



# Raiffeisen Bank International

Investor Presentation London, 14/03/2019



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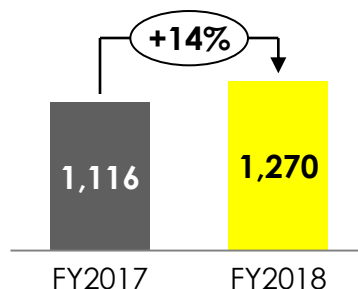
**06**

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# Executive Summary 1-12/2018

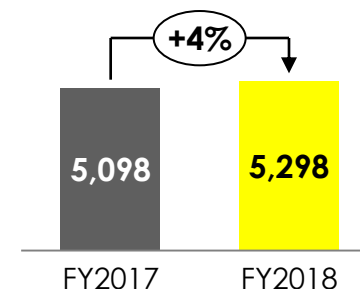
## Consolidated Profit

Driven by operating result  
and low cost of risk



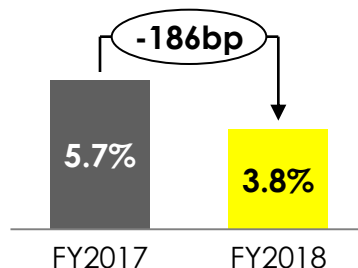
## Operating income

Volume driven NII and fee  
and commission income  
increases  
Stable net interest margin of  
**2.50%**



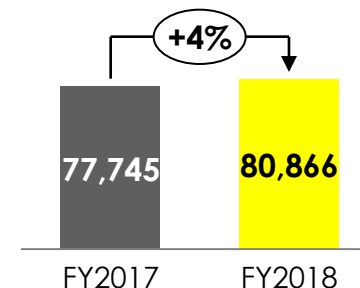
## NPL Ratio

**130bps** organic reduction,  
**37bps** from loan growth and  
**19bps** from Polish disposal  
Coverage ratio improved by  
~11PP to 77.6%



## Loans to customers

Loans to customers **growth  
across the group**



**CET1 ratio at 13.4% (fully loaded)**

Note: 2017 numbers have been adjusted to reflect impact from FINREP implementation

## Up-to-date transaction monitoring system Norkom (BAE Systems)

- ✓ One standard-system in the group
- ✓ External verification and optimization
- ✓ Full compliance with legal requirements

Fully automated transaction-screening via common-standard monitoring system



**All alerts** are manually **reviewed**

Full compliance with internal regulations and local legal requirements



Inspection by the regulator  
**without any findings**

### External verification

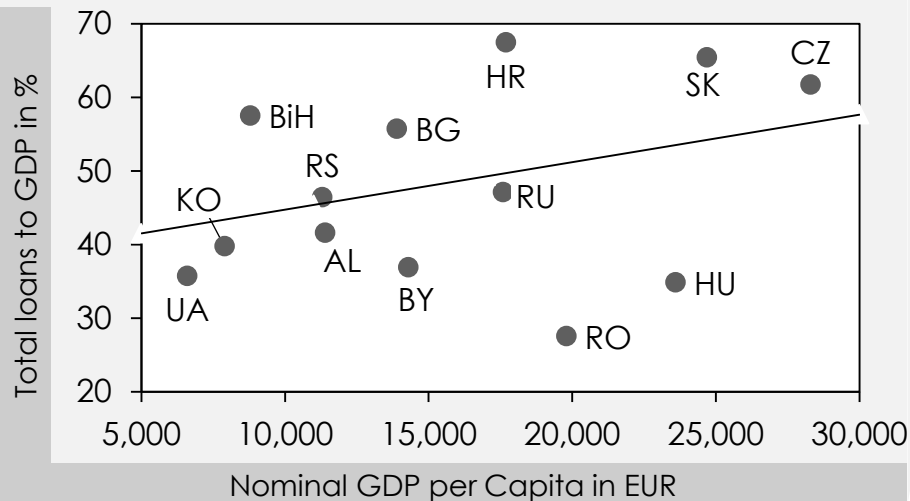
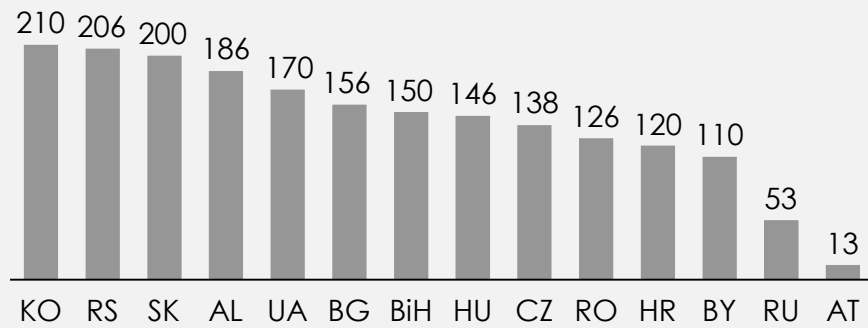
- Ongoing assessment of transaction monitoring indicators to further optimize the system
- Regular meetings with large US banks to demonstrate framework, methodology, resources, calibration and critical countries

### AML staffing (incl. support functions)

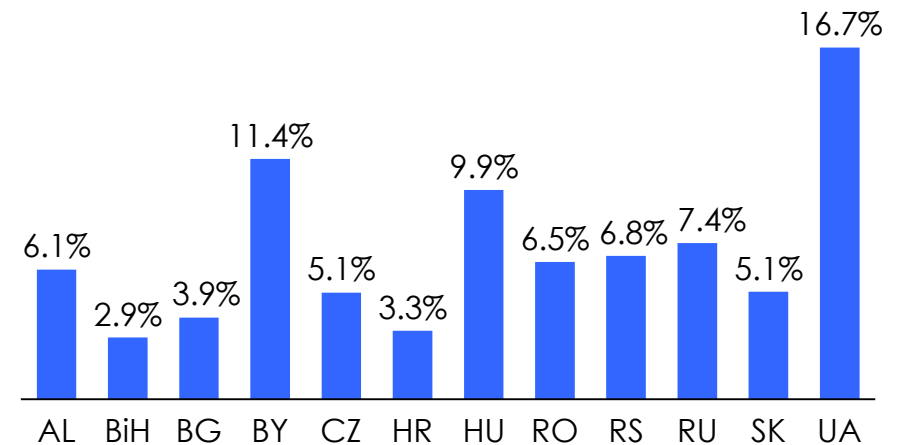
- ~80 FTEs in head office
- Over 300 FTEs in the network units

# Structural growth opportunities vs. the euro area

**Real GDP growth differential to euro area**  
(2019 – 2021 average in bp)

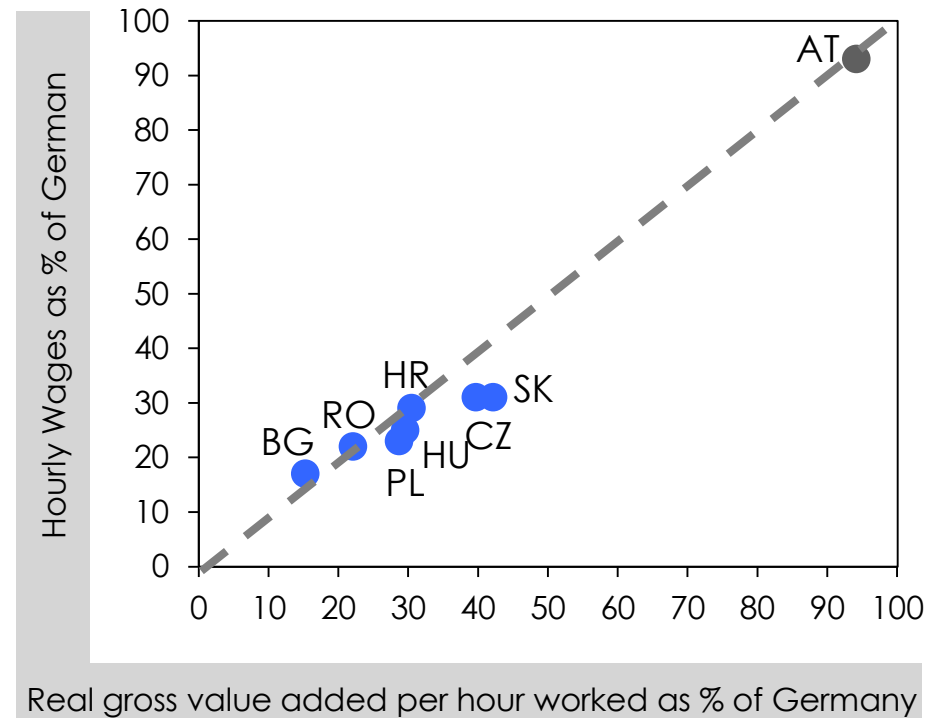
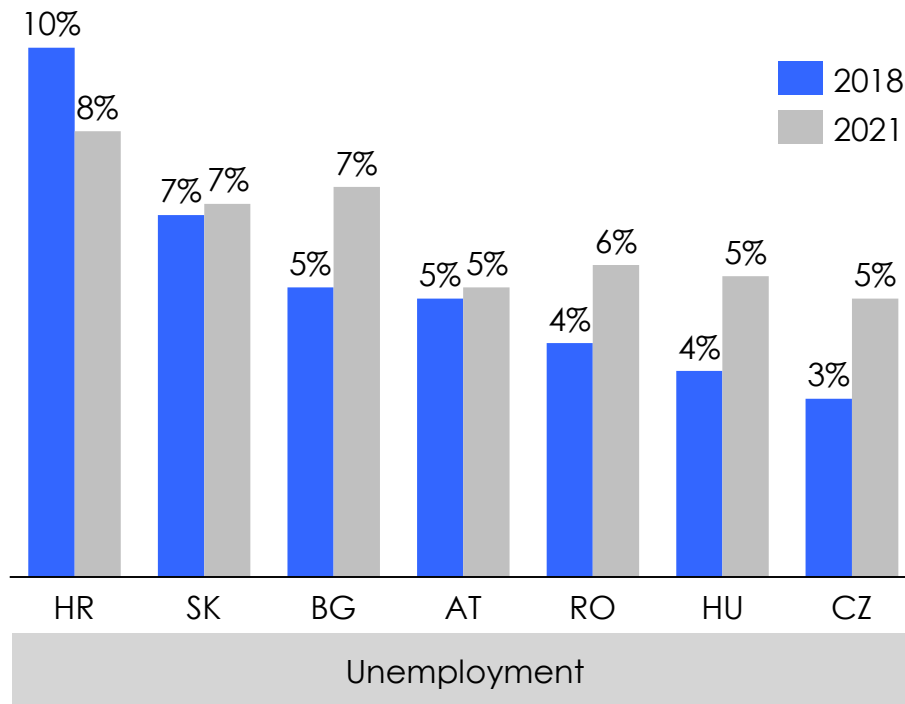


**Avg. 2019-2021 total loan growth in EUR yoy in %**



Source: Raiffeisen Research




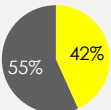

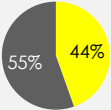

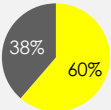

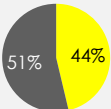

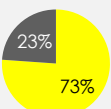

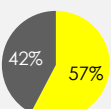

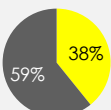

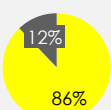

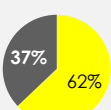

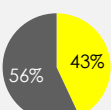

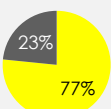

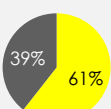

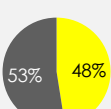
# Ongoing convergence in wages and productivity



**Labour markets expected to remain boyant**

**Productivity gap in CE markets**

# Strategic Focus in Retail and Corporate

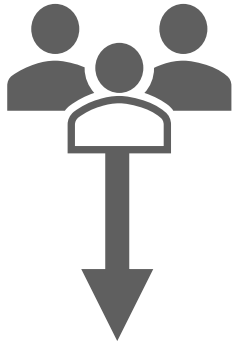
FY/2018 Loans <sup>1</sup> (y-o-y)	Business mix <sup>2</sup>	Strategic focus Retail / Corporate				● Households ● Corporates <sup>3</sup>	
 <b>Corporates Vienna</b> EUR 18,163 mn (+25%)			✓ ✓				
 <b>Czech Republic</b> EUR 11,131 mn (+10%)		✓ ✓	✓ ✓				
 <b>Slovakia</b> EUR 10,075 mn (+8%)		✓ ✓	✓				
 <b>Russia</b> EUR 8,519 mn (+7%)		✓ ✓	✓				
 <b>Romania</b> EUR 5,702 mn (+19%)		✓ ✓	✓ ✓				
 <b>Hungary</b> EUR 3,354 mn (+13%)		✓ ✓	✓ ✓				
 <b>Bulgaria</b> EUR 2,595 mn (+15%)		✓ ✓	✓ ✓				
 <b>Croatia</b> EUR 2,361 mn (0%)						✓	✓
 <b>Ukraine</b> EUR 1,525 mn (+35%)						✓ ✓	✓
 <b>Serbia</b> EUR 1,354 mn (+11%)						✓ ✓	✓
 <b>Bosnia &amp; Herzegovina</b> EUR 1,292 mn (+9%)						✓ ✓	✓
 <b>Belarus</b> EUR 1,073 mn (+13%)						✓	✓
 <b>Albania</b> EUR 705 mn (+4%)						✓	✓
 <b>Kosovo</b> EUR 624 mn (+12,4%)						✓	✓

1) Loans to customers 2) General governments and other financial corporations as remaining share 3) Non-financial corporations



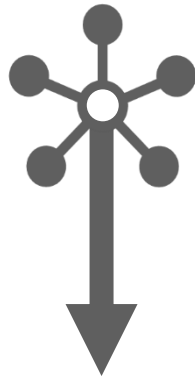
# We believe in an evolving world

## Customers



Customer expectations are fundamentally changing

## Ecosystem



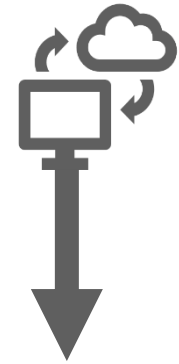
New business models and regulations are changing the playing field

## Innovation



Product and service innovation is increasingly important

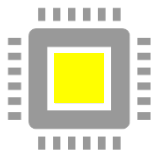
## Partnerships



Banks won't be replaced by or become tech companies but partnerships will be critical

# RBI's five digitalization pillars

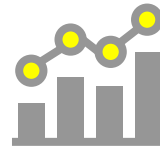
We create an exceptional experience for our customers ...



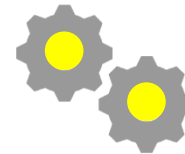
INTEGRATION  
LAYER  
& OPEN APIS



AGILE &  
X-FUNCTIONAL  
WORKING



STRONG DATA &  
ANALYTICS  
CAPABILITIES



DIGITAL  
OPERATIONAL  
EXCELLENCE

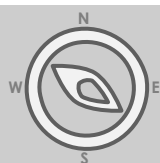


**EFFECTIVE  
GROUP-WIDE  
INNOVATION**

...foster innovation and incorporate new business models



Positioned for growth in Central, Southeastern and Eastern Europe  
**>> We aim for mid-single digit annual loan growth**



Costs under control, despite inflation and investments in digital  
**>> We target a 55 per cent cost/income ratio in 2021**



Substantially improved risk profile  
**>> Our cost of risk through the cycle expected to be less volatile**



Digital transformation underway  
**>> We are preparing for the future of banking**



ROE target of approximately 11% in the coming years  
**>> We generate capital for growth and a 20 - 50% payout ratio**

**CET1 ratio of around 13 per cent in the medium term**

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# Aiming for 55% cost/income ratio in 2021

## Costs - since 2017



- Tight cost management with only a modest increase in 2018
- Peak in regulatory expenses and pick-up in wage inflation in 2018
- 2018 CIR improved to 57.5%

## Cost trends



- Higher costs across the Group in 2019
- Wage inflation in 2019, expected to subside thereafter
- Increased IT investments
- Leveling off expected 2020 and 2021

✓ **Cost/income ratio has improved  
~4PP<sup>1</sup> to 57.5% in past two years**

## Income - since 2017

- 5% loans to customers increase in 2017 and 2018, adjusted for NPL sales and write-offs
- Stable NIM despite increasing pressure on asset margins
- Net fee & commission income up 7.5% in 2017 and 4.2% in 2018

## Income trends

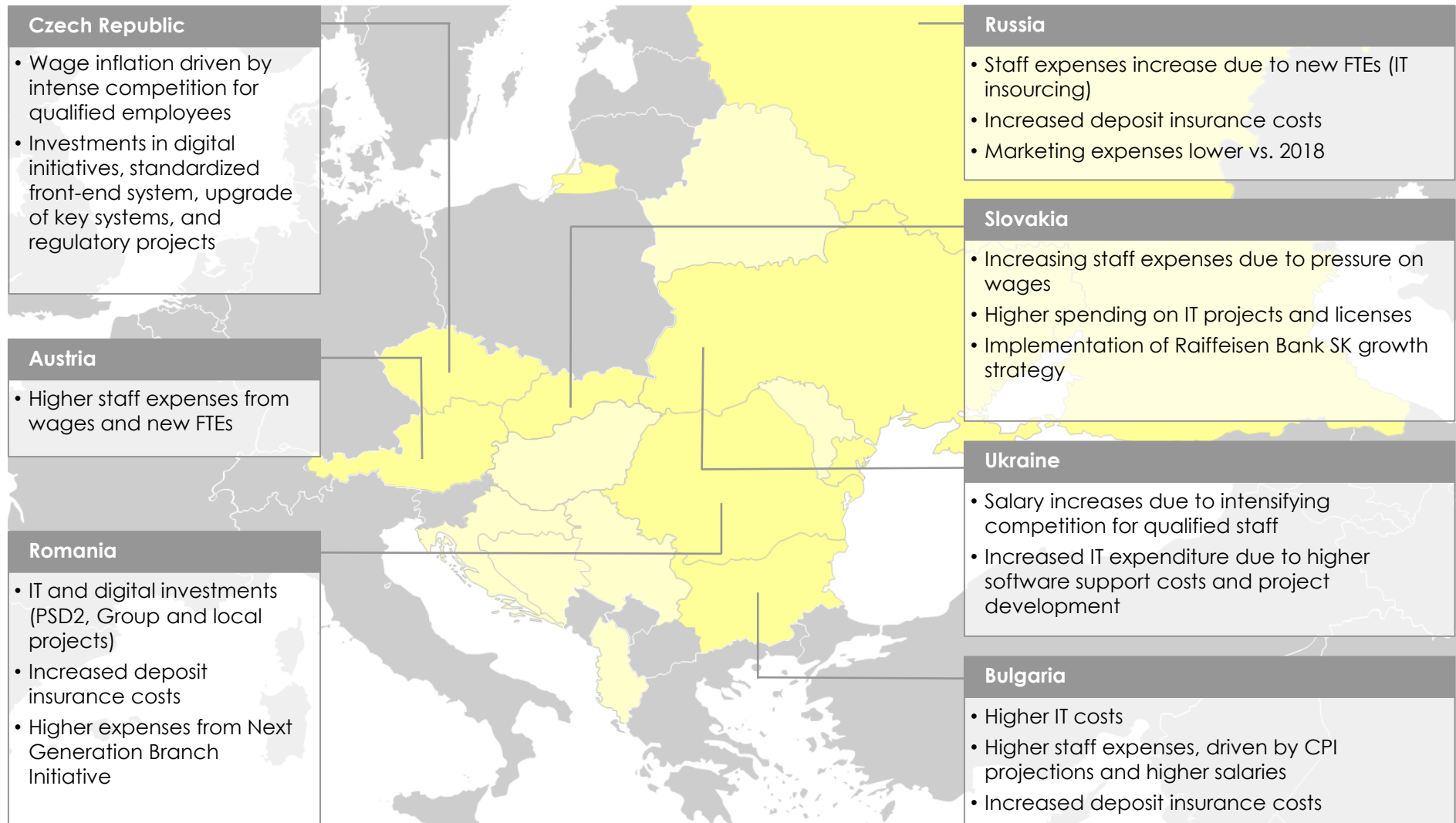
- NII growth from volumes and liability margin
- Further emphasis on fee & commission income
- Main contributions from Czech Republic, Slovakia, Austria and Russia

✓ **Moderately positive average jaws  
required through 2021 to achieve  
55% target**

1) From pro forma FY/2016 and including 30bps positive impact from FINREP implementation



# Cost pressure in 2019 from wages, IT and digital



# Well-positioned for growth and dividends

## Mid-single digit loan growth

**We aim to grow at a mid-single digit rate, while maintaining a 13% CET1 ratio**

- Good growth potential from our exposure to CE, SEE and EE
- Normalization of cyclical environment and structural convergence are supportive

## 11% RoE

**We look to consistently generate an 11% RoE**

- Focus on efficiency
- Improved portfolio quality and underwriting standards means risk costs should be less volatile through the cycle
- Consistently robust performance in Russia

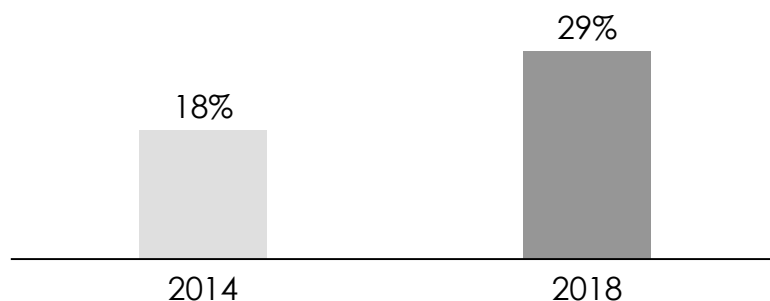
## 20-50% payout ratio

- Distribution of profits not retained for growth
- Focus on growing within our risk framework and achieving target profitability
- Payout ratio to also consider inorganic growth opportunities

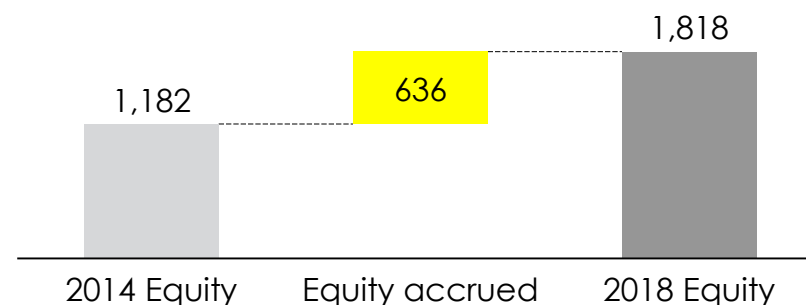
## Consistently strong shareholder return generation

- Consistent performance against a difficult economic backdrop
- Strong internal capital generation and a high payout ratio

**26% RoE (after tax, 2014-2018 average)**



**~EUR 1.6 bn cumulative net income since YE/2014**



### **Raiffeisen Russia in 2015: solid results despite high provisions**

- Operating result down 6%
- Strong ROE despite 214 bps provisioning ratio
- Significant dividend payment
- NPL ratio to 8% with 75.6% coverage ratio

### **2015: recession followed by slow recovery**

- -3% GDP decline
- Consumer demand and fixed investment contracted
- Inflation doubled y-o-y
- Conventional central bank response drove rates up
- GDP growth trend has yet to fully recover

# RBI in Russia: a robust business model

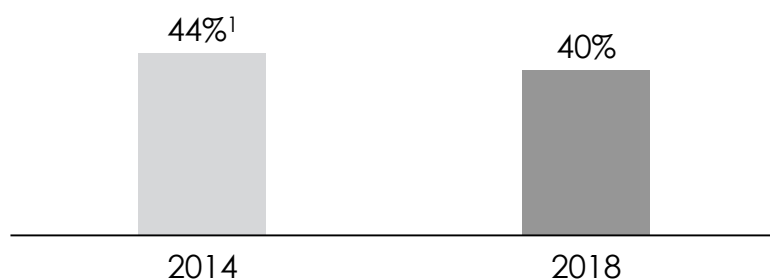
## An efficient business with stable revenues

### Diversified revenues

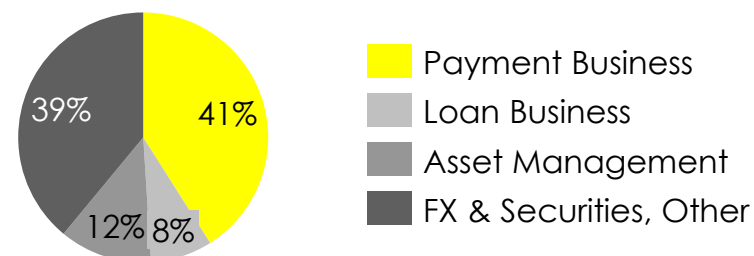
### Brand premium

### Efficient business model

#### 40% cost/income ratio (2014-2018 average)



#### Net Fee Income (1-12/2018)



- Focus on loan portfolio quality
- Brand premium reflected in liability margins
- Loan/deposit ratio below 100% in RUB and FX
- CET1 exposure to RUB volatility actively hedged

- NII and NIM consistently stable
- Stable split of fee and commission income
- Highly efficiency operations
- Diversified earnings in corporate segment

1) Under IAS 39

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Expected credit loss (ECL) model replaces portfolio loan loss provisions

## Stage 1

Performing:  
**12 month ECL**

## Stage 2

Significant increase in credit risk:  
**lifetime ECL and qualitative approach**

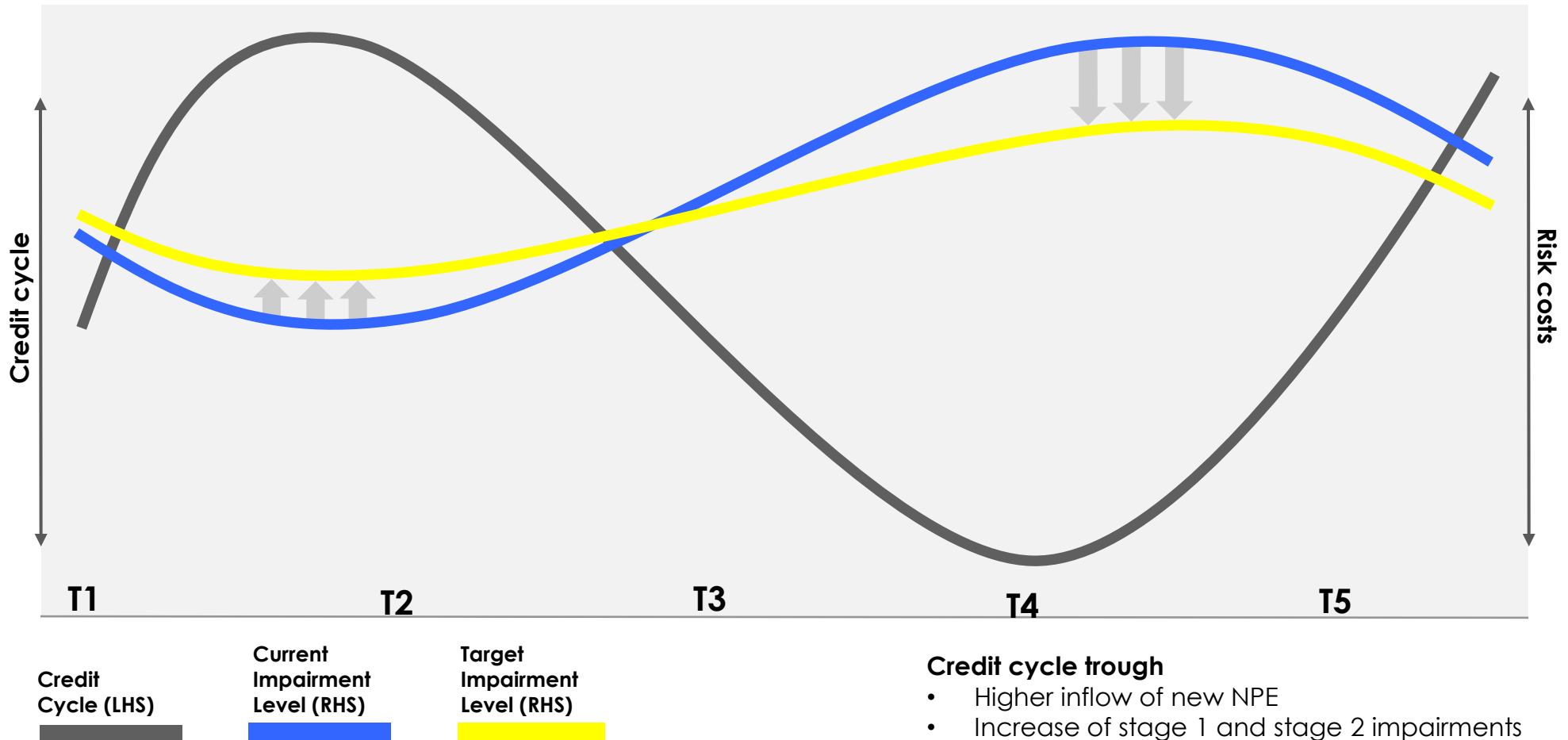
## Stage 3

Credit-impaired (defaults):  
**lifetime ECL and individual provisioning**

# Credit clock reduces risk cost volatility

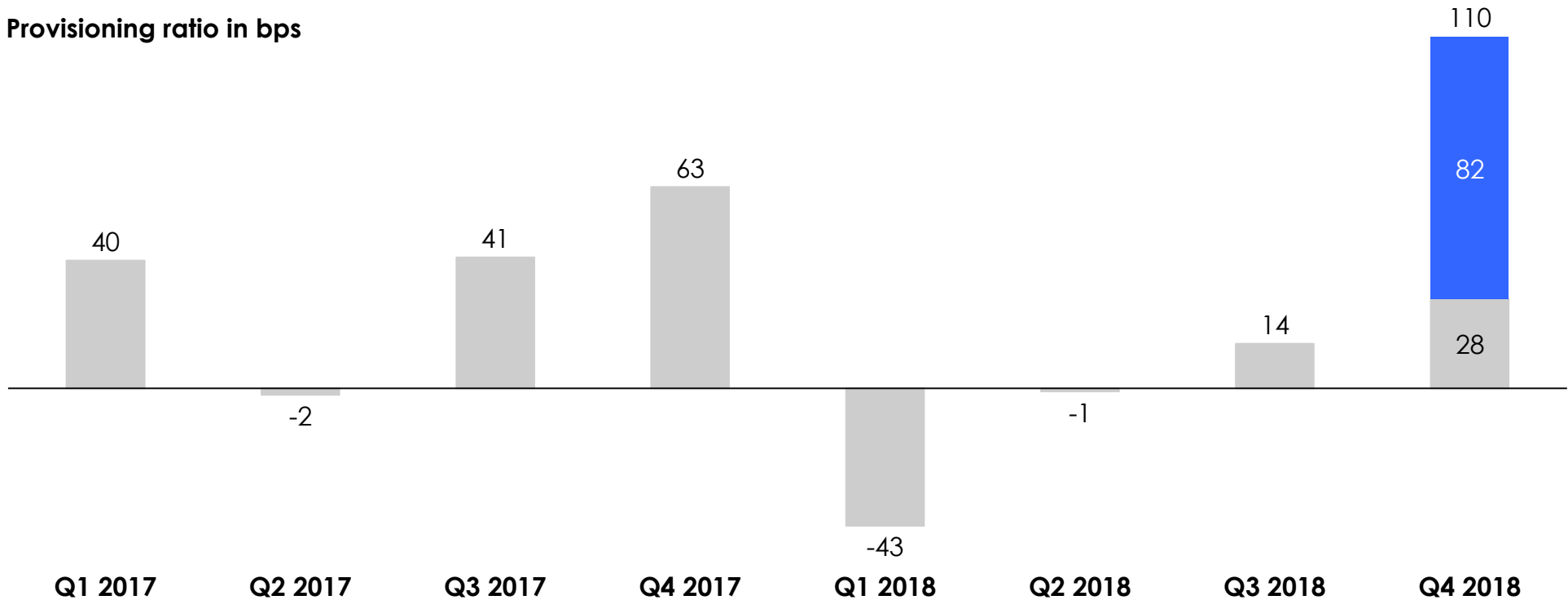
## Credit cycle peak

- Low inflow of new NPE
- Reduction of stage 1 and stage 2 impairments



# Annualized provisioning ratio since 2017

Provisioning ratio in bps



- IFRS 9 model fine-tuning in Q4/2018 contributed 82 bps (annualized) to the provisioning ratio
- Fine-tuning includes improved forecast values and qualitative factors not captured by risk models

## 2018 EBA stress test shows RBI's resilience in an economic downturn scenario

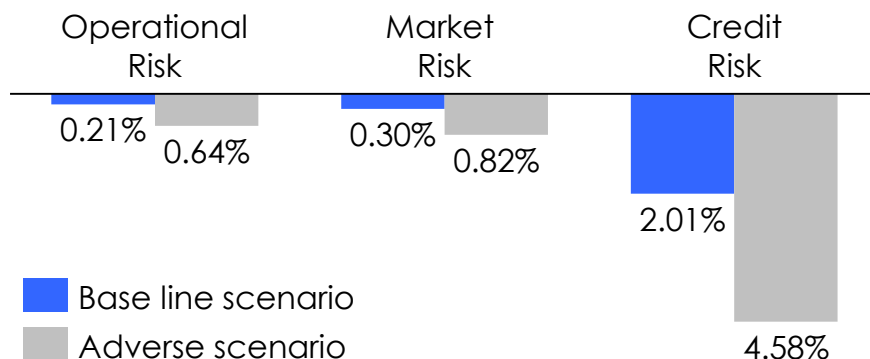
### Toughened stress test parameters

- 8.3% deviation of EU **GDP** versus baseline
- ~3.3PP increase in **unemployment** by 2020
- 0% **inflation** in adverse scenario
- **Residential property prices** drop by 19%

### → still reduced provisioning ratio

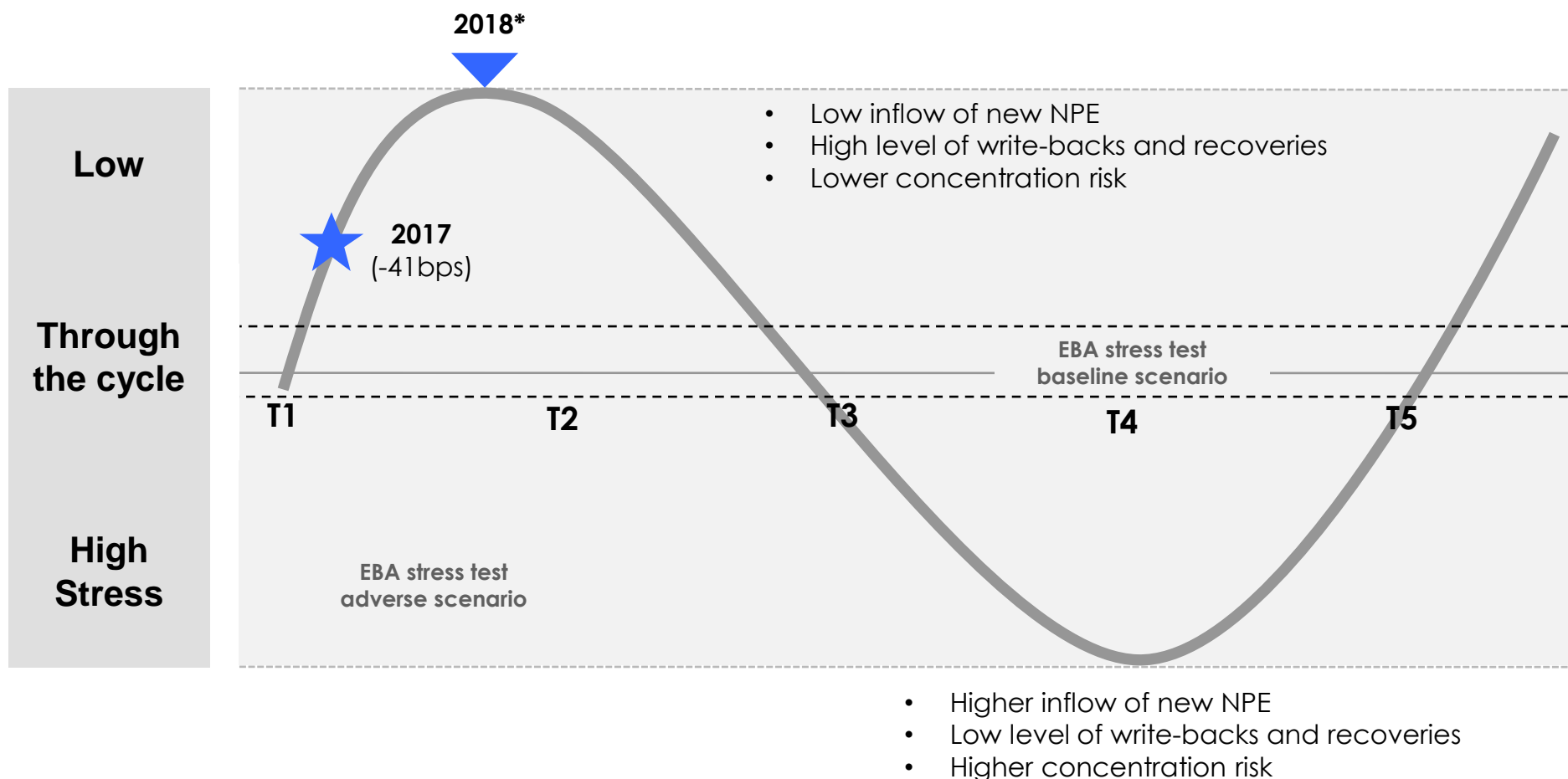
EBA stress test	Baseline scenario	Adverse scenario
2016 exercise	96 bps	170 bps
2018 exercise	54 bps	116 bps

### CET1 ratio impact by scenario & category



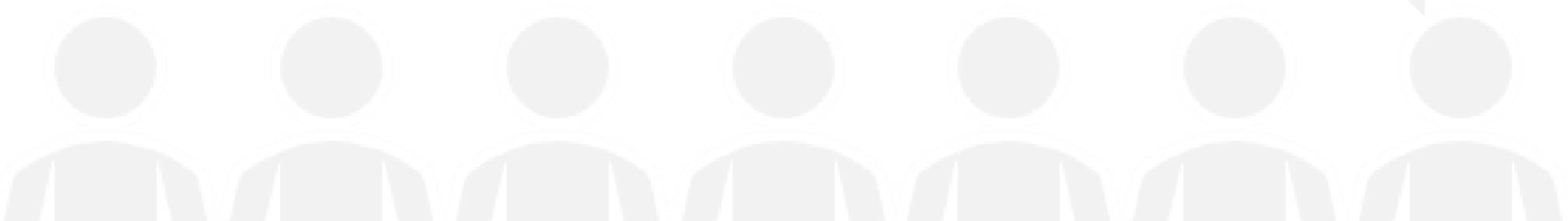
- ✓ Improved portfolio quality
- ✓ Significantly stronger capital base

# Provisioning ratio through the cycle



\*) before IFRS9 fine-tuning





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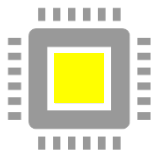
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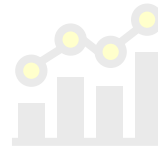
We create an exceptional experience for our customers ...



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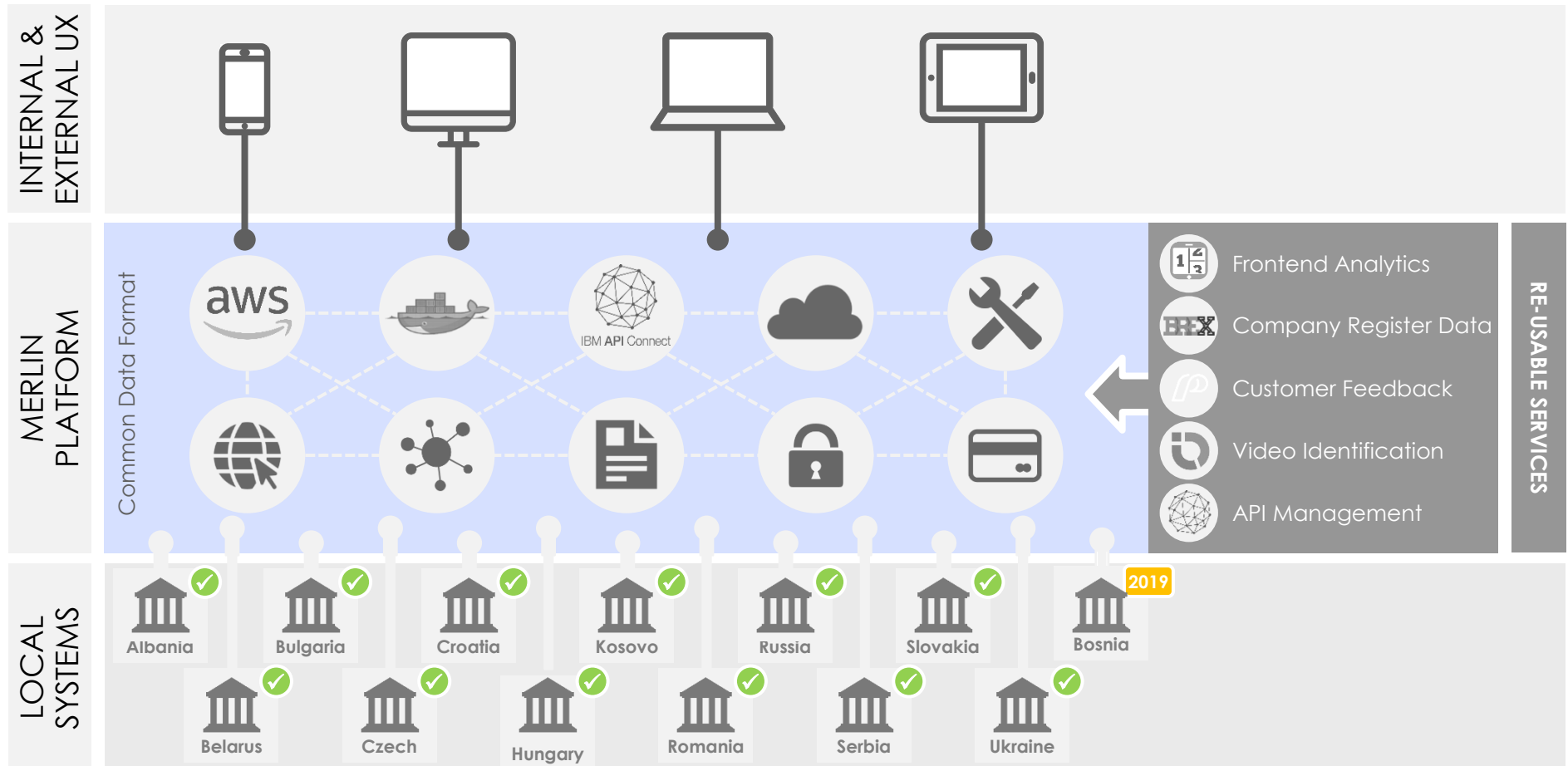
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**...foster innovation and incorporate new business models**

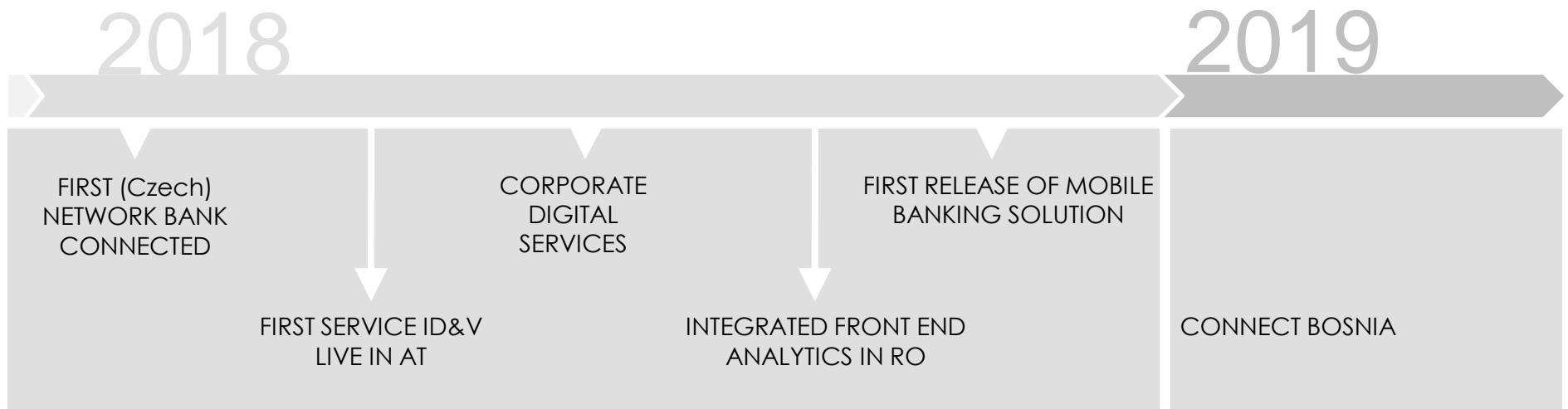
# Merlin platform: integrating RBI Group

## DIGITAL CLOUDBASED PLATFORM

Connecting Units Groupwide | Enabling Usage of Joint Products | Development of New Services



# Merlin enables group solutions



## SIGNIFICANT ADVANTAGES FOR THE FUTURE



Scalable &  
On-Demand  
Infrastructure



Shorter  
Time-To-  
Market



Customer  
Focus



Cost-Efficient  
Cloud-Based  
Solutions



Microservices &  
Containers



Support Regulatory  
& Business  
Development

**By integrating RBI's network, Merlin is the foundation of our Open API Strategy**



# Open APIs: ready for future developments

## Enabling RBI Group to build innovative products and services

Develop new business models | Scale up innovation



### MAJOR UPCOMING TREND

Opportunity for **multi-bank account aggregation** products



### DEFINE OPEN API ROADMAP

Open APIs are boosting **internal and external innovation**



### CONSUMPTION CAPABILITIES

**Enhance scoring and cross selling capabilities** for new-to-bank customers



### SCALING UP OPEN APIs

Integrating into **third party customer journeys** and **services**

**Expand product portfolio** by connecting to other platforms

**Introducing innovative banking** in Central and Eastern Europe

# Implementation of an adaptive organization

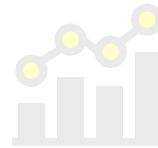
We create an exceptional experience for our customers ...



INTEGRATION  
LAYER  
& OPEN APIS



**AGILE &  
X-FUNCTIONAL  
WORKING**



STRONG DATA &  
ANALYTICS  
CAPABILITIES



DIGITAL  
OPERATIONAL  
EXCELLENCE



EFFECTIVE  
GROUP-WIDE  
INNOVATION

...foster innovation and incorporate new business models

# RBI develops towards an adaptive organization while its digital transformation

We have implemented Group-wide infrastructure to facilitate a collaborative working environment and encourage an agile process to become an adaptive organization



~30% of staff at RBI head office operating in agile Teams, also high portion of employees working agile in Russia  
With over 800 employees working in agile teams by end of 2019, innovation activities transferred to agile product teams

# Advanced analytics methods to enhance customer satisfaction and profitability

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# Data and analytics to enhance customer business

## Key focus areas



Open New  
**REVENUE STREAMS**



Automation Leading to  
**COST REDUCTION**



Supporting Well Founded  
**DECISION MAKING**



Development & Utilization of  
**ARTIFICIAL INTELLIGENCE**

## Use cases already live

Personalized financial advice, contextual marketing, cross-selling, dynamic pricing, Identify moments-of-truth,...

Anti-money-laundering, credit card fraud, back office automation, cash-in-transit optimization,...

Digital lending scoring, predictive forecasting, credit scoring, early warning systems,...

Chatbots, virtual assistant, keyword spotting, sentiment analysis, biometry optimization for call center,...

# Introducing innovative banking in Central and Eastern Europe

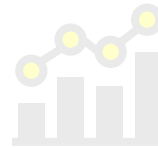
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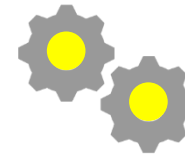
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# Efficiency improvements through Smart Automation **Raiffeisen Bank International**



## CONSTANT SEARCH FOR INNOVATION

### CURRENT INITIATIVES



#### SME ON

Development of online account opening



#### YELLOW BEAM

Real time international payment solution

### AUTOMATION DISCOVERY



#### PROCESS MINING

Selected network banks and RBI head office analyzing the real execution of processes in corporate, retail and risk areas

### COGNITIVE AUTOMATION



#### CARDS COMPLAINTS

Automation Management (IBM Watson, Data Science Team in Russia) – second pilot with Romanian and Austrian data science teams



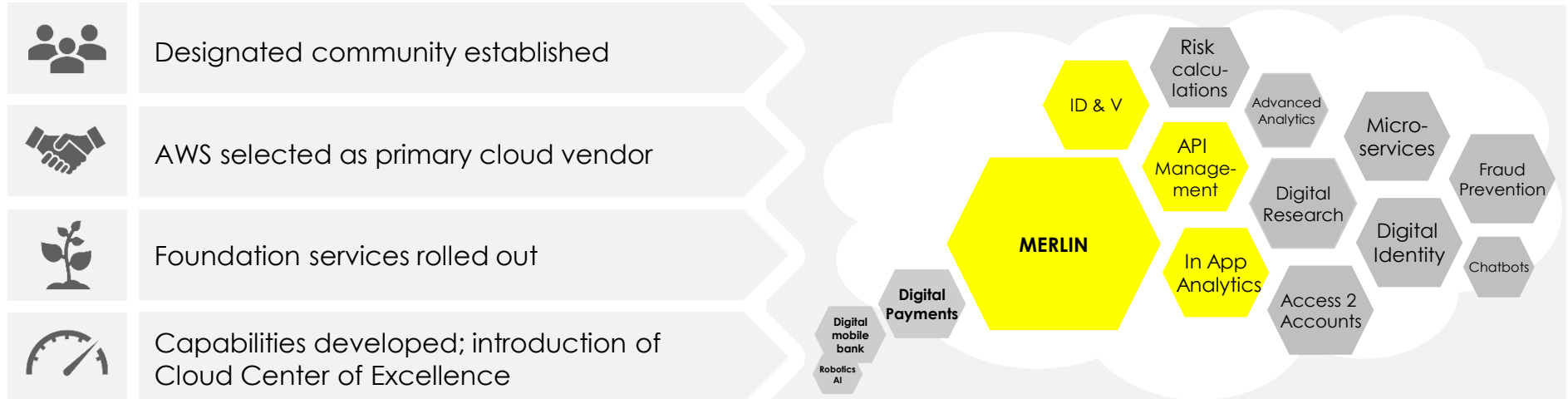
#### CASH OPTIMIZATION

Pilot project for forecasting with advanced analytics team

# With a cloud approach and a modularized IT architecture we are ready for the future

## We moved to the cloud in 2016...

## ...and constantly shift services into it



## Modular IT approach creates synergies across our markets

### Modular IT Architecture

- De-coupling front-end and back-end enables flexibility and openness
- Our “Merlin” platform supports the de-coupling principle

### Introducing Processing Engines

- Large local investments and high-risk upgrades are avoided due to modularized replacement of core-banking systems
- Prepare core-banking systems for channels and fit to overall modular architecture



# Striving for continuous improvement

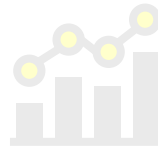
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**EFFECTIVE GROUP-  
WIDE INNOVATION**

...foster innovation and incorporate new business models

# Innovation vehicles facilitate new solutions and partnerships



## INNOVATION GARDEN

**EMPLOYEE-INITIATED IDEAS**  
DEVELOPED IN A START-UP-LIKE PROCESS  
WITHIN INTRAPRENEURSHIP TEAMS

3,269



Members on  
Ideation Platform

1,300



Client  
Interviews

765



Fresh  
Ideas

5



Internal  
Start-Ups

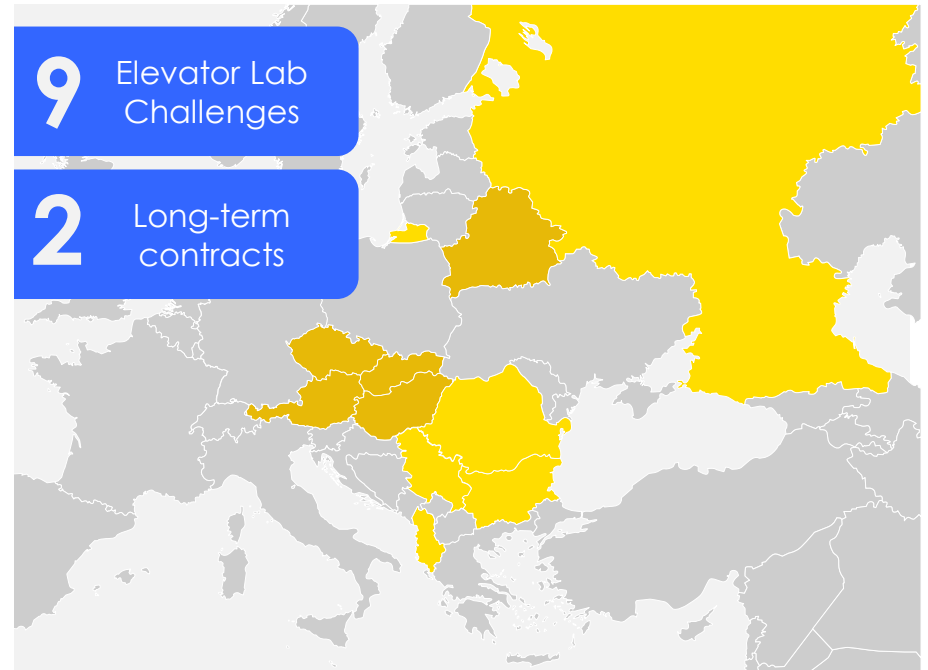


## ELEVATOR LAB

**ACCELERATOR PROGRAM**  
TO GLOBALLY SCOUT INNOVATIVE START-UPS  
AND VALIDATE VIABILITY FOR RBI

9 Elevator Lab  
Challenges

2 Long-term  
contracts



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**05**

Retail  
Overview

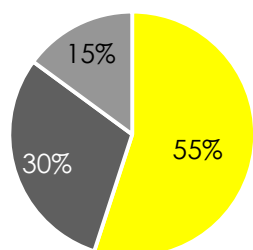
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STEPANENKO**

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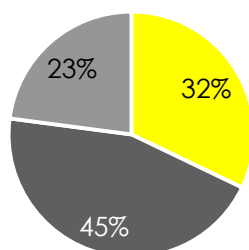
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## RBI Retail at a glance (year end 2018)

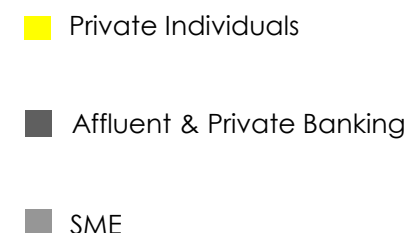
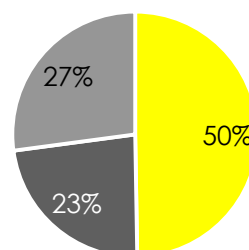
### Assets



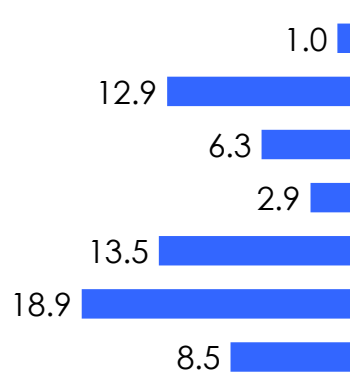
### Liabilities



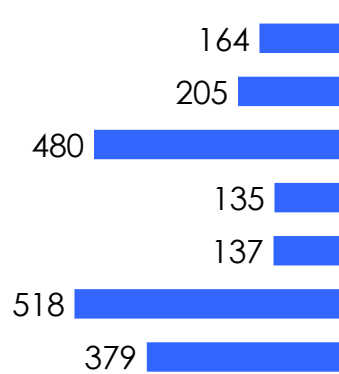
### Gross Income



### Volume breakdown (FY 2018 in EUR bn)



### Gross Income (FY 2018 in EUR mn)



### Selected products

- Credit Cards
- Mortgage
- Personal Loans
- SME Lending
- Deposits
- PI Payments/Accounts
- SME Payments/Accounts

### Channels

- Several NWBs with cutting edge mobile and Internet banking solutions – every fifth cash loan sold online
- 2,050 branches in 13 countries, emphasis on urban areas
- State-of-the-art contact centers complement multi-channel offering

# Expanding client base and digital sales

**Targeting 12.5 mn active retail clients in 2021 (500k new clients p.a.)**  
across our 13 network banks

**+15%**

Aim 2021 | **12.5mn<sup>1</sup>**

**Significantly increase mobile banking penetration**  
(mobile banking users / total active customer base)

**2.5x**

2018 | **22%**

Aim 2021 | **55%**

**Foster sales across channels with strong focus on digital lending**  
(digitally initiated personal loan sales)

**1.8x**

2018 | **20%**

Aim 2021 | **35%**

## Selected initiatives to achieve aims...

- Step up digital marketing efforts
- Exploit potential for third party customer acquisition (partnerships with retailers and corporates)
- Seamless digital onboarding
- Leverage expertise in Slovakia for use in other markets
- Develop areas of mobile banking centrally
- Fully utilize internal and external innovation potential (e.g. Innovation Garden, Elevator Lab)
- Build end-to-end digital lending capabilities in all countries (for new-to-bank & existing customers)
- Improve sales/service ratio in branches
- Implement new technologies in contact centers (e.g. AA & AI)

1) Retail customers across our 13 network banks (excl. e.g. Leasings, Bausparkasse)

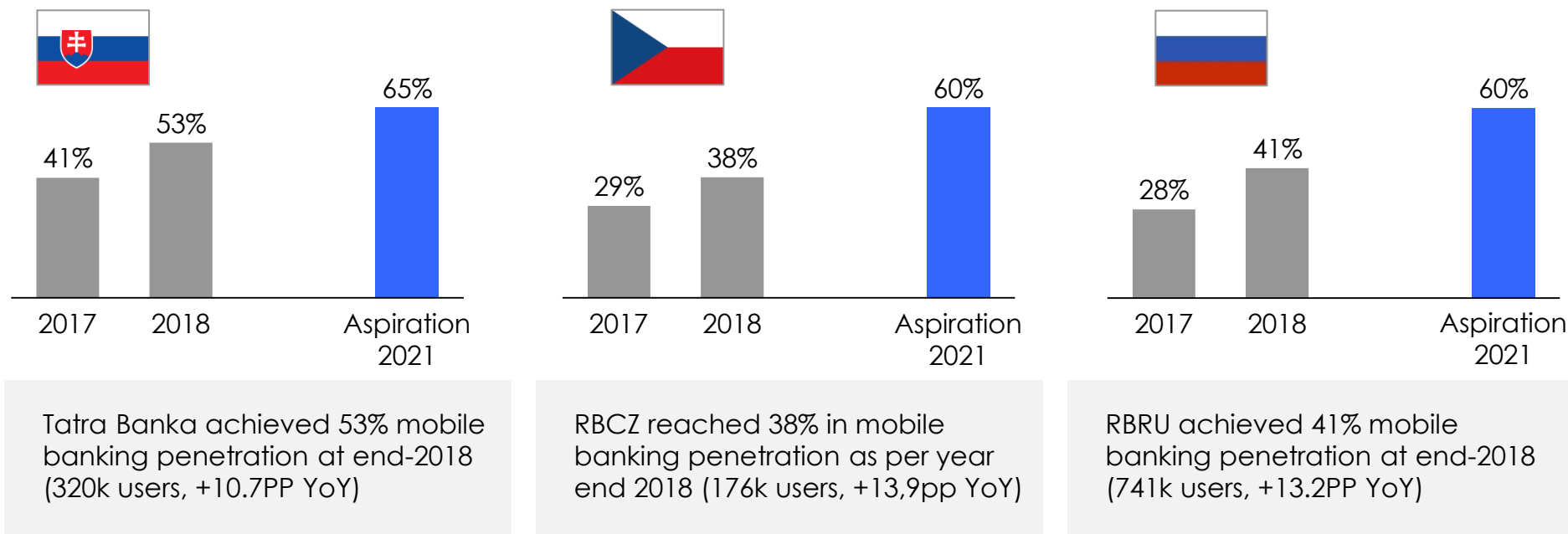
# Marked increase in mobile banking penetration

## Achievements 2018

- **Active mobile banking penetration** is steadily rising, reaching **22%** at end-2018
- Increased **focus on user experience** across markets (e.g. easy payments, login, reduction of complexity)
- **Group-wide mobile banking capabilities** expanded and developed for application in retail

## Outlook 2019

- **New solutions planned** across the group (e.g. RBRO, RBCZ, RBHR, RBBH)
- RBHU first to benefit from **joint development** based on **group capabilities**



Sources: RBI digital reporting, Deloitte and Finalta benchmarking

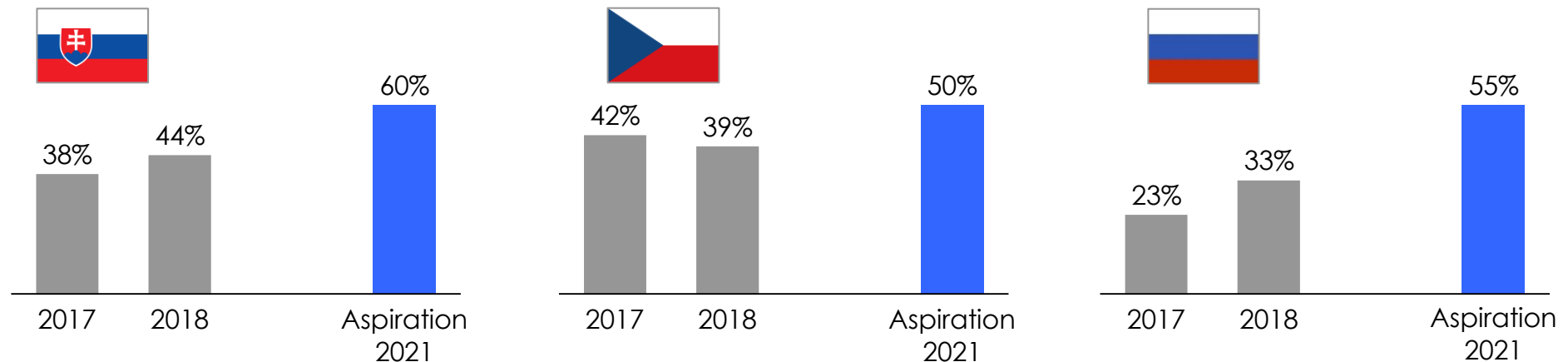
# Online lending already strong and increasing further **Raiffeisen Bank International**

## Achievements 2018

- Group-wide **digital sales of personal loans** grew to **20%** in 2018
- TBSK, RBCZ, RBRU and RBHR with **state-of-the art capabilities in online lending to existing customers**
- TBSK** has been **market pioneer** with a fully digital **end-to-end new-to-bank lending** solution

## Outlook 2019

- Most NWBs** will have online lending to existing customer base by **end-2019**
- Strengthen **new-to-bank lending** across the Group based on experience in TBSK and RBRS
- Evaluate the potential of a Group-wide **Online Credit Scoring** service



Very strong position in digital lending across the Group (50% of personal loans sold digitally in December 2018)

Leading position in digital lending via internet banking within RBI Group

Strong online lending to new-to-bank and existing customers

Sources: RBI digital reporting, Deloitte and Finalta benchmarking

# Strong focus on enhancing customer experience through mobile payments

## Achievements 2018

## Outlook 2019

- Dedicated **digital payments strategy** was developed focusing on customer convenience and improved mobile payments experience leading to the development of a **new group mobile wallet**

- **Group solution for mobile wallet** planned to go live in Q3/2019 for RBCZ, RBRO, RBBG, RBRS
- **Mobile peer-to-peer (P2P) payments** to follow

### Scope of the group mobile wallet



**NFC** in-store mobile payments



**Virtual card** to pay online



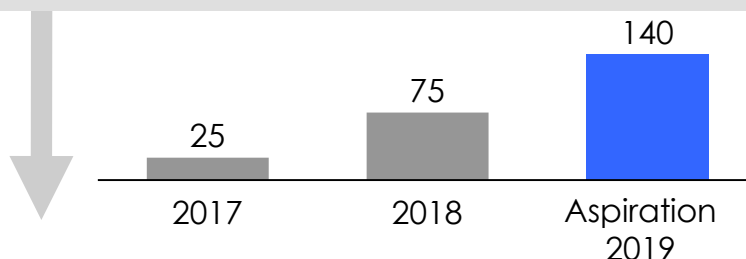
**Card** maintenance functions



**Peer-to-peer** payments

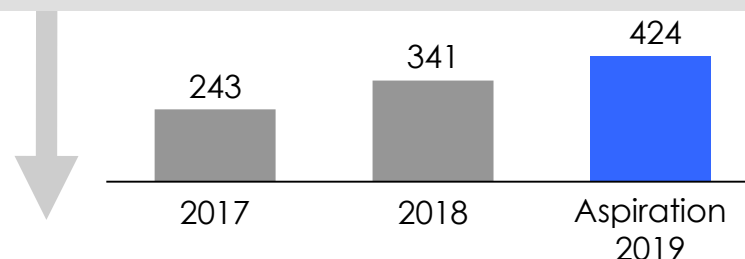
### Trends in existing wallets and mobile payments

#### Mobile wallet users (thsd)



**TatraBank**  
increasing penetration of **mobile wallet usage**

#### Mobile P2P payments (no. of transactions in thsd)



**PriorBank**  
launched mobile peer-to-peer payments to **42 countries in June 2018**



# Selected Best Practices and Future Initiatives

## Selected Best Practices from 2018



TBSK



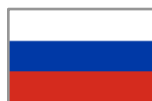
Online personalized real-time offers; end-to-end account opening



RBRB



Sales finance product with fast time-to-yes



RBRU



Increase in digital customer acquisition

## Selected Lighthouse projects for 2019



RBRO



New state-of-the-art internet & mobile banking platform to go live in Q2 2019



RBBG



Implementation of pre-approved end-to-end personal loan sales in mobile & internet banking - Q2 2019



TBSK

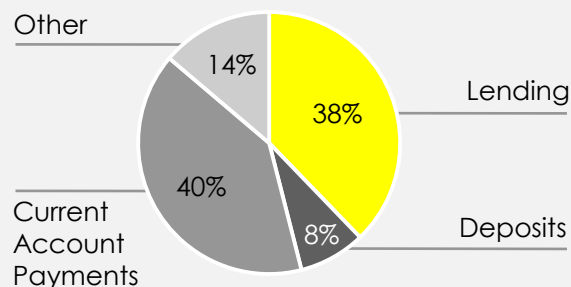


TBSK is focusing on extending its innovation offering (e.g. PSDII account aggregation, conversational AI)

# Russian retail: resilient and diversified business

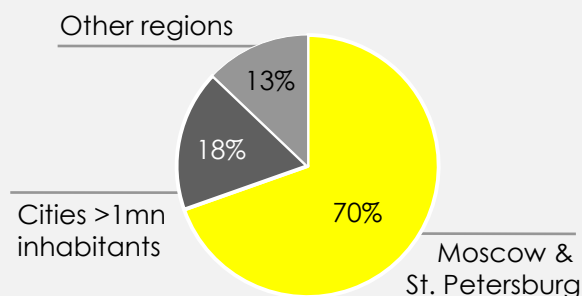
## Balanced revenue contribution by products

(gross income by products)



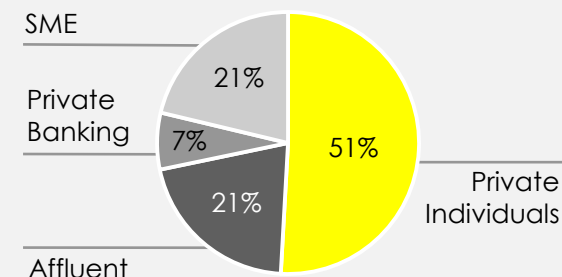
## Focus on high income regions

(gross income by regions, approx.)



## Diversified revenues across customer segments

(gross income by customer segments)

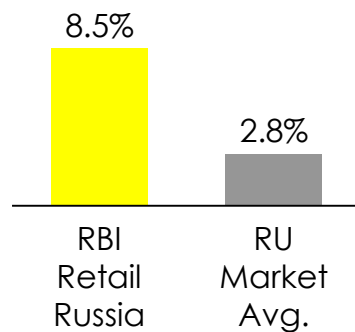


## Key Characteristics:

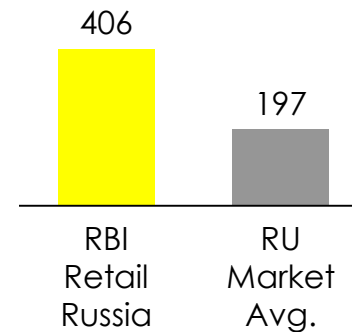
- Retail business in Russia generates ~66% of RBRU's gross income and ~50% of PBT while consuming just ~33% of RWAs
- #1 in customer satisfaction in SME, #4 position in mass market
- Focus on high-quality customers - gross income from lending mainly from personal loans and credit cards
- Strong cross-selling: 35% fee-to-income ratio
- Compact branch footprint with 185 locations – 'Digital Cities' for private individuals and SME in regions where not physically present
- 15% of new customers acquired through mobile banking, every third personal loan sold online
- Full-scale agile product development process

# Clear competitive edge in sales & digitization

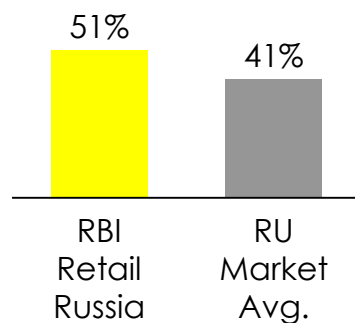
## Net Active Customer Acquisition<sup>1</sup>



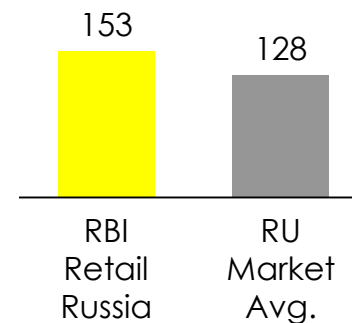
## Revenue per Active Customer (EUR)<sup>1</sup>



## 30-day Digital Banking Activity<sup>2</sup>



## Digital Product Sales / 1000 Active Customers<sup>2</sup>

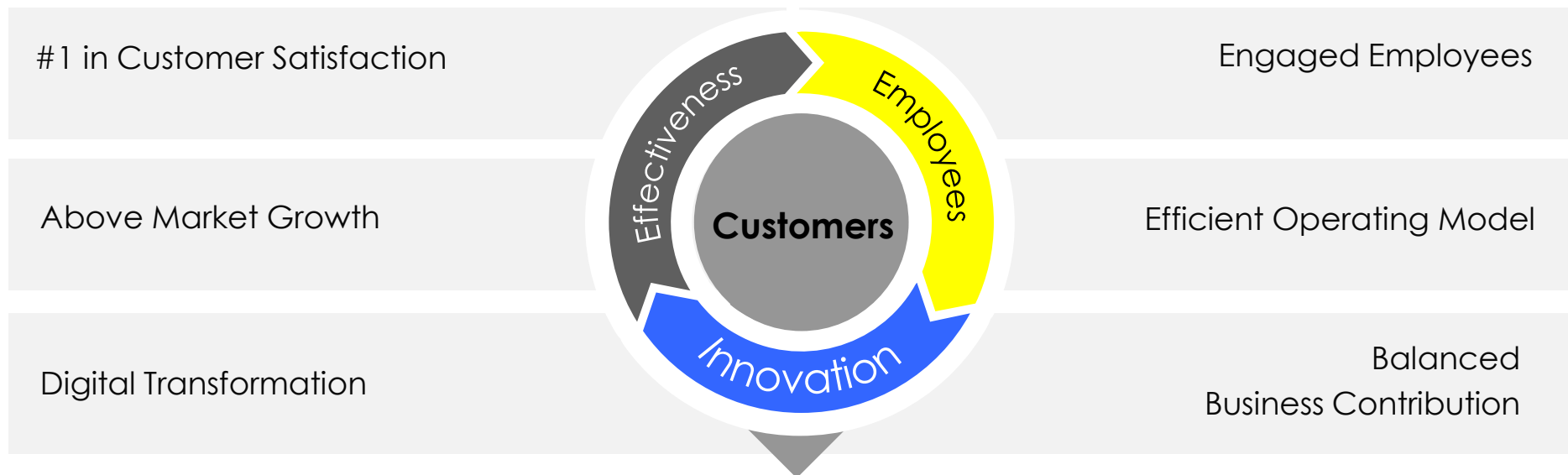


Source: Finalta Benchmarking, private individuals only

1) Data from FY 2017 reporting

2) Data from HY 2018 reporting

# Retail Targets and digital priorities



## Strategic Digitalization Priorities



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**JOHANN  
STROBL**

# RBI's place in the future of banking



Digital transformation journey will go on...



Fostering adaptive culture and collaboration



Responsibility, sustainability and building on trust



Seamless services for a ~270mn customer market

