

# RAIFFEISEN BANK INTERNATIONAL AG

## ANNUAL FINANCIAL STATEMENTS 2020



**Raiffeisen Bank  
International**

Member of RBI Group

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In this report, Raiffeisen Bank International (RBI AG) refers to the to Raiffeisen Bank International AG.

This report is a translation of the original report in German, which is solely valid.

# Annual financial statements

## Statement of financial position

ASSETS	31/12/2020 in €	31/12/2019 in € thousand
1. Cash in hand and balances with central banks	15,770,580,286.62	10,319,453
2. Treasury bills and other bills eligible for refinancing with central banks	5,211,743,114.98	3,976,382
3. Loans and advances to credit institutions	11,789,128,968.88	8,983,873
a) Repayable on demand	1,791,513,459.98	1,715,366
b) Other loans and advances	9,997,615,508.90	7,268,507
4. Loans and advances to customers	28,965,210,854.08	28,079,622
5. Debt securities and other fixed-income securities	3,491,663,139.76	3,472,073
a) Issued by public bodies	257,111,957.02	381,744
b) Issued by other borrowers	3,234,551,182.74	3,090,329
hereof: own debt securities	1,354,222,908.74	1,528,139
6. Shares and other variable-yield securities	485,664,942.27	487,094
7. Participating interests	62,154,105.72	76,123
hereof: in credit institutions	27,117,445.94	40,651
8. Shares in affiliated undertakings	10,511,642,895.67	10,821,362
hereof: in credit institutions	1,895,573,925.12	2,067,360
9. Intangible assets	38,494,688.90	37,573
10. Tangible assets	17,745,546.18	12,668
11. Other assets	2,964,476,652.23	2,966,553
12. Accruals and deferred income	173,940,533.65	190,193
13. Deferred tax assets	167,523.79	441
<b>Total</b>	<b>79,482,613,252.73</b>	<b>69,423,410</b>

<b>LIABILITIES</b>	<b>31/12/2020</b> in €	<b>31/12/2019</b> in € thousand
1. Liabilities to credit institutions	33,499,251,514.74	27,902,477
a) Repayable on demand	4,124,685,045.10	3,671,502
b) With agreed maturity dates or periods of notice	29,374,566,469.64	24,230,975
2. Liabilities to customers	21,322,850,634.44	19,155,647
a) Savings deposits	0.00	0
b) Other liabilities	21,322,850,634.44	19,155,647
aa) Repayable on demand	8,282,164,086.76	5,331,726
bb) With agreed maturity dates or periods of notice	13,040,686,547.68	13,823,921
3. Securitised liabilities	8,049,011,469.71	7,039,845
a) Debt securities issued	6,676,422,992.45	6,113,827
b) Other securitised liabilities	1,372,588,477.26	926,018
4. Other liabilities	2,687,537,582.69	2,392,265
5. Accruals and deferred income	162,323,251.45	137,596
6. Provisions	457,021,728.05	408,726
a) Provisions for severance payments	75,611,370.53	92,364
b) Provisions for pensions	75,447,129.76	73,507
c) Provisions for taxation	6,408,984.67	5,892
d) Other	299,554,243.09	236,962
7. Supplementary capital pursuant to chapter 4 of title I of part 2 of regulation (EU) no 575/2013	2,791,732,332.94	2,628,760
8. Additional Tier 1 capital pursuant to chapter 3 of title I of part 2 of regulation (EU) no 575/2013	1,654,264,436.14	1,152,879
9. Subscribed capital	1,002,283,121.85	1,002,283
a) Share capital	1,003,265,844.05	1,003,266
b) Nominal value of own shares	(982,722.20)	(983)
10. Capital reserves	4,431,352,336.41	4,431,352
a) Committed	4,334,285,937.61	4,334,286
b) Uncommitted	97,066,398.80	97,066
c) Option reserve	0.00	0
11. Retained earnings	2,409,252,115.27	2,304,821
a) Legal reserve	5,500,000.00	5,500
b) Other reserves	2,403,752,115.27	2,299,321
12. Liability reserve pursuant to article 57 (5)	535,097,489.59	535,097
13. Net profit for the year	480,635,239.45	331,662
<b>Total</b>	<b>79,482,613,252.73</b>	<b>69,423,410</b>

## Items off the statement of financial position

<b>ASSETS</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>in €</b>	<b>in € thousand</b>
1. Foreign assets	36,554,447,410.41	34,166,152
<b>LIABILITIES</b>		
	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>in €</b>	<b>in € thousand</b>
1. Contingent liabilities	5,902,443,976.64	6,049,897
Guarantees and assets pledged as collateral security	5,902,443,976.64	6,049,897
2. Commitments	15,955,548,909.01	15,171,249
hereof: liabilities from repurchase agreements		
3. Commitments arising from agency services	219,686,323.66	440,203
4. Eligible own funds according to part 2 of regulation (EU) no 575/2013	11,487,837,241.03	10,851,124
hereof: supplementary capital pursuant to chapter 4 of title I of part 2 of regulation (EU) no 575/2013	1,932,672,213.09	1,833,643
5. Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013	42,509,463,627.26	40,101,279
hereof: capital requirements pursuant to article 92 (1) (a) to (c) of regulation (EU) no 575/2013		
a) hereof: capital requirements pursuant to Article 92 (a)	18.7%	19.7%
b) hereof: capital requirements pursuant to Article 92 (b)	22.5%	22.5%
c) hereof: capital requirements pursuant to Article 92 (c)	27.0%	27.1%
6. Foreign liabilities	16,156,049,934.58	16,555,568

# Income statement

	2020	2019
	in €	in € thousand
1. Interest receivable and similar income	795,678,406.16	958,613
hereof: from fixed-income securities	73,230,549.33	86,937
2. Interest payable and similar expenses	(432,048,898.78)	(609,418)
<b>I. NET INTEREST INCOME</b>	<b>363,629,507.38</b>	<b>349,195</b>
3. Income from securities and participating interests	779,848,960.20	708,787
a) Income from shares and other variable-yield securities	31,632,705.07	24,708
b) Income from participating interests	5,637,612.33	6,389
c) Income from shares in affiliated undertakings	742,578,642.80	677,689
4. Commissions receivable	367,686,777.22	360,991
5. Commissions payable	(144,300,207.63)	(133,326)
6. Net profit or net loss on financial operations	148,291,665.13	(51,192)
7. Other operating income	227,882,204.65	269,910
<b>II. OPERATING INCOME</b>	<b>1,743,038,906.95</b>	<b>1,504,365</b>
8. General administrative expenses	(752,442,055.71)	(786,307)
a) Staff costs	(390,736,214.13)	(409,851)
hereof: aa) Wages and salaries	(302,055,770.62)	(289,123)
bb) Expenses for statutory social contributions and compulsory contributions	(63,463,701.19)	(61,275)
cc) Other social expenses	(6,561,308.27)	(8,749)
dd) Expenses for pensions and assistance	(10,343,609.84)	(11,056)
ee) Allocation/Release of provision for pensions	(1,953,780.77)	(2,083)
ff) Expenses for severance payments and contributions to severance funds	(6,358,043.44)	(37,564)
b) Other administrative expenses	(361,705,841.58)	(376,457)
9. Value adjustments in respect of asset items 9 and 10	(12,359,760.20)	(10,736)
10. Other operating expenses	(248,057,056.63)	(305,378)
<b>III. OPERATING EXPENSES</b>	<b>(1,012,858,872.54)</b>	<b>(1,102,422)</b>
<b>IV. OPERATING RESULT</b>	<b>730,180,034.41</b>	<b>401,944</b>
11./12. Net income/expenses from the disposal and valuation of loans and advances and securities classified as current assets	(94,295,681.50)	(105,909)
13./14. Net income/expenses from the disposal and valuation of securities evaluated as financial investments and of shares in affiliated companies and participating interests	(304,798,639.63)	234,382
<b>V. PROFIT ON ORDINARY ACTIVITIES</b>	<b>331,085,713.28</b>	<b>530,417</b>
15. Tax on profit or loss	(20,485,823.95)	(28,803)
16. Other taxes not reported under item 15	(57,452,782.38)	(62,502)
17. Merger gain	18,757.23	0
<b>VI. PROFIT FOR THE YEAR AFTER TAX</b>	<b>253,165,864.18</b>	<b>439,112</b>
18. Changes in reserves	(104,192,660.31)	(134,181)
hereof: allocation to liability reserve	0.00	0
<b>VII. NET INCOME FOR THE YEAR</b>	<b>148,973,203.87</b>	<b>304,931</b>
19. Profit/Loss brought forward	331,662,035.58	26,731
<b>VIII. Net profit for the year</b>	<b>480,635,239.45</b>	<b>331,662</b>

# Notes

## General disclosures

Raiffeisen Bank International AG (RBI AG) is registered in the company register at the Commercial Court of Vienna under FN 122119m. Its registered office is at Am Stadtpark 9, 1030 Vienna. The annual financial statements are deposited at the company register court and published in the official journal of the Wiener Zeitung in accordance with the Austrian disclosure regulations.

The annual financial statements for the year ending 31 December 2020 were prepared by the Management Board in accordance with the Austrian Commercial Code (UGB) as amended by the latest version of the Austrian Financial Reporting Amendment Act (RAG), taking into account the special provisions of the Austrian Banking Act (BWG) that apply to credit institutions, including the CRR Regulation 575/2013/EU and the Austrian Stock Corporation Act (AktG).

According to Section 221 (Size categories) of the Austrian Commercial Code (UGB), RBI AG qualifies as a large corporation. It is also a public interest entity pursuant to Section 43 (1a) of the Austrian Banking Act (BWG) in conjunction with Section 189a of the Austrian Commercial Code.

The Raiffeisen Bank International Group (RBI) is a corporate and investment bank for the top 1,000 companies in Austria and for large corporate customers in Western Europe. Through its equity participations, RBI has one of the largest networks held by Western banking groups in Central and Eastern Europe (CEE). It transacts business in this region through a closely-knit network of subsidiary banks, leasing companies and numerous specialized financial service providers with more than 1,800 branches. In Austria, RBI holds stakes in companies specializing in housing finance, leasing, asset management, equities and certificates, pension funds, factoring and private banking. RBI's 17.2 million clients include commercial clients, small and medium-sized entities, private individuals, financial institutions and government entities. In addition, RBI is the lead institution of the Raiffeisen Banking Group Austria (RBG) and serves as the central institution of the Raiffeisen regional banks as defined by the Austrian Banking Act (BWG).

RBI AG also has branch offices in Frankfurt, London, Beijing, Singapore and Warsaw.

The equity value chain business of Raiffeisen Centrobank AG, Vienna, was retroactively transferred to RBI AG as of 30 June 2020 under the spin-off and acquisition contract of 9 September 2020. This resulted in a merger gain of EUR 19 thousand.

As shares in the company are traded on a regulated market within the meaning of Section 1 (2) BörseG (prime market of the Vienna Stock Exchange) and numerous securities issued by Raiffeisen Bank International (RBI AG) are admitted to a regulated market in the Eil, RBI AG has to publish annual consolidated financial statements in accordance with Section 59a of the Austrian Banking Act (BWG) in compliance with International Financial Reporting Standards. These consolidated financial statements are published on the Internet ([www.rbinternational.com/ir](http://www.rbinternational.com/ir)).

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

The disclosure requirements set out in Part 8 of the EU Regulation 575/2013 on prudential requirements for credit institutions (Capital Requirements Regulation, CRR) are published online on the bank's website at [investor.rbinternational.com](http://investor.rbinternational.com).

## Federal IPS

Institutional protection schemes (IPS) approved by the Financial Market Authority have been established within the Raiffeisen Banking Group (RBG). Contractual or statutory liability arrangements were concluded in connection with the IPSs to protect the participating institutes and, in particular, ensure their liquidity and solvency where required. The IPS is based on uniform, joint risk monitoring pursuant to Article 113 CRR (Capital Requirements Regulation). The IPS was designed with two levels (federal and provincial IPS) to reflect RBG's organizational structure.

As the central institute of RBG, RBI AG is a member of the federal IPS, whose members include, in addition to the regional Raiffeisen banks, RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung, Posojilnica Bank eGen, Raiffeisen Wohnbaubank Aktiengesellschaft and Raiffeisen Bausparkasse Gesellschaft m.b.H. The federal IPS is subject to regulatory supervision. Consequently, the capital adequacy requirements of the CRR must also be complied with at the level of the federal IPS. Consequently, no deductions are made for the members of the federal IPS for their participation in RBI AG. Moreover, internal receivables within the IPS can be weighted at zero per cent.

The federal IPS relies on uniform, joint risk monitoring as part of the early warning system of the Sector Risk scheme (SRG). The IPS hence supplements the RBG system of mutual assistance that comes into effect when members experience economic difficulties.

On 21 December 2020, RBI, the regional Raiffeisen banks and Raiffeisen banks filed applications with the Austrian Financial Market Authority and the ECB to create a new institutional protection scheme (Raiffeisen IPS), consisting of RBI, the regional Raiffeisen banks and the Raiffeisen banks, for the purpose of the statutory (Austrian) deposit guarantee scheme within the meaning of the Austrian Deposit Guarantee and Investor Protection Act (Einlagensicherungs- und Anlegerentschädigungsgesetz). In order to be able to form a separate deposit guarantee scheme, it is required that all members of the scheme are also direct members of a single institutional protection scheme, such as, in this case, the Raiffeisen IPS yet to be founded. The Raiffeisen IPS is intended to ultimately replace the existing Federal IPS. Approval by the FMA and ECB is pending and may be subject to additional conditions. Should the approval be received, and any conditions agreed, the above-mentioned applicants will subsequently leave the ESA according to the provisions of the Austrian Deposit Guarantee and Investor Protection Act.

# Recognition and measurement principles

## General principles

The annual financial statements are prepared in accordance with the principles of proper accounting, and taking into account standard practice as described in Section 222 (2) of the Austrian Commercial Code (UGB), to give a true and fair view of the company's net assets, financial position and earnings.

The consolidated financial statements were prepared in compliance with the consistency principle.

Assets and liabilities are valued on the principle of individual valuation and on the assumption that the company will continue to exist as a going concern. The principle of prudence is applied, taking into account the special characteristics of the banking business. The IFRS 9 calculation model is applied on the basis of corporation law to determine portfolio-based loan loss provisions.

Stock market prices are used to determine the fair value of listed products. If stock market prices are not available, prices for original financial instruments and forward transactions are determined based on the calculated present value. The prices for options are determined based on suitable option price models. The calculation of present value is based on a yield curve composed of money-market, futures and swap rates and does not include a credit spread. Option pricing formulas as described by Black-Scholes 1972, Black 1976 and Garman-Kohlhagen are used together with other common models for the valuation of structured options.

Regarding negative interest, RBI AG has adopted the accounting approach of recognizing negative interest from loans under interest income and negative interest from liabilities under interest expenses.

## Amounts in foreign currencies

Assets and liabilities in foreign currencies are converted at the ECB's reference exchange rates as at 31 December 2020 pursuant to Section 58 (1) of the Austrian Banking Act (BWG).

## Financial instruments in the banking book

Securities intended to serve business purposes on a permanent basis (investment portfolio) are valued as fixed assets. The difference between the purchase cost and repayment amount is written off or recognized pro rata over the residual term.

Securities held as current assets have been valued strictly according to the lower of cost or market value principle, with any reversals of impairment losses up to amortized cost.

Derivatives on interest rates (interest rate swaps, interest rate options and forward rate agreements) and on exchange rates (cross currency interest rate swaps and forward exchange transactions) are accounted for according to the accrued interest method, in which interest amounts are accrued for each period.

In designating derivatives as part of effective micro hedging transactions, compensatory valuation of the underlying transaction and hedging derivative takes place.

RBI AG uses interest rate swaps to hedge the interest rate risk from assets (bonds and loans) and liabilities (own issues, promissory notes and custodian business) on the statement of financial position. Fixed cash flows are exchanged for variable cash flows to minimize the interest rate risk. The currency risk is hedged by various currency swaps.

These derivatives form part of a valuation unit. Their market value is therefore not reported in the annual financial statements, as they are offset by cash flows from the underlying transactions recognized through profit and loss.

The hedging relationships are determined on the basis of micro fair value hedges in accordance with IAS 39 and documented according to applicable regulations. On designation, the effectiveness of the hedging relationship is reviewed by a prospective effectiveness test with 100 basis point shifts in the yield curve.

The effectiveness is measured retrospectively on the basis of a monthly regression analysis. Here, a set of 20 data points is used to determine the required calculation parameters used for the retrospective effectiveness test. A hedge is deemed to be effective if changes in the fair value of the underlying and hedging transaction are in a range of 80-125 per cent.

The banking book also includes derivatives which do not meet the criteria of a trading book and are not part of a micro hedge relationship. The focus is not on short-term gains but on management of income and interest rate risk through positioning based on medium- to long-term market opinion.

These derivatives were administrated in defined portfolios in order to guarantee a documented mapping to functional units. Within these functional units an imparity-based valuation takes place. For a negative accounting balance per functional unit a provision for impending loss will be allocated, while a positive accounting balance will be unrecognized.

Derivatives of the bank book, which are not reflected in functional units, are valued according to the imparity principle. In the case of negative market values a provision for impending loss will be allocated. The disclosure is shown in the income statement under position 11./12. net income/expenses from the disposal and valuation of loans and advances and securities held as current assets.

Credit default swaps have the following effect on the income statement: The margins received or paid (including accruals) are reported under commissions; the valuation results are recorded against income based on the imparity principle.

## Financial instruments in the trading book

The securities in the trading portfolio are valued on a mark-to-market basis. All derivatives transactions in the trading book are also recognized at fair value.

The capital-guaranteed products (guarantee funds and pension provisions) are reported as put options sold on the respective funds to be guaranteed. Valuation is based on a Monte Carlo simulation and is in accordance with the framework conditions stipulated by law.

## Derivative financial instruments

The price definition of OTC derivatives is subject to valuation adjustments to reflect the counterparty default risk (credit value adjustment - CVA) and adjustments for the Bank's own credit risk (debit value adjustment - DVA).

The CVA involves, first, the determination of the expected positive exposure and, second, the counterparty's probability of default. The DVA is determined by the expected negative exposure and RBI's credit quality.

To determine the expected positive exposure, a large number of scenarios for future points in time are simulated, reflecting all available risk factors (e.g. currency and yield curves). Having regard to these scenarios, the OTC derivatives are measured at market value and aggregated at counterparty level to finally determine the positive exposure for all the dates.

As a further component for the CVA, a probability of default has to be determined for each counterparty. If direct CDS (credit default swap) quotes are available, RBI AG derives the market-based probability of default for the respective counterparty and implicitly the loss-given default (LGD). To determine the probability of default of counterparties that are not actively traded in the market, the counterparty's internal rating is assigned to a sector- and rating-specific CDS curve.

The DVA is determined by the expected negative exposure and RBI's credit quality and represents the value adjustment with regard to RBI AG's own probability of default. The method applied to calculate the negative exposure is similar to that used for the CVA; the expected negative market value is applied instead of the expected positive market value. From the simulated future aggregated counterparty market values, negative, rather than positive, exposures are determined. These represent the expected liability to the counterparty at the respective future dates.

To determine the own probability of default values implied by the market are also used. If direct CDS quotes are available, these are applied. If no CDS quotes are available, the own rating is assigned to a sector- and rating-specific CDS curve to determine own probability of default.

## Loans and advances

Loans and advances are generally recognized at amortized cost. Any difference between the amount paid out and the nominal amount is deferred using the effective interest method and reported in net interest income, provided the difference is similar in nature to interest. Impairments are accounted for in the calculation of amortized cost. If the reasons for an impairment no longer apply, the impairment is reversed up to a maximum of no more than the cost of acquisition after reversing the difference (premium/discount).

## Net provisioning for impairment losses

At the end of every reporting period, an assessment is conducted to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is considered impaired and impairment losses are incurred if:

- there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the asset and before the reporting date (loss event);
- the loss event had an impact on the estimated future cash flows of the financial asset or group of financial assets; and
- the amount can be reliably estimated.

Objective evidence of impairment includes the counterparty experiencing significant financial difficulties, a breach of contract (e.g. default or delinquency in interest or principal payments), or a high probability that the borrower will enter bankruptcy or another form of financial reorganization.

Risks in the credit business are accounted for by recognizing individual loan loss provisions and portfolio-based loan loss provisions. The individual loan loss provisions and portfolio-based loan loss provisions are set off against corresponding loans in the statement of financial position.

### Individual loan loss provisions

As part of implementing individual loan loss provisions, provisions are recognized using standardized company-wide criteria to cover the expected default associated with the credit risks attributable to loans and advances to customers and banks. Loans are assumed to be at risk of default if the discounted projected repayment amounts and interest payments are less than the carrying

amount of the loans, taking collateral into account. General individual loan loss provisions for retail lending in the Polish branch are recognized based on the best statistically derived estimate of the expected loss after adjusting for indirect costs.

### Portfolio-based loan loss provisions

IFRS 9 is used as a basis for the methodology used to calculate the portfolio-based loan loss provisions in accordance with the position paper of the AFRAC and the FMA on issues relating to subsequent measurement of credit exposures at banks.

The portfolio loan loss provision pursuant to IFRS 9 is implemented based on a two-stage procedure. If the credit default risk for current assets has not increased significantly since initial recognition, the impairment loss for each asset is measured at the present value of an expected twelve-month loss as at the reporting date. The expected twelve-month loss is the portion of the expected credit loss over the asset's life that is equal to the expected credit loss on the default of an asset within twelve months of the reporting date. In the case of assets whose credit risk has risen significantly since initial recognition and which are not classified as transactions with a low credit risk at the reporting date, the expected credit loss is calculated over the asset's entire remaining term. The expected loss for both stages is calculated on an individual transaction basis applying statistical risk parameters derived from the Basel IRB approach and adjusted to the requirements of IFRS 9. The following are the most important inputs for calculating expected credit losses at RBI:

- Probability of default (PD): At RBI AG, the probability of default (PD) is the probability with which a borrower will be unable to meet its payment obligations either within the next twelve months or over the entire remaining term.
- Exposure at default (EAD): Exposure at default corresponds to the amount at the time of default owed to RBI AG over the next twelve months or over the entire term.
- Loss given default (LGD): Loss given default corresponds to the expectation at RBI AG relating to the loss amount in the event of default.

The estimation of risk parameters includes not only historical default information but also the current economic environment (point-in-time orientation) and forward-looking information. In particular, the bank's macroeconomic forecasts are reviewed regularly in relation to their impact on the level of expected credit losses, and such forecasts are integrated into the related calculations. For this purpose, a baseline scenario is applied based on current RBI Research forecasts relating to key macroeconomic parameters, supplemented by other model-relevant macroeconomic parameters. Other risks that cannot be modeled in the standard model and the resultant expected losses are also taken into consideration.

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 or re-segmentation of portfolios and when individual 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 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 one to two years. All material adjustments are authorized by the Group Risk Committee (GCM). 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 between the stages.

For guarantees, uniform provisions are calculated applying the same methodology, and reported under provisions for liabilities and charges.

As a matter of principle, portfolio-based loan loss provisions are taken into consideration when determining deferred taxes.

## Investments and shares in affiliated companies

Equity participations and interests in affiliated companies are carried at cost unless sustained losses or reduced equity require them to be written down to their fair value. They are written up to no more than their cost of acquisition if the reasons for the long-term impairment no longer apply.

Equity participations and affiliated companies are valued at the end of each financial year by means of an impairment test. Their fair value is determined during the test.

Fair value is calculated using a dividend discount model. The dividend discount model properly also accounts for the specific characteristics of the banking business, including the need to comply with capital adequacy regulations. The recoverable amount

is considered to be the present value of the expected future dividends that may be distributed to the shareholders after meeting all appropriate capital adequacy regulations.

The recoverable amount is calculated based on a five-year detailed planning period. The sustainable future (permanent dividend phase) is based on a going concern assumption (perpetuity). In most cases, the income used for the valuation is assumed to grow at a country-specific nominal rate based on the projected long-term inflation rate. If companies are significantly overcapitalized, an interim phase of five years is defined without extending the detailed planning phase. During this period, these companies can distribute full dividends without violating capital adequacy regulations. In the permanent dividend phase, earnings must be retained as the company grows in order to continue to comply with capital adequacy regulations. Earnings retention is not required if no growth is expected in the permanent dividend phase.

In the permanent dividend phase, the model assumes a normalized, economically sustainable earnings situation in which the return on equity and the costs of equity capital converge.

## Tangible and intangible fixed assets

Intangible fixed assets and tangible fixed assets are valued at acquisition or production cost less scheduled depreciation. Scheduled depreciation is on a straight-line basis (pro rata temporis). An impairment loss is recognized if an asset is permanently impaired.

Scheduled depreciation is based on the following periods of use (in years):

Useful life	Years	Useful life	Years
Buildings	50	Software	4 to 10
Office equipment	3 to 5	Hardware	3
Office fixtures and fittings	5 to 10	Business equipment	5 to 10
Vehicles	5	Tenancy rights	10

Low-value fixed assets are written off in full in the year of acquisition.

## Deferred taxes

Deferred tax assets are recognized based on asset-side temporary differences or tax loss carryforwards wherever it appears likely that they will be used within a reasonable time period. Liability-side temporary differences are set off against the asset-side temporary differences.

## Issuance expenses

Issuance and management fees and premiums or discounts for bonds issued are distributed over the given term of the obligation using the effective interest method. Other issuance expenses are expensed immediately.

## Pension and severance payment obligations

The provisions for pension and severance payment obligations are determined in accordance with IAS 19 - Employee Benefits - based on the projected unit credit method.

The actuarial calculation of pension obligations for active employees is based on an interest rate, as recommended by Mercer, of 0.8 per cent (31/12/2019: 1.0 per cent) p.a. and an effective salary increase of 3.7 per cent (31/12/2019: 3.5 per cent). The parameters for retired employees are calculated using a capitalization rate of 0.8 per cent (31/12/2019: 1.0 per cent) and an expected increase in retirement benefits of 2.0 per cent (31/12/2019: 2.0 per cent), and in the case of pension commitments with existing reinsurance policies of 0.5 per cent (31/12/2019: 0.5 per cent). The calculations are based on an assumed retirement age of 60 for women and 65 for men, subject to transitional statutory requirements and special arrangements contained in individual contracts.

The basis for the calculation of provisions for pensions is provided by the new AVÖ 2018-P Rechnungsgrundlagen für die Pensionsversicherung (Computational Framework for Pension Insurance), using the variant for salaried employees. The resultant allocation amount was expensed immediately.

The actuarial calculation of severance payment and long-service bonus obligations is based on an interest rate of 0.9 per cent p.a. and 0.9 per cent p.a., respectively, (31/12/2019: 0.9 per cent and 1.0 per cent respectively) and an average salary increase of 3.7 per cent p.a. (31/12/2019: 3.5 per cent).

## Other provisions

Other provisions are recorded at the level at which they are likely to be required. They take into account all identifiable risks and liabilities, the level of which is not yet known. Long-term provisions were discounted at prevailing market interest rates in the reporting period. The interest rate applied for discounting is 0.6 per cent (31/12/2019: 0.6 per cent) due to the uniform residual term of the individual provisions for liabilities and charges. The rates used were the discount rates published by Deutsche Bundesbank pursuant to Section 253 (2) of the German Commercial Code (HGB).

Other provisions include provisions for bonuses for identified staff (pursuant to European Banking Authority CP 42, 46). RBI AG fulfills the obligations set forth in the Annex to Section 39b of the Austrian Banking Act (BWG) as follows: 60 per cent of the annual bonus is paid out 50 per cent as an upfront cash payment and 50 per cent by way of a phantom share plan with a retention period of one year. 40 per cent of the annual bonus is subject to a five-year deferral period and likewise paid out 50 per cent in cash and 50 per cent by way of the phantom share plan. The phantom shares are converted on allocation and payment each using the average price of the preceding financial year.

## Liabilities

These are recognized at the higher of the nominal value or the repayment amount. Zero-coupon bonds, on the other hand, are recognized at their pro rata annual values.

# Notes on the statement of financial position

## Assets

### Loans and advances

#### Breakdown of maturities

Loans and advances to credit institutions, loans and advances to customers and other assets break down by their residual terms as follows:

in € thousand	31/12/2020	31/12/2019
<b>Loans and advances to credit institutions</b>	<b>11,789,129.0</b>	<b>8,983,872.5</b>
Repayable on demand	1,791,513.5	1,715,366.0
Up to 3 months	6,474,332.8	4,244,668.7
More than 3 months, up to 1 year	660,607.5	724,931.9
More than 1 year, up to 5 years	1,452,908.2	959,813.3
More than 5 years	1,409,767.0	1,339,092.6
<b>Loans and advances to customers</b>	<b>28,965,210.9</b>	<b>28,079,622.2</b>
Repayable on demand	597,712.7	3,078,839.0
Up to 3 months	5,259,759.3	2,425,796.1
More than 3 months, up to 1 year	4,202,757.0	4,291,328.3
More than 1 year, up to 5 years	13,427,307.7	12,335,094.5
More than 5 years	5,477,674.2	5,948,564.3
<b>Other assets</b>	<b>2,964,476.7</b>	<b>2,966,553.2</b>
Up to 3 months	2,649,970.5	2,714,370.2
More than 3 months, up to 1 year	0.0	0.0
More than 1 year, up to 5 years	0.0	0.0
More than 5 years	314,506.2	252,183.0

The risk section of the management report includes more details about the distribution of loans and advances on a regional basis.

## Derivative financial instruments

### Hedging relationships

Hedges with hedging periods up to 2042 existed as at 31 December 2020. On the basis of clean prices (i.e. excluding accrued interest), the positive market values of the hedging derivatives amounted to € 278,413 thousand at the reporting date (31/12/2019: € 303,532 thousand). The negative market values of the derivatives amounted to € 13,568 thousand (31/12/2019: € 22,966 thousand) as at 31 December 2020.

### Interest rate management derivatives

As at 31 December 2020, a provision for impending losses of € 44,063 thousand (31/12/2019: € 30,628 thousand) was recognized for derivatives in connection with functional units and from hedge accounting. In the 2020 financial year, in this context € 25,484 thousand (2019: € 17,504 thousand) was allocated to the provision and € 12,050 thousand (2019: € 31,107 thousand) was released due to changes in market value of the functional units and hedge accounting.

The portfolio-based management of functional units is summarized according to the strategy applied to manage interest risk for the currencies contained therein, with the positive and negative fair values shown below:

in € thousand	31/12/2020		31/12/2019		Valuation effect
	Positive values	Negative values	Positive values	Negative values	31/12/2020
CHF	6	0	0	0	6
CZK	1,054	(921)	2,238	(73)	(2,032)
EUR	65,570	(37,097)	68,232	(28,330)	(11,429)
GBP	9	0	5	0	4
HUF	121	(2)	1,134	0	(1,015)
NOK	1	0	2	0	(1)
PLN	0	0	1	0	(1)
RON	109	0	21	0	88
RUB	63	(238)	33	0	(208)
USD	289	(283)	155	(2,225)	2,076
<b>Total</b>	<b>67,222</b>	<b>(38,541)</b>	<b>71,821</b>	<b>(30,628)</b>	<b>(12,512)</b>

The main factors driving the valuation result were the change in market value due to the change in the interest rate market in EUR, expanded netting volume and a decrease in USD business.

The following tables show the open forward transactions for the reporting year and the previous year:

31/12/2020 in € thousand	Nominal amount by maturity				hereof		Market value	
	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	trading book	positive	negative	
<b>Total</b>	<b>73,837,525</b>	<b>98,289,893</b>	<b>61,736,208</b>	<b>233,863,626</b>	<b>167,593,114</b>	<b>2,634,857</b>	<b>2,269,907</b>	
<b>a) Interest rate contracts</b>	<b>32,015,017</b>	<b>89,590,767</b>	<b>59,744,885</b>	<b>181,350,669</b>	<b>120,715,182</b>	<b>1,960,350</b>	<b>1,610,916</b>	
<b>OTC products</b>								
Interest rate swaps	28,722,628	81,410,395	56,121,637	166,254,660	108,063,154	1,815,289	1,446,707	
Floating Interest rate swaps				0				
Interest rate futures	854,774	0	0	854,774	854,773	0	190	
Interest rate options - buy	1,197,719	3,849,961	1,685,038	6,732,718	5,888,737	144,988	0	
Interest rate options - sell	810,612	3,812,682	1,637,336	6,260,630	4,660,630	0	84,378	
Other similar interest rate contracts	383,115	471,305	278,465	1,132,885	1,132,885	73	79,633	
<b>Exchange-traded products</b>								
Interest rate futures	3,669	16,685	8,716	29,070	29,070	0	8	
Interest rate options	42,500	29,739	13,693	85,932	85,933	0	0	
<b>b) Foreign exchange rate contracts</b>	<b>41,745,062</b>	<b>7,817,386</b>	<b>1,662,123</b>	<b>51,224,571</b>	<b>46,059,546</b>	<b>662,876</b>	<b>639,295</b>	
<b>OTC products</b>								
Cross-currency interest rate swaps	5,023,746	5,700,773	1,662,123	12,386,642	8,792,444	231,557	205,280	
Forward foreign exchange contracts	35,743,961	2,057,593	0	37,801,554	36,245,727	425,906	428,083	
Currency options - purchased	512,988	29,507	0	542,495	527,495	5,413	0	
Currency options - sold	464,367	29,513	0	493,880	493,880	0	5,932	
Other similar interest rate contracts	0	0	0	0	0	0	0	
<b>Exchange-traded products</b>								
Currency contracts (futures)	0	0	0	0	0	0	0	
Currency options	0	0	0	0	0	0	0	
<b>c) Securities-related transactions</b>	<b>47,446</b>	<b>67,600</b>	<b>0</b>	<b>115,046</b>	<b>25,046</b>	<b>1,128</b>	<b>1,253</b>	
<b>OTC products</b>								
Securities-related forward transactions				0				
Equity/Index options -buy	34,923	67,600	0	102,523	23,546	1,128	0	
Equity/Index options -sell	12,523	0	0	12,523	1,500	0	1,253	
<b>Exchange-traded products</b>								
<b>Exchange-traded products</b>								
Equity/Index futures	0	0	0	0	0	0	0	
Equity/Index options	0	0	0	0	0	0	0	
<b>d) Commodity contracts</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>OTC products</b>								
Commodity forward transactions	0	0	0	0	0	0	0	
<b>Exchange-traded products</b>								
Commodity futures	0	0	0	0	0	0	0	
<b>e) Credit derivative contracts</b>	<b>30,000</b>	<b>814,140</b>	<b>329,200</b>	<b>1,173,340</b>	<b>793,340</b>	<b>10,503</b>	<b>18,443</b>	
<b>OTC products</b>								
Credit default swaps	30,000	814,140	329,200	1,173,340	793,340	10,503	18,443	

31/12/2019	Nominal amount by maturity				hereof trading book	Market value	
in € thousand	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total		positive	negative
<b>Total</b>	<b>81,780,364</b>	<b>97,465,518</b>	<b>58,453,086</b>	<b>237,698,968</b>	<b>178,090,055</b>	<b>2,283,906</b>	<b>(1,991,505)</b>
<b>a) Interest rate contracts</b>	<b>36,328,590</b>	<b>87,229,265</b>	<b>56,874,925</b>	<b>180,432,780</b>	<b>127,409,117</b>	<b>1,782,214</b>	<b>(1,432,908)</b>
<b>OTC products</b>							
Interest rate swaps	27,536,897	80,255,973	52,968,881	160,761,751	108,168,620	1,633,373	(1,255,504)
Floating Interest rate swaps	0	0	0	0	0	0	0
Interest rate futures	4,639,407	0	0	4,639,407	4,639,407	159	(814)
Interest rate options - buy	1,889,060	3,867,487	1,860,405	7,616,952	7,236,420	148,588	0
Interest rate options - sell	1,703,664	2,775,208	1,513,674	5,992,546	5,942,546	0	(90,870)
Other similar interest rate contracts	486,755	243,841	485,428	1,216,024	1,216,024	26	(85,720)
<b>Exchange-traded products</b>							
Interest rate futures	39,500	86,756	36,537	162,793	162,793	7	0
Interest rate options	33,307	0	10,000	43,307	43,307	61	0
<b>b) Foreign exchange rate contracts</b>	<b>45,297,449</b>	<b>9,404,713</b>	<b>1,399,661</b>	<b>56,101,823</b>	<b>49,889,333</b>	<b>494,340</b>	<b>(539,293)</b>
<b>OTC products</b>							
Cross-currency interest rate swaps	6,192,039	7,395,291	1,399,661	14,986,991	10,675,603	233,504	(232,425)
Forward foreign exchange contracts	37,718,761	1,979,397	0	39,698,158	37,829,556	256,766	(301,452)
Currency options - purchased	710,112	12,240	0	722,352	689,852	4,070	0
Currency options - sold	676,537	17,785	0	694,322	694,322	0	(5,416)
Other similar interest rate contracts	0	0	0	0	0	0	0
<b>Exchange-traded products</b>							
Currency contracts (futures)	0	0	0	0	0	0	0
Currency options	0	0	0	0	0	0	0
<b>c) Securities-related transactions</b>	<b>147,325</b>	<b>93,400</b>	<b>0</b>	<b>240,725</b>	<b>46,465</b>	<b>1,906</b>	<b>(1,294)</b>
<b>OTC products</b>							
Securities-related forward transactions	0	0	0	0	0	0	0
Equity/Index options -buy	125,593	91,900	0	217,493	43,465	1,906	0
Equity/Index options -sell	21,732	1,500	0	23,232	3,000	0	(1,294)
<b>Exchange-traded products</b>							
Equity/Index futures	0	0	0	0	0	0	0
Equity/Index options	0	0	0	0	0	0	0
<b>d) Commodity contracts</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>e) Credit derivative contracts</b>	<b>7,000</b>	<b>738,140</b>	<b>178,500</b>	<b>923,640</b>	<b>745,140</b>	<b>5,446</b>	<b>(18,010)</b>
<b>OTC products</b>							
Credit default swaps	7,000	738,140	178,500	923,640	745,140	5,446	(18,010)

The following derivatives shown in the list of open forward transactions are recognized at fair value in the statement of financial position:

Derivatives in € thousand	Positive fair values		Negative fair values	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
<b>Derivatives in the trading book</b>				
a) Interest rate contracts	1,304,160.6	1,240,600.0	1,175,678.9	1,065,200.0
b) Foreign exchange rate contracts	603,804.4	452,000.0	610,309.8	491,200.0
c) Share and index contracts	1,043.4	1,300.0	1,252.5	1,300.0
d) Credit derivatives	9,778.3	5,400.0	9,237.7	10,800.0

## Securities

Debt securities and other fixed-income securities amounting to € 224,673 million (31/12/2019: € 996,828 thousand) will mature next financial year.

The table below lists the securities admitted to stock exchange trading (asset side), broken down into listed and unlisted securities (amounts incl. interest accrued):

Securities in € thousand	Listed		Unlisted	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Debt securities and other fixed-income securities	3,481,730.4	3,460,871.4	9,932.8	11,201.8
Shares and other variable-yield securities	19,450.9	33,232.8	0.0	0.0

The table below lists securities admitted to stock exchange trading (asset side) measured as fixed assets or current assets (including trading portfolio):

Securities in € thousand	Fixed assets		Current assets	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Debt securities and other fixed-income securities	1,513,706.4	766,573.0	1,977,956.8	2,705,500.2
Shares and other variable-yield securities	0.0	0.0	19,450.9	33,232.8

The table below shows the disposal of securities from fixed assets. Of this amount, € 1,701,346 thousand related to repayments (31/12/2019: € 1,283,472 thousand).

Balance sheet item in € thousand	Nominal amount		Net result	
	31/12/2020	31/12/2020	31/12/2019	31/12/2019
Treasury bills and other bills eligible for refinancing with central banks	1,313,338.2	109.2	1,931,551.5	39,038.6
Loans and advances to credit institutions	90,812.2	0.0	0.0	0.0
Loans and advances to customers	107,748.7	492.8	128,459.9	111.6
Debt securities and other fixed-income securities	256,884.8	113.2	666,095.1	11,585.1
Shares and other variable-yield securities	0.0	0.0	0.0	0.0
<b>Total</b>	<b>1,768,783.9</b>	<b>715.2</b>	<b>2,726,106.5</b>	<b>50,735.3</b>

Difference between the acquisition cost and the repayment amount for securities (except zero-coupon bonds) in the investment portfolio (banking book):

The difference between the amortized costs and the repayment amounts is comprised of € 88,209 thousand (31/12/2019: € 23,081 thousand) to be recognized in the future as expenditure, and € 7,516 thousand (31/12/2019: € 6,869 thousand) to be recognized as income.

In the case of securities admitted to stock exchange trading and recognized at fair value that do not have the characteristics of financial investments, the difference between the acquisition cost and the higher fair value is € 20,977 thousand (31/12/2019: € 88,289 thousand) pursuant to Section 56 (4) of the Austrian Banking Act (BWG) and € 7,133 thousand (31/12/2019: € 4,267 thousand) pursuant to Section 56 (5) of the Austrian Banking Act (BWG).

The item loans and advances to credit institutions contains own bonds that are not admitted for public trading in an amount of € 21,276 thousand (31/12/2019: € 20,876 thousand).

Securities amounting to € 89,068 thousand (31/12/2019: € 59,119 thousand) are the subject of genuine repurchase transactions on the reporting date, whereby RBI AG is the seller and the securities continue to be recognized on the statement of financial position.

The volume of RBI's trading book pursuant to Article 103 CRR is € 178,018,747 thousand (31/12/2019: € 187,248,473 thousand), with € 1,101,555 thousand (31/12/2019: € 1,070,122 thousand) accounted for by securities and € 176,917,192 thousand (31/12/2019: € 186,178,351 thousand) accounted for by other financial instruments.

The fair value is lower than the carrying amount for the following financial instruments that are reported as financial investments:

Financial investments in € thousand	Carrying amount		Fair value	
	31/12/2020	31/12/2020	31/12/2019	31/12/2019
1. Treasury bills and other bills eligible for refinancing with centralbank	10,370.9	10,358.0	178,835.1	174,417.7
2. Loans and advances to credit institutions	0.0	0.0	58,888.3	58,876.8
3. Loans and advances to customers	87,024.4	86,763.6	149,282.0	148,297.8
4. Debt securities and other fixed-income securities				
a) Issued by public bodies	0.0	0.0	0.0	0.0
b) Issued by other borrowers	50,087.6	49,754.2	28,417.9	28,199.7
5. Shares and other variable-yield securities	148,800.6	144,935.1	0.0	0.0
<b>Total</b>	<b>296,283.6</b>	<b>291,810.8</b>	<b>415,423.3</b>	<b>409,792.0</b>

An impairment (in accordance with Section 204 (2) of the Austrian Commercial Code (UGB)) is not accounted for as the assessment of the credit rating of the security borrower is such that scheduled interest payments and repayments are expected to be made.

## Investments and shares in affiliated companies

There are cross shareholdings with UNIQA Insurance Group AG, Vienna, and Posojilnica Bank eGen, Klagenfurt. There are no profit and loss transfer agreements as at 31 December 2020.

In the past, transactions to hedge the currency risk arising from the local currency denominated equity of the following companies were concluded:

- Ukrainian Processing Center JSC, Kiev
- VAT Raiffeisen Bank Aval, Kiev

### Affiliated companies

Company, registered office (country)	Total nominal value in thousand	Exchange	Direct share of RBI	Equity in € thousand	Result in € thousand <sup>1</sup>	From annual financial statements <sup>2</sup>
Angaga Handels- und Beteiligungs GmbH, Vienna	35	EUR	100%	21	(11)	31/12/2019
AO Raiffeisenbank, Moscow <sup>3</sup>	36,711,260	RUB	100%	2,464,664	497,747	31/12/2019
BAILE Handels- und Beteiligungsgesellschaft m.b.H., Vienna <sup>2</sup>	40	EUR	100%	249,191	21	31/12/2019
Centralised Raiffeisen International Services & Payments S.R.L., Bukarest	2,820	RON	100%	7,440	1,862	31/12/2019
Elevator Ventures Beteiligungs GmbH, Vienna	100	EUR	100%	8,099	(193)	31/12/2019
Extra Year Investments Limited, Tortola	10	USD	100%	34	(48)	31/12/2019
FAIRO LLC, Kiev	7,571	UAH	100%	N/A	N/A	31/12/2020
FARIO Handels- und Beteiligungsgesellschaft m.b.H., Vienna	40	EUR	100%	5,758	292	31/12/2019
Golden Rainbow International Limited, Tortola	<1	SGD	100%	496	2	31/12/2019
Kathrein Privatbank Aktiengesellschaft, Vienna <sup>2</sup>	20,000	EUR	0%	32,351	1,741	31/12/2019
KAURI Handels und Beteiligungs GmbH, Vienna <sup>2</sup>	50	EUR	88%	7,454	451	31/12/2019
LOTA Handels- und Beteiligungs-GmbH, Vienna	35	EUR	100%	2,074	1,976	31/12/2019
R.B.T. Beteiligungsges.m.b.H., Vienna	36	EUR	100%	934	668	31/12/2019
R.L.H. Holding GmbH, Vienna	35	EUR	100%	5,150	857	31/12/2019
R.P.I. Handels- und Beteiligungsges.m.b.H., Vienna <sup>2</sup>	36	EUR	100%	217	(23)	31/12/2019
Radwinter sp.z o.o., Warsaw <sup>3</sup>	10	PLN	100%	N/A	N/A	31/12/2019
Raiffeisen Bank Aval JSC, Kiev <sup>3</sup>	6,154,516	UAH	68%	482,995	164,050	31/12/2019
Raiffeisen Continuum GmbH, Vienna	100	EUR	100%	N/A	N/A	31/12/2020
Raiffeisen Continuum Management GmbH, Vienna	100	EUR	100%	N/A	N/A	31/12/2020
Raiffeisen Continuum GmbH & Co KG, Vienna	65	EUR	77%	N/A	N/A	31/12/2020
Raiffeisen Investment Advisory GmbH, Vienna	730	EUR	100%	938	(69)	31/12/2019
Raiffeisen RS Beteiligungs GmbH, Vienna <sup>2</sup>	35	EUR	100%	5,083,044	486,733	31/12/2019
RBI Group IT GmbH, Vienna	100	EUR	100%	109	(3)	31/12/2019

<sup>1</sup> The result (in part from the consolidated financial statements) in € thousand corresponds to the annual profit/loss; equity is reported in accordance with Section 224 (3) lit a UGB including untaxed reserves (lit b).

<sup>2</sup> Equity and result reported in accordance with IFRS (fully consolidated domestic entities)

<sup>3</sup> Equity and result reported in accordance with IFRS (fully consolidated foreign entities)

<sup>4</sup> Established in 2020

Company, registered office (country)	Total nominal value in thousand	Exchange	Direct share of RBI	Equity in € thousand	Result in € thousand <sup>1</sup>	From annual financial statements <sup>2</sup>
RALT Raiffeisen Leasing Ges.m.b.H, Vienna <sup>2</sup>	219	EUR	100%	41,936	1,291	31/12/2019
RALT Raiffeisen-Leasing GmbH & Co. KG, Vienna <sup>2</sup>	20,348	EUR	97%	N/A	N/A	31/12/2019
RB International Finance (Hong Kong) Ltd., Hong Kong <sup>3</sup>	10,000	HKD	100%	N/A	N/A	31/12/2019
RB International Investment Asia Limited, MY-Labuan <sup>3</sup>	<1	EUR	100%	N/A	N/A	31/12/2019
RB International Markets (USA) LLC, New York <sup>3</sup>	8,000	USD	100%	10,894	57	31/12/2019
RBI KI Beteiligungs GmbH, Vienna <sup>2</sup>	48	EUR	100%	168	(39)	31/12/2019
RBI LEA Beteiligungs GmbH, Vienna <sup>2</sup>	70	EUR	100%	207,441	146,294	31/12/2019
RBI PE Handels- und Beteiligungs GmbH, Vienna <sup>2</sup>	150	EUR	100%	7,804	374	31/12/2019
REC Alpha LLC, Kiev <sup>3</sup>	1,596,843	UAH	85%	6,958	2,563	31/12/2019
Regional Card Processing Center s.r.o., Bratislava <sup>3</sup>	539	EUR	100%	17,444	932	31/12/2019
R-Insurance Services sp. z o.o., Ruda Ślqska	5	PLN	100%	732	731	31/12/2019
RL Leasing Gesellschaft m.b.H., Eschborn <sup>3</sup>	26	EUR	25%	1,708	13	31/12/2019
RZB Finance (Jersey) III Ltd, JE-St. Helier <sup>3</sup>	1	EUR	100%	34	(34)	31/12/2019
RBI IB Beteiligungs GmbH, Vienna <sup>2</sup>	35	EUR	100%	52,571	12,539	31/12/2019
RZB-BLS Holding GmbH, Vienna <sup>2</sup>	500	EUR	100%	454,105	23,669	31/12/2019
RBI-Invest Holding GmbH, Vienna <sup>2</sup>	500	EUR	100%	862,682	10,043	31/12/2019
Salvelinus Handels- und Beteiligungsges.m.b.H., Vienna <sup>2</sup>	40	EUR	100%	392,334	2,522	31/12/2019
Ukrainian Processing Center PJSC, Kiev <sup>3</sup>	180	UAH	100%	18,125	10,314	31/12/2019
ZHS Office- & Facilitymanagement GmbH, Vienna	36	EUR	1%	508	(270)	31/12/2019

<sup>1</sup> The result (in part from the consolidated financial statements) in € thousand corresponds to the annual profit/loss; equity is reported in accordance with Section 224 (3) lit a UGB including untaxed reserves (lit b).

<sup>2</sup> Equity and result reported in accordance with IFRS (fully consolidated domestic entities)

<sup>3</sup> Equity and result reported in accordance with IFRS (fully consolidated foreign entities)

<sup>4</sup> Established in 2020

## Fixed assets

The land value of developed land amounts to € 29 thousand (31/12/2019 € 29 thousand).

RBI AG was not directly involved in the leasing business as a lessor in 2020.

Obligations from the use of tangible fixed assets not reported on the statement of financial position amount to € 35,577 thousand (31/12/2019: € 37,734 thousand) for the following financial year, of which € 33,094 thousand were owed to affiliated companies (31/12/2019: € 35,341 thousand). The total amount of obligations for the following five years amounts to € 183,120 thousand (31/12/2019: € 194,532 thousand), of which € 170,341 thousand are owed to affiliated companies (31/12/2019: € 182,196 thousand).

The intangible fixed assets item includes no intangible fixed assets acquired from affiliated companies.

The following tables show the changes in fixed assets:

in € thousand		Cost of acquisition or conversion						
Item	Description of fixed assets	As at 1/1/2020	Additions due to merger	Exchange differences	Additions	Disposals	Reclassifi- cation	As at 31/12/2020
		1	2	3	4	5	6	7
1.	Treasury bills and other bills eligible for refinancing with central banks	2,130,718	0	(9,693)	3,068,303	(794,836)	0	4,394,492
2.	Loans and advances to credit institutions	83,730	0	(3,901)	64,454	(69,828)	0	74,454
3.	Loans and advances to customers	584,262	0	(29,637)	4,713	(171,920)	0	387,417
4.	Debt securities and other fixed-income securities	784,693	0	(19,293)	924,707	(158,380)	0	1,531,728
a)	Issued by public bodies	0	0	0	9,167	0	0	9,167
b)	Issued by other borrowers	784,693	0	(19,293)	915,540	(158,380)	0	1,522,560
5.	Shares and other variable-yield securities	401,400	0	0	22,500	0	0	423,900
6.	Participating interests	118,198	0	0	0	(14,251)	1,000	104,947
7.	Shares in affiliated undertakings	12,852,283	0	0	15,830	(16,334)	(1,000)	12,850,779
8.	Intangible fixed assets	207,397	0	(318)	10,127	(943)	0	216,264
9.	Tangible assets	31,896	0	(283)	8,874	(1,399)	0	39,087
10.	Other assets	116	0	0	0	0	115	231
	<b>Total</b>	<b>17,194,694</b>	<b>0</b>	<b>(63,126)</b>	<b>4,119,508</b>	<b>(1,227,891)</b>	<b>115</b>	<b>20,023,300</b>

in € thousand		Writing up/depreciation/revaluation						Carrying amount		
Item	Cumulative depreciation as of 1/1/2020	Addi- tions due to merger	Exchange differences	Cumulative depreciation and amortization disposal	Write- ups	Depreciati- on	Reclas- sificati- on	Cumulative depreciation as of 31/12/2020	31/12/2020	31/12/2019
	8	9	10	11	12	13	14	15	16	17
1.	(27,960)	0	(55)	27,652	(3,217)	(11,604)	0	(15,184)	4,379,308	2,102,758
2.	(3)	0	0	0	(42)	(524)	0	(569)	73,885	83,726
3.	(2,190)	0	(94)	(10)	(1,366)	2,672	0	(988)	386,429	582,071
4.	(20,188)	0	77	836	(260)	(1,636)	0	(21,171)	1,510,557	764,505
a)	0	0	0	0	(50)	50	0	0	9,167.60	0
b)	(20,188)	0	77	836	(210)	(1,686)	0	(21,171)	1,501,389	764,505
5.	0	0	0	0	0	0	0	0	423,900	401,400
6.	(42,075)	0	0	0	652	(847)	(524)	(42,793)	62,154	76,123
7.	(2,030,922)	0	0	0	3,371	(312,110)	524	(2,339,137)	10,511,643	10,821,362
8.	(169,824)	0	88	773	0	(8,806)	0	(177,769)	38,495	37,573
9.	(19,228)	0	115	1,158	0	(3,386)	0	(21,341)	17,746	12,668
10.	0	0	0	0	0	0	0	0	231	116
	<b>(2,312,391)</b>	<b>0</b>	<b>131</b>	<b>30,409</b>	<b>(862)</b>	<b>(336,240)</b>	<b>0</b>	<b>(2,618,952)</b>	<b>17,404,348</b>	<b>14,882,304</b>

## Other assets

As at 31 December 2020, other assets totaled € 2,964,477 thousand (31/12/2019: € 2,966,553 thousand). This item also contains loans and advances from treasury transactions (positive market values arising from derivatives in the trading book, as well as accrued interest from derivatives in the banking book - for details, refer to the table on open forward transactions) in the amount of € 2,081,967 thousand (31/12/2019: € 1,830,204 thousand). This item also includes loans and advances (special fund) to the Austrian Raiffeisen Deposit Guarantee scheme (ÖRE) relating to the Federal IPS contribution of € 314,506 thousand (31/12/2019: € 252,183 thousand), loans and advances to the tax administration in the amount of € 24,709 thousand (31/12/2019: € 18,653 thousand), holdings of precious metals in coin and other forms in the amount of € 119,633 thousand (31/12/2019: € 203,851 thousand), loans and advances to Group members arising from tax transfers in the amount of € 43,751 thousand (31/12/2019: € 22,410 thousand) and dividends receivable totaling € 201,086 thousand (31/12/2019: € 494,911 thousand).

The other assets also contain income of € 364,267 thousand (31/12/2019: € 625,810 thousand) which is not payable until after the reporting date.

## Deferred tax assets

The deferred tax assets of € 168 thousand (31/12/2019: € 441 thousand) shown in the statement of financial position result from tax loss carryforwards against American tax authorities of the subsidiary RB International Finance (USA), LLC, New York, which was liquidated in 2017. They are based on the planned future taxable profit of the subsidiary RB International Markets (USA) LLC, New York. No deferred tax assets were recognized for temporary differences of € 346,801 thousand (31/12/2019: € 294,686 thousand) and € 2,070,117 thousand (31/12/2019: € 2,089,875 thousand) from domestic tax loss carry forwards as it does not appear that they can be realized within a reasonable time from today's perspective. There were no liability-side temporary differences, which are generally set off up to the amount of the asset-side temporary differences, in the financial year.

## Subordinated assets

Subordinated assets contained under assets:

in € thousand	31/12/2020	31/12/2019
<b>Loans and advances to credit institutions</b>	<b>1,237,720.3</b>	<b>1,160,661.6</b>
hereof to affiliated companies	1,234,005.3	1,154,996.9
hereof to companies linked by virtue of a participating interest	3,715.0	3,657.3
<b>Loans and advances to customers</b>	<b>280,824.3</b>	<b>302,653.8</b>
hereof to affiliated companies	56,457.4	56,398.3
hereof to companies linked by virtue of a participating interest	2,203.3	2,173.1
<b>Debt securities and other fixed-income securities</b>	<b>37,168.5</b>	<b>49,211.5</b>
hereof from affiliated companies	0.0	0.0
hereof from companies linked by virtue of a participating interest	118.3	1,959.1
<b>Shares and other variable-yield securities</b>	<b>449,362.5</b>	<b>441,635.9</b>
hereof from affiliated companies	441,298.1	417,006.5
hereof from companies linked by virtue of a participating interest	0.0	128.5

## Restrictions related to asset availability

As at the reporting date, there were restrictions related to asset availability (in accordance with Section 64 (1) 8 BWG):

in € thousand	31/12/2020	31/12/2019
Indemnification for securities lending transactions	416,627.0	246,600.0
Loans assigned to Oestereichische Kontrollbank (OeKB)	2,503,049.8	2,077,900.0
Indemnification for OeNB tender	2,348,546.0	169,700.0
Loans assigned to European Investment Bank (EIB)	37,380.9	55,500.0
Loans assigned to Kreditanstalt für Wiederaufbau (KfW)	84,809.5	29,800.0
Loans assigned to Euler Hermes	0.0	800.0
Institutional Protection Scheme	314,506.2	252,183.0
Margin requirements	52,250.0	12,100.0
Treasury call deposits for contractual netting agreements	665,882.0	690,400.0
<b>Total</b>	<b>6,423,051.4</b>	<b>3,534,983.0</b>

In addition, assets with usage restrictions in an amount of € 1,879,971 thousand (31/12/2019: € 1,668,501 thousand) exist for covered bonds which have been established but not yet issued.

## Asset items for affiliated companies and companies linked by virtue of a participating interest

Loans and advances as well as debt securities and other fixed-income securities to and from affiliated companies and companies linked by virtue of a participating interest:

in € thousand	31/12/2020	31/12/2019
<b>Loans and advances to credit institutions</b>		
To affiliated companies	2,834,260.8	2,113,204.2
To companies linked by virtue of a participating interest	219,229.7	247,599.6
<b>Loans and advances to customers</b>		
To affiliated companies	2,093,520.1	2,152,134.9
To companies linked by virtue of a participating interest	93,125.8	111,828.6
<b>Debt securities and other fixed-income securities</b>		
From affiliated companies	120,525.5	122,100.0
From companies linked by virtue of a participating interest	112,896.8	6,500.0

# Equity and liabilities

## Liabilities

### Breakdown of maturities

Liabilities to credit institutions, liabilities to customers, securitized liabilities and other liabilities break down by their residual terms as follows:

in € thousand	31/12/2020	31/12/2019
<b>Liabilities to credit institutions</b>	<b>33,499,251.5</b>	<b>27,902,476.7</b>
Repayable on demand	4,124,685.0	3,671,502.1
Up to 3 months	13,579,701.3	13,243,826.0
More than 3 months, up to 1 year	1,359,320.3	1,695,167.9
More than 1 year, up to 5 years	11,523,522.6	6,849,625.8
More than 5 years	2,912,022.2	2,442,355.3
<b>Liabilities to customers</b>	<b>21,322,850.6</b>	<b>19,155,647.1</b>
Repayable on demand	8,282,164.1	5,331,725.6
Up to 3 months	8,294,733.9	7,298,751.3
More than 3 months, up to 1 year	2,587,095.6	3,699,559.0
More than 1 year, up to 5 years	1,592,606.1	1,775,835.7
More than 5 years	566,250.9	1,049,775.4
<b>Securitized liabilities</b>	<b>8,049,011.5</b>	<b>7,039,845.1</b>
Up to 3 months	523,400.1	142,041.0
More than 3 months, up to 1 year	801,517.7	974,134.3
More than 1 year, up to 5 years	4,599,739.0	3,651,092.8
More than 5 years	2,124,354.7	2,272,577.0
<b>Other liabilities</b>	<b>2,687,537.6</b>	<b>2,392,264.6</b>
Up to 3 months	2,687,537.6	2,392,264.6
More than 3 months, up to 1 year	0.0	0.0
More than 1 year, up to 5 years	0.0	0.0
More than 5 years	0.0	0.0

Bonds and notes issued amounting to € 1,238,604 thousand (31/12/2019: € 1,044,464 thousand) will become due in next financial year.

Liabilities to affiliated companies and companies linked by virtue of a participating interest:

in € thousand	31/12/2020	31/12/2019
<b>Liabilities to credit institutions</b>		
From affiliated companies	7,033,854.5	6,192,967.4
From companies linked by virtue of a participating interest	4,454,918.0	4,274,342.6
<b>Liabilities to customers</b>		
From affiliated companies	3,455,591.1	3,896,669.3
From companies linked by virtue of a participating interest	296,201.3	173,089.5

### TLTRO III program (Targeted Longer-Term Refinancing Operations)

RBI AG has borrowed around € 4,800,000 thousand under the TLTRO III program (Targeted Longer-Term Refinancing Operations) since December 2019. TLTRO III interest rates vary depending on the performance of benchmark loan portfolios over two comparison periods. At RBI AG, interest is accrued over the entire refinancing term at the deposit facility rate of currently -0.5 per cent since RBI AG assumes that its expected loan growth will reach the required growth rate of 1.15 per cent by the end of March 2021. RBI AG currently assumes that the criteria for claiming the so-called COVID bonus for the period between June 2020 and June 2021 will not be met. The COVID bonus is therefore not included in accrued interest.

### Other liabilities

As at 31 December 2020, other liabilities amounted to € 2,687,538 thousand (31/12/2019: € 2,392,265 thousand). This item also contains liabilities from treasury transactions (primarily negative market values arising from derivatives in the trading book, as well as accrued interest from derivatives in the banking book – for details, refer to the table on open forward transactions) in the amount of € 1,854,756 thousand (31/12/2019: € 1,619,791 thousand) and liabilities of € 288,623 thousand (31/12/2019: € 185,915 thousand) from short positions in bonds. The fair market value of the hedges for capital guarantees for funds is € 79,633 thousand (31/12/2019: € 85,719 thousand). The item also includes accrued interest for additional capital of € 242,229 thousand (31/12/2019: € 286,938 thousand), liabilities from tax transfers (corporate income tax) and liabilities from creditable capital yields and withholding tax toward Group members totaling € 29,417 thousand (31/12/2019: € 20,173 thousand).

The other liabilities also contain expenses in the amount of € 300,506 thousand (31/12/2019: € 338,251 thousand), for which payment is to be made after the reporting date.

### Provisions

Provisions amount to € 75,611 thousand (31/12/2019: € 92,364 thousand) for severance payments, € 75,447 thousand (31/12/2019: € 73,507 thousand) for pensions, € 6,409 thousand (31/12/2019: € 5,892 thousand) for tax provisions, and € 299,554 thousand (31/12/2019: € 236,962 thousand) for other provisions. Reinsurance policies for pension provisions are in place in the amount of € 14,659 thousand (31/12/2019: € 14,560 thousand). In the financial year under review these were offset with claims of the same amount.

Out of the tax provisions of € 6,409 thousand, € 5,400 thousand relate to provisions for corporate income tax from 2020, while € 1,009 thousand relate to provisions for corporate income tax from 2016.

The increase in other provisions resulted mainly from service anniversary bonuses and litigation risks. The increase in the service anniversary provision is attributable to additional special payments related to certain birthdays. The litigation risks increased, as they did in the previous year, in connection with litigation on foreign currency loans in Poland, which is described below.

#### Litigation risk provision for foreign currency loans in 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. As at the end of December 2020, the total amount in dispute was approximately PLN 726 million (€ 159 million). In this context, a Polish court requested the European Court of Justice (ECJ) to clarify whether certain clauses in these agreements breach European law and are unfair. The ECJ's preliminary ruling in 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.

A significant inflow of new cases has been observed since the beginning of 2020 as a result of the ECJ preliminary ruling and intensified marketing activity by law firms acting on behalf of borrowers. Such an increased inflow of new cases has not only been observed by RBI's Polish branch, but by all banks handling currency loan portfolios in Poland.

Furthermore, Polish common courts decided to approach the ECJ with requests for a preliminary ruling in another seven civil proceedings. That ruling could lead to further clarifications and may influence how court cases concerning currency loans are decided by national Polish courts. RBI is directly involved in one of these proceedings.

The impact assessment in relation to affected FX-indexed or FX-denominated loan agreements may also be influenced by the outcome of ongoing administrative proceedings conducted by the President of the Office of Competition and Consumer Protection ("UOKiK") against RBI AG's Polish branch. Such administrative proceedings are, inter alia, based on the alleged practice of infringing collective consumer interests as well as on the classification of clauses in standard agreements as unfair. As at this point of time, it is uncertain what the potential impact of said proceedings could be on FX-indexed or FX-denominated loan agreements and RBI AG. Furthermore, such proceedings could result in the imposition of administrative fines on RBI AG's Polish branch – and in case of appeals – in administrative court proceedings.

Moreover, the Polish Financial Ombudsman, acting on behalf of two borrowers, initiated a civil proceeding against RBI AG alleging employment of unfair commercial practice towards consumers in respect of a case in which RBI AG – following the annulment of a loan agreement – claims the full loan amount originally disbursed without taking into account repayments made meanwhile as well as amounts due for the use of capital by the borrowers based on the principle of unjust enrichment and demanded that RBI AG discontinue such practice.

At the end of December 2020, the Chair of the Polish Financial Supervisory Authority (PFSA) – which is referred to by its Polish abbreviation, KNF – launched an initiative to resolve the ongoing public system debate and the related rising tide of litigation surrounding FX-indexed or FX-denominated (mainly Swiss franc) mortgages. At the suggestion of KNF, Polish banks were asked to evaluate a proposal for a possible settlement with CHF mortgage customers where the customers' mortgages would be treated as if granted in zloty at a WIBOR-based interest rate (plus a margin historically applied to zloty-based mortgages). Financially, the proposed resolution scheme would thus not only remove a controversial element from the CHF mortgages – the basis for setting the exchange rate – but also retroactively eliminate all FX risk and transfer the related financial burden to the bank. RBI AG ultimately decided to withdraw from the working group established to analyze KNF's proposal as RBI AG considered that it would not lead to a socially and economically equitable solution; in particular, the proposed resolution scheme – being on a voluntary basis – would not provide adequate legal certainty and would not be capable of ruling out further litigation on the same or related matters.

In this connection, and in view of what is currently perceived as a diverging judicial interpretation of Polish laws, the President of the Supreme Court of the Republic of Poland announced on 29 January 2021 a petition for the Supreme Court to deliver a leading judgment on certain key questions considered pivotal for the resolution of pending litigation surrounding FX-indexed or FX-denominated mortgages. The Supreme Court judgment is intended to unify the currently diverging decision practice of the Polish courts and clarify questions on which case law is fragmentary or non-uniform. The questions published by the Supreme Court would address, firstly, the problem of whether and in what form a mortgage can remain in place if contract terms relating to the setting of the exchange rate for conversion are deemed void and, secondly, the legal issues surrounding any cancellation of contract between the parties, including the statute of limitations for their respective claims, in the event that the mortgage agreement is voided in its entirety due to a potentially unlawful contract term. RBI AG hopes that these leading judgments will lead to the resolution of the large number of cases before the Polish courts and – looking to the future – to a workable solution for the problem of FX mortgages as a whole.

RBI AG has recognized a provision for the lawsuits filed in Poland. 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 € 89,188 thousand (31/12/2019: € 49,336 thousand). The main uncertainties associated with the calculation of the provision relate to a potentially higher number of claims and an increase in the probability of losing the court cases.

The sensitivity analysis shows that a 10 per cent increase in the number of lawsuits would lead to an 8.5 per cent increase in the provisions. The size of the provisions is also affected by relative weighting of the scenarios. Judgments detrimental to the bank – notably the Supreme Court decision expected at the end of March – may result in a significant increase in the provisions.

#### Other provisions

in € thousand	31/12/2020	31/12/2019
Losses on bankbook interest rate derivatives	44,062.7	30,628.4
Guarantee loans	34,146.5	39,180.7
Process risks	92,887.9	50,341.2
Bonus payments	38,617.9	42,446.0
Anniversary payments	41,487.7	27,356.1
Overdue vacation	25,283.9	21,968.2
Restructuring costs	1,401.3	1,193.4
Supervisory Board fees	857.2	1,062.0
Operational risk/losses/other	8,239.6	4,750.3
Audit costs	4.5	458.6
Other expenses/outstanding invoices	12,564.9	17,577.5
<b>Total</b>	<b>299,554.14</b>	<b>236,962.17</b>

#### Tier 2 capital according to part two, title I, chapter 4 of regulation (EU) no. 575/2013

As at 31 December 2020, tier 2 capital amounts to € 2,791,732 (31/12/2019: € 2,628,760 thousand).

Company tier 2 capital according to CRR:

in € thousand	31/12/2020	31/12/2019
6.625% RBI bonds 2011-2021	14,698.5	12,336.3
6% RBI debt securities issued 2013-2023	1,294.7	2,421.0
var. RBI bonds 2014-2025	0.0	8,873.3
var. RBI bonds 2019-2032	1,634.1	0.0

In the reporting year issuances in the amount of € 269,443 thousand (31/12/2019: € 314,200 thousand) and covered bonds in the amount of € 700,000 thousand (31/12/2019: € 0 thousand) were redeemed. A loss of € 61 thousand (31/12/2019: € 4,312 thousand) was booked for these transactions in the financial year.

### Subordinated liabilities

List of subordinated loans (including tier 2 capital) that exceed 10 per cent of the total subordinated liabilities of € 2,791,732 thousand (i.e. that exceed € 279,173 thousand):

Name	Nominal value in € thousand	Maturity date	Interest rate
Subordinated Notes 2032 Serie 215	500.000	18/06/2032	2.875%
Subordinated Notes 2030 Serie 193	500.000	12/03/2030	1.500%
Subordinated Notes 2023 Serie 45	500.000	16/10/2023	6.000%
Subordinated Notes 2021 Serie 4	500.000	18/05/2021	6.625%

No regulations exist in relation to the aforementioned liabilities concerning any conversion.

### Expenses for subordinated liabilities

The expenses for subordinated liabilities in the financial year amount to € 130,950 thousand (2019: € 128,442 thousand<sup>1</sup>).

### Additional tier 1 capital

On 29 July 2020, RBI AG placed another issue of perpetual additional tier 1 capital (AT1) in the amount of € 500,000 thousand. The discretionary coupon of this issue is 6.0 per cent until 15 December 2026 and will be reset after that date. RBI has thus completed its planned AT1 issuance program together with the AT1 capital of € 1,150,000 thousand that it placed by 31 December 2019 (€ 650,000 thousand in 2017 and € 500,000 thousand in 2018). As of 31 December 2020, the additional tier 1 capital, plus accrued interest, amounts to € 1,654,264 thousand (31/12/2019: € 1,152,879 thousand). The discount of € 10,126 thousand is carried as a deferred expense until the applicable first call date (15 December 2022, 15 June 2025 and 15 December 2026, respectively).

### Assets and liabilities in foreign currency

in € thousand	31/12/2020	31/12/2019
Assets in foreign currency	7,900,518.8	8,456,290.7
Liabilities in foreign currency	7,903,208.2	7,976,043.5

## Equity

### Subscribed capital

As of 31 December 2020, the capital stock of RBI AG pursuant to its articles of association was unchanged at € 1,003,266 thousand. The nominal capital consists of 328,939,621 no-par-value shares (bearer shares). After deduction of 322,204 own shares, the stated subscribed capital totaled € 1,002,283 thousand.

### Own shares

The Annual General Meeting held on 20 October 2020 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 19 April 2023. The acquisition price for repurchasing the shares may be no lower than € 3.05 per share and no higher than 10 per cent above the average unweighted closing price over the 10 trading days prior to exercising this authorization.

The 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 19 October 2025.

Since that time, there were no own shares purchased on the basis of the lapsed authorization from June 2018 nor on the basis of the current authorization from October 2020.

The Annual General Meeting of 20 October 2020 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 19 April 2023), 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.

### Authorized capital

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 by 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' statutory 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 of the authorization issued in June 2019 to use the authorized capital.

### Capital reserves

The committed capital reserves of € 4,334,286 (31/12/2019: € 4,334,286 thousand) and the uncommitted capital reserves of € 97,066 thousand (31/12/2019: € 97,066 thousand) remained unchanged over the entire financial year.

## Retained earnings

Retained earnings consist of legal reserves of € 5,500 thousand (31/12/2019: € 5,500 thousand) and other free reserves amounting to € 2,403,752 thousand (31/12/2019: € 2,299,321 thousand). Of the other free reserves, an amount of € 323,748 thousand (31/12/2019: € 265,317 thousand) is allocated to the federal IPS. An amount of € 58,431 thousand (31/12/2019: € 48,181 thousand) was allocated to other reserves in the 2020 financial year as a reserve for the federal institutional protection scheme (Federal IPS) based on the agreement to establish an institutional protection scheme and a corresponding resolution by the Federal IPS Risk Council. The Federal IPS reserve is not eligible for inclusion in the calculation of own funds pursuant to CRR. An additional € 46,000 thousand (31/12/2019: € 86,000 thousand) was allocated to other free reserves from the profit for the year after tax.

## Liability reserves

As at 31 December 2020, liability reserves stood at € 535,097 thousand (31/12/2019: € 535,097 thousand).

## Additional notes

### Notes on liability arrangements

In the government-promoted, subsidized forward private planning scheme, RBI AG has issued capital guarantee obligations in accordance with Section 108h (1) 3 of the Income Tax Act (EStG). In this context, the bank guarantees that in the event of transferring the capital into a perpetual annuity the payment amount available for this annuity is not less than the sum of the contributions made by the taxpayer plus the premiums credited to this taxpayer pursuant to Section 108g EStG. As at 31 December 2020, the volume of these guarantees was € 695,956 thousand (31/12/2019: € 973,102 thousand).

RBI AG is a member of the Raiffeisen-Kundengarantiegemeinschaft Österreich (Deposit Guarantee Association of Austria). Members of the Association assume contractual liability under which they jointly guarantee the timely honoring of all customer deposits and securities issues of an insolvent member of the Association up to an amount equaling the sum of the individual financial strength of the other member institutions. The individual financial strength of a member institution is determined based on its available reserves, taking into account the relevant provisions of the Austrian Banking Act (BWG).

The Raiffeisen Customer Deposit Guarantee Association Austria (RKÖ), its affiliated state customer deposit guarantee associations and their members terminated their liability for all new loans relating to customer business relationships with members of the customer deposit guarantee associates as of 30 September 2019 (cut-off date). They remain liable for balances that existed as of the cut-off date; disbursements and all other debit entries after the cut-off date reduce their liability. They are not liable for any increases in balances after 30 September 2019 or any business relationships established after that date. The liability was met by inserting a noted item of one euro off the statement of financial position, as it is not possible to determine the exact amount of RBI's potential liability in connection with the cross-guarantee system.

As at 31 December 2020, soft letters of comfort in the amount of € 269,638 thousand (31/12/2019: € 302,447 thousand) had been issued.

The volume of liabilities to affiliated companies amounted to € 957,668 thousand as at 31 December 2020 (31/12/2019: € 1,106,471 thousand).

Open capital commitments on share capital in the amount of € 5,600 thousand (31/12/2019: € 5,600 thousand) exist vis-a-vis European Investment Fund S.A., Luxembourg.

Contingent liabilities off the statement of financial position of RBI AG of € 5,902,444 thousand were reported as at 31 December 2020 (31/12/2019: € 6,049,897 thousand). Of that amount, € 5,013,517 thousand (31/12/2019: € 5,070,145 thousand) was attributable to guarantees and € 888,927 thousand (31/12/2019: € 979,752 thousand) to letters of credit.

As at 31 December 2020, € 15,955,549 thousand (31/12/2019: € 15,171,249 thousand) in credit risk was reported under liabilities off the statement of financial position. In the reporting year, this credit risk was fully attributable to unused, irrevocable credit lines.

There are no other transactions with material risks or benefits that are not reported on or off the statement of financial position.

## Total capital according to CCR

in € thousand	31/12/2020	31/12/2019
Capital instruments and the related share premium accounts	5,414,618	5,414,618
Retained earnings	2,614,406	2,721
Accumulated other comprehensive income (and other reserves)	0	2,574,602
Minority interests (amount allowed in CET1)	0	0
<b>Common equity tier 1 (CET1) capital before regulatory adjustments</b>	<b>8,029,025</b>	<b>7,991,941</b>
Additional value adjustments (negative amount)	(29,211)	(27,125)
Intangible assets (net of related tax liability) (negative amount)	(38,495)	(37,573)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(168)	(441)
Fair value reserves related to gains or losses on cash flow hedges	0	0
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	0
Exposure amount of the following items which qualify for a risk weight of 1250%, where the institution opts for the deduction alternative	0	0
hereof: securitization positions (negative amount)	0	0
<b>Total regulatory adjustments to common equity tier 1 (CET1)</b>	<b>(67,874)</b>	<b>(84,913)</b>
<b>Common equity tier 1 (CET1) capital</b>	<b>7,961,151</b>	<b>7,907,027</b>
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	0
Qualifying tier 1 capital included in AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	1,594,014	1,110,453
<b>Additional tier 1 (AT1) capital</b>	<b>1,594,014</b>	<b>1,110,453</b>
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>9,555,165</b>	<b>9,017,481</b>
Capital instruments and the related share premium accounts	1,757,586	1,651,039
Qualifying own funds instruments included in T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0	0
Credit risk adjustments	175,086	182,604
<b>Tier 2 (T2) capital</b>	<b>1,932,672</b>	<b>1,833,643</b>
<b>Total capital (TC = T1 + T2)</b>	<b>11,487,837</b>	<b>10,851,124</b>
<b>Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)</b>	<b>42,509,464</b>	<b>40,101,279</b>
<b>Total risk-weighted assets (RWA)</b>	<b>42,509,464</b>	<b>40,101,279</b>

## Own funds requirements and risk-weighted assets

in € thousand	31/12/2020		31/12/2019	
	Risk-weighted exposure	Capital requirement	Risk-weighted exposure	Capital requirement
<b>Total risk-weighted assets (RWA)</b>	<b>42,509,464</b>	<b>3,400,757</b>	<b>40,101,279</b>	<b>3,208,102</b>
<b>Risk-weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries</b>	<b>35,867,672</b>	<b>2,869,414</b>	<b>34,599,314</b>	<b>2,767,945</b>
<b>Standardized approach (SA)</b>	<b>3,987,422</b>	<b>318,994</b>	<b>4,136,841</b>	<b>330,947</b>
Exposure classes excluding securitization positions	3,987,422	318,994	4,136,841	330,947
Central governments and central banks	0	0	0	0
Regional governments or local authorities	10,683	855	12	1
Public sector entities	18,998	1,520	7	1
Institutions	37,801	3,024	21,187	1,695
Corporates	3,973	318	3,980	318
Retail	133,846	10,708	153,035	12,243
Receivables secured by real estate	3,193,606	255,488	3,354,114	268,329
Exposure in default	28,783	2,303	92,656	7,413
Items associated with particular high risk	0	0	0	0
Covered bonds	0	0	0	0
Collective investments undertakings (CIU)	18,842	1,507	0	0
Participating interests	176,594	14,128	178,257	14,261
Other items	364,296	29,144	333,593	26,687
<b>Internal ratings based approach (IRB)</b>	<b>31,880,249</b>	<b>2,550,420</b>	<b>30,462,473</b>	<b>2,436,998</b>
<b>IRB approaches when neither own estimates of LGD nor conversion factors are used</b>	<b>18,435,610</b>	<b>1,474,849</b>	<b>16,049,755</b>	<b>1,283,980</b>
Central governments and central banks	15,719	1,258	43,153	3,452
Institutions	2,442,141	195,371	1,943,423	155,474
Corporates - SME	124,508	9,961	291,494	23,319
Corporates - Specialized lending	1,339,339	107,147	1,472,936	117,835
Corporates - Other	14,513,903	1,161,112	12,298,750	983,900
<b>IRB approaches when neither own estimates of LGD nor conversion factors are used</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Participating interests	13,444,639	1,075,571	14,412,718	1,153,017
Simple risk weight approach	0	0	0	0
Other equity exposure	0	0	0	0
PD/LGD approach	0	0	0	0

in € thousand	31/12/2020		31/12/2019	
	Risk-weighted exposure	Capital requirement	Risk-weighted exposure	Capital requirement
<b>Risk exposure amount for settlement and delivery risk</b>	<b>22</b>	<b>2</b>	<b>46,055</b>	<b>3,684</b>
Settlement/delivery risk in the non-trading book	0	0	43,706	3,497
Settlement/delivery risk in the trading book	22	2	2,349	188
<b>Total risk exposure amount for position, foreign exchange and commodities risk</b>	<b>3,403,538</b>	<b>272,283</b>	<b>1,927,047</b>	<b>154,164</b>
<b>Risk exposure amount for position, foreign exchange and commodities risks under standardized approaches (SA)</b>	<b>774,595</b>	<b>61,968</b>	<b>641,795</b>	<b>51,344</b>
Traded debt instruments	772,695	61,816	638,477	51,078
Participating interests	669	54	678	54
Particular approach for position risk in CIUs	0	0	1	0
Foreign exchange	0	0	0	0
Commodities	1,232	99	2,639	211
<b>Risk exposure amount for position, foreign exchange and commodities risks under internal models (IM)</b>	<b>2,628,942</b>	<b>210,315</b>	<b>1,285,252</b>	<b>102,820</b>
<b>Total risk exposure amount for operational risk</b>	<b>2,888,308</b>	<b>231,065</b>	<b>3,057,198</b>	<b>244,576</b>
OpR standardized (STA) /alternative standardized (ASA) approaches	2,888,308	231,065	3,057,198	244,576
OpR advanced measurement approaches (AMA)	0	0	0	0
<b>Total risk exposure amount for credit valuation adjustments</b>	<b>171,013</b>	<b>13,681</b>	<b>157,291</b>	<b>12,583</b>
Standardized method	171,013	13,681	157,291	12,583
<b>Other risk exposure amounts</b>	<b>178,911</b>	<b>14,313</b>	<b>314,374</b>	<b>25,150</b>
Of which: Risk-weighted exposure amounts for credit risk: securitization positions (revised securitization framework)	178,911	14,313	314,374	25,150

### Equity ratios<sup>1</sup>

in per cent	31/12/2020	31/12/2019
Common equity tier 1	18.7%	19.7%
Tier 1 ratio	22.5%	22.5%
Total capital ratio	27.0%	27.1%

<sup>1</sup> Fully loaded

### Leverage ratio

in € thousand	31/12/2020	31/12/2019
Leverage exposure	82,058,217	68,630,369
Tier 1	9,555,165	9,017,481
<b>Leverage ratio in per cent<sup>1</sup></b>	<b>11.6%</b>	<b>13.1%</b>

<sup>1</sup> Fully loaded

# Notes to the income statement

## Income by geographic market in accordance with section 64 (1) 9 BWG

A regional allocation to segments according to the business outlets' registered offices results in the following distribution:

2020 in € thousand	Total	Austria	Europe	Asia
Interest receivable and similar income	795,678.4	756,434.2	38,180.6	1,063.6
hereof: from fixed-income securities	73,230.5	73,203.6	0.0	26.9
Income from variable-yield securities and participations	779,849.0	779,849.0	0.0	0.0
Commissions receivable	367,686.8	363,752.6	3,934.2	0.0
Net profit or net loss on financial operations	148,291.7	143,683.1	2,587.2	2,021.3
Other operating income	227,901.0	227,063.4	820.4	17.1

2019 in € thousand	Total	Austria	Europe	Asia
Interest receivable and similar income	958,613.5	914,930.1	42,339.0	1,344.4
hereof: from fixed-income securities	86,936.5	86,863.5	0.0	73.0
Income from variable-yield securities and participations	708,786.7	708,786.7	0.0	0.0
Commissions receivable	360,991.5	356,701.4	4,289.9	0.2
Net profit or net loss on financial operations	(51,191.6)	(51,060.1)	340.0	(471.5)
Other operating income	269,909.6	267,757.5	2,118.2	33.9

## Negative interest rates

Due to the low interest rate situation prevailing in the financial year 2020 as well, an expense, resulting from negative interest for loans and advances, was shown in an amount of € 34,094 thousand (2019: € 43,622 thousand) in the item interest receivable and similar income. This contrasted with income of € 109,376 thousand (2019: € 62,672 thousand) resulting from negative interest for liabilities which was shown in the item interest payable and similar expenses. The larger volume is responsible for the increase in income resulting from negative interest.

## Other operating income

Other operating income includes staff and administrative expenses passed on for services in the amount of € 90,620 thousand million (2019: € 86,781 thousand), income from releases of provisions for impending losses from derivatives in the amount of € 12,573 thousand (2019: € 33,110 thousand), income from close-out fees for derivatives on the banking book in an amount of € 98,918 thousand (2019: € 117,118 thousand), as well as income from the release of other provisions in the amount of € 897 thousand (2019: € 773 thousand).

## Staff expenses

Expenses for severance payments and benefits for occupational employee pension funds include € 2,793 thousand (2019: € 34,071 thousand) in expenses for severance payments.

## Other administrative expenses

The auditor expenses for the financial year, broken down by service, are presented in the consolidated financial statements.

## Sundry operating expenses

The sundry operating expenses decreased € 57,327 thousand to € 248,051 thousand in 2020. This includes allocations for provisions for pending losses for banking book derivatives in an amount of € 26,140 thousand (2019: € 17,504 thousand), allocations for other provisions for liabilities and charges of € 62,592 thousand (2019: € 65,148 thousand), expenses relating to the foreign branches in an amount of € 10,716 thousand (2019: € 10,932 thousand) as well as expenses deriving from close-out fees for banking book derivatives in an amount of € 144,705 thousand (2019: € 196,649 thousand).

## Disposal and valuation of loans and advances as well as securities held as current assets

Net income/expenses from the disposal and valuation of loans and advances and securities classed as current assets recorded a net expense - as in the previous year - of € 94,301 thousand (2019: minus € 105,909 thousand). This change derived, firstly, from an increase in the net gain/loss on the valuation and disposal of marketable securities and banking book derivatives in the amount of € 53,507 thousand (2019: € 3,495 thousand) and, secondly, from a decrease in the net gain/loss on the valuation of loans and advances as well as guarantees to an amount of minus € 147,809 thousand (2019: minus € 109,404 thousand). Net provisioning increased in 2020 due to the COVID-19 pandemic, particularly for portfolio-based loan loss provisions for expected credit losses. RBI AG recognized net provisioning for individual loan loss provisions of € 37,775 thousand. This represented a year-on-year decrease of € 60,472 thousand. Net provisioning for portfolio-based loan loss provisions amounted to € 106,819 thousand, which represented a year-on-year increase of € 91,551 thousand. The increase reflects the adaptation of macroeconomic factors and the inclusion of non-modellable developments for expected credit risks in the context of the COVID-19 pandemic. Adjustments to carrying amounts of € 275 thousand were recognized in profit or loss in the financial year following non-substantial modifications relating to the COVID-19 pandemic.

In the financial year under review, losses were realized on shares in investment funds in an amount of € 449 (2019: € 689 thousand). Income from dividends amounted to € 8 thousand (2019: € 0 thousand).

## Disposal and valuation of securities valued as financial investments and from shares in affiliated companies and equity participations

The item net income/expenses from the disposal and valuation of securities valued as financial investments and from shares in affiliated companies and equity participations included write-ups for LOTA Handels- und Beteiligungs-GmbH, Vienna, in an amount of € 2,002 thousand and Centralised Raiffeisen International Services & Payments S.R.L., Romania, in an amount of € 966 thousand. Shares in affiliated companies and equity participations were written down by € 312,110 thousand in total, including Raiffeisen Bank Aval JSC, Kiev in the amount of € 171,786 thousand, RBI-Invest Holding GmbH, Vienna in the amount of € 87,015 thousand and RZB-BLS Holding GmbH, Vienna in the amount of € 37,191 thousand. In total, losses of € 304,643 thousand (2019: gains of € 180,407 thousand) on the valuation of shares in affiliated companies and equity participations were reported.

Overall, the disposal of shares in affiliated companies and equity participations led to net income of € 4,290 thousand (2019: € 0 thousand).

## Group taxation

RBI AG is the group parent of a corporate group pursuant to Section 9 of the Corporation Tax Act (KStG). As at 31 December 2020, 52 companies were members of the group of companies (31/12/2019: 50 companies) in accordance with Section 9 of the Corporation Tax Act (KStG).

## Merger gain

The equity value chain division of Raiffeisen Centrobank AG, Vienna was retroactively transferred to RBI AG as of 30 June 2020. Since the acquisition included a positive net worth, the transfer resulted in a merger gain of € 19 thousand.

## Overall return on assets

The overall return on assets (net loss or profit after tax divided by the average total assets) in 2020 was 0.34 per cent (2019: 0.7 per cent).

## Recommendation for the appropriation of profits

Taking the ECB's repeated recommendation on dividend payments into account, the Management Board of RBI AG will propose to the Annual General Meeting 2021 to pay a dividend of € 0.48 per share. Based on the shares issued, this would result in a maximum amount of € 157,891 thousand. The Management Board reserves the right to consider a possible additional dividend payment as soon as the ECB withdraws its recommendation.

# Other

The company did not conclude any significant transactions with related companies or persons at unfair market conditions.

In the 2020 financial year the company had an average of 3,002 employees (2019: 2,915).

## Expenses for severance payments and pensions

in € thousand	Pension expenditure		Severance payments	
	2020	2019	2020	2019
Members of the managing board and senior staff	2,085	2,505	3,110	3,162
Employees	10,213	10,635	3,248	34,402
<b>Total</b>	<b>12,297</b>	<b>13,140</b>	<b>6,358</b>	<b>37,564</b>

The decrease in severance payments expenses was due to the restructuring expenses in the amount of € 18,208 thousand in the previous year.

## Management Board

The Management Board as at 31 December 2020 was as follows:

Members of the Management Board	Original appointment	End of term
Johann Strobl, Chairman	22 September 2010 <sup>1</sup>	28 February 2022
Andreas Gschwenter	1 July 2015	30 June 2023
Lukasz Januszewski	1 March 2018	28 February 2026
Peter Lennkh	1 October 2004	31 December 2025
Hannes Mösenbacher	18 March 2017	28 February 2025
Andrii Stepanenko	1 March 2018	28 February 2026

<sup>1</sup> Effective as of 10 October 2010

The number of members of RBI AG's Management Board was reduced from seven to six when Martin Grill's Management Board mandate expired at the end of February 2020. The Management Board areas of responsibility have been reorganized, thereby utilizing potential to streamline the organization.

## Supervisory Board

The Supervisory Board as at 31 December 2020 was as follows:

Members of the Supervisory Board	Original appointment	End of term
Erwin Hameseder, Chairman	8 July 2010 <sup>1</sup>	Annual General Meeting 2025
Martin Schaller, 1st Deputy Chairman	4 June 2014	Annual General Meeting 2024
Heinrich Schaller, 2nd Deputy Chairman	20 June 2012	Annual General Meeting 2022
Klaus Buchleitner	26 June 2013	Annual General Meeting 2025
Peter Gauper	22 June 2017	Annual General Meeting 2022
Wilfried Hopfner	22 June 2017	Annual General Meeting 2022
Rudolf Könighofer	22 June 2017	Annual General Meeting 2022
Reinhard Mayr	20 October 2020	Annual General Meeting 2025
Heinz Konrad	20 October 2020	Annual General Meeting 2025
Eva Eberhartinger	22 June 2017	Annual General Meeting 2022
Andrea Gaal	21 June 2018	Annual General Meeting 2023
Birgit Noggler	22 June 2017	Annual General Meeting 2022
Rudolf Kortenhofer <sup>2</sup>	10 October 2010	Until further notice
Peter Anzeletti-Reikl <sup>2</sup>	10 October 2010	Until further notice
Gebhard Muster <sup>2</sup>	22 June 2017	Until further notice
Helge Rechberger <sup>2</sup>	10 October 2010	Until further notice
Susanne Unger <sup>2</sup>	16 February 2012	Until further notice
Natalie Egger-Grunicke <sup>2</sup>	18 February 2016	Until further notice

<sup>1</sup> Effective as of 10 October 2010.

<sup>2</sup> Delegated by the Staff Council

Johannes Ortner resigned from his function with effect from 18 June. Günther Reibersdorfer resigned from his Supervisory Board function with effect from the end of the company's Annual General Meeting on 20 October 2020. They were succeeded by Reinhard Mayr and Heinz Konrad.

Natalie Egger-Grunicke resumed her Supervisory Board functions from Sigrid Netzker on 1 January after returning from parental leave.

### State Commissioners

- Alfred Lejsek, State Commissioner (since 1 January 2011)
- Anton Matzinger, Deputy State Commissioner (since 1 April 2011)

### Remuneration of the Management Board

The following remuneration was paid to the Management Board:

in € thousand	2020	2019
Fixed remunerations	4,736	5,434
Bonus (performance-based)	2,751	3,196
Share-based remuneration (performance-based)	0	0
Payments to pension funds and reinsurance policies	384	432
Other remunerations	2,312	2,346
<b>Total</b>	<b>10,184</b>	<b>11,408</b>
hereof remuneration of affiliated companies	2,126	2,160

The fixed remuneration shown in the table contains salaries and benefits in kind.

The performance-based components of the Management Board's remuneration cover bonus payments. The bonuses reported above are immediately payable bonus amounts for 2019 and deferred bonus amounts for previous years.

Bonus calculation is linked to the achievement of annually agreed objectives. These cover four or five categories and in addition to specific objectives, include financial objectives which are specifically adjusted to the respective function, such as profit after tax in a segment, return on risk adjusted capital (RORAC), total costs, risk-weighted assets, customer, employee and process/efficiency and infrastructure objectives, plus other objectives where applicable. The amount of the bonus depends on the consolidated profit and on the cost/income ratio, and the objectives are derived from the Group's target medium-term ROE. Payment is made according to the applicable regulations of the Austrian Banking Act (BWG) implemented in the internal regulations (see employee compensation plans in the section recognition and measurement principles).

Other remuneration covers remuneration for functions in the boards of affiliated subsidiaries, insurance policies and grants.

An amount of € 1,276 thousand (2019: € 1,137 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 as well as severance payments totaling € 3,409 thousand (2019: € 1,346 thousand) were paid to former members of the Management Board.

### Remuneration of members of the Supervisory Board

in € thousand	2020	2019
Remuneration Supervisory Board	1,045	1,069

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 2020 financial year, no contracts subject to approval within the meaning of § 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	2020	2019
Remuneration Advisory Council	179	202

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.

# Events after the reporting date

## RBI signs agreement on the acquisition of Czech Equa bank

On 6 February 2021, Raiffeisen Bank International AG (RBI) announced that it had signed an agreement on the acquisition of 100 per cent of the shares of Equa bank (Equa bank a.s. and Equa Sales and Distribution s.r.o.) from AnaCap Financial Partners (AnaCap), a specialist financial services private equity investor, through its Czech subsidiary Raiffeisenbank a.s. The transaction is subject to a successful closing and regulatory approvals.

The acquisition of Equa bank is expected to have an impact on RBI's CET1 ratio of around 30 basis points (based on a pro-forma CET1 consolidation at year-end 2020). The final impact is subject to completion accounts at closing.

Equa bank focuses on consumer lending and serves just under 480,000 customers. The proposed acquisition is part of RBI's strategy to expand its presence in selected focus markets. The business models of Equa bank and Raiffeisenbank are very complementary, which is why the transaction would ultimately lead to strategic synergies as well as enhanced digital capabilities. As of year-end 2020, Equa bank had total assets of more than € 2.8 billion, while Raiffeisenbank a.s. reported total assets of € 15.7 billion.

Closing is expected around the end of the second quarter of this year. On the basis that deal completion is successful, there is a plan to merge Equa bank with Raiffeisenbank and thereby allowing realization of the identified synergies.

## Raiffeisenbank a.s. (Czech Republic) signs referral agreement with ING on re-contracting of Czech retail customers

In February 2021, RBI's subsidiary bank in the Czech Republic, Raiffeisenbank a.s., signed a referral agreement with ING Bank N.V. (ING) on the re-contracting of ING's Czech retail customers. The transaction is subject to approval by the Czech Office for Protection of the Competition.

Vienna, 26 February 2021

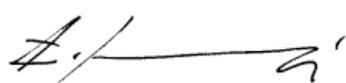
The Management Board



Johann Strobl



Andreas Gschwentner



Łukasz Januszewski



Peter Lennkh



Hannes Mösenbacher



Andrii Stepanenko

# Management report

## Market developments

### Global economic developments amid the pandemic

Economic and financial market developments in 2020 were shaped by the global spread of COVID-19 and the associated restrictions to contain the pandemic. In early spring the sharply rising number of cases led to severe restrictions on business activities. These were accompanied by an unprecedented recession which affected all areas of the economy but particularly the service sector. As the number of new cases was greatly reduced in most countries after several weeks, there was a gradual easing of the lockdown measures and a significant rebound in economic activity began in May. However, in the last quarter new infections in many countries rose above the levels recorded in the spring, leading to renewed restrictions until the end of the year, in some cases similarly severe to those imposed in the spring.

GDP in the euro area fell by around 15 per cent on a cumulative basis in the first half of 2020. Even though some parts of the economy were able to recover to pre-pandemic levels during the summer, overall economic output in the third quarter was still around 4 per cent below end-2019 levels. GDP declined again in the fourth quarter of 2020 but to a significantly lesser extent than in the first half of the year. Over the year as a whole, GDP decreased by around 7 per cent.

The ECB responded to the COVID-19 crisis with extensive monetary policy easing. Additional refinancing operations were conducted for banks, and conditions for targeted longer-term refinancing operations were made significantly more attractive. The existing bond purchase program (Asset Purchase Program or APP) of € 20 billion per month was expanded by € 120 billion from March 2020 until the end of 2020. Additionally, there was a further increase in the pandemic emergency purchase program (PEPP) in December to a preliminary total size of € 1,850 billion and it was extended until March 2022 at the earliest. Overall, the central bank succeeded in keeping money market and capital market interest rates at a low level.

In the wake of the spring lockdown, the Austrian economy recorded a marked decline in GDP, which decreased by 2.8 per cent in the first quarter of 2020 compared to the fourth quarter of 2019 and by 11.6 per cent in the second quarter relative to the prior quarter. In the third quarter there was a significant increase in economic output, driven by easing restrictions, which was however followed by renewed business closures in the last two months of the year, leading to another drop in economic output in the final quarter (down 4.3 per cent). In contrast to the spring, industry showed a certain degree of resilience during the second lockdown, resulting in a noticeably smaller decline in GDP during the fourth quarter than in the second quarter. In 2020 as a whole, GDP declined 7.4 per cent (2019: up 1.4 per cent). On the demand side, this was due primarily to private consumption and at sector level due mainly to consumer-related services.

For Europe, the global economic environment was comparatively benign in 2020. Although the US economy also slid into a deep recession in the first half of the year, over the year as a whole GDP in the US contracted by only half as much as in the euro area. The rapid recovery in private consumption in the US was a result in particular of far-reaching fiscal measures despite continued high infection dynamics and political turbulence related to the transition of power in the White House. China managed to bring the pandemic under control significantly faster than Western democracies, which resulted in positive economic growth of 2.3 per cent in 2020. Although this corresponds to China's lowest GDP growth in decades, the economic momentum, bolstered by government infrastructure projects, provided for a positive surprise.

## CE and SEE: impact of pandemic varies across countries, EE less severely affected

Despite the lockdowns and ensuing negative effects on domestic demand and consequently on consumption, consumer prices in Central Europe (CE) rose 3.2 per cent in 2020. This once again put inflation well above the 2 per cent mark. In contrast, the Southeastern Europe (SEE) region saw comparatively mild inflationary pressure (1.9 per cent) in the face of a decline in consumer demand and a lower inflow of foreign tourists. The disinflationary tendencies resulting from the lockdowns even led to declining year-on-year inflation rates in some countries (Croatia and Bosnia and Herzegovina) in the second and third quarters. As in the previous year, inflationary pressure in SEE mainly came from Romania, but abated from the second quarter onward as well. All in all, the inflation trend enabled Central and Southeastern European central banks to somewhat mitigate the effects of the recession through expansionary monetary policy measures. Unlike during previous crises, the economic upheavals in 2020 could be responded to with monetary policy easing. This not only included interest rate cuts that nearly exhausted the conventional scope of monetary policy, but also monetary policy measures such as bond purchases in Hungary, Poland, Romania, and Croatia.

Economic activity in CE recorded a marked decline of 4.0 per cent in 2020 (2019: up 3.8 per cent). The region was hit by a particularly severe second wave of the virus, which led to another drop in economic output in the fourth quarter, albeit by less than expected. The region's high dependency on the automotive sector and the temporary slump in foreign demand were also negative factors in the past year. The CE economies were, however, well-positioned at the outset of the crisis, with 2020 following a number of years of uninterrupted and dynamic economic growth, low unemployment rates and prudent fiscal policy. This positioning enabled governments to adopt appropriately scaled fiscal measures to mitigate the effects of the crisis.

The SEE region was impacted to a greater extent than the CE and Eastern Europe regions, with economic output declining 4.2 per cent in 2020 (2019: up 3.8 per cent). In SEE the region's dependency on tourism (Croatia: down 8.4 per cent) and remittances from nationals working abroad was especially noticeable. The strong domestic demand of previous years therefore failed to continue. Serbia experienced a comparatively mild recession (down 1.1 per cent), owing to particularly extensive fiscal and monetary stimuli and a partial recovery of private consumption.

In contrast to previous crises, such as the financial crisis in 2008/09, Eastern Europe (EE), which includes Russia, Ukraine, and Belarus, was less affected by the economic impact of the pandemic than the CE and SEE regions. The EE region's GDP declined 3.1 per cent in 2020, following a slight increase of 2.1 per cent in the previous year. Russia only tentatively instituted lockdown measures, while the energy and commodities industries were able to continue production. The negative impact of the fall in crude oil prices in the first half of the year was partially offset by the use of budget surpluses from previous years as well as currency depreciation and interest rate cuts. In addition, there were no negative effects from renewed economic sanctions. In Ukraine, 2020 (GDP decline of 4.2 per cent) was marked by political risks in addition to the effects of the pandemic. Ambitious reform plans were not put into effect after a government reshuffle in the spring. Cooperation with the IMF proved difficult. Nevertheless, the economy and currency remained stable, due in part to a stability-oriented policy approach implemented in previous years. Belarus proved to be an exception with respect to COVID-19 policies insofar as its government did not impose a lockdown. The second half of the year was marked by protests following the presidential election. With a decline in GDP of only 0.9 per cent, economic activity surprised on the upside; moreover, the currency remained relatively stable following a devaluation in the first half of the year.

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

Region/country	2019	2020 <sup>e</sup>	2021 <sup>f</sup>	2022 <sup>f</sup>
Czech Republic	2.3	(5.6)	2.5	5.5
Hungary	4.6	(5.2)	5.0	5.5
Poland	4.5	(2.8)	3.7	4.4
Slovakia	2.3	(5.2)	5.0	3.5
<b>Central Europe</b>	<b>3.8</b>	<b>(4.0)</b>	<b>3.7</b>	<b>4.7</b>
Albania	2.2	(4.8)	4.0	4.0
Bosnia and Herzegovina	2.6	(4.8)	3.0	3.5
Bulgaria	3.7	(3.7)	3.0	4.3
Croatia	2.9	(8.4)	5.1	3.0
Kosovo	4.9	(5.1)	4.5	3.5
Romania	4.1	(3.9)	5.2	4.5
Serbia	4.2	(1.1)	4.5	3.0
<b>Southeastern Europe</b>	<b>3.8</b>	<b>(4.2)</b>	<b>4.6</b>	<b>4.0</b>
Belarus	1.3	(0.9)	1.5	2.0
Russia	2.0	(3.1)	2.3	1.3
Ukraine	3.2	(4.2)	3.8	3.5
<b>Eastern Europe</b>	<b>2.1</b>	<b>(3.1)</b>	<b>2.4</b>	<b>1.5</b>
<b>Austria</b>	<b>1.4</b>	<b>(7.4)</b>	<b>3.5</b>	<b>5.0</b>
<b>Euro area</b>	<b>1.3</b>	<b>(6.8)</b>	<b>4.3</b>	<b>3.7</b>

Source: Raiffeisen Research, as of 23 February 2021 (e: estimate, f: forecast); subsequent revisions may be made for prior years

## Banking sector in Austria

The Austrian banking sector was also presented with challenges in 2020. Not least due to support from numerous monetary and fiscal policy measures taken by both the Austrian and European authorities, the Austrian banking sector was able to continue to fulfill its important function for both the corporate sector and private households. In the corporate customer business, the previously dynamic loan growth weakened only slightly, with government guarantees having a significant supportive effect. Lending to households also proved comparatively resilient despite declining growth rates in the outstanding volume of consumer loans. Banks' asset quality generally improved, with the sector's NPL ratio (non-performing loans) reaching around 2 per cent (2019: 2.2 per cent). The domestic loan portfolio had an even lower NPL ratio of around 1.5 per cent. Loan repayment deferrals are one of the many measures adopted as a result of the COVID-19 crisis. The peak in loan volumes subject to repayment deferral was reached in June at € 30.6 billion; since then, they have declined by half (October: € 15.6 billion). Banks' profitability suffered as a result of increased provisioning requirements for potential non-performing loans. These rose significantly during the year and put additional pressure on the profitability of the banking sector. While the results of the Austrian banking sector for the first half of 2020 were 75 per cent below the previous year's level, the CE and SEE subsidiaries of Austrian banks saw their results decline by only around 32 per cent over the same period. The sector's capitalization remained stable over the course of the 2020 financial year.

## Development of the banking sector in CEE

In retrospect, 2019 proved to be the culmination of a five-year path of steady improvement in asset quality and recovery in profitability in CE/SEE banks' core markets, which was interrupted by the COVID-19 outbreak in 2020. It should be emphasized that the CEE banking sector entered the crisis with sound fundamentals. Extensive policy support has also helped the banks to manage the crisis relatively well to date. While the pandemic diverted CEE banking markets from their path of ongoing loan growth, the fiscal and monetary policy response as well as regulatory easing kept lending growth momentum in positive territory (single digit per cent growth rates for the most part). Residential mortgages stand out as particularly robust (Czech Republic, Slovakia, Romania, Croatia and Russia). However, the moderate releveraging trend (increase in loan-to-deposit ratio) that began in 2019 was halted by the pandemic, which caused the average loan-to-deposit ratio to fall back to around 80 per cent in some markets due to an increased propensity to save, resulting from the decline in consumption, and the inflow of government deposits. Overall, the transformation of the deposit base towards shorter maturities continued. An increase in loan loss provisions was seen in the region as a whole, which was mainly the result of the migration of loans to IFRS Stage 2 while the rate of actual non-performing loans barely changed thanks to repayment deferrals for borrowers and government guarantee schemes. Higher risk costs brought ROE levels in most CE/SEE markets down to between 4 and 8 per cent, while certain EE markets (Russia, Ukraine) still had double-digit returns.

## Regulatory environment

### Banking supervision

In 2020 the European Banking Authority (EBA) also dealt with the development of the COVID-19 pandemic and the possible repercussions for the banking sector. Against this backdrop, it focused on three areas: credit risk (with an emphasis on concentration risk), risk management (in connection with internal governance) and data quality.

Furthermore, the EBA deemed it necessary to make changes to the Supervisory Review and Evaluation Process (SREP) guidelines (EBA/GL/2014/13) due to uncertainty relating to the COVID-19 pandemic. These should enable a flexible and pragmatic approach with regard to the implementation of SREP 2020.

### Dividend restrictions

In a statement on 12 March 2020, the EBA urged credit institutions to follow a prudent dividend policy. At the same time, it was emphasized that all measures provided by the supervisory authorities are intended to be used for financing a response to the crisis and not for distributions. In June, the EU's European Systemic Risk Board (ESRB) recommended that dividend distributions be postponed until at earliest 1 January 2021.

On 27 July 2020, the European Central Bank (ECB) followed these recommendations with an extension of its initial recommendation until at earliest 1 January 2021. This was due to increased economic uncertainty and the difficulty of assessing the real impact of the COVID-19 crisis. A further recommendation from the ECB on 15 December 2020 called for extreme caution with regard to the distribution of dividends. However, dividend payments up to the thresholds prescribed by the ECB will be tolerated, provided that capitalization is solid and risk provisioning levels are appropriate.

### 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 permitted scope of application of internal models was also reduced and the requirements for these models were revised. In addition, an output floor will be phased in by 2027, setting a future floor for capital requirements calculated using internal models at 72.5 per cent of the values calculated using the standard models.

The Basel Committee's targeted implementation date was extended by one year to 1 January 2023 due to the COVID-19 pandemic. As there is still no legal implementation of the standards for the EU, there are currently no binding requirements with respect to the expected implementation date.

According to the EBA Call for Advice on the implementation of Basel IV, the new internal ratings-based (IRB) approach and related reduction in risk-weighted assets is expected to provide relief in terms of capital requirements. However, this assumption does not include the impact of the output floor. These effects are in any event dependent on the concrete implementation by European legislators.

## Sustainable finance

New developments in sustainable finance also made their mark in 2020. The European Commission's Green Deal aims to make Europe the first climate neutral continent by 2050. As a consequence, the main focus is on sustainable activities in industry, to be achieved by means of CO<sub>2</sub> pricing rules and CO<sub>2</sub> limits, the further development of renewable energy production, investments in green buildings, e-mobility, waste management and recycling. For the financial services sector, this is primarily to be achieved through increased transparency and disclosure requirements for financial products and the inclusion of climate and environmental risks in the EU supervisory framework. RBI took part in the voluntary 2020 EBA climate stress test, as well as in the Paris Agreement Capital Transition Assessment (PACTA) 2020, involving a climate risk assessment of its financial portfolio.

Parallel to RBI's successful green bond issuance activity, which has been taking place since 2018, sustainable lending has also grown strongly. Since 2020, RBI has also offered financing which is already geared towards the EU Taxonomy. This relates to a European framework which details specific conditions and thresholds for economic activities (e.g., the production of aluminum, steel, cement or energy), in order to determine whether or not an activity can be rated as sustainable. If carbon-intensive industries can conduct their activities according to the conditions of the EU Taxonomy, they will materially contribute to the EU's climate goals. For this purpose, RBI established a sustainability framework which is geared towards the aforementioned EU Taxonomy, the RBI Green Bond Framework, and corresponding guidelines from supranational banks (European Investment Bank and European Bank for Reconstruction and Development). This is to ensure that there are Group-wide quality standards for sustainable finance. On the basis of these standards, investment activities and the associated financing can be rated as either green, neutral, or not sustainable. RBI aims to assist these industries and customers in their transformation towards sustainable production and to provide support through financing. Furthermore, the establishment of the Responsible Banking Steering & Decision Body – a committee which advises the RBI Management Board and spans different functions and board areas – has strengthened the focus on sustainable finance.

## Digitalization in the financial sector

The effect of increased digitalization, development and application of new technologies as well as new business models and financial products was also apparent in the regulatory sphere in 2020. Although the supervisory authorities have concerned themselves for some time with fintechs and the implications of digitalization, the European Commission presented an extensive package relating to digital finance for the first time in 2020. This included a comprehensive digitalization strategy for the financial sector as well as a strategy for retail payment services. Furthermore, new proposals for legislation were initiated within the context of the digital finance package: firstly, for the regulation of crypto assets (MiCA) as well as pilot regulation for market infrastructure based on blockchain technology and, secondly, for the regulation and stability of digital systems relating to cybersecurity and resilience (DORA).

Furthermore, the European Commission presented its proposal in February 2020 for a European data strategy as well as a white paper on artificial intelligence including concepts for a possible regulatory framework. The EBA also regularly addresses developments in digitalization and new technologies and conducted, for example, surveys on regtech and digital platforms during 2020. On a national level, the Austrian Financial Market Authority's regulatory sandbox, which was established last year, was a notable development.

## BCBS 239

The Basel Committee on Banking Supervision has 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 the 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 and is currently being executed 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 and had to be implemented by 28 December 2020 through 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 the banks, to draw up resolution plans based on the underlying resolution strategy (multiple point of entry (MPE) or single point of entry (SPE)):

- The resolution plan has to facilitate the effective application of the resolution tools and describe the resolution strategy and its implementation
- RBI has adopted an MPE approach. The responsible authorities define resolution groups for those units identified as relevant to the resolution process
- The resolution authority decides which resolution tools (sale of business, bridge institution, asset separation and bail-in) should be used; the preferred instrument in the event of an RBI resolution would be bail-in
- Official targets for minimum requirements for own funds and eligible liabilities (MREL targets) are set annually for each resolution group (the next notification is expected in the second quarter of 2021)

## 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. These are refined whenever necessary in coordination with the data protection officer. 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. As is the case for all European companies, RBI is faced with the extensive requirements for transferring data to countries outside of the EU brought about by the Schrems II judgement of the Court of Justice of the European Union.

## Capital Markets Union

The new action plan for implementation of the Capital Markets Union consists of 16 measures, for example, for providing access for SMEs to bank financing, the participation of retail investors, removal of barriers to cross-border investments and the creation of an appropriate market infrastructure. The establishment of a suitably designed European Single Access Point (ESAP) is intended to bring about the changes urgently needed to increase the visibility of EU companies and help with capital allocation.

An effective Capital Markets Union will contribute to the rebuilding of the EU economy, by providing new sources of finance for companies and through offering investment opportunities to Europeans. The strengthening of the capital markets is a prerequisite for the European Green Deal and the digital transformation.

# Business performance at Raiffeisen Bank International AG

## Business development

RBI AG is one of Austria's leading corporate and investment banks. The Corporates business serves the top 1,000 companies in the country as well as many large international and multinational corporations. These clients benefit from RBI AG's extensive know-how and service portfolio in export financing, trade financing, cash management, treasury and fixed-income.

Institutional Clients groups business with banks and institutional customers. It developed out of Correspondent Banking in its original form and today stands for an integrated approach to doing business with banks, insurance companies and other institutional customers. Its extensive product and service range includes, among others, clearing, settlement and payment services, custody and depositary banking services, credit financing as well as capital market and securities transactions.

The Capital Markets business includes trading on own account and for third parties. RBI AG offers its customers individually tailored solutions for liquidity and balance-sheet management, and for managing interest rate and currency risks as well. Its particular strengths lie in interest rate, currency and credit products for the German-speaking countries (Austria, Germany and Switzerland) and CEE. Cash products, derivatives and structured products are also offered, as well as debt capital raising via bond issuance and the securitization of loans and advances. A professional structuring team as well as strong sales and placement power ensure successful project execution.

The Treasury and Group Subsidiaries and Equity Investments businesses are internal control areas for the management of refinancing and the bank's investment portfolio.

## Corporates

The Corporates business serves Austrian and international corporate customers. In addition to Austria's largest companies, the focus here is on Western European corporate customers with business activities in CEE, large corporate customers from Central and Eastern Europe and internationally active commodities and trading companies.

The 2020 financial year was dominated by the outbreak and subsequent management of the COVID-19 pandemic. Close and regular dialog with our customers was extremely important in order to gain the best possible understanding of how they were affected by the pandemic and to serve them accordingly. Providing our customers with competent advice and service around the government assistance programs launched during the crisis was a major focus in this phase.

The Corporate Banking business managed from Vienna proved highly crisis-resistant over the course of the year. A high-quality loan portfolio and highly intensive support for our corporate customers enabled us to assert our position as a relationship bank. Although the persistently low interest rate environment impacted earnings and risk costs were higher than in the previous year due to the crisis, the Corporates business generated a good overall result.

In addition to traditional lending business, a significant contribution to this outcome was made in the financial year under review by, in particular, structured project and acquisition financing, real estate financing, export and trade finance business, transaction banking and capital markets/treasury.

A strategic focus was on further exploiting RBI's potential by the deployment of strategic management tools such as the Global Account Management System, which offers international clients advisory services and support coordinated across the entire Group and enables a comprehensive product portfolio throughout the whole network.

We further stepped up our environmental, social and governance (ESG) activities. For example, RBI AG has implemented an ESG scoring model and developed new ESG products. Customers showed very strong and continuously growing interest in this area over the course of the financial year. So that our customers gain maximum benefit from our expertise, we established a Sustainable Finance Team who assisted numerous customers in structuring and issuing green financing solutions. This is also reflected in our sustainable loan portfolio, which performed very well in 2020.

During the financial year under review, we also succeeded in significantly enhancing customer experience with innovative digital solutions. A major milestone was the launch of myRaiffeisen, our digital customer platform on which we provide our digital product range together with a wide variety of services to make business banking easier and more efficient for customers. Notable developments here include the introduction of digital access to financing with our eFinance solution and our new digital account opening process. The next expansion stages of our digital customer platform are already in preparation.

## Institutional Clients

The 2020 financial year was marked by the global COVID-19 pandemic, with far-reaching economic and social consequences. Notwithstanding the Covid-induced global growth slowdown affecting our Central and Eastern European core markets, business with institutional clients once again increased significantly in 2020, even compared to the very healthy previous year. This was reflected in consistently high transaction numbers and volumes, as well as in the expansion of business relationships with existing customers and the acquisition of many new customers. RBI thus again demonstrated its central role for business in Central and Eastern Europe.

As in previous years, sales activities focused on equity and liquidity-preserving banking products. Income from commission-based businesses reached a new record high. In addition to the traditionally strong results from clearing, settlement and payment services – which underscore RBI AG's strong bridging function between West and East in its business with banks, insurers and asset managers – the entire capital market business, including new bond issuance, securities sales flows related to new issuance, foreign currency trading by customers, securities lending and asset-based finance, also posted significant growth. The trade and export finance business in support of customers' trade flows again reported a significant increase. The investment fund business and securities services likewise showed healthy growth, adding to the positive picture. In response to increasing digitalization and continuous innovation across all product areas relevant to institutional clients, maximum attention is being paid to ensuring clear alignment of our products and services with actual client needs and to enhancing efficiency in processing.

The traditional interbank lending business remained stable at a low level and remains focused on longstanding customer relationships with high cross-selling potential. These endeavors have been well complemented by the aforementioned product initiatives.

The deglobalization within the financial sector, which set in following the financial crisis, has led to the emergence of regional specialists. This trend supports RBI AG's positioning as a leading institution in Central and Eastern Europe with a bridging function between East and West. This is confirmed once again by the successes of recent years in the institutional client business and by the continued potential for further growth.

## Capital Markets

The 2020 financial year was mainly shaped by the course of the COVID-19 pandemic.

In March 2020, exponential growth in case numbers saw established equity markets lose over 30 per cent and credit spreads widen by 120 basis points in the investment grade market and 550 basis points in the high-yield market. Exchange rate volatilities increased 6 percentage points on G10 currencies and up to 10 percentage points on emerging market currencies. G7 government bond yields lost and regained 80 basis points in a very short space of time.

Governments, regulators and central banks stabilized markets by injecting massive amounts of liquidity, loosening regulatory requirements and suspending dividend payments by law. Equity and bond markets subsequently recovered to pre-pandemic levels as the year progressed.

Whereas even higher margins were still possible with lower volumes in the money market and securities refinancing business in the first quarter, the rest of the year was marked by excess liquidity and shrinking margins due to central bank actions. The business nevertheless generated a stable earnings contribution over the year as a whole.

In FX trading, the year was characterized by lower interbank volumes due to reduced volatilities. The lower volumes were compensated on the income side by positioning and higher gold demand.

Bond trading was able to post another record year as our Capital Markets business remained active despite various lockdowns and was able at all times to provide RBI AG customers with market making services. Market positioning and involvement in CEE and SEE once again made a significant contribution to the success of customer trading this year.

The reporting year saw lower retail demand for bonds. This was due to the ongoing low level of interest rates and to the crash and the ensuing rally on the equity market. Only specialty products such as inflation bonds and USD bonds (both ESG-linked) were in demand on the usual scale.

On the private placement side, investment pressure was evident from a number of market players who increasingly opted for Austrian issuers. These issuers' balanced risk-reward profile proved persuasive here, enabling the number of private placements arranged by us to be increased by over 30 per cent.

In data analytics, as well as adding more dashboards for timely reporting and business analysis, we rolled out Bond Recommender, a machine learning-based application to assist in bond trading.

## Treasury

For medium to long-term refinancing, RBI AG uses long-term deposits and issuance: Issuance is mainly done under RBI AG's EUR 25,000,000,000 Debt Issuance Program, which enables bonds to be issued in different currencies, formats and structures.

In 2020, RBI AG once again increasingly used international large-volume bonds in various formats alongside long-term deposits in order to implement its funding plan. A successful € 750 million senior issue in January was followed by a € 500 million subordinated issue in June. In July, RBI AG issued € 500 million in additional tier 1 (AT1) capital. RBI AG's remaining refinancing requirements were covered by small unsecured private placements.

The total volume of multi-year deposits and issuance taken up amounted to approximately € 4,190 million and had a weighted maturity of approximately five years. At year-end 2020, the total volume of outstanding issued unsecured bonds excluding AT1 amounted to approximately € 8,400 million.

For optimum coverage of liquidity requirements, in 2020 RBI AG additionally took on a total of € 4,800 million in long-term secured financing via the European System of Central Banks (ESCB). TLTRO III, the latest round of targeted longer-term refinancing operations conducted by the European Central Bank (ECB), offered three-year secured financing on preferential terms.

## Group Subsidiaries and Equity Investments

In addition to 13 subsidiary banks in CEE, RBI AG's subsidiaries also include numerous additional Austrian and international subsidiaries in the strategic financial services sector. These companies are complemented by a number of other banking-related ancillary services as well as other participations.

RBI AG's participation strategy aims to safeguard and expand the strategic interests of RBI AG and to steadily increase the value of the overall portfolio.

Governance and administration of all participations is steered by RBI Group Subsidiaries and Equity Investments.

Significant write-downs were recognized at Raiffeisen Aval JSC, Kiev in the amount of € 171.8 million, at RBI Invest Holding GmbH, Vienna in the amount of € 87.1 million and at RZB-BLS Holding GmbH, Vienna in the amount of € 37.2 million.

As the investment portfolio is mainly made up of financial institutions and entities that are not cyclically dependent, the COVID-19 pandemic had a limited direct impact on the investments. It did, however, have an indirect impact, reflected in the measurement of fair value using valuation models, as these are based on macroeconomic factors and on the respective entities' future income and dividend expectations.

## Retail

RBI AG's retail business consists exclusively of a portfolio of foreign currency retail mortgage loans at the Polish branch in Warsaw. As at 31 December 2020, the net carrying amount of the loan exposures (less impairments) totaled approximately € 2.6 billion, consisting of € 2.0 billion (2019: € 2.1 billion) in Swiss franc loans, € 0.5 billion (2019: € 0.7 billion) in euro loans and € 0.1 billion (2019: € 0.1 billion) in Polish zloty loans.

The branch does not currently engage in deposit gathering or new customer acquisition, focusing instead on servicing the foreign currency loans transferred to the branch until their final maturity and on providing services to the borrowers.

In 2020, the business environment was notably marked by the legal dispute between customers with Swiss franc-denominated residential mortgage loans and banks. An additional provision was recognized in the amount of € 43.7 million (2019: € 48.8 million) on account of this pending legal issue. The COVID-19 pandemic had only little impact on the retail portfolio in Poland. Generally speaking, the economic situation in Poland is relatively good compared to other CEE countries. Consumer demand recovered quickly in the third quarter after the initial reopening, and the second wave of the pandemic towards the year-end also had only a limited impact. The labor market also proved highly robust, with unemployment rates rising from 5.2 per cent in the previous year to 6.5 per cent in December 2020. Several moratoriums were offered to borrowers, of which 6,493 were approved and availed of. That equates to about 14 per cent of all loan agreements. 210 moratoria remained active at 31 December 2020, the remainder having expired during the course of the year.

## Branches and representative offices

RBI AG operates a total of five branches – in Frankfurt, London, Warsaw, Singapore and Beijing. As service branches, these branches support the RBI head office in Vienna and the RBI network banks in customer care and sales activities. In addition to its branch offices, RBI AG also operates representative offices in Paris, Stockholm, Mumbai, Seoul, Ho Chi Minh City and Zhuhai (China).

RBI AG has a branch in Poland. The portfolio in Poland mainly comprises retail customers' foreign-currency mortgage loans. The branch focuses on the administration of the foreign currency loans taken over until their final maturity. Additionally, the branch takes over the role of liquidator for selected investment funds.

Through its extensive knowledge of the local markets in Southeast Asia and its contacts with companies, banks and authorities, the Singapore branch supports customers in sales activities, and also in establishing branches or partnerships with local companies. Vice versa, the branch helps companies from the region to contact companies and banks in Austria and Central and Eastern Europe.

Under the Belt-and-Road initiative in Central and Eastern Europe, our Peking branch continues to support a growing number of Chinese companies and financial institutions with their wide-ranging operations in this region by providing the full range of RBI banking services.

Despite the December 2019 breakout of COVID-19 in China, the Chinese economy has recovered well from the impact it caused. In addition to a stable credit growth, export financing from China to a third country with a Chinese state export guarantee was concluded for the first time.

The Frankfurt branch office further expanded its consulting and structuring services in various forms of receivables financing, as well as its local sales-support activities for RBI in its business with subsidiaries of German corporate customers, especially in CEE. In 2020, additional receivables financing mandates were won and implemented for customers in RBI AG's numerous focus markets, and business was further developed. In addition to winning new customers, another key task in the corporate customer business involves providing sales support for RBI AG's network. The increasing demand from German SME corporate customers for contact points in Germany reflects customers' centralization of administration functions and decision-making authorities. Establishing contacts with decision makers at customers' head offices strengthens customer relationships in CEE and opens up cross-selling potential.

RBI has been present in London for over 30 years and has three main business areas. The London sales team serves institutional customers in the United Kingdom, Ireland, Scandinavia, the Middle East and Asia. It focuses on CEE/CIS fixed-income bonds, including sovereign and corporate bonds in EUR/USD and local currencies, in both the primary and secondary market. The fund finance team, whose core product includes the subscription credit facility, is part of our asset-based finance franchise strategy in Vienna. Our corporate desk provides corporate customers based in the United Kingdom and Ireland with information and access to a number of financial products and services offered by the head office and the network banks. The branch received a third-country license to maintain future business operations as part of Brexit.

The operational business of all the branches except for the Poland branch is booked at the head office in Vienna.

# Financial Performance Indicators

## Statement of Financial Position

Raiffeisen Bank International AG's (RBI AG) total assets were up € 10,059,028 thousand, or 14.5 per cent, to € 79,482,613 thousand in the 2020 financial year. On the asset side, the growth in total assets resulted in particular from the increase in balances at central banks, the increase in loans and advances to credit institutions and an increased volume of Treasury bills eligible for refinancing with the central bank. On the liability side, bank and customer deposits were up substantially. The volume of securitized liabilities was up moderately.

The growth of € 5,451,128 thousand in cash reserves and balances at central banks to € 15,770,580 thousand resulted mainly from an increased investment of surplus liquidity in the form of deposits at the Austrian National Bank.

Treasury bills and other bills eligible for refinancing with the central bank increased € 1,235,361 thousand to € 5,211,743 thousand. The market volatility caused by the COVID-19 pandemic was used to increase the securities portfolio of highly liquid bills.

Loans and advances to credit institutions increased 31.2 per cent or € 2,805,256 thousand, to € 11,789,129 thousand. This growth mainly reflected a rise of € 1,995,777 thousand in sale and repurchase transactions. In addition, giro and clearing business was up € 285,002 thousand, and loans to banks increased € 384,995 thousand.

Loans and advances to customers increased 3.2 per cent, or € 885,589 thousand, to € 28,965,211 thousand. Lending was up € 1,765,974 thousand as a result of increased business activity. Value adjustments to loans and advances to customers were up € 74,229 thousand year-on-year. The increase was attributable to an increase in portfolio-based loan loss provisions due to adjustments to macroeconomic scenarios and post-model adjustments to estimates of expected credit losses resulting from the COVID-19 pandemic. Sale and purchase transactions with customers decreased € 846,760 thousand.

Bonds, notes and other fixed-interest securities were almost unchanged year-on-year and amounted to € 3,491,663 thousand (2019: € 3,472,073 thousand). The volume of shares and other variable-yield securities was also little changed year-on-year; the carrying amount at year-end was € 485,665 thousand (2019: € 487,094 thousand).

Shares in affiliated companies decreased € 309,719 thousand to € 10,511,643 thousand, which mostly reflected the need to write down the value of affiliated companies.

Other assets were hardly changed year-on-year with a carrying amount of € 2,964,477 thousand (2019: € 2,966,553 thousand). The increase in positive market values from derivative financial instruments in the trading book was offset by a similar decrease in dividends receivable from affiliated companies.

On the liability side, liabilities to credit institutions rose € 5,596,775 thousand, or 20.1 per cent, to € 33,499,252 thousand, largely due to full utilization of the ECB's TLTRO III program (targeted longer-term refinancing operations). This is a long-term refinancing program of the European Central bank which aims to motivate banks to increase lending by means of free funds plus interest rate premiums. Refinancing through the program increased € 3,300,000 thousand to € 4,800,000 thousand year-on-year. In addition, interbank money market transactions were up € 1,509,406 thousand. Liabilities to credit institutions represented a significant source of funding for RBI AG at 42 per cent of total assets.

Liabilities to customers were up € 2,167,204 thousand, or 11.3 per cent, to € 21,322,851 thousand, largely due to a considerable increase in short-term giro and clearing business.

Securitized liabilities and additional capital according to CRR rose 12.1 per cent, or € 1,172,139 thousand, year-on-year to € 10,840,744 thousand. Funds raised through new issues totaled € 3,121,868 thousand (2019: € 2,938,034 thousand) in 2020. In contrast, retirements of securitized liabilities from scheduled and early repayments amounted to € 1,949,729 thousand in 2020 (2019: € 1,129,397 thousand).

Other liabilities increased € 295,096 thousand year-on-year to € 2,687,538 thousand, which mainly reflected the increase in the negative market values arising from derivative financial instruments in the trading book and liabilities from short positions arising from trading.

The provisions included provisions of € 75,611 thousand for severance payments (31/12/2019: € 92,364 thousand), provisions of € 75,447 thousand for pensions (31/12/2019: € 73,507 thousand), tax provisions of € 6,409 thousand (31/12/2019: € 5,892 thousand), and other provisions of € 299,554 thousand (31/12/2019: € 236,962 thousand). The decrease in provisions for severance payments mainly included utilization and a partial release for voluntary severance payments. The increase in other provisions was mainly due to additional provisions of € 39,852 thousand for litigation risks related to legal disputes concerning foreign currency loans in Poland.

Total risk exposure at year-end 2020 was € 42,509,464 thousand (2019: € 40,101,279 thousand). Of that amount, credit risk accounted for € 35,867,672 thousand (2019: € 34,599,314 thousand), market risk for € 3,403,538 thousand (2019: € 1,927,047 thousand), and operational risk for € 2,888,308 thousand (2019: € 3,057,198 thousand). Total risk exposure was up around € 2,408,185 thousand year-on-year, mainly due to new lending, which increased risk exposure for the credit risk.

Common equity tier I (CET1) capital was up to € 8,029,025 thousand at year-end 2020 (2019: € 7,991,941 thousand). Tier 1 capital amounted to € 9,555,165 thousand (2019: € 9,017,481 thousand). The increase resulted from an issue of additional CET1 capital of EUR 500,000 thousand in July 2020. Tier 2 amounted to € 1,923,672 thousand (2019: € 1,833,643 thousand). All in all, total capital amounted to € 11,487,837 thousand, a year-on-year rise of € 636,713 thousand.

The CET1 ratio of 18.7 per cent was 1.0 per cent lower than in the previous year (19.7 per cent). The tier 1 ratio of 22.5 per cent was unchanged year-on-year. The total capital ratio was 27.0 per cent (2019: 27.1 per cent). All capital ratios were sufficiently above the respective requirements (including all buffer and Pillar 2 requirements).

The committed capital reserves of € 4,334,286 thousand (31/12/2019: € 4,334,286 thousand) and uncommitted capital reserves of € 97,066 thousand (31/12/2019: € 97,066 thousand) were unchanged in the financial year.

The number of own shares related to the share incentive program (SIP) for key personnel in the company (Management Board and senior executives) and members of the management boards of associated bank subsidiaries and acquired in the years 2005 to 2009 amounted to 322,204 shares at year-end 2019. With a nominal value of € 983 thousand, this represented 0.1 per cent of share capital. The share incentive programs expired in 2018, ending commitments to allot further own shares under the programs. Retained earnings covered legal reserves of € 5,500 thousand (31/12/2019: € 5,500 thousand) and other free reserves of € 2,403,752 thousand (31/12/2019: € 2,299,321 thousand). Of the other free reserves, an amount of € 323,748 thousand (31/12/2019: € 265,317 thousand) was earmarked for the federal institutional protection scheme (Federal IPS). As a result of the agreement on the establishment of the institutional protection scheme and a corresponding decision of the Federal IPS Risk Council, a contribution of € 48,057 thousand (31/12/2019: € 46,376 thousand) was allocated to other reserves in 2020 as a reserve for the Federal IPS. The reserve for the Federal IPS is not eligible for inclusion in the calculation of own funds under the CRR. In addition, an amount of € 46,000 thousand (31/12/2019: € 86,000 thousand) was transferred to other free reserves. The liability reserve of € 535,097 thousand was unchanged at year-end 2020 (31/12/2019: € 535,097 thousand).

## Earnings performance

In the 2020 financial year, Raiffeisen Bank International AG (RBI AG) reported an increase in net interest income of 4.1 per cent, or € 14,439 thousand, to € 363,630 thousand. The increase in net interest income was due in part to the tiering system of the European Central Bank (ECB) introduced in September 2019. Under the system, part of the surplus liquidity was excluded from the negative interest rate. As a result, the negative interest rate expense from the investment of surplus liquidity with the ECB decreased. In addition, the ECB's TLTRO II program was fully utilized. If the criteria set by the ECB are met, banks - depending on the growth of a defined loan portfolio - receive a premium of 50 basis points on the refinancing used. The criteria are met with a high degree of certainty by RBI AG and the premium was therefore accrued as interest income. Net interest income from customer and interbank business was very stable year-on-year. The lower interest rate level was reflected to a similar extent both on the asset side above all in connection with sale and purchase transactions and on the liability side in the deposit business. Interest expenses fell markedly in connection with securitized liabilities where, despite increased volumes, interest expenses were low due to the decline in interest rates.

Income from securities and participating interests increased € 71,062 thousand to € 779,849 thousand mainly due to the € 64,889 thousand increase in income from shares in affiliated companies resulting from higher dividend income from affiliated companies in 2020. Income from participating interests was mainly from AO Raiffeisenbank, Moscow, (€ 447,468 thousand), RS Beteiligungs GmbH, Vienna, (€ 200,000 thousand), and JSC Raiffeisen Bank Aval, Kiev, (€ 87,338 thousand).

The net amount of commissions payable and commissions receivable was down € 4,431 thousand to € 223,387 thousand. The largest contribution to net fee and commission income was provided by clearing, settlement and payment services (33.4 per cent, or € 74,692 thousand), followed by the securities business (28.3 per cent, or € 63,164 thousand) and the lending business (21.5 per cent, or € 48,086 thousand).

The net profit on financial operations increased € 199,483 thousand, to a gain of € 148,292 thousand (2019: loss of € 51,192 thousand). This mainly reflected the improvement of € 216,246 thousand in net trading income from currency-based derivative transactions, which increased to € 184,161 thousand (2019: minus € 32,085 thousand). In contrast, the profit contribution of interest-based derivative and securities transactions fell to minus € 34,984 thousand (2019: minus € 16,978 thousand).

Other operating income fell € 42,027 thousand to € 227,882 thousand. This item included income from services provided to affiliated companies of € 81,335 thousand (2019: € 72,771 thousand), income of € 98,926 thousand from the early termination of hedges due to the sale of the securities portfolios underlying such hedges (2019: € 117,118 thousand), income from transitory items of € 23,981 thousand (2019: € 26,147 thousand), and income from the release of provisions for losses on banking book derivatives amounting to € 12,573 thousand (2019: € 33,110 thousand).

Operating income therefore totaled € 1,743,039 thousand, a 15.9 per cent increase year-on-year.

Total operating expenses were down 15.9 per cent year-on-year to € 1,012,853 thousand.

Staff expenses decreased € 19,114 thousand year-on-year, to € 390,736 thousand. The decline was primarily attributable to allocations to provisions for restructuring measures in the previous year. Expenses for wages and salaries were slightly higher year-on-year and reflected the increase in the average number of employees. Furthermore, a provision for a voluntary social benefit was recognized for the first time in the financial year under review. Other administrative expenses decreased € 14,751 thousand, or 3.9 per cent, to € 361,706 thousand. Other administrative expenses consisted mainly of IT expenses of € 145,770 thousand (2019: € 148,626 thousand), rent of € 33,633 thousand (2019: € 35,773 thousand), and consulting and audit fees of € 51,261 thousand (2019: € 49,678 thousand). They also included the annual contribution to the bank resolution fund of € 35,372 thousand (2019: € 19,598 thousand). Depreciation of tangible assets and intangible fixed assets was up € 1,474 thousand to € 12,360 thousand (2019: € 10,885 thousand).

Other operating expenses of RBI AG decreased € 57,322 thousand to € 248,057 thousand in 2020. Provisions for impending losses on derivatives increased € 8,636 thousand to € 26,140 thousand (2019: € 17,504 thousand). Expenses related to the early termination of hedges due to the sale of the securities portfolios underlying such hedges decreased € 50,389 thousand to € 146,260 thousand. Other provisions fell € 5,454 thousand to € 3,770 thousand. Expenses for transitory items were down € 668 thousand to € 22,997 thousand. In addition, other operating expenses included additional allocations of € 39,852 thousand to provisions for litigation related to foreign currency loans in Poland.

After deducting all operating expenses from operating income, RBI AG generated an operating result of € 730,180 thousand for the 2020 financial year. This represents a year-on-year increase of 81.7 per cent, or € 328,236 thousand.

As a consequence, the cost/income ratio (operating expenses divided by operating income) was 58.1 per cent (2019: 73.3 per cent).

Net income/expenses from the disposal and valuation of loans and advances and securities classed as current assets resulted in a net expense - as in the previous year - of minus € 94,296 thousand (2019: minus € 105,909 thousand). This development was due, firstly, to an increase in valuation results and proceeds from disposals of securities held as current assets and the banking book derivatives of € 50,012 thousand (2019: € 3,495 thousand) resulting from portfolio adjustments following capital market volatility triggered by the COVID-19 pandemic and, secondly, to a reduction in the valuation of loans and guarantees to minus

€ 147,803 thousand (2019: minus € 109,404 thousand). The provisioning requirement for loan losses increased in 2020 due to the COVID-19 pandemic above all in connection with portfolio-based loan loss provisions for future expected credit losses. With regard to individual loan loss provisions, RBI AG reported a net allocation to provisions of € 37,775 thousand, a decline of € 60,472 thousand compared to the previous year. In the case of portfolio-based loan loss provisions, there was a net allocation of € 106,819 thousand, which represented a year-on-year rise of € 91,551 thousand. The increase reflects an adaptation of the macroeconomic factors and post-model adjustments to estimates of expected credit losses having regard to the COVID-19 pandemic.

A loss of € 304,798 thousand (2019: gain of € 234,382 thousand) was reported for net income/expenses from the disposal and valuation of financial investments mainly as a result of a decrease of € 176,038 thousand in write-ups of affiliated companies and an increase of € 309,956 thousand in impairments of affiliated companies. Net gains/losses on sales were down € 45,715 thousand, reflecting gains on the sale of securities held as fixed assets in the previous year.

As a result, the profit on ordinary activities for the year under review amounted to € 331,086 thousand (2019: € 530,416 thousand).

The return on equity before tax (profit before tax divided by average equity in 2020) was 3.3 per cent (2019: 5.5 per cent) in the financial year.

Income tax expense was € 20,485 thousand in 2020 (2019: expense of € 28,803 thousand), which was mainly attributable to withholding tax on dividends received from affiliated companies. Expenses for other taxes amounted to € 57,453 thousand (2019: € 62,502 thousand), mainly reflecting € 62,838 thousand for the stability contribution for banks (2019: € 61,698 thousand).

In 2020, RBI AG reported a merger gain of € 19 thousand as a result of the transfer of the Equity Capital Markets segment from Centrobank AG, Vienna.

The return on equity after tax (net income after tax divided by average equity in 2020) was 2.5 per cent (2019: 4.5 per cent).

Profit after tax in 2020 was € 253,166 thousand (2019: € 439,110 thousand).

After movements in reserves of € 104,193 thousand and profit of € 331,662 thousand brought forward from the previous year, net profit in 2020 was € 480,635 thousand. In accordance with the European Central Bank's recommendation on dividend payouts, the Management Board of RBI AG changed its proposal regarding the appropriation of profit for the 2019 financial year. The Annual General Meeting on 20 October 2020 therefore decided to carry forward the entire net profit for the 2019 financial year.

# 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 2020, 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 2020, 322,204 (31 December 2019: 322,204) of those were own shares, and consequently 328,617,417 shares were outstanding at the reporting date.

(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) since the expiration of 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 2020, if the sale would reduce the regional Raiffeisen banks' aggregate shareholding in RBI AG (direct and/or indirect) to less than 40 per cent (previously 50 per cent) of the share capital plus one share.

(3) RLB NÖ-Wien Sektorbeteiligungs GmbH holds around 22.24 per cent of the share capital of the company. 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). 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). The (i) utilization of authorized capital with exclusion of the statutory subscription right in the event of a capital increase in return for a contribution in cash, and the (ii) implementation of the conditional

capital resolved upon in the Annual General Meeting on 20 October 2020 in order to grant conversion or subscription rights to convertible bond creditors may in total not exceed 10 per cent of the share capital of the company. The utilization of the authorized capital in the form of a capital increase in return for a contribution in kind is not covered by this restriction.

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

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

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

There have been no convertible bonds issued to date.

The Annual General Meeting held on 20 October 2020 authorized the Management Board pursuant to § 65 (1) 8, § 65 (1a) and § 65 (1b) of the AktG to purchase own shares and to retire them if appropriate without requiring any further prior resolutions to be passed by the Annual General Meeting, though with the approval of the purchase by the Supervisory Board can also be effected off-exchange under the exclusion of the shareholders' pro rata tender right. Own shares, whether already purchased or to be purchased, may not collectively exceed 10 per cent of the company's share capital. The authorization to purchase own shares expires 30 months after the date of the Annual General Meeting resolution, i.e. until 19 April 2023. The acquisition price for repurchasing the shares may be no lower than € 3.05 per share and no higher than 10 per cent above the average unweighted closing price over the 10 trading days prior to exercising this authorization. The authorization may be exercised in full or in part or also in several partial amounts, for one or more purposes - with the exception of securities trading - by the company, by a subsidiary (§ 189a 7 of the UGB) or by third parties for the account of the company or a subsidiary.

The Management Board was further authorized, pursuant to § 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad. Furthermore, shareholders' subscription rights may be excluded in the event that convertible bonds are issued in future, in order that (own) shares may be issued to such convertible bond creditors that have exercised their right of conversion into or subscription to shares in the company, and also in the event of a conversion obligation stipulated in the convertible bonds' issuance conditions in order to fulfil this conversion obligation. This authorization may be exercised in whole, in

part or in several partial amounts for one or more purposes by the company, a subsidiary (§ 189a 7 UGB) or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 19 October 2025. This authorization replaces the authorization granted by the Annual General Meeting of 21 June 2018 pursuant to § 65 (1) 8 of the AktG to acquire and utilize own shares and refers also to the utilization of own shares already acquired by the company. Since that time, there were no own shares purchased on the basis of the lapsed authorization from June 2018 nor on the basis of the current authorization from October 2020.

The Annual General Meeting of 20 October 2020 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 19 April 2023), provided that the trading portfolio of shares purchased for this purpose does not at the end of any given day exceed 5 per cent of the company's respective share capital. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition. This authorization may be exercised in full or in part or also in several partial amounts by the company, by a subsidiary (§ 189a 7 UGB) or by third parties acting for the account of the company or a subsidiary.

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

- RBI AG is insured under a Group-wide D&O policy. In the event of a merger with another legal entity, the insurance policy would automatically cease at the end of the insurance period in which the merger took effect. In such cases, insurance cover only exists for claims for damages arising from breaches of obligations that occurred before the merger, which are reported to the insurer prior to the termination of RBI's Group-wide D&O insurance cover
- RBI AG is a member of the Professional Association of Raiffeisen Banks. Upon a change in control of RBI AG which results in the attainment of control by shareholders outside of the Raiffeisen Banking Group Austria, membership of the Professional Association of Raiffeisen Banks 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.

## Non-financial Performance Indicators

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.rbiinternational.com](http://www.rbiinternational.com) → Who we are → Sustainability - and also contains the disclosure for the parent company in accordance with § 243b of the UGB.

# Corporate Governance

The Corporate Governance Report is available on RBI's website ([www.rbinternational.com](http://www.rbinternational.com) → Investor Relations → Corporate Governance and Remuneration Policy).

## Risk report

Active risk management is a core competency of RBI AG. In order to effectively identify, measure, and manage risks the bank continues to develop its comprehensive risk management system. Risk management is an integral part of overall bank management. In particular, in addition to legal and regulatory requirements, it takes into account the nature, scale, and complexity of the business activities and the resulting risks. The risk report describes the principles and organization of risk management and describes current risk exposure in all material risk categories.

### Risk management principles

RBI AG 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 owned by the bank. The risk policies and risk management principles are laid out by the Management Board of RBI AG. The bank's risk principles include the following:

- **Integrated risk management**  
Credit, country, market, liquidity, participation and operational risks are managed as key risks on a bank-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 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 AG.
- **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 controlling 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.

### Organization of risk management

The Management Board of RBI AG 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.

RBI AG's risk management functions are performed on different levels. 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 risk management processes throughout the company. In addition, they implement the risk policy in the respective risk categories and manage RBI AG's activities within the approved risk budget.

The central and independent risk controlling function under the Austrian Banking Act is performed by the Group Risk Controlling organizational area. Its responsibilities include developing the company-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 Management Board and the heads of individual business units.

## Risk committees

The Group Risk Committee is the most senior decision-making body for all of 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 controlling activities (such as the allocation of risk capital) and advises the Management Board on these matters.

The Group Asset/Liability Committee assesses and manages the statement of financial position structure and liquidity risks and defines the standards for internal funds transfer pricing. In this context it plays an important role in planning long-term funding and the hedging of structural interest rate and foreign exchange risks. The Structural FX Committee is a sub-committee of the Group Asset/Liability Committee and manages the currency risk of the capital position.

The Market Risk Committee controls market risks arising from trading and banking book transactions and establishes corresponding limits and processes. In particular, 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 and sovereigns). 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. It primarily comprises decision-making authorities; its chairman is the Chief Risk Officer (CRO) of RBI AG. 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, IT Risk Management and Risk Controlling, under chairmanship of the CRO. This committee is responsible for managing operational risk (including conduct risk). It derives and sets the operational risk strategy based on the risk profile and the business strategy and also 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 the Federal Act on the Recovery and Resolution of Banks (BaSAG) and the Banking Recovery and Resolution Directive (BRRD) in the event of a critical financial situation. Due to the COVID-19 situation, the Contingency Committee met regularly in the second quarter of the fiscal year under review.

## 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 RBI AG adheres to all legal requirements and that it can achieve the highest standards in risk management 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 of RBI AG, 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. Thus 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.

## Overall bank risk management

Maintaining an adequate level of capital is a core objective of the Company's risk management. Capital requirements are monitored regularly based on the risk level measured by internal models, and in choosing appropriate models the materiality of risks annually assessed is taken into account. This concept of overall bank risk management provides for meeting capital requirements from both a regulatory perspective (normative perspective) and from an economic point of view (economic perspective). 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. RBI AG's overall ICAAP process is audited during the supervisory review process for the RBI credit institution group (RBI Kreditinstitutsgruppe) on an annual basis.

The Risk Appetite Framework (RAF) limits the Group's overall risk in line with the 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 concentration 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	Description of risk	Measurement technique	Confidence level
Economic perspective			
Economic capital	Risk that unexpected losses exceed the internal capital from an economic perspective	The unexpected loss for the risk horizon of one year (economic capital) may not exceed the present level of the tier 1 capital)	99.90 per cent
Normative perspective			
Stress scenarios	Risk of falling below a sustainable tier 1 capital ratio over a full business cycle	Capital and earnings projection for a three-year planning period based on a severe macroeconomic downturn scenario	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 on the basis of 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 risk categories. In addition, a general buffer is held to cover risk types not explicitly quantified.

The following table shows the risk distribution of individual risk types to economic capital:

in € thousand	2020	Percentage	2019	Percentage
Participation risk	4,011,431	69.4%	3,798,288	66.0%
Credit risk corporate customers	736,931	12.7%	611,625	10.6%
Market risk	359,092	6.2%	276,088	4.8%
Credit risk banks	110,661	1.9%	85,187	1.5%
Operational risk	85,960	1.5%	100,542	1.7%
Credit risk sovereigns	63,292	1.1%	43,403	0.8%
Owned property risk	62,199	1.1%	66,163	1.1%
Credit risk retail customers	61,779	1.1%	419,895	7.3%
CVA risk	13,422	0.2%	12,418	0.2%
Macroeconomic risk	n/a	n/a	68,510	1.2%
Risk buffer	275,238	4.8%	274,106	4.8%
<b>Total</b>	<b>5,780,005</b>	<b>100.0%</b>	<b>5,756,226</b>	<b>100.0%</b>

The economic capital changed only slightly year on year to € 5,780,005 thousand. For RBI AG, the participation risk is the most material risk type in terms of amount. The year-on-year increase is due to changes in carrying amounts and to valuations of equity participations. The decline in credit risk retail customers was due to the fact that legal risks in connection with foreign currency mortgage loans in Poland were no longer recognized in the credit risk. On account of a methodological change, the macroeconomic risk is deducted directly from the internal capital with effect from the end of 2020.

RBI AG uses a confidence level of 99.90 per cent to calculate economic capital. In compliance with the ICAAP Directive published by the European Central Bank, the tier 2 capital is no longer used to calculate the internal capital as of the end of 2019.

Economic capital is an important instrument in overall bank risk management and is used in allocating risk budgets. 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. At RBI AG, this is planned on a revolving basis for the upcoming three years and incorporates the future development of economic capital as well as available internal capital. Economic capital thus substantially influences plans for future lending activities and the overall limit for taking 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 bank. That indicator is used in turn as a key figure in overall bank management and for future capital allocations to business units, and influences the remuneration paid to the Bank's executive management.

## Normative perspective – stress scenarios

The analysis of the stress scenarios in the normative perspective of the ICAAP is intended to ensure that RBI AG has sufficiently high capital ratios 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 considered 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 capital ratios at the end of the multi-year observation period. These should not fall below a sustainable level, meaning that they should not require the bank to substantially increase capital or to significantly reduce its business activities. The current minimum amount of 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 already known are taken into account 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 also 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, RBI AG's risk management actively contributes to portfolio diversification, for example via limits for the total exposure to individual industry segments and countries and through ongoing updates to lending standards.

## Credit risk

RBI AG's credit risk stems mainly from default risks that arise from business with retail and corporate customers, other banks and sovereign borrowers. It is by far the most important risk category for RBI AG, which is also indicated by internal and regulatory capital requirements. Credit risk is therefore analyzed and monitored both on an individual loan and customer basis as well as on a portfolio basis. Credit risk management and lending decisions are based on the respective credit risk policies, credit risk manuals, and the tools and processes which have been developed for this purpose. The internal control system for credit risks includes different types of monitoring measures, which are tightly integrated into the workflows to be monitored – from the customer's initial credit application, to the bank's credit approval, and finally to the repayment of the loan.

No lending transaction is performed in the non-retail segments before the limit application process has been completed. This process applies not only to new lending, but also to increases in existing limits, roll-overs, overdrafts, and to cases in which the borrower's risk profile is no longer the same as the profile that formed the basis for the original lending decision (e.g., with respect to the financial situation of the borrower, purpose or collateral). It also applies to the setting of counterparty limits in trading and new issuance operations, other credit limits, and to participations.

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.

Credit exposure by asset classes (rating models):

in € thousand	2020	Percentage	2019	Percentage
Corporate customers	40,472,591	44.2%	38,680,405	48.2%
Project finance	2,655,786	2.9%	2,700,623	3.4%
Retail customers	2,872,659	3.1%	3,085,385	3.8%
Banks	23,672,475	25.8%	20,493,647	25.5%
Sovereigns	21,992,897	24.0%	15,266,165	19.0%
<b>Total</b>	<b>91,666,407</b>	<b>100.0%</b>	<b>80,226,225</b>	<b>100.0%</b>

### 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 total credit exposure according to internal corporate ratings (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. The migration from rating grade 2 (excellent credit standing) to rating grades 3 and 4 (very good credit standing, good credit standing) in the credit portfolio - corporate customers is also due to the (regular) updating carried out for the corporate customer rating model. In addition, primarily due to the COVID-19 crisis, further downgrades of corporate customers were also recorded as a result of a generally poorer economic outlook.

in € thousand		2020	Percentage	2019	Percentage
1	Minimal risk	4,469,018	11.0%	5,054,831	13.1%
2	Excellent credit standing	6,456,269	16.0%	9,091,087	23.5%
3	Very good credit standing	10,444,097	25.8%	8,899,440	23.0%
4	Good credit standing	9,394,061	23.2%	6,347,374	16.4%
5	Sound credit standing	5,687,429	14.1%	5,842,365	15.1%
6	Acceptable credit standing	2,051,403	5.1%	2,390,989	6.2%
7	Marginal credit standing	889,451	2.2%	132,822	0.3%
8	Weak credit standing/sub-standard	269,780	0.7%	61,625	0.2%
9	Very weak credit standing/doubtful	61,920	0.2%	77,948	0.2%
10	Default	746,114	1.8%	767,332	2.0%
NR	Not rated	3,049	0.0%	14,591	0.0%
<b>Total</b>		<b>40,472,591</b>	<b>100.0%</b>	<b>38,680,405</b>	<b>100.0%</b>

The total credit exposure for corporate customers increased € 1,792,186 thousand compared to year-end 2019 to € 40,472,591 thousand.

Rating grade 1 registered a decline of € 585,813 thousand to € 4,469,018 thousand, primarily due to rating downgrades of customers in Austria and the Netherlands. Repo transactions in Great Britain also declined, which was partly offset by the increase in swap transactions. The decline in rating grade 2 was caused by lower facility financing in Austria, Germany and Switzerland, and by guarantees issued in Austria, Great Britain and Switzerland, offset by rating downgrades from rating grade 1 to rating grade 2. Facility financing in France, Switzerland and Germany also declined. The increase of € 1,554,657 thousand in rating grade 3 to € 10,444,097 thousand was mainly attributable to a rise credit financing in Austria, Germany, Switzerland and Great Britain, partly offset by lower credit financing in the USA and a decline in repo transactions in Great Britain. In addition, guarantees issued increased in Austria, Switzerland and Great Britain, mostly due to rating downgrades from rating grade 2. Rating grade 4 reported an increase of € 3,046,687 thousand to € 9,394,061 thousand, which was attributable to a combination of rating downgrades from rating grades 2 and 3 and rating upgrades from rating grade 5 in Austria, Germany, Luxembourg and France, as well as to an increase in facility financing in Germany. The increase in rating grade 7 mainly resulted from rating downgrades from rating grades 3, 4, 5 and 6 in Austria, Germany and Great Britain.

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		2020	Percentage	2019	Percentage
6.1	Excellent project risk profile - very low risk	1,799,207	67.7%	2,204,156	81.6%
6.2	Good project risk profile - low risk	667,938	25.2%	272,336	10.1%
6.3	Acceptable project risk profile - average risk	24,363	0.9%	34,435	1.3%
6.4	Poor project risk profile - high risk	0	0.0%	51,707	1.9%
6.5	Default	164,278	6.2%	137,988	5.1%
NR	Not rated	0	0.0%	0	0.0%
<b>Total</b>		<b>2,655,786</b>	<b>100.0%</b>	<b>2,700,623</b>	<b>100.0%</b>

Credit exposure to loans reported under project financing showed a decline of € 44,837 thousand to € 2,655,786 thousand as at 31 December 2020. The decline of € 404,949 thousand in rating grade 6.1 to € 1,799,207 thousand resulted from special financing in Poland and the Czech Republic and from credit financing in Austria and Hungary, as well as from the rating migration of Austrian, Czech, Dutch and Slovakian customers. Rating grade 6.2 registered an increase of € 395,602 thousand, mainly due to credit financing in Austria, the Czech Republic, Poland and Hungary. The rating migration from rating grade 6.1 to 6.2 was mainly the result of the introduction of a new rating model, which primarily affected Czech, Hungarian, Polish and Serbian customers. The shift was not caused by a rating downgrade. Rating migrations from rating grades 6.3 and 6.4 led to an increase of € 26,289 thousand in rating grade 6.5 to € 164,278 thousand. This was partly offset by a decline in credit financing in Poland and Russia.

## Credit portfolio – Retail customers

Credit exposure to retail customers according to internal rating:

in € thousand		2020	Percentage	2019	Percentage
0.5	Minimal risk	1,833,464	63.8%	1,987,319	64.4%
1.0	Excellent credit standing	366,603	12.8%	334,073	10.8%
1.5	Very good credit standing	45,912	1.6%	60,625	2.0%
2.0	Good credit standing	99,020	3.4%	91,101	3.0%
2.5	Sound credit standing	62,454	2.2%	71,236	2.3%
3.0	Acceptable credit standing	74,228	2.6%	80,258	2.6%
3.5	Marginal credit standing	59,930	2.1%	52,688	1.7%
4.0	Weak credit standing/sub-standard	27,898	1.0%	33,054	1.1%
4.5	Very weak credit standing/doubtful	26,221	0.9%	28,031	0.9%
5.0	Default	174,872	6.1%	229,002	7.4%
NR	Not rated	102,057	3.6%	117,997	3.8%
<b>Total</b>		<b>2,872,659</b>	<b>100.0%</b>	<b>3,085,385</b>	<b>100.0%</b>

## Credit portfolio – Banks

The following table shows the total 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		2020	Percentage	2019	Percentage
1	Minimal risk	2,472,267	10.4%	2,446,446	11.9%
2	Excellent credit standing	7,124,754	30.1%	8,732,473	42.6%
3	Very good credit standing	5,695,396	24.1%	6,526,657	31.8%
4	Good credit standing	5,401,242	22.8%	1,674,380	8.2%
5	Sound credit standing	2,392,606	10.1%	519,358	2.5%
6	Acceptable credit standing	441,325	1.9%	474,008	2.3%
7	Marginal credit standing	133,504	0.6%	101,149	0.5%
8	Weak credit standing/sub-standard	7,503	0.0%	6,080	0.0%
9	Very weak credit standing/doubtful	730	0.0%	1,625	0.0%
10	Default	2,913	0.0%	3,297	0.0%
NR	Not rated	235	0.0%	8,174	0.0%
<b>Total</b>		<b>23,672,475</b>	<b>100.0%</b>	<b>20,493,647</b>	<b>100.0%</b>

Total credit exposure to banks amounted to € 23,672,475 thousand, an increase of € 3,178,828 thousand compared to year-end 2019. The decline in rating grade 2 was caused by rating migrations to rating grade 3 and by credit and facility financing in Austria. This was offset by a rating upgrade for banks in Hungary from rating grade 3 and by the increase in money market transactions in Austria. Rating grade 4 reported an increase of € 3,726,862 thousand to € 5,401,242 thousand, as a result of rating downgrades of Spanish, German, Canadian and French banks from rating grade 3. The decline in rating grade 3 was offset by an increase in money market and swap transactions as well as by facility financing in Austria. The increase of € 1,873,248 thousand to € 2,392,606 thousand in rating grade 5 was attributable to a rating downgrade of a French bank and an Italian bank from rating grade 3 and rating 4 respectively.

## Credit portfolio – Sovereigns

Another asset class is formed by central governments, central banks, and regional municipalities as well as other public sector entities. The credit exposure to sovereigns includes local and regional governments (LRG). The assignment of LRG-related customers to the respective internal rating category is based on RBI's internal rating model for LRGs.

The table below provides a breakdown of the total credit exposure to sovereigns (including central banks) by internal rating:

in € thousand		2020	Percentage	2019	Percentage
A1	Minimal risk	963,662	4.4%	799,917	5.2%
A2	Excellent credit standing	18,768,860	85.3%	12,313,328	80.7%
A3	Very good credit standing	1,094,103	5.0%	995,814	6.5%
B1	Good credit standing	638,830	2.9%	439,215	2.9%
B2	Sound credit standing	313,836	1.4%	601,338	3.9%
B3	Acceptable credit standing	187,016	0.9%	80,094	0.5%
B4	Marginal credit standing	0	0.0%	2,139	0.0%
B5	Weak credit standing/sub-standard	25,874	0.1%	31,498	0.2%
C	Very weak credit standing/doubtful	716	0.0%	2,816	0.0%
D	Default	0	0.0%	0	0.0%
NR	Not rated	0	0.0%	6	0.0%
<b>Total</b>		<b>21,992,897</b>	<b>100.0%</b>	<b>15,266,165</b>	<b>100.0%</b>

Credit exposure to sovereigns increased € 6,726,732 thousand to € 21,266,165 thousand compared to year-end 2019. The largest increase was reported in rating grade A2 (up € 6,455,532 thousand) due to higher deposits with the Austrian National Bank and to an increase in Austrian credit financing and in the bond portfolio of the Republic of Austria and Germany.

## Credit portfolio management

RBI AG's credit portfolio is managed, among other factors, on the basis of the portfolio strategy. This limits the exposure to different countries, industries and product types to avoid undesired risk concentrations. In addition, the long-term opportunities in the single markets are regularly analyzed. This enables future lending activities to be strategically repositioned at an early stage.

RBI AG's credit portfolio is broadly diversified by region and sector. The geographical breakdown of the loans on and off the statement of financial position reflects the broad diversification of the credit business in the European markets. These loans are broken down by region according to the customer's country of risk as follows (countries with credit exposure greater than € 1 billion are shown separately):

in € thousand	2020	Percentage	2019	Percentage
Austria	40,026,287	43.7%	31,511,680	39.3%
Germany	9,549,819	10.4%	9,199,917	11.5%
Great Britain	7,776,480	8.5%	7,720,265	9.6%
France	5,356,586	5.8%	3,578,953	4.5%
Poland	3,953,098	4.3%	4,336,679	5.4%
Spain	2,314,915	2.5%	1,818,209	2.3%
Swiss	2,255,559	2.5%	2,382,958	3.0%
Luxembourg	1,744,793	1.9%	2,258,681	2.8%
Russia	1,671,009	1.8%	1,806,941	2.3%
Netherlands	1,419,761	1.5%	1,136,170	1.4%
Far East	1,415,132	1.5%	1,361,744	1.7%
Czech Republic	1,396,989	1.5%	1,458,982	1.8%
Belgium	1,151,311	1.3%	426,415	0.5%
Italy	1,131,494	1.2%	1,074,359	1.3%
Romania	1,081,679	1.2%	1,197,562	1.5%
Others	9,421,495	10.3%	8,956,708	11.1%
<b>Total</b>	<b>91,666,407</b>	<b>100.0%</b>	<b>80,226,225</b>	<b>100.0%</b>

RBI AG's loan portfolio grew € 11,440,182 thousand primarily due to the increase in deposits with the Austrian National Bank, credit financing and money market transactions in Austria. In France, the increase of € 1,777,634 thousand to € 5,356,586 thousand was attributable to bonds, money market and repo transactions. Bonds and repo transactions also increased in Spain, growing € 496,706 thousand to € 2,314,915 thousand. Facility financing and repo transactions, as well as an increase in the loans portfolio were responsible for the positive development in Belgium. Luxembourg reported a decline of € 513,888 thousand for bonds and for credit and facility financing. The increase in other exposures of € 488,823 thousand to € 9,421,495 thousand was mainly attributable to Canada and to bonds of international organizations, partly offset by a decline in US business.

Risk policies and the assessment of credit ratings at RBI AG also take account of the borrowers' industries. Banking and insurance represent the largest industry class in the credit portfolio. However, this is largely attributable to exposures to members of the Austrian Raiffeisen Group. Sovereigns mainly includes securities of the Republic of Austria as issuer.

Credit exposure broken down by original customer's industry classification:

in € thousand	2020	Percentage	2019	Percentage
Financial Intermediation	44,363,645	48.4%	33,380,067	41.6%
Real estate, renting and business activities	7,125,252	7.8%	9,278,559	11.6%
Public administration and defence, compulsory social security	7,227,473	7.9%	5,477,586	6.8%
Manufacturing	11,321,466	12.4%	11,572,886	14.4%
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	8,781,057	9.6%	8,038,019	10.0%
Agriculture, hunting and forestry; fishing; mining and quarrying	1,093,352	1.2%	1,203,627	1.5%
Construction	1,891,268	2.1%	1,806,554	2.3%
Transport, storage and communication	1,012,269	1.1%	706,742	0.9%
Education; health and social work; other community, social and personal service activities	1,002,482	1.1%	951,200	1.2%
Electricity, gas and water supply	1,441,134	1.6%	1,573,852	2.0%
Private households	2,762,672	3.0%	2,945,901	3.7%
Others	3,644,337	4.0%	3,291,232	4.1%
<b>Total</b>	<b>91,666,407</b>	<b>100.0%</b>	<b>80,226,225</b>	<b>100.0%</b>

The detailed credit portfolio analysis shows the breakdown by rating grade. 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 (e.g. good credit standing 4 for corporate customers and banks and good credit standing A3 for sovereigns) are not directly comparable between asset classes. For retail asset classes, country-specific scorecards are developed based on uniform Group standards. Corresponding tools are used to produce and validate ratings (e.g. business valuation tools, rating and default databases).

Collateralization is one of the main strategies and an actively pursued measure for reducing potential credit risks. The value of collateral and the effects of other risk mitigation techniques are determined during the limit application process. The risk mitigation effect taken into account is the value that RBI AG expects to receive when it sells the collateral within a reasonable period. Types of eligible collateral are defined in the collateral list and relevant valuation guidelines. The collateral value is calculated according to uniform methods, including standardized calculation formulas based on market values, predefined minimum discounts, and expert assessments.

## Credit default and workout process

The credit portfolio and individual borrowers are subject to constant monitoring. The main objectives of monitoring are to ensure that the borrower meets the terms and conditions of the contract and to keep track of the borrower's financial position. Such a review is conducted at least once annually in the non-retail asset classes (corporates, financial institutions, and sovereigns). This includes a rating review and the revaluation of financial and tangible collateral.

Problem loans (where debtors might run into material financial difficulties or a delayed payment is expected) need special treatment. In non-retail divisions, problem loan committees make decisions on problematic exposures. If restructuring is necessary, problem loans are assigned either to a designated specialist or to a restructuring unit (workout department). Involving employees of the workout departments at an early stage can help reduce losses from problem loans.

Credit default is assessed on the basis of quantitative and qualitative criteria. First, a borrower is considered to be in default if his contractual payments are more than 90 days overdue. Second, a borrower is considered to be in default if it meets the criteria of unlikely payment, which indicate that the customer is in significant financial difficulty and is unlikely to meet its payment obligations.

A loan obligation is no longer classified as default if - after a period of at least three months (six months after a non-performing retail restructuring) - the customer has shown good payment discipline during this period and no further indications of a high probability of default have been identified.

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:

in € thousand	NPE		NPE ratio		NPE coverage ratio	
	2020	2019	2020	2019	2020	2019
General governments	0	0	0.0%	0.0%	-	-
Banks	2,905	3,289	0.0%	0.0%	72.6%	86.9%
Other financial corporations	89,247	54,564	1.0%	0.6%	37.5%	43.9%
Non-financial corporations	659,263	708,529	4.0%	4.6%	62.7%	58.7%
Households	129,105	185,495	4.5%	6.1%	82.5%	60.9%
<b>Loans and advances</b>	<b>880,520</b>	<b>951,877</b>	<b>1.6%</b>	<b>2.0%</b>	<b>63.1%</b>	<b>58.4%</b>
<b>Bonds</b>	<b>10,322</b>	<b>11,340</b>	<b>0.1%</b>	<b>0.2%</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>890,842</b>	<b>963,217</b>	<b>1.4%</b>	<b>1.8%</b>	<b>62.3%</b>	<b>57.7%</b>

The following table shows the development of impairment losses on loans and provisions for liabilities off the statement of financial position during the financial year and the corresponding asset classes:

in € thousand	As at 1/1/2020	Allocation	Release <sup>1</sup>	Usage <sup>2</sup>	Reclassifications, exchange differences <sup>3</sup>	As at 31/12/2020
<b>Individual loan loss provisions</b>	<b>845,155</b>	<b>276,163</b>	<b>(237,143)</b>	<b>(27,363)</b>	<b>(47,432)</b>	<b>809,380</b>
Banks	2,859	580	(2,071)	886	(143)	2,111
Corporate customers	703,689	246,091	(196,765)	(17,267)	(43,407)	692,341
Retail customers	112,970	24,349	(16,040)	(10,982)	(3,898)	106,399
Sovereigns	0					0
Off-balance sheet obligations	25,638	5,143	(22,267)		16	8,530
<b>Portfolio-based loan loss provisions</b>	<b>123,733</b>	<b>318,851</b>	<b>(212,034)</b>	<b>(749)</b>	<b>(848)</b>	<b>228,953</b>
Banks	410	858	(975)		(8)	285
Corporate customers	63,241	217,800	(136,683)	(234)	(1,145)	142,979
Retail customers	46,156	27,895	(15,529)	(515)	608	58,615
Sovereigns	383	1,424	(350)		1	1,458
Off-balance sheet obligations	13,543	70,874	(58,497)		(304)	25,616
<b>Total</b>	<b>968,888</b>	<b>595,014</b>	<b>(449,177)</b>	<b>(28,112)</b>	<b>(48,280)</b>	<b>1,038,333</b>

<sup>1</sup> This contains changes in internal interest exemptions

<sup>2</sup> This contains unwinding interest income from impaired customers and changes in internal interest exemptions

<sup>3</sup> This contains reclassifications of provisions and changes in customer categories

## Country risk

Country risk includes transfer and convertibility risks as well as political risk. It arises from cross-border transactions and direct investments in foreign countries. RBI AG's business activities in the converging Central, Eastern European and Asia markets expose it to this risk. In those markets, political and economic risks are to some extent still considered to be significant.

RBI AG's active country-risk management is based on the country risk policy, which is 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 day-to-day work, business units therefore have to submit limit applications for the respective countries for all cross-border transactions in addition to the limit applications for specific customers. A model which takes into account the internal rating for the sovereign, the size of the country, and RBI AG's own capitalization is applied to determine the absolute limit for individual countries.

Country risk is also reflected through the internal funds transfer pricing system in product pricing and in risk-adjusted performance measurement. In this way, the bank offers the business units an incentive to hedge country risks by seeking insurance (e.g. from export credit insurance organizations) or guarantors in third countries. The insights gained from the country risk analysis are not only used to limit total cross-border exposure, but also to cap total credit exposure in each individual country (i.e. including the exposure that is funded by local deposits). RBI AG thus realigns its business activities to the expected economic development in different markets and enhances the broad diversification of its credit portfolio.

## Counterparty credit risk

The default of a counterparty in a derivative, repurchase, securities lending, or borrowing transaction can lead to losses from reestablishing an equivalent contract. At RBI AG 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. The total amount of the potential expected credit exposures from derivatives transactions determined in this way is set out in the tables of the individual customer segments. 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. Credit risk mitigation instruments such as netting agreements and collateralization represent an important strategy for reducing counterparty credit risk. In general, RBI AG 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.

## Participation risk

The risks from listed and unlisted participations are also considered to be part of the banking book. They are reported separately under this risk category. Most of RBI AG's direct or indirect participations are fully consolidated in the consolidated financial statements and their risks are therefore captured in detail. Accordingly, the management, measurement and monitoring methods described for the other types of risk are used for the risks arising out of such participations.

The roots of participation risk and default risk are similar: a deterioration in the financial situation of a participation is normally followed by a rating downgrade (or default) of that unit. The calculation of the value-at-risk and of the economic capital for participations is based on an extension of the credit risk approach according to Basel III.

RBI AG's participations are managed by RBI Group Participations. It monitors the risks that arise from long-term participations in equity and is also responsible for the ensuing results. New investments are made only by RBI AG's Management Board on the basis of a separate due diligence.

## Market risk

RBI AG defines market risk as the risk of possible losses arising from changes in market prices of trading and banking book positions. Market risk estimates are based on changes in exchange rates, interest rates, credit spreads, equity and commodity prices and other relevant 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 bank's overall limit. The Capital Markets division is responsible for proprietary trading, market making, and customer business in money market and capital market products.

The following measures are being taken by market risk management in order to counter the COVID-19 crisis. Market trends and position changes for RBI AG are monitored more intensely. In addition, trends on local markets are updated daily and risk management is actively controlled to be able to respond quickly to changes. The aim is to adapt limits to the risk appetite, close positions where necessary, build up liquidity buffers where market conditions are more favorable, and adapt models to local and global measures (moratoriums) where necessary.

### Organization of market risk management

RBI AG measures, monitors, and manages all market risks for the bank as a whole.

The *Market Risk Committee* is responsible for strategic market risk management issues. It is responsible for managing and controlling all market risks. The bank'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 strategy, business model and risk appetite.

The Market Risk Management department ensures that the business volume and product range comply with the defined and agreed strategy and risk appetite. It is responsible for developing and enhancing risk management processes, manuals, measurement techniques, risk management infrastructure and systems for all market risk categories and credit risks 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

RBI AG uses a comprehensive risk management approach for both the trading and the banking books (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, horizon one day  
The VaR limit caps the maximum loss which is not exceeded with a confidence level of 99 per cent within one day. It is the main 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 4,000 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 requirements for market risks. Value-at-risk results are used not only for risk limitation but also for the allocation of economic capital, for which longer time series of 7 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 (VaR 99 per cent, one day) for the individual market risk categories in the trading book and the banking book. Currency risks, structural interest rate risks and spread risks from bond books maintained as a liquidity buffer dominate RBI AG's VaR.

Trading book VaR 99% 1d in € thousand	VaR as of 31/12/2020	Average VaR	Maximum VaR	Minimum VaR
Currency risk	4,789	3,276	8,144	244
Interest rate risk	1,312	2,109	5,078	1,003
Credit spread risk	1,590	1,251	3,252	428
Vega risk	127	302	1,099	122
Basis risk	297	443	1,195	172
Total	5,188	4,653	10,979	1,195

Trading book VaR 99% 1d in € thousand	VaR as of 31/12/2019	Average VaR	Maximum VaR	Minimum VaR
Currency risk	287	832	2,999	105
Interest rate risk	1,362	1,262	2,233	698
Credit spread risk	424	598	1,005	294
Vega risk <sup>1</sup>	219	122	257	50
Basis risk	302	405	746	216
Total	1,663	1,641	3,913	1,026

Banking book VaR 99% 1d in € thousand	VaR as of 31/12/2020	Average VaR	Maximum VaR	Minimum VaR
Currency risk	174	42	308	0
Interest rate risk	10,743	15,480	47,759	6,253
Credit spread risk	33,896	20,812	55,120	9,038
Vega risk	2,207	3,435	8,264	2,012
Basis risk	914	1,361	4,291	661
Total	30,021	24,291	59,483	12,244

<b>Banking book VaR 99% 1d in € thousand</b>	<b>VaR as of 31/12/2019</b>	<b>Average VaR</b>	<b>Maximum VaR</b>	<b>Minimum VaR</b>
Currency risk	3	1	3	0
Interest rate risk	11,871	3,418	11,871	1,471
Credit spread risk	9,593	3,663	9,918	2,265
Vega risk <sup>1</sup>	173	337	3,667	52
Basis risk	1,112	1,424	1,905	1,047
<b>Total</b>	<b>13,754</b>	<b>5,804</b>	<b>13,754</b>	<b>3,645</b>

<sup>1</sup> Previous year figures adjusted due to a change in the Vega simulation

<b>Total VaR 99% 1d in € thousand</b>	<b>VaR as of 31/12/2020</b>	<b>Average VaR</b>	<b>Maximum VaR</b>	<b>Minimum VaR</b>
Currency risk	4,728	3,267	8,144	246
Interest rate risk	12,047	17,302	51,202	7,210
Credit spread risk	34,983	21,357	58,075	9,432
Vega risk	2,317	3,673	9,309	2,144
Basis risk	1,031	1,463	4,323	805
<b>Total</b>	<b>30,347</b>	<b>25,371</b>	<b>62,725</b>	<b>12,858</b>

<sup>1</sup> Previous year figures adjusted due to a change in the Vega simulation

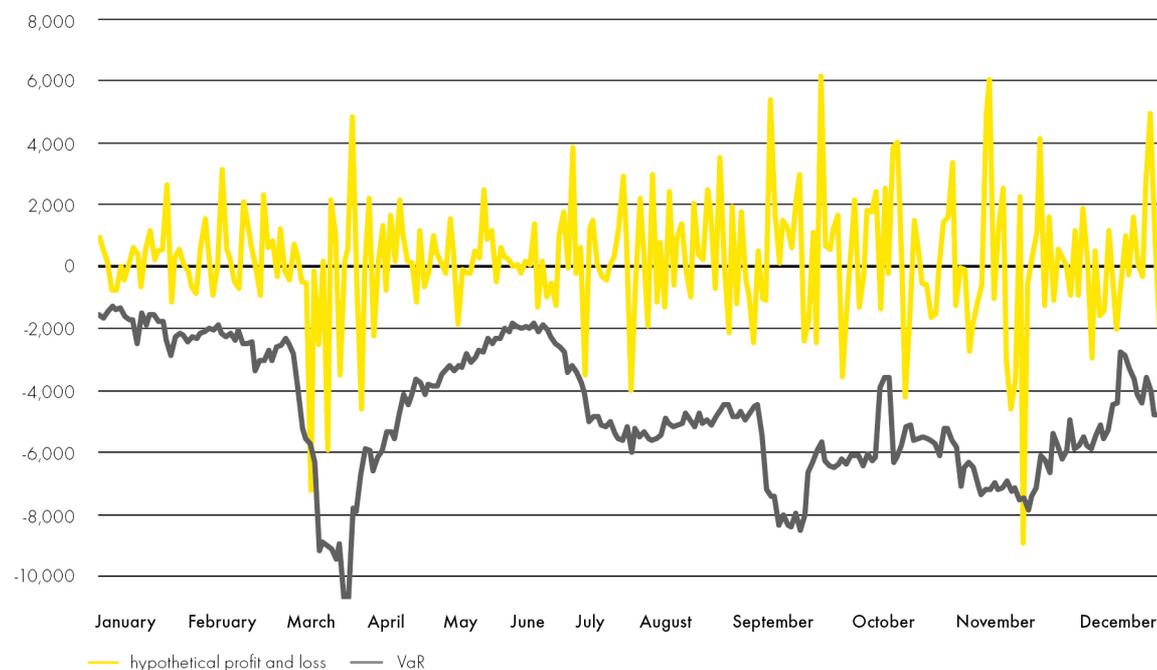
<b>Total VaR 99% 1d in € thousand</b>	<b>VaR as of 31/12/2019</b>	<b>Average VaR</b>	<b>Maximum VaR</b>	<b>Minimum VaR</b>
Currency risk	289	832	2,999	105
Interest rate risk	13,241	4,267	13,241	1,650
Credit spread risk	9,853	3,717	10,243	2,283
Vega risk <sup>1</sup>	2,829	395	3,766	77
Basis risk	1,170	1,538	1,998	1,099
<b>Total</b>	<b>14,550</b>	<b>6,416</b>	<b>14,550</b>	<b>4,105</b>

<sup>1</sup> Previous year figures adjusted due to a change in the Vega simulation

Besides qualitative analysis of profitability, backtesting and statistical validation techniques are regularly used to monitor the risk measurement methods employed. If model weaknesses are identified, the methods are adjusted. The following chart compares VaR with the hypothetical profits and losses for RBI AG's regulatory trading book on a daily basis. VaR denotes the maximum loss that will not be exceeded with a 99 per cent confidence level within a day. The respective hypothetical profit or loss represents that which would have been realized due to changes in the actual market movements on the next day. Last year there were two hypothetical backtesting violations.

## Value-at-Risk and theoretical market price changes of trading book

in € thousand



In March 2020 there were strong daily changes in hypothetical profit and loss against a sharply increasing VaR, following the outbreak of the COVID-19 crisis which led to a backtesting violation. This was due to daily market movements in long-term euro interest rates of up to 17 basis points. A portfolio of equity instruments, measured in the internal model as perpetuals with a maturity of 2099, was the main driver. In order to protect the Russian capital from fluctuations in the Russian ruble, in the third quarter of 2020 a short ruble position was established which was a key driver of the regulatory trading book. At the beginning of November 2020, the daily appreciation of the Russian ruble was above the 99 per cent quantile, which resulted in a hypothetical backtesting violation.

## Interest rate risk in the trading book

The following table shows the largest present value changes in the trading book given a parallel one-basis-point interest rate increase (significant currencies shown separately). The trading book strategy remains largely unchanged.

2020 in € thousand	Total	< 3 m	> 3 to 6 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	1	0	(1)	2	(2)	(1)	3	(1)	0	1	0	0
CNY	4	0	0	4	0	0	0	0	0	0	0	0
CZK	5	(3)	1	11	5	(2)	2	(3)	(7)	0	0	0
EUR	(260)	2	(7)	1	(8)	(21)	(6)	(23)	(39)	(54)	(42)	(63)
GBP	0	0	0	0	0	(1)	2	0	0	0	0	0
HRK	1	0	1	0	0	0	1	0	0	0	0	0
HUF	2	5	(3)	(1)	(3)	8	(2)	(4)	4	0	0	0
NOK	0	0	0	0	(1)	1	0	0	0	0	0	0
PLN	7	(6)	(1)	(2)	6	4	(11)	14	4	0	0	0
RON	(3)	1	1	0	0	(2)	6	(8)	0	0	0	0
RUB	3	2	3	0	3	(1)	(1)	(1)	0	0	0	0
USD	(13)	1	(7)	11	(13)	8	1	(16)	41	(69)	36	(7)
Others	(18)	0	0	(1)	(3)	(2)	(1)	(1)	(3)	(7)	0	0

2019 in € thousand	Total	< 3 m	> 3 to 6 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	(5)	(4)	(2)	(2)	3	0	2	(2)	(1)	1	0	0
CNY	4	0	0	4	0	0	0	0	0	0	0	0
CZK	(9)	0	(4)	(14)	11	5	(6)	0	4	(6)	0	0
EUR	(177)	13	(15)	2	(7)	(22)	(32)	(34)	36	(27)	(20)	(73)
GBP	0	0	0	0	0	0	0	0	0	0	0	0
HRK	2	0	0	0	1	(1)	1	0	0	0	0	0
HUF	8	(4)	4	6	1	(8)	6	1	4	(1)	0	0
NOK	3	0	0	0	(1)	2	2	0	0	0	0	0
PLN	24	2	6	2	0	(3)	13	0	4	0	0	0
RON	(15)	0	0	(1)	5	(3)	7	(13)	(3)	(7)	0	0
RUB	(7)	(1)	(2)	(5)	(1)	(1)	6	(2)	(1)	0	0	0
USD	(47)	(3)	(6)	(8)	(19)	(18)	26	(5)	14	(29)	13	(12)
Others	(16)	1	0	(1)	(3)	(3)	(6)	(3)	(1)	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 RBI AG. 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.

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 Treasury division, which is supported by the Group Asset/Liability Committee. The latter uses scenarios and interest income 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 in a value-at-risk framework but also managed by the traditional tools of nominal and interest rate gap analyses. The following table shows the change in the present value of the banking book given a one-basis-point parallel interest rate increase. The main currencies are shown separately.

2020 in € thousand	Total	< 3 m	> 3 to 6 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	(195)	(40)	(1)	2	(8)	(16)	(21)	(9)	(29)	(36)	(28)	(10)
CNY	(3)	0	(1)	(2)	0	0	0	0	0	0	0	0
CZK	0	1	(1)	0	(1)	2	1	0	(3)	0	0	0
EUR	(2593)	83	18	(112)	(580)	(465)	(781)	(333)	(317)	(96)	(45)	35
GBP	(32)	1	(1)	(1)	(13)	(5)	(5)	(8)	0	0	0	0
HUF	5	1	(2)	0	(1)	1	4	1	0	0	0	0
PLN	(21)	0	(1)	2	(8)	(5)	(7)	(2)	0	0	0	0
SGD	1	0	0	1	0	0	0	0	0	0	0	0
USD	(110)	10	(8)	18	27	(17)	(34)	(18)	(23)	(47)	(18)	0
Others	(18)	0	(2)	2	(3)	(1)	(1)	(1)	(1)	(3)	(5)	(2)

2019 in € thousand	Total	< 3 m	> 3 to 6 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20 y
CHF	(249)	(40)	(1)	(1)	(2)	(12)	(31)	(13)	(39)	(50)	(38)	(23)
CNY	(2)	0	(1)	(1)	0	0	0	0	0	0	0	0
CZK	(2)	5	(1)	0	0	(2)	(3)	0	(2)	0	0	0
EUR	(2268)	148	(13)	21	(704)	(560)	(799)	(197)	(362)	99	44	55
GBP	(17)	(3)	(5)	0	1	(1)	(7)	(1)	0	0	0	0
HUF	3	0	0	0	(1)	(1)	6	(1)	0	0	0	0
PLN	(15)	(5)	(1)	(1)	(1)	0	(1)	(5)	0	0	0	0
SGD	1	0	0	1	0	0	0	0	0	0	0	0
USD	(89)	19	(20)	(18)	(2)	(8)	(14)	(4)	(1)	(25)	(17)	0
Others	(7)	0	0	1	0	0	(1)	0	0	(2)	(4)	(2)

## 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.

## Liquidity management

### Principles

Internal liquidity management is an important business process 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 AG 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 (KIRMV) by the Austrian regulatory authority.

The regulatory component is addressed by compliance with 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.

### Organization and responsibility

Responsibility for ensuring adequate levels of liquidity lies with the overall Management Board. The board members with functional responsibility are the Chief Financial Officer (Treasury/ALM) and the Chief Risk Officer (Risk Controlling). Accordingly, the processes regarding liquidity risk are run essentially by two areas within the bank: On the one side the Treasury unit, which takes 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 the independent Risk Controlling unit, which measures and models liquidity risk positions, sets limits and supervises the compliance with those.

Besides the responsible units in the line functions, the Asset/Liability Management Committee (ALCO) acts as the decision-making body with respect to all matters affecting the management of the liquidity position and statement-of-financial-position structure of RBI AG, including the definition of strategies and policies for managing liquidity risks. The ALCO takes decisions and provides standard reports on liquidity risk to the respective Management Boards at least on a monthly basis.

### 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 minimum liquidity targets in regulatory indicators. 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 in parent funding within the group, the sustainable management of the depositor base and of 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 and determined based on particular modelling assumptions. Whereas the regulatory reports are calculated on specifications given by authorities, the internal reports are modelled with assumptions from empirical observations.

RBI AG 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 a sufficient granular level, differentiating between product and customer segments, and, where applicable, currencies as well. Modelling of 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.

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 RBI AG 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) for each Group unit.

The liquidity scenarios are modelled using a Group-wide approach which considers local specifics where warranted due to influencing factors such as the market or the legal environment or certain business characteristics. When modelling cash inflows and outflows a distinction is at minimum made between products, customer segments and individual currencies (where applicable). For products without a contractual maturity, the distribution of cash inflows and outflows is calculated using a geometric Brownian motion which derives statistical forecasts for future daily balances from the observed, exponentially weighted historical volatility of the corresponding products.

The liquidity risk framework is continuously developed. The technical infrastructure is enhanced in numerous 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 at the level of RBI AG and at the level of its branches 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 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 (GC), 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. For internal models, these 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 test

Stress tests are conducted for RBI AG on a daily basis on Group level. 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; all units of RBI AG are simultaneously subject to a severe combined crisis for all their major products. The results of the stress tests are reported to the Management Board and 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 simulations assume a lack of access to the money or capital markets 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. RBI AG 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 examines the remaining counterbalancing capacity, including the funding potential and the salability of the assets.

Generally, a haircut is applied to all liquidity buffer positions. In the stressed liquidity report (time-to-wall), 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 risk management, the available liquidity is calculated daily on the basis of the outflow assumptions of the regular liquidity stress report (time-to-wall) for RBI AG. In case of limit breaches, the intraday contingency and escalation process is triggered.

### 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 and thus also for RBI AG. The emergency management process is designed so that the Group can retain a strong liquidity position even in serious crisis situations.

### Liability structure and liquidity position

Funding is founded on a strong deposit base. Funding requirements are regularly updated to take account of balance sheet developments and to ensure that liquidity ratios are maintained in accordance with management requirements. The ability to procure funds is precisely monitored and evaluated by Treasury.

In the past year and to date, RBI AG's excess liquidity was significantly above all regulatory and internal limits (with a handful of exceptions in the area of internal sub-limits). The result of the internal time to wall stress test demonstrates that RBI AG would survive throughout the modelled stress phase of several months even without applying contingency measures.

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 the 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 off-balance sheet items and downward market movements in relation to positions which influence the liquidity counterbalancing capacity.

in € thousand	2020		2019	
	1 month	1 year	1 month	1 year
Liquidity gap	6,088,703	6,217,694	4,250,532	4,562,591
Liquidity ratio	113%	108%	110%	106%

## Liquidity coverage ratio

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 (HQLA) to meet potential liability run offs that might occur in a crisis, which can be converted into cash to meet the liquidity needs for a minimum of 30 calendar days in a liquidity stress scenario.

The calculation of the expected cash inflows and outflows of funds and the HQLAs is based on regulatory guidelines.

The regulatory limit for the LCR is 100 per cent.

in € thousand	31/12/2020	31/12/2019
Average liquid assets	22,108,501	16,163,381
Net outflows	15,304,534	12,372,628
Inflows	8,228,337	7,601,297
Outflows	23,532,871	19,973,925
<b>Liquidity Coverage Ratio</b>	<b>144%</b>	<b>131%</b>

Secured capital market transactions led to an increase in inflows, whereas the increase in outflows was primarily attributable to non-operating, short-term deposits.

## Net Stable Funding Ratio (NSFR)

The NSFR is defined as the ratio of available stable funding to required stable funding. From 28 June 2021, the new regulatory requirements come into force and the regulatory limit of 100 percent must be complied with. Available stable funding is defined as that 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 held and of off-balance sheet positions.

RBI AG targets a balanced funding position.

in € thousand	2020	2019
Required stable funding	41,098,187	38,336,772
Available stable funding	44,379,784	37,914,378
<b>Net Stable Funding Ratio</b>	<b>108%</b>	<b>99%</b>

During the COVID-19 crisis a stable liquidity situation was observed within RBI AG. The crisis confirmed RBI AG's strong liquidity position and its ability to respond quickly in the event of a lack of market-sensitive refinancing sources. Generally, the ILAAP framework and governance proved sound and effective.

## 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 RBI AG's own historical loss data and the results of risk assessment.

As with other risk types the principle of firewalling of risk management and risk controlling is also applied to operational risk at RBI AG. To this end, individuals are designated and trained as Operational Risk Managers for each division. 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 contacts (Operational Risk Managers).

The COVID-19 pandemic and the resulting consequences for business continuity represent an operational loss event. As part of loss data reporting, all relevant direct and indirect effects were therefore collated on a group-wide basis. The direct effects included, for example, hygiene products such as masks, tests, disinfectants, additional cleaning costs, costs for safe travel to and from the workplace, additional security personnel, equipment for work areas (Plexiglas panels) and additional technical infrastructure such as notebooks. In the fiscal year under review, the direct costs amounted to € 360 thousand. The direct losses were included both in the AMA model within the context of the regulatory capital requirement and also in the economic capital. The effect for RBI AG as at 31 December 2020 can be considered insignificant.

### Risk identification

Identifying and evaluating risks that might endanger the bank'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 manner according to risk categories such as business processes and event types. Moreover, risk assessment applies to new products as well. The impact of high probability/low impact events and low probability/high impact events is measured over a one-year and a ten-year horizon. Low probability/high impact events are quantified on the basis of 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 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, RBI AG 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, RBI AG has calculated the equity requirement using the Advanced Measurement Approach (AMA).

The Advanced Measurement Approach is based on an internal model with the input factors from the external and internal loss events and the Group-wide scenarios. Risk-based management is carried out with the allocation on the basis of the input factors of the corresponding units and operating income for stabilization. The implementation of these high qualitative standards has already been rolled out in broad sections of the Group.

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. RBI AG also organizes regular extensive staff training programs and has a range of contingency plans and back-up systems in place.

# Internal control and risk management system with regard to the accounting process

## Introduction

The establishment and definition of a suitable internal control and risk management system with regard to the accounting process is extremely significant for RBI AG. The annual financial statements of RBI AG are prepared in the Transaction Accounting, Bank Accounting and Financial Accounting departments, which belongs to the CFO area under the CEO. The foreign branches deliver financial statements to head office and they themselves are responsible for preparing the financial statements.

The annual financial statements are prepared on the basis of the relevant Austrian laws, above all the Austrian Banking Act (BWG) and the Austrian Commercial Code (UGB), which deal with the preparation of annual financial statements.

RBI AG's general ledger is maintained in SAP. The GEBOS core banking system fulfills important sub-ledger functions such as credit and deposit processing, and clearing, settlement and payment services. Other sub-ledgers exist in addition to GEBOS, including in particular:

- Wall Street Systems and Murex (Treasury transactions)
- GEOS und GEOS Nostro (securities settlement and nostro securities management)
- Clearing, settlement and payment services
- Trade finance (guarantees and letters of credit)
- UBIX (stock exchange traded securities derivatives)
- ARTS/SE4 (Repo and lending business)
- SAP sub-ledgers (accounts receivable/accounts payable/fixed asset accounting)
- FineVare (loan loss provisioning)

The accounting process can be described as follows:

- **Day-to-day accounting**  
Day-to-day accounting records are mainly posted to the respective sub-ledgers (sub-systems). This accounting data is transferred to the general ledger (SAP) in aggregated form on a daily basis, using automated interfaces. In addition, individual postings are recorded directly in the SAP general ledger.  
The general ledger in SAP has multi-GAAP functionality, which means two equivalent parallel general ledgers are maintained in SAP: one in accordance with UGB/BWG reporting standards and also a parallel ledger in accordance with IFRS. An operational chart of accounts exists for the two general ledgers; depending on the respective content, all postings are effected either simultaneously in both general ledgers or in only one of the two ledgers. The parallelism of the entries and the parallel existence of the two general ledgers remove the need for reconciliations from UGB/BWG to IFRS.
- **Individual financial statements for RBI head office in accordance with UGB/BWG and IFRS**  
The SAP trial balance in accordance with UGB/BWG and/or IFRS results from the posting data of the respective sub-systems which is delivered via automated interfaces. In addition, a number of supplementary ledger-specific closing entries are made directly in SAP. These are independent of the respective sub-systems. The sum of all these entries gives the statement of financial position and the income statement pursuant to UGB/BWG or IFRS.
- **Individual financial statements of RBI AG**  
In a final step, the financial statements of RBI AG in accordance with UGB/BWG are produced. These include head office and also the branches. Both the branch data and also the closing data of head office are conveyed by automated transfer from SAP or in some cases by direct input into the IBM Cognos Controller consolidation system. The data are consolidated in this system, on the basis of which RBI AG's overall individual financial statements are prepared.

## Control environment

In general, all Group-internal instructions can be retrieved from the Group Internal Law Database. With regard to accounting, mention should be made above all of the Group Accounts Manual, which contains a description of the following points in particular:

- General accounting rules
- Measurement methods
- Required (quantitative) information in the notes
- Accounting rules for special transactions

Further guidelines relate solely to RBI AG or only deal with functions within departments. The Corporate Directive Accounting Guidelines for example apply to the accounting system. These deal with the instruction process for the settlement of purchase invoices, cost refunds and the management of clearing accounts.

## Risk assessment

The assessment of the risk of incorrect financial reporting is based on various criteria. Valuations of complex financial instruments may lead to an increased risk of error. In addition, asset and liability items have to be valued for the preparation of the annual financial statements; in particular the assessment of the impairment of receivables, securities and participations, which are based on estimates of future developments, gives rise to a risk.

## Control measures

The control measures encompass a wide range of reconciliation processes, notably the reconciliation between the general ledger in SAP and the sub-ledgers. Besides the four eyes principle, automation-aided controls and monitoring instruments dependent on risk levels are used, such as the reconciliation between accounting and balance sheet risk management. The duties assigned to individual positions are documented and updated on an ongoing basis. Particular emphasis is placed on effective deputizing arrangements to ensure that deadlines are not missed due to the absence of one person. The controls in the core processes are important for the financial statements process. These primarily involve measurement-related processes whose results have a significant influence on the financial statements (e.g. loan loss provisioning, derivatives, equity participations, personnel provisions, market risk).

The Audit Committee of the Supervisory Board considers and approves the annual financial statements and the management report. They are published in the Wiener Zeitung and finally filed with the commercial register.

As the control measures were carried out on an electronic basis, the COVID-19 pandemic and associated lockdown and partial physical absence (home office) had no impact on the internal control system.

### Information and communication

Information on the accounting treatment of the respective products is regularly exchanged with the specialist departments. For example, regular monthly meetings take place with the Capital Markets and Treasury departments, in which among other topics accounting for complex products is addressed. The Accounting team is also represented at regularly scheduled jour-fixe meetings during the product launch process in order to provide information on the technical aspects of accounting and their implications for product launches. Regular department events ensure that employees receive ongoing training on changes to accounting rules under UGB, BWVG and IFRS.

As part of the reporting process, the Management Board receives monthly and quarterly reports analyzing the results of RBI AG. The Supervisory Board is also regularly informed about the results at its meetings.

External reports are for the most part prepared only for the consolidated results of RBI AG. The reporting cycle is quarterly: besides the consolidated financial statements, a semi-annual financial report and interim quarterly reports for the Group are published. In addition, reports have to be regularly provided to the banking supervisory authority.

### Monitoring

Financial reporting is an important part of the ICS, in which the accounting processes are subject to additional monitoring and control, the results of which are presented to the Management Board and Supervisory Board. The Audit Committee is also responsible for monitoring the accounting process. The Management Board is responsible for ongoing company-wide monitoring. In accordance with the target operating model, three successive lines of defense are established to meet the increased requirements for internal control systems.

The first line of defense is formed by the individual departments, where department heads are responsible for monitoring their business areas. Controls and plausibility checks are conducted on a regular basis within the departments, in accordance with the documented processes.

The second line of defense is provided by issue-specific specialist areas. These include, for example, Compliance, Data Quality Governance, Operational Risk Controlling or Security & Business Continuity Management. Their primary aim is to support the individual departments when carrying out control steps, to validate the actual controls and to introduce state-of-the-art practices within the organization.

Internal audits are the third line of defense in the monitoring process. Responsibility for auditing lies with Group Internal Audit at RBI. 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 Audit's internal rules are additionally applicable (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 Boards.

# Outlook

## Economic outlook

Towards the end of 2020, a resurgence in COVID-19 cases was countered with further restrictions, some of which were very severe. A return to normality and the start of a sustained European economic recovery depends to a large extent on medical developments. Comprehensive vaccination for defined risk groups will not be available before spring of 2021. The expected subsequent easing of restrictions on businesses to a greater degree will allow economic activity to increase, which should be reflected in higher GDP growth rates. Support is expected to stem from pent-up consumer demand from 2020 and from monetary and fiscal policy stimulus (not least from EU budgetary measures/NextGeneration EU).

### Central Europe

The Central Europe (CE) region is expected to show significant economic growth averaging 3.7 per cent in 2021 following the deep recession of the previous year. Comprehensive vaccination programs are expected to be underway somewhat later than in Western Europe. After a slow start to the year, economic growth momentum is expected to accelerate in the second half. Monetary policy is likely to remain expansionary, while government support measures are not expected to be abruptly curtailed. With GDP growth of 5.0 per cent, Slovakia and Hungary are expected to see the strongest economic recovery in the region, while real growth should be 3.7 per cent in Poland and 2.5 per cent in the Czech Republic.

### Southeastern Europe

Real GDP growth in the Southeastern Europe (SEE) region is forecast to reach 4.6 per cent in 2021. At the individual country level, the expected increase of 5.1 per cent in Croatia stands out, although this should be viewed against the backdrop of the previous year's steep economic decline (down 8.4 per cent). Romania, the largest economy in the region, is expected to see the highest economic growth rate at 5.2 per cent. Key factors in the SEE region include vaccinations over the course of the year, as in other regions, and the relatively large sums the region will receive from the NextGeneration EU fiscal plan starting in the second half of the year. The involuntary reductions in consumption are likely to result in a certain degree of pent-up demand and a recovery in consumer spending.

### Eastern Europe

The Russian economy is expected to grow around 2.3 per cent in 2021, a low rate by regional standards. However, the growth forecast should be viewed in the context of the comparatively mild recession experienced in the previous year. Russia's key interest rates are expected to remain low at 4.25 per cent while the inflation rate is expected to decline again over the course of 2021 from an elevated level at the beginning of the year. Sanction risks could rise slightly, but a strong further wave of sanctions is not expected. Real GDP in Ukraine is expected to grow just under 4 per cent. Relations with the International Monetary Fund are difficult due to Ukraine's slower pace of reform. However, the country's adequate currency reserves are expected to have a stabilizing effect on its currency. The Belarusian economy is expected to grow 1.5 per cent in 2021 after a comparatively mild recession in the previous year.

### Austria

The extensive lockdown, which was partially eased only at the beginning of February, is expected to weigh on the Austrian economy in the first quarter as well, resulting in a decline in GDP compared to the prior quarter. As the year unfolds, however, an economic rebound can be expected as restrictions ease, and quarter-on-quarter GDP growth rates are likely to be markedly positive. It is expected that private consumption will prove to be the main driver of the economy. In contrast, capital expenditure is likely to grow at below-average rates for an economic upturn, as the increase in debt levels in the previous year is expected to result in companies having less scope for capital expenditures. Additionally, the recession was preceded by an exceptionally strong investment cycle lasting several years. The related capacity expansion should subdue the need for capital expenditures as demand rises. Due to the unfavorable conditions at the outset of the year (weak six months during the 2020/21 winter season), a partial recovery from the preceding GDP contraction is expected for 2021 as a whole, with real GDP growth of 3.5 per cent. However, the GDP level of the fourth quarter of 2019, prior to COVID-19, is only likely to be reached again during the course of 2022.

## Banking sector in Austria

The improved economic outlook for 2021 is expected to underpin stable business development in the Austrian banking sector. Despite banks' somewhat tighter lending standards, which tend to make it more difficult to grant credit, the development of new business is likely to be stable. Access to the ECB's targeted longer-term refinancing operations, which will continue to provide the banking sector with favorable terms, is expected to have a supportive effect as well. In contrast, asset quality is expected to deteriorate over the course of 2021, with expiring moratoriums leading to an increase in the non-performing loan ratio. The proportion of provisions in banks' earnings for the period will also remain elevated, which will impact the profitability of the Austrian banking sector. Nonetheless, the domestic banking sector appears to be well-prepared for the current year.

## CEE banking sector

Loan and balance sheet growth at CEE banks are expected to be moderate over the coming 12 to 24 months. The medium-term outlook is supported by the vaccine rollout, the favorable refinancing conditions and the regulatory framework. However, the potentially ongoing challenging situation in the labor markets, an expected deterioration in the credit quality of loan applicants and the possible withdrawal of regulatory and fiscal measures initiated in 2020 could have a negative impact. Besides expectations for moderate loan growth, the low interest rate environment and sustained risk costs (e.g. a delayed rise in unemployment, expiry of moratoriums) are also negatively affecting bank profitability, even if some CEE markets show greater resilience. In this respect, the risk remains that a portion of the loans subject to repayment deferrals will become non-performing in the coming months, including in the more vulnerable SME and retail portfolios. Overall, retail loan growth (in local currency) in the CEE banking sector in 2021, should be near the median of CEE countries in 2020 (up 7 per cent p.a.), and growth in corporate lending should be between 6 and 8 per cent (median in CEE region for 2020: up 5 per cent p.a.). Furthermore, it is expected that growth in the retail sector will outpace that of corporate. Against this backdrop, the RoE ratios in CEE should fall between 5 and 9 per cent (median 2020 forecast: 9 per cent).

## Outlook for RBI AG

In view of the ongoing COVID-19 pandemic, we expect business developments to remain subdued in the near term, turning positive from the second half of the year. As a result of both the pandemic and the continued low interest rate environment, we expect interest rates to remain stable at best in the 2021 financial year. Earnings in the services sector are also expected to be similar to those in 2020. The development of dividend income from affiliated companies in the 2021 financial year depends on the removal of various restrictive regulatory dividend recommendations. Based on these elements, operating income is not expected to grow in the current financial year.

Efficiency improvements and internal process optimization as a result of the "TOM" project should be fully reflected for the first time, leading to a clear reduction in general administrative expenses. Depending on the Polish Supreme Court's ruling regarding clauses in contracts for foreign exchange mortgages, expected at the end of March 2021, additional allocations to provisions for litigation may be necessary.

Net provisions for impairment losses of € 148 million in 2020 were somewhat higher as a result of the COVID-19 pandemic. Despite the expiration of government support measures, we anticipate lower provisioning requirements.

Over the medium term, we target a CET1 ratio (fully loaded) after dividend of around 13 per cent for the RBI Group. Based on that target, we intend to pay dividends equal to 20 to 50 per cent of consolidated profit

# Statement of the board of Management pursuant to Art. 82 (4) Z3 Austrian Stock Exchange Act

We confirm to the best of our knowledge that the financial statement give a true and fair view of the assets, liabilities, financial positions and profit or loss of the company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 26 February 2021

The Managing Board



**Johann Strobl**

Chief Executive Officer responsible for Group Marketing, Active Credit Management, Group Sustainability Management, Legal Services, Chairman's Office, Group Communications, Group Executive Office, Group People & Organisational Innovation, Group Internal Audit, Group Investor Relations, Group Planning & Finance, Group Subsidiaries & Equity Investments, Group Tax Management, Group Treasury and Group Strategy



**Andreas Gschwentner**

Member of the Management Board responsible for Group Core IT, Group Data, Group Efficiency Management, Group IT Delivery, Group Procurement, Outsourcing & Cost Management, Group Security, Resilience & Portfolio Governance and Head Office Operations



**Lukasz Januszewski**

Member of the Management Board responsible for Group Capital Markets Corporates & 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 Compliance, Group Corporate Credit Management, Group Regulatory Affairs & Data Governance, 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 International Mass Banking, Sales & Distribution, International Premium & Private Banking, International Retail CRM, International Retail Lending, International Retail Online Banking, International Retail Payments and International Small Business Banking

# Auditor's Report

## Report on the Financial Statements

### Audit Opinion

We have audited the financial statements of

**Raiffeisen Bank International AG,  
Vienna,**

which comprise the Statement of financial position as of 31 December 2020, the income statement for the year then ended, and the notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2020, and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and other legal requirements (Austrian Banking Act).

### Basis for our Opinion

We conducted our audit in accordance with Regulation EU 537/2014 ("AP Regulation") and the Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the Company, in accordance with Austrian company and banking law as 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 up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, however, we do not provide a separate opinion thereon.

We have identified the following key audit matters:

1. Recoverability of loans and advances to customers
2. Recoverability of shares in affiliated companies

#### 1. Recoverability of loans and advances to customers

##### Risk for the Financial Statements

Loans and advances to customers of EUR 28.9 billion are reported in the statement of financial position, net of impairment provisions (specific and collective). They are predominantly comprised of loans and advances to Austrian and foreign corporate customers, with about EUR 2.6 billion from mortgage loans to retail customers in the Warsaw branch of RBI AG.

The Management Board describes the composition of the loans and advances to customers, the process of monitoring credit risk and the approach for determining impairments in the "Recognition and Measurement Principles" section of the notes to the financial statements and in the "Credit Risk" section of the Risk Report in the management report.

As part of the credit risk monitoring process, the bank assesses whether there are any defaulted loans that require specific impairment provisions. Included in the assessment is whether clients are able to fulfil contractual repayments in full.

Impairment calculations of individually significant loan receivables (corporate and non-retail customers) in default, are based on an analysis of expected and scenario-weighted future cash flows. This analysis is impacted by the respective customer's assessed economic situation and development, loan collateral values as well as an estimation of both the amount and timing of cash flows derived therefrom.

Specific impairments for individually insignificant customers (households or retail) as well as collective impairment provisions for receivables for which no impairment triggers have been identified, are recognized for expected credit losses based on models using statistical assumptions, such as ratings-based default probabilities and loss ratios. The bank has applied the IFRS 9 method for expected credit losses [12 month ECL (Stage 1) and total credit term (Stage 2 and 3)].

As the previously applied valuation model cannot adequately reflect extraordinary circumstances, such as the COVID-19 crisis, the bank added to the provision (post model adjustments) over and above the result derived from the model. These adjustments were based on the bank's internal estimates as well as external forecasts over the economy's development.

The impairment provisions, particularly the increase arising from the management overlay, are to a significant extent, based on assumptions and estimates. This results in a range of judgements and estimation uncertainties in relation to the amount of the provision of risk. This results in a possible risk of [material] misstatement of the required provision for credit risk

## Our Response

In auditing the recoverability of loans and advances to customers, we performed the following key audit procedures:

- We analysed existing documentation regarding processes to monitor and provide for customer loans and advances and critically assessed whether these processes are appropriate to identify loan defaults and provide for the impairment of loans and advances to customers. In addition to this, we identified the process flows and tested the design and implementation of key controls, by inspecting the IT systems and testing their effectiveness on a sample basis.
- From samples of different portfolios, we examined whether there are loan default indicators. The sample was selected using a risk-oriented approach, with special consideration given to the rating categories as well as industries with an increased default risk.
- In auditing the specific impairment provisions for loans and advances from individually significant customers, we examined a sample of loans and advances to determine whether they had been appropriately provided for. In doing so, we reviewed the bank's estimated amount and timing of repayments, including collateral, and assessed whether the assumptions used in the calculations are appropriate and supported by internal or external evidence. With the assistance of real estate valuation specialists, we verified the value of internal collateral by assessing whether the assumptions used in the real estate valuations were appropriate and in line with market data.
- For defaulted individual insignificant customers as well as collective impairment provisions, we critically assessed whether the models and relevant parameters "probability of default" and "bad debt losses" were valid in impairment provision calculations. Furthermore, we assessed the bank's assessment of the models, to determine whether they appropriately calculate impairments. Moreover, the selection and measurement of forward-looking estimates and scenarios (including the impacts of the COVID-19 pandemic) were analysed and considered, as part of parameter estimation. We assessed the reasonableness of how the post model adjustments was prepared, its justification as well the underlying assumptions. A sample of provisions were tested for mathematical accuracy. We involved financial risk management specialists in these procedures. In addition, we involved IT specialists to test the operating effectiveness of specific automated IT controls related to the underlying valuation model.
- Lastly, we assessed the appropriateness of customer impairment provisions disclosures in the notes to the financial statements as well as those in the management report related to significant assumptions and estimation uncertainty.

## 2. Recoverability of shares in affiliated companies

### Risk for the Financial Statements

Shares in affiliated companies are around EUR 10.5 billion in total and represent a significant item on the Raiffeisen Bank International AG balance sheet. In particular, the bank has shareholdings in domestic and foreign credit institutions and in finance and project companies.

The Management Board describes the process for managing the participation portfolio and the approach for determining impairment of shares in affiliated companies under "Recognition and Measurement Principles" in the notes to the financial statements and in the Participation Risk section in the Risk Report in the management report.

The banks assesses whether, on the basis of the fair value of the individual equity participations, there are permanent impairment triggers, or whether a reversal of a previous impairment (limited up to the original acquisition cost) is necessary.

Internal and external valuation firms are used to calculate the fair value. The company valuations are primarily based on assumptions and estimates of the future business development and expected returns to the owners, especially returns in the form of dividends. These are based on the budgeted figures approved by the governing bodies of the respective companies. The discount rates applied are derived from the financial and capital markets and can be affected by market-based, economic and legal factors, which may change in the future.

The valuations are therefore naturally subject to a certain range of judgment and estimation uncertainties. This results in a possible risk of misstatement within the financial statements.

## Our Response

### **In auditing the valuation of shares in affiliated companies, we performed the following key audit procedures:**

- We analysed existing documentation regarding processes to monitor and measure the value of shares in affiliated companies and critically assessed whether these processes are appropriate to identify and determine required impairments or reversals thereof. In addition to this, we tested the design and implementation of key controls as well as testing their effectiveness on a sample basis.
- Our valuation specialists have examined the valuation models (which by design are based on the dividend discount approach), the main planning assumptions as well as the valuation parameters. The applied valuation models were analyzed to assess whether they formed an appropriate basis for correctly calculating the companies' values. The planning and valuation parameters used in the models were evaluated. As a result, the reasonableness of interest rate parameters we assessed by comparing them to market and industry specific benchmarks. The cash flows in the valuation model were compared with approved plans. Backtesting was performed to assess the accuracy of forecasting. The mathematical accuracy of company valuations was analyzed on a sampling basis. For material company valuations, the calculated amount was compared with market data and publicly available information (in particular industry-specific market multiples).

Lastly, we assessed whether the disclosure of the measurement approach of shares in affiliated companies is appropriate in the notes to the financial statements.

## Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and other legal requirements (Austrian Banking Act) and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## Auditor's Responsibilities

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

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

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast considerable doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

## Report on Other Legal Requirements

### Management Report

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

Management is responsible for the preparation of the management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of management reports as applied in Austria.

### Opinion

In our opinion, the management report is consistent with the financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

### Statement

Based on our knowledge gained in the course of the audit of the financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the management report.

### **Additional information under Article 10 AP Regulation**

We were elected as auditors at the Annual General Meeting on 13 June 2019 and were appointed by the supervisory board on 11 July 2019 to audit the financial statements of Company for the financial year ending on 31 December 2020.

We have been auditors of the Company, without interruption, since the consolidated financial statements at 31 December 2005.

We declare that our opinion expressed in the "Report on the Financial Statements" section of our report is consistent with our additional report to the audit committee, in accordance with Article 11 AP Regulation.

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

### **Engagement Partner**

The engagement partner is Mr. Mag. Rainer Hassler.

Vienna, 26 February 2021

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Rainer Hassler

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 Paragraph 2 UGB (Austrian Commercial Code) applies.