses (€ 14 million).

Impairments on investments in subsidiaries and associates rose € 65 million to € 98 million, primarily on shares in Raiffeisen Informatik GmbH & Co KG, UNIQA Insurance Group AG and the building society in Slovakia. In addition, impairments on non-financial assets of € 59 million were taken during the reporting period (up € 38 million), which were predominantly driven by real estate owned by an Italian leasing company and by real estate holdings in Russia. A provision of € 27 million was allocated in the reporting period for property transfer taxes in Germany, which resulted from corporate reorganizations in previous years. They related to the merger of Raiffeisen Zentralbank and Raiffeisen Bank International in 2017 and to purchases of shares in Raiffeisen Leasing Group in 2012 and 2013.

### Levies and special governmental measures

Levies and expenses for special governmental measures fell € 7 million to € 162 million compared to the same period in the previous year. Bank levies recorded a decline of € 6 million. In Poland, bank levies decreased € 18 million due to the sale of the Polish core banking operations. This reduction was counteracted in part by the newly introduced bank levy in Romania in the amount of € 10 million. Expenses from banking business due to governmental measures increased € 3 million as a result of the conversion of Swiss franc loans in Serbia. Resolution fund contributions fell € 5 million. The largest decline came from the sale of the Polish core banking operations (down € 9 million) with contributions also lower in the Czech Republic, while head office and Bulgaria recorded higher contributions.

### Impairment losses on financial assets

Impairment losses on financial assets amounted to € 234 million in the reporting period, compared to € 166 million in the previous year. The main driver of the increase was the Group Corporates & Markets segment, which reported impairments of € 64 million in the reporting period as a result of individual cases involving large corporate customers; in the comparable period of the previous year, a € 62 million net release of loan loss provisions was booked which was mainly attributable to inflows and recoveries. The sale of the Polish core banking operations led to a € 62 million decline in provisioning for impairment losses in Poland to € 27 million, which was recognized in the reporting period for the remaining retail customer portfolio and was mainly driven by the application of the revised default definition and retail model parameter adjustments. Impairment losses on financial assets in the Czech Republic fell € 17 million to € 16 million due to a significant improvement in the corporate customer business and parameter adjustments in retail models. This was offset by a € 30 million negative effect from the application of the revised EBA default definition. In Croatia, impairment losses fell € 16 million to € 3 million due to positive developments in the corporate customer business, sales of non-performing loans and parameter adjustments in retail models. In contrast, an € 11 million increase in impairment losses to € 68 million was reported in Russia due to strong credit growth in both the retail and the corporate customer business. In Ukraine, net releases halved to € 10 million, mainly due to lower loan sales.

Application of the revised default definition resulted in negative effects of € 74 million in the retail portfolio during the reporting period, primarily in the Czech Republic, Romania, and Poland.

The NPE ratio continued to improve in 2019: From the beginning of the year, it fell 0.5 percentage points, primarily due to sales of non-performing loans and the derecognition of uncollectible loans, and stood at 2.1 per cent at year-end. The NPE coverage ratio improved 2.7 percentage points to 61 per cent.

### Income taxes

Income taxes rose € 47 million to € 402 million. The main reason for the increase was a € 25 million impairment of deferred tax assets in Poland due to the anticipated inability to utilize them based on the updated medium-term tax planning. Other drivers included € 27 million higher income taxes in Russia due to earnings and tax payments for previous periods. The tax rate rose 2 percentage points to 23 per cent, partly as a result of the lower profit contribution from head office.

### Consolidated profit/loss

Profit attributable to non-controlling interests increased from € 128 million in the previous year to € 138 million, while consolidated profit fell € 43 million to € 1,227 million.

# Comparison of results with the previous quarter

## Quarterly results

| in € million | Q4/2018 | Q1/2019 | Q2/2019 | Q3/2019 | Q4/2019 |
|---|---|---|---|---|---|
| Net interest income | 843 | 825 | 840 | 866 | 881 |
| Dividend income | (9) | 9 | 14 | 2 | 5 |
| Current income from investments in associates[1] | 24 | 23 | 13 | 14 | 120 |
| Net fee and commission income | 467 | 402 | 437 | 468 | 489 |
| Net trading income and fair value result | (3) | (52) | (27) | (8) | 70 |
| Net gains/losses from hedge accounting | (11) | 6 | (6) | (7) | 10 |
| Other net operating income | 8 | 0 | 21 | (8) | 65 |
| **Operating income** | **1,318** | **1,213** | **1,293** | **1,327** | **1,642** |
| Staff expenses | (416) | (379) | (410) | (392) | (429) |
| Other administrative expenses | (325) | (257) | (267) | (260) | (310) |
| Depreciation | (79) | (89) | (95) | (96) | (109) |
| **General administrative expenses** | **(819)** | **(724)** | **(773)** | **(748)** | **(848)** |
| **Operating result** | **499** | **489** | **520** | **580** | **794** |
| Other result[1] | (98) | (26) | (7) | (35) | (151) |
| Levies and special governmental measures | (13) | (114) | (17) | (11) | (21) |
| Impairment losses on financial assets | (222) | (9) | (2) | (68) | (154) |
| **Profit/loss before tax** | **166** | **340** | **494** | **465** | **468** |
| Income taxes | (40) | (81) | (110) | (124) | (88) |
| **Profit/loss after tax** | **127** | **259** | **384** | **341** | **380** |
| Profit attributable to non-controlling interests | (29) | (33) | (39) | (38) | (27) |
| **Consolidated profit/loss** | **97** | **226** | **345** | **303** | **353** |

1 The current income from investments in associates previously reported in other result is now shown in a separate item.

OVERVIEW OF RBI
GROUP MANAGEMENT REPORT
SEGMENT REPORTS
CONSOLIDATED FINANCIAL STATEMENTS
SERVICE

# Development of the fourth quarter of 2019 compared to the third quarter of 2019

## Operating income

RBI's net interest income rose 2 per cent quarter-on-quarter, or € 15 million, to € 881 million, mainly due to a € 13 million volume-related rise in Russia. At head office, net interest income rose € 10 million as a result of lower interest expenses on customer deposits, whereas there were declines of € 8 million in the Czech Republic and of € 2 million in the Raiffeisen Leasing Group due to one-off effects in the third quarter of 2019. The net interest margin continues to stabilize with a slight increase of 1 basis point to 2.47 per cent.

Current income from investments in associates rose € 106 million and stemmed mainly from Raiffeisen Informatik GmbH & Co KG due to a valuation gain on a listed equity interest.

Net fee and commission income increased 5 per cent compared to the third quarter, or € 21 million, to € 489 million. The main driver of the increase was higher revenues from clearing, settlement and payment services and the loan and guarantee business in the fourth quarter, especially in Russia and at head office.

The net trading income and fair value result rose € 78 million quarter-on-quarter to € 70 million. This included a € 42 million improvement in net trading income, mainly due to interest rate-related valuation gains on certificates measured at fair value and to one-time income from the sale of equity instruments (€ 27 million) in Slovakia.

Other net operating income increased € 73 million quarter-on-quarter. This was primarily attributable to releases of provisions in Romania and Russia. In Romania, provisions for litigation in connection with state subsidies for building society savings were reduced by € 27 million; in Russia, a € 9 million provision for litigation was released, whereas a provision of € 6 million was formed in the preceding quarter. Additional drivers of the increase included proceeds from residential construction in the Raiffeisen Leasing Group amounting to € 9 million, sales of loans and bonds in Romania amounting to € 6 million, and higher other operating income mainly at head office.

## General administrative expenses

General administrative expenses came to € 848 million in the fourth quarter, up 13 per cent, or € 100 million, from € 748 million in the previous quarter.

This included a € 37 million quarter-on-quarter rise in staff expenses to € 429 million. The principal causes were the recognition of a restructuring provision at head office as well as higher bonuses and salary adjustments, mainly in Russia and Slovakia. Other administrative expenses increased € 50 million quarter-on-quarter to € 310 million, primarily due to seasonally higher advertising expenses, especially in Romania and Russia, and higher legal, advisory and consultancy expenses, notably at head office. Depreciation of tangible and intangible fixed assets increased by € 13 million to € 109 million in the fourth quarter, mainly in Russia and at head office.

## Other result

In the fourth quarter of 2019, the other result amounted to minus € 151 million, compared to minus € 35 million booked in the previous quarter. The main drivers were impairments on investments in subsidiaries and associates, which increased € 60 million, and a € 42 million increase in impairments on non-financial assets, which principally arose from real estate owned by an Italian leasing company and in Russia. In addition, loan-related provisions for litigation increased € 51 million on a portfolio basis, mainly in connection with foreign currency-denominated or foreign currency-indexed mortgage loans to consumers in Poland. This was offset by a positive effect of € 50 million from the sale of a property in Slovakia.

## Levies and special governmental measures

The expenses for levies and special governmental measures rose € 10 million quarter-on-quarter to € 21 million. The increase was caused by the new bank levy introduced in Romania in 2019, amounting to € 10 million.

### Impairment losses on financial assets

In the fourth quarter of 2019, impairment losses on financial assets rose € 86 million to € 154 million, principally due to higher risk costs in the Group Corporates & Markets segment (€ 33 million increase) for various individual cases in the large corporate customer business, in the Czech Republic (€ 18 million increase) primarily due to the application of the revised default definition, and in Russia (€ 14 million increase) due to strong credit growth.

### Income taxes

Income taxes fell € 36 million compared to the previous quarter to € 88 million. The main driver was impairment charges of € 25 million on deferred tax assets in Poland in the third quarter, which are not expected to be utilized in the future based on the updated medium-term tax planning. In Croatia, tax expenses fell € 12 million due to the utilization of tax loss carryforwards. The overall tax rate therefore fell 8 percentage points to 19 per cent.

### Consolidated profit/loss

The consolidated profit in the fourth quarter rose 16 per cent, or € 50 million, to € 353 million, and was driven by a strong operating result.

# Statement of financial position

In the course of 2019, RBI's total assets increased 9 per cent, or € 12,084 million, to € 152,200 million. Currency movements resulted in an increase of around 2 per cent, or € 2,520 million, notably from appreciation of the Ukrainian hryvnia against the euro by 19 per cent, of the Russian ruble by 14 per cent, of the Belarusian ruble by 5 per cent, and of the US dollar by 2 per cent; countered by depreciation of the Hungarian forint by 3 per cent and of the Romanian leu by 2 per cent.

## Assets

| in € million | 31/12/2019 | 31/12/2018 | Change | |
|---|---|---|---|---|
| Loans to banks | 9,435 | 9,998 | (563) | (5.6)% |
| Loans to customers | 91,204 | 80,866 | 10,339 | 12.8% |
| Securities | 19,538 | 19,778 | (240) | (1.2)% |
| Cash and other assets | 32,022 | 29,473 | 2,549 | 8.6% |
| **Total** | **152,200** | **140,115** | **12,084** | **8.6%** |

The 6 per cent, or € 563 million, decline in loans to banks to € 9,435 million, mainly resulted from reduced short-term investments at commercial banks.

Loans to customers were up 13 per cent, or € 10,339 million, to € 91,204 million. Households accounted for € 3,621 million of the increase, non-financial corporations for € 3,234 million, and other financial corporations for € 3,206 million; the remainder was attributable to loans to governments. There was growth in the customer business in almost all markets: The strong growth at head office (up € 3,607 million or 17 per cent) stemmed from € 2,135 million in loans to other financial corporations – of which € 1,105 million was repo business – and € 1,471 million in loans to corporate customers, primarily project finance, export finance and standard loans. The increase in Russia (up € 2,826 million, or 33 per cent, around half of which was attributable to currency movements), was mainly in loans to non-financial corporations (up € 1,584 million) and households (up € 1,073 million), in particular mortgage loans, personal loans and credit card lending. There was also significant growth in Slovakia (up € 881 million or 9 per cent) and in the Czech Republic (up € 741 million or 7 per cent) – primarily in loans to households, in particular mortgage loans, and to a lesser extent loans to non-financial corporations – as well as in Hungary (up € 468 million or 14 per cent) and in Bulgaria (up € 421 million or 16 per cent).

Since the beginning of the year, cash and other assets rose € 2,549 million to € 32,022 million. Cash balances increased € 1,732 million to € 24,289 million, primarily at head office (increase of € 1,427 million, particularly from repo business). Other assets were up € 817 million to € 7,733 million, half of which was due to the recognition of right-of-use assets in the statement of financial position (application of IFRS 16).

## Equity and liabilities

| in € million | 31/12/2019 | 31/12/2018 | Change | |
|---|---|---|---|---|
| Deposits from banks | 23,607 | 23,980 | (373) | (1.6)% |
| Deposits from customers | 96,214 | 87,038 | 9,176 | 10.5% |
| Debt securities issued and other liabilities | 18,614 | 16,684 | 1,930 | 11.6% |
| Equity | 13,765 | 12,413 | 1,352 | 10.9% |
| **Total** | **152,200** | **140,115** | **12,084** | **8.6%** |

The 11 per cent, or € 9,176 million, increase in deposits from customers to € 96,214 million, mainly resulted from higher deposits from non-financial corporations (€ 3,446 million), households (€ 3,865 million) and other financial corporations (€ 1,451 million). The increase was primarily driven by Russia (up € 2,816 million, or 26 per cent, half of which was currency-related), head office (up € 1,403 million or 7 per cent), the Czech Republic (up € 1,102 million or 8 per cent), Slovakia (up € 1,034 million or 9 per cent), Ukraine (up € 718 million, or 40 per cent, half of which was also currency-related), Bulgaria (up € 546 million or 17 per cent), and Romania (up € 425 million or 6 per cent).

The rise in debt securities issued and other liabilities related to head office (up € 1,232 million, mainly as a result of new debt security issues) and Raiffeisen Centrobank AG (up € 565 million) due to own issues.

For information relating to funding, please refer to note (53) Liquidity management, in the risk report section of the consolidated financial statements.

## Equity on the statement of financial position

RBI's equity including capital attributable to non-controlling interests rose € 1,352 million from the start of the year to € 13,765 million. The increase was primarily the result of total comprehensive income for the period of € 1,771 million and the distribution of dividends totaling € 428 million for the 2018 financial year.

The total comprehensive income of € 1,771 million comprised profit after tax of € 1,365 million and other comprehensive income of € 406 million. The main contribution to other comprehensive income came from currency exchange differences, particularly for the Russian ruble (€ 269 million) and the Ukrainian hryvnia (€ 72 million). The partial hedge of the net investment resulted in minus € 51 million. Further significant contributions were made by changes in the fair value of equity instruments recognized in other comprehensive income and of debt securities, in the amounts of € 97 million and € 49 million, respectively.

Dividends totaling € 428 million were distributed for the 2018 financial year. The distribution of a dividend of € 0.93 per share to RBI's shareholders accounted for € 306 million. A total of € 60 million was also paid out to holders of non-controlling interests in Group companies. Dividend payments of € 62 million were made on AT1 capital.

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

As at 31 December 2019, RBI's common equity tier 1 (CET1) after deductions amounted to € 10,862 million, representing an increase of € 1,160 million compared to the 2018 year-end figure. Material factors behind the improvement were the inclusion of eligible profit, foreign exchange effects directly recognized in equity and changes to qualifying minority interests. Tier 1 capital after deductions increased € 1,164 million to € 12,092 million primarily as a result of the increase in CET1. There was a € 418 million reduction in tier 2 capital to € 1,940 million, mainly due to early repayments and the regulatory amortization of outstanding issues. RBI's total capital amounted to € 14,032 million, representing an increase of € 746 million compared to the 2018 year-end figure.

Risk-weighted assets (total RWA) totaled € 77,966 million as at 31 December 2019. The major factors behind the € 5,294 million increase were new lending business as well as general business developments at head office, in Russia and in Bulgaria.

In addition, foreign exchange movements also increased risk-weighted assets, primarily due to the Russian ruble. The changes in market risk reduced risk-weighted assets, while the change in settlement risk increased them marginally.

As a result, the CET1 ratio (fully loaded) was up 0.6 percentage points at 13.9 per cent, the tier 1 ratio (fully loaded) was 15.4 per cent (up 0.5 percentage points), and the total capital ratio (fully loaded) was 17.9 per cent (down 0.3 percentage points).



# Research and development

## Product development

In financial engineering, customized solutions in connection with investments, financing and hedging are developed for customers. Financial engineering encompasses not only structured investment products, but also structured financing, i.e. financing concepts that go beyond the use of standard instruments and are employed in areas such as acquisition or project financing. RBI also develops individual solutions for its customers to hedge a broad spectrum of risks, from interest rate risk and currency risk through to commodity price risk. Besides financial engineering, RBI is also actively working on the further development of integrated product solutions for international clearing, settlement and payment services in the area of cash management.

There was a particular focus on agile working within software development in 2019: 60 per cent of the product teams at head office, which include employees from other business areas and not just IT professionals, were working in an agile set-up by the end of the year. This iterative working method not only allows for faster but also more cost-efficient developments. By the middle of 2020, this percentage should increase to 80 per cent. Taking all areas at head office into account, the percentage of employees working in agile teams, or in teams applying agile methods, was over 40 per cent at the end of the reporting period.

## Digitalization

Mobile banking is a central theme in the advancing digitalization for banks. While penetration was at 22 per cent for RBI in 2018, it had reached 32 per cent by the end of the reporting period. By the end of 2021, it should rise to 55 per cent. There is also growing acceptance of online loans: At the end of 2018, 20 per cent of loans were granted through digital channels, and this had increased to 25 per cent by year-end 2019. For 2021, it is expected that a 35 per cent share of loans will be sold digitally.

RBI is focused on the opportunities that all facets of digitalization in the financial sector offers the Group. To fully capitalize on them, the Group Strategy & Innovation area combines the Strategy and Innovation departments. This aims to put focus on the strategic aspect of RBI's digital transformation alongside the development and implementation of innovative ideas and partnerships. Since April 2018, an Innovation Board specifically created for the purpose has undertaken management and coordination of all the Group's innovation activities.

RBI successfully completed the second round of its Elevator Lab fintech partnership program at the start of 2019. This program tests innovative solutions with selected fintech start-ups and works toward establishing long-term business relationships. The Group-wide and regional Elevator Lab programs have given rise to numerous fintech partnerships. Examples include the use of Pisano customer experience management software in Bulgaria and Kosovo as well as the Symmetric mobile payment solution in Albania.

Elevator Ventures, RBI's corporate venture capital company, has € 25 million in investment capital and focuses on strategic direct investments in selected fintechs. Elevator Ventures represents a logical addition to Elevator Lab, through which participants can be offered the prospect of follow-up investments. Investment targets are fintechs that have gained some market experience and need capital to scale up their business models. An investment was made in kompany, an Austrian Elevator Lab participant, together with UNIQA Ventures in August 2019. RBI has integrated kompany's solution in its innovative know your customer process eKYC, which accelerates the onboarding and data update process for customers by up to 50 per cent.

In 2019, RBI launched the third round of its group-wide intrapreneurship program, Innovation Garden. Out of the 563 submitted ideas, the final nine made it through a multi-stage selection process to enter the twelve-week intrapreneurship program, where the selected ideas were further explored, tested and reviewed. The cross-functional teams from all network units also developed their knowledge of innovative working practices throughout the process. Three teams and ideas were selected to proceed into a six months MVP (Minimum Viable Product) phase, starting in 2020.

RBI also worked extensively on blockchain technology in 2019. The focus was on specific applications in trade finance, capital market transactions and in clearing, settlement and payment services. To further develop blockchain solutions, RBI entered into a cooperation agreement with the Austrian Blockchain Center at the Vienna University of Economics and Business. It has been a member of the international blockchain consortium R3 since the end of 2017 and has participated as a member in worldwide feasibility studies.

The topics covered range from digital blockchain-based solutions for trade/export finance (Marco Polo, Voltron) to projects for real estate transactions (Instant Property Network). RBI also works with R3 consortium partners on proof of concepts for cash/collateral tokens (IVNO Token Trial) and for asset tokenization, which makes assets tradeable by unitizing them. The Russian Raiffeisenbank developed R-Chain Payments, a Corda-based clearing, settlement and payment solution that enables real-time bank transfers.

The implementation requirements of the second EU Payment Services Directive (PSD2) were the starting point for creating an API (Application Programming Interface) product offering that went beyond the minimum regulatory requirements. On 14 September 2019, RBI made the regulatory PSD2 APIs live in all its EU markets; the Czech Republic and Slovakia had already gone live to meet local requirements. For this purpose, all network banks were connected to the Merlin platform in 2019, which allows for a common data format. RBI views the Open API Initiative as a fundamental component of its strategy of encouraging cooperation between RBI, fintechs, bigtechs and developers. RBI's API Marketplace has been online since the fourth quarter of 2019 (https://api.rbinternational.com).

The subsidiary banks in CEE also regularly initiate innovative projects. The experience gained here and in head office is regularly evaluated and enhanced. The stated goal of the digitalization strategy is to further refine these insights and then implement them at other Group network banks.

# 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 aim of the ICS is to provide the Management Board with the necessary means to 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.

The consolidated financial statements are prepared in accordance with the relevant Austrian laws, predominantly the Austrian Banking Act (BWG) and Austrian Commercial Code (UGB), which govern the preparation of consolidated annual financial statements. The accounting standards, used to prepare the consolidated financial statements, are the International Financial Reporting Standards (IFRS) as adopted by the EU.

## Control environment

An internal control system pertaining to financial reporting has been in place for several years in the Group, which includes directives and instructions on key strategic issues. It incorporates:

- 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 Group Accounting & Reporting and in the course of the audits performed by internal Group and local auditors.

The consolidated financial statements are prepared by Group Accounting & Reporting, which reports to the Chief Financial Officer. The associated responsibilities are defined for the Group within the framework 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 is particularly relevant for the lending business, equity participations and goodwill. Social capital, provisions for legal risks and the valuation of securities, are also based on estimates.

## Control measures

The preparation of financial information on an individual Group unit level is decentralized and carried out by each Group unit in accordance with the RBI guidelines; the calculation of parts of the impairment charges under IFRS 9 is, however, carried out centrally. The Group unit employees and managers responsible for accounting are required to provide a full presentation and accurate valuation of all transactions. Differences in local accounting standards can result in inconsistencies between local individual financial statements and the financial information submitted to RBI. 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 (such as credit risk provisions, derivatives, equity participations, provisions for personnel expenses and market risk).

## Group consolidation

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

The plausibility of each Group unit's financial statements is initially checked by the responsible key account manager within Group Accounting & Reporting. 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 meetings with representatives of the individual companies, in which the financial statements are discussed, and comments from the audit of the financial statements are taken into account. The discussions cover the plausibility of the individual financial statements as well as critical matters pertaining to the Group unit.

The subsequent consolidation steps are then 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 managerial reviews of the results for the period, as well as the specific reconciliation of accounts, through to analyzing ongoing accounting processes.

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 information. The consolidated financial statements are published as part of the Annual Report on the company's website and in the Wiener Zeitung's official journal and are then filed in the commercial register.

### Information and communication

The consolidated financial statements are prepared using Group-wide standardized forms. 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 Group's senior management. The statutory interim reports conform to the provisions of IAS 34 and are published quarterly in accordance with the Austrian Stock Exchange Act. Before publication, the consolidated financial statements are presented to senior managers and the Chief Financial Officer 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 Group Planning & Finance, 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 control activities and plausibility checks 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 validate the actual 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 2019, 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 2019, 322,204 (31 December 2018: 322,204) of those were own shares, and consequently 328,617,417 shares were outstanding at the reporting date. Please see note (31) equity 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) for a period of three years (lock-up period) from the effective date of the merger between RZB AG and RBI AG, i.e. from 18 March 2017, if the sale would reduce the regional Raiffeisen banks' aggregate shareholding in RBI AG (direct and/or indirect) to less than 50 per cent of the share capital plus one share. After the lock-up period expires, the shareholding threshold falls to 40 per cent of the share capital of RBI AG.

(3) RLB NÖ-Wien Sektorbeteiligungs GmbH holds around 22.24 per cent of the share capital of the company according to the most recent notification of voting rights published on 20 August 2019. By virtue of the syndicate agreement regarding RBI AG, the directly or indirectly held voting rights attached to a total of 193,449,778 shares, corresponding to a voting interest of around 58.81 per cent, are mutually attributable to the regional Raiffeisen banks and their direct and indirect subsidiaries pursuant to §§ 130 and 133 7 of the Austrian Stock Exchange Act (BörseG) as parties acting in concert as defined in § 1 6 of the Austrian Takeover Act (ÜbG) (see the notification of voting rights published on 20 August 2019). 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 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 dismissed 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 issuing 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).

No use has been made to date of the authority granted in June 2019 to utilize the authorized capital.

The Annual General Meeting held on 21 June 2018 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. 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 20 December 2020. The acquisition price for repurchasing the shares may be no lower than € 1 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. 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 20 June 2023.

No own shares have been purchased or sold since the authorization was granted in June 2018.

The Annual General Meeting of 21 June 2018 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 20 December 2020), 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. Insurance cover would remain in place following a merger with another legal entity belonging to the RBI Group. In the event of a merger with a legal entity outside the RBI Group, 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 any termination of RBI's Group-wide D&O insurance cover and thereafter within the agreed notification period of five years.
- 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 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; membership of the federal IPS pursuant to Art. 113 (7) of the CRR) 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

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

# 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 → About us → Sustainability Management – and also contains the disclosure for the parent company in accordance with § 243b of the UGB.

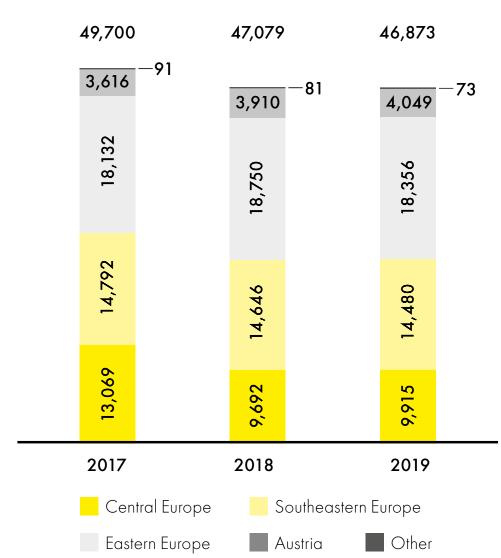
# Human Resources

Human Resources (HR) plays a pivotal role in the implementation of RBI's strategy and achievement of its corporate goals. A principal function of HR, while planning, organizing and managing personnel resources within the Group, lies in taking both employee needs and corporate interests into consideration. Alongside core HR processes, such as recruitment and talent management, this also involves preparing employees as best possible to meet existing and future challenges in the banking sector. A key focus is on the implementation of the new corporate Vision & Mission and the company values, which sees employees as a key stakeholder in the future development of the Group.

**Personnel development**

As at 31 December 2019, RBI had 46,873 employees (full-time equivalents), which was 206 persons fewer than at the end of 2018. The largest declines occurred in Russia (down 179), in Ukraine (down 132), and in Romania (down 128); whereas, the largest increases were reported in Hungary (up 148), and at head office (up 120).

Number of staff at year-end



# Outlook

## Economic outlook

### Central Europe

Real GDP growth in Central Europe (CE) is likely to continue to slow moderately in 2020, in line with the broader economic landscape, but should remain well above the growth rate expected for the euro area (0.8 per cent) at 2.8 per cent (2019: 3.6 per cent). Private consumption should once again support the economy, thanks to a continued decline in unemployment and solid real wage growth. In contrast, industrial activity is forecast to continue weakening over the year, however growth rates should nevertheless remain in positive territory. At the individual country level, Poland is expected to achieve the highest GDP growth (3.3 per cent), followed by Hungary (3.2 per cent).

### Southeastern Europe

In Southeastern Europe (SEE), economic growth of 2.9 per cent is forecast for 2020. This represents a slowdown of just over half a percentage point versus 2019. Domestic demand is expected to be the main growth driver. The economic slowdown anticipated in the euro area is expected to also curb economic growth in SEE, affecting almost all countries in the region. In both Romania and Bulgaria, which together make up around two-thirds of SEE's regional GDP, a decline of around one percentage point is anticipated. Countries such as Croatia or Bosnia and Herzegovina are expected to show only a slight weakening in growth rates.

### Eastern Europe

After a somewhat weaker year in 2019, the Russian economy is likely to show a slightly stronger growth rate of around 1.6 per cent in 2020. This should continue the moderate growth trajectory of recent years. While monetary and fiscal policy had a more restrictive effect in 2019, lower key interest rates, government infrastructure projects, and higher social security expenses, are expected to provide a slight boost to growth in 2020. Sanctions risks remain and could have a negative impact on currency and economic developments. In Ukraine, the new government is about to implement ambitious reform projects (e.g. land reform), while the expected revival of cooperation with the International Monetary Fund should have a stabilizing effect. Economic growth of 3.1 per cent is forecast for Ukraine in 2020. The Belarusian economy is expected to grow by 1.8 per cent in 2020, following a dip in 2019.

### Austria

The Austrian economy is likely to continue to show only moderate momentum in the first quarters of 2020. Consequently, expected GDP growth of 0.8 per cent for the entire 2020 year, will again be lower than recorded in 2019 (1.6 per cent), though should be at the cyclical trough. While the impetus from foreign trade is likely to fall away, this also shouldn't turn out to be a significant negative factor. At the same time, the highly robust and sustained capital investment cycle is forecast to come to an end, albeit likewise without weighing on the general economy. Consumer spending is expected to be much more of a mainstay for the economy, benefiting from the ongoing solid growth of real disposable household income (also supported by fiscal easing measures).

### Banking sector in Austria

The positive trend in new business in the Austrian banking market should continue in 2020. Depending on the market segment, credit growth rates in the range of 3 to 5 per cent are expected. In the corporate customer business, a moderate weakening of growth momentum is anticipated in view of the impending economic slowdown. Ongoing positive income trends and positive market dynamics in the retail and real estate lending business should continue to provide fundamental support to lending volumes. Nevertheless, a moderate slowdown is expected in mortgage loan originations – also in light of intensified communication with national and supranational regulators with regard to possible overvaluations and aggressive lending practices. Overall, the return on equity for the Austrian banking sector should remain in the high single-digit percentage range in 2020, with risk costs stable or rising only slightly.

### CEE Banking Sector

For the CEE banking markets, credit growth rates in the range of 5 to 8 per cent are forecast for the next 12 to 18 months, i.e. a moderate slowdown in growth compared to the previous year. Credit growth dynamics in CE and SEE in 2020 are expected to have a positive overall impact on CEE bank earnings. In the EE markets, further decisive interest rate cuts by central banks, over the course of the year, should reduce earnings prospects, while no significant shifts in the interest rate landscape are expected in CE and SEE, expect for in Hungary. However, tighter micro- and macro-prudential regulations are likely to slow down further growth in mortgage and consumer lending, especially in the Czech Republic and Slovakia, as well as in some Southeastern European countries and Russia. Thanks to the adjustments made in recent years – such as the decrease in foreign currency loans, more prudent lending standards and the reduction of NPL portfolios – no significant negative effects on earnings are currently expected, even in the event of a moderate economic downturn in CE and SEE. Overall, the return on equity of the CEE banking sector in 2020 should almost reach the level of 2019, even if risk costs in some regions potentially rise slightly (from a low base). Risks to the growth prospects and earnings situation in the CEE banking sector are currently primarily political in nature (e.g. remaining litigation relating to old foreign currency loan portfolios, special sector taxation). In the medium term, the wave of consolidation currently emerging in CEE banking markets could have a positive impact on earnings prospects.

## Outlook for RBI

We will pursue loan growth with an average yearly percentage increase in the mid-single digit area.

The provisioning ratio for FY 2020 is expected to be around 50 basis points.

We aim to achieve a cost/income ratio of around 55 per cent in 2021.

In the coming years we target a consolidated return on equity of approximately 11 per cent.

We seek to maintain a CET1 ratio of at least 13 per cent in the medium term.

Based on this target, we intend to distribute between 20 and 50 per cent of the consolidated profit.

# Events after the reporting date

There were no significant events after the reporting date.

# Segment reports

| | |
|---|---|
| Segment overview | 66 |
| Segment performance | 67 |
| Central Europe | 67 |
| Southeastern Europe | 72 |
| Eastern Europe | 77 |
| Group Corporates & Markets | 80 |
| Corporate Center | 83 |

# Segment overview

## Segmentation principles

Segment reporting at RBI is based on the current organizational structure pursuant to IFRS 8. A cash generating unit within the Group is a country. The Group's markets are thereby consolidated into regional segments comprising countries with comparable economic profiles and similar long-term economic growth expectations.

This results in the following segments:

- Central Europe: Czech Republic, Hungary, Poland, Slovakia, and Slovenia
- Southeastern Europe: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania, and Serbia
- Eastern Europe: Belarus, Russia and Ukraine
- Group Corporates & Markets (operating business booked in Austria): operating business at head office divided into subsegments: Austrian and international corporate customers, Markets, Financial Institutions & Sovereigns, business with the Raiffeisen Banking Group (RBG) and specialized financial institution subsidiaries, e.g. Raiffeisen Centrobank AG, Kathrein Privatbank Aktiengesellschaft, Raiffeisen Leasing Group, Raiffeisen Factor Bank AG, Raiffeisen Bausparkasse Österreich Gesellschaft mbH, Valida Group (pension fund business) and Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung
- Corporate Center: central control functions in RBI AG (e.g. Treasury), other Group units and minority interests (including UNIQA Insurance Group AG and LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG)

# Segment performance

## Central Europe

| in € million | 2019 | 2018 | Change | Q4/2019 | Q3/2019 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 830 | 965 | (14.0)% | 195 | 215 | (9.3)% |
| Dividend income | 5 | 6 | (19.4)% | 1 | 0 | >500.0% |
| Current income from investments in associates[1] | 5 | 5 | (3.7)% | 1 | 1 | (37.9)% |
| Net fee and commission income | 441 | 549 | (19.7)% | 112 | 111 | 1.1% |
| Net trading income and fair value result | 26 | 41 | (37.6)% | 36 | (10) | - |
| Net gains/losses from hedge accounting | 0 | (10) | - | 0 | 0 | - |
| Other net operating income | (19) | (34) | (43.6)% | (8) | (8) | (3.8)% |
| **Operating income** | **1,287** | **1,522** | **(15.4)%** | **338** | **309** | **9.4%** |
| General administrative expenses | (730) | (854) | (14.5)% | (197) | (182) | 8.2% |
| **Operating result** | **557** | **668** | **(16.6)%** | **141** | **127** | **11.0%** |
| Other result[1] | (57) | (13) | 327.3% | (56) | (1) | >500.0% |
| Levies and special governmental measures | (60) | (85) | (29.7)% | (8) | (7) | 3.0% |
| Impairment losses on financial assets | (38) | (122) | (68.8)% | (59) | (12) | 407.1% |
| **Profit/loss before tax** | **402** | **447** | **(10.1)%** | **18** | **106** | **(83.3)%** |
| Income taxes | (112) | (101) | 11.0% | (19) | (47) | (60.3)% |
| **Profit/loss after tax** | **290** | **346** | **(16.2)%** | **(1)** | **60** | **-** |
| | | | | | | |
| Return on equity before tax | 11.3% | 11.1% | 0.2 PP | 2.0% | 11.7% | (9.7) PP |
| Return on equity after tax | 8.1% | 8.6% | (0.4) PP | - | 6.6% | - |
| Net interest margin (average interest-bearing assets) | 2.09% | 2.27% | (0.18) PP | 1.94% | 2.15% | (0.22) PP |
| Cost/income ratio | 56.7% | 56.1% | 0.6 PP | 58.3% | 58.9% | (0.6) PP |
| Loan/deposit ratio | 98.0% | 98.9% | (0.9) PP | 98.0% | 102.6% | (4.6) PP |
| Provisioning ratio (average loans to customers) | 0.13% | 0.41% | (0.28) PP | 0.63% | 0.16% | 0.47 PP |
| NPE ratio | 2.4% | 2.8% | (0.5) PP | 2.4% | 2.3% | 0.0 PP |
| NPE coverage ratio | 58.6% | 56.0% | 2.6 PP | 58.6% | 59.1% | (0.5) PP |
| Assets | 42,094 | 40,353 | 4.3% | 42,094 | 41,593 | 1.2% |
| Risk-weighted assets (total RWA) | 22,114 | 21,615 | 2.3% | 22,114 | 21,705 | 1.9% |
| Average equity | 3,562 | 4,034 | (11.7)% | 3,570 | 3,648 | (2.1)% |
| Loans to customers | 29,603 | 27,737 | 6.7% | 29,603 | 29,284 | 1.1% |
| Deposits from customers | 31,967 | 29,619 | 7.9% | 31,967 | 30,367 | 5.3% |
| Business outlets | 391 | 396 | (1.3)% | 391 | 393 | (0.5)% |
| Employees as at reporting date (full-time equivalents) | 9,915 | 9,692 | 2.3% | 9,915 | 9,909 | 0.1% |
| Customers in million | 2.7 | 2.6 | 6.2% | 2.7 | 2.6 | 4.9% |

1 The current income from investments in associates previously reported in other result is now shown in a separate item.

## Segment performance

The 2019 financial year was characterized by strong organic growth, with loans and advances to customers increasing by 7 per cent. The Central Europe segment's profit after tax decreased € 56 million year-on-year to € 290 million due to the negative Polish earnings contribution of minus € 113 million. There was a positive impact from an € 84 million decline in net provisioning for impairment losses on financial assets.

### Operating income

Net interest income for the segment was down 14 per cent year-on-year, or € 135 million, to € 830 million. Without the sale of the Polish core banking operations, net interest income would have increased € 57 million or 7 per cent. In the Czech Republic, higher market interest rates and increased customer loan volumes led to a rise of € 57 million in net interest income. In Slovakia, net interest income increased € 5 million due to higher volumes. In Hungary, net interest income fell € 6 million, mainly as a result of higher interest expenses for customer deposits. While the net interest margin in the Czech Republic rose 26 basis points to 2.37 per cent due to higher market interest rates, the overall segment's net interest margin declined by 18 basis points to 2.09 per cent due to the sale of the Polish core banking operations.

Net fee and commission income decreased € 108 million year-on-year to € 441 million. This decline was also attributable to the sale of the Polish core banking operations. In Hungary, in contrast, net fee and commission income rose € 15 million to € 149 million, mainly driven by a volume- and margin-related increase in income from clearing, settlement and payment services and from foreign exchange business.

The net trading income and fair value result fell € 16 million year-on-year. In Poland, net trading income decreased € 19 million due to the sale of the Polish core banking operations. In Hungary, the result declined € 11 million as a consequence of lower long-term interest rates, which resulted in negative valuation results from derivatives held for economic hedging purposes. A decline of € 9 million was recorded in the Czech Republic, also due to lower valuation results from derivatives. In Slovakia, in contrast, an increase of € 24 million was recorded as a result of one-time income from the sale of equity instruments.

Net gains/losses from hedge accounting increased € 10 million, as the termination of the existing portfolio cash flow hedges in the previous year in connection with the sale of the Polish core banking operations resulted in a reclassification of minus € 13 million that was recognized in profit or loss.

Other net operating income improved € 15 million due to the release of a provision in the Czech Republic and lower net provisioning for litigation in Slovakia.

### General administrative expenses

General administrative expenses in the segment decreased € 124 million year-on-year to € 730 million; without the sale of the Polish core banking operations, there would have been an increase of € 55 million. Staff expenses increased primarily due to salary adjustments in Slovakia (€ 14 million) and the Czech Republic (€ 13 million). In other administrative expenses adjusted for the sale of the Polish core banking operations, there were increases in particular in advertising, legal and IT expenses. Furthermore, the application of IFRS 16 led to a shift of expenses from other administrative expenses to depreciation.

The average number of employees fell by 3,159 as a result of the sale of the Polish core banking operations but increased by 292 in the other countries to reach 9,853. During the reporting period, the average number of employees grew above all in Hungary, due to insourcing and growth in the business, as well as in Slovakia. The number of business outlets in the segment declined from 396 to 391. The cost/income ratio rose 0.6 percentage points to 56.7 per cent.

### Other result

The Central Europe segment's other result amounted to minus € 57 million, compared to minus € 13 million in the same period of the previous year. The change was mainly driven by the allocation of € 49 million in loan-related litigation provisions on a portfolio basis related to mortgage loans to consumers that are denominated in or indexed to a foreign currency in Poland. In contrast, impairments relating to investments in subsidiaries were lower (€ 4 million).

### Levies and special governmental measures

Levies and expenses from special governmental measures fell € 25 million year-on-year to € 60 million, primarily as the result of the sale of the Polish core banking operations (down € 27 million). Bank levies were down € 16 million year-on-year to € 43 million. Contributions to resolution funds also decreased € 9 million to € 17 million: In addition to the decrease resulting from the sale of the Polish core banking operations, contributions were also lower in the Czech Republic, while contributions in Hungary increased.

### Impairment losses on financial assets

In the reporting period, impairment losses on financial assets totaled € 38 million, or € 84 million less than in the previous year, despite a negative effect of € 43 million from the application of the revised EBA default definition in risk management for retail customers. Impairments in Poland decreased € 62 million to € 27 million as a result of the sale of the Polish core banking operations and were recognized in the remaining retail customer portfolio as a result of parameter adjustments and the application of the revised EBA default definition in the reporting period. In the Czech Republic, impairments declined € 17 million to € 16 million. Changes to retail model parameters and a significant improvement in the corporate customer business resulted in releases of loan loss provisions, which were partially offset by allocations related to the application of the revised EBA default definition. In Slovakia, changes in parameters were also responsible for a decline of € 6 million to € 20 million.

The NPE ratio of the Central Europe segment was 2.4 per cent as of 31 December 2019 (down 0.5 percentage points year-on-year). The NPE coverage ratio improved 2.6 percentage points year-on-year to 58.6 per cent.

### Income taxes

The segment's income taxes increased € 11 million year-on-year to € 112 million. The tax rate increased 5 percentage points to 28 per cent. In Poland, an impairment of deferred tax assets of € 25 million was recognized, as based on the updated medium-term tax planning they are not utilizable in the future. As a result, the tax expense in Poland was € 8 million higher than in the previous year.

Detailed results of individual countries in the segment:

| | Poland | | Slovakia | |
|---|---|---|---|---|
| in € million | 2019 | 2018 | 2019 | 2018 |
| Net interest income | 14 | 205 | 294 | 289 |
| Dividend income | 0 | 3 | 0 | 0 |
| Current income from investments in associates[1] | 0 | 0 | 5 | 5 |
| Net fee and commission income | 2 | 115 | 160 | 163 |
| Net trading income and fair value result | 1 | 21 | 32 | 8 |
| Net gains/losses from hedge accounting | 0 | (13) | 0 | 0 |
| Other net operating income | (2) | (5) | 1 | (3) |
| **Operating income** | **15** | **326** | **492** | **462** |
| General administrative expenses | (22) | (201) | (265) | (248) |
| **Operating result** | **(6)** | **126** | **227** | **214** |
| Other result[1] | (49) | (4) | 0 | 0 |
| Levies and special governmental measures | (6) | (33) | (28) | (26) |
| Impairment losses on financial assets | (27) | (89) | (20) | (26) |
| **Profit/loss before tax** | **(88)** | **0** | **179** | **162** |
| Income taxes | (25) | (17) | (36) | (35) |
| **Profit/loss after tax** | **(113)** | **(17)** | **142** | **127** |
| | | | | |
| Return on equity before tax | – | – | 14.7% | 14.9% |
| Return on equity after tax | – | – | 11.7% | 11.7% |
| Net interest margin (average interest-bearing assets) | 0.45% | 2.23% | 2.22% | 2.33% |
| Cost/income ratio | – | 61.5% | 53.9% | 53.8% |
| Loan/deposit ratio | – | – | 98.3% | 98.9% |
| Provisioning ratio (average loans to customers) | 0.88% | 1.34% | 0.19% | 0.26% |
| NPE ratio | 10.0% | 11.6% | 1.6% | 1.9% |
| NPE coverage ratio | 58.3% | 44.2% | 69.0% | 67.5% |
| Assets | 2,974 | 3,267 | 14,613 | 13,301 |
| Risk-weighted assets (total RWA) | 3,681 | 3,970 | 6,409 | 6,171 |
| Equity | – | – | 1,334 | 1,236 |
| Loans to customers | 2,938 | 3,153 | 10,957 | 10,075 |
| Deposits from customers | 17 | 19 | 11,961 | 10,927 |
| Business outlets | 1 | 1 | 182 | 187 |
| Employees as at reporting date (full-time equivalents) | 227 | 196 | 4,029 | 3,995 |
| Customers in million | 0.0 | 0.0 | 1.0 | 0.9 |

1 The current income from investments in associates previously reported in other result is now shown in a separate item.

| in € million | Czech Republic 2019 | 2018 | Hungary 2019 | 2018 |
|---|---|---|---|---|
| Net interest income | 395 | 338 | 127 | 133 |
| Dividend income | 3 | 1 | 2 | 2 |
| Net fee and commission income | 130 | 136 | 149 | 134 |
| Net trading income and fair value result | (7) | 2 | 0 | 11 |
| Net gains/losses from hedge accounting | 0 | 3 | 0 | 0 |
| Other net operating income | 25 | 18 | (50) | (48) |
| **Operating income** | **545** | **497** | **227** | **232** |
| General administrative expenses | (283) | (255) | (159) | (149) |
| **Operating result** | **262** | **242** | **69** | **84** |
| Other result | (8) | 0 | 0 | (9) |
| Levies and special governmental measures | (9) | (10) | (17) | (15) |
| Impairment losses on financial assets | (16) | (33) | 24 | 24 |
| **Profit/loss before tax** | **230** | **199** | **76** | **83** |
| Income taxes | (38) | (38) | (12) | (10) |
| **Profit/loss after tax** | **192** | **161** | **63** | **73** |
| | | | | |
| Return on equity before tax | 17.6% | 16.7% | 11.3% | 13.7% |
| Return on equity after tax | 14.7% | 13.5% | 9.5% | 12.0% |
| Net interest margin (average interest-bearing assets) | 2.37% | 2.11% | 1.73% | 1.92% |
| Cost/income ratio | 52.0% | 51.2% | 69.8% | 64.0% |
| Loan/deposit ratio | 86.2% | 87.0% | 70.5% | 64.9% |
| Provisioning ratio (average loans to customers) | 0.14% | 0.31% | (0.64)% | (0.77)% |
| NPE ratio | 1.4% | 1.4% | 2.5% | 3.3% |
| NPE coverage ratio | 61.0% | 64.7% | 46.9% | 58.3% |
| Assets | 17,433 | 16,883 | 7,862 | 7,528 |
| Risk-weighted assets (total RWA) | 8,210 | 7,706 | 3,747 | 3,692 |
| Equity | 1,503 | 1,316 | 717 | 652 |
| Loans to customers | 11,872 | 11,131 | 3,822 | 3,354 |
| Deposits from customers | 14,106 | 13,004 | 5,882 | 5,670 |
| Business outlets | 136 | 136 | 71 | 71 |
| Employees as at reporting date (full-time equivalents) | 3,413 | 3,402 | 2,237 | 2,089 |
| Customers in million | 1.2 | 1.1 | 0.5 | 0.5 |

# Southeastern Europe

| in € million | 2019 | 2018 | Change | Q4/2019 | Q3/2019 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 867 | 814 | 6.5% | 221 | 221 | 0.2% |
| Dividend income | 8 | 9 | (8.2)% | 1 | 0 | >500.0% |
| Net fee and commission income | 417 | 421 | (1.0)% | 103 | 113 | (9.0)% |
| Net trading income and fair value result | 39 | 31 | 25.9% | 16 | 9 | 76.6% |
| Net gains/losses from hedge accounting | 0 | 0 | 207.8% | 0 | 0 | – |
| Other net operating income | 5 | 22 | (75.3)% | 20 | (9) | – |
| **Operating income** | **1,336** | **1,297** | **3.0%** | **361** | **333** | **8.3%** |
| General administrative expenses | (721) | (699) | 3.1% | (193) | (175) | 10.1% |
| **Operating result** | **616** | **599** | **2.9%** | **168** | **158** | **6.3%** |
| Other result | (40) | (1) | >500.0% | (19) | (15) | 30.3% |
| Levies and special governmental measures | (25) | (11) | 128.5% | (10) | 1 | – |
| Impairment losses on financial assets | (70) | (61) | 13.8% | (25) | (33) | (26.1)% |
| **Profit/loss before tax** | **481** | **525** | **(8.5)%** | **115** | **110** | **3.6%** |
| Income taxes | (71) | (73) | (4.0)% | (13) | (21) | (40.2)% |
| **Profit/loss after tax** | **410** | **452** | **(9.2)%** | **102** | **89** | **14.1%** |
| | | | | | | |
| Return on equity before tax | 18.9% | 21.4% | (2.5) PP | 17.9% | 17.0% | 1.0 PP |
| Return on equity after tax | 16.1% | 18.4% | (2.3) PP | 16.0% | 13.7% | 2.2 PP |
| Net interest margin (average interest-bearing assets) | 3.63% | 3.60% | 0.03 PP | 3.62% | 3.70% | (0.08) PP |
| Cost/income ratio | 53.9% | 53.9% | 0.1 PP | 53.4% | 52.6% | 0.9 PP |
| Loan/deposit ratio | 74.6% | 73.7% | 0.9 PP | 74.6% | 75.0% | (0.5) PP |
| Provisioning ratio (average loans to customers) | 0.46% | 0.45% | 0.01 PP | 0.63% | 0.88% | (0.25) PP |
| NPE ratio | 3.0% | 3.6% | (0.6) PP | 3.0% | 3.1% | (0.2) PP |
| NPE coverage ratio | 69.9% | 63.5% | 6.4 PP | 69.9% | 67.8% | 2.1 PP |
| Assets | 26,986 | 25,360 | 6.4% | 26,986 | 26,542 | 1.7% |
| Risk-weighted assets (total RWA) | 15,903 | 15,136 | 5.1% | 15,903 | 15,729 | 1.1% |
| Average equity | 2,548 | 2,455 | 3.8% | 2,552 | 2,600 | (1.8)% |
| Loans to customers | 15,915 | 14,633 | 8.8% | 15,915 | 15,688 | 1.4% |
| Deposits from customers | 21,529 | 20,040 | 7.4% | 21,529 | 21,099 | 2.0% |
| Business outlets | 894 | 962 | (7.1)% | 894 | 911 | (1.9)% |
| Employees as at reporting date (full-time equivalents) | 14,480 | 14,646 | (1.1)% | 14,480 | 14,483 | 0.0% |
| Customers in million | 5.4 | 5.3 | 1.4% | 5.4 | 5.3 | 0.5% |

# Segment performance

The Southeastern Europe segment's profit after tax declined 9 per cent, or € 42 million, year-on-year. This was mainly due to the € 32 million decrease in profit in Romania resulting from provisions totaling € 23 million for litigation in connection with state subsidies for building society savings and proceedings involving the consumer protection authority, as well as the first-time booking of bank levies of € 10 million. Bosnia and Herzegovina contributed € 12 million towards the reduction in profit, mainly reflecting higher impairment losses on financial assets.

### Operating income

The segment's net interest income was up 6 per cent year-on-year, or € 53 million, to € 867 million. The strongest growth was reported in Romania with an increase of € 38 million. Higher market interest rates there had resulted in a considerably higher net interest margin (up 31 basis points), while growth in lending to households and non-financial corporations also contributed to the rise. In Bulgaria, higher volumes were also responsible for a € 10 million increase in net interest income. In Serbia, net interest income grew € 3 million, on the back of higher interest income; whereas net interest income in Croatia decreased € 3 million due to lower margins. In all other countries in the segment, there were only slight changes in net interest income. The improvement of 3 basis points in the segment's net interest margin to 3.63 per cent was primarily attributable to the positive interest rate environment in Romania.

Net fee and commission income decreased € 4 million year-on-year to € 417 million. Net fee and commission income in Romania was down € 21 million, primarily in clearing, settlement and payment services, asset management and custody. In contrast, Bulgaria, Serbia and Croatia reported increases of € 6 million, € 5 million and € 4 million, respectively, mainly due to higher fee and commission income from the sale of own and third-party products, clearing, settlement and payment services, as well as from foreign exchange business.

The net trading income and fair value result was up € 8 million year-on-year to € 39 million. Decreases due to derivatives were more than offset by higher income from debt securities.

The segment's other net operating income fell € 16 million to € 5 million. Romania reported a decline of € 4 million as a result of a provision for litigation in connection with state subsidies for building society savings. Higher results in the previous year from the derecognition of financial and non-financial assets, mainly in Croatia and Serbia, were also responsible for the decrease.

### General administrative expenses

The segment's general administrative expenses increased 3 per cent year-on-year, or € 22 million, to € 721 million. Staff expenses were up 2 per cent, or € 6 million, to € 323 million, primarily due to salary adjustments in Bulgaria. The average number of employees fell by 199 to 14,547, largely reflecting developments in Romania and Croatia. In other administrative expenses, deposit insurance fees were up € 8 million primarily in Romania. IT expenses as well as legal, advisory and consulting expenses also increased. The number of business outlets in the segment fell by 68 year-on-year to 894, primarily due to closures in Romania. The cost/income ratio remained constant at 53.9 per cent.

### Other result

The other result was minus € 40 million compared to minus € 1 million in the previous year. The reduction was mainly due to the recognition of loan-related provisions for litigation on a portfolio basis in connection with loan contract clauses in Croatia (€ 20 million) and proceedings with the consumer protection authority in Romania (€ 14 million), as well as impairment losses on non-financial assets (up € 6 million) above all in Romania (land and tangible fixed assets).

### Levies and special governmental measures

Levies and expenses for special governmental measures rose € 14 million year-on-year to € 25 million. The increase resulted primarily from the bank levy in Romania (€ 10 million), which was newly implemented in 2019. In addition, the loss from banking business due to governmental measures rose € 3 million as a result of the conversion of Swiss franc loans in Serbia.

### Impairment losses on financial assets

In the reporting period, impairment losses on financial assets amounted to € 70 million, compared to € 61 million in the same period of the previous year. The application of the revised EBA default definition in risk management for retail customers resulted in an overall increase of € 33 million in the segment in the reporting period. In Bosnia and Herzegovina, impairment losses were up € 9 million to € 14 million. Albania reported impairment losses of € 4 million; in the previous year, it had posted a net release of € 5 million in loan loss provisions as a result of recoveries from corporate customers. In Romania, impairment losses on financial assets of € 39 million were only slightly above the level of the previous year. In contrast, impairment losses in Croatia were significantly lower, decreasing € 16 million to € 3 million on the back of positive developments in the corporate customer business and parameter adjustments to retail models.

The segment's NPE ratio as at 31 December 2019 was 3.0 per cent (down 0.6 percentage points year-on-year), while the NPE coverage ratio improved to 69.9 per cent (up 6.4 percentage points year-on-year).

### Income taxes

Income taxes of € 71 million were € 3 million lower than the tax expense in the comparable period of the previous year. The tax expense in Croatia declined € 8 million as a result of the utilization of loss carry forwards acquired in connection with a merger. However, in Bosnia and Herzegovina the tax expense was up € 4 million due to higher non-tax deductible expenses. The segment's tax rate climbed 1 percentage point to 15 per cent.

Detailed results of the individual countries in the segment:

| in € million | Albania 2019 | Albania 2018 | Bosnia and Herzegovina 2019 | Bosnia and Herzegovina 2018 | Bulgaria 2019 | Bulgaria 2018 |
|---|---|---|---|---|---|---|
| Net interest income | 57 | 55 | 68 | 68 | 114 | 103 |
| Dividend income | 0 | 1 | 2 | 1 | 3 | 4 |
| Net fee and commission income | 16 | 17 | 42 | 40 | 55 | 49 |
| Net trading income and fair value result | 3 | (2) | 2 | 0 | 3 | 4 |
| Other net operating income | 1 | (1) | 1 | 1 | 2 | 4 |
| **Operating income** | **77** | **70** | **114** | **110** | **176** | **164** |
| General administrative expenses | (44) | (43) | (59) | (58) | (96) | (88) |
| **Operating result** | **33** | **27** | **55** | **52** | **80** | **76** |
| Other result | (1) | 0 | 0 | 0 | 0 | 0 |
| Levies and special governmental measures | (1) | (1) | 0 | 0 | (5) | (4) |
| Impairment losses on financial assets | (4) | 5 | (14) | (5) | (2) | 0 |
| **Profit/loss before tax** | **27** | **31** | **41** | **48** | **73** | **72** |
| Income taxes | (4) | (3) | (10) | (5) | (7) | (7) |
| **Profit/loss after tax** | **23** | **27** | **31** | **43** | **66** | **65** |
| | | | | | | |
| Return on equity before tax | 12.5% | 14.5% | 14.6% | 17.8% | 16.9% | 16.7% |
| Return on equity after tax | 10.6% | 12.9% | 11.2% | 16.0% | 15.3% | 15.1% |
| Net interest margin (average interest-bearing assets) | 3.32% | 3.15% | 3.23% | 3.48% | 2.77% | 2.79% |
| Cost/income ratio | 57.6% | 61.8% | 52.0% | 52.3% | 54.6% | 53.8% |
| Loan/deposit ratio | 52.2% | 47.8% | 75.3% | 76.1% | 81.7% | 82.8% |
| Provisioning ratio (average loans to customers) | 0.51% | (0.73)% | 1.06% | 0.38% | 0.07% | 0.00% |
| NPE ratio | 5.6% | 6.2% | 4.0% | 3.8% | 1.7% | 2.1% |
| NPE coverage ratio | 71.4% | 74.6% | 77.9% | 79.9% | 66.8% | 68.5% |
| Assets | 1,838 | 1,809 | 2,469 | 2,296 | 4,626 | 4,119 |
| Risk-weighted assets (total RWA) | 1,345 | 1,319 | 2,014 | 1,811 | 2,550 | 2,019 |
| Equity | 231 | 221 | 292 | 294 | 467 | 466 |
| Loans to customers | 779 | 705 | 1,329 | 1,292 | 3,015 | 2,595 |
| Deposits from customers | 1,556 | 1,522 | 1,897 | 1,811 | 3,723 | 3,177 |
| Business outlets | 78 | 78 | 103 | 102 | 148 | 146 |
| Employees as at reporting date (full-time equivalents) | 1,241 | 1,226 | 1,316 | 1,358 | 2,633 | 2,589 |
| Customers in million | 0.4 | 0.4 | 0.4 | 0.4 | 0.6 | 0.6 |

| in € million | Croatia 2019 | Croatia 2018 | Romania 2019 | Romania 2018 | Serbia 2019 | Serbia 2018 |
|---|---|---|---|---|---|---|
| Net interest income | 122 | 125 | 374 | 336 | 88 | 85 |
| Dividend income | 1 | 0 | 2 | 2 | 0 | 0 |
| Net fee and commission income | 75 | 71 | 168 | 189 | 51 | 45 |
| Net trading income and fair value result | 6 | (1) | 18 | 22 | 8 | 8 |
| Other net operating income | 1 | 7 | (3) | 1 | 3 | 10 |
| **Operating income** | **205** | **202** | **560** | **550** | **149** | **147** |
| General administrative expenses | (120) | (124) | (288) | (279) | (83) | (80) |
| **Operating result** | **85** | **79** | **271** | **271** | **66** | **68** |
| Other result | (21) | (2) | (19) | 1 | 0 | 0 |
| Levies and special governmental measures | (2) | (3) | (14) | (3) | (3) | 0 |
| Impairment losses on financial assets | (3) | (19) | (39) | (38) | (3) | (2) |
| **Profit/loss before tax** | **59** | **55** | **200** | **231** | **60** | **65** |
| Income taxes | (1) | (10) | (38) | (37) | (8) | (9) |
| **Profit/loss after tax** | **58** | **46** | **161** | **193** | **53** | **57** |
| | | | | | | |
| Return on equity before tax | 9.3% | 9.1% | 23.2% | 30.1% | 12.2% | 13.8% |
| Return on equity after tax | 9.1% | 7.5% | 18.7% | 25.2% | 10.7% | 12.0% |
| Net interest margin (average interest-bearing assets) | 2.75% | 2.93% | 4.52% | 4.21% | 3.76% | 3.99% |
| Cost/income ratio | 58.4% | 61.1% | 51.5% | 50.7% | 55.6% | 54.0% |
| Loan/deposit ratio | 70.9% | 66.8% | 76.4% | 77.1% | 74.2% | 72.4% |
| Provisioning ratio (average loans to customers) | 0.12% | 0.79% | 0.68% | 0.74% | 0.20% | 0.17% |
| NPE ratio | 3.2% | 4.6% | 3.1% | 3.5% | 1.9% | 2.1% |
| NPE coverage ratio | 72.9% | 64.7% | 65.5% | 50.2% | 72.0% | 71.2% |
| Assets | 4,959 | 4,755 | 9,246 | 8,966 | 2,789 | 2,498 |
| Risk-weighted assets (total RWA) | 2,637 | 2,551 | 4,756 | 4,912 | 1,854 | 1,896 |
| Equity | 680 | 628 | 1,020 | 924 | 523 | 503 |
| Loans to customers | 2,676 | 2,361 | 5,838 | 5,702 | 1,567 | 1,354 |
| Deposits from customers | 3,736 | 3,698 | 7,591 | 7,166 | 2,166 | 1,935 |
| Business outlets | 76 | 78 | 354 | 422 | 88 | 88 |
| Employees as at reporting date (full-time equivalents) | 1,860 | 1,982 | 4,987 | 5,115 | 1,581 | 1,537 |
| Customers in million | 0.5 | 0.5 | 2.3 | 2.3 | 0.8 | 0.8 |

# Eastern Europe

| in € million | 2019 | 2018 | Change | Q4/2019 | Q3/2019 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 1,142 | 1,022 | 11.8% | 313 | 298 | 5.1% |
| Dividend income | 2 | 1 | 38.2% | 0 | 0 | (13.6)% |
| Net fee and commission income | 557 | 466 | 19.7% | 165 | 153 | 7.9% |
| Net trading income and fair value result | 32 | 34 | (4.6)% | (4) | 8 | - |
| Other net operating income | 3 | 7 | (51.4)% | 10 | (10) | - |
| **Operating income** | **1,737** | **1,529** | **13.6%** | **484** | **449** | **7.9%** |
| General administrative expenses | (721) | (631) | 14.3% | (211) | (181) | 16.4% |
| **Operating result** | **1,016** | **898** | **13.1%** | **274** | **268** | **2.1%** |
| Other result | (17) | (11) | 57.0% | (15) | (3) | 333.2% |
| Impairment losses on financial assets | (59) | (32) | 84.8% | (26) | (20) | 31.2% |
| **Profit/loss before tax** | **940** | **855** | **9.9%** | **233** | **245** | **(4.9)%** |
| Income taxes | (205) | (171) | 19.6% | (55) | (52) | 6.7% |
| **Profit/loss after tax** | **735** | **684** | **7.5%** | **177** | **193** | **(8.0)%** |
| | | | | | | |
| Return on equity before tax | 41.3% | 44.1% | (2.8) PP | 41.2% | 43.4% | (2.2) PP |
| Return on equity after tax | 32.3% | 35.3% | (2.9) PP | 31.4% | 34.2% | (2.8) PP |
| Net interest margin (average interest-bearing assets) | 5.84% | 6.50% | (0.66) PP | 5.95% | 5.97% | (0.02) PP |
| Cost/income ratio | 41.5% | 41.3% | 0.2 PP | 43.5% | 40.3% | 3.2 PP |
| Loan/deposit ratio | 83.6% | 81.0% | 2.6 PP | 83.6% | 87.5% | (3.9) PP |
| Provisioning ratio (average loans to customers) | 0.44% | 0.31% | 0.13 PP | 0.69% | 0.65% | 0.04 PP |
| NPE ratio | 2.0% | 2.9% | (0.9) PP | 2.0% | 2.4% | (0.4) PP |
| NPE coverage ratio | 60.0% | 61.8% | (1.8) PP | 60.0% | 58.6% | 1.4 PP |
| Assets | 23,381 | 18,192 | 28.5% | 23,381 | 21,561 | 8.4% |
| Risk-weighted assets (total RWA) | 15,054 | 12,260 | 22.8% | 15,054 | 14,903 | 1.0% |
| Average equity | 2,274 | 1,940 | 17.2% | 2,260 | 2,253 | 0.3% |
| Loans to customers | 14,465 | 11,117 | 30.1% | 14,465 | 13,882 | 4.2% |
| Deposits from customers | 17,712 | 13,901 | 27.4% | 17,712 | 16,066 | 10.2% |
| Business outlets | 732 | 779 | (6.0)% | 732 | 768 | (4.7)% |
| Employees as at reporting date (full-time equivalents) | 18,356 | 18,750 | (2.1)% | 18,356 | 18,737 | (2.0)% |
| Customers in million | 6.7 | 6.1 | 10.1% | 6.7 | 6.6 | 0.8% |

## Segment performance

The segment's profit after tax was up € 51 million, or 7 per cent, year-on-year to € 735 million, mainly as a result of a further improvement in profit in Russia. The considerable 30 per cent growth in lending, which was partly due to currency movements, led to a 12 per cent increase in net interest income. The segment also reported a marked 20 per cent rise in net fee and commission income.

### Operating income

Net interest income in Eastern Europe increased 12 per cent year-on-year, or € 121 million, to € 1,142 million. The largest rise was reported in Russia (up € 77 million), reflecting higher lending volumes to non-financial corporations and households. Ukraine also posted an increase of € 31 million in net interest income as a result of higher lending volumes to non-financial corporations and households as well as currency movements. In Belarus, net interest income was up € 13 million due to volume effects. The segment's net interest margin fell 66 basis points year-on-year to 5.84 per cent, reflecting margin declines in all the segment's countries. In Russia, the net interest margin decreased due to lower margins in the customer business. In Belarus, restrictions on lending imposed by the central bank led to a decrease in the margin, while the net interest margin in Ukraine declined as a result of sharply decreasing key interest rates.

Net fee and commission income was also up 20 per cent, or € 92 million, to € 557 million. Russia reported growth of € 70 million to € 394 million, primarily due to higher volumes in clearing, settlement and payment services, the credit card business and foreign exchange. Driven largely by currency effects, net fee and commission income was also up in Ukraine, by € 14 million to € 106 million, while Belarus reported a volume-based increase of € 8 million.

Net trading income and the fair value result decreased year-on-year from € 34 million to € 32 million in the reporting period. Russia and Belarus reported declines of € 6 million and € 3 million respectively – primarily as a result of lower net income from short positions and currency translation. Whereas, net trading income and the fair value result was up € 7 million in Ukraine, due to lower valuation results from debt securities in the comparable period of the previous year, and an improvement in net income from foreign currency-related transactions.

In contrast, other net operating income declined € 3 million to € 3 million as a result of provisions and lower income from real estate leasing in Belarus.

### General administrative expenses

The segment's general administrative expenses were up 14 per cent year-on-year, or € 90 million, to € 721 million. The increase in the average number of employees from 18,445 to 18,716 was driven mainly by the developments in Russia (headcount up 456 to 9,092). Staff expenses increased 18 per cent, or € 59 million, to € 386 million, due to salary adjustments in Russia and Ukraine. In contrast, the segment's other administrative expenses were down 1 per cent to € 237 million. The first-time application of IFRS 16 led to a shift from other administrative expenses to depreciation. On the other hand, deposit insurance fees were up € 12 million – above all in Russia. Aside from the impact of the first-time application of IFRS 16, changes in the useful lives of tangible fixed assets in Ukraine were largely responsible for the increase in depreciation. The cost/income ratio rose slightly from 41.3 per cent to 41.5 per cent.

### Other result

The other result was minus € 17 million in the reporting period compared to minus € 11 million in the previous year. The decline was largely attributable to the increase of € 6 million in impairment losses on non-financial assets, notably on real estate in Russia.

### Impairment losses on financial assets

In the reporting period, impairment losses of € 59 million were recognized, compared to € 32 million in the corresponding period of the previous year. Russia reported an increase in impairment losses of € 11 million to € 68 million as a result of strong growth in lending to retail and corporate customers. In Ukraine, the net release of loan loss provisions fell from € 20 million to € 10 million. In Belarus, impairment losses were below € 1 million in the reporting period, compared to a net release of € 5 million in the previous year. Higher sales of non-performing loans in the corresponding period of 2018 were mainly responsible for the decreases.

As at 31 December 2019, the segment's NPE ratio was 2.0 per cent (down 0.9 percentage points year-on-year), while the NPE coverage ratio was 60.0 per cent (down 1.8 percentage points year-on-year).

### Income taxes

The segment's tax expense was up € 34 million to € 205 million. This was mainly attributable to the € 27 million increase in the tax expense in Russia to € 145 million, reflecting both a higher profit and tax payments relating to previous periods. The € 5 million rise in the tax expense in Belarus to € 22 million resulted from higher tax-exempt income in the previous year. The segment's tax rate was up 2 percentage points to 22 per cent.

Detailed results of individual countries in the segment:

| | Belarus | | Russia | | Ukraine | |
|---|---|---|---|---|---|---|
| **in € million** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| Net interest income | 103 | 90 | 789 | 712 | 250 | 220 |
| Dividend income | 0 | 0 | 1 | 1 | 0 | 0 |
| Net fee and commission income | 57 | 49 | 394 | 324 | 106 | 92 |
| Net trading income and fair value result | 3 | 6 | 15 | 21 | 14 | 7 |
| Other net operating income | (6) | 0 | 2 | 2 | 8 | 5 |
| **Operating income** | **157** | **146** | **1,202** | **1,060** | **378** | **324** |
| General administrative expenses | (74) | (69) | (474) | (427) | (173) | (135) |
| **Operating result** | **83** | **76** | **728** | **633** | **205** | **189** |
| Other result | 0 | 0 | (17) | (2) | 0 | (8) |
| Levies and special governmental measures | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses on financial assets | 0 | 5 | (68) | (57) | 10 | 20 |
| **Profit/loss before tax** | **82** | **82** | **643** | **573** | **215** | **201** |
| Income taxes | (22) | (17) | (145) | (118) | (38) | (36) |
| **Profit/loss after tax** | **61** | **65** | **498** | **455** | **177** | **164** |
| | | | | | | |
| Return on equity before tax | 23.1% | 26.3% | 32.7% | 36.8% | 57.8% | 81.0% |
| Return on equity after tax | 17.1% | 20.8% | 25.3% | 29.2% | 47.5% | 66.3% |
| Net interest margin (average interest-bearing assets) | 5.74% | 6.11% | 5.11% | 5.77% | 10.83% | 11.49% |
| Cost/income ratio | 47.1% | 47.5% | 39.4% | 40.3% | 45.8% | 41.6% |
| Loan/deposit ratio | 85.8% | 88.7% | 85.4% | 79.4% | 72.8% | 85.2% |
| Provisioning ratio (average loans to customers) | (0.07)% | (0.72)% | 0.67% | 0.72% | (0.64)% | (1.47)% |
| NPE ratio | 1.6% | 2.5% | 1.5% | 2.0% | 5.2% | 8.6% |
| NPE coverage ratio | 83.2% | 82.4% | 55.1% | 53.7% | 63.9% | 68.7% |
| Assets | 2,088 | 1,755 | 18,178 | 14,092 | 3,139 | 2,347 |
| Risk-weighted assets (total RWA) | 1,749 | 1,534 | 10,266 | 8,365 | 3,039 | 2,361 |
| Equity | 394 | 343 | 2,496 | 1,818 | 523 | 392 |
| Loans to customers | 1,274 | 1,073 | 11,344 | 8,519 | 1,848 | 1,525 |
| Deposits from customers | 1,504 | 1,227 | 13,696 | 10,880 | 2,512 | 1,794 |
| Business outlets | 86 | 87 | 154 | 191 | 492 | 501 |
| Employees as at reporting date (full-time equivalents) | 1,746 | 1,829 | 8,819 | 8,998 | 7,791 | 7,923 |
| Customers in million | 0.8 | 0.8 | 3.3 | 2.8 | 2.5 | 2.5 |

# Group Corporates & Markets

| in € million | 2019 | 2018 | Change | Q4/2019 | Q3/2019 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 598 | 534 | 11.9% | 143 | 160 | (10.9)% |
| Dividend income | 17 | 24 | (31.5)% | 2 | 1 | 47.7% |
| Current income from investments in associates[1] | 1 | 14 | (93.9)% | 0 | 1 | – |
| Net fee and commission income | 394 | 371 | 6.4% | 118 | 97 | 21.7% |
| Net trading income and fair value result | 35 | 22 | 55.9% | 20 | 15 | 41.2% |
| Net gains/losses from hedge accounting | 0 | 0 | >500.0% | 0 | 0 | – |
| Other net operating income | 130 | 142 | (8.6)% | 45 | 26 | 73.2% |
| **Operating income** | **1,176** | **1,109** | **6.0%** | **327** | **299** | **9.5%** |
| General administrative expenses | (700) | (647) | 8.1% | (195) | (162) | 20.4% |
| **Operating result** | **476** | **461** | **3.2%** | **133** | **137** | **(3.3)%** |
| Other result[1] | (31) | (13) | 130.7% | (32) | (2) | >500.0% |
| Levies and special governmental measures | (21) | (22) | (5.4)% | (5) | (5) | 10.6% |
| Impairment losses on financial assets | (64) | 62 | – | (38) | (5) | >500.0% |
| **Profit/loss before tax** | **361** | **488** | **(26.1)%** | **57** | **126** | **(54.5)%** |
| Income taxes | (78) | (95) | (18.2)% | (11) | (30) | (64.4)% |
| **Profit/loss after tax** | **283** | **393** | **(28.1)%** | **47** | **96** | **(51.3)%** |
| | | | | | | |
| Return on equity before tax | 9.4% | 14.1% | (4.7) PP | 6.0% | 13.0% | (7.0) PP |
| Return on equity after tax | 7.4% | 11.4% | (4.0) PP | 4.9% | 9.9% | (5.0) PP |
| Net interest margin (average interest-bearing assets) | 1.23% | 1.28% | (0.05) PP | 1.10% | 1.24% | (0.14) PP |
| Cost/income ratio | 59.5% | 58.4% | 1.1 PP | 59.5% | 54.1% | 5.4 PP |
| Loan/deposit ratio | 147.6% | 147.1% | 0.5 PP | 147.6% | 163.6% | (16.1) PP |
| Provisioning ratio (average loans to customers) | 0.57% | (1.53)% | 2.10 PP | 0.47% | 0.09% | 0.38 PP |
| NPE ratio | 1.7% | 2.4% | (0.7) PP | 1.7% | 1.9% | (0.2) PP |
| NPE coverage ratio | 55.9% | 54.1% | 1.8 PP | 55.9% | 55.4% | 0.5 PP |
| Assets | 53,706 | 44,488 | 20.7% | 53,706 | 55,974 | (4.1)% |
| Risk-weighted assets (total RWA) | 24,581 | 22,683 | 8.4% | 24,581 | 24,267 | 1.3% |
| Average equity | 3,842 | 3,457 | 11.1% | 3,835 | 3,874 | (1.0)% |
| Loans to customers | 29,720 | 26,953 | 10.3% | 29,720 | 30,829 | (3.6)% |
| Deposits from customers | 27,601 | 23,020 | 19.9% | 27,601 | 26,472 | 4.3% |
| Business outlets | 23 | 22 | 4.5% | 23 | 23 | 0.0% |
| Employees as at reporting date (full-time equivalents) | 2,908 | 2,879 | 1.0% | 2,908 | 2,894 | 0.5% |
| Customers in million | 2.0 | 2.1 | (7.4)% | 2.0 | 2.0 | (0.3)% |

1 The current income from investments in associates previously reported in other result is now shown in a separate item.

## Segment performance

The € 110 million decrease in profit after tax in the Group Corporates & Markets segment mainly related to material one-off effects in the comparable period, including net releases of loan loss provisions in the Corporates Vienna sub-segment totaling € 37 million as a result of inflows and successful recoveries. The Markets Vienna sub-segment benefited in the previous year from € 50 million in releases of provisions following a positive court ruling for RBI in Iceland and from € 11 million in proceeds from the sale of registered bonds. Impairments in the amount of € 64 million were booked in the reporting period.

The Group Corporates & Markets segment encompasses RBI's operating business booked in Austria. The contributions to profit come from the corporate customer and markets business of head office, with further significant contributions from the Austrian specialized financial institution subsidiaries. The following table shows the main profit contributions by sub-segment:

| in € million | 2019 | 2018 | Change | Q4/2019 | Q3/2019 | Change |
|---|---|---|---|---|---|---|
| Corporates Vienna | 134 | 167 | (19.7)% | 12 | 47 | (74.7)% |
| Markets Vienna | 82 | 112 | (26.6)% | 20 | 21 | (6.8)% |
| Specialized financial institution subsidiaries and other | 66 | 114 | (41.7)% | 15 | 27 | (45.5)% |
| **Profit/loss after tax** | **283** | **393** | **(28.1)%** | **47** | **96** | **(51.3)%** |

### Operating income

Despite income being negatively impacted by the persistent low interest rate environment and pressure on loan margins in the Corporates Vienna sub-segment, expansion of business volumes and strong cross-selling of bank products and services resulted in higher operating income. Alongside traditional credit business, significant contributions came in particular from structured project and acquisition financing, real estate financing, the export and trade financing business and transaction banking.

Segment net interest income was up 12 per cent year-on-year, or € 64 million, to € 598 million. This was mainly due to a volume-related increase in lending (project and export financing) in the Corporates Vienna sub-segment. The segment's net interest margin decreased 5 basis points to 1.23 per cent as a consequence of lower market interest rates combined with an increase in average interest-bearing assets.

Dividend income decreased € 8 million, mainly due to the dividend payment from an unconsolidated leasing company in the previous year's period.

Net fee and commission income increased 6 per cent, or € 24 million, to € 394 million. Higher fee and commission income was reported at head office, primarily in corporate lending and cash management, as well as in the institutional investor business. There was also a volume-related increase in income from asset management. In the debt capital markets business, head office benefited significantly from the positive market developments and consolidated its key position in the issuance of Schuldschein loans and senior bonds. Alongside the good results from clearing, settlement and payment services, the entire capital markets business was also a growth driver, including new bond issues, related securities sales, customer currency trading, securities lending and asset-based finance. Growth was likewise steady in the investment fund business and the custody business, and higher income was generated by asset management due to volumes.

The net trading income and fair value result increased € 12 million year-on-year, reflecting better results from bond and banknote trading, as well as from currency translation. Bond trading generated a record result in 2019. This was due to increased eurobond trading activity in Austria and Eastern Europe. Despite historically low FX volatility, currency trading delivered satisfactory performance for the year and further increased the proportion of business accounted for by electronic trading.

Other net operating income was down € 12 million to € 130 million. In the previous year, there was income of € 25 million in the Markets Vienna sub-segment from the release of a provision in connection with the termination of a long-standing legal dispute with an Icelandic bank; the Raiffeisen Leasing Group generated income of € 12 million from residential construction in the reporting period.

### General administrative expenses

The segment’s general administrative expenses rose 8 per cent, or € 52 million, to € 700 million. The increase primarily resulted from a € 44 million rise in staff expenses, due among other things to the higher headcount and the allocation of a restructuring provision at head office. The cost/income ratio in the segment rose to 59.5 per cent.

### Other result

The other result came to minus € 31 million, compared to minus € 13 million in the previous year. This was mainly due to a € 24 million increase in impairment losses on non-financial assets to € 27 million, primarily on property owned by an Italian leasing company. A provision in the amount of € 4 million was recognized for German property transfer tax resulting from corporate reorganizations in previous years, which was related to the acquisition of shares in Raiffeisen Leasing Group in 2012 and 2013. In contrast, there was a € 9 million higher result from the disposal of Group assets.

### Impairment losses on financial assets

Impairments of € 64 million were booked in the reporting period, relating to individual cases in the large corporates business; this compared to net releases of loan loss provisions in the amount of € 62 million due to inflows and recoveries in the previous year’s period. The figure for the previous year also included a net release in the amount of € 25 million relating to an Icelandic bank in the Markets Vienna sub-segment.

The segment's NPE ratio was 1.7 per cent as at 31 December 2019. The NPE coverage ratio was 55.9 per cent.

### Income taxes

Income tax expense decreased € 17 million to € 78 million, mainly due to the lower profit.

# Corporate Center

| in € million | 2019 | 2018 | Change | Q4/2019 | Q3/2019 | Change |
|---|---|---|---|---|---|---|
| Net interest income | (87) | (32) | 174.7% | (13) | (43) | (69.1)% |
| Dividend income | 747 | 735 | 1.6% | 16 | 42 | (61.6)% |
| Current income from investments in associates[1] | 166 | 61 | 173.0% | 120 | 12 | >500.0% |
| Net fee and commission income | (14) | (9) | 68.0% | (13) | (2) | 461.5% |
| Net trading income and fair value result | (80) | (95) | (16.5)% | (9) | (7) | 31.0% |
| Net gains/losses from hedge accounting | 7 | 0 | >500.0% | 6 | (4) | – |
| Other net operating income | 95 | 87 | 9.1% | 29 | 27 | 4.5% |
| **Operating income** | **834** | **747** | **11.5%** | **135** | **24** | **449.7%** |
| General administrative expenses | (353) | (344) | 2.6% | (87) | (82) | 6.1% |
| **Operating result** | **481** | **404** | **19.1%** | **47** | **(58)** | **–** |
| Other result[1] | (66) | (221) | (70.1)% | (44) | (26) | 70.6% |
| Levies and special governmental measures | (57) | (52) | 9.4% | 1 | 1 | 89.6% |
| Impairment losses on financial assets | (2) | (5) | (59.1)% | (3) | 5 | – |
| **Profit/loss before tax** | **356** | **125** | **183.5%** | **2** | **(78)** | **–** |
| Income taxes | 66 | 85 | (22.2)% | 13 | 27 | (50.7)% |
| **Profit/loss after tax** | **422** | **211** | **100.4%** | **15** | **(51)** | **–** |
| | | | | | | |
| Assets | 31,549 | 35,331 | (10.7)% | 31,549 | 30,987 | 1.8% |
| Risk-weighted assets (total RWA) | 13,333 | 16,259 | (18.0)% | 13,333 | 13,968 | (4.5)% |
| Average equity | 2,361 | 2,528 | (6.6)% | 2,394 | 2,496 | (4.1)% |
| Loans to customers | 4,043 | 3,038 | 33.1% | 4,043 | 5,360 | (24.6)% |
| Deposits from customers | 1,464 | 4,381 | (66.6)% | 1,464 | 637 | 129.9% |
| Business outlets | – | – | – | – | – | – |
| Employees as at reporting date (full-time equivalents) | 1,214 | 1,112 | 9.2% | 1,214 | 1,215 | (0.1)% |
| Customers in million | 0.0 | 0.0 | (23.3)% | 0.0 | 0.0 | (12.7)% |

1 The current income from investments in associates previously reported in other result is now shown in a separate item.

## Segment performance

This segment essentially comprises net income from the head office's governance functions and from equity participations. Its results are therefore generally more volatile, with the vast majority relating to intra-Group transactions and consequently having no impact on consolidated profit. The € 211 million improvement in profit in the reporting period primarily related to the loss of € 184 million recognized in the previous year from the sale of the Polish core banking operations and from the recycling of accumulated exchange rate differences and to € 86 million higher operating income driven by current income from associates (up € 105 million).

For the implementation of the funding plan in 2019, in addition to long-term deposits, Group Treasury once again made increased use of benchmark-sized international bonds in various formats. A successful € 500 million Tier 2 issue in September accompanied by an offer to buy back an existing bond was followed by a € 750 million senior green bond, also in September, and a € 500 million covered bond in November. The covered bond is mortgage-backed and the first publicly placed bond of this type issued by RBI. Head office covered the remaining requirement with small unsecured private placements. The total volume of multi-year deposits taken in and issuances amounted to around € 4.5 billion and had a weighted maturity of approximately 6 years. At year-end 2019, the total volume of outstanding issued unsecured bonds excluding additional tier 1 capital amounted to approximately € 7.1 billion.

### Operating income

Net interest income decreased € 55 million year-on-year to minus € 87 million. The reduction was mostly due to lower investment income from excess liquidity and lower income from intra-Group lending, partly offset by lower refinancing costs. A reclassification of hedge accounting income also contributed to the reduction in net interest income.

Current income from investments in associates increased € 105 million to € 166 million and related to Raiffeisen Informatik GmbH & Co KG (R-IT) due to a valuation gain on a listed equity interest. R-IT, in which RBI AG indirectly holds just under 47 per cent, sold its 100 per cent stake in Comparex AG to SoftwareONE Holding AG (SWO), a Swiss software company, at the start of the year. In the course of the sale, R-IT received 14.6 per cent of the share capital in SWO among other things. R-IT sold a portion of its SWO share capital on the Swiss stock exchange at the end of October 2019 and reduced its holding to 7.9 per cent.

The net trading income and fair value result improved € 16 million year-on-year to minus € 80 million, mostly driven by higher valuation results on derivatives.

Other net operating income increased € 8 million to € 95 million, primarily as a result of the sale of debt securities at head office.

### General administrative expenses

The segment's general administrative expenses rose 3 per cent, or € 9 million, to € 353 million, mainly due to higher IT expense and the allocation of a restructuring provision at head office.

### Other result

The other result came to minus € 66 million, compared to minus € 221 million in the comparable period of the previous year. This substantial improvement year-on-year primarily related to the loss of € 120 million recognized in the previous year from the sale of the Polish core banking operations and of € 64 million from the recycling of accumulated exchange rate differences, and to the profit of € 50 million realized in the reporting period from the sale of a property in Slovakia.

Impairments on investments in companies valued at equity were recognized in the amount of € 96 million in the reporting period (an increase of € 76 million), primarily on interests in Raiffeisen Informatik GmbH, UNIQA Insurance Group AG and the Slovakian building society. A provision in the amount of € 23 million was recognized for German property transfer tax resulting from corporate reorganizations in previous years. This related to the merger of Raiffeisen Zentralbank and Raiffeisen Bank International in 2017.

### Levies and expenses from special governmental measures

The expense for levies and special governmental measures reported in the segment increased € 5 million to € 57 million. At € 47 million, the expenses for bank levies remained almost unchanged compared to the same period in the previous year. The € 163 million one-off payment stipulated by law for the Austrian bank levy is spread over four years – with € 41 million booked in the reporting period – and is allocated to the Corporate Center segment. The head office contributions to the resolution fund allocated to the segment increased € 5 million to € 10 million.

### Income taxes

Tax income of € 66 million was posted in the reporting period, compared to income of € 85 million in the same period of the previous year.

# Consolidated financial statements

| | |
|---|---|
| Statement of comprehensive income | 89 |
| Statement of financial position | 91 |
| Statement of changes in equity | 92 |
| Statement of cash flows | 93 |
| Segment reporting | 95 |
| Notes | 102 |
| Notes to the financial instruments | 142 |
| Risk report | 178 |
| Other disclosures | 211 |
| Regulatory information | 244 |
| Recognition and measurement principles | 248 |
| Key figures | 272 |
| Events after the reporting date | 274 |
| Statement of all legal representatives | 275 |
| Auditor's report | 276 |

# Company

Raiffeisen Bank International AG (RBI AG) is registered in the commercial register of the Commercial Court of Vienna under FN 122119m. Its address is Am Stadtpark 9, 1030 Vienna.

RBI's home market consists of Austria, where it does business as a leading commercial and investment bank, as well as Central and Eastern Europe (CEE). As at the balance sheet date, subsidiary banks cover 13 markets in CEE. The Group also contains many other financial service companies specializing in sectors such as leasing, clearing, settlement and payment services and asset management. In total, RBI's nearly 47,000 employees serve 16.7 million clients at more than 2,000 business outlets located mostly in CEE.

Since the company's shares are traded on a regulated market as defined in Section 1 (2) of the Austrian Stock Market Act (BörseG) (prime market of the Vienna Stock Exchange) and numerous RBI AG issues are listed on a regulated market in the EU, RBI AG is required by Section 59a of the Austrian Banking Act (BWG) to prepare consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs). The eight regional Raiffeisen banks are core shareholders that collectively hold approximately 58.8 per cent of the shares, with the remaining shares in free float.

As a credit institution within the meaning of Section 1 of the Austrian Banking Act, RBI AG is subject to regulatory supervision by the Financial Market Authority located at Otto-Wagner-Platz 5, A-1090 Vienna (www.fma.gv.at) and the European Central Bank located at Sonnemannstraße 22, D-60314 Frankfurt am Main (www.bankingsupervision.europa.eu).

The consolidated financial statements are lodged with the Companies Register in accordance with Austrian disclosure regulations and published in the official journal of the Wiener Zeitung. They were signed by the Management Board on 28 February 2020 and subsequently submitted for the notice of the Supervisory Board.

The disclosures required under Article 434 of EU Regulation No 575/2013 on prudential requirements for credit institutions (Capital Requirements Regulation, CRR) are published on the Internet on the Bank's website at investor.rbinternational.com.

# Statement of comprehensive income

## Income statement

| in € thousand | Notes | 2019 | 2018 |
|---|---|---|---|
| Net interest income | [1] | 3,412,067 | 3,361,746 |
| Interest income according to effective interest method | | 4,412,702 | 4,083,370 |
| Interest income other | | 636,841 | 705,150 |
| Interest expenses | | (1,637,476) | (1,426,774) |
| Dividend income | [2] | 31,282 | 51,289 |
| Current income from investments in associates[1] | [3] | 171,198 | 79,767 |
| Net fee and commission income | [4] | 1,796,503 | 1,791,290 |
| Fee and commission income | | 2,636,605 | 2,545,199 |
| Fee and commission expenses | | (840,102) | (753,909) |
| Net trading income and fair value result | [5] | (17,165) | 16,890 |
| Net gains/losses from hedge accounting | [6] | 3,166 | (11,182) |
| Other net operating income | [7] | 78,298 | 87,523 |
| **Operating income** | | **5,475,349** | **5,377,325** |
| Staff expenses | | (1,610,041) | (1,579,673) |
| Other administrative expenses | | (1,094,115) | (1,178,070) |
| Depreciation | | (388,910) | (290,019) |
| **General administrative expenses** | **[8]** | **(3,093,066)** | **(3,047,762)** |
| **Operating result** | | **2,382,284** | **2,329,563** |
| Other result[1] | [9] | (219,030) | (240,634) |
| Levies and special governmental measures | [10] | (162,494) | (169,921) |
| Impairment losses on financial assets | [11] | (233,974) | (165,677) |
| **Profit/loss before tax** | | **1,766,786** | **1,753,331** |
| Income taxes | [12] | (402,186) | (355,377) |
| **Profit/loss after tax** | | **1,364,600** | **1,397,954** |
| Profit attributable to non-controlling interests | [31] | (137,565) | (128,116) |
| **Consolidated profit/loss** | | **1,227,035** | **1,269,838** |

1 The current income from investments in associates previously reported in other result is now shown in a separate item.

Consolidated return on equity amounted to 11.0 per cent in the financial year (2018: 12.6 per cent). It fell 1.6 percentage points due to a 10 per cent increase in the average equity base.

## Earnings per share

| in € thousand | 2019 | 2018 |
|---|---|---|
| Consolidated profit/loss | 1,227,035 | 1,269,838 |
| Dividend claim on additional tier 1 | (62,313) | (60,833) |
| **Profit/loss attributable to ordinary shares** | **1,164,722** | **1,209,005** |
| Average number of ordinary shares outstanding in thousand | 328,617 | 328,595 |
| **Earnings per share in €** | **3.54** | **3.68** |

As no conversion rights or options were outstanding, no dilution of earnings per share occurred. The dividend on additional tier 1 capital is calculated; the effective payment is based on the decision of the Board at the respective payment date.

## Other comprehensive income and total comprehensive income

| in € thousand | Notes | 2019 | 2018 |
|---|---|---|---|
| **Profit/loss after tax** | | **1,364,600** | **1,397,954** |
| **Items which are not reclassified to profit or loss** | | **75,736** | **19,233** |
| Remeasurements of defined benefit plans | [28] | (19,367) | (27,047) |
| Fair value changes of equity instruments | [15] | 97,447 | 30,243 |
| Fair value changes due to changes in credit risk of financial liabilities | [25] | (21,766) | 33,692 |
| Share of other comprehensive income from companies valued at equity | [20] | 29,306 | (19,413) |
| Deferred taxes on items which are not reclassified to profit or loss | [22, 29] | (9,885) | 1,758 |
| **Items that may be reclassified subsequently to profit or loss** | | **330,358** | **(199,796)** |
| Exchange differences | | 331,916 | (230,243) |
| Hedge of net investments in foreign operations | [19, 27] | (51,089) | 56,858 |
| Adaptions to the cash flow hedge reserve | [19, 27] | 3,324 | 9,435 |
| Fair value changes of financial assets | [15] | 49,388 | (30,601) |
| Share of other comprehensive income from companies valued at equity | [20] | 1,328 | (7,163) |
| Deferred taxes on items which may be reclassified to profit or loss | [22, 29] | (4,510) | 1,919 |
| **Other comprehensive income** | | **406,093** | **(180,563)** |
| **Total comprehensive income** | | **1,770,693** | **1,217,391** |
| Profit attributable to non-controlling interests | [31] | (169,462) | (133,929) |
| hereof income statement | [31] | (137,565) | (128,116) |
| hereof other comprehensive income | | (31,897) | (5,813) |
| **Profit/loss attributable to owners of the parent** | | **1,601,232** | **1,083,462** |

IAS 19 requires remeasurements of defined benefit plans to be shown in other comprehensive income. This resulted in other comprehensive income of minus € 19,367 thousand in the reporting year (2018: minus, € 27,047 thousand), which was primarily attributable to a change in the discount rate while the previous year's rise was the result of adjustments made to the mortality tables.

The changes in the fair value of equity instruments recognized in other comprehensive income resulted in a positive contribution of € 97,447 thousand (2018: € 30,243 thousand) and was principally attributable to participations in the real estate sector. The changes in value of financial assets led to an additional result of € 49,388 thousand (2018: minus € 30,601 thousand). Changes in equity of companies valued at equity totaling € 29,306 thousand (2018: minus € 19,413 thousand) mainly relate to UNIQA Insurance Group AG, Vienna. They largely consist of valuation changes in the securities portfolio used for liquidity management.

The changes in the fair value of designated liabilities caused by a change in the default risk of RBI amounted to minus € 21,766 thousand in the reporting period (2018: € 33,692 thousand). The difference between the current fair value of these designated liabilities and the amounts contractually required to be paid at maturity was € 395,118 thousand (2018: € 404,000 thousand). There have been no significant transfers within equity or derecognition of liabilities designated at fair value in the reporting period.

Currency developments led to a positive effect of € 331,916 thousand in the financial year (2018: minus € 230,243 thousand). The 14 per cent appreciation of the Russian ruble produced a positive effect of € 268,799 thousand. The 19 per cent appreciation of the Ukrainian hryvnia led to an additional gain of € 72,413 thousand. On the other hand, the Romanian leu depreciated 2 per cent, resulting in a decrease of € 24,402 thousand. The 3 per cent depreciation of the Hungarian forint resulted in an additional decrease of € 18,891 thousand.

The capital hedge for foreign activities comprises hedges for investments in economically independent sub-units. A negative result of € 51,089 thousand resulting from the appreciation of the Russian ruble was posted in the financial year. The previous year had a positive result of € 56,858 thousand driven in part by the reclassification through profit or loss of the hedge attributable to the sale of the Polish core banking operations. Cash flow hedging has been applied in addition to fair value hedging at four Group units to hedge against interest rate risk. In the financial year, this led to a positive result of € 3,324 thousand (2018: € 9,435 thousand). The sale of the Polish core banking operations in the previous reporting period resulted in the termination of the existing portfolio cash flow hedges. These hedged cash flow fluctuations from foreign currency loans and deposits in local currency by means of foreign currency interest rate swaps. The termination had a neutral effect on capital but resulted in the reclassification through profit and loss of the cash flow hedge reserve of minus € 13,417 thousand recognized in other comprehensive income in previous periods.

# Statement of financial position

## Assets

| Assets<br>in € thousand | Notes | 2019 | 2018 |
|---|---|---|---|
| Cash, cash balances at central banks and other demand deposits | [13, 44] | 24,289,265 | 22,557,484 |
| Financial assets - amortized cost | [14, 44] | 110,285,060 | 98,755,774 |
| Financial assets - fair value through other comprehensive income | [15, 32, 44] | 4,781,356 | 6,489,016 |
| Non-trading financial assets - mandatorily fair value through profit/loss | [16, 32, 44] | 775,937 | 559,782 |
| Financial assets - designated fair value through profit/loss | [17, 32, 44] | 2,275,832 | 3,192,115 |
| Financial assets - held for trading | [18, 32, 44] | 4,182,372 | 3,893,609 |
| Hedge accounting | [19, 44] | 397,155 | 457,202 |
| Investments in subsidiaries and associates | [20, 44] | 1,106,539 | 964,213 |
| Tangible fixed assets | [21, 44] | 1,828,929 | 1,384,277 |
| Intangible fixed assets | [21, 44] | 757,435 | 692,897 |
| Current tax assets | [22, 44] | 61,272 | 56,820 |
| Deferred tax assets | [22, 44] | 143,764 | 122,371 |
| Other assets | [23, 44] | 1,314,589 | 989,594 |
| **Total** | | **152,199,504** | **140,115,155** |

## Equity and liabilities

| Equity and liabilities<br>in € thousand | Notes | 2019 | 2018 |
|---|---|---|---|
| Financial liabilities - amortized cost | [24, 44] | 128,764,416 | 119,074,098 |
| Financial liabilities - designated fair value through profit/loss | [25, 32, 44] | 1,842,725 | 1,931,076 |
| Financial liabilities - held for trading | [26, 32, 44] | 5,788,811 | 5,101,835 |
| Hedge accounting | [27, 44] | 246,450 | 91,049 |
| Provisions for liabilities and charges | [28, 44] | 1,082,731 | 855,922 |
| Current tax liabilities | [29, 44] | 30,549 | 41,376 |
| Deferred tax liabilities | [29, 44] | 38,017 | 59,702 |
| Other liabilities | [30, 44] | 640,822 | 546,740 |
| Equity | [31, 44] | 13,764,983 | 12,413,358 |
| Consolidated equity | | 11,817,337 | 10,587,140 |
| Non-controlling interests | | 811,001 | 700,807 |
| Additional tier 1 | | 1,136,645 | 1,125,411 |
| **Total** | | **152,199,504** | **140,115,155** |

# Statement of changes in equity

## Changes in equity

| in € thousand | Subscribed capital | Capital reserves | Retained earnings | Cumulative other comprehensive income | Consolidated equity | Non-controlling interests | Additional tier 1 | Total |
|---|---|---|---|---|---|---|---|---|
| **Equity as at 1/1/2018** | **1,002,061** | **4,991,797** | **6,588,539** | **(2,807,735)** | **9,774,662** | **652,634** | **644,615** | **11,071,912** |
| Capital increases | 0 | 0 | 0 | 0 | 0 | 0 | 496,296 | 496,296 |
| Allocation dividend - AT1 | 0 | 0 | (59,870) | 0 | (59,870) | 0 | 59,870 | 0 |
| Dividend payments | 0 | 0 | (203,743) | 0 | (203,743) | (78,944) | (59,870) | (342,557) |
| Own shares | 222 | 0 | (265) | 0 | (43) | 0 | (15,499) | (15,542) |
| Other changes | 0 | 0 | (7,328) | 0 | (7,328) | (6,813) | 0 | (14,141) |
| Total comprehensive income | 0 | 0 | 1,269,838 | (186,376) | 1,083,462 | 133,929 | 0 | 1,217,391 |
| **Equity as at 31/12/2018** | **1,002,283** | **4,991,797** | **7,587,171** | **(2,994,112)** | **10,587,140** | **700,807** | **1,125,411** | **12,413,358** |
| Capital increases | 0 | 0 | 0 | 0 | 0 | 7,549 | 0 | 7,549 |
| Allocation dividend - AT1 | 0 | 0 | (62,164) | 0 | (62,164) | 0 | 62,164 | 0 |
| Dividend payments | 0 | 0 | (305,614) | 0 | (305,614) | (60,457) | (62,164) | (428,235) |
| Own shares | 0 | 0 | 0 | 0 | 0 | 0 | 11,327 | 11,327 |
| Other changes | 0 | 0 | (3,256) | 0 | (3,256) | (6,360) | (93) | (9,709) |
| Total comprehensive income | 0 | 0 | 1,227,035 | 374,197 | 1,601,232 | 169,462 | 0 | 1,770,693 |
| **Equity as at 31/12/2019** | **1,002,283** | **4,991,797** | **8,443,172** | **(2,619,915)** | **11,817,337** | **811,001** | **1,136,645** | **13,764,983** |

## Development of cumulative other comprehensive income

The following table contains the cumulative other comprehensive income of the consolidated equity; non-controlling interests are not included:

| in € thousand | Remeasurements reserve acc. to IAS 19 | Exchange differences | Net investment hedge | Cash flow hedge | At fair value OCI |
|---|---|---|---|---|---|
| **As at 1/1/2018** | **609** | **(2,840,002)** | **52,987** | **(8,019)** | **69,651** |
| Unrealized net gains/losses of the period | (27,032) | 0 | 0 | 0 | 30,113 |
| Items that may be reclassified subsequently to profit or loss | 0 | (300,261) | 42,988 | (5,731) | (27,989) |
| Net gains/losses reclassified to income statement | 0 | 63,495 | 13,869 | 13,417 | 0 |
| **As at 31/12/2018** | **(26,423)** | **(3,076,768)** | **109,845** | **(334)** | **71,774** |
| Unrealized net gains/losses of the period | (19,318) | 0 | 0 | 0 | 92,360 |
| Items that may be reclassified subsequently to profit or loss | 0 | 316,172 | (51,089) | 3,101 | 44,576 |
| Net gains/losses reclassified to income statement | 0 | (8,077) | 0 | 0 | 0 |
| **As at 31/12/2019** | **(45,741)** | **(2,768,673)** | **58,756** | **2,767** | **208,710** |
| hereof related deferred taxes | 1,432 | – | 0 | (2,154) | (17,064) |

| in € thousand | Fair value option | At equity | Deferred taxes | Total |
|---|---|---|---|---|
| **As at 1/1/2018** | **(79,957)** | **2,837** | **(5,841)** | **(2,807,735)** |
| Unrealized net gains/losses of the period | 33,692 | (19,413) | 1,843 | 19,202 |
| Items that may be reclassified subsequently to profit or loss | 0 | (7,163) | 1,797 | (296,360) |
| Net gains/losses reclassified to income statement | 0 | 0 | 0 | 90,781 |
| **As at 31/12/2018** | **(46,265)** | **(23,739)** | **(2,202)** | **(2,994,112)** |
| Unrealized net gains/losses of the period | (21,766) | 29,306 | (8,838) | 71,744 |
| Items that may be reclassified subsequently to profit or loss | 0 | 1,328 | (3,558) | 310,530 |
| Net gains/losses reclassified to income statement | 0 | 0 | 0 | (8,077) |
| **As at 31/12/2019** | **(68,031)** | **6,895** | **(14,598)** | **(2,619,915)** |
| hereof related deferred taxes | 0 | 3,188 | – | (14,598) |

# Statement of cash flows

| in € thousand | Notes | 2019 | 2018 |
|---|---|---|---|
| **Cash, cash balances at central banks and other demand deposits as at 1/1** | **[13]** | **22,557,484** | **16,905,455** |
| **Operating activities:** | | | |
| Profit/loss before tax | | 1,766,786 | 1,753,331 |
| **Adjustments for the reconciliation of profit/loss after tax to the cash flow from operating activities:** | | | |
| Depreciation, amortization, impairment and reversal of impairment of non-financial assets | [8, 9, 11] | 448,191 | 310,816 |
| Net provisioning for liabilities and charges and impairment losses on financial assets | [7, 11, 28] | 337,787 | 147,892 |
| Gains/losses from the measurement and derecognition of assets and liabilities | [9] | 272,443 | 443,056 |
| Gains/losses from companies valued at equity | [3] | (171,198) | (63,565) |
| Other adjustments (net)[1] | | (3,549,103) | (3,462,742) |
| **Subtotal** | | **(895,094)** | **(871,212)** |
| **Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:** | | | |
| Financial assets - amortized cost | [14] | (7,695,175) | (7,810,946) |
| Financial assets - fair value through other comprehensive income | [15, 32] | 1,865,421 | (1,942,235) |
| Non-trading financial assets - mandatorily fair value through profit/loss | [16, 32] | (206,117) | (366,265) |
| Financial assets - designated fair value through profit/loss | [17, 32] | 915,884 | 1,352,670 |
| Financial assets - held for trading | [18, 32] | (427,027) | 107,136 |
| Positive fair values from hedge accounting | [19] | 0 | 687 |
| Tax assets | [22] | (45,784) | 55,885 |
| Other assets | [23] | (152,662) | 304,866 |
| Financial liabilities - amortized cost | [24] | 8,126,348 | 13,955,543 |
| Financial liabilities - designated fair value through profit/loss | [25, 32] | (83,425) | (394,125) |
| Financial liabilities - held for trading | [26, 32] | 432,548 | 756,186 |
| Provisions for liabilities and charges | [28] | (153,143) | (159,242) |
| Tax liabilities | [29] | (243,428) | (197,961) |
| Other liabilities | [30] | (186,325) | (165,105) |
| Interest received | [1] | 4,706,518 | 4,192,865 |
| Interest paid | [1] | (1,490,484) | (1,277,091) |
| Dividends received | [2] | 71,891 | 96,984 |
| Income taxes paid | [12] | (86,592) | (71,685) |
| **Net cash from operating activities** | | **4,453,352** | **7,566,953** |
| **Investing activities:** | | | |
| Cash and cash equivalents from disposal of subsidiaries | | (28,521) | (941,564) |
| **Payments for purchase of:** | | | |
| Investment securities and shares | [14, 15, 16, 17, 20] | (6,605,884) | (3,019,609) |
| Tangible and intangible fixed assets | [21] | (568,866) | (313,721) |
| Subsidiaries | | 0 | (7,553) |
| **Proceeds from sale of:** | | | |
| Investment securities and shares | [14, 15, 16, 17, 20] | 4,920,170 | 2,159,737 |
| Tangible and intangible fixed assets | [21] | 57,462 | 124,152 |
| Subsidiaries | [9] | 72,558 | 749,360 |
| **Net cash from investing activities** | | **(2,153,081)** | **(1,249,197)** |
| **Financing activities:** | | | |
| Capital increases | | 0 | 496,296 |
| Inflows subordinated financial liabilities | [24, 25] | 606,690 | 0 |
| Outflows subordinated financial liabilities | [24, 25] | (636,303) | (684,452) |
| Dividend payments | | (428,235) | (342,557) |
| Inflows from changes in non-controlling interests | | 7,549 | 0 |
| **Net cash from financing activities** | | **(450,299)** | **(530,714)** |
| Effect of exchange rate changes | | (118,191) | (135,014) |
| **Cash, cash balances at central banks and other demand deposits as at 31/12** | **[13]** | **24,289,265** | **22,557,484** |

1 Other (net) adjustments mainly include the deduction of net interest income and dividend income; the corresponding cash flows are shown under the items interest received, interest paid and dividends received.

The statement of cash flows shows the structure and changes in cash and cash equivalents during the financial year and is broken down into three sections:

- Net cash from operating activities
- Net cash from investing activities
- Net cash from financing activities

Net cash from operating activities comprises inflows and outflows from principal revenue-producing activities of the company and other activities that are not investing or financing activities. When using the indirect method to determine capital flows from operating activities, the profit/loss before tax from the income statement is adjusted for non-cash components and cash related changes in assets and liabilities. In addition, the income and expense items attributable to investment or financing activities are deducted. The interest, dividend and tax payments from operating activities are separately stated in their own rows.

Net cash from investing activities shows inflows and outflows from financial investments, tangible and intangible fixed assets, proceeds from disposal of Group assets, and payments for acquisition of subsidiaries.

Net cash from financing activities consists of inflows and outflows of equity and subordinated capital. This primarily covers capital increases, dividend payments, and changes in subordinated capital.

Cash and cash equivalents comprise the item on the statement of financial position cash, cash balances at central banks and other demand deposits.

As RBI is a consolidated group consisting of multiple credit institutions, the informational value of the cash flow statement is regarded as low. The cash flow statement is not an instrument that can be deployed for liquidity or budget planning purposes, nor is it used as a management tool by RBI.

The following table shows the cash and non-cash effects according to IAS 7:

| **Subordinated financial liabilities in € thousand** | |
|---|---|
| **Carrying amount as at 1/1/2018** | **3,787,977** |
| Change in carrying amount | (637,175) |
| hereof cash | (684,452) |
| hereof effect of exchange rate changes | (81) |
| hereof changes of fair value | 47,358 |
| **Carrying amount as at 31/12/2018** | **3,150,801** |
| Change in carrying amount | (20,078) |
| hereof cash | (29,613) |
| hereof effect of exchange rate changes | (8,965) |
| hereof changes of fair value | 18,501 |
| **Carrying amount as at 31/12/2019** | **3,130,724** |

# Segment reporting

## Segment classification

### Segmentation principles

As a rule, internal management reporting at RBI is based on the current organizational structure. This matrix structure means that each member of the Management Board is responsible both for individual countries and for specific business activities (country and functional responsibility model). A cash generating unit (CGU) within the Group is a country. The presentation of the countries includes not only subsidiary banks, but all operating units of RBI in the respective countries (such as leasing companies). Accordingly, the RBI management bodies – Management Board and Supervisory Board – make key decisions that determine the resources allocated to any given segment based on its financial strength and profitability, which is why these reporting criteria are an essential component in the decision-making process. Segment classification is therefore also undertaken in accordance with IFRS 8. The reconciliation contains mainly the amounts resulting from the elimination of intra-group results and consolidation between the segments.

In order to achieve the maximum possible transparency and in the interest of clearer lines of reporting, five segments were defined in accordance with the IFRS 8 thresholds. IFRS 8 establishes a 10 per cent threshold for the key figures of operating income, profit after tax and segment assets.

The following segments resulted thereof:

**Central Europe**

This segment encompasses the most advanced banking markets in Central and Eastern Europe, namely the EU members, Czech Republic, Hungary, Poland, Slovakia and Slovenia. In Poland, RBI operated lending business with corporate customers as well as small and medium-sized enterprises (including factoring) and also retail banking and business with high net worth private customers until the sale of the Polish core banking operations in the fourth quarter of 2018. RBI is still present with a portfolio of retail foreign currency mortgage loans, but no longer runs new business. In Slovakia, RBI is active in the corporate and retail customer business, leasing, asset management and building society business. In retail business, Tatra banka is pursuing a multibrand strategy. In Slovenia, the Group has one leasing company. The business volume of the Slovenian leasing company has been reduced as scheduled. In the Czech Republic, RBI is engaged in the real estate leasing and building society business in addition to offering traditional banking services to corporate and retail customers. The focus is on broadening relationships with affluent customers. In Hungary, the Group provides services to retail and corporate customers via the bank's countrywide network. The focus is based on corporate customers and affluent retail customers.

**Southeastern Europe**

The Southeastern Europe segment comprises Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia. In these markets, RBI is represented by banks and leasing companies, as well as own capital management and asset management companies and pension funds in some markets. In Albania and Bulgaria, financial services are offered across all business areas. In Kosovo, RBI also offers a comprehensive product range. In Bosnia and Herzegovina, the emphasis is on small and medium-sized enterprises, while also including a wide range of products for retail customers. In Croatia, the focus is on large and medium-sized corporate customers and on retail customers (including pension funds business). In Romania, a broad range of financial services is offered via a tightly knit branch network. In Serbia, the market is serviced by a universal bank and leasing companies.

**Eastern Europe**

This segment comprises Belarus, Russia and Ukraine. In Belarus, RBI is represented by a bank and a leasing company. Raiffeisenbank Russia is one of the leading foreign banks in Russia and services both corporate and retail customers. The branch network also offers products targeted toward affluent retail customers and small and medium-sized entities, with the focus on large cities. Furthermore, RBI is active in the issuance business. The product range in Russia is completed by the leasing business. In Ukraine, RBI is represented by a bank, a leasing company and a card-processing company and provides a full range of financial services via a tightly knit branch network.

### Group Corporates & Markets

The Group Corporates & Markets segment covers operating business booked in Austria. This primarily comprises financing business with Austrian and international corporate customers serviced from Vienna, Financial Institutions & Sovereigns and business with the institutions of the Raiffeisen Banking Group (RBG). This segment also covers the capital market-based customer and proprietary business in Austria. Besides RBI AG, this also includes financial services outsourced to subsidiaries, such as Vienna-based entities like Raiffeisen Centrobank AG (equity trading and capital market financing), Kathrein Privatbank Aktiengesellschaft, Raiffeisen Leasing Group, Raiffeisen Factor Bank AG, Raiffeisen Bausparkasse Österreich Gesellschaft m.b.H., Valida Group (pension fund business) and Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung. Card complete Service Bank AG, Vienna, a company valued at equity, is also allocated to this segment.

### Corporate Center

The Corporate Center segment encompasses services in various areas provided by head office that serve to implement the Group's overall strategy and that are allocated to this segment to ensure comparability. Therefore, this segment includes the following areas: Liquidity management and balance sheet structure management, equity participation management, the banking operations carried out by head office for financing Group units, the Austrian transaction and services business for financial services providers, as well as other companies outside the financial service provider business that do not fall directly under another segment. Also allocated to this segment are the minority interests from the non-bank segment (income from companies valued at equity). These include equity participations in UNIQA Insurance Group AG, Vienna, as well as LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (holding company with strategic participations in the flour, mill and vending segments).

## Assessment of segment profit/loss

The segment reporting according to IFRS 8 shows the segment performance based on internal management reporting, supplemented with the reconciliation of the segment results to the consolidated financial statements. In principle, RBI's management reporting is based on IFRS. Therefore, no differences occur in the recognition and measurement principles between segment reporting and consolidated financial statements.

The governance of each segment is based on key indicators relating to profitability, efficiency, constraints and business mix parameters. The target values of these key indicators are determined according to the specific market environment and adapted when necessary.

### Profitability

Profitability is measured by the return on equity (ROE) and return on risk-adjusted capital (RORAC) based on the internal management systems. The return on equity shows the profitability of a CGU and is calculated as the ratio of profit/loss after deduction of profit/loss attributable to non-controlling interests to average consolidated equity employed. The return on equity reflects the yield of the capital employed of each segment. The calculation of the RORAC incorporates risk-adjusted capital, which reflects the capital necessary in case of possible unexpected losses. In RBI, this capital requirement is calculated within the economic capital model for credit, market and operational risk. This ratio shows the yield on the risk-adjusted equity (economic capital), but it is not an indicator pursuant to IFRS. Within the different countries and business lines the actual RORAC generated is compared with the respective predetermined minimal value (RORAC hurdle), which reflects appropriate market yield expectations.

### Efficiency

The cost/income ratio represents the cost efficiency of the segment. The cost/income ratio shows general administrative expenses in relation to operating income, which is the sum of net interest income, dividend income, current income from investments in associates, net fee and commission income, net trading income and fair value result, net gains/losses from hedge accounting and other net operating income.

## Constraints

In accordance with the Basel III framework, specific legal regulations are to be considered. The proportion of common equity tier 1 capital to total risk-weighted assets (common equity tier 1 ratio) is for example an important indicator of whether the underlying capital is adequate for the business volume. Industry sector specifics lead to different risk weights within the calculation of risk-weighted assets according to CRR. These factors are crucial for the calculation of the regulatory minimum total capital requirements. As part of the annual Supervisory Review and Evaluation Process (SREP), the ECB stipulates in a notification that additional CET1 capital must be held in order to cover those risks which are not considered or are insufficiently considered in Pillar I. Moreover, the efficient use of the available capital is calculated internally, whereby the actual usage is compared to the theoretically available risk coverage capital. The long-term liquidity ratios are also restrictive and are defined in accordance with the regulatory requirements.

## Business mix

The following key performance indicators are relevant in ensuring a reasonable and sustainable business structure, whereby the composition of the results and the underlying portfolio parameters are of significance. The structure of the primary funding basis for loans and advances to customers is measured using the loan/deposit ratio. The net interest margin is calculated based on average interest-bearing assets.

The presentation of segment performance is based on the income statement and geared to the reporting structure internally used. Income and expenses are attributed primarily to the country and secondary to business area in which they are generated. The segment reporting is thus shown by country and region, respectively. The segment result is shown up to the profit/loss after deduction of non-controlling interests.

The segment assets are represented by the total assets and the risk-weighted assets. The reconciliation includes mainly the amounts resulting from the elimination of intra-group results and consolidation between the segments. The income statement is supplemented with financial ratios conventionally used within the industry to evaluate performance. The values shown in the segment reporting are for the most part taken from the IFRS individual financial statements which are also used for the compilation of the consolidated financial statements. At head office, profit center results are taken from the internal management income statement.

# Segment performance

| 2019<br>in € thousand | Central Europe | Southeastern Europe | Eastern Europe | Group Corporates & Markets |
|---|---|---|---|---|
| Net interest income | 830,182 | 866,873 | 1,142,457 | 598,204 |
| Dividend income | 5,190 | 8,168 | 1,501 | 16,746 |
| Current income from investments in associates | 4,839 | 0 | 0 | 858 |
| Net fee and commission income | 440,617 | 417,238 | 557,428 | 394,450 |
| Net trading income and fair value result | 25,849 | 39,268 | 32,179 | 34,682 |
| Net gains/losses from hedge accounting | 11 | (481) | 0 | 453 |
| Other net operating income | (19,200) | 5,348 | 3,224 | 130,129 |
| **Operating income** | **1,287,489** | **1,336,414** | **1,736,789** | **1,175,522** |
| General administrative expenses | (730,417) | (720,674) | (720,824) | (699,589) |
| **Operating result** | **557,072** | **615,740** | **1,015,965** | **475,933** |
| Other result | (57,106) | (40,390) | (17,150) | (30,999) |
| Levies and special governmental measures | (59,756) | (25,060) | 0 | (20,520) |
| Impairment losses on financial assets | (38,220) | (69,710) | (58,927) | (63,719) |
| **Profit/loss before tax** | **401,990** | **480,580** | **939,889** | **360,695** |
| Income taxes | (111,703) | (70,589) | (204,794) | (77,814) |
| **Profit/loss after tax** | **290,287** | **409,991** | **735,095** | **282,881** |
| Profit attributable to non-controlling interests | (69,412) | 3,009 | (54,615) | (4,441) |
| **Profit/loss after deduction of non-controlling interests** | **220,875** | **412,999** | **680,480** | **278,440** |

| | | | | |
|---|---|---|---|---|
| Return on equity before tax | 11.3% | 18.9% | 41.3% | 9.4% |
| Return on equity after tax | 8.1% | 16.1% | 32.3% | 7.4% |
| Net interest margin (average interest-bearing assets) | 2.09% | 3.63% | 5.84% | 1.23% |
| Cost/income ratio | 56.7% | 53.9% | 41.5% | 59.5% |
| Loan/deposit ratio | 98.0% | 74.6% | 83.6% | 147.6% |
| Provisioning ratio (average loans to customers) | 0.13% | 0.46% | 0.44% | 0.57% |
| NPE ratio | 2.4% | 3.0% | 2.0% | 1.7% |
| NPE coverage ratio | 58.6% | 69.9% | 60.0% | 55.9% |
| Assets | 42,093,613 | 26,986,357 | 23,380,652 | 53,705,533 |
| Risk-weighted assets (total RWA) | 22,114,216 | 15,903,103 | 15,054,121 | 24,580,808 |
| Average equity | 3,561,913 | 2,548,265 | 2,274,371 | 3,841,523 |
| Loans to customers | 29,603,275 | 15,914,939 | 14,465,387 | 29,719,794 |
| Deposits from customers | 31,966,614 | 21,529,357 | 17,712,306 | 27,600,716 |
| Business outlets | 391 | 894 | 732 | 23 |
| Employees as at reporting date (full-time equivalents) | 9,915 | 14,480 | 18,356 | 2,908 |
| Customers in million | 2.7 | 5.4 | 6.7 | 2.0 |

Significant changes in profit/loss are described below:

In Central Europe, the 2019 financial year was characterized by strong organic growth, with loans and advances to customers increasing by 7 per cent. The Central Europe segment's profit after tax decreased € 56 million year-on-year to € 290 million due to the negative Polish earnings contribution of minus € 113 million. There was a positive impact from an € 84 million decline in net provisioning for impairment losses on financial assets.

The Southeastern Europe segment's profit after tax declined 9 per cent, or € 42 million, year-on-year. This was mainly due to the € 32 million decrease in profit in Romania resulting from provisions totaling € 23 million for litigation in connection with state subsidies for building society savings and proceedings involving the consumer protection authority, as well as the first-time booking of bank levies of € 10 million. Bosnia and Herzegovina contributed € 12 million towards the reduction in profit, mainly reflecting higher impairment losses on financial assets.

In Eastern Europe, the segment's profit after tax was up € 51 million, or 7 per cent, year-on-year to € 735 million, mainly as a result of a further improvement in profit in Russia. The considerable 30 per cent growth in lending, which was partly due to currency movements, led to a 12 per cent increase in net interest income. The segment also reported a marked 20 per cent rise in net fee and commission income.

| 2019<br>in € thousand | Corporate Center | Reconciliation | Total |
|---|---|---|---|
| Net interest income | (86,932) | 61,282 | 3,412,067 |
| Dividend income | 747,092 | (747,414) | 31,282 |
| Current income from investments in associates | 165,500 | 0 | 171,198 |
| Net fee and commission income | (14,389) | 1,159 | 1,796,503 |
| Net trading income and fair value result | (79,596) | (69,546) | (17,165) |
| Net gains/losses from hedge accounting | 6,827 | (3,643) | 3,166 |
| Other net operating income | 95,073 | (136,277) | 78,298 |
| **Operating income** | **833,576** | **(894,441)** | **5,475,349** |
| General administrative expenses | (352,826) | 131,265 | (3,093,066) |
| **Operating result** | **480,750** | **(763,176)** | **2,382,284** |
| Other result | (65,969) | (7,415) | (219,030) |
| Levies and special governmental measures | (57,155) | (4) | (162,494) |
| Impairment losses on financial assets | (2,062) | (1,336) | (233,974) |
| **Profit/loss before tax** | **355,564** | **(771,931)** | **1,766,786** |
| Income taxes | 66,248 | (3,534) | (402,186) |
| **Profit/loss after tax** | **421,812** | **(775,465)** | **1,364,600** |
| Profit attributable to non-controlling interests | (55) | (12,051) | (137,565) |
| **Profit/loss after deduction of non-controlling interests** | **421,757** | **(787,516)** | **1,227,035** |
| | | | |
| Return on equity before tax | - | - | 14.2% |
| Return on equity after tax | - | - | 11.0% |
| Net interest margin (average interest-bearing assets) | - | - | 2.44% |
| Cost/income ratio | - | - | 56.5% |
| Loan/deposit ratio | - | - | 97.9% |
| Provisioning ratio (average loans to customers) | - | - | 0.26% |
| NPE ratio | - | - | 2.1% |
| NPE coverage ratio | - | - | 61.0% |
| Assets | 31,548,828 | (25,515,478) | 152,199,504 |
| Risk-weighted assets (total RWA) | 13,333,415 | (13,019,456) | 77,966,207 |
| Average equity | 2,360,959 | (2,171,439) | 12,415,592 |
| Loans to customers | 4,043,294 | (2,542,469) | 91,204,221 |
| Deposits from customers | 1,463,968 | (4,059,149) | 96,213,812 |
| Business outlets | - | - | 2,040 |
| Employees as at reporting date (full-time equivalents) | 1,214 | - | 46,873 |
| Customers in million | 0.0 | - | 16.7 |

Group Corporates & Markets: The € 110 million decrease in profit after tax in the Group Corporates & Markets segment mainly related to material one-off effects in the comparable period, including net releases of loan loss provisions in the Corporates Vienna sub-segment totaling € 37 million as a result of inflows and successful recoveries. The Markets Vienna sub-segment benefited in the previous year from € 50 million in releases of provisions following a positive court ruling for RBI in Iceland and from € 11 million in proceeds from the sale of registered bonds. Impairments amounting to € 64 million were booked in the reporting period.

Segment Corporate Center: This segment essentially comprises net income from the head office's governance functions and from equity participations. Its results are therefore generally more volatile, with the vast majority relating to intra-Group transactions and consequently having no impact on consolidated profit. The € 211 million improvement in profit in the reporting period primarily related to the loss of € 184 million recognized in the previous year from the sale of the Polish core banking operations and from the recycling of accumulated exchange rate differences and to € 86 million higher operating income driven by current income from investments in associates (up € 105 million).

Reconciliation comprises consolidation entries required to reconcile the individual segment results to the Group result. The financials of the segments are shown after elimination of intra-segment items. However, the inter-segment items are eliminated in the reconciliation. The main eliminations are dividend payments to head office and inter-segment revenues charged and expenses carried by the head office.

| 2018<br>in € thousand | Central Europe | Southeastern Europe | Eastern Europe | Group Corporates & Markets |
|---|---|---|---|---|
| Net interest income | 964,813 | 814,192 | 1,021,629 | 534,401 |
| Dividend income | 6,435 | 8,902 | 1,086 | 24,442 |
| Current income from investments in associates[1] | 5,024 | 0 | 0 | 14,113 |
| Net fee and commission income | 548,727 | 421,486 | 465,808 | 370,840 |
| Net trading income and fair value result | 41,417 | 31,184 | 33,743 | 22,251 |
| Net gains/losses from hedge accounting | (10,420) | (156) | 0 | 49 |
| Other net operating income | (34,031) | 21,650 | 6,635 | 142,425 |
| **Operating income** | **1,521,965** | **1,297,258** | **1,528,901** | **1,108,520** |
| General administrative expenses | (854,215) | (698,735) | (630,886) | (647,288) |
| **Operating result** | **667,750** | **598,522** | **898,015** | **461,232** |
| Other result[1] | (13,365) | (1,120) | (10,926) | (13,439) |
| Levies and special governmental measures | (84,990) | (10,968) | 0 | (21,696) |
| Impairment losses on financial assets | (122,482) | (61,273) | (31,894) | 62,296 |
| **Profit/loss before tax** | **446,913** | **525,162** | **855,195** | **488,393** |
| Income taxes | (100,604) | (73,495) | (171,222) | (95,169) |
| **Profit/loss after tax** | **346,309** | **451,666** | **683,973** | **393,224** |
| Profit attributable to non-controlling interests | (56,039) | (164) | (57,220) | (5,162) |
| **Profit/loss after deduction of non-controlling interests** | **290,270** | **451,503** | **626,752** | **388,061** |
| | | | | |
| Return on equity before tax | 11.1% | 21.4% | 44.1% | 14.1% |
| Return on equity after tax | 8.6% | 18.4% | 35.3% | 11.4% |
| Net interest margin (average interest-bearing assets) | 2.27% | 3.60% | 6.50% | 1.28% |
| Cost/income ratio | 56.1% | 53.9% | 41.3% | 58.4% |
| Loan/deposit ratio | 98.9% | 73.7% | 81.0% | 147.1% |
| Provisioning ratio (average loans to customers) | 0.41% | 0.45% | 0.31% | (1.53)% |
| NPE ratio | 2.8% | 3.6% | 2.9% | 2.4% |
| NPE coverage ratio | 56.0% | 63.5% | 61.8% | 54.1% |
| Assets | 40,353,336 | 25,360,497 | 18,191,779 | 44,488,346 |
| Risk-weighted assets (total RWA) | 21,615,433 | 15,135,909 | 12,260,098 | 22,682,800 |
| Average equity | 4,033,554 | 2,454,800 | 1,940,274 | 3,457,395 |
| Loans to customers | 27,737,322 | 14,632,878 | 11,116,799 | 26,952,581 |
| Business outlets | 396 | 962 | 779 | 22 |
| Employees as at reporting date (full-time equivalents) | 9,692 | 14,646 | 18,750 | 2,879 |
| Customers in million | 2.6 | 5.3 | 6.1 | 2.1 |

1 The current income from investments in associates previously reported in other result is now shown in a separate item.

| 2018<br>in € thousand | Corporate Center | Reconciliation | Total |
|---|---|---|---|
| Net interest income | (31,640) | 58,352 | 3,361,746 |
| Dividend income | 735,074 | (724,649) | 51,289 |
| Current income from investments in associates[1] | 60,630 | 0 | 79,767 |
| Net fee and commission income | (8,567) | (7,004) | 1,791,290 |
| Net trading income and fair value result | (95,364) | (16,340) | 16,890 |
| Net gains/losses from hedge accounting | 216 | (871) | (11,182) |
| Other net operating income | 87,109 | (136,263) | 87,523 |
| **Operating income** | **747,458** | **(826,776)** | **5,377,325** |
| General administrative expenses | (343,876) | 127,238 | (3,047,762) |
| **Operating result** | **403,582** | **(699,538)** | **2,329,563** |
| Other result[1] | (220,851) | 19,068 | (240,634) |
| Levies and special governmental measures | (52,267) | 0 | (169,921) |
| Impairment losses on financial assets | (5,048) | (7,277) | (165,677) |
| **Profit/loss before tax** | **125,416** | **(687,747)** | **1,753,331** |
| Income taxes | 85,116 | (2) | (355,377) |
| **Profit/loss after tax** | **210,532** | **(687,749)** | **1,397,954** |
| Profit attributable to non-controlling interests | (55) | (9,476) | (128,116) |
| **Profit/loss after deduction of non-controlling interests** | **210,477** | **(697,225)** | **1,269,838** |
| | | | |
| Return on equity before tax | – | – | 15.9% |
| Return on equity after tax | – | – | 12.5% |
| Net interest margin (average interest-bearing assets) | – | – | 2.50% |
| Cost/income ratio | – | – | 56.7% |
| Loan/deposit ratio | – | – | 98.4% |
| Provisioning ratio (average loans to customers) | – | – | 0.21% |
| NPE ratio | – | – | 2.6% |
| NPE coverage ratio | – | – | 58.3% |
| Assets | 35,330,538 | (23,609,339) | 140,115,155 |
| Risk-weighted assets (total RWA) | 16,258,753 | (15,281,250) | 72,671,743 |
| Average equity | 2,527,976 | (2,356,251) | 12,057,748 |
| Loans to customers | 3,038,165 | (2,612,172) | 80,865,573 |
| Business outlets | – | – | 2,159 |
| Employees as at reporting date (full-time equivalents) | 1,112 | – | 47,079 |
| Customers in million | 0.0 | – | 16.1 |

1 The current income from investments in associates previously reported in other result is now shown in a separate item.

# Notes

## Principles underlying the consolidated financial statements

### Principles of preparation

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the international accounting standards adopted by the EU on the basis of IAS Regulation (EC) 1606/2002 including the applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC). All standards published by the IASB as International Accounting Standards and adopted by the EU have been applied to the financial statements. The consolidated financial statements also satisfy the requirements of Section 245a of the Austrian Commercial Code (UGB) and Section 59a of the Austrian Banking Act (BWG) regarding exempting consolidated financial statements that comply with internationally accepted accounting principles. IAS 20, IAS 41 and IFRS 6 have not been applied as there were no relevant business transactions in the Group.

A financial asset is recognized when it is probable that the future economic benefits will flow to the company and the acquisition or production costs or another value can be reliably measured. A financial liability is recognized when it is probable that an outflow of resources embodying economic benefits will result from the settlement of the obligation and the amount at which the settlement will take place can be measured reliably. An exception is certain financial instruments which are recognized at fair value at the reporting date. Revenue is recognized if the conditions of IFRS 15 are met and if it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

The consolidated financial statements are based on the reporting packages of all fully consolidated Group members, which are prepared according to IFRS rules and uniform Group standards. All material subsidiaries prepare their annual financial statements as at and for the year ended 31 December. Some IFRS details which are made outside the notes form an integral part of the consolidated financial statements. These are mainly explanations on net income from segments, which are included in the notes on segment reporting. In addition to the disclosures pursuant to IFRS 7 which are included in the notes, the risk report section particularly contains detailed information on credit risk, concentration risk, market risk and liquidity risk. This information is presented in accordance with IFRS 8 Operating Segments and IFRS 7 Financial Instruments Disclosures.

As of 1 January 2019, the provisions of the new accounting standard for leases (IFRS 16) became effective. Details regarding the first-time adoption of IFRS 16 are available in the section Application of new and revised standards. The changes and impacts of the new provisions on the consolidated financial statements are presented in the section IFRS 16 transition. In accordance with IFRS 16.C5 (b), the comparative information was not adjusted and has consequently been prepared in accordance with the provisions of IAS 17.

## Key sources of estimation uncertainty and critical accounting judgments

If estimates or assessments are necessary for accounting and measuring under IAS/IFRS rules, they are made in accordance with the respective standards. They are based on past experience and other factors, such as planning and expectations or forecasts of future events that appear likely. The estimates and underlying assumptions are reviewed on an ongoing basis. Alterations to estimates that affect only one period will be taken into account only in that period. If the following reporting periods are also affected, the alterations will be taken into consideration in the current and following periods. The critical assumptions, estimates and accounting judgments are as follows:

**Impairment in the lending business**

The application of RBI's accounting policies requires accounting judgments of the management. RBI assesses on a forward-looking basis the expected credit losses associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments, leasing receivables and financial guarantee contracts. The calculation of expected credit losses (ECL) requires the use of accounting estimates that by definition rarely match actual results. The amount of impairment to be allocated depends on the change in the default risk of a financial instrument after it was added. In order to determine the amount of the impairment, significant credit risk parameters such as PD (Probability of Default), LGD (Loss Given Default) and EAD

(Exposure at Default) as well as future-oriented information (economic forecasts) are to be estimated by management. The provision for credit risks is adjusted for this expected loss at each reporting date. The methods for determining the amount of the impairment are explained in the section Impairment general (IFRS 9).

### Fair value of financial instruments

Fair value is the price received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This applies regardless of whether the price can be directly observed or has been estimated on the basis of a measurement method. In determining the fair value of an asset or liability, the Group considers certain features of the asset or liability (e.g. condition and location of the asset, or restrictions in the sale and use of an asset) if market participants would also consider such features in determining the price for the acquisition of the respective asset or for the transfer of the liability at the measurement date. Where the market for a financial instrument is not active, fair value is established using a valuation technique or pricing model. For valuation methods and models, estimates are generally used depending on the complexity of the instrument and the availability of market-based data. The inputs to these models are derived from observable market data where possible. Under certain circumstances, valuation adjustments are necessary to account for other factors such as model risk, liquidity risk or credit risk. The valuation models are described in the notes in the section on financial instruments – recognition and measurement. In addition, the fair values of financial instruments are disclosed in the notes under (32) Fair value of financial instruments.

### Provision for pensions and similar obligations

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. The interest rate used to discount the Group's defined benefit obligations is determined on the basis of the yields obtained in the market at the balance sheet date for high quality fixed-income corporate bonds. Considerable discretion has to be exercised in this connection in setting the criteria for the selection of the corporate bonds representing the universe from which the yield curve is derived. Mercer´s recommendation is used to determine the discount rate. The main criteria for the selection of such corporate bonds are the issuance volumes of the bonds, the quality of the bonds and the identification of outliers, which are not considered. Assumptions and estimates used for the defined benefit obligation calculations are described in the section on pension obligations and other termination benefits. Quantitative information on long-term employee provisions are disclosed in the notes under (28) Provisions for liabilities and charges.

### Impairment of non-financial assets

Certain non-financial assets, including goodwill and other intangible assets are subject to an annual impairment test. Goodwill and other intangible assets are tested more frequently if events or changes in circumstances, such as an adverse change in the business climate, indicate that these assets may be impaired. The determination of the recoverable amount in the context of the impairment test requires judgments and assumptions to be made by management. As amendments in the underlying conditions and assumptions could result in significant differences to the amounts reported, the Group considers these estimates to be critical. Details concerning the impairment test of non-financial assets are disclosed in the section on business combinations. Additionally, the carrying amounts of goodwill are presented in the notes under (21) Tangible and intangible fixed assets.

### Deferred tax assets

Deferred tax assets are recognized only to the extent that it is probable that in the future sufficient taxable profit will be available against which those tax loss carry-forwards, tax credits or deductible temporary differences can be utilized. A planning period of five years is used to this end. This assessment requires significant judgments and assumptions to be made by management. In determining the amount of deferred tax assets, the management uses historical tax capacity and profitability information and, if relevant, forecasted operating results based upon approved business plans, including a review of the eligible carry-forward period.

Deferred taxes are not reported separately in the income statement and are disclosed under comprehensive income and in the notes under (12) Income taxes. By contrast, deferred taxes are shown separately in the statement of financial position in the notes under (22) Tax assets and (29) Tax liabilities.

### Control

According to IFRS 10, a Group controls an investee if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 also provides specific information on the acknowledgement or assessment of potential voting rights, codecision rights or protective rights of third parties and constellations that are characterized by delegated or retained decision-making rights or de facto control. Whether control exists requires a comprehensive assessment (i.e. requiring discretion) of the economic influence of the parent company over the investee. Details are provided in (69) Group composition.

### Interests in structured entities

According to IFRS 12, structured entities are companies that have been designed so that voting or similar rights are not the determining factor in deciding who controls the company. This applies, for example, when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. For the purposes of this IFRS, an interest in another entity is a contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity.

Assessment of which companies are structured entities and what involvement in such companies actually represents an interest, requires judgments to be made. Details are provided in (69) Group composition, in the section structured entities.

## Application of new and revised standards

Except for the changes below, RBI has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

### IFRS 16 (Leases; effective date: 1 January 2019)

Previously, RBI determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, RBI assesses whether a contract is or contains a lease based on the definition, as explained in the section Recognition and measurement principles in the chapter Leasing. On transition to IFRS 16, RBI elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered or changed on or after 1 January 2019.

#### RBI as lessee

Under IAS 17 RBI previously classified leases as operating or finance leases based on its assessment whether the lease transferred significantly all the risk and rewards incidental to ownership of the underlying asset to RBI. The new standard requires lessees to recognize assets and liabilities arising from all leases with terms of more than twelve months in the statement of financial position, unless the underlying asset has a low value. For leases previously classified as operating leases under IAS 17, a lessee recognizes a lease liability measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. For leases that were previously accounted for as operating leases in accordance with IAS 17, the exemptions apply if the underlying assets are low-value assets or short-term leases (less than twelve months).

Regarding the transitional arrangements, IFRS 16 grants RBI as lessee an accounting option concerning transitioning to the new lease standard. Lessees may choose to apply IFRS 16 through either a full retrospective approach in which the standard is applied retrospectively to each prior reporting period presented in accordance with the provisions of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, or through a modified retrospective approach where the right- of-use asset is recognized in the same amount as the leasing liability and consequently no impact on the equity.

RBI has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16. The impacts on the consolidated financial statements are disclosed in section Application of new and revised standards.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and lease liability as at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before the date. RBI makes use of the exceptions for the recognition of short-term leases and leases of low value. RBI does not apply IFRS 16 for intangible assets.

RBI as lessor

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Under this standard, a lessor continues to classify its leases as operating leases or finance leases and to account for those two types of leases differently. If subleases exist (i.e. intragroup lease agreements), the sub-lessor must examine all subleases classified as operating leases to determine whether they should be classified as operating leases or finance leases under IFRS 16. In the case of subleases which were accounted for as operating leases in accordance with IAS 17 but are classified as finance leases under IFRS 16, the sub-lessor must account for the leases in the same way as for a new finance lease contract concluded as of that date.

IFRS 16 transition

Right-of-use assets amounting to approximately € 455,971 thousand were recognized as at 1 January 2019 based upon the initial application of IFRS 16. Nearly all of that related to leases for buildings for the company's own use. The carrying amount of the right-of-use asset exceeds that of the corresponding lease liabilities because of taking advance lease payments and renovation costs into account.

The lessee's weighted average incremental borrowing rate applied to the lease liabilities as at 1 January 2019 was about 3 per cent. Additional information on IFRS 16 leases can be found in the notes under (59) RBI as lessee.

| in € thousand | |
|---|---:|
| **Operating lease commitments as at 31/12/2018** | **359,472** |
| **Operating lease commitments as at 31/12/2018 (discounted)** | **327,026** |
| Finance lease liabilities recognized as at 31/12/2018 | 2,342 |
| Recognition exemption for short-term leases | (9,100) |
| Recognition exemption for leases of low-value assets | (3,383) |
| Extensions and termination options reasonably certain to be exercised | 130,921 |
| Residual value guarantees | 0 |
| **Lease liabilities recognized as at 1/1/2019** | **447,806** |

### IFRIC 23 (Uncertainty over Income Tax Treatments; entry into force 1 January 2019)

This interpretation clarifies the accounting for uncertainties in income taxes. The first-time application of the interpretation is not expected to have any impact on the consolidated financial statements of RBI. Additional information can be found in the notes under (12) Income taxes.

### Annual improvements to the IFRS Cycle 2015-2017 (effective date: 1 January 2019)

Specifically, the amendments include:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it must remeasure its previously held interests in that business. The amendments to IFRS 11 additionally clarify that when an entity obtains joint control of a business that is a joint operation, it is not required to remeasure its previously held interests in that business.
- IAS 12 Income Taxes: The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs: The amendments clarify that if any borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset remain outstanding after the related asset has been prepared for its intended use or sale, those borrowing costs are included in the calculation of the capitalization rate for the funds generally borrowed for obtaining the asset.

The application of these amendments had no effect on the consolidated financial statements of RBI.

**Amendment to IAS 28 (Investments in Associates and Joint Ventures; effective date: 1 January 2019)**

The amendments clarify that an entity must apply IFRS 9 Financial Instruments (including the impairment provisions) to long-term interests in associates or joint ventures that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Hence the application of IFRS 9 takes precedence over the application of IAS 28. Application of the revised IAS 28 had no significant impact on RBI's consolidated financial statements.

**Amendment to IAS 19 (Plan Amendment, Curtailment or Settlement; effective date: January 1, 2019)**

As a result of the amendments to IAS 19, in the event of amendment, curtailment or settlement of a defined benefit plan, it is now mandatory that the current service cost and the net interest for the remaining fiscal year be recalculated using the current actuarial assumptions applied to the required remeasurement of the net liability/net asset. In addition, amendments were included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. Application of the amendment had no effect on the consolidated financial statements of RBI.

## Foreign currency translation

The consolidated financial statements of RBI were prepared in euro which is the functional currency of RBI AG. The functional currency is the currency of the principal economic environment in which the company operates. Each entity within the Group determines its own functional currency taking all factors listed in IAS 21 into account.

All financial statements of fully consolidated companies prepared in a functional currency other than euro were translated into the reporting currency euro employing the modified closing rate method in accordance with IAS 21. Equity was translated at its historical exchange rates while all other assets, liabilities and the notes were translated at the prevailing foreign exchange rates as of the reporting date. Differences arising from the translation of equity (historical exchange rates) are offset against retained earnings.

The income statement items were translated at the average exchange rates during the year calculated on the basis of month-end rates. Differences arising between the exchange rate as of the reporting date and the average exchange rate applied in the income statement were offset against equity (retained earnings). According to IAS 21, in cases of significantly fluctuating exchange rates, the transaction rate was used instead of the average rate.

Accumulated exchange differences are reclassified from the item exchange differences shown in other comprehensive income to the income statement under net income from deconsolidation, in the event of a disposal of a foreign business operation which leads to loss of control, joint management or significant influence over this business operation. In the case of one subsidiary headquartered in the euro area, the Russian ruble was the reporting currency for measurement purposes given the economic substance of the underlying transactions.

The following exchange rates were used for currency translation:

| Rates in units per € | 2019 | | 2018 | |
|---|---|---|---|---|
| | As at 31/12 | Average 1/1-31/12 | As at 31/12 | Average 1/1-31/12 |
| Albanian lek (ALL) | 121.710 | 123.104 | 123.410 | 127.667 |
| Belarusian ruble (BYN) | 2.368 | 2.354 | 2.478 | 2.400 |
| Bosnian marka (BAM) | 1.956 | 1.956 | 1.956 | 1.956 |
| Bulgarian lev (BGN) | 1.956 | 1.956 | 1.956 | 1.956 |
| Croatian kuna (HRK) | 7.440 | 7.420 | 7.413 | 7.420 |
| Czech koruna (CZK) | 25.408 | 25.664 | 25.724 | 25.667 |
| Hungarian forint (HUF) | 330.530 | 325.385 | 320.980 | 319.231 |
| Polish zloty (PLN) | 4.257 | 4.299 | 4.301 | 4.261 |
| Romanian leu (RON) | 4.783 | 4.743 | 4.664 | 4.656 |
| Russian ruble (RUB) | 69.956 | 72.795 | 79.715 | 73.804 |
| Serbian dinar (RSD) | 117.430 | 117.776 | 118.320 | 118.227 |
| Ukrainian hryvnia (UAH) | 26.592 | 28.960 | 31.713 | 32.226 |
| US dollar (USD) | 1.123 | 1.121 | 1.145 | 1.181 |

# Notes to the income statement

## (1) Net interest income

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Interest income according to effective interest method** | **4,412,702** | **4,083,370** |
| Financial assets - fair value through other comprehensive income | 131,147 | 118,318 |
| Financial assets - amortized cost | 4,281,555 | 3,965,052 |
| **Interest income other** | **636,841** | **705,150** |
| Financial assets - held for trading | 382,314 | 408,644 |
| Non-trading financial assets - mandatorily fair value through profit/loss | 15,179 | 23,312 |
| Financial assets - designated fair value through profit/loss | 32,514 | 73,645 |
| Derivatives – hedge accounting, interest rate risk | 135,873 | 126,054 |
| Other assets | 15,212 | 23,719 |
| Interest income on financial liabilities | 55,749 | 49,777 |
| **Interest expenses** | **(1,637,476)** | **(1,426,774)** |
| Financial liabilities - amortized cost | (1,008,921) | (888,925) |
| Financial liabilities - held for trading | (427,660) | (380,028) |
| Financial liabilities - designated fair value through profit/loss | (60,442) | (64,294) |
| Derivatives – hedge accounting, interest rate risk | (79,930) | (20,829) |
| Other liabilities | (6,293) | (14,827) |
| Interest expenses on financial assets | (54,231) | (57,871) |
| **Total** | **3,412,067** | **3,361,746** |

Net interest income includes interest income of € 561,154 thousand (2018: € 623,918 thousand) from marked-to-market financial assets, and interest expenses of € 488,102 thousand (2018: € 444,322 thousand) from marked-to-market financial liabilities.

| in € thousand | 2019 | 2018 |
|---|---|---|
| Net interest income | 3,412,067 | 3,361,746 |
| Average interest-bearing assets | 139,998,909 | 134,206,409 |
| **Net interest margin in per cent** | **2.44%** | **2.50%** |

Despite a decline of € 191,191 thousand due to the sale of the Polish core banking business, net interest income rose € 50,320 thousand to € 3,412,067 thousand.

The largest increase of € 77,185 thousand was booked in Russia, driven by higher lending volumes to both non-financial corporations and households. In the Czech Republic, net interest income rose € 57,004 thousand through higher market interest rates and higher lending volumes, mainly to households. In Romania, higher volumes and repricing measures also caused net interest income to rise € 38,147 thousand. In Ukraine, net interest income increased € 30,608 thousand due to the revaluation of the Ukrainian hryvnia and higher credit volumes to non-financial corporations and households. In Belarus, net interest income increased € 13,047 thousand, mainly driven by volumes, and in Bulgaria, net interest income rose € 10,348 thousand, also due to higher volumes.

The decline in the net interest margin was primarily due to negative margin development in Russia, an increase in low-margin business at head office, and the sale of the core banking operations in Poland. In Russia, the net interest margin declined due to lower margins in customer business. A significant share of the 4 per cent increase in average interest-bearing assets is attributable to the increase at head office. This growth stems from low-risk lending origination at lower margins.

## (2) Dividend income

| in € thousand | 2019 | 2018 |
|---|---|---|
| Financial assets - held for trading | 865 | 747 |
| Non-trading financial assets - mandatorily fair value through profit/loss | 204 | 954 |
| Financial assets - fair value through other comprehensive income | 14,896 | 14,398 |
| Investments in subsidiaries and associates | 15,317 | 35,190 |
| **Total** | **31,282** | **51,289** |

Investments in subsidiaries and associates include dividend income from subsidiaries not fully consolidated and associates not valued at equity. The decline in this line item was mainly due to dividend income from subsidiaries not fully consolidated as a result of higher distributions, especially from real estate companies and insurance agencies in the previous year.

## (3) Current income from investments in associates

| in € thousand | 2019 | 2018 |
|---|---|---|
| Current income from investments in associates | 171,198 | 79,767 |

The current income from investments in associates increased € 91,431 thousand year-on-year to € 171,198 thousand.

The increase was attributable to Raiffeisen Informatik GmbH & Co KG, whose current income (up € 108,305 thousand) was positively influenced by a valuation gain relating to the performance of a listed investment. Card complete Service Bank AG, which posted a positive one-off effect in the previous year, was responsible for a reduction (down € 13,255 thousand).

## (4) Net fee and commission income

| in € thousand | 2019 | 2018 |
|---|---|---|
| Clearing, settlement and payment services | 756,579 | 707,203 |
| Loan and guarantee business | 217,565 | 213,192 |
| Securities | 65,294 | 68,329 |
| Asset management | 222,131 | 217,887 |
| Custody | 48,761 | 58,375 |
| Customer resources distributed but not managed | 44,652 | 53,796 |
| Foreign exchange business | 374,973 | 392,769 |
| Other | 66,549 | 79,739 |
| **Total** | **1,796,503** | **1,791,290** |

Net fee and commission income improved € 5,213 thousand year-on-year to € 1,796,503 thousand. Thereby the decrease due to the sale of the Polish core banking operations (down: € 113,339 thousand) was more than offset by growth at head office and in nearly all countries. Excluding the disposal of the Polish core banking operations, the increase would be 7 per cent or € 118,551 thousand.

Excluding the Polish core banking operations, the year-on-year changes were as follows: The largest growth was reported in net income from clearing, settlement and payment services, which increased 11 per cent or € 76,611 thousand to € 756,579 thousand as a result of volume, margin and currency effects. Russia, Hungary and Ukraine reported the largest increases. Net income from loan and guarantee business was also up € 50,406 thousand to € 217,565 thousand, mainly at head office, due to early loan repayments. Net income from foreign exchange business rose € 36,062 thousand to € 374,973 thousand, which mostly reflected margin-related growth in Russia, Hungary and Serbia. Other net fee and commission income was down € 38,034 thousand, largely as a result of a change in disclosure in net fee and commission income in connection with income from insurance products and income from clearing, settlement and payment services in the Czech Republic and Slovakia. Income from customer resources distributed but not managed also fell € 4,854 thousand to € 44,652 thousand, primarily in Romania.

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Fee and commission income** | **2,636,605** | **2,545,199** |
| Clearing, settlement and payment services | 1,260,771 | 1,146,557 |
| Clearing and settlement | 287,573 | 248,701 |
| Credit cards | 120,937 | 93,322 |
| Debit cards and other card payments | 281,490 | 241,888 |
| Other payment services | 570,770 | 562,646 |
| Loan and guarantee business | 247,328 | 243,303 |
| Securities | 112,020 | 124,404 |
| Asset management | 336,805 | 324,813 |
| Custody | 64,729 | 73,003 |
| Customer resources distributed but not managed | 76,657 | 74,596 |
| Foreign exchange business | 414,706 | 429,754 |
| Other | 123,589 | 128,770 |
| **Fee and commission expenses** | **(840,102)** | **(753,909)** |
| Clearing, settlement and payment services | (504,192) | (439,354) |
| Clearing and settlement | (128,966) | (97,442) |
| Credit cards | (68,281) | (78,220) |
| Debit cards and other card payments | (119,580) | (101,742) |
| Other payment services | (187,365) | (161,950) |
| Loan and guarantee business | (29,763) | (30,111) |
| Securities | (46,726) | (56,076) |
| Asset management | (114,675) | (106,925) |
| Custody | (15,968) | (14,628) |
| Customer resources distributed but not managed | (32,005) | (20,800) |
| Foreign exchange business | (39,733) | (36,985) |
| Other | (57,040) | (49,030) |
| **Total** | **1,796,503** | **1,791,290** |

## (5) Net trading income and fair value result

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Net gains/losses on financial assets and liabilities - held for trading** | **(331,130)** | **(247,758)** |
| Derivatives | (327,794) | (199,038) |
| Equity instruments | (24,987) | (5,164) |
| Debt securities | 43,842 | (5,643) |
| Loans and advances | 9,377 | 7,440 |
| Short positions | (11,312) | 3,233 |
| Deposits | (36,128) | (53,215) |
| Debt securities issued | 6,824 | (797) |
| Other financial liabilities | 9,048 | 5,427 |
| **Net gains/losses on non-trading financial assets - mandatorily fair value through profit or loss** | **41,143** | **(16,925)** |
| Equity instruments | 26,847 | (474) |
| Debt securities | 12,099 | (8,981) |
| Loans and advances | 2,198 | (7,470) |
| **Net gain/losses on financial assets and liabilities - designated fair value through profit/loss** | **31,361** | **15,879** |
| Debt securities | 19,232 | (11,505) |
| Loans and advances | 0 | 234 |
| Deposits | 4,251 | 11,002 |
| Debt securities issued | 7,877 | 16,148 |
| **Exchange differences, net** | **241,461** | **265,694** |
| **Total** | **(17,165)** | **16,890** |

Net trading income was down € 34,055 thousand year-on-year. This was due to negative valuation effects in the item derivatives as a result of the decline in long-term interest rates, which led to interest-rate-induced changes in the valuation of issued certificates (decrease of € 56,540 thousand) and net negative changes in the valuation of derivatives held for economic hedge purposes, among other things for a building society portfolio (decrease of € 28,500 thousand). As these are hedges on the one hand and certificates repayable at maturity on the other, the valuations are neutralized over the portfolio's term. In the meantime, the building society portfolio was embedded into a hedge accounting relationship whereby the valuation results were largely neutralized from May 2019 onwards. As of September 2019, a reverse economic hedge was concluded regarding the issued certificates.

In total, losses of € 327,794 thousand were recognized in the reporting period on derivatives in net gains/losses on financial assets and liabilities – held for trading (2018: losses of € 199,038 thousand). Derivatives are mainly used to hedge interest rate and currency risks. A large portion of these losses are offset by (net) currency translation gains of € 241,461 thousand (2018: € 265,694 thousand), mostly relating to changes in the Russian ruble exchange rate and in foreign currency exposures at head office.

A positive change of € 49,485 thousand was reported in debt securities held for trading and was attributable largely to proceeds from sales and valuation gains at head office.

The deposits held for trading were primarily affected by losses on spot transactions in Russia. The losses were incurred in connection with the hedging of foreign currency transactions with customers; corresponding commission income is included in net fee and commission income. Opposite valuations or realized net gains/losses of the foreign exchange derivatives that are used in this connection and held for economic hedge purposes are included in the derivatives position.

Moreover, in net gains/losses on non-trading financial assets – mandatorily fair value through profit/loss, a one-off gain of € 27,021 thousand was booked from the sale of equity instruments in Slovakia. Net gains/losses on debt securities and loans and advances held in this category increased € 21,080 thousand and € 9,668 thousand respectively, mainly as a result of interest-rate-induced valuation changes.

The changes of € 30,737 thousand in debt securities – designated fair value through profit/loss and, on the liabilities side, of minus € 8,271 thousand in debt securities issued – designated fair value through profit/loss were primarily caused by interest-rate-induced valuation changes at head office. These changes are set against opposite valuation gains/losses on derivatives held for economic hedge purposes that are presented in the net gains/losses on financial assets and liabilities – held for trading item.

## (6) Net gains/losses from hedge accounting

| **in € thousand** | **2019** | **2018** |
|---|---|---|
| Fair value changes of the hedging instruments | (48,137) | (9,249) |
| Fair value changes of the hedged items attributable to the hedged risk | 51,314 | 11,478 |
| Ineffectiveness of cash flow hedge recognized in profit or loss | (11) | (13,411) |
| **Total** | **3,166** | **(11,182)** |

Net gains/losses from hedge accounting increased year-on-year from minus € 11,182 thousand to € 3,166 thousand, mainly as a result of the reclassification through profit and loss relating to the termination of the cash flow hedge reserve in Poland in the previous year. Despite the dynamic interest rate environment, hedging efficiency remains high.

The sale of the core banking operations of Raiffeisen Bank Polska S.A. resulted in the termination of the existing portfolio cash flow hedges in 2018. These hedged cash flow fluctuations from foreign currency loans and deposits in local currency by means of foreign currency interest rate swaps. The termination of this hedge relationship had a neutral effect on capital but resulted in the reclassification through profit and loss of the cash flow hedge reserve of minus € 13,417 thousand recognized in other comprehensive income in previous periods.

The higher gross positions in fair value changes of the hedging instruments and in fair value changes of the hedged items were attributable to an increased volume of hedging relationships, primarily resulting from the introduction of a portfolio hedge at Raiffeisen Bausparkasse Gesellschaft m.b.H.

## (7) Other net operating income

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Gains/losses on derecognition of financial assets and liabilities - not measured at fair value through profit/loss** | **36,221** | **25,544** |
| Debt securities | 24,344 | 4,480 |
| Loans and advances | 11,867 | 22,046 |
| Debt securities issued | 228 | (983) |
| Other financial liabilities | (218) | 0 |
| **Gains/losses on derecognition of non-financial assets held for sale** | **(258)** | **42** |
| Investment property | 5,603 | 339 |
| Intangible fixed assets | (1,122) | (400) |
| Other assets | (4,738) | 103 |
| **Net income arising from non-banking activities** | **44,024** | **40,272** |
| Sales revenues from non-banking activities | 132,334 | 119,669 |
| Expenses from non-banking activities | (88,310) | (79,396) |
| **Net income from additional leasing services** | **(552)** | **3,621** |
| Revenues from additional leasing services | 14,268 | 26,521 |
| Expenses from additional leasing services | (14,820) | (22,900) |
| **Net income from insurance contracts** | **(6,323)** | **(2,706)** |
| Income from insurance contracts | 55,580 | 27,740 |
| Expenses from insurance contracts | (61,903) | (30,446) |
| **Net rental income from investment property incl. operating lease (real estate)** | **61,014** | **57,092** |
| Net rental income from investment property | 19,131 | 16,390 |
| Income from rental real estate | 24,187 | 28,206 |
| Expenses from rental real estate | (4,157) | (3,930) |
| Income from other operating lease | 27,095 | 23,700 |
| Expenses from other operating lease | (5,241) | (7,273) |
| **Net expense from allocation and release of other provisions** | **(20,803)** | **17,784** |
| **Other non-income related taxes** | **(68,873)** | **(61,998)** |
| **Sundry operating income/expenses** | **33,849** | **7,872** |
| **Total** | **78,298** | **87,523** |

Other net operating income was down € 9,255 thousand year-on-year to € 78,298 thousand. The net expense from allocation and release of other provisions resulted in a decrease of € 38,588 thousand, mainly due to net releases in connection with litigation at head office in the previous year and the allocation of a provision for litigation in connection with state subsidies for building society savings in Romania. The gains/losses on derecognition of financial assets and liabilities were primarily attributable to sales of debt securities at head office amounting to € 497,734 thousand. The increase in sundry operating income mainly affected the Czech Republic, Croatia, Serbia, and Poland as a result of the sale of the Polish core banking operations in the previous year.

## (8) General administrative expenses

| in € thousand | 2019 | 2018 |
|---|---|---|
| Staff expenses | (1,610,041) | (1,579,673) |
| Other administrative expenses | (1,094,115) | (1,178,070) |
| Depreciation of tangible and intangible fixed assets | (388,910) | (290,019) |
| **Total** | **(3,093,066)** | **(3,047,762)** |

General administrative expenses increased € 45,304 thousand on the previous year to € 3,093,066 thousand. While the sale of the Polish core banking operations led to a reduction of € 178,794 thousand, salary adjustments and staff increases were the main reasons for the increase, especially in Russia and at head office. Currency developments resulted in an increase of general administrative expenses of € 18,715 thousand during the period under review, mainly due to the appreciation of Eastern European currencies (based on the average rate for the period). The introduction of IFRS 16 mainly resulted in a shift in expenses from other administrative expenses to depreciation.

### Staff expenses

| in € thousand | 2019 | 2018 |
|---|---|---|
| Wages and salaries | (1,227,397) | (1,218,043) |
| Social security costs and staff-related taxes | (276,396) | (264,053) |
| Other voluntary social expenses | (44,413) | (43,477) |
| Expenses  for defined contribution pension plans | (17,134) | (16,408) |
| Expenses/income from defined benefit pension plans | (1,086) | (1,191) |
| Expenses for post-employment benefits | (7,119) | (6,587) |
| Expenses for other long-term employee benefits excl. deferred bonus program | (5,807) | (6,367) |
| Staff expenses under deferred bonus programm | (11,232) | (17,583) |
| Termination benefits | (19,457) | (5,964) |
| **Total** | **(1,610,041)** | **(1,579,673)** |

Staff expenses rose 1 per cent to €1,610,041 thousand. While the sale of the Polish core banking operations (minus €101,030 thousand) reduced expenses, salary adjustments and an increase in staff numbers drove staff expenses higher, mainly in Russia, at head office, in Ukraine, Slovakia and the Czech Republic. In addition, a restructuring provision was formed for an optimization program at head office (€18,208 thousand). The average number of employees declined 2,572 full-time equivalents year-on-year to 47,173. The average number of employees fell year-on-year 2,572 full-time equivalents to 47,173, and was also driven by the sale of the Polish core banking operations. Excluding the effect of Poland, an increase of 587 full-time equivalents would have occurred, primarily due to Russia, head office, Hungary, and Slovakia.

### Expenses for severance payments and retirement benefits

| in € thousand | 2019 | 2018 |
|---|---|---|
| Members of the management board and senior staff | (8,055) | (6,740) |
| Other employees | (55,161) | (49,784) |
| **Total** | **(63,216)** | **(56,524)** |

The increase of € 6,692 thousand to € 63,216 thousand derived mainly from head office. Members of the Management Board are subject in principle to the same regulations as apply to employees. These regulations provide for a basic contribution to a pension fund from the company and an additional contribution if the employee pays own contributions of the same amount. Two members of the Management Board additionally have individual retirement benefits, which are funded by a reinsurance policy.

In the event of termination of function or employment contract and departure from the company, one member of the Management Board is entitled to severance payments according to contractual agreements; six members of the Management Board have entitlements under the Company Retirement Plan Act (Betriebliches Mitarbeitervorsorgegesetz). The entitlement to receive severance payments according to contractual agreements lapses in the case of termination by the employee.

Moreover, protection against the risk of occupational disability is offered in the form of a pension fund and/or by individual pension agreements secured through reinsurance. The Management Board members' contracts either run for the duration of their term of office or are limited to a maximum of five years. In the event of early termination of a Management Board member's contract without good cause, the severance payment is limited to a maximum of two years' total annual remuneration (except for one member of the Management Board covered by previous contractual arrangements).

## Other administrative expenses

| in € thousand | 2019 | 2018 |
|---|---|---|
| Office space expenses | (101,137) | (213,730) |
| IT expenses | (301,088) | (311,050) |
| Legal, advisory and consulting expenses | (126,825) | (123,562) |
| Advertising, PR and promotional expenses | (143,224) | (138,858) |
| Communication expenses | (57,941) | (59,762) |
| Office supplies | (22,531) | (25,490) |
| Car expenses | (12,044) | (14,692) |
| Deposit insurance fees | (109,521) | (94,291) |
| Security expenses | (49,719) | (52,260) |
| Traveling expenses | (17,012) | (19,010) |
| Training expenses for staff | (23,885) | (22,255) |
| Expenses for leases | (18,886) | - |
| Sundry administrative expenses | (110,302) | (103,111) |
| **Total** | **(1,094,115)** | **(1,178,070)** |

Other administrative expenses fell 7 per cent to € 1,094,115 thousand. The decline was mainly due to the sale of the Polish core banking operations (decrease of € 66,917 thousand) and lower office space expenses as a result of the application of IFRS 16. In contrast, depreciation experienced an increase commensurate with the growth in capitalized right-of-use assets. Increases within other administrative expenses resulted from a € 15,230 thousand rise in deposit insurance fees, mainly in Russia and Romania, as well as from increased legal, advisory and consulting expenses, and higher advertising, PR and promotional expenses, principally in the Czech Republic and Slovakia. Expenses for leases include expenses for short-term leases as well as leases of low-value assets according to IFRS 16.

Legal, advisory and consulting expenses include audit fees in relation to RBI AG and its subsidiaries which comprise expenses for the audit of financial statements amounting to € 5,737 thousand (2018: € 5,928 thousand) and tax advisory as well as other additional consulting services amounting to € 1,631 thousand (2018: € 2,095 thousand). Thereof, € 2,667 thousand (2018: € 2,392 thousand) relates to the Group auditor for the audit of the financial statements and € 767 thousand (2018: € 921 thousand) relates to the other consulting services.

## Depreciation of tangible and intangible fixed assets

| in € thousand | 2019 | 2018 |
|---|---|---|
| Tangible fixed assets | (227,303) | (137,472) |
| hereof right-of-use assets | (83,878) | - |
| Intangible fixed assets | (161,606) | (152,546) |
| **Total** | **(388,910)** | **(290,019)** |

Depreciation of tangible and intangible fixed assets increased 34 per cent, or € 98,891 thousand. Due to the application of IFRS 16 (capitalization of right-of-use assets), depreciation of tangible fixed assets increased € 83,878 thousand while other administrative expenses (especially office space expenses) decreased similarly. These expenses relate almost entirely to leases of buildings for own purposes. Amortization of intangible assets increased € 9,060 thousand, mainly due to head office and Russia.

## (9) Other result

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Net modification gains/losses** | **(1,940)** | **(4,815)** |
| Financial assets - amortized cost | (1,940) | (4,815) |
| **Impairment or reversal of impairment on investments in subsidiaries and associates** | **(98,066)** | **(33,360)** |
| **Impairment on non-financial assets** | **(59,281)** | **(20,797)** |
| Goodwill | 0 | (7,943) |
| Other | (59,281) | (12,854) |
| **Result from non-current assets and disposal groups classified as held for sale and deconsolidation** | **50,224** | **(181,662)** |
| Net income from non-current assets and disposal groups classified as held for sale | (1,824) | 1,819 |
| Result of deconsolidations | 52,048 | (183,481) |
| **Tax expenses not attributable to the business activity** | **(26,958)** | **0** |
| **Credit-linked and portfolio-based provisions for litigation** | **(83,009)** | **0** |
| **Total** | **(219,030)** | **(240,634)** |

In the reporting period, impairment on investments in subsidiaries and associates amounted to € 98,066 thousand, thus representing an increase of € 64,705 thousand compared to previous year. The increase was largely due to higher impairment on investments in companies valued at equity (increase: € 75,799 thousand), mainly due to UNIQA Insurance Group AG, Raiffeisen Informatik GmbH & Co KG, and the Slovakian building society.

Impairment on non-financial assets increased € 38,484 thousand to € 59,281 thousand. In the reporting period, impairment was mainly made on real esate in possession of an Italian leasing company (€ 27,125 thousand) and predominantly on real esate in Russia (€ 16,993 thousand). In the previous year, the goodwill of € 7,943 thousand resulting during the initial consolidation of a Hungarian real esate company, was fully impaired and impairment on other non-financial assets of € 12,854 thousand related to real estate in Ukraine and Russia.

For property transfer tax in Germany, a provision of € 26,958 thousand was created. This resulted from changes in the ownership structures in previous years. These are related to the merger between Raiffeisen Zentralbank and Raiffeisen Bank International in 2017 and purchases of shares in Raiffeisen Leasing Group in 2012 and 2013.

The allocation to credit-linked provisions for litigation on a portfolio-based calculation amounted to € 83,009 thousand in the reporting year. In Poland, credit-linked and portfolio-based provisions for pending legal issues relating to mortgage loans denominated or linked to foreign currencies of € 48,827 thousand were built. In Croatia, credit-linked and portfolio-based provisions for litigation of € 19,904 thousand related to credit terms (interest rate, foreign currency conversion) were allocated. In Romania, credit-linked and portfolio-based provisions for litigation of € 14,278 thousand regarding proceedings with Consumer Protection Authority related to an alleged misuse of credit terms (interest adjustments) were allocated.

Net income from the disposal of group assets consisted of the following:

| in € thousand | MPREAL | BBCNS | RFHK | KHDKAS | Other | Total |
|---|---|---|---|---|---|---|
| Assets | 23,048 | 3,549 | 20,106 | 23,174 | 47,435 | 117,311 |
| Liabilities | 2,438 | 486 | 0 | 25,179 | 37,848 | 65,951 |
| **Total identifiable net assets** | **20,610** | **3,063** | **20,106** | **(2,006)** | **9,587** | **51,361** |
| Non-controlling interests | 0 | 0 | 0 | 0 | 39 | 39 |
| **Net assets after non-controlling interests** | **20,610** | **3,063** | **20,106** | **(2,006)** | **9,548** | **51,321** |
| Selling price/carrying amount | 70,422 | 0 | 19,739 | 6,071 | 6,187 | 102,419 |
| **Effect from deconsolidations** | **49,812** | **(3,063)** | **(367)** | **8,077** | **(3,360)** | **51,098** |
| Usage of provision for assets held for sale | 0 | 0 | 0 | 0 | (7,128) | (7,128) |
| FX reserve reclassified to income statement | 0 | (129) | 8,084 | 122 | 0 | 8,077 |
| **Result of deconsolidations** | **49,812** | **(3,192)** | **7,717** | **8,198** | **(10,488)** | **52,048** |

MPREAL: MP Real Invest a.s., Bratislava (SK)
BBCNS: BUILDING BUSINESS CENTER DDO NOVI SAD, Novi Sad (RS)
RFHK: RB International Finance (Hong Kong) Ltd, Hong Kong (HK)
KHDKAS: KHD a.s., Prague (CZ)

In the reporting period, twelve subsidiaries mainly operating in leasing and real estate business were excluded from the consolidated group due to immateriality; four subsidiaries were sold, one financial institution was shut down.

The result of deconsolidation amounted to € 52,048 thousand in the reporting period and was due to the sale of real estate in Slovakia (€ 49,812 thousand) and real estate in Czech Republic (€ 8,198 thousand). The position other primarily contains various specialized companies of the Raiffeisen Leasing Group, a holding company, and several companies rendering ancillary services.

In the previous year, the result of deconsolidations included the loss resulting from the sale of the Polish core banking operations end of October 2018 amounting to € 119,848 thousand and the related impact of minus € 63,650 thousand derived from the recycling of cumulative currency differences formerly recognized in other comprehensive income. In the reporting period, a remaining receivable related to the sale of the Polish core banking operations of € 5,375 thousand was impaired.

Details are shown under (69) Group composition.

## (10) Levies and special governmental measures

| in € thousand | 2019 | 2018 |
|---|---|---|
| Bank levies | (109,760) | (115,519) |
| Profit/loss from banking business due to governmental measures | (3,390) | (280) |
| Resolution fund | (49,344) | (54,123) |
| **Total** | **(162,494)** | **(169,921)** |

Bank levies affected Austria with a one-off payment of € 40,750 thousand as well as current payments of € 16,330 thousand (2018: € 56,561 thousand in total), Hungary with € 12,708 thousand (2018: € 12,551 thousand), Slovakia with € 23,881 thousand (2018: € 22,268 thousand), Romania with € 9,908 thousand and Poland with € 6,200 thousand (2018: € 24,139 thousand). In Romania, the bank levy was introduced for the first time in 2019. The sale of the core banking operations was responsible for the reduction in Poland.

The charges from banking business due to governmental measures increased € 3,111 thousand as a result of the conversion of Swiss franc loans in Serbia.

The contributions to the resolution fund, which had to be booked entirely at the beginning of the year, declined € 4,779 thousand to € 49,344 thousand. The decrease was caused by the sale of the Polish core banking operations (down € 8,846 thousand) and lower contributions in the Czech Republic and Croatia. In contrast, head office, Bulgaria and Romania reported increases.

## (11) Impairment losses on financial assets

| in € thousand | 2019 | 2018 |
|---|---|---|
| Loans and advances | (192,660) | (164,897) |
| Debt securities | 577 | (4,351) |
| Loan commitments, financial guarantees and other commitments given | (41,891) | 3,571 |
| **Total** | **(233,974)** | **(165,677)** |
| hereof financial assets - fair value through other comprehensive income | 397 | (1,727) |
| hereof financial assets - amortized cost | (192,480) | (167,522) |

Impairment losses on financial assets rose year-on-year a total of 41 per cent, or € 68,297 thousand, to € 233,974 thousand. The largest increases were registered in loans to non-financial corporations (up € 54,439 thousand) and in loan commitments, financial guarantees and other commitments (up € 45,463 thousand). On the other hand, a decline of € 28,622 thousand in loans to households was reported.

The new definition of default applied by risk management resulted in additional provisioning of € 73,538 thousand in the retail portfolio, especially in the Czech Republic and Romania. In the previous year, refinements of IFRS 9 models (€ 105,413 thousand) and an additional impairment loss of € 53,853 thousand resulting from the recognition of provisions for expected credit risks arising from extraordinary events that were not reflected in the model (mainly future sanctions relating to Russia) led to impairments of financial assets. In the year under review, an additional € 38,707 thousand was provisioned for expected credit risks that could not be modelled due to extraordinary events.

At head office, impairment losses of € 72,484 thousand were allocated to individual cases involving large corporate customers, whereas in the previous year, a net release of € 53,511 thousand was realized due to higher sales of non-performing loans and recoveries. In Russia, impairment losses grew € 11,038 thousand to € 68,122 thousand, mainly due to retail and corporate customers and an increase in existing impairments. In the Czech Republic, impairment losses fell € 17,060 thousand to € 15,587 thousand. Lower impairment losses for corporate customers and positive effects from parameter adjustments in the retail models were offset by higher impairment losses from the application of the revised definition of default. In Poland, impairment charges decreased € 61,957 thousand to € 26,704 thousand, mainly due to the sale of the Polish core banking operations. These charges were recognized in the reporting period for the remaining retail customer portfolio due to the application of the revised definition of default and parameter adjustments in the retail models. In Ukraine, net releases fell from € 19,856 thousand to € 9,685 thousand due to higher sales of non-performing loans in the comparable period.

Further details are shown under (38) Development of impairments.

## (12) Income taxes

| in € thousand | 2019 | 2018 |
|---|---|---|
| Current income taxes | (456,978) | (373,260) |
| Austria | (11,206) | (8,682) |
| Foreign | (445,772) | (364,578) |
| Deferred taxes | 54,792 | 17,883 |
| **Total** | **(402,186)** | **(355,377)** |

Russia was a main driver of the group's higher tax expense, where it grew € 27,187 thousand as a result of an increase in profit and tax payments from previous periods. The € 17,192 thousand decrease in tax expense due to the sale of the Polish core banking operations was offset by an impairment loss on deferred tax assets of € 25,060 thousand during the reporting period as no utilization of it is expected based on medium-term tax planning. Taxes in Croatia fell by € 8,245 thousand, mainly because of the use of tax loss carry forwards resulting from the merger of Raiffeisen Factoring Ltd. into Raiffeisenbank Austria d.d., Zagreb.

The effective tax rate increased 2.5 percentage points to 22.8 per cent. This was due on the one hand to the lower profit contribution from head office and on the other hand to the impairment of deferred taxes in Poland.

The following reconciliation shows the relationship between profit/loss before tax and the effective tax burden:

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Profit/loss before tax** | **1,766,786** | **1,753,331** |
| **Theoretical income tax expense in the financial year based on the domestic income tax rate of 25 per cent** | **(441,697)** | **(438,333)** |
| Effect of divergent foreign tax rates | 137,103 | 136,705 |
| Tax decrease because of tax-exempted income from equity participations and other income | 86,658 | 94,406 |
| Tax increase because of non-deductible expenses | (97,608) | (102,205) |
| Impairment on loss carry forwards | (31,684) | 4,733 |
| Other changes | (54,958) | (50,684) |
| **Effective tax burden** | **(402,186)** | **(355,377)** |
| **Tax rate in per cent** | **22.8%** | **20.3%** |

Impairments on loss carry forwards increased in connection with a write-down of deferred tax assets in Poland in the amount of € 25,060 thousand. Other changes include unrecognized deferred taxes arising from disposals, mainly from the sale of a property in Slovakia (€ 12,453 thousand). These deferred tax assets were not capitalized as no utilization is expected based on the current mid-term tax planning.

Since 1 January 2019, RBI has applied the IFRIC 23 interpretation (Uncertainty over Income Tax Treatments). No material effects on the consolidated financial statements of RBI have resulted from current and completed tax audits.

Further information can be found under item (55) Pending legal issues.

# Notes to the statement of financial position

## (13) Cash, cash balances at central banks and other demand deposits

| in € thousand | 2019 | 2018 |
|---|---|---|
| Cash in hand | 4,527,879 | 4,131,901 |
| Balances at central banks | 14,394,890 | 14,598,806 |
| Other demand deposits at banks | 5,366,496 | 3,826,777 |
| **Total** | **24,289,265** | **22,557,484** |

The item balances at central banks includes € 283,550 thousand (2018: € 277,853 thousand) of minimum reserves at central banks. The item other demand deposits at banks includes cash securities, mainly for borrowed securities, of € 157,430 thousand (2018: € 1,309,182 thousand).

## (14) Financial assets – amortized cost

| | 2019 | | | 2018 |
|---|---|---|---|---|
| in € thousand | Gross carrying amount | Accumulated impairment | Carrying amount | Carrying amount |
| **Debt securities** | **9,981,377** | **(8,202)** | **9,973,175** | **8,162,273** |
| Central banks | 1,497,038 | (109) | 1,496,930 | 86,767 |
| General governments | 6,453,822 | (1,658) | 6,452,163 | 5,997,176 |
| Banks | 1,096,739 | (85) | 1,096,655 | 1,240,846 |
| Other financial corporations | 558,136 | (3,322) | 554,815 | 464,176 |
| Non-financial corporations | 375,641 | (3,028) | 372,613 | 373,309 |
| **Loans and advances** | **102,625,739** | **(2,313,855)** | **100,311,884** | **90,593,501** |
| Central banks | 4,602,195 | (9) | 4,602,186 | 4,862,756 |
| General governments | 1,196,070 | (4,590) | 1,191,480 | 913,065 |
| Banks | 4,836,988 | (4,128) | 4,832,860 | 5,133,806 |
| Other financial corporations | 9,838,410 | (43,473) | 9,794,937 | 6,635,217 |
| Non-financial corporations | 46,470,170 | (1,179,326) | 45,290,844 | 41,995,388 |
| Households | 35,681,906 | (1,082,329) | 34,599,577 | 31,053,269 |
| **Total** | **112,607,116** | **(2,322,057)** | **110,285,060** | **98,755,774** |

The carrying amount of financial assets – amortized cost increased € 11,529,285 thousand compared to year-end 2018. The increase was largely the result of higher loans and advances to households (up € 3,546,308 thousand) and non-financial corporations (up € 3,295,456 thousand). Short-term lending in the form of repurchase agreements with other financial corporations and other short-term financing business increased € 4,687,522 thousand year-on-year.

The growth was distributed across nearly all the markets. In Russia, lending business increased € 3,351,675 thousand, particularly with non-financial corporations and households. Roughly half of this was currency-driven. Debt securities issued by the Russia central bank increased € 1,442,951 thousand. The increase of € 1,475,616 thousand at head office for non-financial corporations was primarily driven by project finance, export finance and standard loans. Slovakia recorded an increase of € 1,246,902 thousand that was largely fueled by organic growth in the lending business.

## (15) Financial assets – fair value through other comprehensive income

| in € thousand | 2019 Gross carrying amount[1] | 2019 Accumulated impairment | 2019 Carrying amount | 2018 Carrying amount |
|---|---|---|---|---|
| **Equity instruments** | **228,616** | **–** | **228,616** | **276,082** |
| Banks | 26,050 | – | 26,050 | 25,570 |
| Other financial corporations | 130,149 | – | 130,149 | 154,701 |
| Non-financial corporations | 72,416 | – | 72,416 | 95,811 |
| **Debt securities** | **4,555,355** | **(2,615)** | **4,552,740** | **6,212,934** |
| Central banks | 0 | 0 | 0 | 1,323,179 |
| General governments | 3,092,729 | (2,202) | 3,090,527 | 3,449,882 |
| Banks | 1,175,588 | (76) | 1,175,512 | 1,173,520 |
| Other financial corporations | 141,787 | (27) | 141,761 | 154,589 |
| Non-financial corporations | 145,252 | (311) | 144,941 | 111,764 |
| **Total** | **4,783,971** | **(2,615)** | **4,781,356** | **6,489,016** |

1 Gross carrying amount is defined according to FINREP Annex V 1.34(b).

The carrying amount of financial assets – fair value through other comprehensive income decreased € 1,707,660 thousand compared to year-end 2018. The decrease was chiefly caused by the redemption of Russian government bonds and debt securities issued by the Russian central bank, the reduction of the liquidity portfolio in Romania and a reduction of government bond portfolio at head office.

The item equity instruments in financial assets – fair value through other comprehensive income comprised the following items:

| in € thousand | 2019 | 2018 |
|---|---|---|
| Visa Inc., San Francisco (US), Class C Common Stock and Series C Preferred Shares | 71,061 | 36,797 |
| Valida Pension AG, Vienna (AT), Investment fund - Valida Nostro 100 (AT0000A1H088) | – | 34,217 |
| CEESEG Aktiengesellschaft, Vienna (AT), ordinary shares | 23,414 | 23,116 |
| Medicur - Holding Gesellschaft m.b.H., Vienna (AT), company shares | 21,590 | 19,977 |
| Valida Pension AG, Vienna (AT) Investment fund - PID2 (AT0000767622) | – | 19,940 |
| Valida Pension AG, Vienna (AT) Investment fund - VANL7 (AT0000A1G4LG) | – | 19,777 |
| DZ BANK AG, Frankfurt am Main (DE), Deutsche Zentral-Genossenschaftsbank ordinary shares | 12,816 | 12,953 |
| PSA Payment Services Austria GmbH, Vienna (AT), company shares | 9,260 | 10,933 |
| Other | 90,475 | 98,373 |
| **Total** | **228,616** | **276,082** |

The change resulted mainly from the sale of the investment funds of Valida Pension AG. The dividends paid on equity instruments – fair value through other comprehensive income amounted to € 14,974 thousand (2018: € 14,398 thousand).

## (16) Non-trading financial assets – mandatorily fair value through profit/loss

| in € thousand | 2019 | 2018[1] |
|---|---|---|
| **Equity instruments** | **1,128** | **1,016** |
| Banks | 97 | 1,000 |
| Other financial corporations | 989 | 7 |
| Non-financial corporations | 41 | 9 |
| **Debt securities** | **447,425** | **288,487** |
| General governments | 239,253 | 165,204 |
| Banks | 19,503 | 9,138 |
| Other financial corporations | 187,402 | 110,970 |
| Non-financial corporations | 1,268 | 3,175 |
| **Loans and advances** | **327,384** | **270,279** |
| General governments | 3,375 | 3,673 |
| Banks | 0 | 1,646 |
| Other financial corporations | 48,389 | 2,469 |
| Non-financial corporations | 83,048 | 145,096 |
| Households | 192,571 | 117,395 |
| **Total** | **775,937** | **559,782** |

1 Previous-year figures adjusted due to change in classification

The largest change in the item households relates to a government-subsidized lending program in Hungary for young families. There were also bond purchases in Russia and at Raiffeisen Bausparkasse GmbH. Some assets in this item were reclassified between debt securities and equity instruments.

## (17) Financial assets – designated fair value through profit/loss

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Debt securities** | **2,275,832** | **3,192,115** |
| General governments | 1,903,494 | 2,788,027 |
| Banks | 258,767 | 272,054 |
| Other financial corporations | 1 | 10 |
| Non-financial corporations | 113,569 | 132,025 |
| **Total** | **2,275,832** | **3,192,115** |

The decline in the item financial assets – designated fair value through profit/loss resulted from reducing holdings at head office in favour of deposit funds with the European Central Bank.

## (18) Financial assets – held for trading

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Derivatives** | **1,894,464** | **1,972,469** |
| Interest rate contracts | 1,244,574 | 1,152,047 |
| Equity contracts | 179,840 | 120,954 |
| Foreign exchange rate and gold contracts | 458,269 | 694,995 |
| Credit contracts | 5,446 | 1,518 |
| Commodities | 5,142 | 2,949 |
| Other | 1,193 | 5 |
| **Equity instruments** | **426,545** | **226,269** |
| Banks | 103,887 | 41,198 |
| Other financial corporations | 111,326 | 59,274 |
| Non-financial corporations | 211,331 | 125,796 |
| **Debt securities** | **1,861,363** | **1,694,872** |
| Central banks | 7,480 | 0 |
| General governments | 1,049,285 | 922,618 |
| Banks | 510,663 | 454,939 |
| Other financial corporations | 179,213 | 171,447 |
| Non-financial corporations | 114,723 | 145,867 |
| **Total** | **4,182,372** | **3,893,609** |

Securities under financial assets – held for trading provided as collateral, which the recipient is entitled to sell or pledge, amounted to € 125,789 thousand (2018: € 309,030 thousand).

Details on derivatives are shown under (46) Derivative financial instruments.

## (19) Hedge accounting

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Positive fair values of derivatives in micro fair value hedge** | **278,154** | **357,837** |
| Interest rate contracts | 270,442 | 342,810 |
| Foreign exchange rate and gold contracts | 7,712 | 15,027 |
| **Positive fair values of derivatives in micro cash flow hedge** | **5,120** | **2,347** |
| Interest rate contracts | 5,120 | 2,347 |
| **Positive fair values of derivatives in net investment hedge** | **0** | **16,616** |
| **Positive fair values of derivatives in portfolio hedge** | **118,790** | **123,887** |
| Cash flow hedge | 7,071 | 1,789 |
| Fair value hedge | 111,719 | 122,098 |
| **Fair value adjustments of the hedged items in portfolio hedge of interest rate risk** | **(4,909)** | **(43,485)** |
| **Total** | **397,155** | **457,202** |

Positive fair values of derivatives in micro fair value hedge decreased € 79,683 thousand to € 278,154 thousand (2018: € 357,837 thousand). The decrease is largely due to interest rate contracts at head office.

The carrying amount of the item fair value adjustments of the hedged items in portfolio hedge of interest rate risk changed by € 38,576 thousand, from minus € 43,485 thousand at year-end 2018 to minus € 4,909 thousand. The development mainly resulted from the implementation of a portfolio fair value hedge at Raiffeisen Bausparkasse Gesellschaft m.b.H.

## (20) Investments in subsidiaries and associates

| in € thousand | 2019 | 2018 |
|---|---|---|
| Investments in affiliated companies | 270,134 | 199,212 |
| Investments in associates valued at equity | 836,406 | 765,001 |
| **Total** | **1,106,539** | **964,213** |

Because of their minor importance in giving a view of the Group's assets, financial and earnings position, 309 subsidiaries (2018: 312) were not included in the consolidated financial statements.

Investments in associates valued at equity are as follows:

| in € thousand | Share in % 2019 | Carrying amount 2019 | Carrying amount 2018 |
|---|---|---|---|
| card complete Service Bank AG, Vienna (AT) | 25.0% | 13,631 | 25,523 |
| EMCOM Beteiligungs GmbH, Vienna (AT) | 33.6% | 7,289 | 6,747 |
| LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna (AT) | 33.1% | 197,455 | 198,613 |
| NOTARTREUHANDBANK AG, Vienna (AT) | 26.0% | 10,756 | 9,003 |
| Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (AT) | 8.1% | 48,223 | 49,604 |
| Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna (AT) | 31.3% | 10,980 | 10,278 |
| Posojilnica Bank eGen, Klagenfurt (AT) [1] | 62.3% | 13,334 | 10,326 |
| Prva stavebna sporitelna a.s., Bratislava (SK) | 32.5% | 43,819 | 66,069 |
| Raiffeisen Informatik GmbH & Co KG, Wien (AT) | 47.6% | 147,076 | 48,669 |
| Raiffeisen-Leasing Management GmbH, Vienna (AT) | 50.0% | 13,125 | 13,123 |
| UNIQA Insurance Group AG, Vienna (AT) | 10.9% | 330,718 | 327,047 |
| **Total** | | **836,406** | **765,001** |

1 The share of the voting rights amounts to 49 per cent.

The carrying amount of investments in associates valued at equity increased from € 765,001 thousand to € 836,406 thousand. Most of the increase came from Raiffeisen Informatik GmbH & Co KG (R-IT), which sold its stake in Comparex AG, a German firm, to SoftwareONE Holding AG, a Swiss software company, at the start of the year. In return, Raiffeisen Informatik received shares in SoftwareONE Holding AG whose value increased significantly when SoftwareONE Holding AG had a successful IPO in October 2019. The carrying amount of investment in Prva stavebna sporitelna a.s., Bratislava, was impaired by € 27,084 thousand following an increase in Slovakian bank levies.

Significant influence over UNIQA Insurance Group AG, Vienna, exists as a result of a syndicate agreement with the other core shareholders that governs the right to appoint members of the Supervisory Board, among other things. Significant influence over Oesterreichische Kontrollbank AG, Vienna, exists as a result of two permanent positions on the Supervisory Board.

Financial information on associates valued at equity is as follows:

| 2019<br>in € thousand | CCSB | EMCOM | LLI[1] | NTB | OeKB | OEHT |
|---|---|---|---|---|---|---|
| Assets | 646,891 | 21,700 | 1,158,876 | 2,975,421 | 33,352,322 | 1,018,494 |
| Operating income | 21,071 | 1 | 54,617 | 16,298 | 66,857 | 4,121 |
| Profit/loss from continuing operations | 8,159 | 0 | 31,630 | 6,746 | 51,446 | 2,830 |
| Profit/loss after tax from discontinued operations | 0 | 0 | 0 | 0 | 0 | 0 |
| Other comprehensive income | 0 | 0 | (12,894) | 0 | (12,734) | 0 |
| **Total comprehensive income** | **8,159** | **0** | **18,736** | **6,746** | **38,712** | **2,830** |
| Attributable to non-controlling interests | 0 | 0 | 3,112 | 0 | 806 | 885 |
| Attributable to investee's shareholders | 0 | 0 | 15,624 | 0 | 37,906 | 1,946 |
| Current assets | 629,372 | 21,700 | 337,225 | 1,533,013 | 10,250,302 | 10,172 |
| Non-current assets | 17,519 | 0 | 821,651 | 1,442,408 | 23,102,020 | 1,008,322 |
| Short-term liabilities | (573,585) | (8) | (270,849) | (2,754,707) | (11,554,839) | (9,856) |
| Long-term liabilities | (18,784) | 0 | (423,500) | (179,345) | (20,994,694) | (973,501) |
| **Net assets** | **54,523** | **21,692** | **464,527** | **41,370** | **802,789** | **35,137** |
| Attributable to non-controlling interests | 0 | 0 | 11,563 | 0 | 11,687 | 10,980 |
| Attributable to investee's shareholders | 0 | 0 | 452,964 | 0 | 791,102 | 24,157 |
| **Group's interest in net assets of investee as at 1/1** | **25,523** | **6,747** | **150,907** | **9,003** | **64,435** | **10,502** |
| Change in share | 0 | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income attributable to the Group | 1,040 | 542 | 6,177 | 1,753 | 2,459 | 947 |
| Dividends received | (12,932) | 0 | (7,334) | 0 | (2,657) | (469) |
| Share in the capital increase | 0 | 0 | 0 | 0 | 0 | 0 |
| **Group's interest in net assets of investee as at 31/12** | **13,631** | **7,289** | **149,750** | **10,756** | **64,237** | **10,980** |
| Goodwill | 0 | 0 | 47,705 | 0 | 0 | 0 |
| Accumulated impairment | 0 | 0 | 0 | 0 | (16,015) | 0 |
| Other adaptations | 0 | 0 | 0 | 0 | 0 | 0 |
| **Carrying amount** | **13,631** | **7,289** | **197,455** | **10,756** | **48,223** | **10,980** |

1 Consolidated financial statements: Profit and equity is after deduction of non-controlling interests.
CCSB: card complete Service Bank AG, Vienna (AT)
EMCOM: EMCOM Beteiligungs GmbH, Vienna (AT)
LLI: LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna (AT)
NTB: NOTARTREUHANDBANK AG, Vienna (AT)
OeKB: Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (AT)
OEHT: Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna (AT)

| 2019<br>in € thousand | POSO | PSS | RIZ[1] | R-Leasing | UNIQA[1, 2]<br>30/9/2019 |
|---|---|---|---|---|---|
| Assets | 465,921 | 3,030,616 | 673,241 | 48,343 | 29,228,390 |
| Operating income | (2,276) | 116,884 | 1,904 | 428 | 256,568 |
| Profit/loss from continuing operations | (1,788) | 14,890 | 246,002 | 183 | 170,259 |
| Profit/loss after tax from discontinued operations | 0 | 0 | 25,433 | 0 | 0 |
| Other comprehensive income | 635 | (15) | 8,761 | 0 | 598,581 |
| **Total comprehensive income** | **(1,153)** | **14,875** | **280,196** | **183** | **768,840** |
| Attributable to non-controlling interests | 0 | 0 | (66) | 0 | 7,507 |
| Attributable to investee's shareholders | 0 | 0 | 280,262 | 0 | 591,074 |
| Current assets | 144,515 | 625,303 | 501,506 | 47,333 | 1,062,076 |
| Non-current assets | 317,293 | 2,405,314 | 171,735 | 1,010 | 28,166,314 |
| Short-term liabilities | (156,683) | (690,260) | (145,747) | (21,871) | (1,259,012) |
| Long-term liabilities | (264,931) | (2,082,100) | (142,091) | 0 | (24,554,043) |
| **Net assets** | **40,194** | **258,255** | **385,403** | **26,472** | **3,415,334** |
| Attributable to non-controlling interests | 0 | 0 | 0 | 0 | 16,899 |
| Attributable to investee's shareholders | 0 | 0 | 385,403 | 0 | 3,398,435 |
| **Group's interest in net assets of investee as at 1/1** | **25,712** | **79,099** | **51,609** | **13,123** | **332,524** |
| Change in share | 349 | 0 | 0 | 0 | 0 |
| Total comprehensive income attributable to the Group | (1,018) | 4,834 | 131,663 | 113 | 59,818 |
| Dividends received | 0 | 0 | 0 | 0 | (17,736) |
| Share in the capital increase | 0 | 0 | 0 | 0 | 0 |
| **Group's interest in net assets of investee as at 31/12** | **25,043** | **83,933** | **183,272** | **13,236** | **374,607** |
| Goodwill | 0 | 0 | 0 | 0 | 0 |
| Accumulated impairment | (11,709) | (40,114) | (36,196) | (111) | (43,890) |
| Other adaptations | 0 | 0 | 0 | 0 | 0 |
| **Carrying amount** | **13,334** | **43,819** | **147,076** | **13,125** | **330,718** |

1 Consolidated financial statements: Profit and equity is after deduction of non-controlling interests.
2 Figures as at 30 September 2019 because UNIQA is a listed company and has not yet published its full 2019 consolidated financial statements. Fair value of the shares held and based on stock exchange price as at 31 December 2019 amounted to € 305,557 thousand (2018: € 264,065 thousand).
POSO: Posojilnica Bank eGen, Klagenfurt (AT)
PSS: Prva stavebna sporitelna a.s., Bratislava (SK)
RIZ: Raiffeisen Informatik GmbH & Co KG, Vienna (AT)
R-Leasing: Raiffeisen-Leasing Management GmbH, Vienna (AT)
UNIQA: UNIQA Insurance Group AG, Vienna (AT)

## (21) Development of fixed assets

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Tangible fixed assets** | **1,828,929** | **1,384,277** |
| Land and buildings used by the group for own purpose | 609,291 | 571,227 |
| Office furniture, equipment and other tangible fixed assets | 329,587 | 275,217 |
| Investment property | 301,137 | 415,383 |
| Other leased assets (operating lease) | 132,676 | 122,450 |
| Right-of-use assets | 456,237 | - |
| **Intangible fixed assets** | **757,435** | **692,897** |
| Software | 636,045 | 570,718 |
| Goodwill | 101,324 | 95,583 |
| Brand | 9,972 | 8,362 |
| Customer relationships | 2,720 | 7,596 |
| Other intangible fixed assets | 7,374 | 10,638 |
| **Total** | **2,586,363** | **2,077,175** |

The increase in tangible fixed assets mainly reflected the right-of-use assets recognized on the statement of financial position following the application of IFRS 16 regulations.

The fair value of investment property was € 331,243 thousand (2018: € 333,603 thousand). No single investment of more than € 10,000 thousand was made during the financial year.

Fixed assets developed as follows:

| in € thousand | As at 1/1/2019 | Cost of acquisition or conversion Change in consolidated group | Exchange differences | Additions | Disposals | Transfers | As at 31/12/2019 |
|---|---|---|---|---|---|---|---|
| **Tangible fixed assets** | **3,216,324** | **(69,558)** | **80,472** | **284,409** | **(176,544)** | **(166)** | **3,334,938** |
| Land and buildings used by the group for own purpose | 1,005,756 | (44,779) | 29,919 | 42,183 | (21,652) | 51,438 | 1,062,864 |
| Office furniture, equipment and other tangible fixed assets | 919,157 | (3,917) | 38,611 | 137,196 | (88,307) | 10,140 | 1,012,881 |
| Investment property | 556,677 | (52,246) | 4,033 | 4,913 | (17,659) | (4,885) | 490,833 |
| Other leased assets (operating lease) | 278,764 | 0 | (1,199) | 43,068 | (33,986) | (57,894) | 228,752 |
| Right-of-use assets | 455,971 | 31,384 | 9,109 | 57,050 | (14,940) | 1,035 | 539,609 |
| **Intangible fixed assets** | **2,294,576** | **(3,758)** | **77,366** | **231,240** | **(25,002)** | **8** | **2,574,430** |
| Software | 1,771,590 | (180) | 33,126 | 220,710 | (13,832) | 5 | 2,011,419 |
| Goodwill | 438,595 | 0 | 36,806 | 5,246 | 0 | 0 | 480,648 |
| Brand | 23,229 | 0 | 4,473 | 0 | 0 | 0 | 27,702 |
| Customer relationships | 25,542 | 0 | 2,919 | 0 | (10,536) | 0 | 17,925 |
| Other intangible fixed assets | 35,620 | (3,578) | 41 | 5,284 | (634) | 4 | 36,736 |
| **Total** | **5,510,900** | **(73,316)** | **157,838** | **515,649** | **(201,546)** | **(157)** | **5,909,368** |

| in € thousand | Write-ups, amortization, depreciation, impairment Cumulative | hereof write-ups | hereof depreciation/ impairment | Carrying amount As at 31/12/2019 |
|---|---|---|---|---|
| **Tangible fixed assets** | **(1,506,010)** | **55** | **(245,387)** | **1,828,929** |
| Land and buildings used by the group for own purpose | (453,573) | 0 | (41,504) | 609,291 |
| Office furniture, equipment and other tangible fixed assets | (683,293) | 0 | (80,789) | 329,587 |
| Investment property | (189,696) | 55 | (20,787) | 301,137 |
| Other leased assets (operating lease) | (96,076) | 0 | (17,914) | 132,676 |
| Right-of-use assets | (83,372) | 0 | (84,393) | 456,237 |
| **Intangible fixed assets** | **(1,816,995)** | **42** | **(170,666)** | **757,435** |
| Software | (1,375,374) | 42 | (163,881) | 636,045 |
| Goodwill | (379,324) | 0 | 0 | 101,324 |
| Brand | (17,730) | 0 | 0 | 9,972 |
| Customer relationships | (15,205) | 0 | (5,398) | 2,720 |
| Other intangible fixed assets | (29,362) | 0 | (1,387) | 7,374 |
| **Total** | **(3,323,005)** | **97** | **(416,053)** | **2,586,363** |

| in € thousand | As at 1/1/2018 | Change in consolidated group | Exchange differences | Additions | Disposals | Transfers | As at 31/12/2018 |
|---|---|---|---|---|---|---|---|
| | Cost of acquisition or conversion | | | | | | |
| **Tangible fixed assets** | **3,000,234** | **(112,922)** | **(45,046)** | **211,572** | **(293,478)** | **(6)** | **2,760,353** |
| Land and buildings used by the group for own purpose | 999,906 | (29,452) | (23,341) | 38,353 | (22,475) | 42,764 | 1,005,756 |
| Office furniture, equipment and other tangible fixed assets | 973,008 | (58,836) | (17,835) | 119,552 | (97,400) | 668 | 919,157 |
| Investment property | 712,085 | (5,940) | (4,261) | 12,415 | (71,890) | (85,731) | 556,677 |
| Other leased assets (operating lease) | 315,235 | (18,694) | 391 | 41,252 | (101,713) | 42,294 | 278,764 |
| Right-of-use assets | - | - | - | - | - | - | - |
| **Intangible fixed assets** | **2,490,221** | **(346,480)** | **(21,873)** | **190,489** | **(17,786)** | **6** | **2,294,576** |
| Software | 1,743,055 | (128,294) | (13,098) | 187,538 | (17,537) | (74) | 1,771,590 |
| Goodwill | 639,744 | (187,102) | (14,046) | 0 | 0 | 0 | 438,595 |
| Brand | 21,841 | 0 | 1,388 | 0 | 0 | 0 | 23,229 |
| Customer relationships | 41,576 | (17,248) | 1,214 | 0 | 0 | 0 | 25,542 |
| Other intangible fixed assets | 44,005 | (13,835) | 2,669 | 2,950 | (250) | 80 | 35,620 |
| **Total** | **5,490,455** | **(459,402)** | **(66,920)** | **402,060** | **(311,264)** | **0** | **5,054,929** |

| in € thousand | Write-ups, amortization, depreciation, impairment Cumulative | hereof write-ups | hereof depreciation/ impairment | Carrying amount As at 31/12/2018 |
|---|---|---|---|---|
| **Tangible fixed assets** | **(1,376,076)** | **459** | **(144,594)** | **1,384,277** |
| Land and buildings used by the group for own purpose | (434,529) | 449 | (34,299) | 571,227 |
| Office furniture, equipment and other tangible fixed assets | (643,940) | 0 | (72,202) | 275,217 |
| Investment property | (141,294) | 5 | (16,605) | 415,383 |
| Other leased assets (operating lease) | (156,314) | 5 | (21,490) | 122,450 |
| Right-of-use assets | - | - | - | - |
| **Intangible fixed assets** | **(1,601,679)** | **0** | **(160,490)** | **692,897** |
| Software | (1,200,872) | 0 | (147,293) | 570,718 |
| Goodwill | (343,013) | 0 | (7,943) | 95,583 |
| Brand | (14,867) | 0 | 0 | 8,362 |
| Customer relationships | (17,946) | 0 | (2,855) | 7,596 |
| Other intangible fixed assets | (24,981) | 0 | (2,399) | 10,638 |
| **Total** | **(2,977,755)** | **459** | **(305,085)** | **2,077,175** |

## Software

The item software comprises acquired software amounting to € 475,769 thousand (2018: € 424,439 thousand) and internally developed software amounting to € 160,275 thousand (2018: € 146,279 thousand).

# Goodwill

The following overview shows the development of the carrying amount of goodwill, gross amounts and cumulative impairments of goodwill by cash generating units.

| 2019<br>in € thousand | RBCZ | RKAG | Other | Total |
|---|---|---|---|---|
| **As at 1/1** | **39,794** | **53,728** | **2,061** | **95,583** |
| Additions | 0 | 5,246 | 0 | 5,246 |
| Impairment | 0 | 0 | 0 | 0 |
| Exchange rate changes | 495 | 0 | 0 | 495 |
| **As at 31/12** | **40,289** | **58,974** | **2,061** | **101,324** |
| Gross amount | 40,289 | 58,974 | 381,385 | 480,648 |
| Accumulated impairment[1] | 0 | 0 | (379,324) | (379,324) |

1 Calculated with average exchange rates
RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

The addition to the goodwill of Raiffeisen Kapitalanlage-Gesellschaft m.b.H. resulted from the acquisition of the fund management assets of Raiffeisen Salzburg Invest Kapitalanlage GmbH.

| 2018<br>in € thousand | RBCZ | RKAG | Other | Total |
|---|---|---|---|---|
| **As at 1/1** | **40,088** | **53,728** | **2,061** | **95,877** |
| Additions | 0 | 0 | 0 | 0 |
| Impairment | 0 | 0 | 0 | 0 |
| Exchange rate changes | (295) | 0 | 0 | (295) |
| **As at 31/12** | **39,794** | **53,728** | **2,061** | **95,583** |
| Gross amount | 39,794 | 53,728 | 345,074 | 438,595 |
| Accumulated impairment[1] | 0 | 0 | (343,013) | (343,013) |

1 Calculated with average exchange rates
RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

### Impairment test for goodwill

At the end of each financial year, goodwill is reviewed by comparing the recoverable value of each cash generating unit for which goodwill is recognized with its carrying value. The carrying amount value is equal to net assets including goodwill and other intangible assets which are recognized within the framework of business combinations. In line with IAS 36, impairment tests for goodwill are carried out during the year if a reason for impairment occurs.

### Recoverable value

In the course of impairment testing the carrying amount of each cash generating unit (CGU) is compared with the recoverable amount. If the recoverable amount of a cash generating unit is below its carrying amount, the difference is recognized as impairment in the income statement under other result.

The Group generally identifies the recoverable amount of cash generating units on the basis of the value-in-use concept using a dividend discount model. The dividend discount model reflects the characteristics of the banking business including the regulatory framework. The present value of estimated future dividends that can be distributed to shareholders after taking into account relevant regulatory capital requirements represents the recoverable value.

The calculation of the recoverable amount is based on a five-year detailed planning period. The sustainable future growth (stabilization phase) is based on the premise of perpetuity (perpetual annuity); in the majority of cases country nominal growth rates of earnings are assumed, which are based on the long-term expected rate of inflation. For companies that have a significant overcapitalization an interim period of five years is defined, but without extending the detailed planning phase. Within this period, it is possible for these CGUs to make full payments without violating the capital adequacy requirements. In the stabilization phase, profit retention relating to growth while ensuring compliance with capital requirements is imperative. If, however, zero growth is assumed in the stabilization phase, no profit retention is required.

In the stabilization phase the model is based on a normal economically sustainable earnings situation, whereby convergence of expected return on equity and cost of equity is assumed.

### Key assumptions

Key assumptions that have been made for the individual cash generating units:

| Cash generating units | 2019 RBCZ | 2019 RKAG | 2018 RBCZ | 2018 RKAG |
|---|---|---|---|---|
| Discount rates (after tax) | 10.86% - 11.96% | 8.03% - 10.03% | 10.19% - 11.49% | 7.5% - 9.5% |
| Growth rates in phase I and II | 2.1% | 1.8% | 2.0% | 1.8% |
| Growth rates in phase III | 3.0% | 2.0% | 3.0% | 2.0% |
| Planning period | 5 years | 5 years | 5 years | 5 years |

RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

The use value of a cash generating unit is sensitive to various parameters: primarily to the level and development of future dividends, to the discount rates as well as the nominal growth rate in the stabilization phase. The applied discount rates have been calculated using the capital asset pricing model: they are composed of a risk-free interest rate and a risk premium for entrepreneurial risk taking.

The risk premium is calculated as the market risk premium that varies according to the country in which the unit is registered multiplied by the beta factor for the indebted company. The values for the risk-free interest rate and the market risk premium are defined using accessible external market data sources. The risk measure beta factor is derived from a peer group of financial institutions operating in Western and Eastern Europe. The above-mentioned interest rate parameters represent market assessments; therefore they are not stable and could in the event of a change affect the discount rates.

The following table provides a summary of significant planning assumptions and a description of the management approach to identify the values that are assigned to each significant assumption under consideration of a risk assessment.

| Cash generating units | Significant assumptions | Management approach | Risk assumption |
|---|---|---|---|
| RBCZ | The Czech Republic is a core market for the Group where a selective growth strategy is pursued. An improvement in results is assumed due to higher volumes in deposits and consumer lending with costs remaining stable. | The assumptions are based on internal and external sources. Macroeconomic assumptions of the research department were compared with external data sources and the 5-year plan, presented to the Management Board and approved by the Supervisory Board. | Fee income is assumed to be under pressure from new regulations relating to areas such as early repayment fees, SEPA payment fees, or increased ATM transaction fees. |
| RKAG | RKAG is one of the leading Austrian fund enterprises with a managed consolidated volume of € 38.3 billion as at year-end 2019 and a market share of 19.3 per cent. RKAG has been active in international markets for years and is a well-known player in numerous European countries. | The planning assumptions are based on internal and external sources. Macroeconomic assumptions were compared with external data sources and the five-year plan and then presented to the company's managers. The plan was approved by the Supervisory Board. | An improvement in results is assumed due to projected increases in volume and asset allocation while taking account of income and risk expectations. |

RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

### Sensitivity analysis

A sensitivity analysis was carried out based on the above-mentioned assumptions in order to evaluate the stability of the results of the impairment test for goodwill. From a number of options for this analysis, two relevant parameters were selected, namely the cost of equity and the reduction of the growth rate. The following overview demonstrates to what extent an increase in the cost of equity or a reduction in the long-term growth rate could occur without the value in use of cash generating units declining below the respective carrying value (equity capital plus goodwill).

| Maximum sensitivity | 2019 RBCZ | 2019 RKAG | 2018 RBCZ | 2018 RKAG |
|---|---|---|---|---|
| Increase in discount rate | 3.6 PP | 4.6 PP | 3.1 PP | 2.8 PP |
| Reduction of the growth rate in phase III | – | – | – | (0.5) PP |

RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

## Brand

Group companies use brands to differentiate their services from those of the competition. According to IFRS 3, brands of acquired companies have been recognized separately under the item intangible fixed assets. Brands have an indeterminable useful life and are therefore not subject to scheduled amortization. Brands are tested annually in the course of the impairment test for goodwill per cash generating unit and additionally whenever indications of impairment arise.

Brand rights are only recognized for Raiffeisen Bank Aval JSC, Kiev. The carrying amount of the brand was € 9,972 thousand (2018: € 8,362 thousand) and the cumulative impairment loss € 17,730 thousand (2018: € 14,867 thousand). The change is based solely on changes in the exchange rate of the Ukrainian hryvnia.

According to IAS 36.9 at the end of each reporting period, an entity is required to assess whether there is any indication that an asset may be impaired based on a series of external and internal indicators of impairment.

The brand value of Raiffeisen Bank Aval JSC, Kiev, was determined using the comparable historical cost approach, because neither directly comparable transactions nor a market with observable prices was available at the time of purchase price allocation. Documentation of brand-related marketing expenses in the previous years was taken as the basis for the historical cost approach. In 2019, the impairment test led to no impairment.

## Customer relationships

If customer contracts and associated customer relationships are acquired in a business combination, they must be recognized separately from goodwill, if they are based on contractual or other rights. The acquired companies meet the criteria for a separate recognition of non-contractual customer relationships for existing customers. The customer base is valued using the multi-period excess earnings method based on projected future income and expenses allocable to the respective customer base. The projections are based on planning figures for the corresponding years.

The Group capitalized customer relationship intangibles in relation to Raiffeisen Bank Aval JSC, Kiev, in an amount of € 2,720 thousand (2018: € 7,596 thousand). The customer relationships of Raiffeisenbank a.s., Prague, of € 4,555 thousand were still included in the previous year but were fully impaired in the reporting period due to inadequate cross-selling opportunities in the transferred customer base.

# (22) Tax assets

| in € thousand | 2019 | 2018 |
|---|---|---|
| Current tax assets | 61,272 | 56,820 |
| Deferred tax assets | 143,764 | 122,371 |
| Temporary tax claims | 127,100 | 101,982 |
| Loss carry forwards | 16,664 | 20,388 |
| **Total** | **205,036** | **179,191** |

Net deferred taxes were derived from the following items:

| in € thousand | 2019 | 2018 |
|---|---|---|
| Financial assets - amortized cost | 76,684 | 68,695 |
| Derivatives – Hedge accounting incl. fair value adjustments | 30,467 | 24,449 |
| Financial liabilities - amortized cost | 82,181 | 22,066 |
| Financial liabilities - held for trading | 149,547 | 138,161 |
| Financial liabilities - designated fair value through profit/loss | 43,594 | 219,151 |
| Provisions for liabilities and charges | 89,158 | 74,862 |
| Other assets | 84,261 | 55,520 |
| Loss carry forwards | 16,664 | 20,388 |
| Other items of the statement of financial position | 29,350 | 26,638 |
| **Deferred tax assets** | **601,906** | **649,930** |
| Financial assets - held for trading | 113,212 | 108,272 |
| Financial assets - amortized cost | 96,488 | 91,656 |
| Financial assets - fair value through other comprehensive income | 26,619 | 11,089 |
| Financial assets and liabilities - designated fair value through profit/loss | 18,768 | 23,916 |
| Financial liabilities - amortized cost | 86 | 140,137 |
| Tangible fixed assets | 35,299 | 21,092 |
| Intangible fixed assets | 48,267 | 48,946 |
| Derivatives – Hedge accounting incl. fair value adjustments | 70,277 | 94,411 |
| Other assets | 39,824 | 1,132 |
| Other liabilities | 23,585 | 20,724 |
| Other items of the statement of financial position | 23,735 | 25,885 |
| **Deferred tax liabilities** | **496,159** | **587,261** |
| **Net deferred taxes** | **105,748** | **62,669** |

In the consolidated financial statements, deferred tax assets are recognized for unused tax loss carry forwards which amounted to € 16,664 thousand (2018: € 20,388 thousand). The tax loss carry forwards are mainly without any time limit. The Group did not recognize deferred tax assets from tax loss carry forwards of € 595,563 thousand (2018: € 519,281 thousand) because from a current point of view there is no prospect of realizing them within a reasonable period of time.

## (23) Other assets

| in € thousand | 2019 | 2018 |
|---|---|---|
| Prepayments and other deferrals | 458,716 | 282,662 |
| Merchandise inventory and suspense accounts for services rendered not yet charged out | 286,759 | 239,929 |
| Non-current assets and disposal groups classified as held for sale | 20,588 | 54,142 |
| Other assets | 548,526 | 412,862 |
| **Total** | **1,314,589** | **989,594** |

Merchandise inventory and suspense accounts for services rendered not yet charged out included property under construction or not yet sold of Raiffeisen Leasing Group in Austria and Italy of € 136,935 thousand.

Non-current assets and disposal groups classified as held for sale mainly consisted of one property owned by Raiffeisen Immobilienfonds, Vienna, amounting to € 14,805 thousand (2018: € 49,602 thousand).

The increase in the item other assets resulted mainly from precious metal transactions at head office.

## (24) Financial liabilities – amortized cost

The following table provides a breakdown of deposits from banks and customers by product and a breakdown of debt securities issued:

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Deposits from banks** | **23,582,454** | **23,959,843** |
| Current accounts/overnight deposits | 10,864,209 | 9,993,571 |
| Deposits with agreed maturity | 11,731,323 | 13,228,746 |
| Repurchase agreements | 986,922 | 737,526 |
| **Deposits from customers** | **95,910,514** | **86,623,218** |
| Current accounts/overnight deposits | 64,759,794 | 58,705,626 |
| Deposits with agreed maturity | 31,071,365 | 27,769,768 |
| Repurchase agreements | 79,354 | 147,825 |
| **Debt securities issued** | **8,779,634** | **7,966,769** |
| Certificates of deposits | 796 | 778 |
| Covered bonds | 1,321,263 | 726,560 |
| Hybrid contracts | 220 | 369 |
| Other debt securities issued | 7,457,355 | 7,239,063 |
| hereof convertible compound financial instruments | 1,070,346 | 1,339,644 |
| hereof non-convertible | 6,387,009 | 5,899,418 |
| **Other financial liabilities** | **491,814** | **524,268** |
| **Total** | **128,764,416** | **119,074,098** |
| hereof subordinated financial liabilities | 2,725,517 | 2,765,225 |

The change in current deposits from banks was mostly attributable to higher volumes at head office (up € 560,967 thousand) and higher volumes combined with exchange rate effects in Russia (up € 178,167 thousand). Deposits with agreed maturity from banks moved in the other direction. In this case, the year-on-year change was mainly driven by declines at head office (down € 927,858 thousand) and in the Czech Republic (down € 442,500 thousand). The increase in repurchase agreements with banks was almost entirely attributable to Russia. This reporting period marks the first time that deposits with agreed maturity from banks contain lease liabilities of € 1,367 thousand pursuant to IFRS 16.

Current accounts/overnight deposits from customers changed by € 6,054,169 thousand from the previous year, principally as a result of higher deposits from households. Non-financial corporations also demonstrated a clear preference for current deposits. Looking at the details, the overall increase in current deposits from customers was partly attributable to higher volumes throughout the Group and partly caused by substantial exchange rate effects, particularly in Russia. Russia stands out in this regard since its volume was only slightly above the previous year's level, but the exchange rate effect had an extraordinary impact on the change in current accounts/overnight deposits from customers. All in all, Russia alone contributed € 1,231,230 thousand to the increase in this item. The remaining changes were mainly volume-driven and spread across the entire Group, although particularly strong increases were reported in Romania (up € 955,603 thousand), Slovakia (up € 921,765 thousand) and Ukraine (up € 558,437 thousand). In contrast, head office in Vienna reduced the item by € 506,092 thousand.

The situation was more complex for deposits with agreed maturity from customers. In this case, large increases at head office (up € 1,942,093 thousand) and in Russia (up € 1,585,104 thousand) and the Czech Republic (up € 594,040 thousand) were offset by declines in Romania (down € 531,118 thousand), Bosnia and Herzegovina (down € 265,865 thousand), Hungary (down € 186,651 thousand) and Croatia (down € 243,128 thousand). The increase in Russia was driven by both volumes and exchange rate effects. Overall, other financial corporations in particular preferred this type of deposit. This reporting period marks the first time that deposits with agreed maturity from customers contain lease liabilities of € 451,743 thousand pursuant to IFRS 16.

The following table provides a breakdown of deposits from banks and customers by asset classes:

| in € thousand | 2019 | 2018 |
|---|---|---|
| Central banks | 2,462,354 | 2,147,243 |
| General governments | 3,171,005 | 2,719,635 |
| Banks | 21,120,100 | 21,812,599 |
| Other financial corporations | 10,929,405 | 9,457,538 |
| Non-financial corporations | 34,848,910 | 31,350,275 |
| Households | 46,961,194 | 43,095,770 |
| **Total** | **119,492,968** | **110,583,061** |

The following table shows the principal debt securities issued:

| Issuer | ISIN | Type | Currency | Nominal value in € thousand | Coupon | Due |
|---|---|---|---|---|---|---|
| RBI AG | XS1852213930 | senior public placements | EUR | 500,000 | 0.3% | 5/7/2021 |
| RBI AG | XS1917591411 | senior public placements | EUR | 500,000 | 1.0% | 4/12/2023 |
| RBI AG | XS2086861437 | senior public placements | EUR | 500,000 | 0.1% | 3/12/2029 |
| RBCZ | XS1574151236 | senior public placements | CZK | 341,427 | 1.1% | 8/3/2024 |

## (25) Financial liabilities – designated fair value through profit/loss

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Deposits from banks** | **24,722** | **20,336** |
| Deposits with agreed maturity | 24,722 | 20,336 |
| **Deposits from customers** | **303,299** | **414,852** |
| Deposits with agreed maturity | 303,299 | 414,852 |
| **Debt securities issued** | **1,514,704** | **1,495,888** |
| Other debt securities issued | 1,514,704 | 1,495,888 |
| hereof convertible compound financial instruments | 9,828 | 10,343 |
| hereof non-convertible | 1,504,876 | 1,485,545 |
| **Total** | **1,842,725** | **1,931,076** |
| hereof subordinated financial liabilities | 405,206 | 385,576 |

The difference between the current fair value of these designated liabilities and the amount contractually required to be paid at maturity amounted to minus € 395,118 thousand (2018: minus € 405,643 thousand). There have been no significant transfers within equity or derecognition of liabilities designated at fair value in the reporting period.

## (26) Financial liabilities – held for trading

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Derivatives** | **1,933,594** | **2,034,559** |
| Interest rate contracts | 1,060,400 | 925,151 |
| Equity contracts | 185,233 | 365,550 |
| Foreign exchange rate and gold contracts | 584,163 | 646,770 |
| Credit contracts | 18,010 | 2,957 |
| Commodities | 69 | 2,673 |
| Other | 85,719 | 91,457 |
| **Short positions** | **360,661** | **318,001** |
| Equity instruments | 75,321 | 92,292 |
| Debt securities | 285,340 | 225,709 |
| **Debt securities issued** | **3,494,556** | **2,749,275** |
| Hybrid contracts | 3,209,522 | 2,382,807 |
| Other debt securities issued | 285,034 | 366,467 |
| hereof convertible compound financial instruments | 285,034 | 366,467 |
| **Total** | **5,788,811** | **5,101,835** |

Details on derivatives are shown under (46) Derivative financial instruments.

## (27) Hedge accounting

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Negative fair values of derivatives in micro fair value hedge** | **41,132** | **20,914** |
| Interest rate contracts | 40,998 | 20,727 |
| Foreign exchange rate and gold contracts | 135 | 187 |
| **Negative fair values of derivatives in micro cash flow hedge** | **3,651** | **5,390** |
| Interest rate contracts | 3,651 | 5,390 |
| **Negative fair values of derivatives in net investment hedge** | **6,706** | **0** |
| **Negative fair values of derivatives in portfolio hedge** | **230,576** | **127,018** |
| Cash flow hedge | 2,265 | 12,452 |
| Fair value hedge | 228,311 | 114,566 |
| **Fair value adjustments of the hedged items in portfolio hedge of interest rate risk** | **(35,616)** | **(62,274)** |
| **Total** | **246,450** | **91,049** |

Negative fair values of derivatives in portfolio hedge amounted to € 230,576 thousand (2018: € 127,018 thousand). The increase is largely due to the implementation of a portfolio hedge at Raiffeisen Bausparkasse Gesellschaft m.b.H.

The item fair value adjustments of the hedged items in portfolio hedge of interest rate risk changed by € 26,658 thousand compared to year-end 2018, from minus € 62,274 thousand to minus € 35,616 thousand. This was mainly due to the fair value development of the hedged liabilities in portfolio hedges of Raiffeisenbank a.s., Prague, with rising interest rates.

## (28) Provisions for liabilities and charges

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Provisions for off-balance sheet items** | **172,879** | **126,149** |
| Other commitments and guarantees according to IFRS 9 | 160,561 | 125,750 |
| Other commitments and guarantees according to IAS 37 | 12,317 | 399 |
| **Provisions for staff** | **500,261** | **459,021** |
| Pensions and other post employment defined benefit obligations | 203,933 | 188,567 |
| Other long-term employee benefits | 42,066 | 36,376 |
| Bonus payments | 192,053 | 176,352 |
| Provisions for overdue vacations | 56,031 | 50,435 |
| Termination benefits | 6,177 | 7,290 |
| **Other provisions** | **409,591** | **270,753** |
| Pending legal issues and tax litigation | 222,115 | 88,777 |
| Restructuring | 25,821 | 2,446 |
| Onerous contracts | 65,601 | 66,401 |
| Other provisions | 96,054 | 113,129 |
| **Total** | **1,082,731** | **855,922** |

The Group is involved in litigation arising from the undertaking of banking business, but does not expect that these legal cases will have a material impact on the financial position of the Group. Group-wide provisions for pending legal issues amounted to € 222,115 thousand (2018: € 88,777 thousand). The change was mainly driven by credit-linked provisions on a portfolio basis related to consumer mortgage loans that are denominated in or indexed to a foreign currency. A provision of € 49,336 thousand was recognized in Poland. In addition, a provision of € 10,016 thousand was recognized in Romania in connection with state subsidies for building society savings. A provision of € 14,160 thousand was recognized for proceedings involving the consumer protection authority in Romania. Another provision of € 21,221 thousand was recognized for individual cases in Croatia.

A provision of € 26,958 thousand for pending legal issues and tax litigation was allocated for German property transfer tax, which resulted from corporate reorganizations in previous years. They related to the merger of Raiffeisen Zentralbank and Raiffeisen Bank International in 2017 and to purchases of shares in Raiffeisen Leasing Group in 2012 and 2013.

More details are available under (55) Pending legal issues.

The following table shows the changes in provisions for liabilities and charges in the reporting year, although provisions for off-balance-sheet items pursuant to IFRS 9 are not included. These are shown under (38) Development of impairments.

| in € thousand | 1/1/2019 | Change in consolidated group | Allocation | Release | Usage | Transfers, exchange differences | 31/12/2019 |
|---|---|---|---|---|---|---|---|
| **Provisions for off-balance sheet items** | **399** | **0** | **11,400** | **0** | **0** | **518** | **12,317** |
| Other commitments and guarantees according to IAS 37 | 399 | 0 | 11,400 | 0 | 0 | 518 | 12,317 |
| **Provisions for staff** | **459,021** | **(372)** | **195,404** | **(30,585)** | **(133,759)** | **10,553** | **500,261** |
| Pensions and other post employment defined benefit obligations | 188,567 | 0 | 28,212 | (2,187) | (9,962) | (697) | 203,933 |
| Other long-term employee benefits | 36,376 | (260) | 5,255 | (36) | (133) | 864 | 42,066 |
| Bonus payments | 176,352 | (13) | 148,306 | (17,810) | (123,224) | 8,443 | 192,053 |
| Provisions for overdue vacations | 50,435 | (98) | 13,327 | (10,552) | (116) | 3,036 | 56,031 |
| Termination benefits | 7,290 | 0 | 304 | 0 | (323) | (1,093) | 6,177 |
| **Other provisions** | **270,753** | **602** | **290,995** | **(82,555)** | **(70,783)** | **581** | **409,591** |
| Pending legal issues and tax litigation | 88,777 | 504 | 146,716 | (26,892) | (5,526) | 18,535 | 222,115 |
| Restructuring | 2,446 | 0 | 23,231 | (221) | (1,021) | 1,387 | 25,821 |
| Onerous contracts | 66,401 | 0 | 1,767 | (2,567) | 0 | 0 | 65,601 |
| Other provisions | 113,129 | 97 | 119,281 | (52,875) | (64,237) | (19,341) | 96,054 |
| **Total** | **730,173** | **229** | **497,799** | **(113,140)** | **(204,543)** | **11,652** | **922,170** |

| in € thousand | 1/1/2018 | Change in consolidated group | Allocation | Release | Usage | Transfers, exchange differences | 31/12/2018 |
|---|---|---|---|---|---|---|---|
| **Provisions for off-balance sheet items** | **176** | **0** | **431** | **(173)** | **0** | **(35)** | **399** |
| Other commitments and guarantees according to IAS 37 | 176 | 0 | 431 | (173) | 0 | (35) | 399 |
| **Provisions for staff** | **419,909** | **(13,898)** | **207,268** | **(26,569)** | **(126,571)** | **(1,118)** | **459,021** |
| Pensions and other post employment defined benefit obligations | 164,538 | (10) | 28,237 | (17) | (8,743) | 4,563 | 188,567 |
| Other long-term employee benefits | 33,272 | (751) | 6,585 | (604) | (392) | (1,734) | 36,376 |
| Bonus payments | 169,236 | (10,064) | 153,083 | (15,533) | (115,543) | (4,827) | 176,352 |
| Provisions for overdue vacations | 50,305 | (3,072) | 14,207 | (10,195) | 0 | (810) | 50,435 |
| Termination benefits | 2,558 | 0 | 5,156 | (219) | (1,893) | 1,688 | 7,290 |
| **Other provisions** | **333,787** | **(18,964)** | **100,902** | **(72,849)** | **(73,405)** | **1,282** | **270,753** |
| Pending legal issues and tax litigation | 129,096 | (2,336) | 31,309 | (50,742) | (20,080) | 1,530 | 88,777 |
| Restructuring | 17,920 | (6,207) | 551 | (8,753) | (291) | (774) | 2,446 |
| Onerous contracts | 66,059 | (2,417) | 342 | 0 | 0 | 2,417 | 66,401 |
| Other provisions | 120,712 | (8,004) | 68,699 | (13,354) | (53,033) | (1,890) | 113,129 |
| **Total** | **753,872** | **(32,862)** | **308,600** | **(99,591)** | **(199,976)** | **129** | **730,173** |

## Pension obligations and other termination benefits

The Group contributes to the following defined benefit pension plans and other post-employment benefits:

- Defined benefit pension plans in Austria and other countries
- Other post-employment benefits in Austria and other countries
- These defined benefit plans and other post-employment benefits expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

### Funding

For pensions there are different plans: unfunded, partly funded and fully funded. The partly and fully funded plans are all invested by Valida Pension AG. Valida Pension AG is a pension fund, and is subject in particular to the provisions of the PKG (Pension Act) and BPG (Company Pension Act).

The Group expects to pay € 394 thousand in contributions to its defined benefit plans in 2020. In the financial year 2019, the Group's contribution to defined benefit plans was € 481 thousand.

## Pension obligations/defined benefit pension plans

### Financial status

| in € thousand | 2019 | 2018 |
|---|---|---|
| Defined benefit obligation (DBO) | 153,345 | 144,811 |
| Fair value of plan assets | (49,264) | (45,534) |
| Net liabilities/assets | 104,081 | 99,277 |

The defined benefit obligations developed as follows:

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Defined benefit obligation as at 1/1** | **144,811** | **132,706** |
| Change in consolidated group | 0 | 0 |
| Current service cost | 453 | 475 |
| Interest cost | 2,218 | 1,811 |
| Payments | (7,480) | (6,888) |
| Loss/(gain) on DBO due to past service cost | (892) | 2 |
| Transfer | (456) | (3,410) |
| Remeasurements | 14,691 | 20,115 |
| **Defined benefit obligation as at 31/12** | **153,345** | **144,811** |

The increase in new measurements in the reporting period resulted from the change of the discount rate, while the increase in the previous year was due to the adjustment of the mortality tables.

Plan assets developed as follows:

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Plan assets as at 1/1** | **45,534** | **51,156** |
| Interest income | 1,586 | 1,094 |
| Contributions to plan assets | 775 | 627 |
| Plan payments | (2,245) | (2,473) |
| Transfer | (666) | (2,148) |
| Return on plan assets excl. interest income | 4,280 | (2,722) |
| **Plan assets as at 31/12** | **49,264** | **45,534** |

The return on plan assets for 2019 was € 5,103 thousand (2018: minus € 1,880 thousand). The fair value of rights to reimbursement recognized as an asset was € 14,560 thousand as at year-end 2019 (2018: € 12,524 thousand).

### Structure of plan assets

Plan assets comprised the following items:

| in per cent | 2019 | 2018 |
|---|---|---|
| Debt securities | 56 | 39 |
| Shares | 25 | 25 |
| Alternative Investments | 1 | 3 |
| Real estate | 4 | 6 |
| Cash | 13 | 27 |
| **Total** | **100** | **100** |

In the reporting year, most of the plan assets were quoted on an active market; less than 10 per cent were not quoted on an active market.

### Asset-Liability Matching

The pension provider Valida Pension AG has established an asset/risk management process (ARM process). According to this process, the risk-bearing capacity of each fund is evaluated once a year based on the liability structure of investment and risk associations, which itself is derived from the statement of financial position. Based on this risk-bearing capacity, the investment structure of the fund is derived. When determining the investment structure, defined and documented customer requirements are taken into account.

The defined investment structure is implemented in the two funds named VRG 60 and VRG 7, in which the accrued amounts for RBI are invested, with an investment concept. The weighting of predefined asset classes moves within a range according to objective criteria, which can be derived from market trends. In times of stress, hedges of the equity component are put in place.

### Actuarial assumptions

The following table shows the actuarial assumptions used to calculate the net defined benefit obligation:

| in per cent | 2019 | 2018 |
|---|---|---|
| Discount rate | 1.0 | 1.9 |
| Future pension basis increase | 3.5 | 3.5 |
| Future pension increase | 2.0 | 2.0 |

The following table shows the longevity assumptions used to calculate the net defined benefit obligation:

| Years | 2019 | 2018 |
|---|---|---|
| Longevity at age 65 for current pensioners - males | 22.9 | 22.8 |
| Longevity at age 65 for current pensioners - females | 25.4 | 25.3 |
| Longevity at age 65 for current members aged 45 - males | 25.7 | 25.6 |
| Longevity at age 65 for current members aged 45 - females | 27.9 | 27.8 |

The weighted average duration of the net defined benefit obligation was 13.4 years (2018: 13.0 years).

### Sensitivity analysis

Changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| in € thousand | Increase | Decrease | Increase | Decrease |
| Discount rate (1 per cent change) | (16,904) | 20,594 | (15,414) | 18,843 |
| Future salary growth (0.5 per cent change) | 762 | (759) | 735 | (712) |
| Future pension increase (0.25 per cent change) | 4,363 | (4,213) | 3,974 | (3,824) |
| Remaining life expectancy (change 1 year) | 10,360 | (10,934) | 8,644 | (9,189) |

## Other termination benefits

The other termination benefits developed as follows:

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Defined benefit obligation as at 1/1** | **89,290** | **82,988** |
| Current service cost | 5,584 | 5,353 |
| Interest cost | 1,532 | 1,234 |
| Payments | (3,952) | (4,212) |
| Loss/(gain) on DBO due to past service cost | (53) | 88 |
| Transfers | (1,505) | (371) |
| Remeasurements | 8,956 | 4,210 |
| **Defined benefit obligation as at 31/12** | **99,852** | **89,290** |

### Actuarial assumptions

The following table shows the actuarial assumptions used to calculate the other termination benefits:

| in per cent | 2019 | 2018 |
|---|---|---|
| Discount rate | 0.9 | 1.8 |
| Additional future salary increase for employees | 3.5 | 3.5 |

### Employee benefit expenses

Details of employee benefit expenses (expenses for defined benefit pension plans, other benefits due to termination of employment) are stated under (8) General administrative expenses.

## (29) Tax liabilities

| in € thousand | 2019 | 2018 |
|---|---|---|
| Current tax liabilities | 30,549 | 41,376 |
| Deferred tax liabilities | 38,017 | 59,702 |
| **Total** | **68,565** | **101,078** |

Details of the deferred tax liablilites are stated under (22) Tax assets.

## (30) Other liabilities

| in € thousand | 2019 | 2018 |
|---|---|---|
| Liabilities from insurance activities | 0 | 587 |
| Deferred income and accrued expenses | 439,778 | 335,059 |
| Sundry liabilities | 201,043 | 211,094 |
| **Total** | **640,822** | **546,740** |

## (31) Equity

| in € thousand | 2019 | 2018 |
|---|---|---|
| Consolidated equity | 11,817,337 | 10,587,140 |
| Subscribed capital | 1,002,283 | 1,002,283 |
| Capital reserves | 4,991,797 | 4,991,797 |
| Retained earnings | 8,443,172 | 7,587,171 |
| hereof consolidated profit/loss | 1,227,035 | 1,269,838 |
| Cumulative other comprehensive income | (2,619,915) | (2,994,112) |
| Non-controlling interests | 811,001 | 700,807 |
| Additional tier 1 | 1,136,645 | 1,125,411 |
| **Total** | **13,764,983** | **12,413,358** |

The development of equity is shown in section statement of changes in equity.

### Subscribed capital

As at 31 December 2019, the subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 1,003,266 thousand and the subscribed capital consisted of 328,939,621 non-par bearer shares. After deduction of own shares of 322,204, the stated subscribed capital totaled € 1,002,283 thousand.

### Own shares

The Annual General Meeting held on 21 June 2018 authorized the Management Board pursuant to Section 65 (1) item 8, Section 65 (1a) and Section 65 (1b) of the Austrian Stock Corporation Act (AktG) to purchase own shares and to retire them if appropriate without requiring any further resolutions to be passed by the General Meeting. 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 General Meeting resolution, i.e. as of 20 December 2020. The acquisition price for repurchasing the shares may be no lower than € 1.00 per share and no higher than 10 per cent above the average unweighted closing price over the ten trading days prior to exercising this authorization.

The Management Board was further authorized, pursuant to Section 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. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary (Section 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 20 June 2023.

Since the authorization in June 2018, no own shares have been purchased or sold.

The Annual General Meeting of 21 June 2018 also authorized the Management Board, under the provisions of Section 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 20 December 2020), provided that the trading portfolio of shares purchased for this purpose does not exceed 5 per cent of the company's respective share capital at the end of any given day. 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.

### Authorized capital

Pursuant to Section 169 of the AktG, the Management Board has been authorized from the Annual General Meeting of 13 June 2019 until no later than 2 August 2024 to increase the capital stock – in one or more tranches – by up to € 501,632,920.50 by issuing up to 164,469,810 new common bearer shares with voting rights against contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to Section 153 (6) of AktG) 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 by contributions in kind or (ii) if the capital increase is carried out by contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's capital stock (exclusion of subscription rights).

No use has been made to date of the authority granted in June 2019 to utilize the authorized capital.

### Additional tier 1 capital

On 5 July 2017, RBI AG issued perpetual additional tier 1 capital (AT1) with a nominal value of € 650,000 thousand. The interest rate is 6.125 per cent p.a. until December 2022 and will be reset thereafter. RBI placed another issue of perpetual additional tier 1 capital (AT1) with a volume of € 500,000 thousand on 24 January 2018. The discretionary coupon on this issue is 4.5 per cent p.a. until mid-June 2025, after which it will be reset. Due to the terms and conditions of issue, the additional tier 1 capital is classified as equity under IAS 32. Own shares, which have a carrying amount of € 4,371 thousand, were also deducted from the capital.

### Dividend proposal

The Management Board of RBI AG will propose to the Annual General Meeting to pay a dividend of € 1.00 per share from the net profit shown in the 2019 annual financial statements. The total dividend paid based on shares issued would be no more than € 328,940 thousand.

## Number of shares outstanding

| Number of shares | 2019 | 2018 |
|---|---|---|
| **Number of shares issued as at 1/1** | **328,939,621** | **328,939,621** |
| New shares issued | 0 | 0 |
| **Number of shares issued as at 31/12** | **328,939,621** | **328,939,621** |
| Own shares as at 1/1 | 322,204 | 394,942 |
| Purchase of own shares | 0 | 0 |
| Sale of own shares | 0 | (72,738) |
| **Less own shares as at 31/12** | **322,204** | **322,204** |
| **Number of shares outstanding as at 31/12** | **328,617,417** | **328,617,417** |

## Non-controlling interests

The following table contains financial information of subsidiaries which are held by the Group and in which material non-controlling interests exist. The amounts reported below refer to the non-controlling interests that were not eliminated.

| 2019<br>in € thousand | Share of voting rights and equity of non-controlling interests | Net assets of non-controlling interests | Profit/loss of non-controlling interests | Other comprehensive income of non-controlling interests | Total comprehensive income of non-controlling interests |
|---|---|---|---|---|---|
| Raiffeisen Bank Aval JSC, Kiev (UA) | 31.8% | 153,680 | 52,197 | 21,722 | 73,919 |
| Raiffeisenbank a.s., Prague (CZ) | 25.0% | 321,778 | 40,794 | 3,556 | 44,350 |
| Tatra banka, a.s., Bratislava (SK) | 21.2% | 249,433 | 28,618 | 4,304 | 32,922 |
| Priorbank JSC, Minsk (BY) | 12.3% | 42,095 | 7,004 | 1,606 | 8,610 |
| Valida Pension AG, Vienna (AT) | 42.6% | 57,923 | 4,679 | (22) | 4,657 |
| Other | n/a | (13,907) | 4,272 | 731 | 5,003 |
| **Total** | | **811,001** | **137,565** | **31,897** | **169,462** |

| 2018<br>in € thousand | Share of voting rights and equity of non-controlling interests | Net assets of non-controlling interests | Profit/loss of non-controlling interests | Other comprehensive income of non-controlling interests | Total comprehensive income of non-controlling interests |
|---|---|---|---|---|---|
| Raiffeisen Bank Aval JSC, Kiev (UA) | 31.8% | 114,931 | 50,081 | 8,002 | 58,083 |
| Raiffeisenbank a.s., Prague (CZ) | 25.0% | 279,721 | 32,775 | (2,838) | 29,936 |
| Tatra banka, a.s., Bratislava (SK) | 21.2% | 226,249 | 23,264 | (385) | 22,879 |
| Priorbank JSC, Minsk (BY) | 12.3% | 36,501 | 6,302 | (1,441) | 4,861 |
| Valida Pension AG, Vienna (AT) | 42.6% | 53,266 | 3,350 | 131 | 3,481 |
| Other | n/a | (9,861) | 12,345 | 2,345 | 14,689 |
| **Total** | | **700,807** | **128,116** | **5,813** | **133,929** |

As opposed to the above stated financial information which only relates to non-controlling interests, the following table contains financial information of the individual subsidiaries (including controlling interests):

| 2019<br>in € thousand | Raiffeisen Bank Aval JSC, Kiev (UA) | Raiffeisenbank a.s., Prague (CZ) | Tatra banka, a.s., Bratislava (SK) | Priorbank JSC, Minsk (BY) | Valida Pension AG, Vienna (AT) |
|---|---|---|---|---|---|
| Operating income | 353,381 | 459,572 | 421,603 | 151,359 | 31,417 |
| Profit/loss after tax | 164,050 | 163,177 | 134,876 | 57,130 | 10,978 |
| Other comprehensive income | 68,269 | 14,224 | 20,283 | 13,104 | (53) |
| **Total comprehensive income** | **232,319** | **177,401** | **155,160** | **70,234** | **10,925** |
| Current assets | 2,363,564 | 6,850,633 | 4,636,599 | 1,381,572 | 124,794 |
| Non-current assets | 743,199 | 7,739,843 | 9,685,990 | 581,300 | 166,048 |
| Short-term liabilities | 2,602,585 | 12,260,065 | 12,363,593 | 1,476,538 | 7,039 |
| Long-term liabilities | 21,182 | 1,043,300 | 783,414 | 142,973 | 147,914 |
| **Net assets** | **482,995** | **1,287,112** | **1,175,582** | **343,362** | **135,889** |
| Net cash from operating activities | 426,800 | 272,897 | 524,512 | 50,030 | (37,542) |
| Net cash from investing activities | (92,926) | (195,547) | (328,683) | (6,101) | (58,192) |
| Net cash from financing activities | (110,485) | 15,384 | (43,996) | (24,610) | 0 |
| Effect of exchange rate changes | (40,861) | (6,888) | (461) | (13,301) | 0 |
| **Net increase in cash and cash equivalents** | **182,529** | **85,847** | **151,371** | **6,017** | **(95,734)** |
| Dividends paid to non-controlling interests during the year[1] | 35,045 | 10,029 | 7,929 | 3,017 | 0 |

1 Included in net cash from financing activities

| 2018<br>in € thousand | Raiffeisen Bank Aval JSC, Kiev (UA) | Raiffeisenbank a.s., Prague (CZ) | Tatra banka, a.s., Bratislava (SK) | Priorbank JSC, Minsk (BY) | Valida Pension AG, Vienna (AT) |
|---|---|---|---|---|---|
| Operating income | 304,196 | 420,198 | 398,633 | 132,893 | 29,201 |
| Profit/loss after tax | 157,309 | 131,099 | 109,643 | 51,401 | 7,859 |
| Other comprehensive income | 25,136 | (11,353) | (1,815) | (11,753) | 307 |
| **Total comprehensive income** | **182,445** | **119,746** | **107,828** | **39,649** | **8,165** |
| Current assets | 1,724,587 | 7,016,544 | 4,121,452 | 1,238,069 | 214,249 |
| Non-current assets | 581,701 | 7,077,839 | 8,822,107 | 399,566 | 64,614 |
| Short-term liabilities | 1,939,025 | 12,341,789 | 11,077,047 | 1,276,441 | 6,443 |
| Long-term liabilities | 6,254 | 633,709 | 800,198 | 63,456 | 147,457 |
| **Net assets** | **361,009** | **1,118,885** | **1,066,314** | **297,739** | **124,963** |
| Net cash from operating activities | 193,321 | 355,370 | (263,313) | 43,479 | (29,113) |
| Net cash from investing activities | (23,404) | (220,099) | 163,199 | (3,938) | (3,308) |
| Net cash from financing activities | (140,495) | (68,597) | (67,871) | (23,109) | 0 |
| Effect of exchange rate changes | (7,983) | 991 | 0 | 11,085 | 0 |
| **Net increase in cash and cash equivalents** | **21,439** | **67,666** | **(167,985)** | **27,516** | **(32,421)** |
| Dividends paid to non-controlling interests during the year[1] | 44,609 | 14,942 | 13,954 | 2,834 | 0 |

1 Included in net cash from financing activities

## Significant restrictions

For Raiffeisenbank a.s., Prague, a syndicate contract exists between RBI AG and the joint shareholder. The syndicate contract regulates especially purchase options between direct and indirect shareholders. The syndicate contract expires automatically if control over the company changes – also in the case of a takeover bid.

The European Bank for Reconstruction and Development (EBRD) participated in the capital increase of Raiffeisen Bank Aval JSC, Kiev, (AVAL) which took place in December 2015. Within the course of this transaction, RBI agreed with EBRD to offer RBI shares to EBRD in exchange for the AVAL shares held by EBRD after six years of its participation in a so-called share swap. The execution of this transaction is subject to approvals from regulatory authorities, the Annual General Meeting and other committees.

As at end of 2014, the Ukrainian National Bank launched foreign currency transfer controls. This payment restriction was lifted by the Ukrainian National Bank in July 2019.

# Notes to financial instruments

## (32) Fair value of financial instruments

Fair value measurement in the Group is based primarily on external data sources (mainly stock exchange prices or broker quotations in highly liquid markets). Financial instruments measured on the basis of quoted market prices are mainly listed securities and derivatives as well as liquid bonds traded on OTC markets. These financial instruments are assigned to Level I of the fair value hierarchy.

If a market value is used and the market cannot be considered to be an active market in view of its restricted liquidity, the underlying financial instrument is assigned to Level II of the fair value hierarchy. If no market prices are available, valuation models based on observable market data are used to measure these financial instruments. These observable market data are mainly reproducible yield curves, credit spreads and volatilities. The Group generally uses valuation models which are subject to an internal audit by the Market Risk Committee in order to ensure appropriate measurement parameters.

If fair value cannot be measured using either sufficiently regularly quoted market prices (Level I) or using valuation models which are entirely based on observable market prices (Level II), then individual input parameters which are not observable on the market are estimated using appropriate assumptions. If parameters which are not observable on the market have a significant impact on the measurement of the underlying financial instrument, it is assigned to Level III of the fair value hierarchy. These measurement parameters, which are not regularly observable, are mainly credit spreads derived from internal estimates.

Assigning certain financial instruments to the level categories requires regular assessment, especially if measurement is based on both observable parameters and also parameters which are not observable on the market. The classification of an instrument can also change over time to take account of changes in market liquidity and thus price transparency.

**Fair value of financial instruments reported at fair value**

The living loan portfolio is included in the central calculation of fair value. Fair value is calculated monthly and is based on the discounted cash flow method. The expected payment streams are discounted using an appropriate discount rate (e.g. risk-free rate plus premium). The method applied to calculate the discount rate depends on the segment (i.e. retail and non-retail).

In addition, the fair value of the embedded options is calculated for the living loan portfolio, and the method applied is based on the segment (i.e. retail and non-retail). The measurement of the embedded options in the retail segment is based on behavioral modeling (e.g. linear regression/moving twelve-month average of prepayment rates). The measurement of embedded options in loans in the non-retail segment is based on the assumption that the customer will behave in an entirely rational manner. The embedded options in non-retail loans such as prepayment, disbursement and replenishment are replicated with swaptions and measured using the trinomial tree Hull-White structural model. The Black model, which is based on the log-normal distribution of yields, is generally used to measure interest rate options (caps and floors). As we are in a negative interest rate environment, the shifted log-normal Black model is used to measure interest rate options. It is based on a displaced diffusion model (log-normal distribution with a shift in interest rates.

For bonds, tradable market prices are mostly used. If no quotes are available, a discounted cash flow model is used to value the securities. The yield curve and an adequate credit spread are used as measurement parameters. The credit spread is determined through comparable financial instruments available on the market. Credit default spreads were used to measure a small part of the portfolio. In addition, consideration is given to third party external measurements, which are indicative in all cases. The positions are assigned to levels at the end of the reporting period.

In the Group, well-known conventional market valuation techniques are used to measure OTC derivatives. For example, interest rate swaps, cross currency swaps and forward rate agreements are measured using the customary discounted cash flow model for these products. OTC options, such as foreign exchange options or caps and floors, are based on valuation models which are in line with market standards. In the case of the examples listed, such models would be the Garman-Kohlhagen model, Black-Scholes 1972 and Black 1976. Monte Carlo simulations are used to measure complex options.

Credit value adjustments (CVA) are also necessary to determine fair value in order to reflect counterparty risk associated with OTC derivative transactions, especially for contractual partners for whom a credit support annex does not provide protection. This amount represents the respective estimated market value of a security measure which is required to hedge against counterparty credit risk in the Group's OTC derivative portfolios.

For OTC derivatives, credit value adjustments (CVA) and debit value adjustments (DVA) are used to cover expected credit losses. The CVA will depend on the expected future exposure (expected positive exposure) and the probability of default of the contractual partner. The DVA is determined on the basis of the expected negative exposure and on RBI's credit quality. The expected positive exposure is calculated by simulating a large number of scenarios for future points in time, taking into account all available risk factors (e.g. currency and yield curves). OTC derivatives are measured at market values taking into account these scenarios at the respective future points in time and are aggregated at counterparty level in order to then ascertain the expected positive exposure for all points in time. Counterparties with CSA contracts (credit support annex contracts) are taken into account in the calculation. The expected exposures are not calculated directly from simulated market values, but from a future expected change in market values based on a margin period of risk of ten days.

A further element of the CVA involves determining a probability of default for each counterparty. Where direct credit default swap (CDS) quotations are available, the Group calculates the market-based probability of default and, implicitly, the loss-given-default (LGD) for the respective counterparty. The probability of default for counterparties which are not actively traded on the market is calculated by assigning a counterparty's internal rating to a sector and rating-specific CDS curve.

The DVA is determined by the expected negative exposure and by RBI's credit quality and represents the value adjustment for own probability of default. The method of calculation is similar to that for the CVA, but the expected negative market value is used instead of the expected positive market value. Instead of the expected positive exposures, expected negative exposures are calculated from the simulated future aggregated counterparty market values; these represent the Group's expected liability to the counterparty at the respective future points in time. Values implied by the market are also used to calculate RBI's probability of default. Direct CDS quotations are used where available. If no CDS quotation is available, RBI's probability of default is calculated by assigning the own rating to a sector and rating-specific CDS curve.

No funding value adjustment (FVA) was considered to measure OTC derivatives. RBI is observing market developments and will develop a method to calculate the FVA where appropriate.

In the tables below, the financial instruments reported at fair value in the statement of financial position are grouped according to items in the statement of financial position and classified according to measurement category. A distinction is made as to whether the measurement is based on quoted market prices (Level I), or whether the valuation models are based on observable market data (Level II) or on parameters which are not observable on the market (Level III). Items are assigned to levels at the end of the reporting period.

| Assets<br>in € thousand | 2019<br>Level I | <br>Level II | <br>Level III | 2018<br>Level I[1] | <br>Level II | <br>Level III |
|---|---|---|---|---|---|---|
| **Financial assets - held for trading** | **1,910,478** | **2,271,806** | **88** | **1,614,690** | **2,278,821** | **98** |
| Derivatives | 28,606 | 1,865,835 | 24 | 43,404 | 1,929,047 | 18 |
| Equity instruments | 420,010 | 6,534 | 0 | 225,158 | 1,052 | 59 |
| Debt securities | 1,461,863 | 399,437 | 64 | 1,346,128 | 348,723 | 20 |
| **Non-trading financial assets - mandatorily fair value through profit/loss** | **393,687** | **54,117** | **328,133** | **193,650** | **54,151** | **311,981** |
| Equity instruments | 1,085 | 35 | 7 | 1,009 | 7 | 1 |
| Debt securities | 392,602 | 54,081 | 742 | 192,641 | 54,144 | 41,701 |
| Loans and advances | 0 | 0 | 327,384 | 0 | 0 | 270,279 |
| **Financial assets - designated fair value through profit/loss** | **2,231,152** | **44,675** | **6** | **3,135,148** | **56,915** | **53** |
| Equity instruments | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt securities | 2,231,152 | 44,675 | 6 | 3,135,148 | 56,915 | 53 |
| **Financial assets - fair value through other comprehensive income** | **3,912,452** | **681,391** | **187,512** | **5,707,630** | **571,383** | **210,003** |
| Equity instruments | 1,662 | 81,837 | 145,116 | 79,476 | 48,463 | 148,142 |
| Debt securities | 3,910,790 | 599,554 | 42,396 | 5,628,153 | 522,920 | 61,861 |
| Loans and advances | 0 | 0 | 0 | 0 | 0 | 0 |
| **Hedge accounting** | **0** | **402,064** | **0** | **0** | **500,687** | **0** |

1 Previous-year figures adjusted due to change in classification

| Liabilities<br>in € thousand | 2019<br>Level I | <br>Level II | <br>Level III | 2018<br>Level I | <br>Level II | <br>Level III |
|---|---|---|---|---|---|---|
| **Financial liabilities - held for trading** | **404,913** | **5,376,631** | **7,268** | **344,090** | **4,756,829** | **916** |
| Derivatives | 17,167 | 1,916,415 | 12 | 36,257 | 1,998,086 | 216 |
| Short positions | 358,723 | 1,938 | 0 | 307,832 | 10,169 | 0 |
| Deposits | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt securities issued | 29,023 | 3,458,278 | 7,255 | 0 | 2,748,574 | 700 |
| **Financial liabilities - designated fair value through profit/loss** | **0** | **1,842,725** | **0** | **0** | **1,931,076** | **0** |
| Deposits | 0 | 328,021 | 0 | 0 | 435,188 | 0 |
| Debt securities issued | 0 | 1,514,704 | 0 | 0 | 1,495,888 | 0 |
| **Hedge accounting** | **0** | **282,066** | **0** | **0** | **153,323** | **0** |

## Fair value hierarchy

### Level I

Level I inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on the measurement date (IFRS 13.76).

### Level II

Level II financial instruments are financial instruments determined using valuation techniques based on observable market data, the fair value of which can be determined from similar financial instruments traded on active markets or valuation techniques whose input parameters are directly or indirectly observable (IFRS 13.81 ff).

### Level III

Level III inputs are input factors which are unobservable for the asset or liability (IFRS 13.86). The fair value is measured using the valuation method.

## Movements between Level I and Level II

An examination is carried out for each financial instrument to determine whether quoted market prices are available on an active market (Level I). For financial instruments with unquoted market prices, observable market data such as yield curves are used to calculate fair value (Level II). A reclassification takes place if this assessment changes.

A reclassification from Level I to Level II involves instruments for which market quotes were provided in the past, but are no longer available. Such securities are now valued on the basis of a discounted cash flow model together with the respective valid yield curve and an appropriate credit spread.

A reclassification from Level II to Level I involves instruments for which a discounted cash flow model was previously used to determine the valuation results. As market quotes are now available, they can be used for the valuation.

The shares of financial assets classified as Level I and as Level II both decreased compared to year-end 2018, mainly as a result of the sale of debt securities.

### Movements in Level III of financial instruments at fair value

The following tables show the changes in the fair value of financial instruments whose fair value cannot be calculated on the basis of observable market data and are therefore subject to other measurement models. Financial instruments in this category have a value component which is unobservable directly or indirectly on the market and which has a material impact on the fair value.

| Assets in € thousand | As at 1/1/2019 | Change in consolidated group | Exchange differences | Additions | Disposals |
|---|---|---|---|---|---|
| Financial assets - held for trading | 98 | 0 | 2 | 64,516 | (64,533) |
| Non-trading financial assets - mandatorily fair value through profit/loss | 311,981 | 0 | 10,079 | 107,049 | (93,583) |
| Financial assets - designated fair value through profit/loss | 53 | 0 | (0) | 9 | (48) |
| Financial assets - fair value through other comprehensive income | 210,003 | 0 | 2,656 | 5,495 | (37,138) |
| **Total** | **522,135** | **0** | **12,736** | **177,070** | **(195,302)** |

| Assets in € thousand | Gains/loss in P/L | Gain/loss in other comprehensive income | Transfer to Level III | Transfer from Level III | As at 31/12/2019 |
|---|---|---|---|---|---|
| Financial assets - held for trading | 5 | 0 | 0 | 0 | 88 |
| Non-trading financial assets - mandatorily fair value through profit/loss | (3,832) | 0 | 0 | (3,562) | 328,133 |
| Financial assets - designated fair value through profit/loss | (8) | 0 | 0 | 0 | 6 |
| Financial assets - fair value through other comprehensive income | 4,493 | 2,264 | 0 | (262) | 187,512 |
| **Total** | **657** | **2,264** | **0** | **(3,823)** | **515,738** |

| Equity and liabilities in € thousand | As at 1/1/2019 | Change in consolidated group | Exchange differences | Additions | Disposals |
|---|---|---|---|---|---|
| Financial liabilities - held for trading | 916 | 0 | 4 | 3,518 | (700) |
| **Total** | **916** | **0** | **4** | **3,518** | **(700)** |

| Equity and liabilities in € thousand | Gains/loss in P/L | Gain/loss in other comprehensive income | Transfer to Level III | Transfer from Level III | As at 31/12/2019 |
|---|---|---|---|---|---|
| Financial liabilities - held for trading | 45 | 0 | 3,631 | (146) | 7,268 |
| **Total** | **45** | **0** | **3,631** | **(146)** | **7,268** |

## Qualitative information for the valuation of financial instruments in Level III

| Assets 2019 | Fair value in € thousand | Valuation technique | Significant unobservable inputs | Range of unobservable inputs |
|---|---|---|---|---|
| **Financial assets - held for trading** | **88** | | | |
| Subordinated capital | 0 | Price (expert opinion) | Price | - |
| Treasury bills, fixed coupon bonds | 64 | Discounted cash flow method | Credit spread<br>(all base rate - last auctions yields) | 0 - 1%<br>1.12 - 1.61 % |
| Forward foreign exchange contracts | 24 | Discounted cash flow method | Interest rate curve | 10 - 30% |
| **Non-trading financial assets - mandatorily fair value through profit/loss** | **328,133** | | | |
| Other interests | 7 | Simplified net present value method<br>Expert opinion | - | - |
| Bonds, notes and other non fixed-interest securities | 742 | Net asset value<br>Expert opinion | Haircuts<br>Price | 20 - 50% |
| Loans | 327,384 | Retail: Discounted cash flow method (incl. prepayment option, withdrawal option etc.)<br>Non Retail: Discounted cash flow method/Financial option pricing (Black-Scholes (shifted) model ; Hull-White model) | Discount spread (new business)<br>Funding curves (for liquidity costs)<br>Credit risk premium (CDS curves) | 1.44 - 3.77% over all currencies<br>(0.11) - 1.41% over all currencies<br>0.03 - 31.98% (depending on the rating: from AA to CCC) |
| **Financial assets - designated fair value through profit/loss** | **6** | | | |
| Fixed coupon bonds | 6 | Discounted cash flow method (incl. expert opinion) | Price cap<br>Price | - |
| **Financial assets - fair value through other comprehensive income** | **187,512** | | | |
| Other interests | 42,248 | Dividend discount model<br>Simplified income approach<br>DCF method | Credit spread<br>Cash flow<br>Discount rate<br>Dividends<br>Beta factor | - |
| Other interests | 38,700 | Adjusted net asset value | Adjusted equity | - |
| Other interests | 64,169 | Market comparable companies<br>Transaction price<br>Valuation report (expert judgment)<br>Cost minus impairment | EV/Sales<br>EV/EBIT<br>P/E<br>P/B | - |
| Mortgage bonds/fixed coupon bonds and floating rate notes | 42,396 | Discounted cash flow method | Prepayment rate<br>Embedded option premium | 23.1 - 47.4% (37.9%),<br>0.10 - 0.24% (0.19%) |
| **Total** | **515,738** | | | |

| Liabilities 2019 | Fair value in € thousand | Valuation technique | Significant unobservable inputs | Range of unobservable inputs |
|---|---|---|---|---|
| **Financial liabilities - held for trading** | **7,268** | | | |
| Forward foreign exchange contracts | 12 | Discounted cash flow method | Interest rate curve | 10 - 30% |
| Certificates | 7,255 | Combination of Down-and-In-Put-Option and DCF method | Share volatilities<br>Index volatilities | - |
| **Total** | **7,268** | | | |

### Sensitivity of the fair value of financial assets (Level III) and liabilities measured at fair value

According to IFRS 13 it is necessary to disclose information that helps users of its financial statements assess recurring fair value measurements using significant unobservable inputs (Level III) and disclose separately the effect of the measurements on profit or loss and other comprehensive income for the period. This means for recurring fair value measurements categorized within Level III of the fair value hierarchy of financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, an entity shall state that fact and disclose the effect of such changes.

The table below shows the impact of changing certain reasonably possible assumptions for Level III financial assets measured at fair value. In estimating the impact mainly changes in credit spreads for bonds and loans and market values of comparable equities are relevant. For bonds and loans an increase (decrease) in credit spread of 100 basis points (75 basis points) leads to a corresponding decrease (increase) in fair value. For unquoted equity instruments an increase (decrease) in price of 10 per cent leads to a corresponding increase (decrease) in fair value.

Financial assets

| 2019 | Carrying amount | Fair value changes | |
|---|---|---|---|
| in € thousand | Level III | Positive | Negative |
| Loans and advances | 327,384 | +20,530 | (22,084) |
| Debt securities | 812 | +103 | (53) |
| **Income statement effect** | **–** | **+20,632** | **(22,137)** |

| 2019 | Carrying amount | Fair value changes | |
|---|---|---|---|
| in € thousand | Level III | Positive | Negative |
| Debt securities | 42,396 | +2,784 | (2,118) |
| Equity instruments | 145,116 | +15,344 | (15,139) |
| **Other comprehensive income effect** | **–** | **+18,128** | **(17,258)** |

In RBI Group, no material amounts of Level III financial liabilities currently exist and as a result no sensitivity analysis is disclosed. This disclosure is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable input parameters. However, it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. Hence, the estimates disclosed above are likely to be greater than the true uncertainty in fair value at the balance sheet date. Furthermore, the disclosure is neither predictive nor indicative of future movements in fair value.

### Fair value of financial instruments not reported at fair value

The financial instruments in the following table are not managed on a fair value basis and are therefore not measured at fair value in the statement of financial position. For these instruments the fair value is calculated only for the purposes of providing information in the notes, and has no impact on the consolidated statement of financial position or on the consolidated income statement. With the introduction of IFRS 9, the calculation of the fair value of receivables and liabilities not reported at fair value was reclassified and, among other things, input factors are also used in the models which are not observable on the market, but which have a significant influence on the calculated value. A simplified fair value calculation method for retail and non-retail portfolios is applied for all short-term transactions (transactions with maturities up to three months). The fair value of these short-term transactions will be equal to the carrying amount of the product. For the other transactions the methodology as described in the section entitled Fair value of financial instruments reported at fair value is applied.

| 2019<br>in € thousand | Level I | Level II | Level III | Fair value | Carrying amount | Difference |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Cash, cash balances at central banks and other demand deposits** | **0** | **24,289,265** | **0** | **24,289,265** | **24,289,265** | **0** |
| **Financial assets - amortized cost** | **8,122,741** | **25,436,403** | **105,044,539** | **138,603,683** | **134,811,570** | **3,792,113** |
| Debt securities | 8,122,741 | 1,147,139 | 877,714 | 10,147,594 | 9,973,175 | 174,419 |
| Loans and advances | 0 | 0 | 103,929,578 | 103,929,578 | 100,311,884 | 3,617,694 |
| **Liabilities** | | | | | | |
| **Financial liabilities - amortized cost** | **0** | **8,644,863** | **120,445,206** | **129,090,069** | **128,311,306** | **778,763** |
| Deposits from banks and customers[1] | 0 | 0 | 119,544,413 | 119,544,413 | 119,039,858 | 504,555 |
| Debt securities issued | 0 | 8,644,863 | 408,979 | 9,053,842 | 8,779,634 | 274,208 |
| Other financial liabilities | 0 | 0 | 491,814 | 491,814 | 491,814 | 0 |

1 Leasing deposits are not included according to IFRS 7.
Level I Quoted market prices
Level II Valuation techniques based on market data
Level III Valuation techniques not based on market data

| 2018<br>in € thousand | Level I | Level II | Level III | Fair value | Carrying amount | Difference |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Cash, cash balances at central banks and other demand deposits** | **0** | **22,557,484** | **0** | **22,557,484** | **22,557,484** | **0** |
| **Financial assets - amortized cost** | **5,476,083** | **23,635,994** | **89,886,305** | **122,921,144** | **121,481,025** | **1,440,119** |
| Debt securities | 5,476,082 | 1,078,509 | 1,466,279 | 8,020,871 | 8,162,273 | (141,402) |
| Loans and advances[1] | 0 | 0 | 88,252,260 | 92,175,022 | 90,593,501 | 1,581,522 |
| **Liabilities** | | | | | | |
| **Financial liabilities - amortized cost** | **0** | **7,769,818** | **110,060,580** | **117,830,398** | **119,074,098** | **(1,242,417)** |
| Deposits from banks and customers[1] | 0 | 0 | 109,051,828 | 109,051,828 | 110,583,061 | (1,531,233) |
| Debt securities issued | 0 | 7,769,818 | 498,009 | 8,267,827 | 7,966,769 | 301,058 |
| Other financial liabilities | 0 | 0 | 510,743 | 510,743 | 524,268 | (12,243) |

1 Previous-year figures adjusted (Fair value – Level III)
Level I Quoted market prices
Level II Valuation techniques based on market data
Level III Valuation techniques not based on market data

## (33) Loan commitments, financial guarantees and other commitments

The following table shows the loan commitments given, financial guarantees and other commitments given:

| in € thousand | 2019 | 2018 |
|---|---|---|
| Loan commitments given | 35,135,831 | 31,226,964 |
| Financial guarantees given | 7,908,756 | 6,975,261 |
| Other commitments given | 3,297,568 | 2,942,779 |
| **Total** | **46,342,154** | **41,145,004** |
| Provisions for off-balance sheet items according to IFRS 9 | (160,561) | (125,750) |

In addition to the provisions for off-balance-sheet risks according to IFRS 9, provisions for other commitments given were recognized according to IAS 37 in the amount of € 12,317 thousand (2018: € 399 thousand).

The following table was prepared in accordance with Section 51 (13) BWG and shows the nominal amount and provisions for off-balance-sheet liabilities from commitments and financial guarantees under IFRS 9:

| 2019 | | Nominal amount | | Provisions for off-balance sheet items according to IFRS 9 | | |
|---|---|---|---|---|---|---|
| in € thousand | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| Central banks | 126 | 0 | 0 | 0 | 0 | 0 |
| General governments | 368,871 | 17,646 | 0 | (34) | (282) | 0 |
| Banks | 3,070,732 | 7,798 | 0 | (258) | (10) | 0 |
| Other financial corporations | 4,067,592 | 214,543 | 9,129 | (3,528) | (642) | (593) |
| Non-financial corporations | 31,234,797 | 2,262,408 | 306,904 | (32,396) | (24,600) | (79,157) |
| Households | 3,768,876 | 1,002,769 | 9,963 | (7,498) | (4,536) | (7,027) |
| **Total** | **42,510,994** | **3,505,163** | **325,997** | **(43,715)** | **(30,069)** | **(86,777)** |

| 2018 | | Nominal amount | | Provisions for off-balance sheet items according to IFRS 9 | | |
|---|---|---|---|---|---|---|
| in € thousand | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| Central banks | 96 | 0 | 0 | 0 | 0 | 0 |
| General governments | 519,132 | 13,052 | 266 | (90) | (2) | 0 |
| Banks | 2,110,567 | 303,390 | 0 | (542) | (1,002) | 0 |
| Other financial corporations | 2,040,649 | 1,643,330 | 589 | (1,467) | (2,602) | (584) |
| Non-financial corporations | 27,159,587 | 2,782,710 | 127,459 | (26,876) | (21,976) | (47,006) |
| Households | 3,483,205 | 950,231 | 10,744 | (7,663) | (6,671) | (9,269) |
| **Total** | **35,313,236** | **5,692,712** | **139,057** | **(36,638)** | **(32,253)** | **(56,860)** |

## (34) Credit quality analysis

The credit quality analysis of financial assets is a point in time assessment of the probability of default of the assets. It should be noted that for financial assets in Stages 1 and 2, due to the relative nature of significant increase in credit risk it is not necessarily the case that Stage 2 assets have a lower credit rating than Stage 1 assets, although this is normally the case. The following list provides a description of the grouping of assets by probability of default:

- Excellent are exposures which demonstrate a strong capacity to meet financial commitments, with negligible or no probability of default (PD range 0.0000 - 0.0300 per cent).
- Strong are exposures which demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default (PD range 0.0300 - 0.1878 per cent).
- Good are exposures which demonstrate a good capacity to meet financial commitments, with low default risk (PD range 0.1878 - 1.1735 per cent).
- Satisfactory are exposures which require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk (PD range 1.1735 - 7.3344 per cent).
- Substandard are exposures which require varying degrees of special attention and default risk is of greater concern (PD range 7.3344 - 100.0 per cent).
- Credit-impaired are exposures which have been assessed as impaired (PD range 100.0 per cent).

The following table sets out information about the credit quality of financial assets measured at amortized cost and fair value through other comprehensive income. The amortized cost and fair value through other comprehensive income amounts represent the gross carrying amount. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed.

The following table shows the carrying amounts of the financial assets – amortized cost by rating categories and stages:

| 2019<br>in € thousand | Stage 1<br>12 month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| Excellent | 12,747,620 | 507,212 | 0 | 13,254,832 |
| Strong | 30,091,873 | 3,807,414 | 0 | 33,899,288 |
| Good | 32,969,928 | 3,486,546 | 0 | 36,456,474 |
| Satisfactory | 17,850,690 | 3,199,416 | 0 | 21,050,106 |
| Substandard | 1,006,217 | 1,275,858 | 0 | 2,282,075 |
| Credit impaired | 0 | 0 | 2,863,792 | 2,863,792 |
| Unrated | 2,573,303 | 227,228 | 17 | 2,800,549 |
| **Gross carrying amount** | **97,239,631** | **12,503,675** | **2,863,810** | **112,607,116** |
| Accumulated impairment | (182,517) | (341,813) | (1,797,727) | (2,322,057) |
| **Carrying amount** | **97,057,114** | **12,161,862** | **1,066,083** | **110,285,060** |

| 2018<br>in € thousand | Stage 1<br>12 month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| Excellent | 18,501,569 | 682,060 | 435 | 19,184,064 |
| Strong | 23,674,851 | 2,931,161 | 2,424 | 26,608,437 |
| Good | 25,305,372 | 4,005,981 | 1,091 | 29,312,444 |
| Satisfactory | 14,642,236 | 3,352,129 | 5,211 | 17,999,575 |
| Substandard | 1,216,710 | 1,396,536 | 19,791 | 2,633,036 |
| Credit impaired | 0 | 0 | 3,109,460 | 3,109,460 |
| Unrated | 2,166,682 | 221,194 | 6,549 | 2,394,425 |
| **Gross carrying amount** | **85,507,420** | **12,589,062** | **3,144,961** | **101,241,442** |
| Accumulated impairment | (166,725) | (332,589) | (1,986,355) | (2,485,669) |
| **Carrying amount** | **85,340,694** | **12,256,473** | **1,158,606** | **98,755,774** |

In the reporting year, no longer defaulted, purchased or originated credit-impaired financial assets (POCI) are now included in Stage 2, while they were reported solely in Stage 3 in the previous period. The category unrated includes financial assets for households for whom no ratings are available. The rating is therefore based on qualitative factors. These are mainly a portfolio of mortgage loans to households in the Czech Republic.

The following table shows the gross carrying amount of financial assets – fair value through other comprehensive income, excluding equity instruments, by rating category and stages:

| 2019<br>in € thousand | Stage 1<br>12 month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| Excellent | 1,122,394 | 0 | 0 | 1,122,394 |
| Strong | 3,030,466 | 0 | 0 | 3,030,466 |
| Good | 125,175 | 93,902 | 0 | 219,077 |
| Satisfactory | 138,933 | 13,430 | 0 | 152,363 |
| Substandard | 0 | 0 | 0 | 0 |
| Credit impaired | 0 | 0 | 0 | 0 |
| Unrated | 31,055 | 0 | 0 | 31,055 |
| **Gross carrying amount**[1] | **4,448,023** | **107,332** | **0** | **4,555,355** |
| Accumulated impairment | (1,437) | (1,179) | 0 | (2,615) |
| **Carrying amount** | **4,446,587** | **106,154** | **0** | **4,552,740** |

1 The gross carrying amount follows the definition under FINREP in Annex V 1.34(b).

| 2018<br>in € thousand | Stage 1<br>12 month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| Excellent | 1,497,805 | 94,780 | 0 | 1,592,585 |
| Strong | 4,176,034 | 24,603 | 0 | 4,200,637 |
| Good | 300,843 | 0 | 0 | 300,843 |
| Satisfactory | 10 | 6,034 | 0 | 6,044 |
| Substandard | 112,094 | 0 | 0 | 112,094 |
| Credit impaired | 0 | 0 | 0 | 0 |
| Unrated | 4,718 | 0 | 0 | 4,718 |
| **Gross carrying amount[1]** | **6,091,504** | **125,417** | **0** | **6,216,922** |
| Accumulated impairment | (3,787) | (200) | 0 | (3,987) |
| **Carrying amount** | **6,087,717** | **125,217** | **0** | **6,212,934** |

1 The gross carrying amount follows the definition under FINREP in Annex V 1.34(b).

The category unrated includes financial assets for several retail customers for whom no ratings are available. The rating is therefore based on qualitative factors.

The following table shows the nominal values of off-balance-sheet commitments by rating category and stages:

| 2019<br>in € thousand | Stage 1<br>12 month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| Excellent | 2,970,644 | 184,548 | 0 | 3,155,192 |
| Strong | 16,688,109 | 1,300,958 | 112 | 17,989,179 |
| Good | 15,371,302 | 1,279,927 | 0 | 16,651,229 |
| Satisfactory | 6,869,429 | 548,330 | 0 | 7,417,759 |
| Substandard | 184,707 | 154,290 | 0 | 338,997 |
| Credit impaired | 0 | 0 | 325,885 | 325,885 |
| Unrated | 426,803 | 37,111 | 0 | 463,913 |
| **Gross carrying amount** | **42,510,994** | **3,505,163** | **325,997** | **46,342,154** |
| Provisions for off-balance sheet items according to IFRS 9 | (43,715) | (30,069) | (86,777) | (160,561) |
| **Carrying amount** | **42,467,279** | **3,475,094** | **239,220** | **46,181,593** |

| 2018<br>in € thousand | Stage 1<br>12 month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| Excellent | 2,925,635 | 209,711 | 0 | 3,135,346 |
| Strong | 14,394,089 | 2,810,591 | 0 | 17,204,680 |
| Good | 11,838,143 | 1,335,534 | 6 | 13,173,683 |
| Satisfactory | 5,556,373 | 713,775 | 8 | 6,270,156 |
| Substandard | 269,502 | 209,158 | 1 | 478,661 |
| Credit impaired | 0 | 0 | 139,042 | 139,042 |
| Unrated | 329,495 | 413,942 | 0 | 743,437 |
| **Gross carrying amount** | **35,313,236** | **5,692,712** | **139,057** | **41,145,004** |
| Provisions for off-balance sheet items according to IFRS 9 | (36,638) | (32,253) | (56,860) | (125,750) |

The category unrated includes off-balance sheet commitments for several retail customers for whom no ratings are available. The rating is therefore based on qualitative factors.

The following table shows an analysis of the default risk from derivative transactions, most of which are OTC contracts. Default risk can be minimized by the use of settlement houses and collateral in most cases.

| 2019<br>in € thousand | Nominal amount | Fair Value<br>Assets | <br>Liabilities |
|---|---|---|---|
| **OTC products** | **220,663,760** | **2,258,276** | **(2,089,351)** |
| Interest rate contracts | 164,570,585 | 1,638,858 | (1,335,626) |
| Equity contracts | 3,571,817 | 155,639 | (169,918) |
| Foreign exchange rate and gold contracts | 52,521,357 | 463,779 | (583,807) |
| **Products traded on stock exchange** | **3,126,929** | **26,471** | **(22,510)** |
| Interest rate contracts | 206,100 | 68 | 0 |
| Equity contracts | 1,549,451 | 24,201 | (15,315) |
| Foreign exchange rate and gold contracts | 1,371,378 | 2,202 | (7,196) |
| **Other - Credit contracts, commodities and other** | **2,286,477** | **11,781** | **(103,799)** |
| **Total** | **226,077,166** | **2,296,528** | **(2,215,660)** |

| 2018<br>in € thousand | Nominal amount | Fair Value<br>Assets | <br>Liabilities |
|---|---|---|---|
| **OTC products** | **210,878,533** | **2,405,437** | **(2,044,893)** |
| Interest rate contracts | 160,232,200 | 1,620,588 | (1,077,702) |
| Equity contracts | 3,120,027 | 80,347 | (330,584) |
| Foreign exchange rate and gold contracts | 47,526,306 | 704,501 | (636,607) |
| **Products traded on stock exchange** | **3,551,725** | **63,246** | **(45,901)** |
| Interest rate contracts | 1,373,971 | 503 | (584) |
| Equity contracts | 741,732 | 40,606 | (34,967) |
| Foreign exchange rate and gold contracts | 1,436,022 | 22,137 | (10,350) |
| **Other - Credit contracts, commodities and other** | **1,731,870** | **4,473** | **(97,088)** |
| **Total** | **216,162,128** | **2,473,156** | **(2,187,882)** |

## (35) Collateral and maximum exposure to credit risk

The following table contains details of the maximum exposure from financial assets not subject to impairment and the financial assets subject to impairment and reconciles these to the loans and advances non-trading which is the basis of the collateral disclosures below:

| 2019<br>in € thousand | Maximum exposure to credit risk<br>Not subject to impairment | <br>Subject to impairment | <br>hereof loans and advances non-trading, loan commitments, financial guarantees and other commitments |
|---|---|---|---|
| Financial assets - amortized cost | 0 | 112,607,116 | 102,625,739 |
| Financial assets - fair value through other comprehensive income[1] | 0 | 4,555,355 | 0 |
| Non-trading financial assets - mandatorily fair value through profit/loss | 774,809 | 0 | 327,384 |
| Financial assets - designated fair value through profit/loss | 2,275,832 | 0 | 0 |
| Financial assets - held for trading | 3,755,827 | 0 | |
| **On-balance** | **6,806,469** | **117,162,472** | **102,953,123** |
| Loan commitments, financial guarantees and other commitments | 0 | 46,342,154 | 46,342,154 |
| **Total** | **6,806,469** | **163,504,626** | **149,295,277** |

1 The gross carrying amount follows the definition under FINREP in Annex V 1.34(b).

| 2018 | | Maximum exposure to credit risk | |
|---|---|---|---|
| in € thousand | Not subject to impairment[1] | Subject to impairment | hereof loans and advances non-trading, loan commitments, financial guarantees and other commitments |
| Financial assets - amortized cost | 0 | 101,241,442 | 93,073,000 |
| Financial assets - fair value through other comprehensive income[2] | 0 | 6,216,922 | 0 |
| Non-trading financial assets - mandatorily fair value through profit/loss | 456,792 | 0 | 270,279 |
| Financial assets - designated fair value through profit/loss | 3,192,115 | 0 | 0 |
| Financial assets - held for trading | 3,667,340 | 0 | 0 |
| **On-balance** | **7,316,248** | **107,458,364** | **93,343,279** |
| Loan commitments, financial guarantees and other commitments | 0 | 41,145,004 | 41,145,004 |
| **Total** | **7,316,248** | **148,603,368** | **134,488,283** |

1 Previous-year figures adjusted due to changed allocation
2 The gross carrying amount follows the definition under FINREP in Annex V 1.34(b).

RBI employs a range of policies to mitigate credit risk, the most common of which is the acceptance of collateral for loans and advances provided. The eligibility of collateral is defined on a RBI Group basis to ensure uniform standards of collateral evaluation. A valuation of collateral is performed during the credit approval process. This is then reviewed periodically using various validation processes. The main types of collateral which are accepted in RBI Group are residential and commercial real estate collateral, financial collateral, guarantees and movable goods. Long-term financing is generally secured and revolving credit facilities are generally unsecured. Debt securities are mainly unsecured, and derivatives can be secured by cash or master netting agreements. Collateral from leasing business is also included in the table. Items shown in cash and cash equivalents are considered to have negligible credit risk.

RBI Group's policies regarding obtaining collateral have not been significantly changed during the reporting period; however, they are updated on a yearly basis.

It should be noted that the collateral values shown in the tables are capped at the maximum value of the gross carrying amount of the financial asset. The following table shows non-trading loans and advances as well as loan commitments, financial guarantees and other commitments that are subject to impairment:

| 2019<br>in € thousand | Maximum exposure to credit risk | Fair value of collateral | Credit risk exposure net of collateral |
|---|---|---|---|
| Central banks | 4,602,195 | 172,082 | 4,430,113 |
| General governments | 1,199,445 | 531,364 | 668,081 |
| Banks | 4,836,988 | 2,355,627 | 2,481,361 |
| Other financial corporations | 9,886,800 | 4,813,403 | 5,073,397 |
| Non-financial corporations | 46,553,218 | 22,460,654 | 24,092,564 |
| Households | 35,874,477 | 22,406,778 | 13,467,700 |
| Loan commitments, financial guarantees and other commitments | 46,342,154 | 8,113,740 | 38,228,414 |
| **Total** | **149,295,277** | **60,853,648** | **88,441,630** |

| 2018<br>in € thousand | Maximum exposure to credit risk | Fair value of collateral | Credit risk exposure net of collateral |
|---|---|---|---|
| Central banks | 4,862,759 | 81,106 | 4,781,653 |
| General governments | 920,605 | 676,328 | 244,277 |
| Banks | 5,143,901 | 1,506,576 | 3,637,324 |
| Other financial corporations | 6,711,862 | 2,572,406 | 4,139,457 |
| Non-financial corporations | 43,467,027 | 21,477,748 | 21,989,279 |
| Households | 32,237,124 | 20,088,239 | 12,148,885 |
| Loan commitments, financial guarantees and other commitments | 41,145,004 | 7,315,169 | 33,829,835 |
| **Total** | **134,488,283** | **53,717,572** | **80,770,711** |

Approximately two thirds of collateral which can be considered by RBI relate to loans collateralized by immovable property and of this more than 70 per cent is residential immovable property. Other sources of collateral include guarantees (16 per cent) and collateral from reverse repos and securities lending (18 per cent).

The following table contains details of the maximum exposure from financial assets in Stage 3 and the corresponding collateral:

| 2019<br>in € thousand | Maximum exposure to credit risk (Stage 3) | Fair value of collateral (Stage 3) | Credit risk exposure net of collateral (Stage 3) | Impairment allowance (Stage 3) |
|---|---|---|---|---|
| Central banks | 0 | 0 | 0 | 0 |
| General governments | 2,250 | 0 | 2,250 | (2,219) |
| Banks | 3,857 | 0 | 3,857 | (3,857) |
| Other financial corporations | 63,852 | 76 | 63,776 | (32,783) |
| Non-financial corporations | 1,700,161 | 450,872 | 1,249,289 | (995,995) |
| Households | 1,093,691 | 224,267 | 869,424 | (762,872) |
| Loan commitments, financial guarantees and other commitments | 325,997 | 38,371 | 287,626 | (86,777) |
| **Total** | **3,189,807** | **713,586** | **2,476,221** | **(1,884,504)** |

| 2018<br>in € thousand | Maximum exposure to credit risk (Stage 3) | Fair value of collateral (Stage 3) | Credit risk exposure net of collateral (Stage 3) | Impairment allowance (Stage 3) |
|---|---|---|---|---|
| Central banks | 0 | 0 | 0 | 0 |
| General governments | 2,295 | 449 | 1,846 | (2,264) |
| Banks | 8,113 | 3,014 | 5,099 | (8,113) |
| Other financial corporations | 95,840 | 13,790 | 82,050 | (65,422) |
| Non-financial corporations | 1,972,199 | 597,820 | 1,374,379 | (1,143,465) |
| Households | 1,066,514 | 233,406 | 833,108 | (767,090) |
| Loan commitments, financial guarantees and other commitments | 139,057 | 18,808 | 120,249 | (56,859) |
| **Total** | **3,284,017** | **867,287** | **2,416,731** | **(2,043,213)** |

RBI holds an immaterial amount of repossessed assets on its statement of financial position.

## (36) Expected credit losses

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

### General approach

The measurement of impairment for expected credit loss on financial assets measured at amortized cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and payment behavior. Significant judgments are required in applying the accounting requirements for measuring expected credit losses, inter alia:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of expected credit losses
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

For RBI, credit risk comes from the risk of suffering financial loss should any of RBI's customers, clients or market counterparties fail to fulfil their contractual obligations. Credit risk arises mainly from interbank, commercial and personal loans, and loan commitments arising from such lending activities, but can also arise from financial guarantees given, such as, credit guarantees, letters of credit, and acceptances.

RBI is also exposed to other credit risks arising from investments in debt securities and from its trading activities (trading credit risks) including trade in non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

The estimation of the credit risk for risk management purposes is complex and requires the use of models, as the risk varies with changes in market conditions, expected cash flows and the passage of time. The assessment of the credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated default ratios and the default correlations between counterparties. RBI measures credit risks using the probability of default (PD), exposure at default (EAD) and loss given default (LGD). This is the predominant approach used for the purposes of measuring expected credit losses under IFRS 9.

IFRS 9 prescribes a three-stage model for impairment based on changes in credit quality from the point of initial recognition. Under this model, a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. If the financial instrument is deemed credit-impaired, it is then moved to Stage 3.

Financial instruments in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next twelve months. Instruments in Stages 2 or 3 have their expected credit losses measured based on expected credit losses on a lifetime basis. According to IFRS 9, when measuring expected credit losses it is necessary to consider forward-looking information. Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their expected credit loss is always measured on a lifetime basis.

### Significant increase in the credit risk

RBI Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

#### Quantitative criteria

RBI uses quantitative criteria as the primary indicator of significant increase in credit risk for all material portfolios plus additionally qualitative criteria like 30 days past due or forbearance measures for a particular facility as backstop. For quantitative staging RBI compares the lifetime PD curve at reporting date with the forward lifetime PD curve at the date of initial recognition. Given the different nature of products between non-retail and retail, the methods for assessing potential significant increases also slightly differ.

For non-retail risk to make the two curves comparable the PDs are scaled down to annualized PDs. A significant increase in credit risk is considered to have occurred if the PD increase was 250 per cent or greater. For longer maturities the threshold of 250 per cent is reduced to account for a maturity effect.

For retail exposure on the other hand, the remaining cumulative PDs are compared. In general, a significant increase in credit risk is considered to have occurred with a relative increase in the cumulative remaining PD above a certain threshold. The level of the threshold was estimated empirically for each individual portfolio based on the characteristics of the relevant rating model used for the given facility, and it ranges between 150 and up to 300 per cent.

With regard to the threshold at which a financial instrument must be transferred to stage 2, RBI has decided on the aforementioned thresholds based on the current market practice.

#### Qualitative criteria

RBI uses qualitative criteria as a secondary indicator of a significant increase in credit risk for all material portfolios. A movement to Stage 2 takes place when the criteria below are met.

For sovereign, bank, corporate customer and project finance portfolios, if the borrower meets one or more of the following criteria:

- External market indicators
- Changes in contract terms
- Changes to management approach
- Expert judgment

The assessment of a significant increase in credit risk incorporates forward-looking information and is performed on a quarterly basis at an individual transaction level for all sovereign, bank, corporate customer and project finance portfolios held by RBI.

For retail portfolios, if the borrower meets one or more of the following criteria:

- Forbearance refers to concessions made to the borrower on the part of the lender for economic or contractual reasons when the borrower is experiencing economic difficulties, but which the lender would not otherwise grant,
- Expert judgment.

The assessment of significant increase in credit risk incorporates forward-looking information and is performed on a monthly basis at an individual transaction level for all retail portfolios held by RBI.

### Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days overdue on its contractual payments. In a few limited cases, the presumption that financial assets which are more than 30 days overdue should be moved to Stage 2, is rebutted.

### Low credit risk exemption

In selected cases for mostly sovereign debt securities RBI makes use of the low credit risk exemption. All securities which are presented as low credit risk have a rating equivalent to investment grade or better i.e. minimum S&P BBB-, Moody's Baa3 or Fitch BBB-. RBI has not used the low credit risk exemption for any lending business.

## Definition of default and credit-impaired assets

In 2016, the European Banking Authority published guidelines on the definition of default (EBA/GL/2016/07), which include a long list of clarifications and changes to indications of default, materiality thresholds and related topics such as criteria regarding the past due status, indications of insolvency, and criteria regarding cure rates and restructuring. The new definition of default leads to material changes to the IRB approach, which forces banks to adjust their models. These adjustments must be approved by the competent regulators prior to implementation (Delegated Regulation EU 529/2014).

The definition of default used to calculate expected credit losses is the same definition of default used for internal credit risk management practices. Default is assessed by referring to quantitative and qualitative triggers. Firstly, a borrower is considered to be defaulted if they are assessed to be more than 90 days past due on a material credit obligation. No attempt is made to rebut the presumption that financial assets which are more than 90 days past due are to be shown in Stage 3. Secondly, a borrower is considered to be defaulted if they meet the unlikeliness to pay criteria, which indicate that the borrower is in significant financial difficulty and unlikely to repay any credit obligation in full. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout RBI's expected loss calculations. A credit obligation is considered to no longer be in default after a probation period of minimum three months (six months after a distressed restructuring in retail), where during the probation period the customer demonstrated good payment discipline and no other indication of unlikeliness to pay was observed. Two effects which arise as a result of the new default definition will be seen in profit and loss. The first is an increase or decrease in ECL provisions coming from the stage redistribution, in particular the change in Stage 3 volumes. The second is a decrease or increase in ECL provisions coming from the adjustments of the Stage 1 and 2 models as a result of the new default rates. Due to the nature of the changes there will not be full counterbalancing of the first effect with the second effect. Increased ECL provision effects occur as a result of a stricter days past due count, the pulling effect leading to cross default, and longer probation periods. Decreased ECL provisions will mainly come about as a result of the abolition of the absorption status, as the previously applied regime of absorption status prevented the accounts from exiting default status if they have ever reached more than 180 days past due. As the new models are at varying stages of adjustment and authorization by regulators the effects of the change will be seen over the next several quarters in the consolidated profit/loss. In the reporting period the effect from the harmonization of the default definitions amounted to expenses of € 73,538 thousand especially in the Czech Republic and Romania. In accordance with IAS 8, this represents a change of estimate which must be applied in the future and thus fully recognized in profit or loss.

## Explanation of inputs, assumptions and estimation techniques

The expected credit loss is measured on either a twelve-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Forward-looking economic information is also included in determining the twelve -month and lifetime PD, EAD and LGD. These assumptions vary by product type. Expected credit losses are the discounted product of the probability of default (PD), loss given default (LGD), exposure at default (EAD) and discount factor (D).

### Probability of Default (PD)

The probability of default represents the likelihood of a borrower defaulting on its financial obligation either over the next twelve months or over the remaining lifetime of the obligation. In general the lifetime probability of default is calculated using the regulatory twelve-month probability of default, stripped of any margin of conservatism, as a starting point. Thereafter various statistical methods are used to generate an estimate of how the default profile will develop from the point of initial recognition throughout the lifetime of the loan or portfolio of loans. The profile is based on historical observed data and parametric functions.

Different models have been used to estimate the default profile of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign, local and regional governments, insurance companies and collective investment undertakings: The default profile is generated using a transition matrix approach. Forward-looking information is incorporated into the probability of default using the Vasicek one factor model.
- Corporate customers, project finance and financial institutions: The default profile is generated using a parametric survival regression (Weibull) approach. Forward-looking information is incorporated into the probability of default using the Vasicek one factor model. The default rate calibration is based on Kaplan Maier methodology with withdrawal adjustment.
- Retail lending and mortgage loans: The default profile is generated using parametric survival regression in competing risk frameworks. Forward-looking information is incorporated into the probability of default using satellite models.

In the limited circumstances where some inputs are not fully available grouping, averaging and benchmarking of inputs is used for the calculation.

### Loss Given Default (LGD)

Loss given default represents RBI's expectation of the extent of loss on a defaulted exposure. Loss given default varies by type of counterparty and product. Loss given default is expressed as a percentage loss per unit of exposure at the time of default. Loss given default is calculated on a twelve-month or lifetime basis, where twelve-month loss given default is the percentage of loss expected to be made if the default occurs in the next twelve months and lifetime loss given default is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

Different models have been used to estimate the loss given default of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign: The loss given default is found by using market implied sources.
- Corporate customers, project finance, financial institutions, local and regional governments, insurance companies: The loss given default is generated by discounting cash flows collected during the workout process. Forward-looking information is incorporated into the loss given default using the Vasicek model.
- Retail lending and mortgage loans: The loss given default is generated by stripping the downturn adjustments and other margins of conservatism from the regulatory loss given default. Forward-looking information is incorporated into the loss given default using various satellite models.

In the limited circumstances where some inputs are not fully available alternative recovery models, benchmarking of inputs and expert judgment is used for the calculation.

### Exposure at Default (EAD)

Exposure at default is based on the amounts RBI expects to be owed at the time of default, over the next twelve months or over the remaining lifetime. The twelve-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a twelve-month or lifetime basis. Where relevant, early repayment/refinance assumptions are also considered in the calculation.

For revolving products, the exposure at default is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default. The prudential regulatory margins are removed from the credit conversion factor. In the limited circumstances where some inputs are not fully available benchmarking of inputs is used for the calculation.

### Discount factor

In general for on balance sheet exposure which is not leasing or POCI the discount rate used in the expected credit loss calculation is the effective interest rate or an approximation thereof.

### Calculation

The expected credit loss is the product of PD, LGD and EAD times the probability not to default prior to the considered time period. The latter is expressed by the survivorship function S. This effectively calculates future values of expected credit losses, which are then discounted back to the reporting date and summed. The calculated values of expected credit losses are then weighted by forward-looking scenario.

Different models have been used to estimate the provisions of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign, corporate customers, project finance, financial institutions, local and regional governments, insurance companies and collective investment undertakings: Stage 3 provisions are calculated by workout managers who discount expected cash flows by the appropriate effective interest rate.
- Retail mortgages: Stage 3 provision is generated for the majority of group units by calculating the statistically derived best estimate of expected loss which has been adjusted for indirect costs.
- Other retail lending: Stage 3 provision is generated by calculating the statistically derived best estimate of expected loss which has been adjusted for indirect costs.

## Shared credit risk characteristics

Almost all of the provisions under IFRS 9 are measured collectively. Only for non-retail Stage 3 are most of the provisions individually assessed. For expected credit losses provisions modelled on a collective basis a grouping of exposures is performed on the basis of shared credit risk characteristics so that the exposures within each group are similar. Retail exposure characteristics are grouped on country level, customer classification (households and SMEs), product level (e.g. mortgage, personal loans, overdraft facilities or credit cards), PD rating grades and LGD pools/loan-to-value bands. For each combination of the above characteristics an individual model was developed. Non-retail exposure characteristics are grouped on country and product level and are used as LGD and EAD parameters.

## Forward-looking information

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. RBI has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the probability of default, loss given default and exposure at default vary by category type. Forecasts of these economic variables (the base economic scenario) are provided by Raiffeisen Research on a quarterly basis and provide the best estimate view of the economy over the next three years. The set of forward-looking information also includes the credit clock used for improvement of the regression which reproduces the current state of the credit cycle and the derived outlook of the credit cycle development. After three years, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long-term average rate or a long-term average growth rate until maturity. The impact of these economic variables on the probability of default, loss given default and exposure at default has been determined by performing statistical regression to understand the impact changes in these variables have had historically on default rates and on the components of loss given default and exposure at default.

In addition to the base economic scenario, Raiffeisen Research also estimates an optimistic and a pessimistic scenario to ensure non-linearities are captured. RBI has concluded that three or fewer scenarios appropriately capture non-linearity. Expert judgment on idiosyncratic risks has also been applied in this process on the level of Raiffeisen Research in coordination with RBI Group risk management, resulting in selective adjustments to the to the optimistic and pessimistic scenarios. In case of a potential negative or positive forecast bias of selected macroeconomic indicators a potential bias correction might be performed on a single country level. In this respect the range of possible outcomes which is representative for each chosen scenario is taken into account. The probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit loss (ECL) model and multiplying it by the appropriate scenario weighting.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. RBI considers these forecasts to represent its best estimate of the future outcomes and cover any potential non-linearities and asymmetries within RBI's different portfolios.

The most significant assumptions used as a starting point for the expected credit loss estimates at year-end are shown below. (Source: Raiffeisen Research 18 October 2019)

| Real GDP | Scenario | 2020e | 2021f | 2022f |
|---|---|---|---|---|
| | Optimistic | 1.3% | 2.0% | 1.7% |
| Austria | Base | 0.8% | 1.4% | 1.2% |
| | Pessimistic | (0.5)% | (0.1)% | (0.1)% |
| | Optimistic | 3.1% | 3.1% | 2.8% |
| Russia | Base | 1.6% | 1.3% | 1.3% |
| | Pessimistic | (1.3)% | (2.2)% | (1.6)% |
| | Optimistic | 3.7% | 3.6% | 3.1% |
| Poland | Base | 3.3% | 3.2% | 2.7% |
| | Pessimistic | 1.9% | 1.5% | 1.3% |
| | Optimistic | 4.2% | 3.5% | 3.5% |
| Romania | Base | 3.0% | 2.0% | 2.3% |
| | Pessimistic | 0.1% | (1.5)% | (0.6)% |
| | Optimistic | 3.6% | 4.4% | 4.1% |
| Slovakia | Base | 2.0% | 2.5% | 2.5% |
| | Pessimistic | 0.1% | 0.2% | 0.6% |
| | Optimistic | 3.4% | 2.9% | 2.7% |
| Croatia | Base | 2.5% | 1.8% | 1.8% |
| | Pessimistic | 0.0% | (1.2)% | (0.7)% |
| | Optimistic | 3.3% | 3.8% | 4.1% |
| Hungary | Base | 2.8% | 3.2% | 3.6% |
| | Pessimistic | 0.2% | 0.1% | 1.0% |
| | Optimistic | 3.6% | 4.2% | 3.6% |
| Bulgaria | Base | 2.5% | 2.9% | 2.5% |
| | Pessimistic | 0.7% | 0.7% | 0.7% |

| Unemployment | Scenario | 2020e | 2021f | 2022f |
|---|---|---|---|---|
| Austria | Optimistic | 4.5% | 4.5% | 4.9% |
| | Base | 4.8% | 4.8% | 5.2% |
| | Pessimistic | 5.4% | 5.6% | 5.8% |
| Russia | Optimistic | 3.5% | 3.2% | 3.4% |
| | Base | 4.7% | 4.7% | 4.6% |
| | Pessimistic | 6.2% | 6.5% | 6.1% |
| Poland | Optimistic | 4.0% | 4.3% | 4.8% |
| | Base | 5.7% | 6.3% | 6.5% |
| | Pessimistic | 9.2% | 10.5% | 10.0% |
| Romania | Optimistic | 3.5% | 3.9% | 4.8% |
| | Base | 4.1% | 4.6% | 5.3% |
| | Pessimistic | 5.3% | 6.1% | 6.6% |
| Slovakia | Optimistic | 2.7% | 2.2% | 2.2% |
| | Base | 5.1% | 5.0% | 4.5% |
| | Pessimistic | 8.3% | 8.9% | 7.8% |
| Croatia | Optimistic | 5.5% | 5.0% | 5.6% |
| | Base | 6.6% | 6.3% | 6.7% |
| | Pessimistic | 9.9% | 10.2% | 10.0% |
| Hungary | Optimistic | 2.8% | 2.7% | 2.7% |
| | Base | 3.6% | 3.7% | 3.5% |
| | Pessimistic | 5.7% | 6.2% | 5.6% |
| Bulgaria | Optimistic | 2.7% | 2.7% | 4.2% |
| | Base | 5.5% | 6.0% | 7.0% |
| | Pessimistic | 9.2% | 10.4% | 10.7% |

| Lifetime bond rate | Scenario | 2020e | 2021f | 2022f |
|---|---|---|---|---|
| Austria | Optimistic | (1.0)% | (0.7)% | 0.1% |
| | Base | (0.4)% | 0.1% | 0.8% |
| | Pessimistic | 1.6% | 2.4% | 2.7% |
| Russia | Optimistic | 5.8% | 5.7% | 6.1% |
| | Base | 6.9% | 7.0% | 7.3% |
| | Pessimistic | 9.4% | 10.0% | 9.7% |
| Poland | Optimistic | 1.5% | 1.7% | 2.1% |
| | Base | 2.2% | 2.5% | 2.8% |
| | Pessimistic | 3.7% | 4.4% | 4.4% |
| Romania | Optimistic | 2.8% | 2.7% | 2.9% |
| | Base | 4.3% | 4.5% | 4.3% |
| | Pessimistic | 5.3% | 5.7% | 5.3% |
| Slovakia | Optimistic | (0.8)% | (0.5)% | 0.3% |
| | Base | (0.1)% | 0.3% | 1.0% |
| | Pessimistic | 1.7% | 2.5% | 2.8% |
| Croatia | Optimistic | 0.0% | 0.0% | 0.7% |
| | Base | 0.4% | 0.6% | 1.1% |
| | Pessimistic | 2.2% | 2.7% | 2.9% |
| Hungary | Optimistic | 1.9% | 1.8% | 2.3% |
| | Base | 2.6% | 2.7% | 3.0% |
| | Pessimistic | 5.1% | 5.6% | 5.5% |
| Bulgaria | Optimistic | 0.1% | 0.4% | 0.5% |
| | Base | 0.7% | 1.1% | 1.1% |
| | Pessimistic | 2.9% | 3.8% | 3.3% |

| Real estate prices | Scenario | 2020e | 2021f | 2022f |
| --- | --- | --- | --- | --- |
| Austria | Optimistic | 5.3% | 5.2% | 4.3% |
| | Base | 2.2% | 1.4% | 1.2% |
| | Pessimistic | (0.9)% | (2.4)% | (1.9)% |
| Russia | Optimistic | 7.8% | 7.9% | 5.4% |
| | Base | 4.2% | 3.5% | 1.8% |
| | Pessimistic | 0.6% | (0.9)% | (1.8)% |
| Poland | Optimistic | 6.0% | 5.5% | 4.9% |
| | Base | 2.6% | 1.5% | 1.5% |
| | Pessimistic | (0.8)% | (2.5)% | (1.9)% |
| Romania | Optimistic | 6.4% | 6.5% | 5.5% |
| | Base | 3.3% | 2.8% | 2.4% |
| | Pessimistic | 0.2% | (0.9)% | (0.7)% |
| Slovakia | Optimistic | 7.0% | 6.8% | 5.8% |
| | Base | 3.0% | 2.0% | 1.8% |
| | Pessimistic | (2.3)% | (4.4)% | (3.5)% |
| Croatia | Optimistic | 14.0% | 13.5% | 9.5% |
| | Base | 6.2% | 4.2% | 1.7% |
| | Pessimistic | (1.6)% | (5.1)% | (6.1)% |
| Hungary | Optimistic | 7.5% | 8.0% | 6.7% |
| | Base | 3.7% | 3.5% | 2.9% |
| | Pessimistic | (0.1)% | (1.0)% | (0.9)% |
| Bulgaria | Optimistic | 9.1% | 9.5% | 6.6% |
| | Base | 5.2% | 4.8% | 2.7% |
| | Pessimistic | 1.3% | 0.1% | (1.2)% |

The weightings assigned to each scenario at the end of the reporting year end are as follows: 25 per cent optimistic, 50 per cent base and 25 per cent pessimistic scenarios.

### Post-model adjustments

Post-model adjustments to expected credit loss allowance estimates are adjustments which are used in circumstances where existing inputs, assumptions and model techniques do not capture all relevant risk factors. Existing inputs, assumptions and model techniques might not capture all relevant risk factors due to transient circumstances, insufficient time to appropriately incorporate relevant new information into the rating, re-segmentation of portfolios and when lending exposures within a group of lending exposures react to factors or events differently than initially expected. The emergence of new macroeconomic, microeconomic or political events, along with expected changes to parameters, models or data that are not incorporated in current parameters, internal risk rating migrations or forward-looking information are examples of such circumstances. In general RBI Group units use post-model adjustments to allowances for expected credit losses only as an interim solution. In order to reduce the potential for bias post-model adjustments are of a temporary nature and in general valid for no longer than 1-2 years. All material adjustments are authorized by the Group Risk Committee (GRM). From an accounting point of view all post-model adjustments are based on collective assessment, but do not necessarily result in a change in expected credit losses within the same stage. The post-model adjustments result in additional provisions up to € 92,560 thousand (2018: € 53,853 thousand) as additional Stage 2 provisions. The major part relates to a provision on Russian corporate exposures for covering possible losses related to potential future sanctions. It also includes slightly higher expected defaults on mortgage loans due to government-imposed interest rate clauses for retail customers in the Czech Republic and foreign-currency lending to retail customers due to consumer protection initiatives in Romania. In the reporting year, further model adjustments were made for Croatia as a result of changed market expectations regarding the debt-to-income ratio.

### Sensitivity analysis

The most significant assumptions affecting the sensitivity of the expected credit loss allowance are as follows:

- Gross domestic product (all portfolios)
- Unemployment rate (all portfolios)
- Long term government bond rate (non-retail portfolios especially)
- Real estate prices (retail portfolios especially)

The table below provides a comparison between the reported accumulated impairment for expected credit losses for financial assets in Stages 1 and 2 (weighted by 25 per cent optimistic, 50 per cent base and 25 per cent pessimistic scenarios) and then each scenario weighted by 100 per cent on their own. The optimistic and pessimistic scenarios do not reflect extreme cases, but the average of the scenarios which are distributed in these cases. This information is provided for illustrative purposes.

| 2019<br>in € thousand | 31/12/2019<br>(25/50/25%) | 100%<br>Optimistic | 100%<br>Base | 100%<br>Pessimistic |
|---|---|---|---|---|
| Accumulated impairment (Stage 1 and 2) | 600,730 | 528,198 | 592,069 | 680,526 |

| 2018<br>in € thousand | 31/12/2018<br>(25/50/25%) | 100%<br>Optimistic | 100%<br>Base | 100%<br>Pessimistic |
|---|---|---|---|---|
| Accumulated impairment (Stage 1 and 2) | 572,193 | 501,107 | 560,941 | 660,891 |

The table below shows the impact of staging on RBI's accumulated impairment for financial assets by comparing the reported amounts accumulated for all performing assets subject to impairment with the special case where all accumulated impairment is measured based on twelve-month expected losses (Stage 1). As no complete historical data on stage transfers during credit cycles is available, it is currently not possible to estimate what a reasonable increase would be. However we do not expect the percentage of Stage 1 assets to ever reach 100 per cent. This information is provided for illustrative purposes.

| 2019<br>in € thousand | 31/12/2019<br>(25/50/25%) | 100% Performing<br>loans in Stage 1 | Impact of Staging |
|---|---|---|---|
| Accumulated impairment (Stage 1 and 2) | 600,730 | 341,628 | (259,102) |

| 2018<br>in € thousand | 31/12/2018<br>(25/50/25%) | 100% Performing<br>loans in Stage 1 | Impact of Staging |
|---|---|---|---|
| Accumulated impairment (Stage 1 and 2) | 572,193 | 311,371 | (260,822) |

The table below shows the impact of staging on RBI's accumulated impairment for financial assets by comparing the reported amounts accumulated for all performing assets subject to impairment with the special case where all accumulated impairment is measured based on lifetime expected losses (Stage 2). As no complete historical data on stage transfers during credit cycles is available, it is currently not possible to estimate what a reasonable increase would be. However we do not expect the percentage of Stage 2 assets to ever reach 100 per cent. This information is provided for illustrative purposes.

| 2019<br>in € thousand | 31/12/2019<br>(25/50/25%) | 100% Performing<br>loans in Stage 2 | Impact of Staging |
|---|---|---|---|
| Accumulated impairment (Stage 1 and 2) | 600,730 | 1,194,159 | 593,430 |

| 2018<br>in € thousand | 31/12/2018<br>(25/50/25%) | 100% Performing<br>loans in Stage 2 | Impact of Staging |
|---|---|---|---|
| Accumulated impairment (Stage 1 and 2) | 572,193 | 1,278,320 | 706,127 |

## Write-offs

Loans and debt securities are written off (either partially or fully) where there is no reasonable expectation of recovery. This happens when the borrower does not have income from operations anymore and collateral values cannot generate sufficient cash flows to repay amounts subject to impairment. For the exposure of companies in bankruptcy, loans are written down to the value of the collateral if the company no longer generates cash flows from its operating business. The retail business takes into account qualitative factors. In cases where no payment has been made for one year, the outstanding amounts are derecognized whereby depreciated assets can continue to be subject to enforcement activities.

For the exposure of companies in gone concern cases, loans are written down to the value of the collateral if the company no longer generates cash flows from its operating business. The retail business takes into account qualitative factors. In cases where no payment has been made for one year, the outstanding amounts are written off here.

The contractual amount outstanding on financial assets that were written off and are still subject to enforcement activity was € 1,716,563 thousand (2018: € 1,844,101 thousand).

## (37) Exposure to credit risk by stages

RBI's credit portfolio is well diversified in terms of type of customer, geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by limits and regular reporting. As a consequence, portfolio granularity is high. The following table shows the financial assets – amortized cost based on the respective counterparties and stages. This reveals the bank's focus on non-financial corporations and households:

| 2019 | Gross carrying amount | | | Accumulated impairment | | | ECL Coverage Ratio | | |
|---|---|---|---|---|---|---|---|---|---|
| in € thousand | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| Central banks | 6,095,262 | 3,972 | 0 | (118) | 0 | 0 | 0.0% | 0.0% | – |
| General governments | 7,228,687 | 418,954 | 2,250 | (1,879) | (2,150) | (2,219) | 0.0% | 0.5% | 98.6% |
| Banks | 5,873,185 | 56,686 | 3,857 | (322) | (34) | (3,857) | 0.0% | 0.1% | 100.0% |
| Other financial corporations | 9,323,741 | 1,008,954 | 63,852 | (7,093) | (6,918) | (32,783) | 0.1% | 0.7% | 51.3% |
| Non-financial corporations | 40,318,957 | 4,826,693 | 1,700,161 | (87,122) | (99,237) | (995,995) | 0.2% | 2.1% | 58.6% |
| Households | 28,399,798 | 6,188,418 | 1,093,691 | (85,984) | (233,473) | (762,872) | 0.3% | 3.8% | 69.8% |
| hereof mortgage | 13,983,587 | 3,822,695 | 436,736 | (16,754) | (108,530) | (276,370) | 0.1% | 2.8% | 63.3% |
| **Total** | **97,239,631** | **12,503,675** | **2,863,810** | **(182,517)** | **(341,813)** | **(1,797,727)** | **0.2%** | **2.7%** | **62.8%** |

| 2018 | Gross carrying amount | | | Accumulated impairment | | | ECL Coverage Ratio | | |
|---|---|---|---|---|---|---|---|---|---|
| in € thousand | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| Central banks | 4,950,473 | 0 | 0 | (950) | 0 | 0 | 0.0% | – | – |
| General governments | 6,614,908 | 297,855 | 2,295 | (1,146) | (1,407) | (2,264) | 0.0% | 0.5% | 98.7% |
| Banks | 5,842,461 | 532,657 | 8,113 | (319) | (148) | (8,113) | 0.0% | 0.0% | 100.0% |
| Other financial corporations | 6,555,542 | 523,857 | 95,840 | (6,237) | (4,188) | (65,422) | 0.1% | 0.8% | 68.3% |
| Non-financial corporations | 36,089,237 | 5,636,275 | 1,972,199 | (91,174) | (94,377) | (1,143,465) | 0.3% | 1.7% | 58.0% |
| Households | 25,454,798 | 5,598,418 | 1,066,514 | (66,900) | (232,470) | (767,090) | 0.3% | 4.2% | 71.9% |
| hereof mortgage | 11,385,852 | 3,862,265 | 453,176 | (10,617) | (114,329) | (259,463) | 0.1% | 3.0% | 57.3% |
| **Total** | **85,507,420** | **12,589,062** | **3,144,961** | **(166,725)** | **(332,589)** | **(1,986,355)** | **0.2%** | **2.6%** | **63.2%** |

The following breakdown of financial assets – amortized cost by segment shows the high level of diversification of RBI's credit business in the European markets:

| 2019 | Gross carrying amount | | | Accumulated impairment | | | ECL Coverage Ratio | | |
|---|---|---|---|---|---|---|---|---|---|
| in € thousand | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| Central Europe | 31,779,824 | 4,712,543 | 926,176 | (48,409) | (118,636) | (579,549) | 0.2% | 2.5% | 62.6% |
| hereof Czech Republic | 14,300,941 | 1,997,337 | 227,897 | (18,579) | (31,305) | (144,756) | 0.1% | 1.6% | 63.5% |
| hereof Hungary | 4,888,372 | 441,399 | 195,090 | (6,630) | (17,863) | (87,478) | 0.1% | 4.0% | 44.8% |
| hereof Slovakia | 10,721,104 | 1,765,394 | 229,113 | (18,002) | (24,864) | (158,671) | 0.2% | 1.4% | 69.3% |
| Southeastern Europe | 16,696,427 | 2,196,692 | 738,915 | (69,784) | (100,068) | (522,317) | 0.4% | 4.6% | 70.7% |
| hereof Romania | 6,118,838 | 703,448 | 252,472 | (28,017) | (37,536) | (170,169) | 0.5% | 5.3% | 67.4% |
| Eastern Europe | 17,169,049 | 2,187,050 | 437,902 | (40,041) | (68,430) | (262,794) | 0.2% | 3.1% | 60.0% |
| hereof Russia | 13,626,415 | 1,839,175 | 262,317 | (24,416) | (57,053) | (144,773) | 0.2% | 3.1% | 55.2% |
| Austria and other[1] | 31,594,330 | 3,407,389 | 760,818 | (24,283) | (54,678) | (433,066) | 0.1% | 1.6% | 56.9% |
| **Total** | **97,239,631** | **12,503,675** | **2,863,810** | **(182,517)** | **(341,813)** | **(1,797,727)** | **0.2%** | **2.7%** | **62.8%** |

1 Austria mainly includes the business of the head office and Raiffeisen Bausparkasse. Other also includes any consolidation effects.

| 2018<br>in € thousand | Gross carrying amount<br>Stage 1 | Stage 2 | Stage 3 | Accumulated impairment<br>Stage 1 | Stage 2 | Stage 3 | ECL Coverage Ratio<br>Stage 1 | Stage 2 | Stage 3 |
|---|---|---|---|---|---|---|---|---|---|
| Central Europe | 29,756,988 | 5,284,773 | 998,911 | (45,096) | (137,988) | (632,920) | 0.2% | 2.6% | 63.4% |
| hereof Czech Republic | 13,570,295 | 2,363,977 | 224,242 | (18,556) | (43,104) | (154,781) | 0.1% | 1.8% | 69.0% |
| hereof Hungary | 4,368,347 | 827,917 | 198,634 | (5,699) | (22,463) | (135,492) | 0.1% | 2.7% | 68.2% |
| hereof Slovakia | 9,513,874 | 1,727,718 | 239,578 | (16,851) | (32,161) | (164,985) | 0.2% | 1.9% | 68.9% |
| Southeastern Europe | 15,488,875 | 1,608,911 | 772,204 | (55,337) | (101,112) | (538,987) | 0.4% | 6.3% | 69.8% |
| hereof Romania | 5,631,576 | 555,358 | 243,443 | (19,538) | (45,691) | (150,084) | 0.3% | 8.2% | 61.7% |
| Eastern Europe | 11,623,230 | 1,947,883 | 503,359 | (31,492) | (53,041) | (304,128) | 0.3% | 2.7% | 60.4% |
| hereof Russia | 8,862,090 | 1,657,404 | 260,052 | (17,564) | (44,945) | (141,029) | 0.2% | 2.7% | 54.2% |
| Austria and other[1] | 28,638,326 | 3,747,495 | 870,486 | (34,801) | (40,448) | (510,319) | 0.1% | 1.1% | 58.6% |
| **Total** | **85,507,420** | **12,589,062** | **3,144,961** | **(166,725)** | **(332,589)** | **(1,986,355)** | **0.2%** | **2.6%** | **63.2%** |

1 Austria mainly includes the business of the head office and Raiffeisen Bausparkasse. Other also includes any consolidation effects.

Stage 1 amounts include assets in the amount of € 10,034,042 thousand (2018: € 9,789,961 thousand), for which the low credit risk exemption has been used. Furthermore, Stage 2 and Stage 3 contain purchased or originated credit-impaired assets (POCI) in the amount of € 347,010 thousand (2018: € 305,197 thousand). RBI has financial instruments in the amount of € 1,229,826 thousand (2018: € 3,521,864 thousand) with no expected credit losses due to collateral.

For further information on the concentration risk by industry classification and foreign currency position, reference is made to the risk report.

The following table shows the credit commitments, financial guarantees and other commitments by counterparties and stages.

| 2019<br>in € thousand | Nominal amount<br>Stage 1 | Stage 2 | Stage 3 | Provisions for off-balance sheet items according to IFRS 9<br>Stage 1 | Stage 2 | Stage 3 | ECL Coverage Ratio<br>Stage 1 | Stage 2 | Stage 3 |
|---|---|---|---|---|---|---|---|---|---|
| Central banks | 126 | 0 | 0 | 0 | 0 | 0 | 0.1% | – | – |
| General governments | 368,871 | 17,646 | 0 | (34) | (282) | 0 | 0.0% | 1.6% | – |
| Banks | 3,070,732 | 7,798 | 0 | (258) | (10) | 0 | 0.0% | 0.1% | – |
| Other financial corporations | 4,067,592 | 214,543 | 9,129 | (3,528) | (642) | (593) | 0.1% | 0.3% | 6.5% |
| Non-financial corporations | 31,234,797 | 2,262,408 | 306,904 | (32,396) | (24,600) | (79,157) | 0.1% | 1.1% | 25.8% |
| Households | 3,768,876 | 1,002,769 | 9,963 | (7,498) | (4,536) | (7,027) | 0.2% | 0.5% | 70.5% |
| **Total** | **42,510,994** | **3,505,163** | **325,997** | **(43,715)** | **(30,069)** | **(86,777)** | **0.1%** | **0.9%** | **26.6%** |

| 2018<br>in € thousand | Nominal amount<br>Stage 1 | Stage 2 | Stage 3 | Provisions for off-balance sheet items according to IFRS 9<br>Stage 1 | Stage 2 | Stage 3 | ECL Coverage Ratio<br>Stage 1 | Stage 2 | Stage 3 |
|---|---|---|---|---|---|---|---|---|---|
| Central banks | 96 | 0 | 0 | 0 | 0 | 0 | 0.1% | – | – |
| General governments | 519,132 | 13,052 | 266 | (90) | (2) | 0 | 0.0% | 0.0% | 0.0% |
| Banks | 2,110,567 | 303,390 | 0 | (542) | (1,002) | 0 | 0.0% | 0.3% | – |
| Other financial corporations | 2,040,649 | 1,643,330 | 589 | (1,467) | (2,602) | (579) | 0.1% | 0.2% | 98.3% |
| Non-financial corporations | 27,159,587 | 2,782,710 | 127,459 | (26,876) | (21,976) | (47,011) | 0.1% | 0.8% | 36.9% |
| Households | 3,483,205 | 950,231 | 10,744 | (7,663) | (6,671) | (9,269) | 0.2% | 0.7% | 86.3% |
| **Total** | **35,313,236** | **5,692,712** | **139,057** | **(36,638)** | **(32,253)** | **(56,860)** | **0.1%** | **0.6%** | **40.9%** |

The following table shows the gross carrying amount and impairment of the financial assets – amortized cost and financial assets – fair value through other comprehensive income that have moved in the reporting period from expected twelve-month losses (Stage 1) to expected lifetime losses (Stages 2 and 3) or vice versa:

| 2019<br>in € thousand | Gross carrying amount<br>12 month ECL | <br>Lifetime ECL | Impairment<br>12 month ECL | <br>Lifetime ECL | ECL Coverage Ratio<br>12 month ECL | <br>Lifetime ECL |
|---|---|---|---|---|---|---|
| **Movement from 12 month ECL to lifetime ECL** | **(4,454,153)** | **4,454,153** | **(31,543)** | **301,094** | **0.7%** | **6.8%** |
| Central banks | 0 | 0 | 0 | 0 | - | - |
| General governments | (86,461) | 86,461 | (314) | 2,086 | 0.4% | 2.4% |
| Banks | (9,515) | 9,515 | 0 | 0 | 0.0% | 0.0% |
| Other financial corporations | (138,260) | 138,260 | (18) | 733 | 0.0% | 0.5% |
| Non-financial corporations | (1,689,689) | 1,689,689 | (7,526) | 66,016 | 0.4% | 3.9% |
| Households | (2,530,228) | 2,530,228 | (23,684) | 232,260 | 0.9% | 9.2% |
| **Movement from lifetime ECL to 12 month ECL** | **3,249,005** | **(3,249,005)** | **43,792** | **(145,930)** | **1.3%** | **4.5%** |
| Central banks | 0 | 0 | 0 | 0 | - | - |
| General governments | 175,357 | (175,357) | 35 | (227) | 0.0% | 0.1% |
| Banks | 158,958 | (158,958) | 5 | (41) | 0.0% | 0.0% |
| Other financial corporations | 205,695 | (205,695) | 5 | (344) | 0.0% | 0.2% |
| Non-financial corporations | 1,095,500 | (1,095,500) | 8,306 | (27,426) | 0.8% | 2.5% |
| Households | 1,613,496 | (1,613,496) | 35,441 | (117,891) | 2.2% | 7.3% |

The increase in expected credit losses arising from the measurement of the loss allowance moving from twelve-month expected credit losses to lifetime losses was € 269,552 thousand (2018: € 182,541 thousand). The decrease in expected credit losses arising from the measurement of the loss allowance moving from lifetime losses to twelve-month expected credit losses was € 102,138 thousand (2018: € 52,067 thousand).

| 2018<br>in € thousand | Gross carrying amount<br>12 month ECL | <br>Lifetime ECL | Impairment<br>12 month ECL | <br>Lifetime ECL | ECL Coverage Ratio<br>12 month ECL | <br>Lifetime ECL |
|---|---|---|---|---|---|---|
| **Movement from 12 month ECL to lifetime ECL** | **(6,070,961)** | **6,070,961** | **(53,391)** | **235,932** | **0.9%** | **3.9%** |
| Central banks | 0 | 0 | 0 | 0 | – | – |
| General governments | (72,250) | 72,250 | (58) | 2,159 | 0.1% | 3.0% |
| Banks | (163,760) | 163,760 | (15) | 40 | 0.0% | 0.0% |
| Other financial corporations | (168,003) | 168,003 | (158) | 3,545 | 0.1% | 2.1% |
| Non-financial corporations | (2,352,054) | 2,352,054 | (17,418) | 81,366 | 0.7% | 3.5% |
| Households | (3,314,895) | 3,314,895 | (35,742) | 148,822 | 1.1% | 4.5% |
| **Movement from lifetime ECL to 12 month ECL** | **1,782,336** | **(1,782,336)** | **46,138** | **(98,205)** | **2.6%** | **5.5%** |
| Central banks | 0 | 0 | 0 | 0 | – | – |
| General governments | 34,989 | (34,989) | 14 | (61) | 0.0% | 0.2% |
| Banks | 15,291 | (15,291) | 24 | (24) | 0.2% | 0.2% |
| Other financial corporations | 22,702 | (22,702) | 122 | (122) | 0.5% | 0.5% |
| Non-financial corporations | 271,578 | (271,578) | 3,153 | (13,179) | 1.2% | 4.9% |
| Households | 1,437,776 | (1,437,776) | 42,825 | (84,818) | 3.0% | 5.9% |

## (38) Development of impairments

The following table shows the development of impairments on loans and bonds in the measurement categories of financial assets – amortized cost and financial assets – fair value through other comprehensive income:

| 2019<br>in € thousand | Stage 1<br>12 month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **As at 1/1** | **170,512** | **332,789** | **1,986,355** | **2,489,656** |
| Increases due to origination and acquisition | 100,549 | 31,573 | 53,225 | 185,347 |
| Decreases due to derecognition | (44,739) | (44,489) | (342,089) | (431,317) |
| Changes due to change in credit risk (net) | (46,611) | 11,938 | 389,105 | 354,432 |
| Changes due to modifications without derecognition (net) | (26) | (109) | 6,135 | 6,000 |
| Decrease due to write-offs | (495) | (2,411) | (413,237) | (416,143) |
| Changes due to model/risk parameters | (322) | 4,379 | 74,054 | 78,111 |
| Change in consolidated group | (24) | (54) | 10,347 | 10,269 |
| Foreign exchange and other | 5,109 | 9,376 | 33,833 | 48,319 |
| **As at 31/12** | **183,954** | **342,992** | **1,797,727** | **2,324,673** |

| 2018<br>in € thousand | Stage 1<br>12 month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **As at 1/1** | **188,295** | **369,830** | **2,911,475** | **3,469,600** |
| Increases due to origination and acquisition | 91,537 | 28,037 | 109,452 | 229,025 |
| Decreases due to derecognition | (36,751) | (41,989) | (414,855) | (493,595) |
| Changes due to change in credit risk (net) | (26,761) | 61,602 | 328,213 | 363,053 |
| Changes due to modifications without derecognition (net) | (16) | 18 | (986) | (983) |
| Decrease due to write-offs | (7,372) | (6,412) | (622,944) | (636,728) |
| Changes due to model/risk parameters | 172 | 609 | (3,667) | (2,886) |
| Change in consolidated group | (17,237) | (47,185) | (207,080) | (271,503) |
| Foreign exchange and other | (21,353) | (31,721) | (113,253) | (166,327) |
| **As at 31/12** | **170,512** | **332,789** | **1,986,355** | **2,489,656** |

The following table shows the development of provisions for loan commitments, financial guarantees and other commitments given:

| 2019<br>in € thousand | Stage 1<br>12 month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **As at 1/1** | **36,638** | **32,253** | **56,860** | **125,750** |
| Increases due to origination and acquisition | 34,979 | 6,980 | 16,192 | 58,150 |
| Decreases due to derecognition | (11,757) | (6,981) | (12,759) | (31,497) |
| Changes due to change in credit risk (net) | (18,069) | (2,644) | 26,279 | 5,566 |
| Changes due to modifications without derecognition (net) | 0 | 0 | 1 | 1 |
| Decrease due to write-offs | 0 | 0 | 0 | 0 |
| Changes due to model/risk parameters | (381) | (486) | (387) | (1,255) |
| Change in consolidated group | 0 | 1 | 0 | 1 |
| Foreign exchange and other | 2,307 | 945 | 593 | 3,845 |
| **As at 31/12** | **43,715** | **30,069** | **86,777** | **160,561** |

| 2018<br>in € thousand | Stage 1<br>12 month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **As at 1/1** | **21,168** | **25,996** | **101,521** | **148,685** |
| Increases due to origination and acquisition | 24,266 | 7,389 | 3,188 | 34,843 |
| Decreases due to derecognition | (10,397) | (5,721) | (8,771) | (24,890) |
| Changes due to change in credit risk (net) | 0 | 0 | (28,569) | (28,569) |
| Changes due to modifications without derecognition (net) | 0 | 0 | 0 | 0 |
| Decrease due to write-offs | 0 | 0 | 0 | 0 |
| Changes due to model/risk parameters | 0 | 0 | 0 | 0 |
| Change in consolidated group | (2,464) | (3,466) | (2,734) | (8,664) |
| Foreign exchange and other | 4,064 | 8,055 | (7,774) | 4,345 |
| **As at 31/12** | **36,638** | **32,253** | **56,860** | **125,750** |

The following table shows the breakdown of impairments and provisions in accordance with IFRS 9 stages by asset classes:

| 2019<br>in € thousand | Stage 1<br>12 month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Loans and debt securities** | **183,954** | **342,992** | **1,797,727** | **2,324,673** |
| Central banks | 118 | 0 | 0 | 118 |
| General governments | 3,155 | 3,076 | 2,219 | 8,450 |
| Banks | 417 | 27 | 3,857 | 4,300 |
| Other financial corporations | 7,120 | 6,928 | 32,783 | 46,831 |
| Non-financial corporations | 87,162 | 99,487 | 995,995 | 1,182,643 |
| Households | 85,984 | 233,473 | 762,872 | 1,082,329 |
| **Loan commitments, financial guarantees and other commitments given** | **43,715** | **30,069** | **86,777** | **160,561** |
| **Total** | **227,669** | **373,061** | **1,884,504** | **2,485,234** |

| 2018<br>in € thousand | Stage 1<br>12 month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Loans and debt securities** | **170,512** | **332,789** | **1,986,355** | **2,489,656** |
| Central banks | 999 | 0 | 0 | 999 |
| General governments | 4,632 | 1,560 | 2,264 | 8,455 |
| Banks | 440 | 185 | 8,113 | 8,738 |
| Other financial corporations | 6,349 | 4,198 | 65,422 | 75,969 |
| Non-financial corporations | 91,193 | 94,377 | 1,143,465 | 1,329,035 |
| Households | 66,900 | 232,470 | 767,090 | 1,066,460 |
| **Loan commitments, financial guarantees and other commitments given** | **36,638** | **32,253** | **56,860** | **125,750** |
| **Total** | **207,150** | **365,042** | **2,043,214** | **2,615,406** |

The following table shows the breakdown of impairments and provisions in accordance with IFRS 9 stages of impairment by segments:

| 2019<br>in € thousand | Stage 1<br>12 month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Loans and debt securities** | **183,954** | **342,992** | **1,797,727** | **2,324,673** |
| Central Europe | 48,402 | 118,838 | 579,549 | 746,789 |
| Southeastern Europe | 69,777 | 100,952 | 522,317 | 693,046 |
| Eastern Europe | 40,878 | 68,401 | 262,794 | 372,074 |
| Group Corporates & Markets | 24,571 | 54,637 | 430,942 | 510,150 |
| Corporate Center | 326 | 163 | 2,124 | 2,614 |
| **Loan commitments, financial guarantees and other commitments given** | **43,715** | **30,069** | **86,777** | **160,561** |
| **Total** | **227,669** | **373,061** | **1,884,504** | **2,485,234** |

| 2018<br>in € thousand | Stage 1<br>12 month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Loans and debt securities** | **170,512** | **332,789** | **1,986,355** | **2,489,656** |
| Central Europe | 45,005 | 137,776 | 632,920 | 815,701 |
| Southeastern Europe | 55,340 | 101,131 | 538,987 | 695,458 |
| Eastern Europe | 34,578 | 52,953 | 304,128 | 391,659 |
| Group Corporates & Markets | 35,590 | 40,929 | 486,633 | 563,152 |
| Corporate Center | 0 | 0 | 23,686 | 23,686 |
| **Loan commitments, financial guarantees and other commitments given** | **36,638** | **32,253** | **56,860** | **125,750** |
| Total | 207,150 | 365,042 | 2,043,214 | 2,615,406 |

# (39) Modified assets

Changes in contractual cashflows of financial assets are examined on the basis of qualitative and qualitative criteria to determine whether the modifications are substantial or non-substantial.

If the modifications are substantial, the existing asset is derecognized and a new financial instrument is recognized (including new classification and new stage allocation for impairment purposes). Non-substantial modifications do not lead to derecognition, but to an adjustment to the gross carrying amount through profit and loss.

| 2019<br>in € thousand | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Net modifications gains/losses | (2,881) | (47) | 989 | (1,940) |
| Gross carrying amount before modifications of financial assets | 1,832,152 | 170,822 | 52,063 | 2,055,038 |
| Gross carrying amount of modified assets as at 31/12, which moved to Stage 1 during the year | – | 21,072 | 0 | 21,072 |

| 2018<br>in € thousand | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Net modifications gains/losses | (2,734) | (1,565) | (516) | (4,815) |
| Gross carrying amount before modifications of financial assets | 754,975 | 101,235 | 62,451 | 918,662 |
| Gross carrying amount of modified assets as at 31/12, which moved to Stage 1 during the year | – | 0 | 0 | 0 |

# (40) Offsetting of financial assets and liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's statement of financial position or are subject to an enforceable/unenforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position or not.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements.

Some of the agreements are not set-off in the statement of financial position. This is because they create, for the parties to the agreement, a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously. The Group receives and gives collaterals in the form of cash and marketable securities.

| 2019<br>in € thousand | Gross amount recognized financial assets | Gross amount recognized financial liabilities set-off | Net amount recognized financial assets | Amounts from global netting agreements Financial instruments | Amounts from global netting agreements Cash collateral received | Net amount |
|---|---|---|---|---|---|---|
| Derivatives (enforceable) | 3,962,748 | 1,866,344 | 2,096,404 | 1,246,876 | 138,598 | 710,930 |
| Repurchase, securities lending and similar agreements (legally enforceable) | 11,142,163 | 0 | 11,142,163 | 11,100,094 | 0 | 42,068 |
| **Total** | **15,104,911** | **1,866,344** | **13,238,567** | **12,346,971** | **138,598** | **752,998** |

| 2019<br>in € thousand | Gross amount recognized financial liabilities | Gross amount recognized financial assets set-off | Net amount recognized financial liabilities | Amounts from global netting agreements Financial instruments | Amounts from global netting agreements Cash collateral received | Net amount |
|---|---|---|---|---|---|---|
| Derivatives (enforceable) | 3,891,272 | 1,866,344 | 2,024,928 | 1,152,669 | 147,947 | 724,312 |
| Reverse repurchase, securities lending and similar agreements (legally enforceable) | 795,334 | 0 | 795,334 | 779,854 | 0 | 15,479 |
| **Total** | **4,686,605** | **1,866,344** | **2,820,261** | **1,932,523** | **147,947** | **739,791** |

In 2019, assets which were not subject to legally enforceable netting agreements amounted to € 138,960,937 thousand (2018: € 130,310,110 thousand), of which an immaterial part was accounted for by derivative financial instruments and cash balances from reverse repo business. Liabilities which were not subject to legally enforceable netting agreements totaled € 135,614,259 thousand in 2019 (2018: € 125,248,281 thousand), of which only an immaterial part was accounted for by derivative financial instruments and cash deposits from repo business.

| 2018<br>in € thousand | Gross amount recognized financial assets | Gross amount recognized financial liabilities set-off | Net amount recognized financial assets | Amounts from global netting agreements Financial instruments | Amounts from global netting agreements Cash collateral received | Net amount |
|---|---|---|---|---|---|---|
| Derivatives (enforceable) | 3,039,561 | 1,061,801 | 1,977,760 | 1,416,311 | 80,885 | 480,563 |
| Repurchase, securities lending and similar agreements (legally enforceable) | 7,827,285 | 0 | 7,827,285 | 7,786,627 | 0 | 40,658 |
| **Total** | **10,866,846** | **1,061,801** | **9,805,045** | **9,202,938** | **80,885** | **521,221** |

| 2018<br>in € thousand | Gross amount recognized financial liabilities | Gross amount recognized financial assets set-off | Net amount recognized financial liabilities | Amounts from global netting agreements Financial instruments | Amounts from global netting agreements Cash collateral received | Net amount |
|---|---|---|---|---|---|---|
| Derivatives (enforceable) | 2,692,327 | 1,061,801 | 1,630,526 | 587,999 | 285,439 | 757,088 |
| Reverse repurchase, securities lending and similar agreements (legally enforceable) | 822,991 | 0 | 822,991 | 799,464 | 0 | 23,527 |
| **Total** | **3,515,318** | **1,061,801** | **2,453,517** | **1,387,463** | **285,439** | **780,615** |

## (41) Securitization (RBI as originator)

Securitization represents a particular form of refinancing and credit risk enhancement under which risks from loans or lease agreements are packaged into portfolios and placed with capital market investors. The objective of the Group's securitization transactions is to relieve Group regulatory total capital and to use additional refinancing sources.

The following transactions for all or at least some tranches were executed with external contractual partners, were still active in the reporting year and resulted in a credit risk mitigation which led to a reduction in risk-weighted assets in regulatory reporting. The stated amounts represent the securitized portfolio and the underlying receivables as well as the externally placed tranche at the balance sheet date.

| 2019<br>in € thousand | Date of contract | End of maturity | Max. volume | Securitized portfolio | Outstanding portfolio[4] | Portfolio | Externally placed tranche | Amount of the externally placed tranche |
|---|---|---|---|---|---|---|---|---|
| Synthetic Transaction ROOF CRE 2019[1] | Oct. 2019 | Sept. 2029 | 1,262,072 | 1,222,584 | 3,441,893 | Corporate customers, Project finance | Mezzanine | 94,700 |
| Synthetic Transaction ROOF Slovakia 2017[2] | Nov. 2017 | April 2025 | | 1,231,637 | 2,461,636 | Company loans | Mezzanine | 83,800 |
| Synthetic Transaction EIF JEREMIE Romania[3] | Dec. 2010 | Dec. 2023 | 172,500 | 5,838 | 7,297 | SME loans | Junior | 2,258 |
| Synthetic Transaction EIF JEREMIE Slovakia | March 2014 | June 2025 | 60,000 | 10,818 | 15,454 | SME loans | Junior | 3,679 |
| Synthetic Transaction EIF Western Balkans EDIF Albania | Dec. 2016 | June 2028 | 17,000 | 9,938 | 14,198 | SME loans | Junior | 2,975 |
| Synthetic Transaction EIF Western Balkans EDIF Croatia | April 2015 | May 2023 | 20,107 | 3,713 | 5,304 | SME loans | Junior | 391 |

1 Junior tranche held in the Group
2 Junior tranche held in the Group
3 Due to full amortization of the senior tranche, the amount of the externally placed junior tranche corresponds to the amount of the securitized portfolio.
4 Outstanding portfolio (securitized and retained)
SME: Small and Medium-sized Enterprises

The Group executed a new synthetic transaction, ROOF CRE 2019, which was split into a senior, a mezzanine and a junior tranche. The credit risk of the mezzanine tranche in the amount of € 94,700 thousand is guaranteed by an institutional investor, while the credit risk of the junior and senior tranche is retained.

The synthetic transaction, ROOF Slovakia 2017, is split into a senior, a mezzanine and a junior tranche. The mezzanine tranche in the amount of € 83,800 thousand was sold to institutional investors, while the credit risk of the junior and senior tranches is retained.

As part of the JEREMIE initiative, the participating subsidiaries (Raiffeisenbank S.A., Bucharest, and Tatra banka a.s., Bratislava) have received guarantees from the European Investment Fund (EIF) to support lending to small and medium-sized enterprises. Since 2016 the Slovakian JEREMIE transaction has been converted into a funded credit guarantee via a Slovakian state-owned fund. EIF is no longer part of the transaction.

As part of the Western Balkans Enterprise Development and Innovation Facility, the participating subsidiaries (Raiffeisenbank Sh.a., Tirana, and Raiffeisenbank Austria d.d., Zagreb) each signed a portfolio guarantee agreement which was funded by the EU and which, like the JEREMIE initiatives, is aimed at providing access to finance for small and medium-sized enterprises.

## (42) Transferred assets

The Group enters into transactions that result in the transfer of trading assets, financial investments and loans and advances to customers. The transferred financial assets continue to be recognized in their entirety or to the extent of the Group's continuing involvement, or are derecognized in their entirety. The Group transfers financial assets that are not derecognized in their entirety or for which the Group has continuing involvement primarily through sale and repurchase of securities, securities lending and securitization activities.

### Transferred financial assets not derecognized

Sale and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it at a fixed price on a future date. The Group continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Securities lending agreements are transactions in which the Group lends securities for a fee and receives cash as collateral. The Group continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash received is recognized as a financial asset and a financial liability is recognized for the obligation to repay it. Because as part of the lending arrangement the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Loans and advances to customers are sold by the Group to securitization vehicles that in turn issue notes to investors collateralized by the purchased assets. In the securitizations in which the Group transfers loans and advances to an unconsolidated securitization vehicle, it retains some credit risk while transferring some credit risk, prepayment and interest rate risk to the vehicle. The Group therefore does not retain or transfer substantially all of the risks and rewards of such assets.

The table below shows the carrying amounts of financial assets transferred:

| 2019 | Transferred assets | | | Associated liabilities | | |
|---|---|---|---|---|---|---|
| in € thousand | Carrying amount | hereof securitizations | hereof repurchase agreements | Carrying amount | hereof securitizations | hereof repurchase agreements |
| Financial assets - held for trading | 87,435 | 0 | 87,435 | 85,444 | 0 | 85,444 |
| Non-trading financial assets - mandatorily fair value through profit/loss | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial assets - designated fair value through profit/loss | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial assets - fair value through other comprehensive income | 45,497 | 0 | 45,497 | 47,750 | 0 | 47,750 |
| Financial assets - amortized cost | 108,621 | 0 | 108,621 | 98,679 | 0 | 98,679 |
| **Total** | **241,553** | **0** | **241,553** | **231,873** | **0** | **231,873** |

| 2018 | Transferred assets | | | Associated liabilities | | |
|---|---|---|---|---|---|---|
| in € thousand | Carrying amount | hereof securitizations | hereof repurchase agreements | Carrying amount | hereof securitizations | hereof repurchase agreements |
| Financial assets - held for trading | 266,470 | 0 | 266,470 | 266,141 | 0 | 266,141 |
| Non-trading financial assets - mandatorily fair value through profit/loss | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial assets - designated fair value through profit/loss | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial assets - fair value through other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial assets - amortized cost | 63,740 | 0 | 63,740 | 55,648 | 0 | 55,648 |
| **Total** | **330,210** | **0** | **330,210** | **321,789** | **0** | **321,789** |

The Group currently has no securitization transactions in which financial assets are partly derecognized.

## (43) Assets pledged as collateral and received financial assets

The Group pledges assets mainly for repurchase agreements, securities lending agreements as well as other lending arrangements and for margining purposes in relation to derivative liabilities. The table below contains assets from repo business, securities lending business, securitizations, debentures transferred as collateral of liabilities or guarantees (this means collateralized deposits):

| in € thousand | 2019 Pledged | 2019 Otherwise restricted with liabilities | 2018 Pledged | 2018 Otherwise restricted with liabilities |
|---|---|---|---|---|
| Financial assets - held for trading | 128,868 | 0 | 309,030 | 0 |
| Non-trading financial assets - mandatorily fair value through profit/loss | 1,572 | 0 | 753 | 0 |
| Financial assets - designated fair value through profit/loss | 27,925 | 0 | 0 | 0 |
| Financial assets - fair value through other comprehensive income | 218,097 | 4,836 | 119,858 | 5,209 |
| Financial assets - amortized cost | 11,027,243 | 782,108 | 8,079,756 | 751,480 |
| **Total** | **11,403,705** | **786,945** | **8,509,397** | **756,689** |

Statutory, contractual or regulatory requirements as well as protective rights of non-controlling interests might restrict the ability of the Group to access and transfer assets freely to or from other Group entities and settle liabilities. As at the reporting date, the Group has not granted any material protective rights associated with non-controlling interests and therefore these were not a source of significant restrictions.

The following products restrict the Group in the use of its assets: repurchase agreements, securities lending contracts as well as other lending contracts for margining purposes in relation to derivative liabilities, securitizations and various insurance activities. The table below shows assets pledged as collateral and otherwise restricted assets with a corresponding liability. These assets are restricted from usage to secure funding, for legal or other reasons.

The table below shows securities and other financial assets accepted as collateral:

| in € thousand | 2019 | 2018 |
|---|---|---|
| Securities and other financial assets accepted as collateral which can be sold or repledged | 12,095 | 9,138,919 |
| hereof which have been sold or repledged | 2,365 | 1,603,132 |

The Group received collaterals which can be sold or repledged even if no default occurs in the course of reverse repo business, securities lending business, derivative and other transactions. For information on asset encumbrance we refer to the Group's Pillar 3 disclosures which are published pursuant to EU 575/2013 Capital Requirements Regulation (CRR) Part 8.

# (44) Breakdown of remaining terms of maturity

| Assets<br>2019<br>in € thousand | Current assets<br>Due at call or without maturity | Up to 3 months | More than 3 months, up to 1 year | Non-current assets<br>More than 1 year, up to 5 years | More than 5 years |
|---|---|---|---|---|---|
| Cash, cash balances at central banks and other demand deposits | 24,044,341 | 244,923 | 0 | 0 | 0 |
| Financial assets - amortized cost | 6,227,629 | 16,658,400 | 16,997,394 | 38,389,876 | 32,011,760 |
| Financial assets - fair value through other comprehensive income | 140,260 | 445,138 | 741,557 | 2,290,988 | 1,163,412 |
| Non-trading financial assets - mandatorily fair value through profit/loss | 311,368 | 26,823 | 17,947 | 61,344 | 358,455 |
| Financial assets - designated fair value through profit/loss | 29,515 | 137,599 | 556,330 | 1,188,421 | 363,968 |
| Financial assets - held for trading | 756,830 | 400,250 | 287,987 | 1,704,315 | 1,032,989 |
| Hedge accounting | (46,562) | 13,282 | 14,782 | 280,750 | 134,903 |
| Investments in subsidiaries and associates | 1,106,539 | – | – | – | – |
| Tangible fixed assets | 1,828,929 | – | – | – | – |
| Intangible fixed assets | 757,435 | – | – | – | – |
| Current tax assets | 61,272 | – | – | – | – |
| Deferred tax assets | 70,567 | 35 | 9,633 | 63,057 | 472 |
| Other assets | 645,231 | 429,852 | 221,311 | 17,760 | 435 |
| **Total** | **35,933,353** | **18,356,303** | **18,846,941** | **43,996,513** | **35,066,394** |

| Liabilities<br>2019<br>in € thousand | Short-term liabilities<br>Due at call or without maturity | Up to 3 months | More than 3 months, up to 1 year | Long-term liabilities<br>More than 1 year, up to 5 years | More than 5 years |
|---|---|---|---|---|---|
| Financial liabilities - amortized cost | 64,336,066 | 17,213,440 | 14,145,594 | 24,102,785 | 8,966,531 |
| Financial liabilities - designated fair value through profit/loss | 0 | 134,987 | 264,320 | 913,770 | 529,648 |
| Financial liabilities - held for trading | 94,293 | 479,101 | 680,365 | 2,839,396 | 1,695,656 |
| Hedge accounting | (43,896) | 23,597 | 1,954 | 113,818 | 150,977 |
| Provisions for liabilities and charges | 491,193 | 18,203 | 144,779 | 112,508 | 316,048 |
| Current tax liabilities | 25,487 | 2,054 | 2,991 | 0 | 17 |
| Deferred tax liabilities | 30,371 | 1,653 | 6,072 | (933) | 853 |
| Other liabilities | 315,859 | 98,862 | 43,474 | 159,294 | 23,332 |
| **Subtotal** | **65,249,374** | **17,971,897** | **15,289,549** | **28,240,638** | **11,683,062** |
| Equity | 13,764,983 | – | – | – | – |
| **Total** | **79,014,358** | **17,971,897** | **15,289,549** | **28,240,638** | **11,683,062** |

| Assets<br>2018<br>in € thousand | Current assets<br>Due at call or without maturity | Up to 3 months | More than 3 months, up to 1 year | Non-current assets<br>More than 1 year, up to 5 years | More than 5 years |
|---|---|---|---|---|---|
| Cash, cash balances at central banks and other demand deposits | 22,435,608 | 121,876 | 0 | 0 | 0 |
| Financial assets - amortized cost | 6,015,523 | 15,551,468 | 14,476,282 | 33,847,192 | 28,865,309 |
| Financial assets - fair value through other comprehensive income | 1,544,399 | 395,164 | 1,073,671 | 2,369,427 | 1,106,356 |
| Non-trading financial assets - mandatorily fair value through profit/loss | 182,644 | 55,549 | 27,253 | 57,544 | 236,792 |
| Financial assets - designated fair value through profit/loss | 56,490 | 7,801 | 78,560 | 2,143,256 | 906,008 |
| Financial assets - held for trading | 517,605 | 390,835 | 489,113 | 1,410,899 | 1,085,157 |
| Hedge accounting | 0 | 25,550 | 8,363 | 283,208 | 140,081 |
| Investments in subsidiaries and associates | 964,213 | – | – | – | – |
| Tangible fixed assets | 1,384,277 | – | – | – | – |
| Intangible fixed assets | 692,897 | – | – | – | – |
| Current tax assets | 56,820 | – | – | – | – |
| Deferred tax assets | 109,846 | 10 | 9,458 | 2,677 | 380 |
| Other assets | 366,645 | 442,232 | 146,187 | 34,309 | 220 |
| **Total** | **34,326,967** | **16,990,484** | **16,308,887** | **40,148,512** | **32,340,305** |

| Liabilities<br>2018<br>in € thousand | Short-term liabilities<br>Due at call or without maturity | Up to 3 months | More than 3 months, up to 1 year | Long-term liabilities<br>More than 1 year, up to 5 years | More than 5 years |
|---|---|---|---|---|---|
| Financial liabilities - amortized cost | 59,228,519 | 17,406,300 | 13,434,188 | 22,372,904 | 6,632,187 |
| Financial liabilities - designated fair value through profit/loss | 0 | 142,574 | 265,799 | 975,203 | 547,500 |
| Financial liabilities - held for trading | 133,755 | 641,450 | 800,200 | 2,362,179 | 1,164,251 |
| Hedge accounting | 0 | 3,345 | 13,668 | 11,154 | 62,882 |
| Provisions for liabilities and charges | 367,987 | 12,273 | 128,768 | 93,462 | 253,433 |
| Current tax liabilities | 38,969 | 493 | 1,914 | 0 | 0 |
| Deferred tax liabilities | 34,414 | 0 | 7,559 | 13,181 | 4,548 |
| Other liabilities | 36,603 | 54,281 | 141,083 | 237,333 | 77,440 |
| **Subtotal** | **59,840,246** | **18,260,716** | **14,793,179** | **26,065,416** | **8,742,240** |
| Equity | 12,413,358 | – | – | – | – |
| **Total** | **72,253,604** | **18,260,716** | **14,793,179** | **26,065,416** | **8,742,240** |

## (45) Foreign currency volumes

| in € thousand | 2019 | 2018 |
|---|---|---|
| Assets | 71,709,428 | 63,487,761 |
| Liabilities | 59,523,322 | 52,444,554 |

# (46) Derivative financial instruments

| 2019<br>in € thousand | Nominal amount | Fair values<br>Positive | <br>Negative |
|---|---|---|---|
| **Trading book** | **176,548,070** | **1,663,968** | **(1,655,063)** |
| Interest rate contracts | 121,991,721 | 1,041,459 | (874,110) |
| Equity contracts | 5,121,269 | 179,840 | (185,233) |
| Foreign exchange rate and gold contracts | 47,327,103 | 430,888 | (499,132) |
| Credit contracts | 745,140 | 5,446 | (10,800) |
| Commodities | 104,744 | 5,142 | (69) |
| Other | 1,258,093 | 1,193 | (85,719) |
| **Banking book** | **22,882,001** | **230,496** | **(278,531)** |
| Interest rate contracts | 16,673,905 | 203,115 | (186,290) |
| Equity contracts | 0 | 0 | 0 |
| Foreign exchange rate and gold contracts | 6,029,596 | 27,381 | (85,031) |
| Credit contracts | 178,500 | 0 | (7,210) |
| **Hedging instruments** | **26,647,095** | **402,064** | **(282,066)** |
| Interest rate contracts | 26,111,060 | 394,352 | (275,225) |
| Foreign exchange rate and gold contracts | 536,036 | 7,712 | (6,840) |
| **Total** | **226,077,166** | **2,296,528** | **(2,215,660)** |
| OTC products | 220,663,760 | 2,258,276 | (2,089,351) |
| Products traded on stock exchange | 3,126,929 | 26,471 | (22,510) |

| 2018<br>in € thousand | Nominal amount | Fair values<br>Positive | <br>Negative |
|---|---|---|---|
| **Trading book** | **161,380,971** | **1,787,388** | **(1,834,966)** |
| Interest rate contracts | 115,828,572 | 1,058,044 | (821,574) |
| Equity contracts | 3,861,755 | 120,879 | (365,332) |
| Foreign exchange rate and gold contracts | 40,042,574 | 603,992 | (553,725) |
| Credit contracts | 131,201 | 1,518 | (204) |
| Commodities | 128,982 | 2,949 | (2,673) |
| Other | 1,387,887 | 5 | (91,457) |
| **Banking book** | **32,179,328** | **185,080** | **(199,593)** |
| Interest rate contracts | 23,645,705 | 94,003 | (103,577) |
| Equity contracts | 4 | 74 | (218) |
| Foreign exchange rate and gold contracts | 8,449,819 | 91,004 | (93,045) |
| Credit contracts | 83,800 | 0 | (2,753) |
| **Hedging instruments** | **22,601,830** | **500,687** | **(153,323)** |
| Interest rate contracts | 22,131,895 | 469,045 | (153,135) |
| Foreign exchange rate and gold contracts | 469,935 | 31,643 | (187) |
| **Total** | **216,162,128** | **2,473,156** | **(2,187,882)** |
| OTC products | 210,878,533 | 2,405,437 | (2,044,893) |
| Products traded on stock exchange | 3,551,725 | 63,246 | (45,901) |

# (47) Hedge accounting – additional information

RBI applies various types of hedge accounting with the aim of reducing interest rate risk and volatility in the income statement. Depending on the risk to be hedged, both fair value and cash flow hedge accounting are used. Both types may be modeled at the micro level and in portfolios. A further type of hedge accounting hedges the net investment risk against fluctuations in the rate of the Russian ruble and Romanian Leu.

Under the rules of IAS 39, which the Group decided to continue to apply, various financial instruments are used as underlying transactions for fair value and cash flow hedges. The majority of these instruments are loans and advances on the asset side and deposits on the liability side. Bonds and debt securities issued are further positions incorporated into hedge accounting relationships. Interest rate and exchange rate agreements are the main hedging instruments.

## Hedging instruments

The following table shows the breakdown of hedging instruments by type of hedge accounting at the level of nominal amounts, both in total and by contractual termination, and at the level of the carrying amounts.

| 2019<br>in € thousand | Nominal amount | Maturity<br>Up to 3 months | More than 3 months, up to 1 year | 1 year, up to 5 years | More than 5 years | Carrying amount<br>Assets | Liabilities |
|---|---|---|---|---|---|---|---|
| **Interest rate contracts** | **25,836,475** | **366,339** | **2,424,468** | **13,765,451** | **9,280,217** | **394,113** | **271,426** |
| Cash flow hedge | 1,480,307 | 50,000 | 156,589 | 1,251,591 | 22,127 | 11,951 | 2,117 |
| Fair value hedge | 24,356,169 | 316,339 | 2,267,879 | 12,513,861 | 9,258,090 | 382,161 | 269,309 |
| **Foreign exchange contracts** | **810,620** | **500,000** | **37,125** | **225,106** | **48,389** | **7,952** | **10,639** |
| Cash flow hedge | 217,107 | 0 | 37,125 | 179,982 | 0 | 240 | 3,799 |
| Fair value hedge | 93,512 | 0 | 0 | 45,124 | 48,389 | 7,712 | 135 |
| Net investment hedge | 500,000 | 500,000 | 0 | 0 | 0 | 0 | 6,706 |
| **Total** | **26,647,095** | **866,339** | **2,461,594** | **13,990,557** | **9,328,605** | **402,064** | **282,066** |

| 2018<br>in € thousand | Nominal amount | Maturity<br>Up to 3 months | More than 3 months, up to 1 year | 1 year, up to 5 years | More than 5 years | Carrying amount<br>Assets | Liabilities |
|---|---|---|---|---|---|---|---|
| **Interest rate contracts** | **21,655,282** | **93,082** | **2,283,487** | **14,244,637** | **5,034,077** | **468,850** | **142,257** |
| Cash flow hedge | 1,074,718 | 1,937 | 5,812 | 970,237 | 96,732 | 4,039 | 6,964 |
| Fair value hedge | 20,580,564 | 91,145 | 2,277,675 | 13,274,400 | 4,937,345 | 464,811 | 135,293 |
| **Foreign exchange contracts** | **946,548** | **0** | **264,293** | **667,135** | **15,120** | **31,836** | **11,065** |
| Cash flow hedge | 424,269 | 0 | 199,358 | 209,791 | 15,120 | 97 | 10,878 |
| Fair value hedge | 117,279 | 0 | 64,935 | 52,344 | 0 | 15,123 | 187 |
| Net investment hedge | 405,000 | 0 | 0 | 405,000 | 0 | 16,616 | 0 |
| **Total** | **22,601,830** | **93,082** | **2,547,780** | **14,911,772** | **5,049,197** | **500,686** | **153,323** |

## Fair value hedges

The following table shows details of the underlying transactions for fair value hedges:

| 2019<br>in € thousand | Carrying amount of the hedged items<br>Assets | Liabilities | Accumulated amount of fair value adjustments of the hedged items<br>Assets | Liabilities | Changes in fair value of the hedged items[1] |
|---|---|---|---|---|---|
| **Interest rate hedges** | **8,047,788** | **13,176,031** | **417,456** | **278,872** | **50,130** |
| Debt securities | 1,440,430 | 34,424 | 10,838 | 0 | 53,275 |
| Loans and advances | 6,607,358 | 0 | 24,470 | 132 | 67,939 |
| Deposits | 0 | 6,534,469 | 0 | 180,497 | (97,077) |
| Debt securities issued | 0 | 6,607,138 | 382,148 | 98,243 | 25,993 |
| Other financial liabilities | 0 | 0 | 0 | 0 | 0 |
| **Foreign exchange hedges** | **53,510** | **0** | **586** | **0** | **1,184** |
| Other assets | 53,510 | 0 | 586 | 0 | 1,184 |
| **Total** | **8,101,298** | **13,176,031** | **418,043** | **278,872** | **51,314** |

1 Fair value changes in the underlying transactions which were used to calculate ineffectiveness

| 2018<br>in € thousand | Carrying amount of the hedged items<br>Assets | Liabilities | Accumulated amount of fair value adjustments of the hedged items<br>Assets | Liabilities | Changes in fair value of the hedged items[1] |
|---|---|---|---|---|---|
| **Interest rate hedges** | **5,374,344** | **11,297,125** | **96,654** | **404,324** | **11,661** |
| Debt securities | 1,068,975 | 31,416 | 817 | 0 | (7,982) |
| Loans and advances | 4,305,369 | 0 | (32,855) | 2 | 8,694 |
| Deposits | 0 | 6,080,897 | 0 | 166,855 | 24,468 |
| Debt securities issued | 0 | 5,184,812 | 128,693 | 237,467 | (13,519) |
| **Foreign exchange hedges** | **50,019** | **0** | **(1,135)** | **0** | **(183)** |
| Other assets | 50,019 | 0 | (1,135) | 0 | (183) |
| **Total** | **5,424,363** | **11,297,125** | **95,519** | **404,324** | **11,478** |

1 Fair value changes in the underlying transactions which were used to calculate ineffectiveness

## Cash flow hedges

The following table shows details of the cash flow hedges:

| 2019<br>in € thousand | Change in the value of the hedging instruments recognized in other comprehensive income | Hedge ineffectiveness recognized in profit or loss |
|---|---|---|
| **Interest rate hedges** | **2,675** | **146** |
| Loans and advances | 3,034 | 77 |
| Deposits | (810) | 23 |
| Debt securities issued | 451 | 0 |
| Other financial liabilities | 0 | 46 |
| **Foreign exchange hedges** | **650** | **(157)** |
| Other liabilities | 650 | (157) |
| **Total** | **3,324** | **(11)** |

| 2018<br>in € thousand | Change in the value of the hedging instruments recognized in other comprehensive income | Hedge ineffectiveness recognized in profit or loss |
|---|---|---|
| **Interest rate hedges** | **2,569** | **(12,614)** |
| Loans and advances | 1,484 | (124) |
| Deposits | (665) | (12,539) |
| Debt securities issued | 1,750 | 0 |
| Other financial liabilities | 0 | 49 |
| **Foreign exchange hedges** | **5,116** | **(797)** |
| Other liabilities | 5,116 | (797) |
| **Total** | **7,685** | **(13,411)** |

In the second quarter of 2018, the sale of the Polish core banking operations resulted in the termination of the existing portfolio cash flow hedges, which had hedged foreign currency loans and local currency deposits against cash flow fluctuations by means of foreign currency interest rate swaps. This one-off effect of minus € 13,417 thousand is included in the ineffectiveness of hedging instruments recognized in profit or loss.

# Risk report

Active risk management is a core competency of RBI. In order to effectively identify, measure, and manage risks the Group continues to develop its comprehensive risk management system. Risk management is an integral part of overall bank management. Particularly, in addition to legal and regulatory requirements, it considers the nature, scale, and complexity of the Group's business activities and the resulting risks. In this respect it should be mentioned that RBI's internal risk models to measure risk-weighted assets (RWA) have been reviewed by the supervisory authority within the framework of the TRIM (Targeted Review of Internal Models). RBI is one of the few banks not to have conditions imposed regarding its internal models, i.e. the models used in the bank do not lead to any underestimates of the risk and therefore meet the expectations of the supervisory authority and of the CRR. The figures below refer to the regulatory scope of consolidation pursuant to CRR. In terms of risk, the companies in the IFRS scope of consolidation that are not included therein are covered by the participation risk.

The risk report describes the principles and organization of risk management and describes current risk exposure in all material risk categories.

## (48) Risk management principles

The Group has a system of risk principles and procedures in place for measuring and monitoring risk, which is aimed at controlling and managing material risks at all banks and specialist companies in the Group. The risk policies and risk management principles are laid out by the Management Board. The principles include the following risk policies:

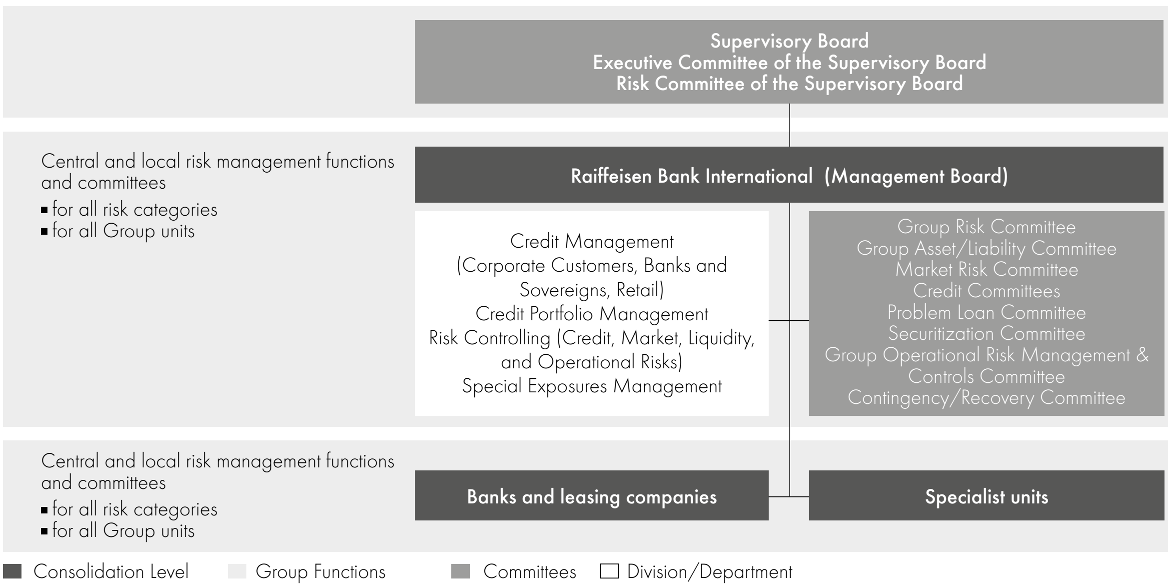
- Integrated risk management: Credit, country, market, liquidity, and operational risks are managed as key risks on a Group-wide basis. For this purpose, these risks are measured, limited, aggregated, and compared to available risk coverage capital.
- Standardized methodologies: Risk measurement and risk limitation methods are standardized Group-wide in order to ensure a consistent and coherent approach to risk management. This is efficient for the development of risk management methods and it forms the basis for consistent overall bank management across all countries and business lines in RBI.
- Continuous planning: Risk strategies and risk capital are reviewed and approved in the course of the annual budgeting and planning process, whereby special attention is also paid to preventing risk concentrations.
- Independent control: A clear personnel and organizational separation is maintained between business operations and all risk management or risk control activities.
- Ex ante and ex post control: Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. Thereby it is ensured that business in general is conducted only under risk-return considerations and that there are no incentives for taking high risks.

Individual risk management units of the Group develop detailed risk strategies, which set more concrete risk targets and specific standards in compliance with these general principles. The overall Group risk strategy is derived from the Group's business strategy and the risk appetite and adds risk relevant aspects to the planned business structure and strategic development. These aspects include for example structural limits and capital ratio targets which have to be met in the budgeting process and in the scope of business decisions. More specific targets for individual risk categories are set in detailed risk strategies. The credit risk strategy of RBI, for instance, sets credit portfolio limits for individual countries and segments and defines the credit approval authority for limit applications.

## (49) Organization of risk management

The Management Board of the Group ensures the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions according to the risk reports and analyses. The Management Board is supported in undertaking these tasks by independent risk management units and special committees.

Risk management functions are performed on different levels in the Group. RBI AG develops and implements the relevant concepts as the parent credit institution and in cooperation with the subsidiaries of the Group. The central risk management units are responsible for the adequate and appropriate implementation of the Group's risk management processes. Particularly, they establish common Group directives and set business-specific standards, tools, and practices for all Group entities.




In addition, local risk management units are established in the different Group entities of RBI. They implement the risk policies for specific risk types and take active steering decisions within the approved risk budgets in order to achieve the targets set in the business policy. For this purpose, they monitor resulting risks using standardized measurement tools and report them to central risk management units via defined interfaces.

The central Group Risk Controlling division assumes the independent risk controlling function required by banking law. Its responsibilities include developing the Group-wide framework for overall bank risk management (integrating all risk types) and preparing independent reports on the risk profile for the Supervisory Board's Risk Committee, the Group Management Board and the heads of individual business units. It also measures the required risk coverage capital for different Group units and calculates the utilization of the allocated risk capital budgets in the internal capital adequacy framework.

**Risk committees**

The Group Risk Committee is the most senior decision-making body for all the Group's risk-related topic areas. It decides on the risk management methods and on the control concepts used for the overall Group and for key subdivisions, and is responsible for ongoing development and implementation of methods and parameters for risk quantification and for refining steering instruments. This also includes setting the risk appetite and the various risk budgets and limits at overall bank level as well as monitoring the current risk situation with respect to internal capital adequacy and the corresponding risk limits. It approves risk management and control activities (such as the allocation of risk capital) and advises the Management Board in these matters.

The Group Asset/Liability Committee assesses and manages the statement of financial position structure and liquidity risk and defines the standards for internal funds transfer pricing. In this context it plays an important role in planning long-term funding and hedging structural interest rate and foreign exchange risks. The Capital Hedge Committee is a sub-committee of the Group Asset/Liability Committee and manages the currency risk inherent in the Group's capital position.

The Market Risk Committee controls market risks arising from trading and banking book transactions and establishes corresponding limits and processes. Particularly, it relies on profit and loss reports, the risks calculated and the limit utilization, as well as the results of scenario analyses and stress tests with respect to market risks.

The Credit Committees are staffed by front office and back office representatives, with the staff assignments depending on the type of customer (corporate customers, banks, sovereigns and retail). The committees decide upon the specific lending criteria for the different customer segments and countries and make all credit decisions concerning those segments and countries in connection with the credit approval process (depending on rating and exposure size).

The Problem Loan Committee is the most important committee in the evaluation and decision-making process concerning problem loans. Its chairman is the Chief Risk Officer (CRO). Further members with voting rights are those members of the Management Board responsible for the customer divisions, the Chief Financial Officer (CFO), and the relevant division and departmental managers from risk management and special exposures management.

The Securitization Committee is the decision-making committee for limit requests in relation to securitization positions within the specific decision-making authority framework. It develops proposals for modifications to the securitization strategy for the Management Board. In addition, the Securitization Committee offers a platform for exchanging information regarding securitization positions and market developments.

The Group Operational Risk Management & Controls Committee comprises representatives of the business areas (retail, market and corporate customers) and representatives from Compliance (including financial crime), Internal Control System, Operations, Security and Risk Controlling, under chairmanship of the CRO. This committee is responsible for managing the Group's operational risk (including conduct risk). It derives and sets the operational risk strategy based on the risk profile and the business strategy and makes decisions regarding actions, controls and risk acceptance.

The Contingency/Recovery Committee is a decision-making body convened by the Management Board. The composition of the committee varies as circumstances require depending on the intensity and focus of the specific requirements pertaining to the situation (e.g. capital and/or liquidity). The core task of the committee is to maintain or recover financial stability in accordance with BaSAG (Austrian Bank Recovery and Resolution Act) and BRRD (Banking Recovery and Resolution Directive) in the event of a critical financial situation.

**Quality assurance and internal audit**

Quality assurance with respect to risk management refers to ensuring the integrity, soundness, and accuracy of processes, models, calculations, and data sources. This is to ensure that the Group adheres to all legal requirements and that it can achieve the highest standards in risk management-related operations.

All these aspects are coordinated by the Group Compliance division, which analyzes the internal control system on an ongoing basis and – if actions are necessary to address any deficiencies – is also responsible for tracking their implementation.

Two very important functions in assuring independent oversight are performed by the divisions Audit and Compliance. Independent internal auditing is a legal requirement and a central pillar of the internal control system. Internal Audit periodically assesses all business processes and contributes considerably to securing and improving them. It sends its reports directly to the Management Board, which discusses them on a regular basis in its board meetings.

The Compliance Office is responsible for all issues concerning compliance with legal requirements in addition to and as an integral part of the internal control system. Thereby compliance with existing regulations in daily operations is monitored.

Moreover, an independent and objective audit, free of potential conflicts of interest, is carried out during the audit of the annual financial statements by the independent auditors. Finally, the Group is continuously supervised by the European Central Bank, the Austrian Financial Market Authority and by the local supervisor in those countries where the Group is represented by branches or subsidiaries.

## (50) Overall group risk management

Maintaining an adequate level of capital is a core objective of the Group. Capital requirements are monitored regularly based on the risk level as measured by internal models, and in choosing appropriate models the materiality of risks annually assessed is considered. This concept of overall bank risk management provides for meeting capital requirements from both a regulatory perspective (sustainability and going concern perspective) and from an economic point of view (target rating). Thus it covers the quantitative aspects of the Internal Capital Adequacy Assessment Process (ICAAP) as legally required and as described in the ICAAP Directive published by the European Central Bank. The full ICAAP process of the Group is audited during the supervisory review process for RBI credit institution group (RBI-Kreditinstitutsgruppe) on an annual basis.

The Risk Appetite Framework (RAF) limits the Group's overall risk in accordance with the Group's strategic business objectives and allocates the risk capital calculated to the different risk categories and business areas. The primary aim of the RAF is to limit risk, particularly in adverse scenarios and for major singular risks in such a way as to ensure compliance with regulatory minimum ratios.

The Risk Appetite Framework is, therefore, closely linked with the ICAAP and the ILAAP (Internal Liquidity Adequacy Assessment Process) and sets the concentration risk limits for the risk types identified as significant in the risk assessment. There is also a connection to the recovery plan as the risk capacity and risk tolerance limits in the RAF are aligned with the corresponding trigger monitoring limits. In addition, the risk appetite decided by the Management Board and the Group's risk strategy and its implementation are reported regularly to the Supervisory Board's Risk Committee.

| Approach | Risk | Measurement technique | Confidence level |
|---|---|---|---|
| **Economic perspective** | | | |
| **Economic capital** | Risk that unexpected losses from the economic point of view exceed the internal capital | The unexpected loss for the risk horizon of one year (economic capital) may not exceed the current value of the tier 1 capital | 99.90 per cent |
| **Value-at-Risk** | Risk of falling below the capital adequacy requirement under the CRR rules | Risk taking capacity (projected earnings plus capital in excess of the regulatory requirement) must exceed the Group's value at risk (one-year risk horizon) | 95 per cent, reflecting the owners' willingness to inject additional equity |
| **Normative perspective** | | | |
| **Stress scenarios** | Risk of falling below a sustainable tier 1 ratio throughout an economic cycle | Capital and earnings projection for a three-year planning period based on assumptions of a significant downturn in the economy | Around 95 per cent, based on potential management decisions to reduce risk temporarily or raise additional equity capital |

## Economic perspective – economic capital approach

In this approach, risks are measured based on economic capital, which represents a comparable risk indicator across all risk types. Economic capital is calculated as the sum of unexpected losses stemming from different Group units and different risk categories .In addition, a general buffer is held to cover other risk types not explicitly quantified.

The Group uses a confidence level of 99.90 per cent (2018: 99.92 per cent) to calculate economic capital as at year-end 2019. In compliance with the ICAAP Directive published by the European Central Bank, the tier 2 capital will no longer be used to calculate the internal capital as at year-end 2019.

Economic capital is compared to internal capital, which – in compliance with the ICAAP Directive published by the European Central Bank – no longer takes account of the tier 2 capital as at year-end 2019. Due to this change in the method used to calculate the internal capital and because of the increase in economic capital described above the total utilization of available risk capital (the ratio of economic capital to internal capital) increased to 58.7 per cent (2018: 46 per cent) as at year-end 2019.

Risk contribution of individual risk types to economic capital:

| in € thousand | 2019 | Share | 2018[1] | Share |
|---|---|---|---|---|
| Credit risk retail customers | 1,750,650 | 24.8% | 1,175,737 | 19.5% |
| Credit risk corporate customers | 1,749,130 | 24.8% | 1,637,701 | 27.2% |
| Participation risk | 726,957 | 10.3% | 308,365 | 5.1% |
| Market risk | 633,221 | 9.0% | 649,290 | 10.8% |
| Macroeconomic risk | 556,989 | 7.9% | 606,720 | 10.1% |
| Operational risk | 454,151 | 6.4% | 542,080 | 9.0% |
| Owned property risk | 252,058 | 3.6% | 226,118 | 3.8% |
| FX risk capital position | 229,412 | 3.2% | 128,764 | 2.1% |
| Credit risk sovereigns | 210,343 | 3.0% | 281,316 | 4.7% |
| Credit risk banks | 147,766 | 2.1% | 143,523 | 2.4% |
| CVA risk | 17,810 | 0.3% | 17,090 | 0.3% |
| Liquidity risk | 72 | 0.0% | 14,645 | 0.2% |
| Risk buffer | 336,428 | 4.8% | 286,568 | 4.8% |
| **Total** | **7,064,987** | **100.0%** | **6,017,918** | **100.0%** |

1 Adaptation of previous year figures (market risk)

Regional allocation of economic capital by Group unit domicile:

| in € thousand | 2019 | Share | 2018[1] | Share |
|---|---|---|---|---|
| Austria | 2,822,211 | 39.9% | 1,903,494 | 31.6% |
| Eastern Europe | 1,488,569 | 21.1% | 1,308,671 | 21.7% |
| Southeastern Europe | 1,436,307 | 20.3% | 1,329,702 | 22.1% |
| Central Europe | 1,317,898 | 18.7% | 1,471,099 | 24.4% |
| Rest of World | 2 | 0.0% | 4,952 | 0.1% |
| **Total** | **7,064,987** | **100.0%** | **6,017,918** | **100.0%** |

1 Adaptation of previous year figures (market risk)

The Group's calculated economic capital increased during the year to € 7,064,987 thousand. Although participation risk increased € 418,592 thousand to € 726,957 thousand as at 31 December 2019 due to an adjustment of the currently used model for other affiliated companies and equity participations, materially lower participation risks may be expected again in the course of 2020 as a result of the development of a comprehensive new model. The currency risk inherent in the capital position also increased € 100,648 thousand to € 229,412 thousand and is now calculated in all currencies for a holding period of one year. The increase in the credit risk of retail customers of € 574,913 thousand to € 1,750,650 thousand was the result of the implementation of the regulatory capital already held in Pillar I into economic capital with regard to the foreign currency mortgage loans in Poland. In the risk capital allocation as at 31 December 2019, the bulk of the economic capital – 40 per cent (2018: 32 per cent) – was consumed by Group units located in Austria. The year-on-year increase was the result of participation risk and the risk presented by the foreign currency mortgage loans of the RBI AG's Polish branch.

Economic capital is an important instrument in overall bank risk management. Economic capital limits are allocated to individual business areas during the annual budgeting process and are supplemented in day-to-day management by volume, sensitivity, and value-at-risk limits. The Group planning process is undertaken on a revolving basis for the coming three years and incorporates future changes in economic capital as well as available internal capital. Economic capital thus substantially influences plans for future lending activities and the overall limit for market risk.

Risk-adjusted performance measurement is also based on the indicator for economic capital. The profitability of a business unit is examined in relation to the amount of economic capital attributed to the unit in question (risk-adjusted profit in relation to risk-adjusted capital, RORAC), which yields a comparable performance indicator for all business units in the Group. That indicator is used in turn as a key figure in overall bank management and for future capital allocation, and influences the remuneration paid to the Group's executive management.

### Economic perspective – value-at-risk approach

Parallel to the economic capital approach, internal capital adequacy is assessed with a focus on the risk taking capacity with regard to regulatory capital and total capital requirements.

In pursuit of the hedging objective, expected profits, expected loan loss provisions and surplus capital (considering various limits on eligible capital) are counted towards risk-taking capacity. The figure for risk-taking capacity is compared to the overall value-at-risk (including expected losses), which is calculated using similar techniques as those used under the economic capital approach (albeit using a lower confidence level of 95 per cent). The Group takes this approach to ensure adequate regulatory capitalization (going concern) with the given probability.

### Normative perspective – stress scenarios

The analysis of the stress scenarios in the normative perspective of the ICAAP is intended to ensure that the Group has a sufficiently high tier 1 ratio at the end of the multi-year planning period, even in a severe macroeconomic downturn scenario. The analysis is based on a multi-year macroeconomic stress test where hypothetical market developments in a severe but realistic economic downturn scenario are simulated. The risk parameters used include interest rates, foreign exchange rates and securities prices, as well as changes in default probabilities and rating migrations in the credit portfolio.

The integrated stress test focuses primarily on the tier 1 ratio at the end of the multi-year observation period. It should not fall below a sustainable level, meaning that is should not require the bank to substantially increase capital or to significantly reduce its business activities. The current minimum amount of tier 1 capital is therefore determined by the size of a potential economic downturn. The downturn scenario assumed incorporates recognition of the necessary loan loss provisions and potential pro-cyclical effects (which increase the minimum regulatory capital requirement) along with the impact of foreign exchange rate fluctuations and other valuation and earnings effects. Regulatory changes that are already known are considered for the planning period.

This perspective thus also complements traditional risk measurement methods based on the value-at-risk concept (which is in general based on historical data). Therefore, it can account for exceptional market situations that have not been observed in the past, and permits estimation of the potential impact of such developments. The stress test also allows for analyzing risk concentrations (e.g. individual positions, industries, or geographical regions) and gives insight into profitability, liquidity situation, and solvency under extreme situations. Building on these analyses, risk management in the Group actively contributes to portfolio diversification, for example via limits for the total credit exposure to individual industry segments and countries and through ongoing updates to lending standards.

## (51) Credit risk

Credit risk is the largest risk for the Group's business. Credit risk means the risk of suffering financial loss should any of the Group's customers or counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from loans and advances to banks, loans and advances to customers, lending commitments and financial guarantees given. The Group is also exposed to other credit risks arising from investments in debt securities and other exposures associated with trading activities, derivatives, settlement agreements and reverse repo transactions.

### Limit application process

In the non-retail area, each lending transaction runs through the limit application process before a decision is made. This process covers – besides new lending – increases in existing limits, rollovers, overdrafts, and changes in the risk profile of a borrower (e.g. with respect to the financial situation of the borrower, the agreed terms and conditions, or the collateral furnished) compared to the time of the original lending decision. It is also used when setting counterparty limits for trading and new issuance operations as well as other credit limits, and for equity investments subject to credit risk.

Credit decisions are made within the context of a competence authority hierarchy based on the size and type of the loan. Approval from the business and the credit risk management divisions is always required when making individual limit decisions or performing regular rating renewals. If the individual decision-making parties disagree, the potential transaction is decided upon by the next higher-ranking credit authority.

The whole limit application process is based on defined uniform principles and rules. Account management for multinational customers doing business with more than one RBI Group unit simultaneously is supported by the Global Account Management System, for example. This is made possible by Group-wide unique customer identification in the non-retail asset classes.

The limit application process in the retail division is automated to a great degree due to the high number of applications and relatively low exposure amounts. Limit applications often are assessed and approved in central processing centers based on credit score cards. This process is facilitated by the respective IT systems.

### Credit portfolio management

Credit portfolio management in the Group is, among other aspects, based on the credit portfolio strategy which is in turn based on the business and risk strategy. The strategy selected is used to limit the exposure amount in different countries, industries or product types and thus prevents undesired risk concentrations. Additionally, the long-term potentials of different markets are continuously analyzed. This allows for an early strategic repositioning of future lending activities.

### Reconciliation of figures from the IFRS consolidated financial statements to credit exposure (according to CRR)

The following table shows the reconciliation of items on the statement of financial position to the credit exposure (banking and trading book positions), which is used in portfolio management. It includes both exposures on and off the statement of financial position before the application of credit-conversion factors, and thus represents the total credit exposure. It is not reduced by the effects of credit risk mitigation such as guarantees or physical collateral, effects that are, however, considered in the total assessment of credit risk. The total credit exposure is used – if not explicitly stated otherwise – for referring to exposures in all subsequent tables in the risk report. The reasons for the differences in the values used for internal portfolio management and for external financial accounting are the different scopes of consolidation (regulatory versus accounting rules according to IFRS) and differences in the classification and presentation of exposure volumes.

| in € thousand | 2019 | 2018 |
|---|---|---|
| Cash, cash balances at central banks and other demand deposits | 19,761,386 | 18,425,583 |
| Financial assets - amortised cost | 112,607,116 | 101,241,442 |
| Financial assets - fair value through other comprehensive income | 4,555,355 | 6,216,922 |
| Non-trading financial assets - mandatorily at fair value through profit / loss | 775,937 | 559,782 |
| Financial assets - designated fair value through profit/loss | 2,275,832 | 3,192,115 |
| Financial assets - held for trading | 4,182,372 | 3,893,609 |
| Hedge accounting | 397,155 | 457,202 |
| Current tax assets | 61,272 | 56,820 |
| Deferred tax assets | 143,764 | 122,371 |
| Other assets | 1,027,830 | 749,665 |
| Loan commitments given | 35,135,831 | 31,226,964 |
| Financial guarantees given | 7,908,756 | 6,975,261 |
| Other commitments given | 3,297,568 | 2,942,779 |
| Disclosure differences | (3,046,324) | (1,761,995) |
| **Credit exposure[1]** | **189,083,851** | **174,298,522** |

1 Items on the statement of financial position contain only credit risk amounts

The detailed credit portfolio analysis shows the breakdown by rating category. Customer rating assessments are performed separately for different asset classes using internal risk classification models (rating and scoring models), which are validated by a central organizational unit. The default probabilities assigned to individual rating grades are calculated separately for each asset class. As a consequence, the default probabilities relating to the same ordinal rating grade are not directly comparable between asset classes.

Rating models in the main non-retail asset classes – corporates, banks, and sovereigns – are uniform in all Group units and rank creditworthiness in 27 grades for corporate customers and banks and ten grades for sovereigns. For retail asset classes, country specific scorecards are developed based on uniform Group standards. Tools are used to produce and validate ratings (e.g. business valuation tools, rating and default databases).

The following table shows credit exposure by asset classes (rating models):

| in € thousand | 2019 | 2018 |
|---|---|---|
| Corporate customers | 81,951,994 | 73,482,137 |
| Project finance | 7,212,158 | 7,050,295 |
| Retail customers | 42,184,670 | 38,049,768 |
| Banks | 21,977,973 | 19,207,251 |
| Sovereigns | 35,757,056 | 36,509,071 |
| **Total** | **189,083,851** | **174,298,522** |

## Credit portfolio – Corporate customers

The internal rating models for corporate customers take into account qualitative parameters, various ratios from the statement of financial position, and profit ratios covering different aspects of customer creditworthiness for various industries and countries. In addition, the model for smaller corporates also includes an account behavior component.

The following table shows the credit exposure according to internal corporate rating (large corporates, mid-market and small corporates). For presentation purposes, the individual grades of the rating scale have been combined into nine main rating grades.

| in € thousand | | 2019 | Share | 2018 | Share |
|---|---|---|---|---|---|
| 1 | Minimal risk | 5,785,489 | 7.1% | 5,071,555 | 6.9% |
| 2 | Excellent credit standing | 11,876,959 | 14.5% | 11,133,932 | 15.2% |
| 3 | Very good credit standing | 13,834,231 | 16.9% | 11,357,385 | 15.5% |
| 4 | Good credit standing | 13,036,930 | 15.9% | 10,402,833 | 14.2% |
| 5 | Sound credit standing | 16,409,891 | 20.0% | 15,824,179 | 21.5% |
| 6 | Acceptable credit standing | 14,510,666 | 17.7% | 12,272,729 | 16.7% |
| 7 | Marginal credit standing | 3,853,267 | 4.7% | 4,216,589 | 5.7% |
| 8 | Weak credit standing/sub-standard | 765,700 | 0.9% | 1,133,628 | 1.5% |
| 9 | Very weak credit standing/doubtful | 315,915 | 0.4% | 198,909 | 0.3% |
| 10 | Default | 1,417,762 | 1.7% | 1,637,862 | 2.2% |
| NR | Not rated | 145,185 | 0.2% | 232,535 | 0.3% |
| **Total** | | **81,951,994** | **100.0%** | **73,482,137** | **100.0%** |

The credit exposure for corporate customers rose compared to year-end 2018 by € 8,469,857 thousand to € 81,951,994 thousand.

Credit exposures in the rating grades from good credit standing to minimal risk increased € 6,567,904 thousand to € 44,533,609 thousand, corresponding to a share of 54.4 per cent (2018: 51.8 per cent).

Rating grade 1 increased € 713,934 thousand to € 5,785,489 thousand, mainly due to swap transactions in Great Britain and to rating improvements at individual Russian customers from rating grade 2. The increase was partly offset by a decline in facility financing in Austria. The increase of € 743,027 thousand to € 11,876,959 thousand in rating grade 2 was mainly the result of an increase in documentary credits and facility financing in Switzerland, whereby there were also rating improvements at individual Swiss customers from rating grade 3. In addition, there was an increase in facility financing in Germany, Great Britain and Luxembourg and in credit financing in France and Russia (partly due to the appreciation of the Russian ruble). The decrease in repo transactions in Austria partially compensated for the increase in rating grade 2. Rating grade 3 registered an increase of € 2,476,846 thousand to € 13,834,231 thousand, which was due to repo transactions in Great Britain and credit financing in Austria, the Czech Republic, Germany and Luxembourg. In addition, facility financing increased in Austria and Germany, while it fell in Great Britain. The increase of € 2,634,097 thousand in rating grade 4 to € 13,036,930 thousand was attributable to credit financing in France, the Czech Republic, Great Britain, Russia (largely due to the appreciation of the Russian ruble) and Switzerland. There was also an increase in facility financing in France, Spain, Romania, Italy and the USA and in guarantees issued in Austria, the Czech Republic, Russia and Switzerland. Rating grade 5 registered an increase of € 585,712 thousand to € 16,409,891 thousand, which was due to guarantees issued in Russia, facility financing and repo transactions in the USA. In addition, there were rating improvements at individual Russian customers from rating grade 6. The increase in rating grade 5 was reduced by a decline in credit financing in Germany and Slovakia and by rating downgrades of individual German and Slovakian customers to rating grade 6. Besides the aforementioned rating downgrade, credit financing in the Czech Republic, Romania, Russia (partly due to the appreciation of the Russian ruble) and Ukraine was responsible for the increase in rating grade 6 by € 2,237,937 thousand to € 14,510,666 thousand.

The rating model for project finance has five grades and takes both individual probabilities of default and available collateral into account. The breakdown of the bank's project finance exposure is shown in the table below:

| in € thousand | | 2019 | Share | 2018 | Share |
|---|---|---|---|---|---|
| 6.1 | Excellent project risk profile – very low risk | 5,366,921 | 74.4% | 5,307,911 | 75.3% |
| 6.2 | Good project risk profile – low risk | 1,309,563 | 18.2% | 968,352 | 13.7% |
| 6.3 | Acceptable project risk profile – average risk | 91,268 | 1.3% | 113,598 | 1.6% |
| 6.4 | Poor project risk profile – high risk | 82,351 | 1.1% | 102,630 | 1.5% |
| 6.5 | Default | 351,130 | 4.9% | 383,110 | 5.4% |
| NR | Not rated | 10,924 | 0.2% | 174,694 | 2.5% |
| **Total** | | **7,212,158** | **100.0%** | **7,050,295** | **100.0%** |

As at 31 December 2019, the credit exposure reported under project finance increased € 161,863 thousand to € 7,212,158 thousand. The increase in the 6.2 rating grade of € 341,211 thousand to € 1,309,563 thousand resulted from new project financing in Austria, Hungary, Russia and Slovakia. In addition, there were rating downgrades at Slovakian customers from rating grade 6.1. The increase in rating grade 6.2 was partly offset by rating improvements of Czech and Romanian customers to rating grade 6.1. The assignment of a Dutch and Austrian customer to rating grade 6.1 and expired project financing in Serbia led to a reduction of € 163,770 thousand to € 10,924 thousand in customers not rated.

At 92.6 per cent, the rating grades excellent project risk profile – very low risk and good project risk profile – low risk. This mainly reflected the high level of collateralization in these types of specialized lending transactions.

The following table provides a breakdown by country of risk of the credit exposure for corporate customers and project finance structured by region, taking into account the guarantor:

| in € thousand | 2019 | Share | 2018[1] | Share |
|---|---|---|---|---|
| Western Europe | 21,641,577 | 24.3% | 17,182,235 | 21.3% |
| Central Europe | 19,361,427 | 21.7% | 18,491,300 | 23.0% |
| Austria | 16,710,793 | 18.7% | 16,898,109 | 21.0% |
| Eastern Europe | 15,626,365 | 17.5% | 12,853,120 | 16.0% |
| Southeastern Europe | 12,819,231 | 14.4% | 12,431,799 | 15.4% |
| Asia | 1,121,573 | 1.3% | 1,195,050 | 1.5% |
| Other | 1,883,186 | 2.1% | 1,480,819 | 1.8% |
| **Total** | **89,164,152** | **100.0%** | **80,532,432** | **100.0%** |

1 Previous year figures adjusted due to changed allocation

At € 89,164,152 thousand, the credit exposure rose € 8,631,720 thousand compared to year-end 2018. The increase in Western Europe of € 4,459,342 thousand to € 21,641,577 thousand resulted from credit and facility financing, swap and repo transactions and documentary credits. Central Europe registered an increase of € 870,127 thousand to € 19,361,427 thousand, which was attributable to facility and credit financing. Rising credit financing and guarantees issued and the appreciation of the Russian ruble and Ukrainian hryvnia were responsible for the increase of € 2,773,245 thousand in Eastern Europe to € 15,626,365 thousand.

The table below provides a breakdown of the credit exposure to corporates and project finance by industry of the original customer:

| in € thousand | 2019 | Share | 2018[1] | Share |
|---|---|---|---|---|
| Manufacturing | 22,502,489 | 25.2% | 21,364,744 | 26.5% |
| Wholesale and retail trade | 20,083,356 | 22.5% | 18,531,761 | 23.0% |
| Financial intermediation | 9,774,624 | 11.0% | 7,527,225 | 9.3% |
| Real estate | 9,857,898 | 11.1% | 9,780,072 | 12.1% |
| Construction | 5,767,093 | 6.5% | 5,249,911 | 6.5% |
| Freelance/technical services | 2,046,594 | 2.3% | 1,951,809 | 2.4% |
| Transport, storage and communication | 3,602,275 | 4.0% | 3,611,244 | 4.5% |
| Electricity, gas, steam and hot water supply | 3,440,651 | 3.9% | 3,393,234 | 4.2% |
| Other industries | 12,089,171 | 13.6% | 9,122,431 | 11.3% |
| **Total** | **89,164,152** | **100.0%** | **80,532,432** | **100.0%** |

1 The previous year's figures were adjusted due to an optimized allocation of individual areas of activity at large companies and conglomerates.

### Credit portfolio – Retail customers

Retail customers are subdivided into private individuals and small and medium-sized entities (SMEs). For retail customers a two-fold scoring system is used, consisting of the initial and ad-hoc scoring based on customer data and of the behavioral scoring based on account data. The table below shows the Group's credit exposure to retail customers.

| in € thousand | 2019 | Share | 2018 | Share |
|---|---|---|---|---|
| Retail customers – private individuals | 38,990,342 | 92.4% | 35,268,595 | 92.7% |
| Retail customers – small and medium-sized entities | 3,194,329 | 7.6% | 2,781,173 | 7.3% |
| **Total** | **42,184,670** | **100.0%** | **38,049,768** | **100.0%** |

The following table shows the credit exposure to retail customers by internal rating:

| in € thousand | | 2019 | Share | 2018 | Share |
|---|---|---|---|---|---|
| 0.5 | Minimal risk | 12,314,383 | 29.2% | 9,038,313 | 23.8% |
| 1.0 | Excellent credit standing | 7,065,681 | 16.7% | 9,091,214 | 23.9% |
| 1.5 | Very good credit standing | 6,158,781 | 14.6% | 5,498,801 | 14.5% |
| 2.0 | Good credit standing | 4,891,248 | 11.6% | 4,039,654 | 10.6% |
| 2.5 | Sound credit standing | 3,286,980 | 7.8% | 2,863,964 | 7.5% |
| 3.0 | Acceptable credit standing | 1,789,454 | 4.2% | 1,726,684 | 4.5% |
| 3.5 | Marginal credit standing | 927,196 | 2.2% | 839,619 | 2.2% |
| 4.0 | Weak credit standing/sub-standard | 428,331 | 1.0% | 413,993 | 1.1% |
| 4.5 | Very weak credit standing/doubtful | 381,744 | 0.9% | 312,728 | 0.8% |
| 5.0 | Default | 1,353,133 | 3.2% | 1,326,523 | 3.5% |
| NR | Not rated | 3,587,739 | 8.5% | 2,898,275 | 7.6% |
| **Total** | | **42,184,670** | **100.0%** | **38,049,768** | **100.0%** |

The credit exposure to retail customers increased € 4,134,903 thousand compared to year-end 2018 to € 42,184,670 thousand. The rating shift between rating grades 0.5 and 1.0 resulted mainly from rating adjustments in the course of the IRB implementation planned at Raiffeisen Bausparkasse, Vienna. In addition, an increase was registered for rating grade 0.5, which was due to an increase in the credit exposure in Romania and Russia (partly due to the appreciation of the Russian ruble). The increase in rating grades 1.5, 2.0 and 2.5 was mainly due to an increase in credit exposure in the Czech Republic, Croatia, Austria, Russia (partly due to the appreciation of the Russian ruble) and Slovakia. The increase in not rated was due to Hungary and to mortgage-backed loans in the Czech Republic.

The total credit exposure to retail customers breaks down by segment as follows:

| 2019<br>in € thousand | Central Europe | Southeastern Europe | Eastern Europe | Group Corporates & Markets |
|---|---|---|---|---|
| Retail customers – private individuals | 18,294,621 | 9,747,784 | 5,987,257 | 4,960,680 |
| Retail customers – small and medium-sized entities | 1,498,808 | 798,598 | 490,513 | 406,409 |
| **Total** | **19,793,429** | **10,546,382** | **6,477,770** | **5,367,089** |
| hereof non-performing exposure | 655,261 | 455,371 | 182,647 | 35,643 |

| 2018<br>in € thousand | Central Europe | Southeastern Europe | Eastern Europe | Group Corporates & Markets |
|---|---|---|---|---|
| Retail customers – private individuals | 17,377,251 | 8,720,106 | 4,420,411 | 4,750,828 |
| Retail customers – small and medium-sized entities | 1,370,316 | 687,641 | 348,580 | 374,636 |
| **Total** | **18,747,567** | **9,407,747** | **4,768,990** | **5,125,463** |
| hereof non-performing exposure[1] | 714,775 | 458,403 | 203,694 | 29,264 |

1 The previous year's figures were adjusted due to the inclusion of non-defaulted non-performing loans

Central Europe registered an increase of € 1,045,862 thousand to € 19,793,429 thousand due to an increased volume of mortgage loans in the Czech Republic and Slovakia. Increasing mortgage and personal loans in Bulgaria, Croatia and Romania and a rise in credit card financing in Romania and SME financing in Bulgaria were responsible for the increase of € 1,138,635 thousand in Southeastern Europe to € 10,546,382 thousand. The increase in Eastern Europe of € 1,708,780 thousand to € 6,477,770 thousand resulted from credit card financing, mortgage loans and personal loans in Russia, partly due to the appreciation of the Russian ruble. The appreciation of the Ukrainian hryvnia also had a growing impact.

The table below shows the retail credit exposure by products:

| in € thousand | 2019 | Share | 2018 | Share |
|---|---|---|---|---|
| Mortgage loans | 24,501,823 | 58.1% | 22,556,842 | 59.3% |
| Personal loans | 9,626,944 | 22.8% | 8,456,959 | 22.2% |
| Credit cards | 3,565,691 | 8.5% | 3,087,446 | 8.1% |
| SME financing | 2,290,387 | 5.4% | 2,045,615 | 5.4% |
| Overdraft | 1,675,615 | 4.0% | 1,443,756 | 3.8% |
| Car loans | 524,210 | 1.2% | 459,149 | 1.2% |
| **Total** | **42,184,670** | **100.0%** | **38,049,768** | **100.0%** |

The increase in mortgage loans of € 1,944,981 thousand to € 24,501,823 thousand was mainly attributable to Russia (partly due to the appreciation of the Russian ruble), the Czech Republic, Austria, Bulgaria, Croatia, Romania and Slovakia. Russia (partly due to the appreciation of the Russian ruble), Bulgaria, Croatia, Hungary and Romania were mainly responsible for the increase of € 1,169,985 thousand in personal loans to € 9,626,944 thousand.

| 2019<br>in € thousand | Central Europe | Southeastern Europe | Eastern Europe | Group Corporates & Markets |
|---|---|---|---|---|
| Mortgage loans | 14,391,974 | 2,778,887 | 2,177,038 | 5,153,925 |
| Personal loans | 2,430,042 | 4,610,076 | 2,434,699 | 152,127 |
| Credit cards | 875,496 | 1,322,961 | 1,363,187 | 4,047 |
| SME financing | 785,165 | 1,146,072 | 302,527 | 56,622 |
| Overdraft | 1,019,199 | 476,000 | 180,416 | 0 |
| Car loans | 291,552 | 212,387 | 19,903 | 368 |
| **Total** | **19,793,429** | **10,546,382** | **6,477,770** | **5,367,089** |

| 2018<br>in € thousand | Central Europe | Southeastern Europe | Eastern Europe | Group Corporates & Markets |
|---|---|---|---|---|
| Mortgage loans | 13,579,748 | 2,448,014 | 1,629,209 | 4,899,871 |
| Personal loans | 2,287,388 | 4,166,484 | 1,825,274 | 177,813 |
| Credit cards | 866,163 | 1,178,668 | 1,039,368 | 3,247 |
| SME financing | 873,931 | 988,721 | 139,588 | 43,375 |
| Overdraft | 890,760 | 448,878 | 103,587 | 530 |
| Car loans | 249,577 | 176,982 | 31,964 | 627 |
| **Total** | **18,747,567** | **9,407,747** | **4,768,990** | **5,125,463** |

### Credit portfolio – Banks

The following table shows the credit exposure by internal rating for banks (excluding central banks). Due to the small number of customers (or observable defaults), the default probabilities of individual rating grades in this asset class are calculated based on a combination of internal and external data.

| in € thousand | | 2019 | Share | 2018 | Share |
|---|---|---|---|---|---|
| 1 | Minimal risk | 3,483,673 | 15.9% | 3,797,198 | 19.8% |
| 2 | Excellent credit standing | 7,722,741 | 35.1% | 5,804,826 | 30.2% |
| 3 | Very good credit standing | 7,741,973 | 35.2% | 7,142,295 | 37.2% |
| 4 | Good credit standing | 1,912,565 | 8.7% | 1,346,752 | 7.0% |
| 5 | Sound credit standing | 657,730 | 3.0% | 700,977 | 3.6% |
| 6 | Acceptable credit standing | 266,910 | 1.2% | 268,171 | 1.4% |
| 7 | Marginal credit standing | 165,286 | 0.8% | 31,239 | 0.2% |
| 8 | Weak credit standing/sub-standard | 9,019 | 0.0% | 100,827 | 0.5% |
| 9 | Very weak credit standing/doubtful | 1,673 | 0.0% | 216 | 0.0% |
| 10 | Default | 4,294 | 0.0% | 9,456 | 0.0% |
| NR | Not rated | 12,109 | 0.1% | 5,293 | 0.0% |
| **Total** | | **21,977,973** | **100.0%** | **19,207,251** | **100.0%** |

The credit exposure came to € 21,977,973 thousand, an increase of € 2,770,722 thousand compared to year-end 2018.

The increase in rating grade 2 of € 1,917,915 thousand to € 7,722,741 thousand resulted from deposits with banks, an increase in the bond portfolio in Austria, Great Britain, Poland and Slovakia and repo transactions in Austria, France and Great Britain. The rating improvement of Russian customers in rating grade 3 also had a positive effect. Overall, rating grade 3 registered an increase of € 599,678 thousand to € 7,741,973 thousand. This was due to an increase in repo transactions in France, Germany, Spain and Italy. The increase in rating grade 4 of € 565,813 thousand to € 1,912,565 thousand resulted from repo transactions in Great Britain and from the rating improvement of a French customer.

The following table provides a breakdown of the credit exposure by country of risk grouped into regions:

| in € thousand | 2019 | Share | 2018 | Share |
|---|---|---|---|---|
| Western Europe | 11,046,661 | 50.3% | 8,235,134 | 42.9% |
| Austria | 4,360,135 | 19.8% | 4,624,378 | 24.1% |
| Eastern Europe | 2,011,739 | 9.2% | 2,302,814 | 12.0% |
| Central Europe | 1,423,333 | 6.5% | 1,115,708 | 5.8% |
| Asia | 1,067,185 | 4.9% | 755,204 | 3.9% |
| Southeastern Europe | 197,551 | 0.9% | 117,571 | 0.6% |
| Other | 1,871,369 | 8.5% | 2,056,442 | 10.7% |
| **Total** | **21,977,973** | **100.0%** | **19,207,251** | **100.0%** |

The increase in repo transactions was responsible for the rise of € 2,811,527 thousand to € 11,046,661 thousand in Western Europe.

The table below shows the credit exposure to banks (excluding central banks) by products:

| in € thousand | 2019 | Share | 2018 | Share |
|---|---|---|---|---|
| Repo | 7,353,045 | 33.5% | 3,645,159 | 19.0% |
| Loans and advances | 5,104,112 | 23.2% | 4,922,923 | 25.6% |
| Bonds | 3,496,816 | 15.9% | 3,829,310 | 19.9% |
| Derivatives | 2,465,890 | 11.2% | 2,415,346 | 12.6% |
| Money market | 2,149,468 | 9.8% | 2,723,479 | 14.2% |
| Other | 1,408,643 | 6.4% | 1,671,035 | 8.7% |
| **Total** | **21,977,973** | **100.0%** | **19,207,251** | **100.0%** |

The increase in repo transactions of € 3,707,886 thousand to € 7,353,045 thousand was attributable to Austria, Germany, Spain, Great Britain and Italy. The decline in money market transactions of € 574,011 thousand to € 2,149,468 thousand was largely attributable to Austria.

### Credit portfolio – Sovereigns

Another asset class is formed by central governments, central banks, and regional municipalities as well as other public sector entities. The table below provides a breakdown of the credit exposure to sovereigns (including central banks) by internal rating:

| in € thousand | | 2019 | Share | 2018 | Share |
|---|---|---|---|---|---|
| A1 | Excellent credit standing | 898,251 | 2.5% | 1,210,429 | 3.3% |
| A2 | Very good credit standing | 13,395,868 | 37.5% | 14,655,790 | 40.1% |
| A3 | Good credit standing | 8,302,314 | 23.2% | 7,954,653 | 21.8% |
| B1 | Sound credit standing | 532,386 | 1.5% | 936,989 | 2.6% |
| B2 | Average credit standing | 7,826,343 | 21.9% | 3,000,719 | 8.2% |
| B3 | Mediocre credit standing | 2,733,288 | 7.6% | 6,630,898 | 18.2% |
| B4 | Weak credit standing | 664,699 | 1.9% | 1,213,982 | 3.3% |
| B5 | Very weak credit standing | 1,391,615 | 3.9% | 360,285 | 1.0% |
| C | Doubtful/high default risk | 2,816 | 0.0% | 541,678 | 1.5% |
| D | Default | 1,922 | 0.0% | 2,236 | 0.0% |
| NR | Not rated | 7,554 | 0.0% | 1,413 | 0.0% |
| **Total** | | **35,757,056** | **100.0%** | **36,509,071** | **100.0%** |

Compared to year-end 2018, the credit exposure to sovereigns declined € 752,015 thousand to € 35,757,056 thousand.

Rating grade A1 registered a decline of € 312,178 thousand to € 898,251 thousand, which was due to lower facility financing in Germany and the decrease in the bond portfolio of the Republic of Germany and the Netherlands. Rating grade A2 registered a decline of € 1,259,922 thousand to € 13,395,868 thousand, which was due to deposits with the Austrian National Bank and the decrease in the bond portfolio of the Republic of Austria and France. There was a decline of € 347,661 thousand to € 8,302,314 thousand in rating grade A3. This was the result of repo transactions in the Czech Republic and rating shifts at individual German customers. The decline was offset by an increase in minimum reserve at the Slovakian National Bank and money market transactions in the Czech Republic as well as by rating improvements of individual Polish customers in rating grade B1. Improvements in the ratings of these Polish customers were responsible for the decline in rating grade B1 of € 404,603 thousand to € 532,386 thousand. Rating improvements of Russia, Bulgaria and Croatia resulted in shifts of € 4,826,449 thousand from rating grade B3 to rating grade B2. The decrease of € 549,283 thousand in rating grade B4 to € 664,699 thousand resulted from the improvement in Serbia's rating to rating grade B3. Rating grade B5 registered an increase of € 1,031,330 thousand to € 1,391,615 thousand, which was due to the improvement in the ratings of Belarus and Ukraine from rating grade C and an increase in the minimum reserve at the Central Bank of Bosnia and Herzegovina as well as new money market transactions in Belarus. The rating improvement of Belarus and Ukraine was responsible for the decline in rating grade C of € 538,862 thousand to € 2,816 thousand.

The table below shows the credit exposure to sovereigns (including central banks) by products:

| in € thousand | 2019 | Share | 2018 | Share |
|---|---|---|---|---|
| Loans and advances | 16,088,779 | 45.0% | 16,445,411 | 45.0% |
| Bonds | 14,349,614 | 40.1% | 14,874,640 | 40.7% |
| Repo | 3,627,600 | 10.1% | 3,905,064 | 10.7% |
| Money market | 1,513,257 | 4.2% | 1,158,254 | 3.2% |
| Derivatives | 57,176 | 0.2% | 34,549 | 0.1% |
| Other | 120,631 | 0.3% | 91,154 | 0.2% |
| **Total** | **35,757,056** | **100.0%** | **36,509,071** | **100.0%** |

The € 356,632 thousand decrease in loans and advances to € 16,088,779 thousand was mainly driven by Austria, Hungary and Romania. The decline was offset by an increase in Russia (partly due to the appreciation of the Russian ruble). The decline of € 525,026 thousand in the bond product group to € 14,349,614 thousand resulted from France, Austria and Germany. The decrease was offset by an increase in Romania and Russia (partly due to an appreciation of the Russian ruble). The decline in the repo products group of € 277,464 thousand to € 3,627,600 thousand was attributable to the Czech Republic. The decrease in the credit exposure to the sovereign sector was compensated for by the increase in money market business in Belarus, the Czech Republic, Hungary and Ukraine (partly due to an appreciation of the Ukrainian hryvna).

The table below shows non-investment grade credit exposure to sovereigns (rating B3 and below):

| in € thousand | 2019 | Share | 2018 | Share |
|---|---|---|---|---|
| Hungary | 1,856,721 | 38.7% | 2,000,754 | 22.9% |
| Ukraine | 696,196 | 14.5% | 400,527 | 4.6% |
| Serbia | 673,397 | 14.0% | 535,268 | 6.1% |
| Albania | 637,592 | 13.3% | 663,514 | 7.6% |
| Bosnia and Herzegovina | 396,045 | 8.2% | 330,283 | 3.8% |
| Belarus | 244,553 | 5.1% | 131,989 | 1.5% |
| Romania | 213,366 | 4.4% | 111,570 | 1.3% |
| Other | 84,023 | 1.7% | 95,552 | 1.1% |
| **Total (current rating)** | **4,801,893** | **100.0%** | **4,269,457** | **48.8%** |
| Released due to rating improvements | 0 | 0.0% | 4,481,034 | 51.2% |
| **Total** | **4,801,893** | **100.0%** | **8,750,492** | **100.0%** |

Improvements in the ratings of Russia, Bulgaria and Croatia led to a reclassification from rating grade B3 to rating grade B2. This led to a significant reduction in non-investment grade credit exposure.

The non-investment grade credit exposure to sovereigns mainly comprised deposits of Group units at central banks in Central, Eastern, and Southeastern Europe. The deposits serve to fulfil the respective minimum reserve requirements and act as a vehicle for short-term investment of excess liquidity and are therefore inextricably linked with business activity in these countries.

### Non-performing exposures (NPE)

In 2016, the European Banking Authority published guidelines on the definition of default (EBA/GL/2016/07), which contain a long list of clarifications of and amendments to default indicators, materiality limits and related topics such as criteria on the status of overdue assets, indicators of insolvency, criteria for recovery and restructuring. The new default definition leads to material changes in the IRB approach, forcing banks to adapt their models. These adjustments must be approved by the competent supervisory authorities before implementation (Delegated Regulation EU 529/2014).

RBI implemented the new guidelines in its risk management in 2019. The effects on the total non-performing exposure were insignificant.

The following table shows non-performing exposures pursuant to the applicable definition contained in the Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures) issued by the EBA. It includes the defaulted exposures.

| | NPE | | NPE ratio | | NPE coverage ratio | |
|---|---|---|---|---|---|---|
| **in € thousand** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| General governments | 2,246 | 2,291 | 0.2% | 0.2% | 98.8% | 98.8% |
| Banks | 4,285 | 8,445 | 0.0% | 0.1% | 100.0% | 100.0% |
| Other financial corporations | 55,844 | 80,846 | 0.5% | 0.9% | 58.7% | 80.9% |
| Non-financial corporations | 1,734,409 | 2,079,678 | 3.9% | 5.0% | 57.4% | 55.0% |
| Households | 1,141,255 | 1,228,301 | 3.2% | 3.8% | 66.8% | 62.5% |
| **Loans and advances** | **2,938,040** | **3,399,562** | **2.4%** | **3.0%** | **61.2%** | **58.4%** |
| **Bonds** | **11,344** | **9,004** | **0.1%** | **0.1%** | **–** | **–** |
| **Total** | **2,949,384** | **3,408,566** | **2.1%** | **2.6%** | **61.0%** | **58.3%** |

The following tables show the development of non-performing exposure in the defined asset classes (excluding items off the statement of financial position):

| in € thousand | As at 1/1/2019 | Change in consolidated group | Exchange rate | Additions | Disposals | As at 31/12/2019 |
|---|---|---|---|---|---|---|
| General governments | 2,291 | 0 | 2 | 0 | (47) | 2,246 |
| Banks | 8,445 | 0 | 75 | 268 | (4,503) | 4,285 |
| Other financial corporations | 80,846 | 0 | (768) | 33,281 | (57,515) | 55,844 |
| Non-financial corporations | 2,079,678 | 0 | 30,003 | 588,227 | (963,498) | 1,734,409 |
| Households | 1,228,301 | 0 | 32,806 | 558,883 | (678,736) | 1,141,255 |
| **Loans and advances (NPL)** | **3,399,562** | **0** | **62,118** | **1,180,660** | **(1,704,300)** | **2,938,040** |
| **Bonds** | **9,004** | **0** | **0** | **11,334** | **(8,994)** | **11,344** |
| **Total (NPE)** | **3,408,566** | **0** | **62,118** | **1,191,993** | **(1,713,294)** | **2,949,384** |

| in € thousand | As at 1/1/2018 | Change in consolidated group | Exchange rate | Additions | Disposals | As at 31/12/2018 |
|---|---|---|---|---|---|---|
| General governments | 266 | 0 | 328 | 1,970 | (272) | 2,291 |
| Banks | 10,030 | 0 | 230 | 29 | (1,845) | 8,445 |
| Other financial corporations | 40,245 | (8,595) | (739) | 61,718 | (11,783) | 80,846 |
| Non-financial corporations[1] | 3,308,995 | (246,994) | 8,638 | 442,387 | (1,433,348) | 2,079,678 |
| Households[1] | 1,560,737 | (134,055) | (24,832) | 252,922 | (426,470) | 1,228,301 |
| **Loans and advances (NPL)** | **4,920,272** | **(389,644)** | **(16,374)** | **759,025** | **(1,873,717)** | **3,399,562** |
| **Bonds** | **13,150** | **0** | **0** | **52** | **(4,198)** | **9,004** |
| **Total (NPE)** | **4,933,423** | **(389,644)** | **(16,374)** | **759,077** | **(1,877,915)** | **3,408,566** |

1 Previous year's figures adjusted due to reclassification of small and medium-sized entities to non-financial corporations

The volume of the non-performing exposure decreased € 459,183 thousand. A decline of € 521,301 thousand was mainly due to the sale of non-performing loans and the derecognition of loans that were no longer economically recoverable totaling € 269,657 thousand for RBI AG, € 208,384 thousand for Southeastern Europe, € 207,535 thousand for Central Europe and € 138,421 thousand for Eastern Europe. On the other hand, currency movements were responsible for an increase of € 62,118 thousand (mainly Ukrainian hryvnia and Russian ruble). The NPE ratio in relation to the total exposure fell 0.5 percentage points to 2.1 per cent, while the coverage ratio increased 2.7 percentage points to 61.0 per cent.

Non-financial corporations registered a decline of € 345,269 thousand compared to the beginning of the year to € 1,734,409 thousand. In the Group Corporates & Markets segment, the decrease was mainly due to disposals totaling € 106,216 thousand and write-offs of € 172,692 thousand, in Central Europe to disposals totaling € 84,354 thousand and write-offs of € 28,684 thousand, in Southeastern Europe to write-offs of € 61,309 thousand and in Eastern Europe mainly to write-offs of € 34,137 thousand. The share of non-performing exposure declined 1.1 percentage points to 3.9 per cent, while the coverage ratio increased 2.4 percentage points to 57.4 per cent. In the households portfolio, non-performing exposure fell € 87,046 thousand to € 1,141,255 thousand, mainly in Southeastern Europe due to write-offs totaling € 98,791 thousand and sales of € 40,718 thousand, in Central Europe due to write-offs totaling € 60,401 thousand and sales of € 34,097 thousand, and in Eastern Europe due to sales totaling € 48,399 thousand and write-offs of € 42,996 thousand. The share of non-performing exposure to credit exposure fell 0.6 percentage points to 3.2 per cent, and the coverage ratio increased 4.4 percentage points to 66.8 per cent. Non-performing exposure to other financial corporations fell € 25,002 thousand to € 55,844 thousand. The coverage ratio fell 22.2 percentage points to 58.7 per cent.

The following table shows the share of non-performing exposure (NPE) by segments (excluding items off the statement of financial position):

| in € thousand | NPE 2019 | NPE 2018 | NPE ratio 2019 | NPE ratio 2018 | NPE coverage ratio 2019 | NPE coverage ratio 2018 |
|---|---|---|---|---|---|---|
| Central Europe | 988,929 | 1,131,016 | 2.4% | 2.8% | 58.6% | 56.0% |
| Southeastern Europe | 746,819 | 848,759 | 3.0% | 3.6% | 69.9% | 63.5% |
| Eastern Europe | 438,179 | 491,936 | 2.0% | 2.9% | 60.0% | 61.8% |
| Group Corporates & Markets | 770,935 | 898,810 | 1.7% | 2.4% | 55.9% | 54.1% |
| Corporate Center | 4,521 | 38,045 | 0.0% | 0.2% | 47.0% | 62.3% |
| **Total** | **2,949,384** | **3,408,566** | **2.1%** | **2.6%** | **61.0%** | **58.3%** |

In Central Europe, the non-performing exposure declined € 142,087 thousand to € 988,929 thousand, primarily due to sales and write-offs of € 40,572 thousand in the households portfolio and € 39,942 thousand in the non-financial corporations portfolio in Hungary as well as due to sales and write-offs of € 34,707 thousand in the households portfolio and € 35,565 thousand in the non-financial corporations portfolio in the Czech Republic. The NPE ratio decreased 0.5 percentage points to 2.4 per cent, and the coverage ratio increased 2.6 percentage points to 58.6 per cent.

In Southeastern Europe, non-performing exposure decreased € 101,940 thousand to € 746,819 thousand compared to the start of the year, mainly driven by sales and write-offs of € 94,107 thousand in Romania and € 24,527 thousand in Croatia. The NPE ratio fell 0.6 percentage points to 3.0 per cent, and the coverage ratio increased 6.4 percentage point to 69.9 per cent.

The Eastern Europe segment registered a decrease in non-performing exposure of € 53,717 thousand to € 438,179 thousand attributable to Ukraine, which recorded an overall decline of € 43,383 thousand due to write-offs and sales in the households portfolio amounting to € 50,722 thousand, while the appreciation of the Ukrainian hryvnia had a strong countervailing effect. In Russia, non-performing exposure remained unchanged compared to the beginning of the year. This was positively influenced by write-offs and sales in the households portfolio amounting to € 39,660 thousand and in the non-financial corporations portfolio amounting to € 24,069 thousand. The appreciation of the Russian ruble had a countervailing effect. The share of non-performing exposure to credit exposure in Eastern Europe fell 0.9 percentage points to 2.0 per cent, and the coverage ratio also declined 1.8 percentage points to 60.0 per cent.

Non-performing exposure in the Group Corporates & Markets segment fell € 127,875 thousand to € 770,935 thousand at year's end. In the reporting period, the non-performing exposure at RBI AG fell € 147,283 thousand, mainly due to sales and write-offs, while at Raiffeisen Leasing Group it fell € 16,199 thousand. The NPE ratio declined 0.7 percentage points to 1.7 per cent, and the NPE coverage ratio stood at 55.9 per cent, 1.8 percentage points above the figure at the start of the year.

Starting with the first quarter of 2019, the following table shows the non-performing exposure with restructuring measures. The previous year's values which included the forborne exposures have therefore been adjusted.

| in € thousand | Refinancing 2019 | Refinancing 2018 | Instruments with modified time and modified conditions 2019 | Instruments with modified time and modified conditions 2018 | Total 2019 | Total 2018 |
|---|---|---|---|---|---|---|
| General governments | 0 | 0 | 0 | 0 | 0 | 0 |
| Banks | 0 | 0 | 0 | 0 | 0 | 0 |
| Other financial corporations | 7,040 | 12,716 | 28,184 | 34,527 | 35,224 | 47,242 |
| Non-financial corporations | 34,602 | 83,247 | 864,369 | 1,148,823 | 898,971 | 1,232,070 |
| Households | 16,488 | 40,531 | 2,989 | 1,246 | 19,477 | 41,777 |
| **Total** | **58,130** | **136,494** | **895,542** | **1,184,596** | **953,672** | **1,321,090** |

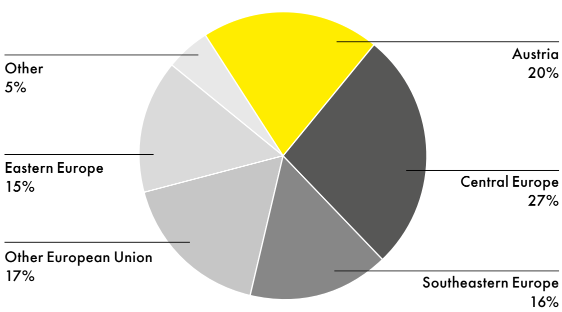
The portfolio with accompanying restructuring measures reduced further in 2019, notably due to the continuing recovery of the relevant customers.

The following table shows the breakdown of the non-performing exposure with restructuring measures by segments:

| in € thousand | 2019 | Share | 2018 | Share |
|---|---|---|---|---|
| Central Europe | 162,252 | 17% | 227,208 | 17.2% |
| Southeastern Europe | 173,796 | 18% | 245,204 | 18.6% |
| Eastern Europe | 184,609 | 19% | 233,048 | 17.6% |
| Group Corporates & Markets | 433,016 | 45% | 615,629 | 46.6% |
| **Total** | **953,672** | **100%** | **1,321,090** | **100.0%** |

## Country risk

### Credit exposure by risk country taking into consideration the guarantor




Country risk includes transfer and convertibility risk as well as political risk. It arises from cross-border transactions and direct investments in foreign countries. The Group is exposed to country risk due to its business activities in the Central and Eastern European markets, where political and economic risks continue to be seen as relatively significant in some cases.
Active country risk management in the Group is based on the country risk policy set by the Management Board. This policy is part of the credit portfolio limit system and sets a strict limitation on cross-border risk exposure to individual countries in order to avoid risk concentrations. The Group's business units must therefore submit limit applications for the respective countries with regard to all cross-border transactions as part of their day-to-day operations, in addition to complying with customer-specific limits. The absolute limits for individual countries are set using a model that takes the internal rating for the sovereign, the size of the country, and the Group's own capitalization into account.

Country risk also is reflected in product pricing and in risk-adjusted performance measurement via the internal funds transfer pricing system. In this manner, the Group provides the business units with incentive to mitigate country risk by taking out insurance (e.g. from export credit insurance organizations) or seeking guarantors in third countries. The insights gained from the country risk analysis are not only used for limiting the total cross-border exposure, but also for limiting the total credit exposure in each individual country (i.e. including the exposure funded by local deposits). The Group thus gears its business activities to the expected macroeconomic trend within different markets, which promotes broad diversification of its credit portfolio.

## Concentration risk

The credit portfolio of the Group is well diversified in terms of geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by way of limits and regular reporting. As a result, portfolio granularity is high.

The regional breakdown of the exposures reflects the broad diversification of credit business in the Group's markets.

The following table shows the distribution of credit exposures across all asset classes by the country of risk, grouped by regions:

| in € thousand | 2019 | Share | 2018 | Share |
|---|---|---|---|---|
| **Central Europe** | **50,670,481** | **26.8%** | **48,378,615** | **27.8%** |
| Czech Republic | 21,539,253 | 11.4% | 20,600,117 | 11.8% |
| Slovakia | 16,672,111 | 8.8% | 15,721,267 | 9.0% |
| Hungary | 7,337,718 | 3.9% | 6,902,728 | 4.0% |
| Poland | 4,728,409 | 2.5% | 4,805,907 | 2.8% |
| Other | 392,990 | 0.2% | 348,597 | 0.2% |
| **Austria** | **38,380,850** | **20.3%** | **39,683,466** | **22.8%** |
| **Other European Union** | **32,836,745** | **17.4%** | **26,804,475** | **15.4%** |
| Germany | 10,453,915 | 5.5% | 9,073,012 | 5.2% |
| Great Britain | 8,191,834 | 4.3% | 5,460,373 | 3.1% |
| France | 4,191,227 | 2.2% | 3,946,866 | 2.3% |
| Luxembourg | 2,338,718 | 1.2% | 1,701,036 | 1.0% |
| Spain | 1,989,651 | 1.1% | 1,137,330 | 0.7% |
| Netherlands | 1,308,485 | 0.7% | 1,319,394 | 0.8% |
| Italy | 1,304,720 | 0.7% | 838,299 | 0.5% |
| Other | 3,058,196 | 1.6% | 3,328,165 | 1.9% |
| **Southeastern Europe** | **30,496,962** | **16.1%** | **28,434,979** | **16.3%** |
| Romania | 11,580,775 | 6.1% | 11,273,278 | 6.5% |
| Croatia | 5,416,544 | 2.9% | 5,008,474 | 2.9% |
| Bulgaria | 5,246,703 | 2.8% | 4,614,490 | 2.6% |
| Serbia | 3,503,442 | 1.9% | 3,015,812 | 1.7% |
| Bosnia and Herzegovina | 2,262,489 | 1.2% | 2,190,851 | 1.3% |
| Albania | 1,599,514 | 0.8% | 1,532,195 | 0.9% |
| Other | 887,494 | 0.5% | 799,879 | 0.5% |
| **Eastern Europe** | **27,455,469** | **14.5%** | **22,679,320** | **13.0%** |
| Russia | 21,424,904 | 11.3% | 17,803,000 | 10.2% |
| Ukraine | 3,611,935 | 1.9% | 2,815,563 | 1.6% |
| Belarus | 2,183,849 | 1.2% | 1,870,941 | 1.1% |
| Other | 234,780 | 0.1% | 189,817 | 0.1% |
| **North America** | **2,740,116** | **1.4%** | **2,381,627** | **1.4%** |
| **Switzerland** | **2,690,997** | **1.4%** | **2,426,563** | **1.4%** |
| **Asia** | **2,268,831** | **1.2%** | **2,011,437** | **1.2%** |
| **Rest of World** | **1,543,399** | **0.8%** | **1,498,039** | **0.9%** |
| **Total** | **189,083,851** | **100.0%** | **174,298,522** | **100.0%** |

Credit exposure across all asset classes increased € 14,785,329 thousand compared to year-end 2018 to € 189,083,851 thousand.

In Central Europe the increase of € 2,291,866 thousand to € 50,670,481 thousand was mainly attributable to the Czech Republic and Slovakia. In the Czech Republic, retail business, the Czech Republic bond portfolio, money market transactions and credit financing increased. The increase was offset by a decline in repo transactions. In Slovakia, there was an increase in the minimum reserve at the Slovakian National Bank, as well as guarantees issued and overdrafts. Austria registered a decline of € 1,302,616 thousand to € 38,380,850 thousand. This was due to a reduction of the Republic of Austria's bond portfolio, deposits with the Austrian National Bank and repo transactions. On the other hand, facility financing in Austria increased. The largest increase of € 6,032,270 thousand to € 32,836,745 thousand in the rest of the European Union was due to facility financing in Germany and Spain, credit financing in Luxembourg, Great Britain and Germany, repo transactions in Germany, Spain and Great Britain and swap transactions in Great Britain. Rising mortgage loans, personal loans and facility financing in Bulgaria and Croatia and SME financing in Bulgaria were responsible for the increase of € 2,061,983 thousand in Southeastern Europe to € 30,496,962 thousand. There was also an increase in facility and credit financing and in the bond portfolio in Serbia. The increase of € 4,776,149 thousand to € 27,455,469 thousand in Eastern Europe was the result of the appreciation of the Russian ruble and the Ukrainian hryvnia. Credit financing, guarantees issued and retail business also increased in Russia.

The following table shows credit exposure across all asset classes by currencies:

| in € thousand | 2019 | Share | 2018 | Share |
|---|---|---|---|---|
| Euro (EUR) | 100,663,196 | 53.2% | 95,469,635 | 54.8% |
| Czech koruna (CZK) | 19,376,440 | 10.2% | 18,656,882 | 10.7% |
| US dollar (USD) | 18,007,980 | 9.5% | 16,423,359 | 9.4% |
| Russian ruble (RUB) | 17,260,651 | 9.1% | 12,968,889 | 7.4% |
| Romanian leu (RON) | 7,509,135 | 4.0% | 7,107,641 | 4.1% |
| Hungarian forint (HUF) | 5,804,898 | 3.1% | 5,526,425 | 3.2% |
| Bulgarian lev (BGN) | 3,255,723 | 1.7% | 2,907,371 | 1.7% |
| Croatian kuna (HRK) | 3,086,246 | 1.6% | 2,748,346 | 1.6% |
| Swiss franc (CHF) | 2,916,710 | 1.5% | 3,003,628 | 1.7% |
| Ukrainian hryvnia (UAH) | 2,805,649 | 1.5% | 2,108,940 | 1.2% |
| Bosnian marka (BAM) | 2,250,781 | 1.2% | 2,164,640 | 1.2% |
| Serbian dinar (RSD) | 1,549,441 | 0.8% | 1,357,867 | 0.8% |
| Belarusian ruble (BYN) | 1,178,594 | 0.6% | 854,404 | 0.5% |
| Albanian lek (ALL) | 1,120,510 | 0.6% | 1,076,358 | 0.6% |
| Other foreign currencies | 2,297,897 | 1.2% | 1,924,137 | 1.1% |
| **Total** | **189,083,851** | **100.0%** | **174,298,522** | **100.0%** |

The € 5,193,561 thousand increase in euro exposure to € 100,663,196 thousand was mainly driven by credit and facility financing and repo transactions. However, this was partly offset by a decline in deposits with the Austrian National Bank. The US dollar registered an increase of € 1,584,621 thousand to € 18,007,980 thousand due to repo transactions. With regard to Russian ruble exposure, credit financing and an increase in the retail business resulted in growth of € 4,291,762 thousand to € 17,260,651 thousand. In addition, the Russian ruble appreciated. The increase of € 696,709 thousand in the exposure to the Ukrainian hryvnia to € 2,805,649 thousand was the result of currency appreciation.

The following table shows the Group's credit exposure based on original customer's industry classification:

| in € thousand | 2019 | Share | 2018[1] | Share |
|---|---|---|---|---|
| Banking and insurance | 50,884,049 | 26.9% | 45,942,430 | 26.4% |
| Private households | 39,134,241 | 20.7% | 35,298,314 | 20.3% |
| Public administration and defense and social insurance institutions | 13,770,783 | 7.3% | 14,293,144 | 8.2% |
| Wholesale trade and commission trade (except car trading) | 14,805,845 | 7.8% | 13,723,051 | 7.9% |
| Other manufacturing | 16,565,229 | 8.8% | 15,713,664 | 9.0% |
| Real estate activities | 10,183,209 | 5.4% | 10,133,573 | 5.8% |
| Construction | 6,169,058 | 3.3% | 5,698,063 | 3.3% |
| Other business activities | 2,312,703 | 1.2% | 2,178,201 | 1.2% |
| Retail trade except repair of motor vehicles | 5,099,390 | 2.7% | 4,750,188 | 2.7% |
| Electricity, gas, steam and hot water supply | 3,684,371 | 1.9% | 3,621,589 | 2.1% |
| Manufacture of basic metals | 2,787,686 | 1.5% | 2,599,414 | 1.5% |
| Other transport | 1,763,726 | 0.9% | 1,870,426 | 1.1% |
| Land transport, transport via pipelines | 2,233,266 | 1.2% | 2,206,891 | 1.3% |
| Manufacture of food products and beverages | 2,450,904 | 1.3% | 2,273,105 | 1.3% |
| Manufacture of machinery and equipment | 1,864,231 | 1.0% | 1,788,708 | 1.0% |
| Sale of motor vehicles | 1,300,809 | 0.7% | 1,072,058 | 0.6% |
| Extraction of crude petroleum and natural gas | 1,103,217 | 0.6% | 493,571 | 0.3% |
| Other industries | 12,971,134 | 6.9% | 10,642,132 | 6.1% |
| **Total** | **189,083,851** | **100%** | **174,298,522** | **100%** |

1 The previous year's figures were adjusted due to an optimized allocation of individual areas of activity at large companies and conglomerates.

The increase in the credit exposure was essentially fueled by an increase of € 4,941,619 thousand in banking and insurance to € 50,884,049 thousand, which was mainly attributable to increased repo transactions in Austria, and by an increase of € 3,835,927 thousand to € 39,134,241 thousand in the private households portfolio, primarily in Russia and Slovakia.

### Structured credit portfolio

The Group invests in structured products. The total exposure to structured products showed a nominal amount of € 348,946 thousand (2018: € 594,999 thousand) and a carrying amount of € 348,944 thousand (2018: € 580,996 thousand). These are mainly investments in asset-backed securities (ABS), asset-based financing (ABF), and in some cases collateralized debt obligations (CDO). A total of 42.12 per cent of the portfolio (2018: 53.4 per cent) contains loans and advances to European customers, and 31.61 per cent of the portfolio (2018: 13.7 per cent) has been rated A or better by external rating agencies. The year-on-year increase is attributable to current transactions, which include interim repayments and new acquisitions.

### Counterparty credit risk

The default of a counterparty in a derivative, repurchase, securities lending, or borrowing transaction can lead to losses from re-establishing an equivalent contract. In the Group this risk is measured by the mark-to-market approach where a predefined add-on is added to the current positive fair value of the contract in order to account for potential future changes. For internal management purposes potential price changes, which affect the fair value of an instrument, are calculated specifically for different contract types based on historical market price changes.

For derivative contracts the standard limit approval process applies, where the same risk classification, limitation, and monitoring process is used as for traditional lending. In doing so, the weighted nominal exposure of derivative contracts is added to the customers' total exposure in the limit application and monitoring process as well as in the calculation and allocation of internal capital.

An important strategy for reducing counterparty credit risk is utilization of credit risk mitigation techniques such as netting agreements and collateralization. In general, the Group strives to establish standardized ISDA master agreements with all major counterparties for derivative transactions in order to be able to perform close-out netting and credit support annexes (CSA) for full risk coverage for positive fair values on a daily basis.

## (52) Market risk

The Group defines market risk as the risk of possible losses arising from changes in market prices of trading and investment positions. Market risk estimates are based on changes in exchange rates, interest rates, credit spreads, equity and commodity prices, and other market parameters (e.g. implied volatilities).

Market risks from the customer divisions are transferred to the Treasury division using the transfer price method. Treasury is responsible for managing structural market risks and for complying with the Group's overall limit. The Capital Markets division is responsible for proprietary trading, market making, and customer business in money market and capital market products.

### Organization of market risk management

All market risks are measured, monitored, and managed on Group level. The Market Risk Committee is responsible for strategic market risk management issues. It is responsible for managing and controlling all market risks in the Group. The Group's overall limit is set by the Management Board on the basis of the risk-taking capacity and income budget. This limit is apportioned to sub-limits in coordination with business divisions according to the strategy, business model and risk appetite.

The Market Risk Management department ensures that the business volume and product range comply with the defined strategy of the Group. It is responsible for implementing and enhancing risk management processes, risk management infrastructure and systems, manuals, and measurement techniques for all market risk categories and credit risk arising from market price changes in derivative transactions. Furthermore, Market Risk Management independently measures and reports all market risks on a daily basis.

All products in which open positions can be held are listed in the product catalog. New products are added to this list only after successfully completing the product approval process. Product applications are investigated thoroughly for any risks. They are approved only if the new products can be implemented in the bank's front- and back-office and risk management systems.

## Limit system

The Group uses a comprehensive risk management approach for both the trading and the banking book (total-return approach). Market risk is therefore managed consistently in all trading and banking books. The following indicators are measured and limited on a daily basis in the market risk management system:

- Value-at-Risk (VaR) – confidence level 99 per cent, risk horizon one day
  Value-at-Risk is the main market risk steering instrument in liquid markets and normal market situations. VaR is measured based on a hybrid simulation approach in which 5,000 scenarios are calculated for the regulatory trading book and 1,000 scenarios for the banking book. The approach combines the advantages of a historical simulation and a Monte Carlo simulation and derives market parameters from 500 days of historical data. Distribution assumptions include modern features such as volatility declustering and random time changes, which helps in accurately reproducing fat-tailed and asymmetric distributions. The Austrian Financial Market Authority has approved the VaR model for use in calculating the total capital requirement for market risk. Value-at-risk results are not only used for limiting risk but also in the allocation of economic capital, for which longer time series of seven years are used for interest rate risk.
- Sensitivities (to changes in exchange rates and interest rates, gamma, vega, equity and commodity prices)
  Sensitivity limits are to ensure that concentrations are avoided in normal market situations and are the main steering instrument under extreme market situations and in illiquid markets or in markets that are structurally difficult to measure.
- Stop loss
  Stop loss limits serve to strengthen the discipline of traders such that they do not allow losses to accumulate on their own proprietary positions but strictly limit them instead.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio. The results on market risk concentrations shown by these stress tests are reported to the Market Risk Committee and taken into account when setting limits. Stress test reports for individual portfolios are included in daily market risk reporting.

## Value-at-Risk (VaR)

The following tables show the VaR (99 per cent, 1 day) for the individual market risk categories in the trading book and the banking book. The Group's VaR mainly results from structural equity positions, structural interest rate risk, and credit spread risks of bonds, which are held as liquidity buffer.

| Trading book VaR 99% 1d<br>in € thousand | VaR as at<br>31/12/2019 | Average VaR | Minimum VaR | Maximum VaR | VaR as at<br>31/12/2018 |
|---|---|---|---|---|---|
| Currency risk | 2,363 | 1,102 | 249 | 11,913 | 473 |
| Interest rate risk | 1,746 | 1,539 | 841 | 3,134 | 2,358 |
| Credit spread risk | 693 | 788 | 472 | 1,286 | 818 |
| Share price risk | 418 | 467 | 394 | 561 | 561 |
| Vega risk | 219 | 169 | 68 | 346 | 86 |
| Basis risk | 553 | 817 | 415 | 1,247 | 1,130 |
| Total | 3,616 | 2,778 | 1,805 | 12,010 | 3,141 |

| Banking book VaR 99% 1d<br>in € thousand | VaR as at<br>31/12/2019 | Average VaR | Minimum VaR | Maximum VaR | VaR as at<br>31/12/2018 |
|---|---|---|---|---|---|
| Currency risk | 10,426 | 10,139 | 6,924 | 15,409 | 10,253 |
| Interest rate risk | 18,639 | 13,684 | 6,150 | 27,761 | 9,771 |
| Credit spread risk | 21,496 | 16,203 | 10,866 | 23,324 | 18,862 |
| Vega risk | 155 | 1,528 | 155 | 6,824 | 501 |
| Basis risk | 3,140 | 3,963 | 2,536 | 6,002 | 4,026 |
| Total | 30,849 | 26,184 | 19,356 | 37,300 | 27,385 |

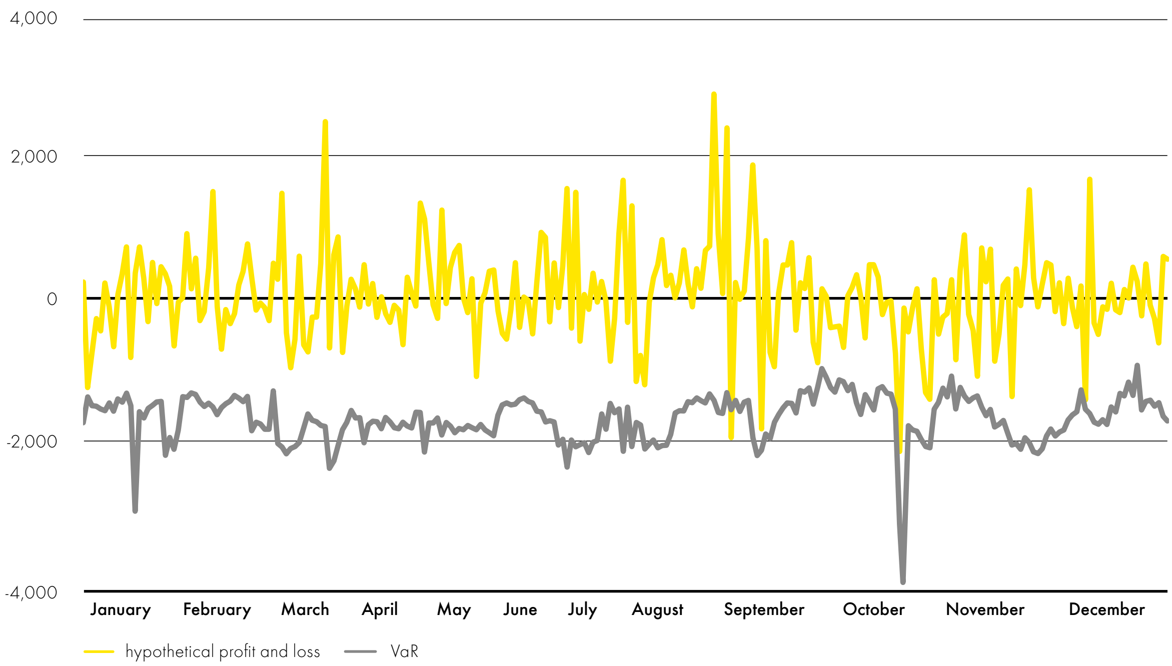
| Total VaR 99% 1d in € thousand | VaR as at 31/12/2019 | Average VaR | Minimum VaR | Maximum VaR | VaR as at 31/12/2018 |
|---|---|---|---|---|---|
| Currency risk | 8,868 | 9,618 | 5,694 | 15,258 | 9,955 |
| Interest rate risk | 19,716 | 14,600 | 6,909 | 28,377 | 11,197 |
| Credit spread risk | 22,099 | 16,651 | 11,085 | 23,632 | 19,636 |
| Share price risk | 418 | 467 | 394 | 561 | 561 |
| Vega risk | 343 | 1,609 | 342 | 6,915 | 484 |
| Basis risk | 3,264 | 4,061 | 2,607 | 5,892 | 4,701 |
| Total | 31,447 | 27,306 | 19,855 | 39,135 | 28,066 |

The risk measurement approaches employed are verified – besides analyzing returns qualitatively – on an ongoing basis through backtesting and statistical validation techniques. If model weaknesses are identified, then they are adapted accordingly.

In the 2019 reporting year, there was one hypothetical backtesting exceeding. The following graph compares the VaR to the theoretical gains and losses on a daily basis. The VaR represents the maximum loss which will not be exceeded within one day, with a confidence level of 99 per cent. It is compared to the respective theoretical gain or loss which would arise on the following day due to the actual market conditions at the time.

### Value-at-Risk and theoretical market price changes of trading book

in € thousand




In March there was a strong positive change in hypothetical profit and loss against a stable VaR. This was due to daily market fluctuations in long-term euro interest rates of up to minus 9 basis points. As in August, this affected a portfolio of equity instruments, which also explained the hypothetical profit when interest rates fell. This portfolio was reduced towards the end of March, which was reflected in the volatility of the hypothetical profit and loss and a reduced VaR.

The main reason for the fluctuation in hypothetical profit and loss in August was the volatility of euro interest rates. In addition, a hypothetical backtesting exceeding was measured and reported to the regulator at the beginning of August. The background was strong daily market value fluctuations in long-term euro interest rates. A portfolio of equity instruments, measured in the internal model as perpetuals with maturity in 2099, was the main driver.

Strategic hedge positions at head office led to a change in VaR and hypothetical profit and loss due to a forthcoming decision by the European Court of Justice regarding Swiss franc loans in Poland. These positions were closed within a few days.

### Exchange rate risk and capital (ratio) hedge

Market risk in the Group results primarily from exchange rate risk, which stems from foreign-currency denominated equity investments in foreign Group units and the corresponding hedging positions entered into by the Group Asset/Liability Committee. In a narrow sense, exchange rate risk denotes the risk of losses being incurred due to open foreign exchange positions. However, exchange rate fluctuations also influence current revenues and expenses. They also affect regulatory capital requirements for assets denominated in foreign currencies, even if they are financed in the same currency and thus do not create an open foreign exchange position.

The Group holds material equity participations located outside of the euro area with equity denominated in the corresponding local currency. Also, a significant share of risk-weighted assets in the Group is denominated in foreign currencies. Changes in foreign exchange rates thus lead to changes in the consolidated capital of the Group and to changes in the total capital requirement for credit risk as well.

There are two different approaches for managing exchange rate risk:

- Preserve equity: With this hedging strategy an offsetting position is held on Group level for local currency denominated equity positions. However, the necessary hedging positions cannot be established in all currencies in the required size. Moreover, these hedges might be inefficient for some currencies if they carry a high interest rate differential.
- Stable capital ratio: The goal of this hedging strategy is to balance tier 1 capital and risk-weighted assets in all currencies according to the targeted tier 1 ratio (i.e. reduce excess capital or deficits in relation to risk-weighted assets for each currency) such that the tier 1 ratio remains stable even if foreign exchange rates change.

The Group aims at stabilizing its capital ratio when managing exchange rate risks. Changes in foreign exchange rates thus lead to changes in the consolidated equity amount; however, the regulatory capital requirement for credit risks stemming from assets denominated in foreign currencies also changes correspondingly. This risk is managed on a monthly basis in the Group Asset/Liability Committee based on historical foreign exchange volatilities, exchange rate forecasts, and the sensitivity of the tier 1 ratio to changes in individual foreign exchange rates.

The following table shows all material open foreign exchange rate positions as at 31 December 2019 and the corresponding values for the previous year. The numbers include both trading positions as well as capital positions of the subsidiaries with foreign currency denominated statements of financial position.

| in € thousand | 2019 | 2018 |
|---|---:|---:|
| ALL | (11,523) | (678) |
| BAM | 120,238 | 126,219 |
| BGN | 126,284 | 292,436 |
| BYN | 152,934 | 131,593 |
| CNY | (2,658) | (3,163) |
| CHF | (403,298) | (393,625) |
| CZK | 212,336 | 321,596 |
| HRK | 359,413 | 459,458 |
| HUF | 341,122 | 310,421 |
| PLN | 20,000 | (12,436) |
| RON | 368,274 | 384,191 |
| RSD | 354,927 | 289,157 |
| RUB | 441,145 | 393,389 |
| UAH | (131,678) | 23,521 |
| USD | (462,845) | (486,571) |

## Interest rate risk in the trading book

The following tables show the largest present value changes for the trading book of the Group given a one-basis-point interest rate increase for the whole yield curve in € thousand for the reporting dates 31 December 2019 and 31 December 2018.

| 2019<br>in € thousand | Total | < 3 m | > 3 to<br>6 m | > 6 to<br>12 m | > 1 to<br>2 y | > 2 to<br>3 y | > 3 to<br>5 y | > 5 to<br>7 y | > 7 to<br>10 y | > 10 to<br>15 y | > 15 to<br>20 y | > 20 y |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALL | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CHF | (4) | (4) | (2) | (3) | 5 | 0 | 2 | (2) | (1) | 1 | 0 | 0 |
| CNY | 4 | 0 | 0 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CZK | 1 | 8 | (3) | (14) | 12 | 4 | (6) | (1) | 7 | (7) | 0 | 0 |
| EUR | (184) | 9 | (22) | 4 | 3 | (23) | (30) | (25) | 23 | (27) | (23) | (73) |
| HRK | (30) | 1 | (1) | 5 | (7) | (2) | (10) | (1) | (5) | (9) | 0 | 0 |
| HUF | (5) | (4) | 6 | (5) | 2 | (12) | 9 | (3) | 3 | (1) | 0 | 0 |
| NOK | 3 | 0 | 1 | 0 | (1) | 2 | 2 | 0 | 0 | 0 | 0 | 0 |
| PLN | 26 | 2 | 6 | 3 | 0 | (1) | 12 | 0 | 4 | 0 | 0 | 0 |
| RON | (24) | 0 | 1 | 1 | 0 | (6) | 5 | (13) | (5) | (7) | 0 | 0 |
| RUB | (42) | (2) | (5) | (10) | 13 | (11) | (35) | (18) | 23 | 7 | (4) | 0 |
| UAH | (13) | 0 | 0 | 0 | (4) | (3) | (7) | (1) | 0 | 0 | 0 | 0 |
| USD | (59) | (5) | (6) | (8) | (20) | (34) | 39 | 1 | 2 | (29) | 13 | (12) |
| Other | (12) | 1 | 1 | (1) | (3) | (2) | (3) | (4) | (1) | 0 | 0 | 0 |

The presentation of currencies changed year-on-year depending on the absolute amount of interest rate sensitivity.

| 2018<br>in € thousand | Total | < 3 m | > 3 to<br>6 m | > 6 to<br>12 m | > 1 to<br>2 y | > 2 to<br>3 y | > 3 to<br>5 y | > 5 to<br>7 y | > 7 to<br>10 y | > 10 to<br>15 y | > 15 to<br>20 y | > 20 y |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALL | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CHF | (4) | (10) | (1) | 14 | (7) | 3 | (3) | 5 | (6) | 0 | 1 | 0 |
| CNY | 4 | 0 | 0 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CZK | 69 | 25 | (2) | (12) | 42 | (4) | 7 | 3 | 0 | 8 | 0 | 0 |
| EUR | (213) | 9 | (23) | 8 | (48) | (24) | (7) | (48) | 55 | (25) | (22) | (87) |
| HRK | (19) | 0 | 1 | 1 | (11) | (2) | (8) | 0 | 0 | 0 | 0 | 0 |
| HUF | (2) | (6) | (3) | 1 | 2 | (4) | 9 | 3 | (4) | 0 | 0 | 0 |
| NOK | 1 | 0 | 0 | 0 | 0 | (2) | 2 | 0 | 0 | 0 | 0 | 0 |
| PLN | 34 | (5) | 15 | 6 | 10 | (9) | 2 | (1) | 16 | 0 | 0 | 0 |
| RON | (12) | (1) | 1 | (3) | 1 | 4 | (1) | (5) | (1) | (7) | 0 | 0 |
| RUB | (62) | 5 | (6) | (16) | (35) | (14) | 3 | 5 | 3 | (8) | 0 | 0 |
| UAH | (3) | 0 | 0 | 0 | (2) | (1) | 0 | 0 | 0 | 0 | 0 | 0 |
| USD | (13) | (5) | (1) | (31) | 5 | (15) | (2) | 18 | 13 | (10) | 14 | 2 |
| Other | (3) | 0 | 0 | (1) | 0 | 0 | (2) | 0 | 0 | 0 | 0 | 0 |

## Interest rate risk in the banking book

Different maturities and repricing schedules of assets and the corresponding liabilities (i.e. deposits and financing from money markets and capital markets) cause interest rate risk in the Group. This risk arises in particular from different interest rate sensitivities, rate adjustments, and other optionality of expected cash flows. Interest rate risk in the banking book is material for the euro and US dollar as major currencies as well as for local currencies of Group units located in Central and Eastern Europe.

This risk is mainly hedged by a combination of transactions on and off the statement of financial position where in particular interest rate swaps and – to a smaller extent – also interest rate forwards and interest rate options are used. Management of the statement of financial position is a core task of the central Global Treasury division and of individual network banks, which are supported by the Group Asset/Liability Committee. They base their decisions on various interest income analyses and simulations that ensure proper interest rate sensitivity in line with expected changes in market rates and the overall risk appetite.

Interest rate risk in the banking book is not only measured within a value-at-risk framework but also managed by the traditional tools of nominal and interest rate gap analyses. Interest rate risk is subject to quarterly reporting in the context of the interest rate risk statistic submitted to the banking supervisor. This report also shows the change in the present value of the banking book as a percentage of total capital in line with the CRR requirements. Maturity assumptions needed in this analysis are defined as specified by regulatory authorities and based on internal statistics and empirical values.

The following table shows the change in the present value of the Group's banking book given a one-basis-point interest rate increase for the whole yield curve in € thousand for reporting dates 31 December 2019 and 31 December 2018.

| 2019<br>in € thousand | Total | < 3 m | > 3 to<br>6 m | > 6 to<br>12 m | > 1 to<br>2 y | > 2 to<br>3 y | > 3 to<br>5 y | > 5 to<br>7 y | > 7 to<br>10 y | > 10 to<br>15 y | > 15 to<br>20 y | > 20 y |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALL | 18 | (1) | (4) | 1 | (2) | 17 | (3) | 1 | 3 | 3 | 2 | 1 |
| BGN | 72 | (3) | 4 | 30 | 29 | 29 | 1 | (9) | (4) | (2) | 0 | 0 |
| BYN | (4) | 0 | 1 | (5) | (4) | 2 | 5 | (1) | (1) | 0 | 0 | 0 |
| CHF | (238) | (41) | (3) | (1) | 2 | (8) | (23) | (13) | (40) | (51) | (38) | (23) |
| CNY | (3) | 0 | (1) | (1) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CZK | (318) | 10 | (12) | 2 | (84) | (22) | (89) | 42 | 67 | (148) | (79) | (8) |
| EUR | (2,634) | 124 | (52) | (45) | (704) | (468) | (148) | 305 | (544) | (530) | (542) | (29) |
| GBP | (18) | (4) | (5) | 1 | 1 | (2) | (7) | (2) | 0 | 0 | 0 | 0 |
| HRK | (10) | 2 | (4) | (11) | (10) | 7 | 0 | (12) | 14 | 4 | 0 | 0 |
| HUF | (101) | (5) | (8) | 2 | (3) | (35) | (17) | (37) | 11 | (8) | (1) | 0 |
| PLN | (14) | (3) | (1) | (1) | (1) | 0 | (1) | (5) | 0 | 0 | 0 | 0 |
| RON | (193) | (7) | (1) | 22 | 39 | 33 | (128) | (101) | (41) | (8) | (1) | 0 |
| RSD | (45) | (1) | (2) | 5 | (24) | (8) | 4 | (21) | 1 | 1 | 0 | 0 |
| RUB | (519) | 2 | (20) | (49) | (207) | (121) | (43) | 29 | 61 | (94) | (59) | (17) |
| SGD | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| UAH | (79) | 4 | (2) | (9) | (24) | (14) | (22) | (5) | (3) | (2) | 0 | 0 |
| USD | 163 | 35 | (9) | (25) | (7) | 23 | 53 | 14 | 40 | 34 | 5 | 0 |
| Other | (19) | 6 | (3) | (8) | (4) | (2) | (2) | 1 | 0 | (2) | (4) | (2) |

The presentation of currencies changed year-on-year depending on the absolute amount of interest rate sensitivity.

| 2018<br>in € thousand | Total | < 3 m | > 3 to<br>6 m | > 6 to<br>12 m | > 1 to<br>2 y | > 2 to<br>3 y | > 3 to<br>5 y | > 5 to<br>7 y | > 7 to<br>10 y | > 10 to<br>15 y | > 15 to<br>20 y | > 20 y |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALL | (16) | 1 | (5) | (2) | (13) | 1 | (4) | 0 | 2 | 2 | 1 | 1 |
| BGN | 89 | 0 | (3) | 1 | 21 | 34 | 63 | (19) | (5) | (2) | 0 | 0 |
| BYN | (33) | 0 | (2) | (8) | (13) | (5) | (3) | (1) | (1) | 0 | 0 | 0 |
| CHF | (366) | 47 | 0 | 1 | (6) | (5) | (27) | (42) | (88) | (140) | (83) | (23) |
| CNY | (3) | 0 | (1) | (2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CZK | (477) | 1 | (11) | (12) | 25 | (3) | (115) | 69 | 53 | 41 | (381) | (144) |
| EUR | 84 | (56) | (44) | 389 | (331) | 50 | 564 | 271 | 201 | (387) | (480) | (92) |
| GBP | 4 | (3) | 10 | 1 | (1) | 0 | (1) | (1) | 0 | 0 | 0 | 0 |
| HRK | (11) | 3 | (1) | (8) | (2) | 10 | (11) | (2) | (1) | 1 | 0 | 0 |
| HUF | (111) | 6 | (35) | 2 | (13) | (5) | (33) | (26) | (1) | (5) | (1) | 0 |
| PLN | 11 | 5 | 0 | 1 | 2 | 7 | 5 | (5) | (3) | (1) | 0 | 0 |
| RON | (34) | (8) | (5) | 19 | 24 | 27 | (13) | (40) | (28) | (5) | (2) | 0 |
| RSD | (28) | (1) | (1) | 3 | (12) | (2) | (10) | (5) | 0 | 1 | 0 | 0 |
| RUB | (482) | (2) | (15) | (30) | (233) | (99) | (77) | 17 | 52 | (54) | (31) | (9) |
| SGD | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| UAH | (45) | 2 | (3) | (7) | (13) | (6) | (10) | (3) | (3) | (2) | 0 | 0 |
| USD | 54 | 36 | (32) | (20) | (32) | 30 | 66 | 1 | 10 | 3 | (9) | 0 |
| Other | (30) | 5 | (2) | (6) | (7) | (3) | (5) | (10) | (1) | 0 | 0 | 0 |

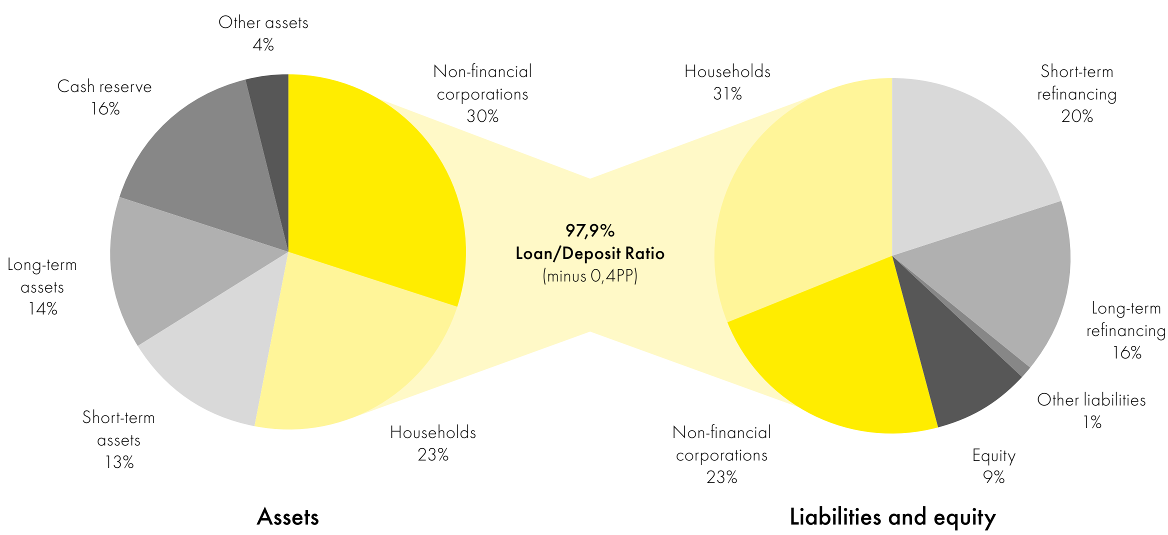
## Credit spread risk

The market risk management framework uses time-dependent bond and CDS spread curves as risk factors in order to measure credit spread risks. It captures all capital market instruments in the trading and banking book.

## (53) Liquidity management

### Funding structure

The Group's funding structure is highly focused on retail business in Central and Eastern Europe. In addition, as a result of the Austrian Raiffeisen Banking Group's strong local market presence, the Group also benefits from funding through the Raiffeisen Landesbanken. Different funding sources are utilized in accordance with the principle of diversification. These include the issue of international bonds by RBI AG, the issue of local bonds by the Group units and the use of third party financing loans (including supranationals). Partly due to tight country limits and partly due to beneficial pricing, the Group units also use interbank loans with third party banks.




### Principles

Internal liquidity management is an important business processes within general bank management, because it ensures the continuous availability of funds required to cover day-to-day demands.

Liquidity adequacy is ensured from both an economic and a regulatory perspective. In order to approach the economic perspective RBI Group established a governance framework comprising internal limits and steering measures which complies with the Principles for Sound Liquidity Risk Management and Supervision set out by the Basel Committee on Banking Supervision and the Kreditinstitute-Risikomanagement-Verordnung (KI-RMV) by the Austrian regulatory authority.

The regulatory component is addressed by complying with the reporting requirements under Basel III (Liquidity Coverage Ratio, Net Stable Funding Ratio, and Additional Liquidity Monitoring Metrics) as well as by complying with the regulatory limits. In addition some Group units have additional liquidity and reporting requirements set by their local supervisory authorities.

### Organization and responsibility

Responsibility for ensuring adequate levels of liquidity lies with the overall Management Board. The functionally responsible board members are the Chief Financial Officer (Treasury/ALM) and the Chief Risk Officer (Risk). Accordingly, the processes regarding liquidity risk are run essentially by two areas within the bank: On the one side the Treasury units, which take on liquidity risk positions within the strategy, guidelines and parameters set by the responsible decision-making bodies. On the other side they are monitored and supported by independent Risk Controlling units, which measure and model liquidity risk positions, set limits and supervise the compliance with those.

Besides the responsible units in the line functions, there are respective asset/liability management committees (ALCOs) set up in all network banks. These committees act as decision making bodies with respect to all matters affecting the management of the liquidity position and balance sheet structure of a unit including the definition of strategies and policies for managing liquidity risks.

The ALCOs take decisions and provide standard reports on liquidity risk to the Board of Management at least on a monthly basis. On group level these functions are taken by the RBI Group ALCO. Treasury ALM operations and respective ALCO decisions are mainly based on Group-wide, standardized Group rules and their local supplements, which take specific regional factors into account.

### Liquidity strategy

Treasury units are committed to achieving KPIs and to complying with risk-based principles. The current set of KPIs includes general targets (e.g. for return on risk-adjusted capital (RORAC) or coverage ratios), as well as specific Treasury targets for liquidity such as a minimum survival period in defined stress scenarios or diversification of the funding structure. While generating an adequate structural income from maturity transformation which reflects the liquidity and market risk positions taken by the bank, Treasury has to follow a prudent and sustainable risk policy when steering the balance sheet. Strategic goals comprise a reduction of parent funding within the group, the sustainable management of the depositor base and credit growth as well as continuous compliance with regulatory requirements and the internal limit framework.

### Liquidity risk framework

Regulatory and internal liquidity reports and ratios are generated based on certain modelling assumptions. Whereas the regulatory reports are calculated on specifications given by authorities, the internal reports are modelled with assumptions from empirical observations.

The Group has a substantial database along with expertise in forecasting cash flows arising from all material on- and off-balance sheet positions. The modelling of liquidity in- and outflows is carried out on an appropriate granular level, differentiating between product and customer segments, and, where applicable, currencies as well. Modelling of retail and corporate customer deposits includes assumptions concerning the retention times for deposits after maturity. The model assumptions are quite prudent, e.g. there is a no rollover assumption on funding from banks and all funding channels and the liquidity buffer are stressed simultaneously without taking mitigating effects from diversification into account.

The cornerstones of the economic liquidity risk framework are the Going Concern (GC) and the Time to Wall (TTW) scenario. The Going Concern report shows the structural liquidity position. It covers all main risk drivers which could detrimentally affect the group in a business-as-usual scenario. The Going Concern Models are important input factors for the liquidity contribution to the internal Funds transfer pricing model. On the other hand, the Time to Wall report shows the survival horizon for defined adverse scenarios and stress models (market, reputational and combined crisis) and determines the minimum level of the liquidity buffer (and/or the counter-balancing capacity) of the Group and its individual units.

The liquidity scenarios are modelled using a Group-wide approach, acknowledging local specifications where they are justified by influencing factors such as the market environment or certain business characteristics; the calculation is performed at RBI AG. The modelling of cash inflows and outflows differentiates between product and customer segments, while if applicable, a distinction between different currencies is made as well. For products without a contractual maturity, the distribution of cash inflows and outflows is calculated using a geometric Brownian motion which derives the statistical forecasts for future daily balances from the observed, exponentially weighted historical volatility of the corresponding products.

The liquidity risk framework is continuously developed at both Group level and at the level of the individual Group units. The technical infrastructure is enhanced in numerous Group-wide projects and data availability is improved in order to meet the new reporting and management requirements for this area of risk.

### Risk appetite and liquidity limits

The liquidity position is monitored on Group level and on individual unit level and is restricted by means of a comprehensive limit system. Limits are defined both under a business as usual as well as under a stress perspective. In accordance with the defined risk appetite, each Group unit must demonstrate a survival horizon of several months (TTW) in a severe, combined stress scenario (reputational and market stress). This can be ensured either by a structurally positive liquidity profile or by a sufficiently high liquidity buffer. In a normal going concern environment, maturity transformation must be fully covered by the available liquidity buffer in the medium term. This means that the cumulative liquidity position over a period of up to one year must be positive. In the long term (one year or more), maturity transformation is permitted up to a certain level. The internal model limits are supplemented by limits for compliance with regulatory liquidity ratios, such as the liquidity coverage ratio (LCR). All limits must be complied with on a daily basis.

### Liquidity monitoring

The bank uses a range of customized measurement tools and early warning indicators that provide board members and senior management with timely and forward-looking information. The limit framework ensures that the bank can continue to operate in a period of severe stress.

Monitoring of limits and reporting limit compliance is performed regularly and effectively. Any breach by Group units is reported to the Group ALCO and escalated. In such cases, appropriate steps are undertaken in consultation with the relevant unit or contentious matters are escalated to the next highest responsible body.

### Liquidity stress testing

Stress tests are conducted for RBI AG and the network banks on a daily basis and on Group level on a weekly basis. The tests cover three scenarios (market, reputational and combined crisis), consider the effects of the scenarios for a period of several months and demonstrate that stress events can simultaneously result in a time-critical liquidity requirement in several currencies. The stress scenarios include the principal funding and market liquidity risks, without considering beneficial diversification effects. This means that in the stress tests of the Group, all network units are simultaneously subject to a pronounced combined crisis for all their major products. The results of the stress tests are reported to the Chief Risk Officer and the Chief Financial Officer as well as other members of management on a weekly basis; they also form a key component of the monthly ALCO meetings and are included in the bank's strategic planning and contingency planning.

A conservative approach is adopted when establishing outflow ratios based on historical data and expert opinions. The simulation assumes a lack of access to the money or capital market and simultaneously significant outflows of customer deposits. In this respect, the deposit concentration risk is considered by assigning higher outflow ratios to large customers. Furthermore, stress assumptions are formulated for the drawdown of guarantees and credit obligations. In addition, the liquidity buffer positions are adapted by haircuts in order to cover the risk of disadvantageous market movements, and the potential outflows resulting from collateralized derivative transactions are estimated. The bank continuously monitors whether the stress assumptions are still appropriate or whether new risks need to be considered.

The time to wall concept has established itself as the main control instrument for day-to-day liquidity management and is therefore a central component of funding planning and budgeting. It is also fundamental to determining performance ratios relating to liquidity.

### Liquidity buffer

As shown by the daily liquidity risk reports, the main Group units actively maintain and manage liquidity buffers, including high quality liquid assets (HQLA) which are always sufficient to cover the net outflows expected in crisis scenarios. The Group has sizeable, unencumbered and liquid securities portfolios and favors securities eligible for Central Bank tender transactions in order to ensure sufficient liquidity in various currencies. The main Group units ensure the availability of liquidity buffers, test their ability to utilize central bank funds, constantly evaluate their collateral positions as regards their market value and encumbrance and examine the remaining counterbalancing capacity, including the funding potential and the sale ability of the assets.

Generally, a haircut is applied to all liquidity buffer positions. These haircuts include a market-risk specific haircut and a central bank haircut. While the market risk haircut represents the potential price volatility of the securities held as assets as part of the liquidity buffer, the central bank haircut represents an additional haircut for each individual relevant security that may be offered as collateral.

### Intraday liquidity management

In compliance with regulatory requirements for intraday liquidity management a daily stressed forecast of available intraday liquidity at defined critical times during a business day is calculated for RBI. This stressed forecast, which considers outflow assumptions analogous to the regular liquidity stress testing in the Group (see above), is quite conservative since inflows that are not final (revocable) are not considered at all. In case of limit breaches, the intraday contingency and escalation process is triggered. At Group Unit level the local intraday liquidity management process is within the responsibility of the local Treasury Unit which ensures that the following minimum standards are implemented locally: clear responsibilities and workflows for managing intraday liquidity; daily monitoring of available intraday liquidity; intraday liquidity forecasting model and limit; escalation and contingency processes and measures in case of limit breaches.

## Contingency funding plan

Under difficult liquidity conditions, the units switch to a contingency process in which they follow predefined liquidity contingency plans. These contingency plans also constitute an element of the liquidity management framework and are mandatory for all significant Group units. The emergency management process is designed so that the Group can retain a strong liquidity position even in serious crisis situations.

## Liquidity position

Group funding is founded on a strong customer deposit base supplemented by wholesale funding. Funding instruments are appropriately diversified and are used regularly. The ability to procure funds is precisely monitored and evaluated by the Treasury ALM units and the ALCOs.

In the past year and to date, the Group's excess liquidity was above all regulatory and internal limits. The result of the internal time to wall stress test demonstrates that the Group would survive throughout the modelled stress phase of several months even without applying contingency measures.

The Going Concern report shows the structural liquidity position. It covers all material risk drivers which might affect the Group in a business as usual scenario. The results of the going concern scenario are shown in the following table. It illustrates excess liquidity and the ratio of expected cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for selected maturities on a cumulative basis. Based on assumptions employing expert opinions, statistical analyses and country specifics, this calculation also incorporates estimates of the stability of the customer deposit base, outflows from items off the statement of financial position and downward market movements in relation to positions which influence the liquidity counterbalancing capacity.

| in € thousand | 2019 | | 2018 | |
|---|---|---|---|---|
| Maturity | 1 month | 1 year | 1 month | 1 year |
| Liquidity gap | 23,373,543 | 27,930,593 | 22,097,151 | 26,432,462 |
| Liquidity ratio | 146% | 128% | 151% | 130% |

## Liquidity coverage ratio (LCR)

The liquidity coverage ratio (LCR) requires the short-term resilience of banks by ensuring that they have an adequate stock of unencumbered high-quality liquid assets (HQLAs) to meet potential liability run offs that might occur in a crisis, which can be converted into cash to meet liquidity needs for a minimum of 30 calendar days in a liquidity stress scenario.

The calculation of expected inflows and outflows of funds and the HQLAs is based on regulatory guidelines. The regulatory limit for LCR is 100 per cent.

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Average liquid assets** | **29,167,895** | **29,140,356** |
| **Net outflows** | **20,777,131** | **21,706,212** |
| Inflows | 12,078,541 | 8,391,923 |
| Outflows | 32,855,672 | 30,098,136 |
| **Liquidity Coverage Ratio** | **140%** | **134%** |

The increase in short-term secured capital market transactions at RBI AG led to a rise in inflows, which was accompanied by an increase in short-term secured and unsecured deposits. The growth of retail deposits in the Group also contributed to higher outflows.

## Net Stable Funding Ratio (NSFR)

The NSFR is defined as the ratio of available stable funding to require stable funding. The new regulatory requirements come into force as of 28 June 2021 and the regulatory limit of 100 per cent must be complied with.. Available stable funding is defined as the portion of equity and debt which is expected to be a reliable source of funds over the time horizon of one year covered by the NSFR. A bank's required stable funding depends on the liquidity characteristics and residual maturities of the various assets and off-balance sheet positions. The RBI Group targets a balanced funding position.

| in € thousand | 2019 | 2018 |
|---|---|---|
| Required stable funding | 109,881,603 | 99,974,470 |
| Available stable funding | 122,986,265 | 114,337,200 |
| **Net Stable Funding Ratio** | **112%** | **114%** |

## Funding liquidity risk

Funding liquidity risk is mainly driven by changes in the risk strategy of lenders or by a deterioration in the creditworthiness of a bank that needs external funding. Funding rates and supply rise and fall with credit spreads, which change due to the market or bank specific situation.

As a consequence, long-term funding depends on restoring confidence in banks and increased efforts in collecting customer deposits. RBI AG's banking activities are financed by combining wholesale funding and the retail franchise of deposit-taking subsidiary banks. It is the central liquidity balancing agent for the local Group units in Central and Eastern Europe.

In the Group's funding plans, special attention is paid to a diversified structure of funding to mitigate funding liquidity risk. In the Group, funds are not only raised by RBI AG as the Group's parent institution, but also individually by different banking subsidiaries. Those efforts are coordinated and optimized through a joint funding plan. Moreover, RBI AG arranges medium-term and long-term funding for its subsidiaries through syndicated loans, bilateral funding agreements with banks, and financing facilities provided by supranational institutions. These funding sources are based on long-term business relationships.

For managing and limiting liquidity risks, the targets for loan/deposit ratios (the ratio of customer loans to customer deposits) in the individual subsidiary banks take into account the planned future business volumes as well as the feasibility of increasing customer deposits in different countries. On the one hand, this initiative reduces external funding requirements. On the other hand, it also reduces the need for internal funding operations and the risk associated with such liquidity transfers.

The following table shows a breakdown of cash flows according to the contractual maturity of financial assets:

| 2019<br>in € thousand | Carrying amount | Contractual cash flows | Up to 3 months | More than 3 months, up to 1 year | More than 1 year, up to 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| **Non-derivative financial assets** | **144,039,069** | **155,928,091** | **54,219,014** | **19,350,089** | **46,645,147** | **35,713,841** |
| Cash, cash balances at central banks and other demand deposits | 24,289,265 | 24,585,290 | 24,585,290 | 0 | 0 | 0 |
| Loans and advances | 100,639,268 | 111,600,990 | 25,266,901 | 16,150,486 | 38,175,103 | 32,008,500 |
| Central banks | 4,602,186 | 4,603,177 | 4,603,014 | 17 | 145 | 0 |
| General governments | 1,194,855 | 1,267,524 | 101,796 | 125,589 | 517,821 | 522,318 |
| Banks | 4,832,860 | 4,838,296 | 2,805,272 | 619,475 | 1,068,101 | 345,447 |
| Other financial corporations | 9,843,327 | 10,272,923 | 4,050,693 | 1,191,843 | 3,255,722 | 1,774,665 |
| Non-financial corporations | 45,373,892 | 48,899,010 | 11,368,920 | 10,656,850 | 21,603,485 | 5,269,754 |
| Households | 34,792,148 | 41,720,061 | 2,337,205 | 3,556,711 | 11,729,828 | 24,096,317 |
| Debt securities | 19,110,537 | 19,741,811 | 4,366,823 | 3,199,603 | 8,470,044 | 3,705,341 |
| Central banks | 1,504,409 | 1,514,650 | 1,475,248 | 39,401 | 0 | 0 |
| General governments | 12,734,722 | 13,075,947 | 1,843,194 | 2,576,729 | 5,705,448 | 2,950,576 |
| Banks | 3,061,099 | 3,120,245 | 502,417 | 403,445 | 1,849,881 | 364,501 |
| Other financial corporations | 1,063,193 | 1,162,936 | 403,707 | 123,831 | 426,620 | 208,779 |
| Non-financial corporations | 747,114 | 868,033 | 142,257 | 56,196 | 488,096 | 181,485 |
| **Derivative financial assets** | **2,291,619** | **2,352,495** | **328,436** | **331,505** | **892,192** | **800,362** |
| Derivatives - Trading book | 1,894,464 | 2,070,143 | 356,868 | 322,070 | 676,909 | 714,296 |
| Derivatives – Hedge accounting | 397,155 | 282,352 | (28,432) | 9,435 | 215,283 | 86,065 |

| 2018<br>in € thousand | Carrying amount | Contractual cash flows | Up to 3 months | More than 3 months, up to 1 year | More than 1 year, up to 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| **Non-derivative financial assets** | **132,866,446** | **142,137,666** | **53,315,027** | **16,958,523** | **43,224,316** | **28,639,800** |
| Cash, cash balances at central banks and other demand deposits | 22,557,484 | 23,126,102 | 23,126,102 | 0 | 0 | 0 |
| Loans and advances | 90,860,255 | 98,988,544 | 26,341,234 | 14,129,994 | 33,307,161 | 25,210,155 |
| Central banks | 4,862,756 | 4,863,848 | 4,863,793 | 7 | 47 | 0 |
| General governments | 916,738 | 965,856 | 99,162 | 82,454 | 338,621 | 445,619 |
| Banks | 5,135,203 | 5,402,671 | 3,015,324 | 945,371 | 846,910 | 595,067 |
| Other financial corporations | 6,635,145 | 6,765,846 | 3,248,999 | 594,222 | 2,141,693 | 780,932 |
| Non-financial corporations | 42,139,749 | 44,767,212 | 12,555,506 | 8,181,233 | 17,671,749 | 6,358,724 |
| Households | 31,170,664 | 36,223,111 | 2,558,450 | 4,326,708 | 12,308,141 | 17,029,812 |
| Debt securities | 19,448,707 | 20,023,019 | 3,847,691 | 2,828,529 | 9,917,155 | 3,429,644 |
| Central banks | 1,409,946 | 1,412,678 | 1,342,769 | 69,909 | 0 | 0 |
| General governments | 13,322,908 | 13,593,036 | 1,679,628 | 2,318,916 | 7,127,938 | 2,466,554 |
| Banks | 3,150,497 | 3,194,339 | 376,153 | 354,268 | 1,851,368 | 612,550 |
| Other financial corporations | 799,217 | 970,746 | 234,369 | 56,474 | 496,752 | 183,150 |
| Non-financial corporations | 766,139 | 852,220 | 214,772 | 28,961 | 441,096 | 167,391 |
| **Derivative financial assets** | **2,473,156** | **2,560,214** | **444,514** | **498,776** | **859,265** | **757,659** |
| Derivatives - Trading book | 1,972,469 | 2,155,435 | 436,010 | 495,687 | 591,402 | 632,337 |
| Derivatives – Hedge accounting | 500,687 | 404,778 | 8,504 | 3,090 | 267,863 | 125,322 |

The following table shows a breakdown of cash flows according to the contractual maturity of financial liabilities:

| 2019<br>in € thousand | Carrying amount | Contractual cash flows | Up to 3 months | More than 3 months, up to 1 year | More than 1 year, up to 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | **142,010,453** | **141,533,321** | **95,596,538** | **13,458,085** | **21,996,876** | **10,481,821** |
| Deposits | 119,820,989 | 117,833,847 | 90,828,806 | 10,548,697 | 12,209,122 | 4,247,222 |
| Central banks | 2,462,354 | 2,436,331 | 679,200 | 82,474 | 1,591,098 | 83,559 |
| General governments | 3,231,055 | 3,285,919 | 1,553,215 | 966,956 | 472,389 | 293,360 |
| Banks | 21,144,823 | 21,332,675 | 14,433,977 | 1,294,768 | 3,988,944 | 1,614,987 |
| Other financial corporations | 11,132,756 | 11,324,997 | 7,580,346 | 1,645,063 | 856,747 | 1,242,841 |
| Non-financial corporations | 34,888,808 | 34,857,533 | 31,860,622 | 2,257,935 | 452,266 | 286,710 |
| Households | 46,961,194 | 44,596,392 | 34,721,446 | 4,301,502 | 4,847,679 | 725,765 |
| Short positions | 13,788,894 | 15,104,469 | 409,099 | 1,444,853 | 8,119,915 | 5,130,601 |
| Debt securities issued | 491,814 | 505,310 | 461,493 | 11,760 | 10,932 | 21,126 |
| Other financial liabilities | 7,908,756 | 8,089,695 | 3,897,140 | 1,452,775 | 1,656,907 | 1,082,872 |
| **Derivative financial liabilities** | **2,180,044** | **2,634,731** | **563,866** | **568,520** | **1,011,794** | **490,551** |
| Derivatives - Trading book | 1,933,594 | 2,642,167 | 606,421 | 567,715 | 981,039 | 486,992 |
| Derivatives – Hedge accounting | 246,450 | (7,436) | (42,556) | 805 | 30,755 | 3,559 |
| **Issued financial guarantee contracts** | **7,908,756** | **8,089,695** | **3,897,140** | **1,452,775** | **1,656,907** | **1,082,872** |
| **Issued loan commitments** | **13,515,769** | **15,027,610** | **4,910,502** | **2,081,585** | **6,898,841** | **1,136,682** |

| 2018<br>in € thousand | Carrying amount | Contractual cash flows | Up to 3 months | More than 3 months, up to 1 year | More than 1 year, up to 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | **124,071,167** | **126,110,635** | **86,796,339** | **11,716,379** | **20,552,403** | **7,045,514** |
| Deposits | 111,018,249 | 111,691,805 | 85,124,697 | 10,057,451 | 12,430,671 | 4,078,987 |
| Central banks | 2,147,243 | 2,138,526 | 860,217 | 28,056 | 1,160,269 | 89,984 |
| General governments | 2,817,271 | 3,046,684 | 1,268,550 | 654,991 | 599,313 | 523,830 |
| Banks | 21,832,936 | 22,144,522 | 14,517,000 | 1,807,469 | 4,137,652 | 1,682,402 |
| Other financial corporations | 9,681,974 | 9,731,020 | 6,972,799 | 873,789 | 581,903 | 1,302,529 |
| Non-financial corporations | 31,443,056 | 31,452,481 | 29,017,368 | 2,024,854 | 286,828 | 123,431 |
| Households | 43,095,770 | 43,178,571 | 32,488,763 | 4,668,292 | 5,664,706 | 356,810 |
| Short positions | 318,001 | 318,001 | 318,001 | 0 | 0 | 0 |
| Debt securities issued | 12,211,931 | 13,577,758 | 853,686 | 1,640,812 | 8,121,732 | 2,961,528 |
| Other financial liabilities | 522,986 | 523,070 | 499,955 | 18,116 | 0 | 5,000 |
| **Derivative financial liabilities** | **2,187,882** | **1,979,541** | **459,934** | **504,231** | **776,499** | **238,877** |
| Derivatives - Trading book | 2,034,559 | 1,948,591 | 454,207 | 496,644 | 765,186 | 232,554 |
| Derivatives – Hedge accounting | 153,323 | 30,950 | 5,727 | 7,587 | 11,313 | 6,323 |
| **Issued financial guarantee contracts** | **6,975,261** | **7,818,804** | **4,287,604** | **1,525,196** | **1,492,327** | **513,678** |
| **Issued loan commitments** | **12,579,692** | **14,973,125** | **5,364,420** | **2,271,985** | **6,090,440** | **1,246,280** |

## (54) Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In this risk category internal risk drivers such as unauthorized activities, fraud or theft, conduct-related losses, modelling errors, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or fraud are managed and controlled as well.

This risk category is analyzed and managed based on own historical loss data and the results of risk assessments.

As with other risk types the principle of firewalling of risk management and risk controlling is also applied to operational risk in the Group. To this end, individuals are designated and trained as Operational Risk Managers for each business area. Operational Risk Managers provide central Operational Risk Controlling with reports on risk assessments, loss events, indicators and measures. They are supported in their work by Dedicated Operational Risk Specialists (DORS).

Operational risk controlling units are responsible for reporting, implementing the framework, developing control measures and monitoring compliance with requirements. Within the framework of the annual risk management cycle, they also coordinate the participation of the relevant second line of defense departments (Financial Crime Management, Compliance, Vendor Management, Outsourcing Management, Insurance Management, Information Security, Physical Security, BCM, Internal Control System, IT Risk Management) and all first line of defense partners (Operational Risk Managers).

### Risk identification

Identifying and evaluating risks that might endanger the Group's existence (but the occurrence of which is highly improbable) and areas where losses are more likely to arise more frequently (but have only limited impact) are important aspects of operational risk management.

Operational risk assessment is executed in a structured and Group-wide uniform manner according to risk categories such as business processes and event types. Moreover, risk assessment applies to new products as well. All Group units grade the impact of high probability/low impact events and low probability/high impact incidents according to their estimation of the loss potential for the next year and in the next ten years. Low probability/high impact events are quantified by a Group-wide analytical tool (scenarios). The internal risk profile, losses arising and external changes determine which cases are dealt with in detail.

### Monitoring

In order to monitor operational risks, early warning indicators are used that allow prompt identification and minimization of losses.

Loss data is collected in a central database called ORCA (Operational Risk Controlling Application) in a structured manner and on a Group-wide basis according to the event type and the business line. In addition to the requirements for internal and external reporting, information on loss events is exchanged with international data pools to further develop operational risk management tools as well as to track measures and control effectiveness. Since 2010, The Group has been a participant in the ORX data pool (Operational Risk Data Exchange Association), whose data are currently used for internal benchmark purposes and analyses and as part of the operational risk model. The ORX data consortium is an association of banks and insurance groups for statistical purposes. The results of the analyses as well as events resulting from operational risks are reported in a comprehensive manner to the relevant Operational Risk Management Committee on a regular basis.

### Quantification and mitigation

Since October 2016, the Group has calculated the equity requirement for a significant part of the Group using the Advanced Measurement Approach (AMA). This includes units in Bulgaria, Romania, Russia, Slovakia and principal banks in Austria (Raiffeisen Bank International AG, Vienna, Kathrein Privatbank Aktiengesellschaft, Vienna, Raiffeisen Centrobank AG, Vienna, Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna, Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna). The Standardized Approach (STA) is still used to calculate the operational risk of the remaining units in the CRR scope of consolidation.

To reduce operational risk, business managers decide on preventive risk reduction actions such as risk mitigation or risk transfer. The progress and effectiveness of these actions is monitored by risk control. The former also define contingency plans and nominate responsible persons or departments for initiating the defined actions if losses in fact occur. In addition, several dedicated organizational units provide support to business units for reducing operational risks. An important role in connection with operational risk activities is taken on by Financial Crime Management. Financial Crime Management provides support for the prevention and identification of fraud. The Group also conducts an extensive staff training program and has different contingency plans and back-up systems in place.

# Other disclosures

## (55) Pending legal issues

The RBI Group is involved in various legal, governmental or arbitration proceedings before various courts and governmental agencies mainly arising in the ordinary course of business and involving contractual, labor and other matters. There is also a tendency, particularly in the aftermaths of financial market and economic crisis, towards more aggressive behavior on the part of contracting parties in the context of legal or other disputes. This also applies to credit institutions with whom an agreement could be reached in the past as well as to credit institutions with whom RBI maintains business relationships in connection with syndicated loan facilities where it acts, inter alia, as co-manager or agent.

A provision is only recognized if there is a legal or constructive obligation as a result of a past event, payment is likely and the amount can be reliably estimated. A contingent liability that arises from a past event is disclosed unless payment is highly unlikely. A contingent asset that arises from a past event is reported if there is high probability of occurance. In no instance in the description that follows is an amount stated in which, in accordance with IAS 37, this would be severely detrimental. In some cases, provisions are measured on a portfolio basis because this results in the obligation being estimated with greater reliability. RBI has grouped its provisions, contingent assets and contingent liabilities under the headings of consumer protection, banking business, regulatory enforcement and tax litigation.

**Consumer protection**

RBI faces customer lawsuits in connection with consumer protection matters. Most claims relate to terms of contract that are alleged to breach consumer protection or other laws. The legal risk associated with such claims is heightened by the danger of politically motivated legislation that increases the degree of unpredictability.

Croatia

In Croatia, following litigation initiated by a Croatian consumer association against Raiffeisenbank Austria, d.d., Croatia (RBHR) and other Croatian banks, two contractual clauses used in consumer loan agreements between 2003/2004 and 2008 were declared null and void: an interest change clause and a CHF index clause. The decision on the interest adjustment clause cannot be challenged any more. The decision on the nullity of the CHF index clause was confirmed by the Croatian Supreme Court but was challenged by RBHR at the Croatian Constitutional Court. A final decision by this court may have an impact on the relevant CHF index clause. However, based on the decisions already rendered on the nullity of the interest change clause and/or the CHF index clause, borrowers – subject to the statute of limitations – are now already filing claims against RBHR. Given current legal uncertainties relating to the statute of limitations, the validity of the CHF index clause, the appropriate further procedures, the final outcome of the constitutional court challenge and the number of borrowers raising such claims, final quantification of the financial impact and the possible damage is not possible at this point of time as the final legal assessment of the loan agreement clauses has to be made in each individual case. As of the reporting date, 3,649 lawsuits had been filed against the bank. In this connection, the provision recognized on a portfolio basis was increased to € 21,221 thousand.

Poland

In Poland, a significant number of civil lawsuits are pending in relation to certain contractual stipulations connected with consumer mortgage loans denominated in or indexed to foreign currencies. In this connection, a Polish court requested the European Court of Justice (ECJ) for clarification whether certain clauses in these agreements breach European law and are unfair. The ECJ's preliminary ruling of 3 October 2019 does not answer whether the loan agreements are invalid in whole or part but merely gives interpretative guidance on the principles according to which the national courts must decide in each individual case. According to this, a loan agreement without unfair terms should remain valid provided, that it is in conformity with national law. If a loan agreement cannot remain valid without the unfair term, the entire contract would have to be annulled. If the annulment of the entire contract triggers material negative consequences for the borrower, the Polish courts can replace the unfair term by a valid term in accordance with national law. The consequences of the contract being annulled must be carefully examined so that the borrower can consider all potential negative consequences of annulment. However, the consequences of canceling an annulled loan agreement remain unclear and may be serious for the borrower, for example due to the obligation to repay the loan immediately including the costs of using the loan amount. It remains to be seen how the principles developed by the ECJ will be applied under national law on a case-by-case basis.

The impact assessment in relation to affected loan agreements indexed to or denominated in a foreign currency may also be influenced by investigations initiated against RBI's Polish branch by the President of the Office of Competition and Consumer Protection (UOKiK). The object of the proceedings is certain standard clauses in foreign currency loan agreements and a related practice which allegedly may have been contrary to the collective interests of consumers.

As the lawsuits have been filed by a number of customers, the provision is based on a statistical approach that takes into account both static data, where relevant, and expert opinions. Possible decision scenarios have been estimated together with the expected loss rates per scenario. The expected impact is based on loans from customers who have filed or indicated that they will file a lawsuit against the bank. To calculate the financial impact per scenario, the claim amount is multiplied by the estimated financial outflow in the scenario and the probability that the bank will ultimately have to pay compensation to the customer. An appropriate discount rate is applied to outflows that are not expected to arise within one year. The financial impacts of the individual scenarios are weighted on the basis of expert opinions. The resulting provision has been increased to € 49,336 thousand.

Romania

The Romanian subsidiary is confronted with a number of individual lawsuits and a lawsuit filed by the consumer protection authority for the use of unfair loan clauses. The clauses relate to administration fees and interest change clauses. € 4,233 thousand in compensation was paid out in this connection up to 2018. For the approximately 1,400 remaining cases, a provision has been recognized for further estimated losses of € 14,160 thousand calculated in scenario analysis.

### Banking business

RBI and its subsidiaries provide services for corporate customers that increase litigation risk at operating level. The most important cases are as follows:

Following the insolvency of Alpine Holding GmbH (Alpine) in 2013, a number of lawsuits were filed by retail investors in Austria against RBI and another credit institution in connection with a bond which had been issued by Alpine in 2012 in an aggregate principal amount of € 100 million. The claims against RBI, filed either directly, by investors or in a class action, amount to approximately € 10 million of value in dispute. Among other things, it is claimed that the banks acted as joint lead managers of the bond issue and were or at least should have been aware of the financial problems of Alpine at the time of the issue. Thus, they should have known that Alpine was not in a position to redeem the bonds as set forth in the terms and conditions of the bonds. It is alleged that the capital market prospectus in relation to the bond issue was misleading and incomplete and that the joint lead managers including RBI, which were also involved in the preparation of the prospectus, were aware of that fact.

Legal action has been filed against Raiffeisen Zentralbank (prior to the merger with RBI in 2010) and Raiffeisen Investment AG (RIAG) in New York. The claimant alleged that RBI, in its capacity as universal successor to Raiffeisen Zentralbank, had unlawfully paid USD 150 thousand (€ 134 thousand) on a bid bond and that RIAG had been involved in a fraud committed by the Serbian privatization agency resulting in a damage in the range of USD 31 million to USD 52 million (€ 28 million to € 46 million). According to RBI's assessment the claim is unfounded and very unlikely to succeed. In February 2014, the action was dismissed, and the plaintiff filed a motion for reconsideration with the court which has been pending for several years. The case was assigned to a new judge in 2018 and is now again pending in New York. RBI's assessment of the claim remains unchanged.

RBI was served with a lawsuit by the Romanian Ministry of Traffic against RBI and Banca de Export Import a Romaniei Eximbank SA (EximBank) regarding payment of € 10 million in May 2017. According to the lawsuit, in the year 2013, RBI issued a letter of credit on the amount of € 10 million for the benefit of the Romanian Ministry of Traffic at the request of a Romanian customer of Romanian Network Bank Raiffeisen Bank S.A., Bucharest, which is indirectly owned by RBI. EximBank acted as advising bank of RBI in Romania. The Romanian Ministry of Traffic had sent a payment request under the mentioned letter of credit in March 2014 which had been denied by RBI as having been received after termination date thereof. In April 2018, the lawsuit was rejected as unfounded by the court of first instance, which was confirmed by the Bucharest Court of Appeal in October 2019.

In May 2017, a subsidiary of RBI was sued for an amount of approximately € 12 million in Austria for breach of warranties under a share purchase agreement relating to a real estate company. The claimant, i.e. the purchaser under the share purchase agreement, alleges the breach of a warranty. More precisely, it alleges the defendant warranted that the company sold under the share purchase agreement had not waived potential rental payment increases to which it may have been entitled.

In December 2016, a French company filed a lawsuit at the commercial court in Paris against Raiffeisen Bank Polska S.A. (RBPL), the former Polish subsidiary of RBI, and RBI. The French company claimed damages from both banks in the aggregate amount of € 15.3 million alleging that RBPL failed to comply with duties of care when opening an account for a certain customer and executing money transfers through this account, and that RBI acted as a correspondent bank in this context and failed to comply with duties of care when doing so. In the meantime, the lawsuit was withdrawn by the plaintiff for reasons of jurisdiction of court. In December 2017, a lawsuit of the same content as set out above was filed against RBPL and RBI at the commercial court in Warsaw. As regards the lawsuit against RBI, the commercial court in Warsaw declined jurisdiction in May 2019. The decision was appealed.

In June 2012, a client (the Slovak claimant) of Tatra banka, a.s. (Tatra banka) filed a petition for compensation of damage and lost profits in the amount of approximately € 71 million. The lawsuit is connected with certain credit facilities entered into between Tatra banka and the Slovak claimant. The Slovak claimant claims that Tatra banka breached its contractual obligations by refusing to execute payment orders from the Slovak claimant's accounts without cause and by not extending the maturity of facilities despite a previous promise to do so, which led to non-payment of the Slovak claimant's obligations towards its business partners and the termination of the Slovak claimant's business activities. In February 2016, the Slovak claimant filed a petition for increasing the claimed amount by € 50 million but the court refused this petition. A constitutional appeal was filed regarding this court's decision. The constitutional court refused this appeal and rejected the proposed increase of the claimed amount. In December 2017, Tatra banka was delivered a new claim amounting to € 50 million, based on the same grounds as the petition from February 2016. This new claim was joined to the original claim. Thus, the Slovak claimant in this lawsuit demanded compensation of damage and lost profits in the amount of approximately € 121 million. In February 2018, the first-instance court rejected the petition in full. The Slovak claimant, which by law is now the trustee in the Slovak claimant's bankruptcy proceedings, as the Slovak claimant has become bankrupt, launched an appeal against the rejection. In September 2018, the appellate court upheld the decision of the first-instance court and confirmed the rejection of the claim in full. In January 2019, the Slovak claimant filed an extraordinary appeal with the Supreme Court of the Slovak Republic but the extraordinary appeal was refused by the Supreme Court in April 2019. The Slovak claimant filed a constitutional appeal with respect to the Supreme Court ruling in July 2019.

Furthermore, a Cypriot company (the Cypriot claimant) filed a separate action for damages in the amount of approximately € 43.1 million. In January 2016, the Cypriot claimant filed a petition for increasing the claimed amount by € 84 million and the court approved this petition. It means that the total claimed amount in this lawsuit is approximately € 127 million. This lawsuit is connected with the proceeding of the Slovak claimant above because the Cypriot claimant having filed the action had acquired the claim from a shareholder of the holding company of the Slovak claimant. The matter of the claim is the same as in the proceeding above. According to the Cypriot claimant, this had caused damage to the Slovak claimant and, thus, also to the shareholder of the holding company in the form of a loss of value of its shares. Subsequently, said shareholder assigned his claim to the Cypriot claimant. The Cypriot claimant claims that Tatra banka acted contrary to the good morals as well as contrary to fair business conduct and requires Tatra banka to pay part of its claims corresponding to the loss in value of the holding company's shares.

Following an assignment of Tatra banka's receivable (approximately € 3.5 million) against a corporate customer to an assignee, two lawsuits in the total amount of approximately € 18.6 million were filed by the original shareholders of the corporate customer against Tatra banka. Their shares in the corporate customer had been pledged as security for a financing provided by Tatra banka to the corporate customer. The claims are claims for compensation of damages which were incurred by the original shareholders as a consequence of an alleged late notification of the assignment to the original shareholders, the fact that the assignee had realized the pledge over the shares and, thus, the original shareholders ceased to be the shareholders of the corporate customer as well as the fact that the assignee had realized a mortgage over real estates of the corporate customer (which had also been created as a security for the financing provided by Tatra banka to the corporate customer). The original shareholders claimed that the value of the corporate customer was € 18.6 million and that this amount would represent the damage incurred by them due to the assignment of Tatra banka's claim against the corporate customer. Subsequently, the original shareholders assigned their claims under the lawsuits mentioned above to a Panamanian company which is now the plaintiff. The plaintiff claims that Tatra banka had acted in contradiction of good faith principles and that it had breached an obligation arising from the Slovak Civil Code. In June 2019, the court entirely rejected the claim. The plaintiff filed an appeal against the judgment of the first-instance court in August 2019.

In 2011, a client of Raiffeisenbank Austria, d.d., Croatia (RBHR) launched a claim for damages in the amount of approximately HRK 143.5 million (€ 19 million) and alleged that damages have been caused by an unjustified termination of the loan.

In February 2014, the commercial court in Zagreb issued a judgment by which the claim was declined. The plaintiff launched an appeal against this judgment which is not finally decided.

In 2015, a former client of RBHR launched a claim for damages in the amount of approximately HRK 181 million (€ 24 million) based on the allegation that RBHR had acted fraudulently by terminating loans, which had been granted for the financing of the client's hotel business, without justification. In previous court proceedings in respect of the termination of the loans as well as the enforcement over the real estate, all final judgments were in favor of RBHR. Several hearings were held as well as submissions exchanged. So far, no ruling has been passed.

From 2014 onwards, a group of former clients of RBHR launched several claims for damages in the amount of approximately HRK 120.7 million (€ 16 million) based on the allegation that RBHR had acted fraudulently by terminating and collecting loans. In some of the court proceedings the final court decisions were issued by which the claims (in the amount of approximately HRK 20 million (€ 3 million) were declined.

In 2015, various plaintiffs launched two lawsuits against Raiffeisen Bank S.A., Bucharest, claiming damages in the amount of RON 45 million and RON 35 million (€ 9 million and € 7 million), respectively, based on the allegation that unfair terms in credit agreements had been used. According to the defendant's assessment, the RON 45 million (€ 9 million) claim was filed outside legal deadlines. In late 2015, the RON 45 million (€ 9 million) claim was split into over 180 separate litigations and the RON 35 million (€ 7 million) claim was also split into over 160 individual cases. Raiffeisen Bank S.A. won a major part of the individual litigations on the merits and some of them have already been finally closed.

In 2015, a former client of the Raiffeisenbank a.s. (RBCZ), launched a lawsuit against RBCZ claiming damages in the amount of approximately CZK 371 million (€ 15 million) based on the allegation that RBCZ caused damage to him by refusing to provide further financing to him. Owing to the non-payment of court fees by the claimant, a court ruling on dismissal of the lawsuit was issued but has been appealed by the claimant. In the meantime, the court has united two proceedings launched by the claimant against RBCZ and therefore the sued amount has increased to approximately CZK 494 million (€ 19 million). After the first-instance court decision was revoked by the High Court and the claimant finally paid the court fee, the first-instance court was able to issue a verdict on the core matter of the dispute in which the court dismissed the claimant's claims in September 2019. The claimant has appealed that decision.

In April 2018, Raiffeisen Bank Polska S.A. (RBPL), the former Polish subsidiary of RBI, obtained the lawsuit filed by a former client claiming an amount of approximately PLN 203 million (€ 48 million). According to the plaintiff's complaint, RBPL blocked the client's current overdraft credit account for six calendar days in 2014 without the formal justification. The plaintiff claimed that the blocking of the account resulted in losses and lost profits due to a periodic disruption of the client's financial liquidity, the inability to replace loan-based funding sources with financing streams originating from other sources on the blocked account, a reduction in inventory and merchant credits being made available and generally a resulting deterioration of the client's financial results and business reputation. RBPL contended that the blocking was legally justified and implemented upon the information obtained. In the course of the sale of the core banking operations of RBPL to Bank BGZ BNP Paribas S.A.), the lawsuit against RBPL was allocated to Bank BGZ BNP Paribas S.A. However, RBI remains commercially responsible for negative financial consequences in connection with said proceeding.

In July 2019, a former corporate customer (claimant) of RBI filed a request for arbitration with the International Court of Arbitration of the International Chamber of Commerce, claiming from RBI payment of USD 25 million (€ 22 million) plus damages, interest and further costs. The dispute relates to a guarantee of a third party, which served as a security for a loan granted by RBI to the claimant in 1998. The claimant fell into arrears, whereupon RBI called in the guarantee. In 2015 a settlement was reached between RBI and the guarantor as to the claims of RBI under the guarantee. RBI applied all monies received from the guarantor towards payment by the claimant under the loan. In its request for arbitration, the claimant alleges (inter alia) that the settlement was detrimental to it, and that RBI would be obliged to transfer the monies received from the guarantor to the claimant. RBI takes the view that the claims raised by the claimant are baseless.

### Regulatory enforcement

RBI and its subsidiaries are subject to numerous national and international regulatory authorities. RBI does not currently have any significant open issues with regulatory authorities.

Following an audit review of the Romanian Court of Auditors regarding the activity of Raiffeisen Banca pentru Locuinte S.A. (RBL), a building society and subsidiary of Raiffeisen Bank S.A., Bucharest, the Romanian Court of Auditors claimed that several deficiencies were identified and that conditions for state premiums on savings had not been met. Such premiums may therefore have to be repaid.

Should RBL not succeed in reclaiming said amounts from its customers or providing satisfactory documentation, RBL may be held liable for the payment of such funds. RBL has initiated a contestation process against the position of the Romanian Court of Auditors. The case is in appeal at the High Court of Cassation and Justice. RBL may not be able to receive reimbursement of such funds from its customers due to legal and practical reasons. Given current uncertainties, an exact quantification of the negative financial impact is not possible, however, repayment of premiums and potential penalty payments are not expected to exceed € 48 million. In this connection, the provision was increased to € 10,016 thousand.

In March 2018, an administrative fine of € 2.7 million (which was calculated by reference to the annual consolidated turnover of RBI and constitutes 0.06 per cent of the last available annual consolidated turnover) was imposed on RBI in the course of administrative proceedings based on alleged non-compliance with formal documentation requirements relating to the know-your-customer principle. According to the interpretation of the Austrian Financial Market Authority (FMA), RBI had failed to comply with these administrative obligations in a few individual cases. FMA did not allege that any money laundering or other crime had occurred, or that there was any suspicion of, or any relation to, any criminal act. RBI took the view that it had duly complied with all due diligence obligations regarding know-your-customer requirements and appealed against the fining order in its entirety. The administrative court of first instance confirmed FMA's decision and – again - RBI appealed against this decision in its entirety. In December 2019, the Austrian Supreme Administrative Court (Verwaltungsgerichtshof) revoked the decision of the lower administrative instances and referred the case back to the administrative court of first instance.

In September 2018, two administrative fines of total PLN 55 million (€ 13 million) were imposed on RBPL in the course of administrative proceedings based on alleged non-performance of the duties as the depositary and liquidator of certain investment funds. RBPL as custodian of investment funds assumed the role as liquidator of certain funds in spring 2018. According to the interpretation of the Polish Financial Supervision Authority (PFSA) RBPL failed to comply with certain obligations in its function as depository bank and liquidator of the funds. In the course of the transactions related to the sale of RBPL, the responsibility for said administrative proceedings and related fines was assumed by RBI. RBI filed appeals against these fines in their entirety. In September 2019, in relation to the PLN 5 million (€ 1 million) fine regarding RBPL's duties as depositary bank, the Voivodship Administrative Court approved RBI's appeal and overturned the PFSA's decision entirely. However, the PFSA appealed such decision. In relation to the PLN 50 million (€ 12 million) fine regarding RBPL's function as liquidator, the Voivodship Administrative Court decided to dismiss the appeal and uphold the PFSA decision entirely. RBI has raised appeal to the Supreme Administrative Court because it takes the view that RBPL has duly complied with all its duties.

### Tax litigation

RBI is or is expected to be involved in various tax audits, tax reviews and tax proceedings. RBI is involved in the following significant tax proceedings, among others:

A provision for pending legal and tax litigation in the amount of € 27 million was recognized for German property transfer tax resulting from corporate reorganizations in previous years. This related to the merger of Raiffeisen Zentralbank and RBI AG in 2017 and to the acquisition of shares in Raiffeisen Leasing Group in 2012 and 2013. Interest on arrears and contractual penalties may also be incurred.

In connection with loan sales, assessments by the tax authorities in Romania could result in an exceptional tax burden of approximately € 33 million plus approximately € 22 million in penalty payments. The Romanian subsidiary bank considers the probability of occurrence to be very small.

In Russia, the tax audit could result in an extraordinary tax burden in an aggregate amount of approximately € 10 million plus € 2 million late payment interest. Additionally, penalty payments may be imposed in an amount of up to approximately € 4 million.

In the vast majority of the aforementioned amounts, the decision of the respective tax authorities is or will be challenged.

# (56) Other agreements

### Raiffeisen-Kundengarantiegemeinschaft Austria

RBI AG is a member of Raiffeisen-Kundengarantiegemeinschaft Austria (Raiffeisen Customer Guarantee Scheme Austria (RKÖ)). The members of this association have a contractual obligation to guarantee jointly the punctual fulfillment of the entirety of an insolvent association member's commitments arising from customer deposits and its own issues up to the limit of the sum of the individual capacities of the remaining association members. The individual capacity of an association member is measured on the basis of its freely available reserves subject to the pertinent provisions of the Austrian Banking Act (BWG).

In view of the change in the legal and regulatory framework and implementation of Institutional Protection Schemes, RKÖ and its members have decided to discontinue the scheme for new transactions. Accordingly, the supplementary protection by RKÖ will only be granted to transactions entered until 30 September 2019.

### Institutional Protection Scheme

Several Institutional Protection Schemes (IPS) have been set up in the Austrian Raiffeisen Banking Group since the end of 2013. To this end, contractual or statutory liability arrangements have been concluded which protect the participating institutions and, in particular, ensure their liquidity and solvency if required. These Institutional Protection Schemes are based on uniform and joint risk monitoring as part of an early warning system pursuant to Article 113 (7) of the Capital Requirements Regulation of the European Union (CRR). In line with RBG's organizational structure, the IPS were also designed in two stages (currently one federal IPS and six regional IPS).

As RBG's central institution, RBI AG is a member of the federal IPS whose members, in addition to the regional Raiffeisen banks, include: Raiffeisen-Holding Niederösterreich-Wien reg GmbH, Vienna, Posojilnica Bank eGen, Klagenfurt, Raiffeisen Wohnbaubank AG, Vienna, and Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna. A regional IPS was also set up in six federal states.

# (57) Fiduciary business

The following information was prepared pursuant to Section 48 (1) of the Austrian Banking Act (BWG).

Fiduciary business not recognized in the statement of financial position was concluded with the following volumes on the reporting date:

| in € thousand | 2019 | 2018[1] |
|---|---|---|
| **Fiduciary assets** | **226,494** | **233,649** |
| Loans to customers | 219,330 | 224,240 |
| Financial investments | 7,163 | 9,409 |
| Other fiduciary assets | 0 | 0 |
| **Fiduciary liabilities** | **226,494** | **233,649** |
| Deposits from banks | 83,573 | 99,955 |
| Deposits from customers | 135,758 | 124,285 |
| Other fiduciary liabilities | 7,163 | 9,409 |

1 Previous-year figures adjusted; reclassification to managed funds

The following table contains the funds managed by the Group:

| in € thousand | 2019 | 2018[1] |
|---|---|---|
| **Retail investment funds** | **25,281,762** | **21,343,391** |
| Equity-based and balanced funds | 14,464,170 | 10,875,395 |
| Bond-based funds | 10,588,473 | 10,420,410 |
| Other | 229,119 | 47,586 |
| **Special funds** | **12,086,046** | **10,634,681** |
| **Property-based funds** | **299,549** | **288,770** |
| **Pension funds** | **4,879,466** | **4,289,877** |
| **Customer portfolio managed on a discretionary basis** | **630,619** | **468,643** |
| **Other investment vehicles** | **55,575** | **26,957** |
| **Total** | **43,233,017** | **37,052,319** |

1 Previous-year figures adjusted; reclassification from fiduciary funds

## (58) RBI as lessor

Finance income from finance lease net investment was € 127,682 thousand in the reporting period. Income from operating leases was € 60,494 thousand.

There is no lease income from variable lease payments that do not depend on an index or a rate.

### Finance leases

Assets under finance leases break down as follows:

| in € thousand | 2019 | 2018 |
|---|---|---|
| Vehicles leasing | 1,507,680 | 1,301,801 |
| Real estate leasing | 964,734 | 1,042,184 |
| Equipment leasing | 752,089 | 639,638 |
| **Total** | **3,224,503** | **2,983,622** |

The following table shows the maturity analysis of lease receivables to be received after the reporting date:

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Gross investment value** | **3,557,266** | **3,312,016** |
| Minimum lease payments | 3,231,541 | 2,955,803 |
| Up to 3 months | 450,413 | 332,578 |
| More than 3 months, up to 1 year | 609,075 | 551,903 |
| More than 1 year, up to 5 years | 1,814,588 | 1,696,331 |
| More than 5 years | 357,464 | 374,991 |
| Non-guaranteed residual value | 325,726 | 356,213 |
| **Unearned finance income** | **332,764** | **328,394** |
| Up to 3 months | 49,330 | 37,192 |
| More than 3 months, up to 1 year | 72,624 | 70,487 |
| More than 1 year, up to 5 years | 153,907 | 159,246 |
| More than 5 years | 56,904 | 61,469 |
| **Net investment value** | **3,224,503** | **2,983,622** |

There was no income relating to variable lease payments not included in the measurement of the net investment in the lease. Profit due to sale of leased assets as part of a finance lease was € 635 thousand.

### Operating leases

Assets under operating leases (including unleased parts) break down as follows:

| in € thousand | 2019 | 2018 |
|---|---|---|
| Vehicles leasing | 82,701 | 46,962 |
| Real estate leasing | 153,999 | 153,564 |
| Equipment leasing | 746 | 1,492 |
| **Total** | **237,447** | **202,018** |

The following table shows the maturity analysis of lease receivables to be received after the reporting date:

| in € thousand | 2019 | 2018 |
|---|---|---|
| Up to 1 year | 35,692 | 29,722 |
| More than 1 year, up to 5 years | 89,361 | 47,753 |
| More than 5 years | 15,837 | 7,998 |
| **Total** | **140,890** | **85,473** |

## (59) RBI as lessee

Leases mainly relate to land and buildings, vehicles and IT equipment.

### Right-of-use assets

The following table shows the development of right-of-use assets and related accumulated depreciation.

| in € thousand | Property, plant and equipment | Investment property |
|---|---|---|
| **Cost of acquisition or conversion 1/1/2019** | **455,971** | **0** |
| Change in consolidated group | 31,384 | 0 |
| Exchange differences | 9,109 | 0 |
| Additions | 57,010 | 39 |
| Disposals | (14,940) | 0 |
| Transfers | 1,035 | 0 |
| **Cost of acquisition or conversion 31/12/2019** | **539,569** | **40** |
| Accumulated write-up/depreciation/impairment | (83,367) | (5) |
| hereof write-ups | 0 | 0 |
| hereof depreciation/impairment | (84,378) | (16) |
| **Carrying amount as at 31/12/2019** | **456,202** | **35** |

### Lease liabilities

The following table shows the maturity analysis of lease liabilities, showing the undiscounted lease payments to be paid after the reporting date:

| in € thousand | 2019 |
|---|---|
| Up to 1 year | 86,946 |
| More than 1 year, up to 5 years | 249,122 |
| More than 5 years | 154,283 |
| **Total** | **490,350** |

### Amounts recognized in profit or loss

| in € thousand | 2019 |
|---|---|
| Interest on lease liabilities | (8,193) |
| Variable lease payments not included in the measurement of lease liabilities | 29 |
| Income from sub-leasing right-of-use assets | 94 |
| Expenses relating to short-term leases | (13,080) |
| Expenses relating to leases of low-value assets | (5,566) |
| **Total** | **(26,716)** |

### Amounts recognized in the statement of cash flows

| in € thousand | 2019 |
|---|---|
| Cash flows for leases | 70,352 |

## (60) Geographical markets

The following tables were prepared pursuant to Section 64 (1) 18 of the Austrian Banking Act (BWG).

| 2019<br>in € thousand | Operating income | hereof net interest income | Profit/loss before tax | Income taxes | Number of employees as of reporting date |
|---|---|---|---|---|---|
| **Central Europe** | **1,287,489** | **830,182** | **401,990** | **(111,703)** | **9,915** |
| Poland | 15,323 | 14,134 | (88,211) | (25,060) | 227 |
| Slovakia | 492,057 | 294,056 | 178,800 | (36,331) | 4,029 |
| Slovenia | 8,029 | 182 | 6,191 | (474) | 9 |
| Czech Republic | 545,034 | 394,622 | 229,690 | (37,724) | 3,413 |
| Hungary | 227,470 | 126,810 | 75,519 | (12,114) | 2,237 |
| **Southeastern Europe** | **1,336,414** | **866,873** | **480,580** | **(70,589)** | **14,480** |
| Albania | 77,122 | 57,321 | 27,269 | (4,311) | 1,241 |
| Bosnia and Herzegovina | 113,877 | 67,717 | 40,601 | (9,503) | 1,316 |
| Bulgaria | 176,440 | 113,706 | 72,883 | (7,003) | 2,633 |
| Croatia | 204,764 | 121,627 | 58,971 | (1,431) | 1,860 |
| Kosovo | 55,537 | 43,834 | 20,734 | (2,317) | 862 |
| Romania | 559,556 | 374,284 | 199,804 | (38,495) | 4,987 |
| Serbia | 149,128 | 88,280 | 60,305 | (7,529) | 1,581 |
| **Eastern Europe** | **1,736,789** | **1,142,457** | **939,889** | **(204,794)** | **18,356** |
| Belarus | 157,105 | 103,361 | 82,343 | (21,524) | 1,746 |
| Russia | 1,201,657 | 788,853 | 642,643 | (144,957) | 8,819 |
| Ukraine | 378,027 | 250,250 | 214,902 | (38,313) | 7,791 |
| **Austria and other** | **2,009,098** | **511,272** | **716,259** | **(11,566)** | **4,122** |
| Reconciliation | (894,441) | 61,282 | (771,931) | (3,534) | 0 |
| **Total** | **5,475,349** | **3,412,067** | **1,766,786** | **(402,186)** | **46,873** |

| 2018<br>in € thousand | Operating income[1] | hereof net interest income | Profit/loss before tax | Income taxes | Number of employees as of reporting date |
|---|---|---|---|---|---|
| **Central Europe** | **1,521,965** | **964,813** | **446,913** | **(100,604)** | **9,692** |
| Poland | 326,260 | 205,325 | (136) | (17,192) | 196 |
| Slovakia | 462,114 | 288,781 | 162,029 | (34,836) | 3,995 |
| Slovenia | 4,586 | 335 | 2,567 | (313) | 10 |
| Czech Republic | 497,064 | 337,618 | 199,304 | (38,368) | 3,402 |
| Hungary | 232,225 | 132,577 | 83,149 | (9,895) | 2,089 |
| **Southeastern Europe** | **1,297,258** | **814,192** | **525,162** | **(73,495)** | **14,646** |
| Albania | 69,577 | 55,162 | 30,620 | (3,475) | 1,226 |
| Bosnia and Herzegovina | 110,107 | 67,526 | 47,771 | (5,030) | 1,358 |
| Bulgaria | 163,822 | 103,358 | 72,161 | (6,924) | 2,589 |
| Croatia | 202,273 | 124,679 | 55,397 | (9,675) | 1,982 |
| Kosovo | 54,243 | 42,404 | 23,179 | (2,594) | 839 |
| Romania | 549,867 | 336,137 | 230,600 | (37,166) | 5,115 |
| Serbia | 147,431 | 84,843 | 65,432 | (8,630) | 1,537 |
| **Eastern Europe** | **1,528,901** | **1,021,629** | **855,195** | **(171,222)** | **18,750** |
| Belarus | 145,593 | 90,314 | 81,518 | (16,969) | 1,829 |
| Russia | 1,059,653 | 711,667 | 573,057 | (117,770) | 8,998 |
| Ukraine | 323,654 | 219,642 | 200,620 | (36,483) | 7,923 |
| **Austria and other** | **1,855,978** | **502,760** | **613,808** | **(10,053)** | **3,991** |
| Reconciliation | (826,776) | 58,352 | (687,747) | (2) | 0 |
| **Total** | **5,377,325** | **3,361,746** | **1,753,331** | **(355,377)** | **47,079** |

1 Current income from investments in associates, which was previously presented in the other result item, is now presented under operating income.

## (61) Foreign assets/liabilities

Assets and liabilities with counterparties outside Austria pursuant to Section 64 (1) 2 of the Austrian Banking Act (BWG) were as follows:

| in € thousand | 2019 | 2018 |
|---|---|---|
| Assets | 118,789,898 | 110,196,915 |
| Liabilities | 85,995,038 | 77,209,870 |

## (62) Volume of the securities trading book

The following table was prepared pursuant to Section 64 (1) 15 of the Austrian Banking Act (BWG).

| in € thousand | 2019 | 2018 |
|---|---|---|
| Securities | 5,425,962 | 4,946,589 |
| Other financial instruments | 165,844,926 | 151,182,477 |
| **Total** | **171,270,888** | **156,129,066** |

## (63) Securities admitted for trading on a stock exchange

The following table was prepared pursuant to Section 64 (1) 10 of the Austrian Banking Act (BWG).

| in € thousand | 2019 Listed | 2019 Unlisted | 2018 Listed | 2018 Unlisted |
|---|---|---|---|---|
| Bonds, notes and other fixed-interest securities | 13,675,565 | 798,228 | 15,393,333 | 865,206 |
| Shares and other variable-yield securities | 346,603 | 61,086 | 171,621 | 44,992 |
| Investments | 1,348 | 227,047 | 674 | 309,834 |
| **Total** | **14,023,517** | **1,086,361** | **15,565,628** | **1,220,031** |

## (64) Subordinated assets

The following table was prepared pursuant to Section 45 (2) of the Austrian Banking Act (BWG).

| in € thousand | 2019 | 2018 |
|---|---|---|
| Loans and advances | 148,543 | 4,114 |
| Debt securities | 142,453 | 146,474 |
| **Total** | **290,996** | **150,587** |

## (65) Related parties

The main companies exercising a significant influence are Raiffeisenlandesbank Niederösterreich-Wien AG, Vienna, as the largest single shareholder, its parent company, Raiffeisen-Holding Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, Vienna, and their fully consolidated subsidiaries. Under affiliated companies, affiliated companies that are not consolidated due to immateriality are shown.

Transactions with related parties (companies and individuals) are limited to banking business transactions that are carried out at fair market conditions. Disclosures on related parties (individuals) are reported under (67) Relations to key management.

| 2019<br>in € thousand | Companies with significant influence | Affiliated companies | Investments in associates valued at equity | Other interests |
|---|---|---|---|---|
| **Selected financial assets** | **8,855** | **558,384** | **1,146,213** | **668,690** |
| Equity instruments | 0 | 270,134 | 836,406 | 228,616 |
| Debt securities | 6,041 | 0 | 56,077 | 12,181 |
| Loans and advances | 2,814 | 288,250 | 253,730 | 427,894 |
| **Selected financial liabilities** | **2,134,436** | **94,281** | **4,374,900** | **528,260** |
| Deposits | 2,134,436 | 94,281 | 4,374,900 | 528,260 |
| Debt securities issued | 0 | 0 | 0 | 0 |
| **Other items** | **168,763** | **60,207** | **251,463** | **124,628** |
| Loan commitments, financial guarantees and other commitments given | 162,009 | 60,207 | 221,697 | 124,628 |
| Loan commitments, financial guarantees and other commitments received | 6,754 | 0 | 29,766 | 0 |

| 2018<br>in € thousand | Companies with significant influence | Affiliated companies | Investments in associates valued at equity | Other interests |
|---|---|---|---|---|
| **Selected financial assets** | **200,643** | **439,490** | **1,792,068** | **689,754** |
| Equity instruments | 0 | 199,211 | 765,001 | 266,142 |
| Debt securities | 13,612 | 154 | 44,003 | 12,148 |
| Loans and advances | 187,031 | 240,125 | 983,063 | 411,465 |
| **Selected financial liabilities** | **2,000,473** | **107,033** | **4,849,048** | **472,000** |
| Deposits | 2,000,473 | 106,154 | 4,849,048 | 472,000 |
| Debt securities issued | 0 | 879 | 0 | 0 |
| **Other items** | **186,512** | **44,836** | **499,534** | **131,777** |
| Loan commitments, financial guarantees and other commitments given | 166,922 | 44,712 | 468,650 | 107,970 |
| Loan commitments, financial guarantees and other commitments received | 19,589 | 124 | 30,883 | 23,806 |

| 2019<br>in € thousand | Companies with significant influence | Affiliated companies | Investments in associates valued at equity | Other interests |
|---|---|---|---|---|
| Interest income | 7,140 | 4,721 | 7,773 | 6,819 |
| Interest expenses | (13,824) | (1,186) | (27,907) | (2,567) |
| Dividend income | 0 | 11,595 | 41,127 | 2,451 |
| Fee and commission income | 4,986 | 6,136 | 10,175 | 5,764 |
| Fee and commission expenses | (2,151) | (13,946) | (7,097) | (1,979) |

| 2018<br>in € thousand | Companies with significant influence | Affiliated companies | Investments in associates valued at equity | Other interests |
|---|---|---|---|---|
| Interest income | 21,340 | 6,067 | 9,706 | 17,473 |
| Interest expenses | (36,960) | (2,483) | (29,774) | (3,197) |
| Dividend income | 0 | 12,226 | 79,767 | 4,771 |
| Fee and commission income | 2,884 | 25,922 | 8,569 | 7,015 |
| Fee and commission expenses | (969) | (14,085) | (6,657) | (3,030) |

# (66) Staff

## Average number of staff

| Full-time equivalents | 2019 | 2018 |
|---|---|---|
| Salaried employees | 46,564 | 49,162 |
| Wage earners | 609 | 583 |
| **Total** | **47,173** | **49,745** |

| Full-time equivalents | 2019 | 2018 |
|---|---|---|
| Austria | 3,982 | 3,751 |
| Foreign | 43,191 | 45,994 |
| **Total** | **47,173** | **49,745** |

## Number of staff as at the reporting date

| Full-time equivalents | 2019 | 2018 |
|---|---|---|
| Austria | 4,049 | 3,910 |
| Foreign | 42,824 | 43,169 |
| **Total** | **46,873** | **47,079** |

## (67) Relations to key management

### Group relationship with key management

Key management refers to the members of the Management Board and the Supervisory Board of RBI AG. Transactions between key management and RBI are as follows (respective fair values):

| in € thousand | 2019 | 2018 |
|---|---|---|
| Sight deposits | 2,299 | 3,208 |
| Debt securities | 796 | 469 |
| Shares | 4,625 | 4,192 |
| Time deposits | 4,054 | 3,914 |
| Loans | 288 | 331 |
| Lease liabilities | 32 | 35 |

The following table shows transactions of related parties of key management to RBI:

| in € thousand | 2019 | 2018 |
|---|---|---|
| Shares | 4 | 4 |
| Other receivables | 373 | 337 |
| Time deposits | 65 | 68 |
| Loans | 2 | 5 |

There is no compensation agreed between the company and members of the Management Board and Supervisory Board or employees in the case of a takeover bid.

### Remuneration of members of the Management Board

The following table shows total remuneration of the members of the Management Board according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis and according to the rules of the underlying standards (IAS 19 and IFRS 2):

| in € thousand | 2019 | 2018 |
|---|---|---|
| Short-term employee benefits | 9,861 | 9,054 |
| Post-employment benefits | 728 | 2,050 |
| Other long-term benefits | 7,698 | 7,794 |
| Share-based Payment | 0 | 399 |
| **Total** | **18,287** | **19,297** |

In the previous year, shares were allocated for the last time as part of share-based payment (IFRS 2). There are currently no share-based payment programs.

Short-term employee benefits shown in the above table contain salaries and benefits in kind and other benefits, remuneration for membership of boards in affiliated companies and those parts of the bonuses which become due in the short term.

Furthermore, it also includes changes possibly arising from the difference between the bonus provision and the bonus later awarded. Post-employment benefits comprise payments to pension funds and payments according to Retirement Plan Act (Mitarbeitervorsorgegesetz), severance payments, leave compensation as well as net allocations to provisions for retirement benefits and severance payments.

Other long-term benefits contain portions of the provision for bonus payments relating to deferred bonus portions in cash and retained portions payable in instruments. For the latter, valuation changes due to currency fluctuations are taken into account.

Bonus calculation is linked to the achievement of annually agreed objectives. These comprise four or five categories covering specific targets and financial targets adapted to the respective function. These are, for example, profit after tax in a particular segment, return on risk adjusted capital (RORAC), total costs, risk-weighted assets, customer-oriented and employee-oriented targets, as well as process-based, efficiency-based, and infrastructure targets, and if necessary other additional targets.

The bonus level is determined by the level of the return on equity and the cost/income ratio, whereby the target values to be achieved reflect the so-called strategic targets for the return on equity an the cost/income ratio at RBI level.

An amount of € 1,137 thousand (2018: € 1,142 thousand) was paid in pension benefits to former members of the Management Board and to their surviving dependants. In addition to these amounts, short-term benefits and deferred bonus components totaling € 1,346 thousand (2018: € 3,258 thousand) were paid to former members of the Management Board.

#### Remuneration of members of the Supervisory Board

| in € thousand | 2019 | 2018[1] |
|---|---|---|
| Remuneration Supervisory Board | 1,069 | 1,060 |

1 Adjustment of the previous year's figure (€ 965 thousand) to the remuneration actually paid

The Annual General Meeting held on 21 June 2018 approved a new remuneration model for the Supervisory Board, beginning in the 2017 financial year. It was decided to distribute the remuneration as follows: Chairman € 120 thousand, Deputy Chairman € 90 thousand, members of the Supervisory Board € 60 thousand, plus attendance fees.

In the 2019 financial year, no contracts subject to approval within the meaning of Section 95 (5) 12 of the Austrian Stock Corporation Act (AktG) were concluded with members of the Supervisory Board.

#### Remuneration of members of the Advisory Council

| in € thousand | 2019 | 2018[1] |
|---|---|---|
| Remuneration Advisory Council | 202 | 198 |

1 Adjustment of the previous year's figure (€ 104 thousand) to the remuneration actually paid

The Annual General Meeting held on 21 June 2018 passed a resolution to grant remuneration to the Advisory Council members for their work. It was decided to distribute the remuneration as follows: Chairman € 25 thousand, Deputy Chairman € 20 thousand, each additional member € 15 thousand, plus attendance fees.

## (68) Management Board

## Board

The Management Board as at 31 December 2019 was as follows:

| Members of the Management Board | First assignment | End of period |
|---|---|---|
| Johann Strobl, Chairman | 22 September 2010[1] | 28 February 2022 |
| Martin Grüll | 3 January 2005 | 28 February 2020[2] |
| Andreas Gschwenter | 1 July 2015 | 30 June 2023 |
| Lukasz Januszewski | 1 March 2018 | 28 February 2021 |
| Peter Lennkh | 1 October 2004 | 31 December 2020 |
| Hannes Mösenbacher | 18 March 2017 | 28 February 2025 |
| Andrii Stepanenko | 1 March 2018 | 28 February 2021 |

1 Effective as of 10 October 2010
2 The number of members of RBI AG's Management Board will be reduced from seven to six when Martin Grüll's Management Board mandate expires at the end of February 2020. The Management Board areas of responsibility will be reorganized in a way that aims to exploit opportunities to streamline the organization.

# Supervisory Board

The Supervisory Board as at 31 December 2019 was as follows:

| Members of the Supervisory Board | First assignment | End of period |
|---|---|---|
| Erwin Hameseder, Chairman | 8 July 2010[1] | AGM 2020 |
| Martin Schaller, 1st Deputy Chairman | 4 June 2014 | AGM 2024 |
| Heinrich Schaller, 2nd Deputy Chairman | 20 June 2012 | AGM 2022 |
| Klaus Buchleitner | 26 June 2013 | AGM 2020 |
| Peter Gauper | 22 June 2017 | AGM 2022 |
| Wilfried Hopfner | 22 June 2007 | AGM 2022 |
| Rudolf Könighofer | 22 June 2017 | AGM 2022 |
| Johannes Ortner | 22 June 2017 | AGM 2022 |
| Günther Reibersdorfer | 20 June 2012 | AGM 2022 |
| Eva Eberhartinger | 22 June 2017 | AGM 2022 |
| Andrea Gaal | 21 June 2018 | AGM 2023 |
| Birgit Noggler | 22 June 2017 | AGM 2022 |
| Rudolf Kortenhof[2] | 10 October 2010 | Until further notice |
| Peter Anzeletti-Reikl[2] | 10 October 2010 | Until further notice |
| Gebhard Muster[2] | 22 June 2017 | Until further notice |
| Sigrid Netzker[2] | 1 January 2019 | Until 31 December 2019 |
| Helge Rechberger[2] | 10 October 2010 | Until further notice |
| Suanne Unger[2] | 16 February 2012 | Until further notice |

1 Effective as of 10 October 2010.
2 Delegated by the Staff Council

Sigrid Netzker took over Natalie Egger-Grunicke's Supervisory Board functions for one year starting on 1 January 2019. Natalie Egger-Grunicke reassumed her Supervisory Board functions on 1 January 2020.

### State Commissioners

- Alfred Lejsek, State Commissioner (since 1 January 2011)
  Anton Matzinger, Deputy State Commissioner (since 1 April 2011)

# (69) Group composition

## Consolidated Group

| Number of units | Fully consolidated 2019 | 2018 |
|---|---|---|
| **As at beginning of period** | **226** | **236** |
| Included for the first time in the financial period | 4 | 9 |
| Merged in the financial period | (4) | (2) |
| Excluded in the financial period | (17) | (17) |
| **As at end of period** | **209** | **226** |

Of the 209 entities in the Group, 115 are domiciled in Austria (2018: 120) and 94 abroad (2018: 106). They comprise 20 banks, 134 financial institutions, 11 companies rendering bank-related ancillary services, 9 financial holding companies and 35 other companies.

In the period under review, four real estate companies were consolidated for the first time while twelve companies, primarily from the leasing and real estate sector, were removed from the consolidated group due to their minor significance. One leasing company and three real estate companies were sold, and one financial institution was shut down. In the period under review, two investment holdings, a financial institution and one company categorized as other were merged.

## Included units

| Company, domicile (country) | Share | Included as of | Reason |
|---|---|---|---|
| **Other companies** | | | |
| Campus NBhf RBI Immobilien-Leasing GmbH, Vienna (AT) | 75.0% | 1/1 | Materiality |
| Esterhazy Real Estate s.r.o., Bratislava (SK) | 100.0% | 1/4 | Materiality |
| Anton Proksch Institut Kalksburg RBI Immobilien Leasing GmbH, Vienna (AT) | 75.0% | 1/12 | Materiality |
| Raiffeisen WohnBau Seeresidenz Weyregg GmbH, Vienna (AT) | 100.0% | 1/12 | Materiality |

## Excluded units

| Company, domicile (country) | Share | Excluded as of | Reason |
|---|---|---|---|
| **Financial institutions** | | | |
| Abakus Immobilienleasing GmbH & Co Projekt Leese KG, Eschborn (DE) | 6.0% | 1/9 | Materiality |
| BUILDING BUSINESS CENTER DOO NOVI SAD, Novi Sad (RS) | 100.0% | 1/1 | Materiality |
| EPPA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT) | 100.0% | 1/11 | Sale |
| FWR Russia Funding B.V., Amsterdam (NL) | <0.1% | 1/1 | Materiality |
| IGNIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 100.0% | 1/1 | Materiality |
| Lexxus Services Holding GmbH, Vienna (AT) | 100.0% | 1/6 | Merger |
| MOBIX Raiffeisen-Mobilien-Leasing AG, Vienna (AT) | 100.0% | 1/1 | Materiality |
| MOBIX Vermögensverwaltungsges.m.b.H., Vienna (AT) | 100.0% | 1/1 | Materiality |
| Raiffeisen Factoring Ltd., Zagreb (HR) | 100.0% | 1/11 | Merger |
| RB International Finance (Hong Kong) Ltd., Hong Kong (HK) | 100.0% | 1/4 | End of operations |
| RL Hotel Palace Wien Besitz GmbH, Vienna (AT) | 99.0% | 1/11 | Materiality |
| RL-Lamda s.r.o., Bratislava (SK) | 100.0% | 1/1 | Materiality |
| **Financial holdings** | | | |
| Raiffeisen-RBHU Holding GmbH, Vienna (AT) | 100.0% | 1/10 | Merger |
| **Companies rendering bank-related ancilliary services** | | | |
| Bulevard Centar BBC Holding d.o.o., Belgrade (RS) | 100.0% | 1/1 | Materiality |
| Park City real estate Holding d.o.o., Novi Sad (RS) | 100.0% | 1/1 | Materiality |
| S.C. PLUSFINANCE ESTATE 1 S.R.L., Bucharest (RO) | 100.0% | 1/1 | Materiality |
| **Other companies** | | | |
| CARNUNTUM Immobilienleasing GmbH, Eschborn (DE) | 100.0% | 1/6 | Materiality |
| Esterhazy Real Estate s.r.o., Bratislava (SK) | 100.0% | 1/6 | Merger |
| KHD a.s., Prague (CZ) | <0.1 | 1/6 | Sale |
| MP Real Invest a.s., Bratislava (SK) | 100.0% | 1/11 | Sale |
| RLX Dvorak S.A., Luxembourg (LU) | <0.1 | 1/6 | Sale |

## Consolidated subsidiaries where RBI holds less than 50 per cent of the ordinary voting shares

Subsidiaries in which the Group holds less than half of the voting rights are fully consolidated if RBI has effective control according to the criteria of IFRS 10. This involves examining whether the Group is exposed or has rights to variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee.

Structured units have been designed in such a way that voting rights or other similar rights are not the dominant factor in establishing control of a company.

The Group has a number of leasing companies in the legal form of a GmbH & Co KG, in which a Group company assumes the role of general partner. Through this structure, the Group assumes the requisite personal liability which qualifies as exposure to the variability of the returns generated by the structured companies. These companies are included in the list of fully consolidated affiliated companies.

## Subsidiaries not fully consolidated where RBI holds more than 50 per cent of the ordinary voting shares

Due to their negligible contribution to the Group's assets, earnings and financial position, 309 subsidiaries were not included in the consolidated financial statements (2018: 312). Total assets of the companies not included came to less than 1 per cent of the Group's total assets.

# List of fully consolidated affiliated companies

| Company, domicile (country) | Subscribed capital[1] in local currency | | Share[1] | Type[2] |
|---|---|---|---|---|
| "Raiffeisen-Rent" Vermögensberatung und Treuhand Gesellschaft m.b.H., Vienna (AT) | 364,000 | EUR | 100.0% | FI |
| Abade Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | FI |
| Abade Immobilienleasing GmbH & Co Projekt Lauterbach KG, Eschborn (DE) | 5,000 | EUR | 6.0% | FI |
| Abura Immobilienleasing GmbH & Co. Projekt Seniorenhaus Boppard KG, Eschborn (DE) | 5,000 | EUR | 6.0% | FI |
| Achat Immobilien GmbH & Co. Projekt Hochtaunus-Stift KG, Eschborn (DE) | 10,000 | EUR | 1.0% | FI |
| Acridin Immobilienleasing GmbH & Co. Projekt Marienfeld KG, Eschborn (DE) | 5,000 | EUR | 100.0% | FI |
| Adagium Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | FI |
| Adamas Immobilienleasing GmbH & Co. Projekt Pflegeheim Werdau KG, Eschborn (DE) | 5,000 | EUR | 100.0% | FI |
| Adiantum Immobilienleasing GmbH & Co. Projekt Schillerhöhe Weimar KG, Eschborn (DE) | 5,000 | EUR | 6.0% | FI |
| Adipes Immobilienleasing GmbH & Co. Projekt Bremervörde KG, Frankfurt am Main (DE) | 5,000 | EUR | 100.0% | FI |
| Adorant Immobilienleasing GmbH & Co. Projekt Heilsbronn und Neuendettelsau KG, Eschborn (DE) | 5,000 | EUR | 6.0% | OT |
| Ados Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 75.0% | FI |
| Adrittura Immobilienleasing GmbH & Co. Projekt Eiching KG, Eschborn (DE) | 5,000 | EUR | 70.0% | OT |
| Aedificium Banca pentru Locuinte S.A., Bucharest (RO) | 131,074,560 | RON | 99.9% | BA |
| Agamemnon Immobilienleasing GmbH & Co. Projekt Pflegeheim Freiberg KG, Eschborn (DE) | 5,000 | EUR | 100.0% | FI |
| AGIOS Raiffeisen-Immobilien Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 51.0% | FI |
| AKRISIOS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| AL Taunussteiner Grundstücks-GmbH & Co KG, Eschborn (DE) | 10,000 | EUR | 88.0% | FI |
| A-Leasing SpA, Treviso (IT) | 68,410,000 | EUR | 100.0% | FI |
| AMYKOS RBI Leasing-Immobilien GmbH, Vienna (AT) | 35,000 | EUR | 75.0% | FI |
| Anton Proksch Institut Kalksburg RBI Immobilien Leasing GmbH, Vienna (AT) | 35,000 | EUR | 75.0% | OT |
| AO Raiffeisenbank, Moscow (RU) | 36,711,260,000 | RUB | 100.0% | BA |
| ARCANA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| A-Real Estate S.p.A., Bozen (IT) | 390,000 | EUR | 100.0% | FI |
| Austria Leasing Beteiligungsgesellschaft mbH, Eschborn (DE) | 25,000 | EUR | 100.0% | FI |
| Austria Leasing GmbH, Eschborn (DE) | 1,000,000 | EUR | 100.0% | FI |
| Austria Leasing GmbH & Co. Immobilienverwaltung Projekt Hannover KG, Eschborn (DE) | 10,000 | EUR | 100.0% | FI |
| B52 RBI Leasing-Immobilien GmbH, Vienna (AT) | 35,000 | EUR | 75.0% | OT |
| BAILE Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT) | 40,000 | EUR | 100.0% | FI |
| Baumgartner Höhe RBI Leasing-Immobilien GmbH, Vienna (AT) | 35,000 | EUR | 75.0% | FI |
| Burgenländische Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| Campus NBhf RBI Immobilien-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 75.0% | OT |
| Canopa Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| CERES Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| CINOVA RBI Leasing-Immobilien GmbH, Vienna (AT) | 35,000 | EUR | 75.0% | FI |
| CJSC Mortgage Agent Raiffeisen 01, Moscow (RU) | 10,000 | RUB | <0.1% | BR |
| CP Inlandsimmobilien-Holding GmbH, Vienna (AT) | 364,000 | EUR | 100.0% | OT |
| CUPIDO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| DOROS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| ETEOKLES Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| Expo 2000 Real Estate EOOD, Sofia (BG) | 10,000 | BGN | 100.0% | OT |
| FCC Office Building SRL, Bucharest (RO) | 30,298,500 | RON | 100.0% | BR |
| FEBRIS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| Floreasca City Center Verwaltung Kft., Budapest (HU) | 42,000 | HUF | 100.0% | FI |
| FMK Fachmarktcenter Kohlbruck Betriebs GmbH, Eschborn (DE) | 30,678 | EUR | 94.5% | OT |
| FMZ PRIMUS Ingatlanfejlesztö Kft., Budapest (HU) | 11,077 | EUR | 100.0% | OT |
| GENO Leasing Ges.m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| GTNMS RBI Immobilien-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 75.0% | OT |
| HABITO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| Health Resort RBI Immobilien-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 75.0% | FI |

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

| Company, domicile (country) | Subscribed capital[1] in local currency | | Share[1] | Type[2] |
|---|---|---|---|---|
| Infrastruktur Heilbad Sauerbrunn RBI-Leasing GmbH & Co.KG., Bad Sauerbrunn (AT) | 3,511,788 | EUR | 75.0% | FI |
| Invest Vermögensverwaltungs-GmbH, Vienna (AT) | 73,000 | EUR | 100.0% | OT |
| JLLC "Raiffeisen-leasing", Minsk (BY) | 430,025 | BYN | 91.4% | FI |
| Kathrein Privatbank Aktiengesellschaft, Vienna (AT) | 20,000,000 | EUR | 100.0% | BA |
| KAURI Handels und Beteiligungs GmbH, Vienna (AT) | 50,000 | EUR | 88.0% | FI |
| Kiinteistö Oy Rovaniemen tietotekniikkakeskus, Helsinki (FI) | 100,000 | EUR | 100.0% | FI |
| Kiinteistö Oy Seinäjoen Joupinkatu 1, Helsinki (FI) | 100,000 | EUR | 100.0% | FI |
| KONEVOVA s.r.o., Prague (CZ) | 50,000,000 | CZK | 97.5% | BR |
| LARENTIA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| Lentia Immobilienleasing GmbH & Co. Albert-Osswald-Haus KG, Eschborn (DE) | 5,000 | EUR | 6.0% | FI |
| Limited Liability Company Raiffeisen Leasing Aval, Kiev (UA) | 1,240,152,866 | UAH | 72.3% | FI |
| LLC "ARES Nedvizhimost", Moscow (RU) | 10,000 | RUB | 50.0% | BR |
| LYRA Raiffeisen Immobilien Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| Niederösterreichische Landes-Landwirtschaftskammer Errichtungs- und Betriebsgesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| Objekt Linser Areal Immoblilienerrichtungs GmbH & Co. KG, Vienna (AT) | 1,000 | EUR | 100.0% | OT |
| OOO Raiffeisen-Leasing, Moscow (RU) | 1,071,000,000 | RUB | 100.0% | FI |
| Orestes Immobilienleasing GmbH & Co. Projekt Wiesbaden KG, Eschborn (DE) | 5,000 | EUR | 6.0% | FI |
| Ostarrichi Immobilienleasing GmbH & Co. Projekt Langenbach KG, Eschborn (DE) | 5,000 | EUR | 100.0% | FI |
| PELIAS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| PERSES RBI Leasing-Immobilien GmbH, Vienna (AT) | 35,000 | EUR | 75.0% | FI |
| PLANA Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| Priorbank JSC, Minsk (BY) | 86,147,909 | BYN | 87.7% | BA |
| Propria Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 90.0% | FI |
| R Karpo Immobilien Linie S.R.L., Bucharest (RO) | 200 | RON | 100.0% | OT |
| R.P.I. Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT) | 36,336 | EUR | 100.0% | FI |
| Raiffeisen Bank Aval JSC, Kiev (UA) | 6,154,516,258 | UAH | 68.2% | BA |
| Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo (BA) | 247,167,000 | BAM | 100.0% | BA |
| Raiffeisen Bank Kosovo J.S.C., Pristina (KO) | 63,000,000 | EUR | 100.0% | BA |
| Raiffeisen Bank S.A., Bucharest (RO) | 1,200,000,000 | RON | 99.9% | BA |
| Raiffeisen Bank Sh.a., Tirana (AL) | 14,178,593,030 | ALL | 100.0% | BA |
| Raiffeisen Bank Zrt., Budapest (HU) | 50,000,090,000 | HUF | 100.0% | BA |
| Raiffeisen banka a.d., Belgrade (RS) | 27,466,157,580 | RSD | 100.0% | BA |
| Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (AT) | 35,000,000 | EUR | 100.0% | BA |
| Raiffeisen Bausparkassen Holding GmbH, Vienna (AT) | 10,000,000 | EUR | 100.0% | FH |
| Raiffeisen Burgenland Leasing GmbH, Vienna (AT) | 38,000 | EUR | 100.0% | FI |
| Raiffeisen CEE Region Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FH |
| Raiffeisen Centrobank AG, Vienna (AT) | 47,598,850 | EUR | 100.0% | BA |
| Raiffeisen CIS Region Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FH |
| Raiffeisen consulting d.o.o., Zagreb (HR) | 105,347,000 | HRK | 100.0% | OT |
| Raiffeisen Corporate Leasing GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| Raiffeisen Corporate Lízing Zrt., Budapest (HU) | 50,100,000 | HUF | 100.0% | FI |
| Raiffeisen Factor Bank AG, Vienna (AT) | 10,000,000 | EUR | 100.0% | FI |
| Raiffeisen FinCorp, s.r.o., Prague (CZ) | 200,000 | CZK | 75.0% | FI |
| Raiffeisen Immobilienfonds, Vienna (AT) | 0 | EUR | 96.5% | FI |
| Raiffeisen International Invest Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| Raiffeisen International Liegenschaftsbesitz GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT) | 15,000,000 | EUR | 100.0% | FI |
| Raiffeisen Leasing Bulgaria EOOD, Sofia (BG) | 35,993,000 | BGN | 100.0% | FI |
| Raiffeisen Leasing d.o.o., Belgrade (RS) | 226,355,000 | RSD | 100.0% | FI |
| Raiffeisen Leasing d.o.o., Ljubljana (SI) | 3,738,107 | EUR | 100.0% | FI |

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

| Company, domicile (country) | Subscribed capital[1] in local currency | | Share[1] | Type[2] |
|---|---|---|---|---|
| Raiffeisen Leasing d.o.o. Sarajevo, Sarajevo (BA) | 15,405,899 | BAM | 100.0% | FI |
| Raiffeisen Leasing IFN S.A., Bucharest (RO) | 14,935,400 | RON | 99.9% | FI |
| Raiffeisen Leasing Kosovo LLC, Pristina (KO) | 642,857 | EUR | 100.0% | FI |
| Raiffeisen Leasing sh.a., Tirana (AL) | 263,520,134 | ALL | 100.0% | FI |
| Raiffeisen Leasing-Projektfinanzierung Gesellschaft m.b.H., Vienna (AT) | 72,673 | EUR | 100.0% | FI |
| Raiffeisen Mandatory and Voluntary Pension Funds Management Company Plc., Zagreb (HR) | 143,445,300 | HRK | 100.0% | OT |
| Raiffeisen ÖHT Beteiligungs GmbH, Vienna (AT) | 35,000 | EUR | 88.0% | FI |
| Raiffeisen Pension Insurance d.d., Zagreb (HR) | 23,100,000 | HRK | 100.0% | VV |
| Raiffeisen Property Holding International GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| Raiffeisen Property International GmbH, Vienna (AT) | 40,000 | EUR | 100.0% | OT |
| Raiffeisen Property Management GmbH, Vienna (AT) | 40,000 | EUR | 100.0% | OT |
| Raiffeisen Rehazentrum Schruns Immobilienleasing GmbH, Vienna (AT) | 36,400 | EUR | 51.0% | FI |
| Raiffeisen Rent DOO, Belgrade (RS) | 243,099,913 | RSD | 100.0% | OT |
| Raiffeisen RS Beteiligungs GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FH |
| Raiffeisen SEE Region Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FH |
| Raiffeisen stambena stedionica d.d., Zagreb (HR) | 180,000,000 | HRK | 100.0% | BA |
| Raiffeisen stavebni sporitelna a.s., Prague (CZ) | 650,000,000 | CZK | 97.5% | BA |
| Raiffeisen WohnBau Seeresidenz Weyregg GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| Raiffeisen WohnBau Tirol GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| Raiffeisen WohnBau Vienna GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| Raiffeisen WohnBau Wien GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| Raiffeisen Wohnbaubank Aktiengesellschaft, Vienna (AT) | 5,100,000 | EUR | 100.0% | FI |
| Raiffeisen-Anlagenvermietung Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| Raiffeisenbank (Bulgaria) EAD, Sofia (BG) | 603,447,952 | BGN | 100.0% | BA |
| Raiffeisenbank a.s., Prague (CZ) | 11,060,800,000 | CZK | 75.0% | BA |
| Raiffeisenbank Austria d.d., Zagreb (HR) | 3,621,432,000 | HRK | 100.0% | BA |
| Raiffeisen-Gemeindegebäudeleasing Gesellschaft m.b.H., Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| Raiffeisen-Invest-Gesellschaft m.b.H., Vienna (AT) | 40,000 | EUR | 100.0% | FI |
| Raiffeisen-Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| Raiffeisen-Leasing Beteiligung GesmbH, Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| Raiffeisen-Leasing d.o.o., Zagreb (HR) | 30,000,000 | HRK | 100.0% | FI |
| Raiffeisen-Leasing Equipment Finance GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| Raiffeisen-Leasing Finanzierungs GmbH, Vienna (AT) | 5,000,000 | EUR | 100.0% | FI |
| Raiffeisen-Leasing Fuhrparkmanagement Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | OT |
| Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT) | 363,364 | EUR | 100.0% | FI |
| Raiffeisen-Leasing Immobilienmanagement Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| Raiffeisen-Leasing International Gesellschaft m.b.H., Vienna (AT) | 36,336 | EUR | 100.0% | FI |
| Raiffeisen-Leasing Lithuania UAB, Vilnius (LT) | 100,000 | EUR | 92.3% | FI |
| Raiffeisen-Leasing, s.r.o., Prague (CZ) | 450,000,000 | CZK | 75.0% | FI |
| Raiffeisen-Rent Immobilienprojektentwicklung Gesellschaft m.b.H. Objekt Wallgasse 12 KG, Vienna (AT) | 4,886,449 | EUR | 100.0% | OT |
| Raiffeisen-Rent-Immobilienprojektentwicklung Gesellschaft m.b.H., Objekt Lenaugasse 11 KG, Vienna (AT) | 6,169,924 | EUR | 100.0% | OT |
| RALT Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT) | 218,500 | EUR | 100.0% | FI |
| RALT Raiffeisen-Leasing Gesellschaft m.b.H. & Co. KG, Vienna (AT) | 20,348,394 | EUR | 100.0% | BR |
| RAN vierzehn Raiffeisen-Anlagevermietung GmbH, Vienna (AT) | 36,336 | EUR | 100.0% | FI |
| RAN zehn Raiffeisen-Anlagenvermietung Gesellschaft m.b.H., Vienna (AT) | 36,336 | EUR | 100.0% | FI |
| RB International Markets (USA) LLC, New York (US) | 8,000,000 | USD | 100.0% | FI |
| RBI KI Beteiligungs GmbH, Vienna (AT) | 48,000 | EUR | 100.0% | FH |
| RBI Beteiligungs GmbH, Vienna (AT) | 100,000 | EUR | 100.0% | FH |
| RBI eins Leasing Holding GmbH, Vienna (AT) | 35,000 | EUR | 75.0% | FI |

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

| Company, domicile (country) | Subscribed capital[1] in local currency | | Share[1] | Type[2] |
|---|---|---|---|---|
| RBI IB Beteiligungs GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FH |
| RBI Invest GmbH, Vienna (AT) | 500,000 | EUR | 100.0% | FH |
| RBI ITS Leasing-Immobilien GmbH, Vienna (AT) | 35,000 | EUR | 75.0% | FI |
| RBI LEA Beteiligungs GmbH, Vienna (AT) | 70,000 | EUR | 100.0% | FI |
| RBI Leasing GmbH, Vienna (AT) | 100,000 | EUR | 75.0% | FI |
| RBI LGG Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| RBI PE Handels- und Beteiligungs GmbH, Vienna (AT) | 150,000 | EUR | 100.0% | FI |
| RBI Vajnoria spol.s.r.o., Bratislava (SK) | 5,000 | EUR | 75.0% | FI |
| Realplan Beta Liegenschaftsverwaltung Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| REC Alpha LLC, Kiev (UA) | 1,596,843,204 | UAH | 100.0% | BR |
| Regional Card Processing Center s.r.o., Bratislava (SK) | 539,465 | EUR | 100.0% | BR |
| RIL VII Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| RIL XIV Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| RIRE Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| RL Anlagenvermietung Gesellschaft m.b.H., Eschborn (DE) | 50,000 | DEM | 100.0% | FI |
| RL Grundstückverwaltung Klagenfurt-Süd GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| RL LUX Holding S.a.r.l., Luxembourg (LU) | 12,500 | EUR | 100.0% | OT |
| RL Retail Holding GmbH, Vienna (AT) | 36,000 | EUR | 100.0% | FI |
| RL Thermal Beteiligungen GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| RL Thermal GmbH, Vienna (AT) | 36,336 | EUR | 100.0% | FI |
| RL Thermal GmbH & Co Liegenschaftsverwaltung KG, Vienna (AT) | 1,453,457 | EUR | 100.0% | FI |
| RL-ALPHA Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| RLI Holding Gesellschaft m.b.H., Vienna (AT) | 40,000 | EUR | 100.0% | FI |
| RL-Mörby AB, Stockholm (SE) | 100,000 | SEK | 100.0% | FI |
| RL-Nordic AB, Stockholm (SE) | 50,000,000 | SEK | 100.0% | FI |
| RL-Nordic OY, Helsinki (FI) | 100,000 | EUR | 100.0% | FI |
| RL-Pro Auxo Sp.z.o.o., Warsaw (PL) | 50,000 | PLN | 100.0% | FI |
| RL-PROMITOR Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| RL-PROMITOR Sp. z.o.o., Warsaw (PL) | 50,000 | PLN | 100.0% | OT |
| ROOF Smart S.A., Luxembourg (LU) | 1 | EUR | <0.1% | FI |
| RUBRA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| RZB - BLS Holding GmbH, Vienna (AT) | 500,000 | EUR | 100.0% | FI |
| RZB Finance (Jersey) III Ltd, St. Helier (JE) | 1,000 | EUR | 100.0% | FI |
| RZB Versicherungsbeteiligung GmbH, Vienna (AT) | 500,000 | EUR | 100.0% | FI |
| SALVELINUS Handels- und Beteiligungsgesellschaft m.b.H, Vienna (AT) | 40,000 | EUR | 100.0% | FI |
| SAMARA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| SINIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| Sky Tower Immobilien- und Verwaltung Kft, Budapest (HU) | 43,000 | HUF | 100.0% | OT |
| Skytower Building SRL, Bucharest (RO) | 126,661,500 | RON | 100.0% | OT |
| SOLAR II Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| "S-SPV" d.o.o. Sarajevo, Sarajevo (BA) | 2,000 | BAM | 100.0% | OT |
| Styria Immobilienleasing GmbH & Co. Projekt Ahlen KG, Eschborn (DE) | 5,000 | EUR | 6.0% | FI |
| Tatra Asset Management, správ. spol., a.s., Bratislava (SK) | 1,659,700 | EUR | 78.8% | FI |
| Tatra banka, a.s., Bratislava (SK) | 64,326,228 | EUR | 78.8% | BA |
| Tatra Residence, a.s., Bratislava (SK) | 21,420,423 | EUR | 78.8% | BR |
| Tatra-Leasing, s.r.o., Bratislava (SK) | 6,638,785 | EUR | 78.8% | FI |
| THYMO Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,336 | EUR | 100.0% | FI |
| Ukrainian Processing Center PJSC, Kiev (UA) | 180,000 | UAH | 100.0% | BR |
| Unterinntaler Raiffeisen-Leasing GmbH & Co KG, Vienna (AT) | 36,336 | EUR | 100.0% | FI |
| URSA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

| Company, domicile (country) | Subscribed capital[1] in local currency | | Share[1] | Type[2] |
|---|---|---|---|---|
| Valida Holding AG, Vienna (AT) | 5,000,000 | EUR | 57.4% | FI |
| Valida Pension AG, Vienna (AT) | 10,200,000 | EUR | 57.4% | OT |
| Valida Plus AG, Vienna (AT) | 5,500,000 | EUR | 57.4% | FI |
| Viktor Property, s.r.o., Prague (CZ) | 200,000 | CZK | 75.0% | OT |
| Vindalo Properties Limited, Limassol (CY) | 67,998 | RUB | 100.0% | BR |
| Vindobona Immobilienleasing GmbH & Co. Projekt Autohaus KG, Eschborn (DE) | 5,000 | EUR | 6.0% | FI |
| WEGA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| ZHS Office- & Facilitymanagement GmbH, Vienna (AT) | 36,336 | EUR | 98.6% | BR |

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

## Structured units

The following tables show the carrying amounts of the financial assets and the financial liabilities to non-consolidated structured entities broken down by type of structured entity. The carrying amounts presented below do not reflect the true variability of returns faced by the Group as they do not take into account the effects of collateral or hedges.

### Assets

| 2019<br>in € thousand | Loans and advances | Equity instruments | Foreign exchange business | Derivatives |
|---|---|---|---|---|
| Securitization vehicles | 36,659 | 0 | 312,759 | 0 |
| Third party funding entities | 176,806 | 2,747 | 0 | 0 |
| Funds | 0 | 60,793 | 0 | 0 |
| **Total** | **213,465** | **63,540** | **312,759** | **0** |

| 2018<br>in € thousand | Loans and advances | Equity instruments | Foreign exchange business | Derivatives |
|---|---|---|---|---|
| Securitization vehicles | 228,577 | 0 | 350,926 | 0 |
| Third party funding entities | 252,740 | 2,712 | 0 | 0 |
| Funds | 0 | 12,625 | 0 | 0 |
| **Total** | **481,317** | **15,337** | **350,926** | **0** |

### Liabilities

| 2019<br>in € thousand | Deposits | Equity instruments | Debt securities issued | Derivatives |
|---|---|---|---|---|
| Securitization vehicles | 40 | 0 | 0 | 0 |
| Third party funding entities | 14,617 | 0 | 0 | 330 |
| Funds | 0 | 0 | 0 | 0 |
| **Total** | **14,658** | **0** | **0** | **330** |

| 2018<br>in € thousand | Deposits | Equity instruments | Debt securities issued | Derivatives |
|---|---|---|---|---|
| Securitization vehicles | 156 | 0 | 0 | 0 |
| Third party funding entities | 22,629 | 0 | 0 | 347 |
| Funds | 0 | 0 | 0 | 0 |
| **Total** | **22,786** | **0** | **0** | **347** |

## Nature, purpose and extent of the Group's interests in non-consolidated structured entities

The Group engages in various business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is one that has been set up so that any voting rights or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate only to administrative tasks and the relevant activities are directed by contractual arrangements.

A structured entity often has some or all of the following features or attributes:

- Restricted activities
- A narrow and well-defined objective
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support
- Financing in the form of the issue of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The principal uses of structured entities are to provide clients with access to specific portfolios of assets and to provide market liquidity for clients through securitizing financial assets. Structured entities may be established as corporations, trusts or partnerships. Structured entities generally finance the purchase of assets by issuing debt and equity securities that are collateralized by and/or indexed to the assets held by the structured entities.

Structured entities are consolidated when the substance of the relationship between the Group and the structured entities indicates that the structured entities are controlled by the Group.

Below is a description of the Group's investments in non-consolidated structured entities by type.

### Third party funding entities

The Group provides funding to structured entities that hold a variety of assets. These entities may take the form of funding entities, trusts and private investment companies. The funding is collateralized by the assets in the structured entities. The Group's investment activity involves predominantly lending.

### Securitization vehicles

The Group establishes securitization vehicles which purchase diversified pools of assets, including fixed income securities, company loans, and asset-backed securities (predominantly commercial and residential mortgage-backed securities and credit card receivables). The vehicles fund these purchases by issuing multiple tranches of debt and equity securities, the repayment of which is linked to the performance of the assets contained in the vehicles.

### Funds

The Group establishes structured entities to accommodate client requirements to hold investments in specific assets. The Group also invests in funds that are sponsored by third parties. A Group entity may act as fund manager, custodian or in another function and provide funding and liquidity facilities to both Group-sponsored and third party funds. The funding provided is collateralized by the underlying assets held by the fund.

## Maximum exposure to and size of non-consolidated structured entities

The maximum exposure to loss is determined by considering the nature of the interest in the non-consolidated structured entity. The maximum exposure for loans and trading instruments is reflected by their carrying amounts in the consolidated statement of financial position. The maximum exposure for derivatives and instruments off the statement of financial position such as guarantees, liquidity facilities and loan commitments under IFRS 12, as interpreted by the Group, is reflected by the respective notional amount. Such amounts do not reflect the economic risks faced by the Group because they do not take into account the effects of collateral or hedges or the probability of such losses being incurred. As at 31 December 2019, the notional values of derivatives and instruments off the statement of financial position amounted to € 17,672 thousand (2018: € 23,218 thousand) and € 18,884 thousand (2018: € 49,023 thousand) respectively. The reduction in instruments off the statement of financial position was primarily caused by Raiffeisen Leasing s.r.o., Prague, and is connected with a change in the refinancing structure of the companies involved.

Since information on the size of structured entities is not always publicly available, the Group has determined that its exposure is an appropriate guide to the risk of loss from investments in non-consolidated structured entities.

### Financial support

As in 2018, the Group has not provided financial support during the financial year to non-consolidated structured entities.

### Sponsored structured entities

As a sponsor, the Group is often involved in the legal set up and marketing of the entity and supports the entity in different ways such as providing operational support to ensure the entity's continued operation. The Group is also deemed a sponsor for a structured entity if market participants would reasonably associate the entity with the Group. Additionally, the use of the Raiffeisen name for the structured entity often indicates that the Group has acted as a sponsor. The gross proceeds from sponsored entities for the year ending 31 December 2019 amounted to € 216,505 thousand (2018: € 193,995 thousand). No assets were transferred to sponsored non-consolidated structured entities in 2019 or 2018.

## (70) List of equity participations

## Associated companies valued at equity

| Company, domicile (country) | Subscribed capital in local currency | | Share | Type[1] |
|---|---|---|---|---|
| card complete Service Bank AG, Vienna (AT) | 6,000,000 | EUR | 25.0% | BA |
| EMCOM Beteiligungs GmbH, Vienna (AT) | 37,000 | EUR | 33.6% | FI |
| LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna (AT) | 32,624,283 | EUR | 33.1% | OT |
| NOTARTREUHANDBANK AG, Vienna (AT) | 8,030,000 | EUR | 26.0% | FI |
| Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (AT) | 130,000,000 | EUR | 8.1% | BA |
| Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna (AT) | 11,627,653 | EUR | 31.3% | BA |
| Posojilnica Bank eGen, Klagenfurt (AT) | 77,338,770 | EUR | 62.3% | BA |
| Prva stavebna sporitelna a.s., Bratislava (SK) | 66,500,000 | EUR | 32.5% | BA |
| Raiffeisen Informatik GmbH & Co KG, Vienna (AT) | 1,460,000 | EUR | 47.6% | BR |
| Raiffeisen-Leasing Management GmbH, Vienna (AT) | 300,000 | EUR | 50.0% | OT |
| UNIQA Insurance Group AG, Vienna (AT) | 309,000,000 | EUR | 10.9% | VV |

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

## Other affiliated companies

| Company, domicile (country) | Subscribed capital in local currency | | Share | Type[1] |
|---|---|---|---|---|
| "Am Hafen" Sutterlüty GmbH & Co, Vienna (AT) | 100,000 | EUR | <0.1% | FI |
| "A-SPV" d.o.o. Sarajevo, Sarajevo (BA) | 2,000 | BAM | 100.0% | OT |
| Abakus Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Abakus Immobilienleasing GmbH & Co Projekt Leese KG, Eschborn (DE) | 5,000 | EUR | 6.0% | OT |
| Abrawiza Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Abrawiza Immobilienleasing GmbH & Co. Projekt Fernwald KG, Eschborn (DE) | 5,000 | EUR | 6.0% | OT |
| Abura Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Abutilon Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| ACB Ponava, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Achat Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Acridin Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Adamas Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Adiantum Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Adipes Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Adorant Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Adrett Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Adrittura Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Adufe Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Adular Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Adular Immobilienleasing GmbH & Co. Projekt Rödermark KG, Eschborn (DE) | 5,000 | EUR | 100.0% | FI |
| Agamemnon Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| AGITO Immobilien-Leasing GesmbH, Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| ALT POHLEDY s.r.o., Prague (CZ) | 84,657,000 | CZK | 100.0% | OT |
| Ananke Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Angaga Handels- und Beteiligungs GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| Apate Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Appolon Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Ares property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Argos Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Aspius Immobilien Holding International GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| Astra Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Ate Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| AURIGA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| Austria Leasing GmbH & Co KG Immobilienverwaltung Projekt EKZ Meitingen, Eschborn (DE) | 10,000 | EUR | 100.0% | OT |
| Austria Leasing GmbH & Co. KG Immobilienverwaltung CURA, Eschborn (DE) | 10,000 | EUR | 100.0% | FI |
| Austria Leasing GmbH & Co. KG Immobilienverwaltung Projekt Eberdingen, Eschborn (DE) | 10,000 | EUR | 100.0% | FI |
| Austria Leasing Immobilienverwaltungsgesellschaft mbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Belos Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Boreas Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| BRL Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 73,000 | EUR | 100.0% | OT |
| Bukovina Residential SRL, Timisoara (RO) | 1,901,600 | RON | 100.0% | OT |
| Bulevard Centar BBC Holding d.o.o., Belgrade (RS) | 127,416 | RSD | 100.0% | BR |
| CARNUNTUM Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Carolina Corner, s.r.o., Prague (CZ) | 60,000 | CZK | 100.0% | OT |
| Centralised Raiffeisen International Services & Payments S.R.L., Bucharest (RO) | 2,820,000 | RON | 100.0% | BR |
| Centrotrade Holding GmbH, Vienna (AT) | 200,000 | EUR | 100.0% | OT |
| Chronos Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| CP Linzerstraße 221-227 Projektentwicklungs GmbH, Vienna (AT) | 37,000 | EUR | 100.0% | OT |
| CP Logistikcenter Errichtungs- und Verwaltungs GmbH, Vienna (AT) | 37,000 | EUR | 100.0% | OT |
| CP Projekte Muthgasse Entwicklungs GmbH, Vienna (AT) | 40,000 | EUR | 100.0% | OT |

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|---|---|---|---|---|
| Credibilis a.s., Prague (CZ) | 2,000,000 | CZK | 100.0% | OT |
| CRISTAL PALACE Property s.r.o., Prague (CZ) | 400,000 | CZK | 100.0% | OT |
| CURO Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| Dafne Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Daimon Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| DAV-ESTATE Kft., Budapest (HU) | 3,010,000 | HUF | 100.0% | OT |
| DAV-PROPERTY Kft., Budapest (HU) | 3,020,000 | HUF | 100.0% | OT |
| Demeter Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Dike Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Dobré Bývanie s.r.o., Bratislava (SK) | 6,639 | EUR | 100.0% | OT |
| Dom-office 2000, Minsk (BY) | 283,478 | BYN | 100.0% | OT |
| Doplnková dôchodková spoločnosť Tatra banky, a.s., Bratislava (SK) | 1,659,700 | EUR | 100.0% | FI |
| DORISCUS ENTERPRISES LTD., Limassol (CY) | 19,843,400 | EUR | 86.6% | OT |
| Elevator Ventures Beteiligungs GmbH, Vienna (AT) | 100,000 | EUR | 100.0% | OT |
| Eos Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| EPPA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 1.0% | FI |
| Erato Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| ESP BH doo društvo sa ograničenom odgovornošću za informacijske i druge usluge, Sarajevo (BA) | 8,500,000 | BAM | 45.0% | OT |
| Essox d.o.o., Belgrade (RS) | 100 | RSD | 100.0% | OT |
| Eunomia Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Eurolease RE Leasing, s. r. o., Bratislava (SK) | 6,125,256 | EUR | 100.0% | OT |
| Exit 90 SPV s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Expo Forest 1 EOOD, Sofia (BG) | 5,000 | BGN | 100.0% | OT |
| Expo Forest 2 EOOD, Sofia (BG) | 5,000 | BGN | 100.0% | OT |
| Expo Forest 3 EOOD, Sofia (BG) | 5,000 | BGN | 100.0% | OT |
| Expo Forest 4 EOOD, Sofia (BG) | 5,000 | BGN | 100.0% | OT |
| Extra Year Investments Limited, Tortola (VG) | 50,000 | USD | 100.0% | FI |
| FARIO Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT) | 40,000 | EUR | 100.0% | OT |
| Faru Handels- und Beteiligungs GmbH in Liqu., Vienna (AT) | 80,000 | EUR | 100.0% | OT |
| First Leasing Service Center GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| Fobos Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Foibe Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Folos Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| FVE Cihelna s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| FWR Russia Funding B.V., Amsterdam (NL) | 1 | EUR | <0.1% | FI |
| Gaia Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| GEONE Holesovice Two s.r.o., Prague (CZ) | 1,000 | CZK | 100.0% | OT |
| Golden Rainbow International Limited, Tortola (VG) | 1 | SGD | 100.0% | FI |
| Grainulos s.r.o., Prague (CZ) | 1 | CZK | 100.0% | OT |
| GRENA REAL s.r.o., Prague (CZ) | 89,715 | CZK | 100.0% | OT |
| GS55 Sazovice s.r.o., Prague (CZ) | 15,558,000 | CZK | 90.0% | OT |
| Harmonia Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Hebe Property, s.r.o., Prague (CZ) | 200,000 | CZK | 95.0% | OT |
| HERA Raiffeisen Immobilien Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | OT |
| Hermes Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Hestia Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Holeckova Property s.r.o., Prague (CZ) | 210,000 | CZK | 100.0% | OT |
| Humanitarian Fund "Budimir Bosko Kostic", Belgrade (RS) | 30,000 | RSD | 100.0% | OT |
| Hypnos Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| ICS Raiffeisen Leasing s.r.l, Chisinau (MD) | 8,307,535 | MDL | 100.0% | FI |

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|---|---|---|---|---|
| ICTALURUS Handels- und Beteiligungs GmbH in Liqu., Vienna (AT) | 36,336 | EUR | 100.0% | OT |
| IDUS Handels- und Beteiligungs GmbH, Vienna (AT) | 40,000 | EUR | 100.0% | OT |
| IGNIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| Immoservice Polska Sp.z.o.o., Warsaw (PL) | 50,000 | PLN | 100.0% | OT |
| INFRA MI 1 Immobilien Gesellschaft mbH, Vienna (AT) | 72,673 | EUR | 100.0% | OT |
| Infrastruktur Heilbad Sauerbrunn GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| Ino Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| INPROX Split d.o.o., Zagreb (HR) | 100,000 | HRK | 100.0% | OT |
| Inprox Zagreb Sesvete d.o.o., Zagreb (HR) | 10,236,400 | HRK | 100.0% | OT |
| Insurance Limited Liability Company "Priorlife", Minsk (BY) | 7,682,300 | BYN | 100.0% | VV |
| Iris Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| ISIS Raiffeisen Immobilien Leasing GmbH, Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| Janus Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| JFD Real s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Kaliope Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Kalypso Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| KAPMC s.r.o., Prague (CZ) | 100,000 | CZK | 100.0% | OT |
| Kappa Estates s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| KARAT s.r.o., Prague (CZ) | 100,000 | CZK | 100.0% | OT |
| Kathrein & Co Life Settlement Gesellschaft m.b.H., Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| Kathrein & Co. Trust Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| Kathrein Capital Management GmbH, Vienna (AT) | 1,000,000 | EUR | 100.0% | FI |
| Kathrein Private Equity GmbH, Vienna (AT) | 190,000 | EUR | 100.0% | OT |
| Késmárk utca 11-13. Szolgáltató Korlátolt Felelősségű Társaság, Budapest (HU) | 10,000 | EUR | 100.0% | OT |
| Keto Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Kleio Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Körlog Logistika Építö és Kivitelezö Korlátolt Feleösségü Társaság, Budapest (HU) | 11,077 | EUR | 100.0% | OT |
| KOTTO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| LENTIA Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Leto Property, s.r.o., Prague (CZ) | 200,000 | CZK | 77.0% | OT |
| LIBRA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| Limited Liability Company European Insurance Agency, Moscow (RU) | 120,000 | RUB | 100.0% | OT |
| Limited Liability Company REC GAMMA, Kiev (UA) | 49,015,000 | UAH | 100.0% | BR |
| Logisticky areal Hostivar, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| LOTA Handels- und Beteiligungs-GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| Lucius Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | FI |
| Luna Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| MAMONT GmbH, Kiev (UA) | 66,872,100 | UAH | 100.0% | OT |
| Medea Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| MELIKERTES Raiffeisen-Mobilien-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 80.0% | OT |
| Melpomene Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| MOBIX Raiffeisen-Mobilien-Leasing AG, Vienna (AT) | 125,000 | EUR | 100.0% | OT |
| MOBIX Vermögensverwaltungsges.m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| Morfeus Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| MORHUA Handels- und Beteiligungs GmbH, Vienna (AT) | 36,336 | EUR | 100.0% | OT |
| MOVEO Raiffeisen-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| Na Starce, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| NAURU Handels- und Beteiligungs GmbH in Liqu., Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| Nereus Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Niobe Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |

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|---|---|---|---|---|
| Nußdorf Immobilienverwaltung GmbH, Vienna (AT) | 36,336 | EUR | 100.0% | OT |
| Nyx Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| OBI Eger Ingatlankezelö Korlatolt Felelösségü Tarsasag, Budapest (HU) | 3,000,000 | HUF | 74.9% | FI |
| OBI Miskolc Ingatlankezelö Korlatolt Felelösségü Tarsasag, Budapest (HU) | 3,000,000 | HUF | 74.9% | FI |
| OBI Veszprem Ingatlankezelö Korlatolt Felelösségü Tarsasag, Budapest (HU) | 3,000,000 | HUF | 74.9% | FI |
| Objekt Linser Areal Immobilienerrichtungs GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| Ofion Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Onyx Energy Projekt II s.r.o., Prague (CZ) | 210,000 | CZK | 100.0% | OT |
| Onyx Energy s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| OOO "Extrusionnyie Tekhnologii", Mogilev (BY) | 4,140,619 | BYN | 75.0% | OT |
| OOO "Vneshleasing", Moscow (RU) | 131,770 | RUB | 100.0% | FI |
| OOO Estate Management, Minsk (BY) | 13,459,836 | BYN | 100.0% | OT |
| OOO Raiffeisen Capital Asset Management Company, Moscow (RU) | 225,000,000 | RUB | 100.0% | FI |
| OOO SB "Studia Strahovania", Minsk (BY) | 34,924 | BYN | 100.0% | OT |
| Orchideus Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Orestes Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| OSTARRICHI Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Ötödik Vagyonkezelő Kft., Budapest (HU) | 9,510,000 | HUF | 100.0% | OT |
| Palace Holding s.r.o., Prague (CZ) | 2,700,000 | CZK | 90.0% | OT |
| PARO Raiffeisen Immobilien Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| Photon Energie s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Photon SPV 10 s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Photon SPV 3 s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Photon SPV 4 s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Photon SPV 6 s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Photon SPV 8 s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| PILSENINEST SICAV, a.s., Prague (CZ) | 2,120,000 | CZK | 100.0% | OT |
| PLUSFINANCE LAND S.R.L., Bucharest (RO) | 1,000 | RON | 100.0% | BR |
| Pontos Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Priamos Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | FI |
| Pro Invest da Vinci e.o.o.d., Sofia (BG) | 5,000 | BGN | 100.0% | OT |
| PRODEAL, a.s., Bratislava (SK) | 796,654 | EUR | 100.0% | BR |
| Production unitary enterprise "PriortransAgro", Minsk (BY) | 50,000 | BYN | 100.0% | OT |
| PROKNE Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| Queens Garden Sp z.o.o., Warsaw (PL) | 100,000 | PLN | 100.0% | OT |
| R MORMO IMMOBILIEN LINIE S.R.L., Bucharest (RO) | 50,000 | RON | 100.0% | OT |
| R.B.T. Beteiligungsgesellschaft m.b.H, Vienna (AT) | 36,336 | EUR | 100.0% | OT |
| R.L.H. Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| Radwinter sp.z o.o., Warsaw (PL) | 10,000 | PLN | 100.0% | OT |
| Raiffeisen Asset Management (Bulgaria) EAD, Sofia (BG) | 250,000 | BGN | 100.0% | FI |
| Raiffeisen Assistance D.O.O., Beograd, Belgrade (RS) | 4,307,115 | RSD | 100.0% | OT |
| Raiffeisen Assistance doo Sarajevo, Sarajevo (BA) | 4,000 | BAM | 100.0% | OT |
| Raiffeisen Autó Lízing Kft., Budapest (HU) | 3,000,000 | HUF | 100.0% | OT |
| Raiffeisen Befektetési Alapkezelõ Zrt., Budapest (HU) | 100,000,000 | HUF | 100.0% | FI |
| Raiffeisen Biztosításközvetítö Kft., Budapest (HU) | 5,000,000 | HUF | 100.0% | VV |
| Raiffeisen Bonus Ltd., Zagreb (HR) | 200,000 | HRK | 100.0% | BR |
| Raiffeisen Capital a.d. Banja Luka, Banja Luka (BA) | 355,000 | BAM | 100.0% | FI |
| Raiffeisen Direct Investments CZ, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Raiffeisen Energiaszolgáltató Kft., Budapest (HU) | 3,000,000 | HUF | 100.0% | OT |
| Raiffeisen Future AD Beograd drustvo za upravljanje dobrovoljnim penzijskim fondom, Belgrade (RS) | 143,200,000 | RSD | 100.0% | FI |

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

| Company, domicile (country) | Subscribed capital in local currency | | Share | Type[1] |
|---|---|---|---|---|
| Raiffeisen Gazdasági Szolgáltató Zrt., Budapest (HU) | 20,099,879 | HUF | 100.0% | OT |
| Raiffeisen Immobilien Kapitalanlage-Gesellschaft m.b.H., Vienna (AT) | 5,000,000 | EUR | 100.0% | FI |
| Raiffeisen Ingatlan Üzemeltető Kft., Budapest (HU) | 3,000,000 | HUF | 100.0% | OT |
| Raiffeisen Insurance and Reinsurance Broker S.R.L, Bucharest (RO) | 180,000 | RON | 100.0% | BR |
| RAIFFEISEN INSURANCE BROKER EOOD, Sofia (BG) | 5,000 | BGN | 100.0% | BR |
| Raiffeisen Insurance Broker Kosovo L.L.C., Pristina (KO) | 10,000 | EUR | 100.0% | BR |
| RAIFFEISEN INVEST AD DRUSTVO ZA UPRAVLJANJE INVESTICIONIM FONDOVIMA BEOGRAD, Belgrade (RS) | 47,660,000 | RSD | 100.0% | FI |
| Raiffeisen Invest d.o.o., Zagreb (HR) | 8,000,000 | HRK | 100.0% | FI |
| Raiffeisen Invest Drustvo za upravljanje fondovima d.d. Sarajevo, Sarajevo (BA) | 671,160 | BAM | 100.0% | FI |
| Raiffeisen INVEST Sh.a., Tirana (AL) | 90,000,000 | ALL | 100.0% | FI |
| Raiffeisen investicni spolecnost a.s., Prague (CZ) | 40,000,000 | CZK | 100.0% | FI |
| Raiffeisen Investment Advisory GmbH, Vienna (AT) | 730,000 | EUR | 100.0% | FI |
| Raiffeisen Investment Financial Advisory Services Ltd. Co., Istanbul (TR) | 2,930,000 | TRY | 100.0% | FI |
| Raiffeisen Property Estate s.r.o., Bratislava (SK) | 5,000 | EUR | 100.0% | OT |
| Raiffeisen Property Management Bulgaria EOOD, Sofia (BG) | 80,000 | BGN | 100.0% | OT |
| Raiffeisen Salzburg Invest GmbH, Salzburg (AT) | 500,000 | EUR | 100.0% | FI |
| RAIFFEISEN SERVICE EOOD, Sofia (BG) | 4,220,000 | BGL | 100.0% | OT |
| Raiffeisen Windpark Zistersdorf GmbH, Vienna (AT) | 37,000 | EUR | 100.0% | OT |
| Raiffeisen WohnBau Eins GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| Raiffeisen WohnBau Zwei GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| Raiffeisen Wohnbauleasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| Raiffeisen-Leasing Immobilienverwaltung Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| Raiffeisen-Leasing Wärmeversorgungsanlagenbetriebs GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| Raiffeisen-Wohnbauleasing Österreich GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| RAN elf Raiffeisen-Anlagenvermietung Gesellschaft m.b.H., Vienna (AT) | 36,336 | EUR | 100.0% | FI |
| RB International Finance (Hong Kong) Ltd., Hong Kong (HK) | 10,000,000 | HKD | 100.0% | OT |
| RB International Investment Asia Limited, Labuan (MY) | 1 | USD | 100.0% | OT |
| RB Szolgáltató Központ Kft. - RBSC Kft., Nyíregyháza (HU) | 3,000,000 | HUF | 100.0% | OT |
| RBI Group IT GmbH, Vienna (AT) | 100,000 | EUR | 100.0% | BR |
| RBI Real Estate Services Czechia s.r.o., Prague (CZ) | 100,000 | CZK | 100.0% | FI |
| RBI Real Estate Services Polska SP.z.o.o., Warsaw (PL) | 400,000 | PLN | 100.0% | FI |
| RBM Wohnbau Ges.m.b.H., Vienna (AT) | 37,000 | EUR | 100.0% | OT |
| RCR Ukraine LLC, Kiev (UA) | 282,699 | UAH | 100.0% | BR |
| RDI Czech 1 s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| RDI Czech 3 s.r.o, Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| RDI Czech 4 s.r.o, Prague (CZ) | 2,500,000 | CZK | 100.0% | OT |
| RDI Czech 5 s.r.o, Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| RDI Czech 6 s.r.o, Prague (CZ) | 3,700,000 | CZK | 100.0% | OT |
| RDI Management s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Real Estate Rent 4 DOO, Belgrade (RS) | 40,310 | RSD | 100.0% | OT |
| REF HP 1 s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Rent CC, s.r.o., Bratislava (SK) | 6,639 | EUR | 100.0% | FI |
| Rent GRJ, s.r.o., Bratislava (SK) | 6,639 | EUR | 100.0% | OT |
| Rent PO, s.r.o., Bratislava (SK) | 6,639 | EUR | 100.0% | FI |
| Residence Park Trebes, s.r.o., Prague (CZ) | 20,000,000 | CZK | 100.0% | OT |
| Rheia Property, s.r.o., Prague (CZ) | 200,000 | CZK | 95.0% | OT |
| RIL VI Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT) | 36,400 | EUR | 50.0% | FI |
| RIL XIII Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 100.0% | FI |
| R-Insurance Services sp. z o.o., Ruda O.S. (PL) | 5,000 | PLN | 100.0% | OT |
| RIRBRO ESTATE MANAGEMENT S.R.L., Bucharest (RO) | 1,000 | RON | 100.0% | BR |

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

| Company, domicile (country) | Subscribed capital in local currency | | Share | Type[1] |
|---|---|---|---|---|
| RL Jankomir d.o.o., Zagreb (HR) | 20,000 | HRK | 100.0% | OT |
| RL Leasing Gesellschaft m.b.H., Eschborn (DE) | 25,565 | EUR | 100.0% | FI |
| RL-ATTIS Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| RL-Attis Sp.z.o.o., Warsaw (PL) | 50,000 | PLN | 100.0% | OT |
| RL-BETA Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| RL-Delta Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| RL-Epsilon Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| RL-Epsilon Sp.z.o.o., Warsaw (PL) | 50,000 | PLN | 100.0% | FI |
| RL-ETA d.o.o., Zagreb (HR) | 20,000 | HRK | 100.0% | OT |
| RL-ETA Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| RL-FONTUS Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| RL-Fontus Sp.z.o.o., Warsaw (PL) | 50,000 | PLN | 100.0% | OT |
| RL-Gamma Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| RL-Jota Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | FI |
| RL-Lamda s.r.o., Bratislava (SK) | 6,639 | EUR | 100.0% | FI |
| RL-Opis Holding GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| RL-OPIS SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA, Warsaw (PL) | 50,000 | PLN | 100.0% | OT |
| RL-Prom-Wald Sp. Z.o.o, Warsaw (PL) | 50,000 | PLN | 100.0% | OT |
| RLRE Beta Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| RLRE Carina Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| RLRE Eta Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| RLRE Ypsilon Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Robert Károly Körút Irodaház Kft., Budapest (HU) | 3,000,000 | HUF | 100.0% | OT |
| Rogofield Property Limited, Nicosia (CY) | 2,174 | USD | 100.0% | OT |
| RPM Budapest KFT, Budapest (HU) | 3,000,000 | HUF | 100.0% | OT |
| RUBY Place, s.r.o., Prague (CZ) | 60,000 | CZK | 100.0% | OT |
| S.A.I. Raiffeisen Asset Management S.A., Bucharest (RO) | 10,656,000 | RON | 100.0% | FI |
| S.C. PLUSFINANCE ESTATE 1 S.R.L., Bucharest (RO) | 13,743,340 | RON | 100.0% | BR |
| SASSK Ltd., Kiev (UA) | 152,322,000 | UAH | 88.7% | OT |
| SCT Kárász utca Ingatlankezelő Kft., Budapest (HU) | 3,000,000 | HUF | 100.0% | OT |
| SCTE Elsö Ingatlanfejlesztö és Ingatlanhasznosító Kft., Budapest (HU) | 3,000,000 | HUF | 100.0% | BR |
| SeEnergy PT, s.r.o., Prague (CZ) | 700,000 | CZK | 100.0% | OT |
| Selene Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| SF Hotelerrichtungsgesellschaft m.b.H., Vienna (AT) | 36,336 | EUR | 100.0% | FI |
| SIGMA PLAZA, s.r.o., Prague (CZ) | 60,000 | CZK | 100.0% | OT |
| Sirius Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Sky Solar Distribuce s.r.o., Prague (CZ) | 200,000 | CZK | 77.0% | OT |
| SOLIDA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 50.5% | FI |
| St. Marx-Immobilien Verwertungs- und Verwaltungs GmbH, Vienna (AT) | 36,336 | EUR | 100.0% | OT |
| STYRIA Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| Szentkiraly utca 18 Kft., Budapest (HU) | 5,000,000 | HUF | 100.0% | OT |
| Terasa LAVANDE, s.r.o., Prague (CZ) | 60,000 | CZK | 100.0% | OT |
| Theia Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| Theseus Property, s.r.o., Prague (CZ) | 50,000 | CZK | 100.0% | OT |
| UPC Real, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Valida Consulting GmbH, Vienna (AT) | 500,000 | EUR | 100.0% | OT |
| VINDOBONA Immobilienleasing GmbH, Eschborn (DE) | 25,000 | EUR | 100.0% | OT |
| VN-Wohn Immobilien GmbH, Vienna (AT) | 35,000 | EUR | 74.0% | OT |
| Zahradnicka Property s.r.o., Bratislava (SK) | 5,000 | EUR | 100.0% | OT |
| Zatisi Rokytka s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| Zefyros Property, s.r.o., Prague (CZ) | 200,000 | CZK | 100.0% | OT |
| ZRB 17 Errichtungs GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |
| ZUNO GmbH, Vienna (AT) | 35,000 | EUR | 100.0% | OT |

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

## Other equity participations

| Company, domicile (country) | Subscribed capital in local currency | | Share | Type[1] |
|---|---|---|---|---|
| Accession Mezzanine Capital II L.P. in liquidation, Bermuda (BM) | 2,613 | EUR | 5.7% | OT |
| Accession Mezzanine Capital III L.P., Hamilton (JE) | 134,125,000 | EUR | 3.7% | OT |
| Adoria Grundstückvermietungs Gesellschaft m.b.H., St. Pölten (AT) | 36,360 | EUR | 24.5% | FI |
| Agricultural Open Joint Stock Company Illintsi Livestock Breeding Enterprise, Illinci (UA) | 703,100 | UAH | 4.7% | OT |
| AIL Swiss-Austria Leasing AG, Glattbrugg (CH) | 5,000,000 | CHF | 50.0% | FI |
| ALCS Association of Leasing Companies in Serbia, Belgrade (RS) | 853,710 | RSD | 12.5% | OT |
| ALMC hf., Reykjavik (IS) | 50,578,130 | ISK | 10.8% | OT |
| Analytical Credit Rating Agency (Joint Stock Company), Moscow (RU) | 3,000,024,000 | RUB | 3.7% | OT |
| APUS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 50.0% | OT |
| A-Trust Gesellschaft für Sicherheitssysteme im elektronischen Datenverkehr GmbH, Vienna AT) | 5,290,013 | EUR | 12.1% | OT |
| Austrian Reporting Services GmbH, Vienna (AT) | 41,176 | EUR | 15.0% | BR |
| Aventin Grundstücksverwaltungs Gesellschaft m.b.H., St. Pölten (AT) | 36,400 | EUR | 24.5% | FI |
| AVION-Grundverwertungsgesellschaft m.b.H., Vienna (AT) | 36,336 | EUR | 49.0% | FI |
| Bad Sauerbrunn Thermalwasser Nutzungs- und Verwertungs GmbH., Bad Sauerbrunn (AT) | 36,336 | EUR | 50.0% | OT |
| Belarussian currency and stock exchange JSC, Minsk (BY) | 14,328,656 | BYN | <0.1% | OT |
| Biroul de Credit S.A., Bucharest (RO) | 4,114,615 | RON | 13.2% | FI |
| BTS Holding a.s. "v likvidácii", Bratislava (SK) | 35,700 | EUR | 19.0% | OT |
| Budapest Stock Exchange, Budapest (HU) | 541,348,100 | HUF | <0.1% | SC |
| Burza cennych papierov v. Bratislave, a.s., Bratislava (SK) | 11,404,927,296 | EUR | <0.1% | OT |
| CADO Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT) | 36,400 | EUR | 50.0% | FI |
| Cards & Systems EDV-Dienstleistungs GmbH, Vienna (AT) | 75,000 | EUR | 45.0% | OT |
| CEESEG Aktiengesellschaft, Vienna (AT) | 18,620,720 | EUR | 7.0% | OT |
| Central Depository and Clearing Company, Inc., Zagreb (HR) | 94,525,000 | HRK | <0.1% | FI |
| Commodity Exchange Crimean Interbank Currency Exchange, Simferopol (UA) | 420,000 | UAH | 4.8% | OT |
| Commodity Exchange of the Agroindustrial Complex of Central Regions of Ukraine, Cherkassy (UA) | 90,000 | UAH | 11.1% | OT |
| CONATUS Grundstückvermietungs Gesellschaft m.b.H., St. Pölten (AT) | 36,360 | EUR | 24.5% | FI |
| CULINA Grundstückvermietungs Gesellschaft m.b.H., St. Pölten (AT) | 36,360 | EUR | 25.0% | FI |
| D. Trust Certifikacná Autorita, a.s., Bratislava (SK) | 331,939 | EUR | 10.0% | OT |
| Die Niederösterreichische Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 35.0% | OT |
| Die Niederösterreichische Leasing GmbH & Co KG, Vienna (AT) | 72,673 | EUR | 40.0% | FI |
| DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (DE) | 3,646,266,910 | EUR | 0.1% | BA |
| Einlagensicherung AUSTRIA Ges.m.b.H., Vienna (AT) | 515,000 | EUR | 1.7% | FI |
| Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna (AT) | 70,000 | EUR | 0.1% | BR |
| EMERGING EUROPE GROWTH FUND II, L.P., Delaware (US) | 370,000,000 | USD | 1.9% | OT |
| Epsilon - Grundverwertungsgesellschaft m.b.H., Vienna (AT) | 36,336 | EUR | 24.0% | FI |
| ESQUILIN Grundstücksverwaltungs Gesellschaft m.b.H., St. Pölten (AT) | 36,336 | EUR | 24.5% | FI |
| Euro Banking Association (ABE Clearing S.A.S.), Paris (FR) | 51,000 | EUR | 2.0% | FI |
| European Investment Fund S.A., Luxembourg (LU) | 3,000,000,000 | EUR | 0.2% | FI |
| Export and Industry Bank Inc., Makati City (PH) | 4,734,452,540 | PHP | 9.5% | BA |
| FACILITAS Grundstücksvermietungs Gesellschaft m.b.H., St. Pölten (AT) | 36,360 | EUR | 50.0% | FI |
| Fondul de Garantare a Creditului Rural S.A., Bucharest (RO) | 15,940,890 | RON | 33.3% | FI |
| FORIS Grundstückvermietungs Gesellschaft m.b.H., St. Pölten (AT) | 36,360 | EUR | 24.5% | FI |
| G + R Leasing Gesellschaft m.b.H., Graz (AT) | 36,400 | EUR | 25.0% | OT |
| G + R Leasing Gesellschaft m.b.H. & Co. KG., Graz (AT) | 72,673 | EUR | 50.0% | FI |
| Garantiqa Hitelgarancia ZRt., Budapest (HU) | 7,839,600,000 | HUF | 0.2% | BR |
| GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H., Vienna (AT) | 3,336,336 | EUR | 0.2% | OT |
| Greenix Limited, Tortola (VG) | 100,000 | USD | 25.0% | OT |
| HOBEX AG, Salzburg (AT) | 1,000,000 | EUR | 8.5% | FI |
| Hrvatski registar obveza po kreditima d.o.o., Zagreb (HR) | 13,500,000 | HRK | 10.5% | BR |
| INVESTOR COMPENSATION FUND, Bucharest (RO) | 344,350 | RON | 0.4% | OT |

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

| Company, domicile (country) | Subscribed capital in local currency | | Share | Type[1] |
|---|---|---|---|---|
| Joint Stock Company Stock Exchange PFTS, Kiev (UA) | 32,010,000 | UAH | 0.2% | OT |
| K & D Progetto s.r.l., Bozen (IT) | 50,000 | EUR | 25.0% | FI |
| Kommunal-Infrastruktur & Immobilien Zeltweg GmbH, Zeltweg (AT) | 35,000 | EUR | 20.0% | OT |
| LITUS Grundstückvermietungs Gesellschaft m.b.H., St. Pölten (AT) | 36,360 | EUR | 24.5% | FI |
| LLC "Insurance Company 'Raiffeisen Life", Moscow (RU) | 240,000,000 | RUB | 25.0% | VV |
| Lorit Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT) | 42,000 | EUR | 8.3% | FI |
| MASTERINVEST Kapitalanlage GmbH, Vienna (AT) | 2,500,000 | EUR | 37.5% | FI |
| Medicur - Holding Gesellschaft m.b.H., Vienna (AT) | 4,360,500 | EUR | 25.0% | OT |
| MIRA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 50.0% | FI |
| N.Ö. Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT) | 37,400 | EUR | 33.3% | FI |
| National Settlement Depositary, Moscow (RU) | 1,180,675,000 | RUB | <0.1% | FI |
| NÖ Raiffeisen Kommunalprojekte Service Gesellschaft m.b.H., Vienna (AT) | 50,000 | EUR | 26.0% | FI |
| NÖ Raiffeisen-Leasing Gemeindeprojekte Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 1.0% | FI |
| NÖ. HYPO Leasing und Raiffeisen-Immobilien-Leasing Traisenhaus GesmbH & Co OG, St. Pölten (AT) | 24,868,540 | ATS | 50.0% | FI |
| NÖ-KL Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT) | 37,400 | EUR | 33.3% | FI |
| O.Ö. Leasing für öffentliche Bauten Gesellschaft m.b.H., Linz (AT) | 510,000 | ATS | 16.7% | FI |
| ÖAMTC-Leasing GmbH, Vienna (AT) | 36,400 | EUR | 100.0% | OT |
| Oberpinzg. Fremdenverkehrförderungs- und Bergbahnen AG, Neukirchen am Großvenediger (AT) | 3,297,530 | EUR | <0.1% | OT |
| OCTANOS Raiffeisen Immobilien Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 50.0% | OT |
| OJSC NBFI Single Settlement and Information Space, Minsk (BY) | 23,429,095 | BYN | 4.2% | FI |
| Open Joint Stock Company Kyiv Special Project and Design Bureau Menas, Kiev (UA) | 3,383,218 | UAH | 4.7% | OT |
| Österreichische Wertpapierdaten Service GmbH, Vienna (AT) | 100,000 | EUR | 25.3% | BR |
| OT-Optima Telekom d.d., Zagreb (HR) | 694,432,640 | HRK | 2.4% | OT |
| OVIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 1.0% | FI |
| Pannon Lúd Kft, Mezokovácsháza (HU) | 852,750,000 | HUF | 0.6% | OT |
| PEGA Raiffeisen-Immobilien Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 50.0% | FI |
| Private Joint Stock Company Bird Farm Bershadskyi, Viytivka (UA) | 6,691,141 | UAH | 0.5% | OT |
| Private Joint Stock Company First All-Ukrainian Credit Bureau, Kiev (UA) | 11,750,000 | UAH | 5.1% | OT |
| Private Joint Stock Company Sumy Enterprise Agrotechservice, Sumy (UA) | 1,545,000 | UAH | 0.6% | OT |
| Private Joint Stock Company Ukrainian Interbank Currency Exchange, Kiev (UA) | 36,000,000 | UAH | 3.1% | OT |
| PSA Payment Services Austria GmbH, Vienna (AT) | 285,000 | EUR | 11.2% | FI |
| Public Joint Stock Company National Depositary of Ukraine, Kiev (UA) | 103,200,000 | UAH | 0.1% | FI |
| Public Joint Stock Company Settlement Center for Servicing of Contracts in Financial Markets, Kiev (UA) | 206,700,000 | UAH | <0.1% | OT |
| QUIRINAL Grundstücksverwaltungs Gesellschaft m.b.H., Vienna (AT) | 37,063 | EUR | 33.3% | FI |
| Raiffeisen e-force GmbH, Vienna (AT) | 145,346 | EUR | 28.2% | BR |
| Raiffeisen Informatik Geschäftsführungs GmbH, Vienna (AT) | 70,000 | EUR | 47.6% | OT |
| Raiffeisen Kooperations eGen, Vienna (AT) | 9,000,000 | EUR | 11.1% | OT |
| Raiffeisen Salzburg Leasing GmbH, Salzburg (AT) | 35,000 | EUR | 19.0% | FI |
| Raiffeisen Software GmbH, Linz (AT) | 150,000 | EUR | 1.2% | BR |
| Raiffeisen-IMPULS-Immobilienleasing GmbH, Linz (AT) | 500,000 | ATS | 25.0% | FI |
| Raiffeisen-IMPULS-Liegenschaftsverwaltung Gesellschaft m.b.H., Linz (AT) | 500,000 | ATS | 25.0% | FI |
| Raiffeisen-Impuls-Zeta Immobilien GmbH, Linz (AT) | 58,333 | EUR | 40.0% | FI |
| Raiffeisen-Leasing Anlagen und KFZ Vermietungs GmbH, Vienna (AT) | 35,000 | EUR | 53.1% | FI |
| Raiffeisen-Leasing BOT s.r.o., Prague (CZ) | 100,000 | CZK | 20.0% | OT |
| Raiffeisen-Leasing Mobilien und KFZ GmbH, Vienna (AT) | 35,000 | EUR | 15.0% | FI |
| RC Gazdasági és Adótanácsadó Zrt., Budapest (HU) | 20,000,000 | HUF | 22.2% | OT |
| Registry of Securities in FBH, Sarajevo (BA) | 2,052,300 | BAM | 1.4% | FI |
| Rehazentrum Kitzbühel Immobilien-Leasing GmbH, Innsbruck (AT) | 35,000 | EUR | 19.0% | FI |
| REMUS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 50.0% | FI |
| RLB Holding eGen OÖ, Linz (AT) | 1,566,939 | EUR | <0.1% | FI |

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

| Company, domicile (country) | Subscribed capital in local currency | | Share | Type[1] |
|---|---|---|---|---|
| RLKG Raiffeisen-Leasing GmbH, Vienna (AT) | 40,000 | EUR | 12.5% | FI |
| RSAL Raiffeisen Steiermark Anlagenleasing GmbH, Graz (AT) | 38,000 | EUR | 19.0% | FI |
| RSC Raiffeisen Service Center GmbH, Vienna (AT) | 2,000,000 | EUR | 50.3% | BR |
| RSIL Immobilienleasing Raiffeisen Steiermark GmbH, Graz (AT) | 38,000 | EUR | 19.0% | FI |
| S.C. DEPOZITARUL CENTRAL S.A., Bucharest (RO) | 25,291,953 | RON | 2.6% | OT |
| Sarajevska berza-burza vrijednosnih papira dd Sarajevo, Sarajevo (BA) | 1,967,680 | BAM | 10.5% | FI |
| Seilbahnleasing GmbH, Innsbruck (AT) | 36,000 | EUR | 33.3% | FI |
| Sektorrisiko eGen, Vienna (AT) | 3,200 | EUR | 43.8% | FI |
| SELENE Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Innsbruck (AT) | 36,400 | EUR | 1.0% | OT |
| SKR Lager 102 AB, Stockholm (SE) | 100,000 | SEK | 49.0% | OT |
| Slovak Banking Credit Bureau, s.r.o., Bratislava (SK) | 9,958 | EUR | 33.3% | BR |
| Societatea de Transfer de Fonduri si Decontari-TRANSFOND S.A, Bucharest (RO) | 6,720,000 | RON | 3.4% | FI |
| Society for Worldwide Interbank Financial Telekommunication scrl, La Hulpe (BE) | 13,713,125 | EUR | 0.4% | FI |
| SPICA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT) | 36,400 | EUR | 50.0% | FI |
| SPRON ehf., Reykjavik (IS) | 5,000,000 | ISK | 5.4% | OT |
| Steirische Gemeindegebäude Leasing Gesellschaft m.b.H., Vienna (AT) | 36,336 | EUR | 50.0% | FI |
| Steirische Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT) | 36,336 | EUR | 50.0% | FI |
| Steirische Leasing für Gebietskörperschaften Ges.m.b.H., Vienna (AT) | 36,336 | EUR | 50.0% | FI |
| Steirische Leasing für öffentliche Bauten Gesellschaft m.b.H., Vienna (AT) | 36,336 | EUR | 50.0% | FI |
| Stemcor Global Holdings Limited, St. Helier (JE) | 349,138 | USD | 0.9% | OT |
| Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) GmbH, Vienna (AT) | 100,000 | EUR | 10.7% | OT |
| SUPRIA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT) | 36,400 | EUR | 50.0% | OT |
| SWO Kommunalgebäudeleasing  Gesellschaft m.b.H., Vienna (AT) | 36,336 | EUR | 50.0% | FI |
| Syrena Immobilien Holding AG, Spittal an der Drau (AT) | 22,600,370 | EUR | 21.0% | OT |
| The Zagreb Stock Exchange joint stock company, Zagreb (HR) | 46,357,000 | HRK | 2.9% | OT |
| TKL II. Grundverwertungsgesellschaft m.b.H., Vienna (AT) | 39,000 | EUR | 8.3% | FI |
| TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck (AT) | 39,000 | EUR | 33.3% | FI |
| TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck (AT) | 39,000 | EUR | 33.3% | FI |
| TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck (AT) | 39,000 | EUR | 33.3% | FI |
| TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck (AT) | 39,000 | EUR | 24.5% | FI |
| Top Vorsorge-Management GmbH, Vienna (AT) | 35,000 | EUR | 25.0% | OT |
| TRABITUS Grundstücksvermietungs Gesellschaft m.b.H., Vienna (AT) | 36,360 | EUR | 25.0% | FI |
| UNDA Grundstücksvermietungs Gesellschaft m.b.H., St. Pölten (AT) | 36,360 | EUR | 25.0% | FI |
| UNIQA Raiffeisen Software Service Kft., Budapest (HU) | 19,900,000 | HUF | 1.0% | OT |
| VALET-Grundstücksverwaltungs Gesellschaft m.b.H., St. Pölten (AT) | 36,360 | EUR | 24.5% | FI |
| VERMREAL Liegenschaftserwerbs- und -betriebs GmbH, Vienna (AT) | 36,336 | EUR | 17.0% | OT |
| Viminal Grundstückverwaltungs Gesellschaft m.b.H., Vienna (AT) | 36,336 | EUR | 25.0% | FI |
| Visa Inc., San Francisco (US) | 192,964 | USD | <0.1% | BR |
| Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H., Dornbirn (AT) | 42,000 | EUR | 33.3% | FI |
| W 3 Errichtungs- und Betriebs-Aktiengesellschaft, Vienna (AT) | 800,000 | EUR | 20.0% | OT |
| Zhytomyr Commodity Agroindustrial Exchange, Zhitomir (UA) | 476,515 | UAH | 3.1% | OT |
| Ziloti Holding S.A., Luxembourg (LU) | 48,963 | EUR | 0.9% | OT |

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

# Regulatory information

## (71) Capital management and total capital according to CRR/CRD IV and Austrian Banking Act (BWG)

Based on an annually undertaken Supervisory Review and Evaluation Process (SREP), the ECB has instructed RBI by way of an official notification to hold additional common equity tier 1 capital to cover risks which are not or not adequately covered under Pillar I.

The so-called Pillar 2 requirement is calculated based on the business model, risk management, or the capital situation, for example. The most recent official notification from the ECB specifies that the Pillar 2 requirement must be adhered to at the level of RBI (consolidated) and the level of RBI AG (unconsolidated). In addition, RBI is subject to the minimum requirements of the CRR and the combined buffer requirement. The combined buffer requirement for RBI currently contains a capital conservation buffer, a systemic risk buffer, and a countercyclical buffer. As at 31 December 2019, the CET1 ratio requirement (including the combined buffer requirement) was 9.3 per cent for the RBI Group. A breach of the combined buffer requirement would induce constraints, for example in relation to dividend distributions and coupon payments on certain capital instruments. The capital requirements applicable during the year were complied with, including an adequate buffer, on both a consolidated and individual basis.

National supervisors may in principle determine systemic risk buffers (up to 5 per cent) as well as additional capital add-ons for systemic banks (up to 3.5 per cent). In the event both systemic risk buffers and add-ons for systemic banks are determined for an institution, only the higher of the two values is applicable. In September 2015, the Financial Market Stability Board (FMSB) responsible for this in Austria recommended to the Austrian financial supervisor – the FMA – that it required certain banks, including RBI, to adhere to a systemic risk buffer (SRB). The FMA consequently introduced a systematic risk buffer at the beginning of 2016 via the Capital Buffer Regulation (including subsequent amendments). The SRB for RBI was set at 0.25 per cent in 2016, was raised to 0.50 per cent as of 1 January 2017, and has increased progressively to 2 per cent in 2019.

Establishment of a countercyclical buffer is the responsibility of the national supervisors. The buffer established for RBI resulted in a weighted average at the level of RBI in order to curb excessive lending growth. The buffer was set at 0 per cent for the present time due to restrained lending growth and the stable macroeconomic environment in Austria. The buffer rates defined in other member states apply at the level of RBI (based on a weighted calculation of averages).

Regulatory changes and developments are monitored on an ongoing basis, included in scenario calculations, and are analyzed. Potential effects are considered in planning and governance, insofar as their scope and implementation are foreseeable.

### Total capital

The following consolidated figures have been calculated in accordance with the provisions of the Capital Requirements Regulation (CRR) and other statutory provisions such as the Implementing Technical Standards (ITS) issued by the European Banking Authority (EBA).

As at 31 December 2019, RBI's common equity tier 1 (CET1) after deductions amounted to € 10,861,965 thousand, representing an increase of € 1,159,949 thousand compared to the 2018 year-end figure. Material factors behind the improvement were the inclusion of eligible profit, foreign exchange effects directly recognized in equity and changes to qualifying minority interests. Tier 1 capital after deductions increased € 1,163,918 thousand to € 12,091,787 thousand primarily as a result of the increase in CET1. There was a € 417,814 thousand reduction in tier 2 capital to € 1,939,915 thousand, mainly due to early repayments and the regulatory amortization of outstanding issues. RBI's total capital amounted to € 14,031,703 thousand, representing an increase of € 746,103 thousand compared to the 2018 year-end figure.

Risk-weighted assets (total RWA) totaled € 77,966,207 thousand as at 31 December 2019. The major factors behind the € 5,294,464 thousand increase were new lending business as well as general business developments at head office, in Russia and in Bulgaria. In addition, foreign exchange movements also increased risk-weighted assets, primarily due to the Russian ruble. The changes in market risk reduced risk-weighted assets, while the change in settlement risk increased them marginally.

As a result, the CET1 ratio (fully loaded) was up 0.6 percentage points at 13.9 per cent, the tier 1 ratio (fully loaded) was 15.4 per cent (up 0.5 percentage points), and the total capital ratio (fully loaded) was 17.9 per cent (down 0.3 percentage points).

| in € thousand | 2019 | 2018 |
|---|---|---|
| Paid-in capital | 5,974,080 | 5,974,080 |
| Earned capital | 5,185,613 | 4,033,691 |
| Non-controlling interests | 498,861 | 428,618 |
| **Common equity tier 1 (before deductions)** | **11,658,553** | **10,436,390** |
| Deduction intangible fixed assets/goodwill | (762,042) | (699,431) |
| Deduction provision shortage for IRB positions | 0 | 0 |
| Deductions for new net provisioning | 0 | 0 |
| Deduction securitizations | (18,377) | (14,809) |
| Deduction deferred tax assets | 0 | 0 |
| Deduction loss carry forwards | (16,169) | (20,133) |
| Deduction insurance and other investments | 0 | 0 |
| **Common equity tier 1 (after deductions)** | **10,861,965** | **9,702,017** |
| Additional tier 1 | 1,204,475 | 1,220,634 |
| Non-controlling interests | 25,347 | 5,218 |
| Deduction intangible fixed assets/goodwill | 0 | 0 |
| Deduction provision shortage for IRB positions | 0 | 0 |
| Deduction securitizations | 0 | 0 |
| Deduction insurance and other investments | 0 | 0 |
| **Tier 1** | **12,091,787** | **10,927,869** |
| Long-term subordinated capital | 1,679,026 | 2,087,390 |
| Non-controlling interests | 18,965 | 40,840 |
| Provision excess of internal rating approach positions | 243,419 | 229,500 |
| Provision excess of standardized approach positions | 0 | 0 |
| Deduction securitizations | 0 | 0 |
| Deduction insurance and other investments | (1,496) | 0 |
| **Tier 2 (after deductions)** | **1,939,915** | **2,357,730** |
| **Total capital** | **14,031,703** | **13,285,599** |
| **Total capital requirement** | **6,237,297** | **5,813,739** |
| Common equity tier 1 ratio (transitional) | 13.9% | 13.4% |
| Common equity tier 1 ratio (fully loaded) | 13.9% | 13.4% |
| Tier 1 ratio (transitional) | 15.5% | 15.0% |
| Tier 1 ratio (fully loaded) | 15.4% | 14.9% |
| Total capital ratio (transitional) | 18.0% | 18.3% |
| Total capital ratio (fully loaded) | 17.9% | 18.2% |

1 Over the course of the regulatory reporting process, tier 2 capital was reduced due to the adjustment of an eligibility limit, which led to a change in own funds as at 31 December 2018.

The transitional ratios are the currently applicable ratios according to CRR requirements under consideration of the applicable transitional provisions for the current calendar year set out in Part 10 of the CRR in conjunction with the CRR Supplementary Regulation (CRR-BV) published by the FMA.

The fully loaded ratios are for informational purposes only and are calculated assuming full implementation without taking the transitional provisions into account.

No direct transitional provisions have been used for RBI as at 31 December 2019 reporting date, for which reason they do not impact the common equity tier 1 ratio. Only the tier 1 ratio and the total capital ratio are affected due to capital instruments (in additional tier 1 capital) that are no longer eligible.

### Total capital requirement and risk-weighted assets

| in € thousand | 2019 | 2018 |
|---|---|---|
| Total capital requirement for credit risk | 5,338,135 | 4,894,582 |
| Internal rating approach | 3,297,807 | 3,059,999 |
| Standardized approach | 2,022,517 | 1,817,492 |
| CVA risk | 17,810 | 17,090 |
| Settlement and delivery risk | 3,528 | 0 |
| Total capital requirement for position risk in bonds, equities, commodities and open currency positions | 271,464 | 303,245 |
| Total capital requirement for operational risk | 624,170 | 615,913 |
| **Total capital requirement** | **6,237,297** | **5,813,739** |
| **Risk-weighted assets (total RWA)** | **77,966,207** | **72,671,743** |

Risk-weighted assets for credit risk by asset classes broke down as follows:

| in € thousand | 2019 | 2018 |
|---|---|---|
| **Risk-weighted assets according to standardized approach** | **25,281,464** | **22,718,655** |
| Central governments and central banks | 955,709 | 540,815 |
| Regional governments | 100,820 | 98,128 |
| Public administration and non-profit organizations | 27,924 | 31,289 |
| Multilateral development banks | 0 | 0 |
| Banks | 226,642 | 171,035 |
| Corporate customers | 5,505,817 | 7,030,811 |
| Retail customers | 13,651,152 | 10,503,972 |
| Equity exposures | 1,815,892 | 1,822,812 |
| Covered bonds | 12,840 | 13,274 |
| Mutual funds | 74,958 | 52,635 |
| Securitization position | 0 | 240 |
| Items associated with particular high risk | 139,492 | 0 |
| Other positions | 2,770,219 | 2,453,643 |
| **Risk-weighted assets according to internal rating approach** | **41,222,591** | **38,249,992** |
| Central governments and central banks | 1,816,744 | 2,186,652 |
| Banks | 1,457,155 | 1,424,099 |
| Corporate customers | 30,286,694 | 27,875,849 |
| Retail customers | 6,546,931 | 5,970,514 |
| Equity exposures | 462,390 | 373,916 |
| Securitization position | 652,676 | 418,963 |
| **CVA risk** | **222,627** | **213,627** |
| **Risk-weighted assets (credit risk)** | **66,726,682** | **61,182,274** |
| **Total capital requirement (credit risk)** | **5,338,135** | **4,894,582** |

### Leverage ratio

The leverage ratio is defined in Part 7 of the CRR. As at 31 December 2019, the leverage ratio was not yet a mandatory quantitative requirement and is therefore only used for informational purposes:

| in € thousand | 2019 | 2018 |
|---|---|---|
| Leverage exposure | 178,226,154 | 163,077,123 |
| Tier 1 | 12,091,787 | 10,928,269 |
| **Leverage ratio (transitional)** | **6.8%** | **6.7%** |
| Leverage ratio (fully loaded) | 6.7% | 6.6% |

The following table provides an overview of the calculation methods that are applied to determine total capital requirements in the subsidiaries:

| Unit | Credit risk Non-Retail | Credit risk Retail | Market risk | Operational risk |
|---|---|---|---|---|
| Raiffeisen Bank International AG, Vienna (AT) | IRB | STA | Internal model | AMA |
| Raiffeisenbank a.s., Prague (CZ) | IRB | IRB | STA | STA |
| Raiffeisen Bank Zrt., Budapest (HU) | IRB | IRB | STA | STA |
| Tatra banka a.s., Bratislava (SK) | IRB | IRB | STA | AMA |
| Raiffeisen Bank S.A., Bucharest (RO) | IRB | IRB | STA | AMA |
| Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo (BA) | IRB | IRB | STA | STA |
| Raiffeisenbank Austria d.d., Zagreb (HR) | IRB | STA | STA | STA |
| Raiffeisen Banka a.d., Novi Beograd (RS) | IRB | IRB | STA | STA |
| Raiffeisenbank Russland d.d., Moscow (RU) | IRB | STA | STA | AMA |
| Raiffeisen Bank Sh.a., Tirana (AL) | IRB | IRB | STA | STA |
| Raiffeisenbank (Bulgaria) EAD, Sofia (BG) | IRB | IRB | STA | AMA |
| Raiffeisen Centrobank AG, Vienna (AT) | STA | n/a | STA | AMA |
| Kathrein Privatbank Aktiengesellschaft, Vienna (AT) | STA | STA | n/a | AMA |
| All other units | STA | STA | STA | STA |

IRB: Internal ratings-based approach
Internal model for risk of open currency positions and general interest rate risk in the trading book
STA: Standardized approach
AMA: Advanced measurement approach

# Recognition and measurement principles

## Classification and measurement of financial assets and financial liabilities

According to IFRS 9, all financial assets, financial liabilities and derivative financial instruments are to be recognized in the statement of financial position. A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. On initial recognition, financial instruments are to be measured at fair value, which generally corresponds to the transaction price at the time of acquisition or issue. According to IFRS 13, the fair value is defined as the exit price. This is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants. For subsequent measurement, financial instruments are recognized in the statement of financial position according to the respective measurement category pursuant to IFRS 9, either at (amortized) cost or at fair value.

IFRS 9 contains a classification and measurement approach for financial assets which is firstly based on the business model under which the assets are managed, and secondly on the cash flow characteristics of the assets. For RBI, this results in five classification categories for financial assets:

- Financial assets measured at amortized cost (AC)
- Financial assets measured at fair value through other comprehensive income (FVOCI)
- Financial assets mandatorily measured at fair value through profit or loss (FVTPL)
- Financial assets designated fair value through profit or loss (FVTPL) and
- Financial assets held for trading (HFT)

In RBI, a financial asset is measured at amortized cost if the objective is to hold the asset to collect the contractual cash flows and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset is subsequently measured at fair value through other comprehensive income (FVOCI) if it is held within a business model whose objective is both collecting contractual cash flows and selling financial assets. In addition, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, RBI may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This decision is made on an investment-by-investment basis for each investment and essentially covers strategic interests that are not fully consolidated.

All other financial assets – i.e. financial assets that do not meet the criteria for classification as subsequently measured at either amortized cost or FVOCI – are classified as subsequently measured at fair value, with changes in fair value recognized in profit or loss. In addition, RBI has the option at initial recognition to designate a financial asset as at FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency – i.e. an accounting mismatch – that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases.

A financial asset is classified into one of these categories on initial recognition.

The recognition of financial liabilities according to IFRS 9 is largely in accordance with the rules of IAS 39, with the exception that changes in the fair value of liabilities measured at fair value which are caused by changes in RBI's own default risk are to be booked in other comprehensive income.

In accordance with IFRS 9, embedded derivatives are not separated from the host contract of a financial asset. Instead, financial assets are classified in accordance with the business model and their contractual characteristics as explained in the chapter business model assessment and in the chapter analysis of contractual cash flow characteristics.

The recognition of derivatives which are embedded in financial liabilities and in non-financial host contracts has not changed under IFRS 9.

### Business model assessment

RBI makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The following factors are considered as evidence when assessing which business model is relevant:

- How the performance of the business model (and the financial assets held within that business model) are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed
- How managers of the business are compensated – e.g. whether the compensation is based on the fair value of the assets managed or the contractual cash flows collected
- The frequency, value and timing of sales in prior periods, the reasons for such sales, and expectations about future sales activity and
- Whether sales activity and the collection of contractual cash flows are each integral or incidental to the business model (hold-to-collect versus hold-and-sell business model).

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL.

A business model's objective can be to hold financial assets to collect contractual cash flows even when some sales of financial assets have occurred or are expected to occur. For RBI the following sales may be consistent with the hold-to collect business model:

- The sales are due to an increase in the credit risk of a financial asset.
- The sales are infrequent (even if significant) or are insignificant individually and in aggregate (even if frequent).
- The sales take place close to the maturity of the financial asset and the proceeds from the sales approximate the collection of the remaining contractual cash flows.

For RBI, the sale of more than 10 per cent of the portfolio (carrying amount) during a rolling three-year period will be considered more than infrequent unless these sales are immaterial as a whole.

### Analysis of contractual cash flow characteristics

Once RBI determines that the business model of a specific portfolio is to hold the financial assets to collect the contractual cash flows (or to both collect contractual cash flows and sell financial assets), it must then assess whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For this purpose, interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. This assessment will be carried out on an instrument-by-instrument basis on the date of initial recognition of the financial asset.

In assessing whether the contractual cash flows are solely payments of principal and interest, RBI considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it no longer meets this condition. RBI considers:

- Prepayment or extension terms
- Leverage agreements
- Claim is limited to specified assets or cash flows
- Contractually linked instruments

IFRS 9 includes regulations for prepayment features with negative compensation. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortized cost measurement, the negative compensation must be a reasonable compensation for early termination of the contract.

### Modification of the time value of money and the benchmark test

The time value of money is the element of interest that provides consideration for only the passage of time. It does not take into account other risks (credit, liquidity etc.) or costs (administrative etc.) associated with holding a financial asset. In some cases, the time value of money element is modified (referred to as imperfect). This would be the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate. In this case units must assess the modification as to whether the contractual cash flows still represent solely payments of principal and interest, i.e. the modification term does not significantly alter the cash flows from a perfect benchmark instrument. This assessment is not an accounting policy option and cannot be avoided simply by concluding that an instrument, in the absence of such an assessment, will be measured at fair value.

A benchmark test is applied for the following main contractual features that can potentially modify the time value of money:

- Reset rate frequency does not match interest tenor
- Lagging indicator
- Smoothing clause
- Grace period
- Secondary market yield reference (UDRB: Average government bond yields weighted by outstanding amounts)

## Financial assets and financial liabilities

### Financial assets – amortized cost

In RBI, a financial asset is measured at amortized cost (AC) if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These conditions are explained in more detail in the chapters business model assessment, analysis of contractual cash flow characteristics, and modification of the time value of money and the benchmark test.

Loans and advances to customers and banks in particular are assigned to this category. Loans and advances relating to finance lease business, which are recognized in accordance with IFRS 16, and securities which meet the above conditions, are also shown in this measurement category.

They are measured at amortized cost. If there is a difference between the amount paid and face value – and this has an interest character – the effective interest method is used, and the amount is stated under net interest income. Interest income is calculated on the basis of the gross carrying amount provided the financial asset is not impaired. As soon as the financial asset is impaired, interest income is calculated based on the net carrying amount. The amortized cost is also adjusted by the expected loss recognized, using the expected loss approach in accordance with IFRS 9, as outlined in the chapter impairment general (IFRS 9).

### Financial assets – mandatorily at fair value through profit/loss

In RBI, a financial asset is mandatorily measured at fair value if the financial asset is managed neither at amortized cost nor at fair value through other comprehensive income, and if there is no intention to trade and the asset was not voluntarily designated at fair value. Essentially, this concerns securities and loans which do not pass the contractual cash flow characteristics analysis and portfolios of financial assets which are not held for trading, which are managed at fair value and whose performance is assessed.

### Financial assets – fair value through other comprehensive income

In RBI, a debt instrument is measured at fair value through other comprehensive income if both of the following conditions are met:

- A financial asset is classified as subsequently measured at fair value through other comprehensive income (FVOCI) if it is held within a business model whose objective is both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Securities for the purpose of liquidity management are in particular assigned to this category.

Recognition is at fair value. Interest income, foreign exchange gains and losses from remeasurements and impairment expenses and reversals of impairment are recorded in the income statement and calculated in the same way as financial assets measured at amortized cost. The remaining fair value changes are recorded in other comprehensive income. On derecognition, the cumulative net gains or losses from the fair value changes which are recorded in other comprehensive income are reclassified to the income statement. In addition, the debt instruments in the category FVOCI are subject to the same impairment model (see chapter impairment general (IFRS 9)) as financial assets measured at amortized cost. The difference between the fair value and amortized cost is shown in other comprehensive income until the asset is derecognized.

In RBI, an equity instrument is shown at fair value through other comprehensive income if RBI irrevocably decides to present subsequent changes in fair value in other comprehensive income (OCI). This decision is made on an investment-by-investment basis for each investment and essentially covers strategic investments that are not fully consolidated. In contrast to debt instruments, the gains and losses recorded in other comprehensive income (OCI) are not reclassified to the income statement on sale; impairments are not recorded through profit or loss, either.

### Financial assets and financial liabilities – held for trading

Financial assets and liabilities – held for trading are acquired or incurred principally for the purpose of generating profit from short-term fluctuations in market prices. Securities and derivative financial instruments held for trading are recognized at fair value. If securities are listed, the fair value is based on stock exchange prices. Where such prices are not available, internal prices based on present value calculations for originated financial instruments and futures or option pricing models for options are applied. Present value calculations are based on an interest rate curve which consists of money market rates, future rates and swap rates. Option price formulas Black-Scholes 1972, Black 1976 or Garman-Kohlhagen are applied depending on the kind of option. The measurement for complex options is based on a binominal tree model and Monte Carlo simulations.

Positive fair values are shown under financial assets – held for trading. Negative fair values are shown under financial liabilities – held for trading. Changes in fair value are shown in net trading income. Derivatives held for hedging purposes pursuant to IAS 39 are shown in the statement of financial position under the item hedge accounting. In addition, any liabilities from the short-selling of securities are shown in financial liabilities – held for trading.

Capital-guaranteed products (guarantee funds and pension plans) are shown as sold put options on the respective funds to be guaranteed, in accordance with statutory requirements. The valuation is based on a Monte Carlo simulation. The Group has provided capital guarantee obligations as part of the government-funded state-sponsored pension plans according to Section 108h (1) item 3 EStG (Austrian Income Tax Act). The bank guarantees that the retirement annuity, available for the payment amount is not less than the sum of the amounts paid by the taxpayer plus credits for such taxable premiums within the meaning of Section108g EStG.

Interest income is shown in net interest income, valuation results and proceeds from disposals are shown in net trading income and fair value result.

### Financial assets and financial liabilities – designated fair value through profit/loss

This category comprises mainly all those financial assets that are irrevocably designated as financial instruments at fair value (so-called fair value option) upon initial recognition in the statement of financial position. An entity may use this designation only when doing so eliminates or significantly reduces incongruities in measurement or recognition. These arise if the measurement of financial assets or liabilities or the recognition of resulting gains or losses has a different basis.

Financial liabilities are also designated as financial instruments at fair value, to avoid valuation discrepancies with related derivatives. The fair value of financial obligations under the fair value option in this category reflects all market risk factors, including those related to the credit risk of the issuer.

In 2019, as in 2018, observable market prices were used for the valuation of liabilities of subordinated issues measured at fair value. The financial liabilities are mostly structured bonds. The fair value of these financial liabilities is calculated by discounting the contractual cash flows with a credit-risk-adjusted yield curve, which reflects the level at which the Group could issue similar financial instruments at the reporting date. The market risk parameters are determined based on similar financial instruments. Valuation results for liabilities that are designated as a financial instrument at fair value are recognized in net trading income and fair value result.

In accordance with IFRS 9, these financial instruments are measured at fair value. Interest income is shown in net interest income; valuation results and proceeds from disposals are shown in net trading income and fair value result. For financial liabilities designated at fair value through profit or loss, changes in fair value attributable to a change in own credit risk is not reported in the income statement but in other comprehensive income.

### Financial liabilities – amortized cost

Liabilities are predominantly recognized at amortized cost. In addition to interest expense, if there are differences between the amount paid and face value, the effective interest method is applied and amounts are shown in net interest income. This category mainly includes customer deposits and securities issues for refinancing purposes.

## Relationships between assets/liabilities, measurement criteria and category pursuant to IFRS 9

| | Measurement | | |
|---|---|---|---|
| **Assets/liabilities** | **Fair value** | **Amortized cost** | **Category according to IFRS 9** |
| **Asset classes** | | | |
| Cash, cash balances at central banks and other demand deposits | | X | AC |
| Financial assets - amortized cost | | X | AC |
| hereof loans from finance lease | | X | AC |
| Financial assets - fair value through other comprehensive income | X | | FVOCI |
| Non-trading financial assets - mandatorily fair value through profit/loss | X | | FVTPL |
| Financial assets - designated fair value through profit/loss | X | | FVTPL |
| Financial assets - held for trading | X | | FVTPL |
| Hedge accounting | X | | n/a |
| **Liability classes** | | | |
| Financial liabilities - amortized cost | | X | AC |
| hereof liabilities from finance lease | | X | AC |
| Financial liabilities - designated fair value through profit/loss | X | | FVTPL |
| Financial liabilities - held for trading | X | | FVTPL |
| Hedge accounting | X | | n/a |

AC: Amortized Cost
FVOCI: Fair Value Through Other Comprehensive Income
FVTPL: Fair Value Through Profit/Loss

## Amortized cost

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and allocating interest expenses and interest income to the relevant periods. The effective interest rate is the interest rate applied to discount the forecast future cash inflows and outflows (including all fees which form part of the effective interest rate, transaction costs and other premiums and discounts) over the expected term of the financial instrument or a shorter period, where applicable, to arrive at the net carrying amount from initial recognition.

## Fair value

The fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability, in an orderly business transaction between market participants on the measurement reference date. This applies irrespective of whether the price is directly observable or has been estimated using a valuation method.

In accordance with IFRS 13, RBI uses the following hierarchy to determine and report the fair value for financial instruments:

**Quotation on an active market (Level I)**

If market prices are available, the fair value is best reflected by the market price insofar as a publicly quoted market price is available. This category contains equity instruments traded on the stock exchange, debt instruments traded on the interbank market, and derivatives traded on the stock exchange. The valuation is mainly based on external data sources (stock exchange prices or broker quotes in liquid market segments). In an active market, transactions involving financial assets and liabilities are traded in sufficient frequency and volumes, so that price information is continuously available. Indicators for active markets are the number, the frequency of update or the quality of quotations (e.g. banks or stock exchanges). Moreover, narrow bid/ask spreads and quotations from market participants within a certain corridor are also indicators of an active liquid market.

**Measurement techniques based on observable market data (Level II)**

When quoted prices for financial instruments are not available, the prices of similar financial instruments are used to determine the current fair value or accepted measurement methods utilizing observable prices or parameters (in particular present value calculations or option price models) are employed. These methods concern the majority of the OTC-derivatives and non-quoted debt instruments.

**Measurement techniques not based on observable market data (Level III)**

If no sufficient current verifiable market data is available for the measurement with measurement models, parameters which are not observable in the market are also used. These input parameters may include data which is calculated in terms of approximated values from historical data among other factors (fair value hierarchy level III). The utilization of these models requires assumptions and estimates of the Management. The scope of the assumptions and estimates depends on the price transparency of the financial instrument, its market and the complexity of the instrument.

For financial instruments valued at amortized cost (this comprises loans and advances, deposits, other short-term borrowings and long-term liabilities), the Group publishes the fair value. In principle, there is low or no trading activity for these instruments, therefore a significant degree of assessment by the Management is necessary for determining the fair value.

Further information on measurement methods and quantitative information for determination of fair value is shown in the notes under (32) Fair value of financial instruments.

## Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows arising from a financial asset have expired, when the Group has transferred the rights to the cash flows, or if the Group has the obligation, in case that certain criteria occur, to transfer the cash flows to one or more receivers. A transferred asset is also derecognized if all material risks and rewards of ownership of the assets are transferred. The Group has in place a write-off policy based on the principle that the bank being the creditor of loans does not expect any recovery/payment either on the entire exposure (full write-off) or on a part of the exposure (partial write-off). Furthermore, the loans have to be either fully impaired in amount of the entire exposure or, in case of collateralized loans, they are impaired in the extent not being collateralized. Further information on write-offs is provided in (36) Expected loan defaults.

**Modification of financial assets**

In RBI, a financial asset is derecognized on account of a modification if the underlying contract is modified substantially. Terms are substantially different if the discounted present value of the cash flows under the new terms using the original effective interest rate differs by at least 10 per cent from the discounted present value of the remaining cash flows of the original financial asset (present value test). In addition to the present value test further quantitative and qualitative criteria are considered in order to assess whether a substantial modification applies. These criteria consider the extension of the average remaining term, whereby in the case of Stage 3 loans which are restructured, this is often done to match the maximum expected payments. If this is the case, then additional judgement is required to determine whether the extension is a new instrument in economic terms. RBI has defined qualitative criteria for a significant change in the terms of the contract as a change in the underlying currency and also the introduction of clauses that would normally cause the contractual cash flow criteria according to IFRS 9 to fail, or a change in the type of instrument (e.g. a bond is converted to a loan).

**Securitization transactions**

RBI securitizes various financial assets from transactions with retail and commercial customers by placing risks from these financial assets and transferring them to special purpose vehicles (SPV) or structured entities (SE) that issue securities to investors. The assets transferred may be derecognized fully or partly or be reflected in the form of a transfer of risks in the existence of portfolio guarantees received. Rights to securitized financial assets can be retained in the form of senior or subordinated tranches, interest claims or other residual claims (retained rights).

## Derecognition of financial liabilities

The Group derecognizes a financial liability if the obligations of the Group have been paid, expired or revoked. The income or expense from the repurchase of own liabilities is shown in the notes under (7) Other net operating income. The repurchase of own bonds also falls under derecognition of financial liabilities. Differences on repurchase between the carrying amount of the liability (including premiums and discounts) and the purchase price are reported in the income statement under other net operating income.

## Reclassification of financial assets

Reclassification is only possible for financial assets, not for financial liabilities. In RBI a change in the measurement category is only possible if there is a change in the business model used to manage a financial asset. Reclassification is then mandatory in such cases. Such changes must be determined by the Management Board and be significant for corporate activities. If such reclassification is necessary, this must be changed prospectively from the date of reclassification and approved by the RBI Management Board.

## Derivatives

Within the operating activity, the Group carries out different transactions with derivative financial instruments for trading and hedging purposes. The Group uses derivatives including swaps, standardized forward contracts, futures, credit derivatives, options and similar contracts. The Group uses derivatives in order to meet client requirements concerning their risk management, to manage and hedge risks and to generate profit in proprietary trading. Derivatives are initially recognized at the time of the transaction at fair value and subsequently revalued to fair value. The resulting valuation gain or loss is recognized immediately in net trading income and fair value result, unless the derivative is designated as a hedging instrument for hedge accounting purposes and the hedge is effective. Here the timing of the recognition of the gain or loss on the hedging instrument depends on the type of hedging relationship.

Derivatives which are used for hedging against market risk (excluding trading assets/liabilities) for a non-homogeneous portfolio do not meet the conditions for IAS 39 hedge accounting. These are recognized as follows: the dirty price is booked under the item financial assets – held for trading or financial liabilities – held for trading in the statement of financial position. The change in value of these derivatives, on the basis of the clean price, is shown in net trading income and fair value result and interest is shown in net interest income.

Credit derivatives, the value of which is dependent on future specified credit (non-)events are shown at fair value under the item financial assets – held for trading or financial liabilities – held for trading. Changes in valuation are recognized under net trading income and fair value result.

Additional information on derivatives is provided in the notes under (46) Derivative financial instruments.

## Offsetting of financial instruments

Where the borrower and lender are the same, offsetting of loans and liabilities with matching maturities and currencies occurs only if a legal right, by contract or otherwise, exists and offsetting is in line with the actually expected course of the business. Information on offsetting of financial instruments is provided in the notes under (40) Offsetting financial assets and liabilities.

## Hedge accounting

IFRS 9 grants accounting options for hedge accounting. In 2019, RBI continues to apply the provisions on hedge accounting pursuant to IAS 39 while, however, taking into account the changes in the disclosures in the notes pursuant to IFRS 7. The respective disclosures are shown in the notes under (47) Hedge accounting - additional information.

If derivatives are held for the purpose of risk management and if the respective transactions meet specific criteria, the Group uses hedge accounting. The Group designates certain hedging instruments - mostly derivatives - as fair value hedges, cash flow hedges or capital hedges. At the beginning of the hedging relationship, the relationship between underlying and hedging instrument, including the risk management objectives, is documented. Furthermore, it is necessary to regularly document from the beginning and during the lifetime of the hedging relationship that the fair value or cash flow hedge is highly effective.

### Fair value hedge

Hedge accounting according to IAS 39 applies to those derivatives that are used to hedge the fair value of financial assets and liabilities. The credit business is especially subject to such fair value risks if it deals with fixed-interest loans. Interest rate swaps that satisfy the prerequisites for hedge accounting are contracted to hedge against the interest-rate risks arising from individual loans or refinancing. Thus, hedges are formally documented, continuously assessed, and tested to be highly effective. Throughout the term of a hedge it can therefore be assumed that changes in the fair value of a hedged item will be nearly completely offset by a change in the fair value of the hedging instrument and that the actual effectiveness outcome will lie within a band of 80 to 125 per cent.

Derivative instruments held to hedge the fair value of individual items in the statement of financial position (except trading derivatives) are recognized at fair value (dirty price) under the item hedge accounting (for assets: positive dirty prices; for liabilities: negative dirty prices). Changes in the carrying amounts of hedged items (assets or liabilities) are allocated directly to the corresponding items of the statement of financial position and reported separately in the notes.

Both the effect of changes in the carrying amounts of positions requiring hedging and the effects of changes in the clean prices of the derivative instruments are recorded under net income from hedge accounting.

Within the management of interest rate risks, the hedging of interest rate risk is also undertaken on the portfolio level. Individual transactions or groups of transactions with similar risk structures, divided into maturities according to the expected repayment and interest rate adjustment date in a portfolio, are hedged. Portfolios can contain assets only, liabilities only, or both. For hedge accounting, the change in the value of the hedged asset or liability is shown in net income from hedge accounting. The hedged amount of the hedged items is determined in the consolidated financial statements including sight deposits (the rules of the EU carve-out are therefore applied).

### Cash flow hedge

Cash flow hedge accounting according to IAS 39 applies for those derivatives that are used to hedge against the risk of fluctuating future cash flows. Variable-interest loans and liabilities, as well as expected transactions such as expected borrowing or investment, are especially subject to such cash flow risks. Interest rate swaps used to hedge against the risk of fluctuating cash flows arising from specific variable interest-rate items are recognized as follows: The hedging instrument is recognized at fair value, changes in its clean price are recorded in other comprehensive income. Any ineffective portion is recognized in the income statement under net gains/losses from hedge accounting.

### Hedge of a net investment in an economically independent operation (capital hedge)

In the Group, foreign exchange hedges of investments in economically independent sub-units are executed in order to reduce differences arising from the foreign currency translation of equity components. Currency swaps are mainly used as hedging instruments. Where the hedge is effective the resulting gains or losses from foreign currency translation are recognized in other comprehensive income and shown separately in the statement of comprehensive income. Any ineffective part of the hedge is recognized in net trading income. The related interest components are shown in net interest income.

## Financial guarantees

According to IFRS 9, a financial guarantee is a contract under which the guarantor is obliged to make certain payments. These payments compensate the party to whom the guarantee is issued for losses arising in the event that a particular debtor does not fulfill payment obligations on time as stipulated in the original terms of a debt instrument. At the date of recognition of a financial guarantee, the initial fair value corresponds under market conditions to the premium at the date of signature of the contract. In contrast to the presentation of impairments of financial assets, expected loan defaults are shown as a provision on the liabilities side.

## Contingent liabilities and commitments

This item mainly includes contingent liabilities from guarantees, credit guarantees, letters of credit and loan commitments recognized at face value. Guarantees are used in situations in which the Group guarantees payment to the creditor of a third party to fulfill the obligation of the third party. Irrevocable credit lines must be reported when a credit risk may occur. These include commitments to provide loans, to purchase securities or to provide guarantees and acceptances. Loan loss provisions for contingent liabilities and irrevocable loan commitments are reported under provisions for liabilities and charges. Often, loan commitments are only partially drawn and thus comprise a drawn and an undrawn commitment. If it is not possible to separately identify the expected credit losses applicable to a drawn commitment and those to an undrawn commitment, these are shown together with the impairments of the financial asset, in accordance with IFRS 7. The total expected credit losses are shown as a provision if they exceed the gross carrying amount of the financial asset.

## Impairment general (IFRS 9)

This section provides an overview of those aspects of the rules on impairment that involve a higher degree of judgement or complexity and major sources of estimation uncertainty. Quantitative information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

### Overview

Since IFRS 9 entered into force, impairment losses for all debt instruments which are not measured at fair value and for loan commitments and financial guarantees (hereinafter referred to in this section as financial instruments) are recorded in the amount of the expected credit loss. Equity instruments are not subject to the impairment rules of IFRS 9.

If the credit risk for financial instruments has significantly increased since initial recognition, then on each reporting date, the impairment for a financial instrument must be measured in the amount of the expected credit losses over the (remaining) term. If the credit risk for financial instruments has not significantly increased since initial recognition, then on each reporting date, the impairment for a financial instrument must be measured in the amount of the present value of an expected twelve-month loss. The expected twelve-month loss is that portion of the credit losses expected over the lifetime which correspond to the expected credit losses from default events possible for a financial instrument within the twelve months following the reporting date.

RBI has introduced recognition and measurement methods in order to be able to assess at the end of every reporting period whether or not the credit risk for a financial instrument has significantly increased since initial recognition. Based on the method outlined above, RBI classifies its financial instruments into Stage 1, Stage 2, Stage 3 and POCI as follows:

- Stage1 essentially includes all financial instruments whose credit default risk has not significantly increased since their initial recognition. Stage 1 also includes all transactions which show a low credit risk on the reporting date and where RBI has utilized the option available under IFRS 9 to waive the assessment of a significant increase in credit risk. A low credit risk exists for all debt securities whose internal credit rating on the reporting date is within the investment grade range (at least corresponds to Standard & Poor's BBB-, Moody's Baa3 or Fitch BBB-). RBI did not make use of the exemption for low credit risks in the lending business. On initial recognition of loans, the bank records an impairment in the amount of the expected twelve-month loss. Stage 1 also includes loans where the credit risk has improved and which have thus been reclassified from Stage 2.
- Stage 2 includes those financial instruments whose credit risk has significantly increased since their initial recognition and which, as at the reporting date, are not classified as transactions with limited credit risk. Impairments in Stage 2 are recognized in the amount of the financial instrument's lifetime expected credit loss. Stage 2 also includes loans where the credit risk has improved and which have thus been reclassified from Stage 3.
- Stage 3 includes financial instruments which are classified as impaired as at the reporting date. RBI's criterion for this classification is the definition of a default in accordance with Article 178 CRR. The expected credit loss over the entire remaining lifetime of the financial instrument is also to be used as the basis for recognizing impairment of Stage 3 loans in default.
- POCI: Purchased or originated credit-impaired assets are financial assets which were already impaired at the time of initial recognition. On initial recognition, the asset is recorded at fair value without any impairment, using an effective interest rate that is adjusted for creditworthiness. The impairment recognized in subsequent periods equals the cumulative change in the lifetime expected credit loss of the financial instrument since the initial recognition in the statement of financial position. This remains the basis for measurement, even if the value of the financial instrument has risen.

The recognition and measurement principles for calculating expected credit losses are set out in the notes under (36) Expected credit losses in the chapter determination of expected credit losses. The recognition and measurement principles for determining a significant increase in the credit risk are set out under (36) Expected credit losses in the chapter significant increase in the credit risk. The expected credit losses are measured on either a collective or individual basis. The requirements for collective measurement are set out under (36) Expected credit losses in the section shared credit risk characteristics.

#### Determination of expected credit losses

RBI calculates the expected credit loss as the probability-weighted, expected value of all payment defaults taking into account various scenarios over the expected lifetime of a financial instrument discounted with the effective interest rate that was originally determined. A payment default is the difference between the contractually agreed and actually expected payment flows.

The twelve-month loss used for the recognition of impairments in Stage 1 is the portion of the lifetime expected credit loss for the financial instrument that results from default events which are expected to occur within twelve months following the reporting date. The ECL for Stage 1 and Stage 2 as well as for insignificant financial instruments in Stage 3 is determined on an individual transaction basis taking into account statistical risk parameters. These parameters have been derived from the Basel IRB approach and modified to meet the requirements of IFRS 9. The most important input parameters used by RBI for determining the expected credit losses are as follows:

- PD: In RBI, the probability of default is the probability of a borrower being unable to fulfill its payment obligations either within the next twelve months or in the entire remaining lifetime of the instrument.
- Exposure at default (EAD): The exposure at default is the amount which RBI expects to be owed at the time of default, over the next twelve months or over the entire lifetime.
- Loss given default (LGD): The loss given default represents RBI's expectation of the extent of loss on a defaulted exposure.

All risk parameters used from the bank's internal models are adjusted to meet the specific requirements of IFRS 9, and the forecast horizon has been extended accordingly to cover the entire term of the financial instruments. For example, the forecast for the development of the exposure over the entire term of the financial instrument therefore also includes, in particular, contractual and statutory termination rights.

Further details on determining expected credit losses are provided under (36) Expected credit losses.

### Forward-looking information

As a rule, the risk parameters specific to IFRS 9 are estimated not only on historical default information but also, in particular, on the current economic environment (point-in-time perspective) and forward-looking information. This assessment primarily involves regularly reviewing the effects which the bank's macroeconomic forecasts will have regarding the amount of the ECL and including these effects in the determination of the ECL. A baseline scenario is used for this purpose which relies on the respective applicable consensus (forecasts of Raiffeisen Research on significant macroeconomic factors, such as real GDP, unemployment rate, reference interest rates and information about the currently assumed state of the credit cycle). This baseline scenario is then supplemented with additional macroeconomic parameters that are relevant for the model. Other risks which cannot be depicted in the standard model and the related expected losses are also taken into account.

Further details on forward-looking information are provided in the notes under (36) Expected credit losses in the chapter forward-looking information.

### Significant increase in the credit risk

RBI's rating systems combine into the PD all available quantitative and qualitative information relevant for forecasting the credit risk. This metric is based primarily on a statistical selection and weighting of all available indictors. In addition, the PD adjusted in accordance with IFRS 9 requirements takes into account not only historical information and the current economic environment, but also, in particular, forward-looking information such as the forecast for the development of macroeconomic conditions. As a consequence, RBI uses the PD only as a frame of reference for assessing whether the credit risk of a financial instrument has risen significantly since the date of its initial recognition. By anchoring the review of the relative transfer criterion in the robust processes and procedures of the bank's Group-wide credit-risk-management framework, the bank ensures that a significant increase in the credit risk is identified in a reliable and timely manner based on objective criteria. The review to determine whether the credit default risk as at the financial reporting date has risen significantly since the initial recognition of the respective financial instrument is performed as at the reporting date. This review compares the observed probability of default over the residual maturity of the financial instrument (Lifetime-PD) against the lifetime PD over the same period as expected on the date of recognition. Further details on forward-looking information are provided in the notes under (36) Expected credit losses in the chapter significant increase in the credit risk.

### Collateral

In order to mitigate credit risks for financial assets, RBI endeavors to use collateral wherever possible. This collateral can take different forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets and credit improvements such as netting agreements. The accounting principles for collateral remain unchanged compared to IAS 39. Collateral is not recorded in RBI's statement of financial position unless it is repossessed. The fair value of collateral does, however, affect the calculation of ECLs. Generally, it is valued at least at the outset, and subject to half-yearly reviews. Some collateral such as cash or securities are assessed daily in respect of margin requirements. Further details are provided in the notes under (35) Collateral and maximum credit risk.

A special case is the classification of land and buildings from bail-out purchases within the framework of collateral realization as such real estate or other assets have been primarily acquired to avoid losses from the lending business and are generally intended to be re-sold. In a first step, RBI assesses whether or not an asset that has been taken back can be used for its own business operations. Assets that are considered useful for own business operations are transferred to the bank's tangible fixed assets at the lower of the re-procurement value or the carrying amount of the originally collateralized asset. Assets which are planned to be sold are recognized in RBI's inventories at fair value less selling costs for non-financial assets at the time of repossession, in accordance with the bank's guidelines. When realizing collateral, however, RBI does not generally take physical possession of the assets but commissions external agents to obtain funds through auctions in order to settle outstanding debts of the customer. Any excess funds are returned to customers. Due to this practice, residential real estate is not reported in RBI's statement of financial position within the context of the realization of collateral.

## Genuine sale and repurchase agreements

In a genuine sale and repurchase transaction, RBI sells assets to a third party and agrees at the same time to repurchase these assets at an agreed price and time. The assets remain on RBI's statement of financial position and are measured according to the standards applied to the item in the statement of financial position under which they are shown. The securities are not derecognized since all the risks and rewards of RBI associated with the ownership of the repurchased securities are retained. Cash inflows arising from a sale and repurchase transaction are recognized in the statement of financial position as financial liabilities – amortized cost.

Under reverse repurchase agreements, assets are acquired by RBI with the obligation to sell them in the future. The purchased securities on which the financial transaction is based are not reported in RBI's statement of financial position and accordingly not measured. Cash outflows arising from reverse repurchase agreements are recorded in the statement of financial position under the item financial assets – amortized cost.

Interest expense from sale and repurchase agreements and interest income from reverse sale and repurchase agreements is accrued in a straight line over their term to maturity and shown under RBI's net interest income.

## Securities lending

RBI concludes securities lending transactions with banks or customers in order to meet delivery obligations or to conduct security sale and repurchase agreements. In RBI, securities lending transactions are shown in the same way as genuine sale and repurchase agreements. This means loaned securities continue to remain in the securities portfolio and are valued according to IFRS 9. Borrowed securities are not recognized and not valued in RBI. Cash collateral provided by RBI for securities lending transactions is shown as a claim under the item financial assets – amortized cost while collateral received is shown as financial liabilities – amortized cost in the statement of financial position.

## Leasing

RBI has applied IFRS 16 using the modified retrospective approach and therefore the comparative information for 2018 has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impacts on the consolidated financial statements are disclosed in section application of new and revised standards.

**Policy applicable before 1 January 2019**

For contracts before 1 January 2019, RBI determined whether the arrangement was or contained a lease based on the assessment of whether

- fulfilment of the arrangement was dependent upon a specific asset; and
- the arrangement had conveyed the right to control the use of the underlying asset. This was the case if any of the following conditions was met:
    - The purchaser in the arrangement had the ability or right to operate the asset or direct others to operate the asset.
    - The purchaser had the ability or right to control physical access to the asset.
    - There was only a remote possibility that parties other than the purchaser took more than an insignificant amount of the output of the asset and the price that the purchaser would pay was neither fixed per unit of output nor equal to the current market price at the time of delivery.

### Accounting policy applicable from 1 January 2019

At inception of a contract, RBI assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, RBI assesses whether:

- the contract involves the use of an identified asset - this is the case if either the asset is explicitly specified in the contract or the asset is implicitly specified at the time that it is made available for use by the customer that is capable of being used to meet the contract terms. If the supplier has a substantive substitution right, then the asset is not identified;
- RBI has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- RBI has the right to direct how and for what purpose the asset is used throughout the period of use or the relevant decisions about how and for what purpose the asset is used are predetermined.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

### RBI as lessee

RBI recognizes a right-of-use asset and a lease liability at the lease commencement date which is the date on which a lessor (a supplier) makes an underlying asset available for use by RBI. The right-of-use asset is measured at cost at the commencement date. The cost of the right-of-use asset comprises the amount equal to the lease liability at its initial recognition adjusted for any lease payments made at or before the commencement of the lease plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, or to restore the underlying asset or the site on which it is located, less any lease incentives.

The right-of-use asset is subsequently depreciated using the straight-line method in accordance with IAS 16 from the commencement date to the earlier of the end of the useful life or the end of the lease term of the right-of-use asset. The right-of-use asset is reduced by impairments, if any, and adjusted for certain remeasurements of the lease liability.

At the commencement date, RBI measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise the following:

- fixed payments including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if RBI is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

The lease liability is measured on an ongoing basis similarly to other financial liabilities, using an effective interest method, so that the carrying amount of the lease liability is measured on an amortized cost basis and the interest expense is allocated over the lease term. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the RBI's estimate of the amount expected to be payable under a residual value guarantee, or if RBI changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

RBI has elected not to recognize right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term of twelve months or less and leases of low-value assets, including IT equipment. RBI recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### RBI as lessor

When RBI acts as lessor, it determines at lease inception whether the lease is accounted for as finance or operating lease. In RBI a lease is classified as a finance lease if substantially all the risks and rewards incidental to ownership are transferred. Typical factors that, individually or in combination, would normally lead to a lease being classified as a finance lease:

- Transfer of ownership of the asset by the end of the lease term;
- Option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain at the inception date that the option will be exercised;
- The lease term is for the major part of the economic life of the asset (even if the title is not transferred);
- At the inception date, the present value of the lease payments equals at least substantially the fair value of the asset;
- The asset is of such a specialized nature that only the lessee can use it without major modifications.

Sometimes RBI is an intermediate lessor which means that RBI acts as both the lessee and lessor of the same underlying asset and accounts for its interest in the main lease and the sublease separately. When the main lease is a short-term lease, the sublease is classified as an operating lease. Otherwise, RBI assesses the classification of a sublease by reference to the right-of-use asset in the main lease and not by reference to the underlying asset of the main lease.

RBI recognizes the lease payments associated with the operating lease as income on a straight-line basis over the lease term.

The accounting policies applied in 2018 as a lessor in the comparative period were not different from IFRS 16.

## Consolidation principles

### Subsidiaries

All material subsidiaries over which RBI AG directly or indirectly has control are fully consolidated. The Group has control over an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiaries which are not consolidated in the consolidated financial statements are measured at fair value. Investments in subsidiaries whose fair value differ insignificantly from the acquisition costs less impairment, are simply measured at the acquisition costs minus impairment. Investments in subsidiaries are shown under the item investments in subsidiaries and associates.

Structured entities are entities in which the voting or similar rights are not the dominant factor for determining control, e.g. if the voting rights are solely related to administration activities and the relevant activities are governed by contractual agreements.

Similar to subsidiaries, consolidation of structured entities is necessary, if the Group has control over the entity. In the Group, the need to consolidate structured entities is reviewed as part of the securitization transaction process, where the structured entity is either formed by the Group with or without participation of third parties, or, in which the Group with or without participation of third parties enters into contractual relationships with already existing structured entities. Whether an entity should be consolidated or not is reviewed at least quarterly or if an event occurs. All fully consolidated structured entities and investments in non-consolidated structured entities are to be found in the notes under (69) Group composition.

In order to determine when an entity has to be consolidated, a series of control factors have to be checked. These include an examination of

- the purpose and the constitution of the entity,
- the relevant activities and how they are determined,
- if the Group has the ability to determine the relevant activity through its rights,
- if the Group is exposed to risks of or has rights to variable returns,
- if the Group has the ability to use its power over the investee in order to affect the amount of variable returns.

If voting rights are relevant, the Group has control over an entity in which it directly or indirectly holds more than 50 per cent of the voting rights; except when there are indicators that another investee has the ability to determine unilaterally the relevant activities of the entity. One or more of the following points may be such an indicator:

- Another investor has control over more than half of the voting rights due to an agreement with the Group,
- Another investor has the ability to control financial policy and operational activities of the equity participation due to legal provisions or an agreement,
- Another investor has control over the equity participation due to its possibility to appoint and withdraw the majority of members of the Board or members of an equivalent governing body,
- Another investor has control over the entity due to its possibility to possess the majority of the delivered voting rights in a meeting of members of the Board or of members an equivalent governing body.

When judging control, also potential voting rights are considered as far as they are material.

The Group assesses evidence of control in cases in which it does not hold the majority of voting rights but has the ability to unilaterally govern the relevant activities of the entity. This ability may occur in cases in which the Group has the ability to control the relevant activities due to the extent and distribution of voting rights of the investees.

In principle, subsidiaries are initially integrated into the consolidated group on the date when the Group obtains control of the company and are excluded from the date on when it no longer has control of the company. The results from subsidiaries acquired or disposed of during the year are recorded in the consolidated income statement, either from the actual date of acquisition or up to the actual date of disposal. The Group reviews the adequacy of previous decisions on which companies to consolidate at least every quarter. Accordingly, any organizational changes are immediately taken into account. Apart from changes in ownership, these also include any changes to the Group's existing contractual arrangements or new contractual arrangements with a unit.

Non-controlling interests are shown in the consolidated statement of financial position as part of equity, but separately from RBI AG's equity. The profit attributable to non-controlling interests is shown separately in the consolidated income statement.

In debt consolidation, intra-group loans and liabilities are eliminated. Remaining temporary differences are recognized under the items other assets or other liabilities in the consolidated statement of financial position.

Intra-group income and expenses are also eliminated and temporary differences resulting from bank business transactions are included partly in net interest income and partly in net trading income. Other differences are shown in the item other net operating income.

Intra-group results are eliminated insofar as they have a material effect on the income statement items. Transactions between Group members are executed on an arm's length basis.

### Changes in the Group's ownership interests in existing subsidiaries

If, in the case of existing control, further shares are acquired or sold without loss of control, in subsequent consolidation such transactions are recognized directly in equity. The carrying amount of the shares held by the Group and the non-controlling interests are adjusted in such a way as to reflect changes in existing shareholdings in subsidiaries. Any difference between the amount which is adjusted for the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and is assigned to the shareholders of the parent company.

If the company loses control over a subsidiary, the income/loss from disposal of group assets is shown in the income statement. This is calculated as the difference between

- the total amount of fair value of the received consideration and fair value of the shares retained and
- the carrying amount of assets (including goodwill), liabilities of the subsidiary and all non-controlling interests.

All amounts related to these subsidiaries and shown in other comprehensive income are recognized in the same way as would be the case for the sale of assets. This means the amounts are reclassified to the income statement or directly transferred to retained earnings.

### Associated companies

An associated company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity in which shares are held. No control or joint management of decision-making processes exists. As a rule, significant influence is assumed if the Group holds 20 to 50 per cent of the voting rights. When judging whether the Group has the ability to exert a significant influence on another entity, the existence and the effect of potential voting rights which are actually exercisable or convertible are taken into account. Further parameters for judging significant influence are, for example, the representation in executive committees and supervisory boards (Supervisory Board in Austrian Joint Stock companies) of the entity and material business transactions with the entity. Investments in associated companies are valued at equity and shown in the statement of financial position under the item investments in subsidiaries and associates under the sub-item investments accounted for at equity.

The acquisition cost of these investments including goodwill is determined at the time of their initial consolidation, applying by analogy the same rules as for subsidiaries (offsetting acquisition costs against proportional fair net asset value). If associated companies are material, appropriate adjustments are made to the equity carrying amount, in accordance with developments in the company's equity. Profit or losses of companies valued at equity are netted and recognized in the item current income from investments in associates. Losses attributable to companies accounted for using the equity method are only recognized up to the level of the equity carrying amount. Losses in excess of this amount are not recognized, since there is no obligation to offset excess losses. Furthermore, any amounts recognized by the associate through other comprehensive income will be recognized in the other comprehensive income statement of RBI. This is especially relevant for valuation effects seen from financial assets at fair value through other comprehensive income (FVOCI). At each reporting date, the Group reviews to what extent there is objective evidence for impairment of an equity participation in an associated company. If there is objective evidence of impairment, an impairment test is carried out, in which the recoverable value of the participation – this is higher of the usable value and the fair value less selling costs – is compared to the carrying amount. An impairment made in previous periods is reversed only if the assumptions underlying the determination of the recoverable value have been changed since recognition of the last impairment. In this case the carrying amount is written up to the higher recoverable value.

## Business combinations

The acquisition of business operations is recognized according to the acquisition method. The consideration transferred in a business combination is measured at fair value. This is calculated as the aggregate of the acquisition-date fair value of all assets transferred, liabilities assumed from former owners of the acquired business combination and equity instruments issued by the Group in exchange for control of the business combination. Transaction costs related to business combinations are recognized in the income statement when incurred.

Goodwill is measured as the excess of the aggregate of the value of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree (if any), and the net of the acquisition-date amounts of the fair values of identifiable assets acquired and the liabilities assumed. In the event that the difference is negative after further review, the resulting gain is recognized immediately in the income statement.

Non-controlling interests which confer ownership rights and grant the right to the owner to receive a proportionate share of the net assets of the entity in the event of liquidation, are measured either at fair value or at the non-controlling interest's proportionate share of net assets of the acquiree at the acquisition date. This accounting policy option can be newly made for every business combination. Other components of non-controlling interests are measured at fair value or with measurement values derived from other standards.

If the consideration transferred includes a contingent consideration, this is measured at the acquisition-date fair value. If the contingent consideration is classified as equity, it is not re-measured on the following reporting date. Its settlement is recognized within equity. A contingent consideration classified as assets or liabilities is measured on the following reporting dates at fair value and a resulting profit or loss is recognized in the income statement.

Adjustments to the measurement or additional recognition of further assets and liabilities in order to reflect information about facts and circumstances which already existed at the time of acquisition are corrected retrospectively within the measurement period and posted accordingly against goodwill. The measurement period may not exceed one year from the date of acquisition.

## Cash, cash balances at central banks and other demand deposits

This item on the statement of financial position includes cash in hand, balances at central banks that are due on call, and demand deposits at banks that are due on call.

## Equity participations

Investments in subsidiaries not included in the consolidated financial statements because of their minor significance, and investments in associated companies that are not valued at equity are shown in investments in subsidiaries and associates.

## Intangible fixed assets

### Acquired intangible fixed assets

In RBI, separately acquired intangible fixed assets, i.e. those with a definite useful life not acquired in a business combination, are capitalized at acquisition cost less accumulated amortization and impairment. Amortization is accrued in a straight line over the expected useful life and reported as an expense in the income statement. The expected useful life and the depreciation method are reviewed at each reporting date and any possible changes in measurement taken into account prospectively. Separately acquired intangible fixed assets with an indefinite useful life are capitalized at acquisition cost less accumulated impairment. The normal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

### Internally developed intangible fixed assets – research and development costs

Internally developed intangible assets comprise exclusively software and are capitalized if it is probable that the future economic benefits attributable to the asset will accrue to the Group and the cost of the asset can be measured reliably. Expenses for research are recognized as an expense when they are incurred.

An internally developed intangible fixed asset resulting from development activities or from the development stage of an internal project is capitalized when the following evidence is provided:

- The final completion of the intangible fixed asset is technically feasible so that it will be available for use or sale.
- It is intended to finally complete the intangible fixed asset and to use or to sell it.
- The ability exists to use or to sell the intangible fixed asset. The intangible fixed asset is likely to generate future economic benefit.
- The availability of adequate technical, financial and other resources required in order to complete development and to use or sell the intangible fixed asset is assured.
- The ability exists to reliably determine the expenditure incurred during the development of the intangible fixed asset.

The amount at which an internally developed intangible fixed asset is initially capitalized is the sum of all expenses incurred beginning from the day on which the aforementioned conditions are initially met. If an internally developed intangible fixed asset cannot be capitalized, or if there is as yet no intangible fixed asset, the development costs are reported in the income statement for the reporting period in which they are incurred.

Capitalized development costs are generally amortized in the Group in a straight line over a useful life of five years. The normal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

**Intangible fixed assets acquired in a business combination**

In RBI, intangible fixed assets acquired in a business combination are reported separately from goodwill and measured at fair value. Goodwill and other intangible fixed assets without definite useful lives are tested for impairment at each reporting date. Impairment tests are performed whenever certain events (trigger events) occur during the year. Whenever circumstances indicate that the expected benefit no longer exists, impairment must be recognized pursuant to IAS 36.

Intangible fixed assets with a definite useful life are amortized over the period during which the intangible fixed asset can be used. The useful life of the acquired customer base was set at 20 years in the retail business of Raiffeisen Bank Aval JSC.

Group companies use brands to differentiate their services from the competition. According to IFRS 3, brands of acquired companies are recognized separately under the item intangible fixed assets. Brands have an indeterminable useful life and are therefore not subject to scheduled amortization. Brands have to be tested annually for impairment and additionally whenever indications of impairment arise. Details on impairment testing can be found in the notes under (21) Tangible and intangible fixed assets.

## Tangible fixed assets

Land and buildings as well as office furniture and equipment reported under tangible fixed assets are measured at cost of acquisition or conversion less depreciation. Depreciation is recorded under the item general administrative expenses.

The straight-line method is used for depreciation and is based on the following useful life figures:

| Useful life | Years |
|---|---|
| Buildings | 25 - 50 |
| Office furniture and equipment | 5 - 10 |
| Hardware | 3 - 7 |

Land is not subject to depreciation.

Expected useful lives, residual values and depreciation methods are reviewed annually. Any necessary future change of estimates is taken into account. Any anticipated permanent impairment is reported in the income statement and shown under the item impairment on non-financial assets. In the event that the reason for the impairment no longer exists, a write-up will take place up to a maximum of the amount of the amortized cost of the asset.

A tangible fixed asset is derecognized on disposal or when no future economic benefit can be expected from the continued use of the asset. The resulting gain or loss from the sale or retirement of any asset is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in other net operating income.

## Investment property

This is property that is held to earn rental income and/or for capital appreciation. Investment property is reported at amortized cost using the cost model permitted by IAS 40 and is shown under tangible fixed assets because of minor importance. Straight line depreciation is applied on the basis of useful life. The normal useful life of investment property is identical to that of buildings recognized under tangible fixed assets. Depreciation is recorded under the item general administrative expenses. Impairments that are expected to be permanent are recognized in profit or loss and shown in the item impairment on non-financial assets. If the reasons for the impairment cease to exist, a write-up is made up to the amortized acquisition costs.

Investment property is derecognized on disposal or when it is no longer to be used and no future economic benefit can be expected from disposal. The resulting gain or loss from the disposal is determined as the difference between the net proceeds from the disposal and the carrying amount of the asset and is recognized in other net operating income in the reporting period in which the asset was sold.

## Impairment of non-financial assets

### Impairment test for goodwill

On each reporting date, goodwill is examined with a view to its future economic utility on the basis of cash generating units (CGUs). A cash generating unit is defined by the management and represents the smallest identifiable group of assets of a company that generates cash inflows from operations. Within RBI, all segments according to segment reporting are determined as cash generating units. Legal entities within the segments form their own CGU for the purpose of impairment testing of goodwill. The carrying amount of the relevant entity (including any assigned goodwill) is compared with its recoverable amount. This is, as a general principle, defined as the higher of the fair value less selling costs and the amount resulting from its value in use. The value in use is based on expected potential dividends discounted using a rate of interest reflecting the risk involved. The estimation of the future results requires an assessment of previous as well as future performance. The latter must take into account the likely development of the relevant markets and the overall macroeconomic environment.

Impairment tests for goodwill based on cash-generating units use a multi-year plan drawn up by the relevant management team and approved by the bodies responsible. This covers the CGU's medium-term prospects for success taking into account its business strategy, overall macroeconomic conditions (gross domestic product, inflation expectations, etc.) and the specific market circumstances. The data is then used to capture the terminal value based on a going concern concept. Discounting of the earnings relevant for the measurement, i.e. potential dividends, is undertaken using risk-adapted and country-specific equity capital cost rates determined by means of the capital asset pricing model. The individual interest rate parameters (risk-free interest rate, inflation difference, market risk premium, country-specific risks and beta factors) were defined by using external information sources. The entire planning horizon is divided into three phases with phase I covering the management planning period of three years. Detailed planning, including macroeconomic planning data, is extrapolated in phase II, which lasts another two years. The terminal value is then calculated in phase III based on the assumption of a going concern. Details on impairment testing can be found in the notes under (21) Tangible and intangible fixed assets.

## Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when the related carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is only considered met if the sale is highly probable and the asset (or disposal groups) is immediately available for sale and furthermore that the Management Board has committed itself to a sale. Moreover, the sale transaction must be due to be completed within twelve months.

Non-current assets and disposal groups classified as held for sale are valued at the lower amount of their original carrying amount or fair value less costs to sell and are reported under other assets. Income from non-current assets held for sale and discontinued operations is reported in the other result. If the impairment expense of the discontinued operations exceeds the carrying amount of the assets which fall under the scope of IFRS 5 (Measurement), there is no special provision in the IFRS on how to deal with this difference. This difference is recognized in the item provisions for onerous contracts in the statement of financial position.

In the event that the Group has committed to a sale involving the loss of control over a subsidiary, all assets and liabilities of the subsidiary concerned are classified as held for sale provided the aforementioned conditions for this are met. This applies irrespective of whether the Group retains a non-controlling interest in the former subsidiary after the sale or not.

Results from discontinued business operations are reported separately in the income statement as result from discontinued business operations.

Details on assets held for sale pursuant to IFRS 5 are included in the notes under (23) Other assets.

## Provisions for liabilities and charges

Provisions are recognized when the Group has a present obligation from a past event, where it is likely that it will be obliged to settle, and a reliable estimate of the amount is possible. The level of provisions is the best possible estimate of expected outflow of economic benefits at the reporting date while taking into account the risks and uncertainties underlying the commitment to fulfill the obligation. If a provision is formed based on cash flows estimated to fulfill an obligation, the cash flows must be discounted if the interest effect is material.

These types of provision are reported in the statement of financial position under the item provisions for liabilities and charges. Allocation to the various types of provision is booked through different line items in the income statement depending on the nature of the provision. Allocation of loan loss provisions for contingent liabilities is recorded in the income statement under the line item impairment losses on financial assets. Restructuring provisioning and other employee benefits are recorded in general administrative expenses. Provision allocations that are not assigned to a corresponding general administrative expense are as a matter of principle booked against other net operating income.

## Provisions for pensions and similar obligations

All defined benefit plans relating to so-called social capital (provisions for pensions, provisions for severance payments and provisions for service anniversary bonuses) are measured using the Projected Unit Credit Method in accordance with IAS 19 – Employee Benefits. The biometrical basis for the calculation of provisions for pensions, severance payments and service anniversary bonuses for Austrian companies is provided by AVÖ 2018-P-Rechnungsgrundlagen für die Pensionsversicherung (Computational Framework for Pension Insurance), using the relevant parameters for salaried employees. In other countries, comparable actuarial parameters are used for calculation.

Further details to provisions for pensions and similar obligations can be found in the notes under (28) Provisions for liabilities and charges.

## Defined contribution plans

Under defined contribution plans, the company pays fixed contributions into a separate entity (a fund). These payments are recognized as staff expenses in the income statement.

## Employee compensation plans

**Variable remuneration – special remuneration policies**

In the Group variable compensation is based on bonus pools on the bank or profit center level. Every variable remuneration system has fixed minimum and maximum levels and thus defines maximum payout values.

As of the financial year 2011, the following general and specific principles for the allocation, the claim and the payment of variable remuneration (including the payment of the deferred portion of the bonus) for board members of RBI AG and certain Group units and identified staff (risk personnel) are applied:

- 60 per cent for especially high amounts and 40 per cent of the annual bonus respectively will be paid out on a proportional basis as 50 per cent cash immediately (up-front), and 50 per cent through a phantom share plan (see details below), which will pay out after a holding period (retention period) of one year.
- 40 per cent and 60 per cent of the annual bonus respectively will be deferred according to local law over a minimum period of three (in Austria, five) years (deferral period). Payment will be made on a proportional basis, 50 per cent cash and 50 per cent based on the phantom share plan.

The specific structure of the above-mentioned principles results in deviations for individual group units in order to take into account the partly stricter national legal regulations.

Variable remuneration including a deferred portion is only allocated, paid or transferred if the following criteria are met:

- This is not prohibited at the level of RBI and/or RBI AG on the basis of a decision by the competent supervisory authority (e.g. by the European Central Bank for RBI).
- This is tenable overall based on the financial position of RBI and the financial position of RBI AG and is justified based on the performance of the Group, RBI AG, the business unit and the individual concerned.

- The minimum requirements applicable to RBI AG under local legislation for the allocation or payment of variable remuneration are fulfilled.
- The legally required CET 1 ratio of RBI is achieved, the capital and buffer requirements of the CRR and CRD IV for RBI are complied with in full and additionally neither the allocation, payment nor transfer of the variable remuneration is detrimental to the maintenance of a sound capital base for RBI.
- RBI has met the minimum requirements under applicable law for economic and regulatory capital and additionally neither the allocation, payment nor transfer of the variable remuneration is detrimental to the maintenance of a sound capital base for RBI.
- All additional criteria and prerequisites for the allocation and/or payment of variable remuneration, as defined from time to time by the Management Board or the Supervisory Board (REMCO) of RBI, are met.

The Group fulfills the obligation arising from Clause 11 of the Annex to Section 39b of the Austrian Banking Act (BWG) which stipulates that at least 50 per cent of the variable remuneration of risk personnel must be paid out in the form of shares or similar non-cash instruments by means of a phantom share plan as follows: 50 per cent of the up front and 50 per cent of the deferred portion of the bonus are divided by the average closing price of the RBI share on trading days of the Vienna Stock Exchange in the payment year serving as the basis for calculating the bonus. Thereby, a certain amount of phantom shares is determined. This amount is fixed for the entire duration of the deferral period. After the expiration of the respective retention period, the amount of specified phantom shares is multiplied by RBI's share price for the previous financial year, calculated as described above. The resulting cash amount is paid on the next available monthly salary payment date.

These rules are valid unless any applicable local laws prescribe a different procedure (e.g. Czech Republic, Poland).

All expenses associated with the variable remuneration were recognized in personnel expenses in accordance with IAS 19 and the expected discounted payment amount was set aside. They are shown in more detail in the notes under (28) provisions.

### Share-based compensation

The Management Board, with approval of the Supervisory Board, of RBI AG has approved a share incentive program (SIP) for the years 2011, 2012 and 2013 which provides performance-based allotments of shares to eligible employees domestically and abroad for a given period. Eligible employees are current board members and selected executives of RBI AG, as well as executives of its affiliated bank subsidiaries and other affiliated companies. In 2014, it was already decided not to continue the program due to the complexity of the regulatory rules regarding variable compensation.

The number of ordinary shares of RBI AG which ultimately will be transferred depended on the achievement of two performance criteria: the targeted return on equity (ROE) and the performance of the shares of RBI AG compared to the total shareholder return of the shares of companies in the DJ EURO STOXX Banks index after a five-year holding period.

All expenses related to the share incentive program were recognized in staff expenses in accordance with IFRS 2 (share-based payment) and charged to equity. The final allocation under a SIP tranche was made in 2018.

## Subordinated capital

Issued subordinated capital and supplementary capital are shown either in financial liabilities – amortized cost or financial liabilities – designated fair value through profit/loss. Assets are subordinated if, in the event of liquidation or bankruptcy, they can only be met after the claims of the other – not subordinated – creditors have been satisfied. Supplementary capital contains all paid-in capital provided by a third-party and available for the company for at least eight years, for which interest is paid only from profit and which can be repaid in the case of insolvency only after all other creditors are satisfied.

## Net interest income

Interest and interest-like income mainly includes interest income on financial assets such as loans, fixed-interest securities, as well as interest and interest-like income from the trading portfolio. Interest expenses and interest-like expenses mainly include interest paid on deposits, debt securities issued and subordinated capital. Interest income and interest expenses are accrued in the reporting period. Negative interest from asset items is shown in interest income; negative interest from liability items is shown in interest expenses.

## Dividend income

Dividends from equities, subsidiaries not fully consolidated, strategic investments and associates not valued at equity are recognized under dividend income. Dividends are recognized through profit/loss if RBI's legal entitlement to payment has materialized.

## Net fee and commission income

Net fee and commission income item mainly includes income and expenses arising from payment transfer business, asset management, foreign exchange business and credit business. Fee and commission income and expenses are accrued in the reporting period.

## Net trading income and fair value result

Net trading income comprises the trading margins resulting from the foreign exchange business, results due to foreign exchange revaluations and all realized and unrealized gains and losses from financial assets and liabilities at fair value.

## General administrative expenses

General administrative expenses include staff and other administrative expenses as well as amortization/depreciation on tangible and intangible fixed assets.

## Other net operating income

The other net operating income does not include any direct core income, but rather special earnings components that arise in connection with the operating business

## Other result

The other result mainly includes impairments of equity instruments and non-financial assets as well as deconsolidation effects. This primarily includes impairment and reversal of impairment on investments in subsidiaries and associates, impairment of goodwill and other non-financial assets as well as the result from non-current assets and disposal groups held for sale. In addition, RBI shows the tax expenses not attributed to business activity (from corporate restructurings) as well as allocations to credit-linked and portfolio-based provisions for litigation.

## Income taxes

RBI AG as group parent and 49 of its consolidated domestic subsidiaries are members of a tax group. Current taxes are calculated on the basis of taxable income for the current year taking into account the tax group (in terms of a tax group allocation). In the reporting year, a supplementary agreement was added to the current tax group allocation agreement. If RBI AG generates a negative taxable net income and these taxable losses are not usable in the group, then the group parent does not immediately pay a negative tax group allocation. Only and after withdrawal from the tax group at the latest, a final settlement is carried out. The taxable income deviates from the profit/loss before tax of the consolidated statement of comprehensive income due to expenses and income which are taxable or tax-deductible in the following years or which are never taxable or tax-deductible. The liability of the Group for current taxes is recognized on the basis of the actual tax rate or the expected applicable tax rate.

Deferred taxes are calculated and recognized in accordance with IAS 12 applying the liability method. Deferred taxes are based on all temporary differences that result from comparing the carrying amounts of assets and liabilities in the IFRS accounts with the tax bases of assets and liabilities, and which will reverse in the future. Deferred taxes are calculated by using tax rates applicable in the countries concerned. A deferred tax asset should also be recognized on tax loss carry-forwards if it is probable that sufficient taxable profit will be generated against which the tax loss carry-forwards can be utilized within the same entity. On each reporting date, the carrying amount of the deferred tax assets is reviewed and impaired if it is no longer probable that sufficient taxable income will become available in order to partly or fully realize the tax assets. Deferred tax assets are offset against deferred tax liabilities for each subsidiary to the extent that offsetting is permitted. Income tax credits and income tax obligations are recorded under the items current and deferred tax assets and current and deferred tax liabilities.

Current taxes and movements of deferred taxes are recognized in the income statement unless they are linked to items which are recognized in other comprehensive income, in which case the current and deferred taxes are also directly recognized in other comprehensive income.

IFRIC 23 Uncertainty over Income Tax Treatments was issued in June 2017 and is applied byby RBI starting with the 2019 financial year. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12. RBI is required to use judgment to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. If RBI concludes that it is not probable that a particular tax treatment is accepted, it has to use the most likely amount or the expected value of the tax treatment. Otherwise, it uses the tax treatment that is consistent with its income tax filings. An entity has to reassess its judgments and estimates if facts and circumstances change.

## Other comprehensive income

Other comprehensive income comprises all income and expenses directly recognized in equity according to IFRS standards. Income and expenses recognized directly in equity that are reclassified in the income statement are reported separately from income and expenses recognized directly in equity that are not reclassified in the income statement. Currency differences resulting from the translation of equity in subsidiaries held in foreign currency, changes resulting from the hedging of net investments in a foreign entity (capital hedge), the effective part of a cash flow hedge, changes resulting from valuation of financial assets (debt instruments) of the category FVOCI, proportionate other comprehensive income from associates accounted for at equity as well as deferred taxes on the mentioned items are recognized in other comprehensive income.

Revaluations of defined benefit plans, valuation changes of financial assets (equity instruments) of the category FVOCI, valuation changes on account of the change in the own default risk of financial liabilities at fair value, proportionate other comprehensive income from associates as well as deferred taxes on the mentioned items are reported in other comprehensive income and are not reclassified to the income statement.

## Fiduciary business

Transactions arising from the holding and placing of assets on behalf of third parties are not shown in the statement of financial position. Fees arising from these transactions are shown under net fee and commission income.

## Insurance contracts

Liabilities arising from insurance contracts change depending on changes in interest rates, income from investments and expenses for pension agreements for which future mortality rates cannot be reliably predicted. IFRS 4 must be applied to the reporting of liabilities resulting from the existence of mortality rate risks and discretionary participation features. All assets associated with pension products are reported in accordance with IFRS 9. Liabilities are recorded under other liabilities.

## Own shares

Own shares of RBI AG at the reporting date are deducted directly from equity. Gains and losses on own shares have no impact on the income statement.

## Statement of cash flows

The cash flow statement reports the change in the cash and cash equivalents of the Group through the net cash from operating activities, investing and financing activities. Cash flows for investing activities mainly include proceeds from the sale, or payments for the acquisition of, financial investments and tangible fixed assets. The net cash from financing activities shows all cash flows from equity capital and subordinated capital. All other cash flows are – according to international practices for financial institutions – assigned to operating activities.

## Segment reporting

Notes on segment reporting are to be found in the section segment reporting.

## Notes on the nature and extent of risks

Information about risks arising from financial instruments is disclosed in the explanatory notes. The risk report in particular contains detailed information on credit risk, country risk, concentration risk, market risk and liquidity risk.

## Capital management

Information on capital management, regulatory capital and risk-weighted assets is disclosed in the notes under (71) Capital management and total capital according to CCR/CRD IV and Austrian Banking Act (BWG).

## Standards and interpretations that are not yet applicable (already endorsed by the EU)

The following new or amended standards and interpretations, which have been adopted, but are not yet mandatory, have not been applied early.

#### Amendment to the IFRS Conceptual Framework for Financial Reporting (effective date: 1 January 2020)

The new Conceptual Framework contains revised definitions of assets and liabilities as well as new guidance on measurement and derecognition, presentation and disclosure. The Conceptual Framework was not substantially revised as was originally intended when the project was initiated in 2004. Instead, the IASB focused on topics that were not yet covered or that showed obvious shortcomings that needed to be dealt with. The revised Conceptual Framework is not subject to the endorsement process.

#### Amendments to IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform; effective date: 1 January 2020)

The amendments affect in particular certain simplifications with regard to the hedge accounting regulations and are mandatory for all hedging relationships that are affected by the reform of the reference interest rate. In addition, further information is provided on the extent to which the hedging relationships of the companies are affected by the amendments. The amendments are to be applied for reporting periods from 1 January 2020. Early application of the amendments is permitted but not applied by RBI. Application of the standard is not expected to materially impact the consolidated financial statements of RBI.

#### Amendments to IAS 1 and IAS 8 (Definition of Material; effective date: 1 January 2020)

The International Accounting Standards Board (IASB) has issued the Definition of Material (Amendments to IAS 1 and IAS 8) to align the definition of materiality used in the Conceptual Framework and the standards. Application of the revised standard is not expected to impact the consolidated financial statements of RBI.

## Standards and interpretations not yet applicable (not yet endorsed by the EU)

#### Amendments to IFRS 3 (Definition of a Business; effective date: 1 January 2020)

The narrow-scope amendments to IFRS 3 aim to resolve the difficulties that arise when an entity is determining whether it has acquired a business or a group of assets. The difficulties result from the fact that the accounting requirements for goodwill, acquisition costs and deferred taxes differ on the acquisition of a business and on the acquisition of a group of assets. Application of the revised standard is not expected to impact the consolidated financial statements of RBI.

#### IFRS 17 (Insurance Contracts; effective date: 1 January 2021)

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that entities provide relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect of insurance contracts on an entity's financial position, financial performance and cash flows. IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. Application of the standard is not expected to materially impact the consolidated financial statements of RBI.

# Key figures

## Alternative Performance Measures (APM)

The Group uses alternative performance measures in its financial reporting, not defined by IFRS or CRR regulations, to describe RBI Group's financial position and performance. These should not be viewed in isolation, but treated as supplementary information.

For the purpose of the analysis and description of the performance and the financial position these ratios are commonly used within the financial industry. The special items used below to calculate some alternative performance measures arise from the nature of Group's business, i.e. that of a universal banking group. However, it is to mention that the definitions mostly vary between companies. Please find the definitions of these ratios below.

Consolidated return on equity – Consolidated profit less dividend on additional tier 1 capital in relation to average consolidated equity ( i.e. the equity attributable to the shareholders of RBI). Average consolidated equity is based on month-end figures excluding non-controlling interests and does not include current year profit.

Cost/income ratio is an economic metric and shows the company's costs in relation to its income. The ratio gives a clear view of operational efficiency. Banks use the cost/income ratio as an efficiency measure for steering the bank and for easily comparing its efficiency with other financial institutions. General administrative expenses in relation to operating income are calculated for the cost/income ratio. General administrative expenses comprise staff expenses, other administrative expenses and depreciation/amortization of intangible and tangible fixed assets. Operating income comprises net interest income, dividend income, current income from investments in associates, net fee and commission income, net trading income and fair value result, net gains/losses from hedge accounting and other net operating income.

Effective tax rate (ETR) – Relation of income tax expense to profit before tax. The effective tax rate differs from the company´s jurisdictional tax rate due to many accounting factors and enables a better comparison among companies. The effective tax rate of a company is the average rate at which its pre-tax profits are taxed. It is calculated by dividing total tax expense (income taxes) by profit before tax. Total tax expense includes current income taxes and deferred taxes.

Loan/deposit ratio indicates a bank's ability to refinance its loans by deposits rather than wholesale funding. It is calculated with loans to non-financial corporations and households in relation to deposits from non-financial corporations and households.

Net interest margin is used for external comparison with other banks as well as an internal profitability measurement of products and segments. It is calculated with net interest income set in relation to average interest-bearing assets (total assets less investments in subsidiaries and associates, tangible fixed assets, intangible fixed assets, tax assets and other assets).

NPE – Non-performing exposure. It contains all non-performing loans and debt securities according to the applicable definition of the EBA document Implementing Technical Standards (ITS) on Supervisory Reporting (Forbearance and non-performing exposures).

NPL – Non-performing loans. It contains all non-performing loans according to the applicable definition of the EBA document Implementing Technical Standards (ITS) on Supervisory Reporting (Forbearance and non-performing exposures).

NPE ratio is an economic ratio to demonstrate the proportion of non-performing loans and debt securities in relation to the entire loan portfolio of customers and banks, and debt securities. The ratio reflects the quality of the loan portfolio of the bank and provides an indicator for the performance of the bank's credit risk management.

NPL ratio is an economic ratio to demonstrate the proportion of non-performing loans in relation to the entire loan portfolio to customers and banks. The ratio reflects the quality of the loan portfolio of the bank and provides an indicator for the performance of the bank's credit risk management.

NPE coverage ratio describes to which extent, non-performing loans and debt securities have been covered by impairments (Stage 3) thus expressing also the ability of a bank to absorb losses from its NPE. It is calculated with impairment losses on loans to customers and banks and on debt securities set in relation to non-performing loans to customers and banks and debt securities.

NPL coverage ratio describes to which extent non-performing loans have been covered by impairments (Stage 3) thus expressing also the ability of a bank to absorb losses from its NPL. It is calculated with impairment losses on loans to customers and banks set in relation to non-performing loans to customers and banks.

Operating result is used to describe the operative performance of a bank for the reporting period. It consists of operating income less general administrative expenses.

Operating income – They are primarily income components of the ongoing business operations (before impairment). It comprises net interest income, dividend income, current income from investments in associates, net fee and commission income, net trading income and fair value result, net gains/losses from hedge accounting and other net operating income.

Provisioning ratio is an indicator for development of risk costs and provisioning policy of an enterprise. It is computed by dividing impairment or reversal of impairment on financial assets (customer loans) by average customer loans (categories: financial assets measured at amortized cost and financial assets at fair value through other comprehensive income).

Return on assets (ROA before/after tax) is a profitability ratio and measures how efficiently a company can manage its assets to produce profits during a period. It is computed by dividing profit before tax/after tax by average assets (based on total assets, average means the average of year-end figure and the relevant month´s figures).

Return on equity (ROE before/after tax) provides a profitability measure for both management and investors by expressing the profit for the period as presented in the income statement as a percentage of the respective underlying (either equity related or asset related). Return on equity demonstrates the profitability of the bank on the capital invested by its shareholders and thus the success of their investment. Return on equity is a useful measure to easily compare the profitability of a bank with other financial institutions. Return on the total equity including non-controlling interests, i.e. profit before tax respectively after tax in relation to average equity on the statement of financial position. Average equity is calculated on month-end figures including non-controlling interests and does not include current year profit.

Return on risk-adjusted capital (RORAC) is a ratio of a risk-adjusted performance management and shows the yield on the risk-adjusted capital (economic capital). The return on risk-adjusted capital is computed by dividing consolidated profit by the risk-adjusted capital (i.e. average economic capital). This capital requirement is calculated within the economic capital model for credit, market and operational risk.

# Total capital specific key figures

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

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

Risk-weighted assets (RWA credit risk) – The sum of the weighted accounts receivable including receivables in the form of items on and off the statement of financial position and CVA (Credit Value Adjustment) risk.

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

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

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

# Events after the reporting date

There were no significant events after the reporting date.

Vienna, 28 February 2020

The Management Board

Johann Strobl

Martin Grüll

Andreas Gschwenter

Łukasz Januszewski

Peter Lennkh

Hannes Mösenbacher

Andrii Stepanenko

# Statement of all legal representatives

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Vienna, 28 February 2020

The Management Board

**Johann Strobl**

Chief Executive Officer responsible for Group Marketing, Group Regulatory Affairs & Data Governance, Group Sustainability Management, Legal Services, Chairman's Office, Group Communications, Group Compliance, Group Executive Office, Group Human Resources, Group Internal Audit, Group Participations, Group Strategy & Innovation and International Banking Units

**Martin Grüll**

Member of the Management Board responsible for Active Credit Management, Group Investor Relations, Group Planning & Finance, Group Tax Management and Group Treasury

**Andreas Gschwenter**

Member of the Management Board responsible for Group Core IT, Group Data, Group Efficiency Management, Group IT Delivery, Group Procurement, Cost & Real Estate Management, Group Project Portfolio & Security and Head Office Operations

**Łukasz Januszewski**

Member of the Management Board responsible for Group Capital Markets Corporate & Retail Sales, Group Capital Markets Trading & Institutional Sales, Group Investment Banking, Group Investor Services, Group MIB Business Management & IC Experience, Institutional Clients and Raiffeisen Research

**Peter Lennkh**

Member of the Management Board responsible for Corporate Customers, Corporate Finance, Group Corporate Business Strategy & Steering, International Leasing Steering & Product Management and Trade Finance & Transaction Banking

**Hannes Mösenbacher**

Member of the Management Board responsible for Financial Institutions, Country & Portfolio Risk Management, Group Advanced Analytics, Group Corporate Credit Management, Group Risk Controlling, Group Special Exposures Management, International Retail Risk Management and Sector Risk Controlling Services

**Andrii Stepanenko**

Member of the Management Board responsible for Group Asset Management, International Retail Business Management & Steering, International Mass Banking, Sales & Distribution, International Premium & Private Banking, International Retail CRM, International Retail Lending, International Retail Online Banking and International Small Business Banking

# Auditor's report

## Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of

Raiffeisen Bank International AG,
Vienna,

and its subsidiaries ("the Group"), which comprise of the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Sections 245a UGB (Austrian Commercial Code) and 59a BWG (Austrian Banking Act).

### Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 537/2014 (AP Regulation) and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor´s Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian company and banking lawas well as professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

In the following we present the key audit matters from our point of view:

1) Recoverability of loans and advances to non-financial corporations and households
2) Provision for legal risk regarding retail mortgages in the Warsaw branch of RBI AG
3) Valuation of financial liabilities at fair value through profit and loss

### 1) Recoverability of loans and advances to non-financial corporations and households

*Risk for the Financial Statements*

Loans and advances to non-financial corporations and households are reported under financial assets – amortized cost in the amount of EUR 79.9 billion in the statement of financial position. They comprise EUR 45.3 billion in loans and advances to non-financial corporations and EUR 34.6 billion in loans and advances to households.

As at the reporting date, impairments of EUR 2.3 billion were recognized for the above loans. They comprised EUR 1.2 billion for non-financial corporates and EUR 1.1 billion for households.

The Management Board describes the processes of monitoring credit risk and the procedures for determining impairments in note 36 Expected credit losses and the Risk Report and Recognition and Measurement Principles chapters in the notes of the Financial Statements. As part of the credit risk monitoring process, the bank checks whether there is an indication of default and therefore whether an individual impairment (stage 3) is required. The calculation of impairments for defaulted, individually significant customers is based on an analysis of the expected scenario-weighted future cash flows. This analysis is influenced by the assessment of the respective customer's economic situation and development, the estimate of collateral values and the estimated amount and timing of cash flows derived from the analysis. For defaulted, individually insignificant customers in the household segment, impairment is determined according to the so-called best estimate of expected loss model. This represents a best estimate of expected loss based on statistical evidence.

For non-defaulted loans, a collective impairment allowance is recognized for expected credit losses (ECL). In general, the twelve-month ECL is used (ECL stage 1). If credit risk has increased significantly (ECL stage 2), lifetime ECL is calculated.

The determination of ECL requires the use of estimates and assumptions. These cover rating-based probabilities of default and loss ratios, which take account of current and forward-looking information.

For the Financial Statements, this involves the risk that a transfer from one stage to the next and the determination of impairments are based to a significant extent on estimates and assumptions, which involves room for judgment and uncertainties regarding the amount of impairments, which may result in misstatements.

***Our Response***

We have evaluated the documentation that describes the process of loan issuance, loan monitoring and recognizing impairments and assessed whether the processes adequately identify an impending credit default and ensure that valuations of loans and advances to customers are recognized at their appropriate carrying value. In addition, we tested the processes and, with the assistance of IT specialists, essential key controls. We thereby tested their design, implementation and effectiveness.

With regard to defaulted loans to individual significant customers (ECL stage 3), we used a  risk-oriented as well as a random sample based approach to determine whether there is an indication for a default. For defaults, we critically assessed the bank's estimates regarding the amount and timing of future cash flows, including those resulting from realization of collateral, and whether the bank's assessment was in line with the internal and external information available. With regard to the internal collateral valuation, we assessed on a sample basis, together with our valuation specialists, whether the estimates used in the models were adequate and in line with available market data.

In the case of defaulted individual insignificant customers, were the impairment is determined according to the so-called best estimate of expected loss and for non-defaulted loans (ECL stage 1 and stage 2), whose impairment was calculated on an ECL basis, we assesed the bank's internal validation models and their parameters to determine whether they provide a suitable basis for calculating reasonable impairments. We evaluated the reasonableness of the used probabilities of default also by performed backtestings. We also analyzed the selection and calculation of forward-looking estimates and scenarios and examined how they were taken into account in parameter estimates. In these audit procedures, we were supported by our financial mathematicians. In addition, we performed  a control-based audit approach to assess the processes, systems and interfaces underlying the calculation models.

Finally we asssessed whether the disclosures in the notes to the Financial Statements regarding the calculation of impairments on loans and advances to customers were appropriate.

### 2) Provision for legal risk regarding retail mortgages in the Warsaw branch of RBI AG

***Risk for the Financial Statements***

On the reporting date, the Warsaw branch of RBI AG had consumer mortgage loans denominated in or indexed to foreign currencies with a book value of EUR 2.9 billion.

In connection to these loans, customers filed civil lawsuits to certain contractual stipulations. The bank recognized a provision of EUR 49.34 million in this regard.

The Management Board describes the process for determining the provision in the notes to the financial statements in the Recognition and Measurement Principles chapters as well as in point 28 and 55.

The provision is based on a statistical approach with weigthed scenario calculations. In these calculations, possible decision scenarios have been estimated together with the expected loss rates per scenario to determine the expected impact. In addition probabilities of occurrence of various claims were assessed and an expected value was calculated. Furthermore, the corresponding external legal costs were estimated and considered.

The bank's estimate regarding the parameters used and the expected probability of occurrence of the respective decision scenarios have a significant impact on the determination of the provision and therefore, due to uncertainties regarding the actual loss rates as well as potential upcomming legal regulations, leads to a risk of misstatement in the financial statements.

*Our Response*

We evalueted the general process of recording and measuring provisions for legal risks, analysed the internal controls and assessed the Bank's accounting treatment of this provision.

Further, we assessed the appropriateness of the expected scenarios and loss rates used as well as the allocated weighted probabilities. These are based on the legal and economic expert opinions of RBI as well as on the opinion of a legal advisor who is involved in the lawsuit. We also verified the arithmetical accuracy of the provision calculation.

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

### 3) Valuation of financial Liabilities at fair value through profit and loss

*Risk for the Financial Statements*

As at the Balance Sheet date, financial liabilities measured at fair value amount to about EUR 1.8 billion, of which EUR 0.4 billion are subordinated. In addition to the general market risk factors, their fair value is significantly influenced by the own credit risk of the issuing entity (credit spread).

The Management Board describes the process of calculating the fair value of these financial liabilities that are measured at fair value within note 25 and the Recognition and Measurement Principles chapter in the notes of the Financial Statements.

The fair value calculation of debt securities issued and other financial liabilities for which no market price is available is based on an internal valuation model. The fair value is determined using a Discounted Cash Flow Model applying estimated credit spreads. The credit spreads used in the model are derived from available market data.

The determination of the credit spread curve is a significant input to the fair value calculation of financial liabilities and due to the partly indicative nature of the price quotations leads to a risk of misstatement in the Financial Statements.

*Our Response*

We have analyzed the process of issuance, valuation and risk-monitoring of liabilities measured at fair value. The design and implementation of key controls in the processes were critically assessed and the effectiveness of these controls was tested.

We involved valuation specialists to assess the fair value models used by the Group. Thereby, we compared the data inputs to this model to the available market data to determine whether the data input lies within a reasonable range in comparison to the available market data. Based on the documentation obtained, we assessed whether the derived credit spread curve was adequate for determining the fair value of the financial liabilities. We tested whether the fair values calculation was appropriate on a sample basis.

Finally, we assessed whether the disclosures in the notes regarding the financial liabilities at fair value were appropriate and complete.

### Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Sections 245a UGB (Austrian Commercial Code) and 59a BWG and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### Auditors' Responsibility

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

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

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misprepresentations or override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication

## Report on Other Legal Requirements

### Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian Company law.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

### Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

### Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

### Other Information

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

Our opinion on the consolidated financial statements does not cover other information and we do not provide any assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

**Additional information in accordance with Article 10 AP Regulation**

At the Annual General Meeting dated 21 June 2018, we were elected as group auditors for the consolidated financial statements of the fiscal year ending 31 December 2019. We were appointed by the Supervisory Board on 26 June 2018.

At 13 June 2019, we were elected as group auditor for the consolidated financial statements of the fiscal year ending 31 December 2020 and were appointed by the Supervisory Board on 11 July 2019.

We have been the Group’s auditors since the company's first listing on the stock exchange in 2005.

We declare that our opinion expressed in the *"Report on the Consolidated Financial Statements"* section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

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

**Engagement Partner**

The engagement partner is Mr. Wilhelm Kovsca.

Vienna, 28 February 2020

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Wilhelm Kovsca

Wirtschaftsprüfer

(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

The financial statements, together with our auditor’s opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 (1) of the Austrian Commercial Code (UGB) applies.

# Service

| | |
|---|---|
| Addresses | 284 |
| Publication details | 286 |

# Addresses

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