RAIFFEISEN BANK INTERNATIONAL AG

ANNUAL FINANCIAL STATEMENTS 2022

Raiffeisen Bank International

Member of RBI Group

Content

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	31/12/2022 in €	31/12/2021 in € thousand
1.	Cash in hand and balances with central banks	20,375,942,400.39	16,563,589
2.	Treasury bills and other bills eligible for refinancing with central banks	6,798,154,834.54	5,457,278
3.	Loans and advances to credit institutions	13,491,489,613.76	10,933,167
	a) Repayable on demand	1,448,055,463.37	1,294,594
	b) Other loans and advances	12,043,434,150.39	9,638,574
4.	Loans and advances to customers	29,863,729,682.22	31,778,841
5.	Debt securities and other fixed-income securities	4,793,366,823.95	3,642,532
	a) Issued by public bodies	159,656,336.67	176,759
	b) Issued by other borrowers	4,633,710,487.28	3,465,773
	hereof: own debt securities	2,501,811,305.12	1,344,006
6.	Shares and other variable-yield securities	859,071,525.95	507,019
7.	Participating interests	58,940,501.86	52,489
	hereof: in credit institutions	21,272,322.57	16,653
8.	Shares in affiliated untertakings	9,674,953,064.13	10,707,510
	hereof: in credit institutions	1,177,956,217.61	1,895,700
9.	Intangible assets	27,547,831.62	33,953
10.	Tangible assets	27,393,684.71	18,148
11.	Other assets	6,551,745,300.32	3,164,541
12.	Accruals and deferred income	91,199,286.88	149,460
13.	Deferred tax assets	1,077,440.76	481
	Total	**92,614,611,991.09**	**83,009,008.67**

	LIABILITIES	31/12/2022 in €	31/12/2021 in € thousand
1.	Liabilities to credit institutions	35,300,133,983.96	35,764,018
	a) Repayable on demand	5,532,066,872.63	3,765,261
	b) With agreed maturity dates or periods of notice	29,768,067,111.33	31,998,756
2.	Liabilities to customers	23,097,485,148.04	22,461,732
	a) Savings deposits	0.00	0
	b) Other liabilities	23,097,485,148.04	22,461,732
	aa) Repayable on demand	7,188,567,913.44	9,721,565
	bb) With agreed maturity dates or periods of notice	15,908,917,234.60	12,740,167
3.	Securitised liabilities	15,470,238,568.71	7,934,167
	a) Debt securities issued	13,419,345,352.04	6,612,904
	b) Other securitised liabilities	2,050,893,216.67	1,321,263
4.	Other liabilities	5,380,247,052.34	2,512,340
5.	Accruals and deferred income	208,619,737.16	193,973
6.	Provisions	766,902,847.13	741,999
	a) Provisions for severance payments	51,038,727.13	67,038
	b) Provisions for pensions	61,150,158.21	67,748
	c) Provisions for taxation	10,356,454.00	7,509
	d) Other	644,357,507.79	599,704
7.	Supplementary capital pursuant to chapter 4 of title I of part 2 of regulation (EU) no 575/2013	2,696,098,639.91	2,712,617
8.	Additional Tier 1 capital pursuant to chapter 3 of title I of part 2 of regulation (EU) no 575/2013	1,655,025,324.73	1,654,264
9.	Subscribed capital	1,001,708,971.55	1,002,283
	a) Share capital	1,003,265,844.05	1,003,266
	b) Nominal value of own shares	- 1,556,872.50	(983)
10.	Capital reserves	4,429,064,789.62	4,431,352
	a) Committed	4,334,285,937.61	4,334,286
	b) Uncommitted	94,778,852.01	97,066
11.	Retained earnings	1,686,418,409.03	2,685,165
	a) Legal reserve	5,500,000.00	5,500
	b) Other reserves	1,680,918,409.03	2,679,665
12.	Liability reserve pursuant to article 57 (5)	535,097,489.59	535,097
13.	Net profit for the year	387,571,029.32	380,000
	Total	**92,614,611,991.09**	**83,009,008.67**

Items off the statement of financial position

	ASSETS	31/12/2022 in €	31/12/2021 in € thousand
1.	Foreign assets	45,641,870,606.88	44,337,751

	LIABILITIES	31/12/2022 in €	31/12/2021 in € thousand
1.	Contingent liabilities	7,188,966,765.00	7,436,706
	Guarantees and assets pledged as collateral security	7,188,966,765.00	7,436,706
2.	Commitments	19,434,119,650.72	18,850,115
	hereof: liabilities from repurchase agreements		
3.	Commitments arising from agengy services	203,304,146.92	215,896
4.	Eligible own funds according to part 2 of regulation (EU) no 575/2013	11,179,556,965.08	11,822,036
	hereof: supplementary capital pursuant to chapter 4 of title I of part 2 of regulation EU) no 575/2013	2,252,687,446.29	2,042,084
5.	Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013	41,903,360,108.76	47,358,183
	hereof: capital requirements pursuant to article 92 (1) (a) to (c) of regulation (EU) no 575/2013		
	a) hereof: Common Equity Tier 1 capital ratio pursuant to Article 92 (a)	17.3%	17.3%
	b) hereof: Tier 1 capital ratio pursuant to Article 92 (b)	21.1%	20.7%
	c) hereof: total capital ratio pursuant to Article 92 (c)	26.6%	25.0%
6.	Foreign liabilities	27,096,049,851.08	17,174,171

Income statement

		2022 in €	2021 in € thousand
1.	Interest receivable and similar income	1,187,115,555.55	688,163
	hereof: from fixed-income securities	74,641,989.43	41,199
2.	Interest payable and similar expenses	(700,654,811.06)	(277,776)
I.	**NET INTEREST INCOME**	**486,460,744.49**	**410,387**
3.	Income from securities and participating interests	564,320,566.87	841,438
	a) Income from shares and other variable-yield securities	49,133,020.55	32,323
	b) Income from participating interests	7,543,112.78	7,685
	c) Income from shares in affiliated undertakings	507,644,433.54	801,431
4.	Commissions receivable	531,264,240.44	476,733
5.	Commissions payable	(178,609,089.52)	(163,999)
6.	Net profit or net loss on financial operations	93,490,062.52	(186,493)
7.	Other operating income	212,647,626.09	275,287
II.	**OPERATING INCOME**	**1,709,574,150.89**	**1,653,353**
8.	General administrative expenses	(872,306,931.28)	(793,976)
	a) Staff costs	(420,295,454.26)	(395,716)
	hereof: aa) Wages and salaries	(336,896,518.75)	(310,708)
	bb) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	(74,746,800.47)	(69,378)
	cc) Other social expenses	(8,471,010.00)	(7,225)
	dd) Expenses for pensions and assistance	(10,254,859.99)	(9,866)
	ee) Allocation/Release of provision for pensions	5,237,834.50	8,991
	ff) Expenses for severance payments and contributions to severance funds	4,835,900.45	(7,530)
	b) Other administrative expenses	(452,011,477.02)	(398,260)
9.	Value adjustments in respect of asset items 9 and 10	(13,685,248.93)	(14,040)
10.	Other operating expenses	(655,486,380.27)	(357,076)
III.	**OPERATING EXPENSES**	**(1,541,478,560.48)**	**(1,165,093)**
IV.	**OPERATING RESULT**	**168,095,590.41**	**488,261**
11./12.	Net income/expenses from the disposal and valuation of loans and advances and securities classified as current assets	(164,641,134.77)	(91,290)
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	(976,414,194.25)	195,172
V.	**PROFIT ON ORDINARY ACTIVITIES**	**(972,959,738.61)**	**592,143**
15.	Tax on profit or loss	5,531,294.01	10,400
16.	Other taxes not reported under item 15	(20,193,320.22)	(23,066)
17.	Result from Business Combinations	(3,553,400.59)	0
VI.	**PROFIT FOR THE YEAR AFTER TAX**	**(991,175,165.41)**	**579,477**
18.	Changes in reserves	998,746,597.85	(275,913)
	hereof: allocation to liability reserve	0.00	0
VII.	**NET INCOME FOR THE YEAR**	**7,571,432.44**	**303,564**
19.	Profit/Loss brought forward	379,999,596.88	76,436
VIII.	**Net profit for the year**	**387,571,029.32**	**379,999.60**

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 2022 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 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 network of subsidiary banks, leasing companies and numerous specialized financial service providers with some 1,700 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 18 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 Bratislava, Frankfurt, London, Warsaw, Singapore and Beijing.

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 are admitted to a regulated market in the EU, 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 (https://www.rbinternational.com/en/investors/reports.html).

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) and the European Central Bank, Sonnemannstrasse 20 D-60314 Frankfurt am Main (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 https://www.rbinternational.com/en/investors/reports.html.

Spin-off of the certificates and equity trading activities from Raiffeisen Centrobank AG to RBI AG

In an upstream merger, the holding company RBI IB Beteiligungs GmbH, which principally held investments in Raiffeisen Centrobank AG and Kathrein Privatbank Aktiengesellschaft, merged with its sole shareholder RBI AG in a transaction closing on 31 December 2021. The merger was accounted for using the modified book value method pursuant to § 202 (2) 2 of the Austrian Commercial Code (UGB).

On 9 September 2022, a demerger and acquisition agreement was reached for RBI AG to acquire the certificates and equity trading activities of Raiffeisen Centrobank AG as the transferring company through a demerger for absorption pursuant to § 1 (2) 2 of the Federal Act on the Demerger of Joint Stock Companies (SpaltG – Spaltungsgesetz) and pursuant to Art. VI of the Reorganization Tax Act (UmgrStG – Umgründungssteuergesetz) by way of universal succession as of the spin-off date of 30 June 2022. The spin-off of Raiffeisen Centrobank AG as of 30 June 2022 to RBI AG as the acquiring company was completed on the basis of the closing balance sheet of Raiffeisen Centrobank AG as of 30 June 2022, without the granting of new shares and with the continued existence of Raiffeisen Centrobank AG.

The European Central Bank approved the demerger of the certificates and equity trading activities from Raiffeisen Centrobank AG and its transfer to RBI AG in its decision dated 24 November 2022. With the entry of the transaction in the commercial register on 1 December 2022, it became legally effective.

As of 1 July 2022, all acts, usufructuaries and encumbrances, rights and obligations of the certificates and equity trading operations shall be borne by the acquiring company, RBI AG, which shall enter into all transactions concluded by Raiffeisen Centrobank AG relating to the certificates and equity trading operations and, in general, into all rights and obligations in this respect within the scope of universal succession. RBI AG continues to account for the carrying amounts of the transferred operations in accordance with § 202 (2) of the Austrian Commercial Code (UGB); income and expenses from 1 July 2022 onward resulting from these operations are included in the income statement of RBI AG.

Statutory deposit guarantee and investor protection scheme – Austrian Raiffeisen-Sicherungseinrichtung eGen

Up until 28 November 2021, Raiffeisen Bank International AG and its Austrian bank subsidiaries were part of the Einlagensicherung AUSTRIA Gesellschaft m.b.H. (ESA), as a general protection scheme in Austria.

In March 2021, RBI AG, its Austrian subsidiary banks, the regional Raiffeisen banks and the local Raiffeisen banks concluded an agreement on a new institutional protection scheme (Raiffeisen-IPS) in accordance with Article 113 (7) CRR (Capital Requirements Regulation of the European Union). Under the agreement, the participating institutions undertake to provide mutual cover and, in particular, to ensure each other's liquidity and solvency if necessary. This new Raiffeisen-IPS was approved in May 2021 by the competent supervisory authorities ECB and FMA as an institutional protection scheme within the meaning of Article 113 (7) CRR with the associated rights and obligations of the participating institutions. According to one of the provisions of the agreement, exposures between Raiffeisen-IPS members may be assigned a risk weight of zero per cent. Raiffeisen-IPS is subject to joint regulatory supervision, according to which the capital adequacy requirements must be complied with on a consolidated basis.

The institutional protection scheme Raiffeisen-IPS was recognized by the FMA as a deposit guarantee and investor compensation system in accordance with the Deposit Guarantee Schemes and Investor Compensation Act (Einlagensicherungs- und Anlegerentschädigungsgesetz – ESAEG) with Österreichische Raiffeisen-Sicherungseinrichtung eGen (ÖRS) in May 2021. As of 29 November 2021, Raiffeisen Bank International AG and its Austrian bank subsidiaries, the regional Raiffeisen banks and the local Raiffeisen banks, are part of the Austrian Raiffeisen-Sicherungseinrichtung eGen (ÖRS), as a statutory protection scheme. ÖRS performs early risk identification and reporting tasks for Raiffeisen-IPS. ÖRS also manages the liquid special assets of Raiffeisen-IPS as trustee.

The Raiffeisen-IPS is controlled by a joint risk council, comprising representatives of RBI AG, the regional Raiffeisen banks and the Raiffeisen banks. Tasks that could be solved on a regional level were delegated to the regional risk councils, each comprising representatives of the respective regional Raiffeisen banks and Raiffeisen banks, by the joint risk council.

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.

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 2022 pursuant to Section 58 (1) of the Austrian Banking Act (BWG).

As the ECB stopped publishing an official EUR/RUB exchange rate at the beginning of March 2022, RBI AG was forced to generate a valid alternative exchange rate. For EUR/RUB, official conversion rates (onshore rates), which are set by the Russian Central Bank or on the basis of data from the Moscow Stock Exchange, and effectively achievable conversion rates (offshore rates), such as those disseminated by Bloomberg, sprang up on foreign exchange markets. Due to the current restrictions, capital outflows from business operations in Russia are not believed to be convertible at the official exchange rate. Since EUR/RUB transactions with international banks are usually settled at offshore rates, the latter are more likely to reflect the actual and effectively achievable exchange rate. Consequently, an offshore EUR/RUB exchange rate is used for the valuation of RUB transactions and assets in RBI AG as of the reporting date.

Fair value measurement

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.

The price definition of OTC derivatives involves both value adjustments for the counterparty's probability of default (credit value adjustment – CVA) as well as adjustments for 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 AGs 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.

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 pursuant to Section 57 of the Austrian Banking Act.

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 recognized under financial assets and 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 AFRAC 15 "Derivatives and Hedging Instruments" 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 classified 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. In the case of negative market values, a provision for impending loss will be allocated.

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.

Loans and advances

Loans and advances are generally recognized at amortized cost, taking into account the effective interest method in accordance with the AFRAC 14 rules and the position paper of the AFRAC and the FMA on issues relating to subsequent measurement of credit exposures at banks. For loans, acquisition cost is the starting point for the valuation. In the case of an original financial asset, the cost of acquisition is generally equal to the amount paid out, including any incidental acquisition costs. In general, the acquisition is not recognized through the income statement. In the case of acquired loans, the cost of acquisition is measured by reference to the purchase price. Pursuant to section 56 (2) and (3) of the Austrian Banking Act, premiums and discounts resulting from the issue, as well as differences arising from the acquisition on the secondary market, may either be recognized immediately in profit or loss or on a scheduled basis. Any difference between the acquisition cost and the repayment amount is deferred and reported in net interest income, provided the difference is similar in nature to interest. On every reporting date, an assessment is conducted to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairments are in any case accounted for by loan loss provisions either in the form of specific loan loss provisions or portfolio-based loan loss provisions. 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

The IFRS 9 credit risk provisioning model is also applied in accordance with commercial law for the determination of credit risk provisions. Expected credit losses for credit risks, risks for credit commitments and off-balance sheet credit risks from financial guarantees and letters of credit are recognized as impairments and determined according to the change in credit risk from the date of addition. Impairment losses on loans are deducted from the carrying amount at amortized cost in the statement of financial position. Appropriate provisions are recognized for impairment losses on loan commitments, financial guarantees and letters of credit.

Accordingly, the amount of risk provisioning is calculated according to the general approach in two ways, namely either

- according to the expected 12-month loss (12-month ECL) or
- according to the total lifetime loss (Lifetime ECL)

Depending on the change in credit risk between the date of initial recognition and the measurement date, the financial instruments are classified into one of three impairment levels:

- Stage 1 covers all newly recognized financial instruments as well as those for which the credit risk has not increased significantly since initial recognition. In addition, Stage 1 comprises all financial instruments that have a low credit risk and for which RBI AG makes use of the low credit risk exemption. All debt securities with an investment-grade level internal credit rating as of the reporting date are considered to have a low credit risk. This rule is not applied in the lending business. For loans, an impairment loss is recognized for the expected 12-month loss on initial recognition. Loans from Stage 2 for which the credit risk has improved are reclassified and recognized in Stage 1. A Stage 1 impairment loss is added to the portfolio loan loss provisions in the statement of changes in valuation (12-month loss).
- Stage 2 contains financial instruments for which the credit risk has increased significantly since initial recognition but no default has yet occurred. For these receivables, an impairment loss is calculated on the basis of the total lifetime loss and also recognized as a portfolio-based loan loss provision.
- Stage 3 covers financial instruments with an impaired credit rating that are classified as impaired as at the reporting date. For the purposes of the definition of default, RBI AG applies the conditions stipulated under Article 178 CRR. For defaults on financial instruments in Stage 3, the expected credit loss over the entire remaining term of the financial instrument is also to be recognized as impairment.

Portfolio-based loan loss provisions

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 12-month loss as at the reporting date. The expected 12-month loss corresponds to the amount determined as the expected credit loss following default events within the 12-month period following the reporting date.

In the case of assets whose credit risk has risen significantly since initial recognition and which are neither in default nor 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 AG:

- 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. In addition to the base scenario, Raiffeisen Research has also compiled both an optimistic and a pessimistic scenario to ensure that non-linearity is captured in its models. For the pessimistic and optimistic scenarios, the methodology was adjusted due to the high level of uncertainty associated with the current geopolitical situation (war in Ukraine).

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. This is the case when existing inputs, assumptions and model techniques might not capture all relevant risk factors due to transient circumstances or insufficient time to appropriately incorporate relevant new information and when individual lending exposures within a group of lending exposures react to factors or events differently than initially expected, resulting in a reclassification. 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 (GRC). From an accounting point of view, post-model adjustments are based on a collective assessment.

Individual loan loss provisions

Impairments are recognized on an individual basis for credit-impaired financial instruments that are classified as impaired on the reporting date. RBI employs the definition of default as the criteria for classifying a financial instrument as impaired. The expected credit loss on defaulted financial instruments is recognized as an impairment loss over the entire remaining life of the respective financial instrument.

Default is assessed in relation to quantitative and qualitative triggers. Firstly, a borrower is considered to be in default if they are assessed to be more than 90 days past due on their contractual payments. Secondly, a borrower is considered to be in default if they are in significant financial difficulty and are unlikely to repay any credit obligation in full. This definition of default has been applied consistently in RBI's expected credit loss calculations to model the probability of default, the exposure at default and the loss given default. Stage 3 impairments are assessed on an individual basis.

Objective evidence of impairment leading to impairment charges on an individual exposure 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.

Loans for which there is objective evidence of impairment are tested for impairment. For this purpose, the expected default amount is calculated as the difference between the expected repayments of principal, interest payments and collateral proceeds and the gross carrying amount of the loan. The expected repayment amounts are discounted in accordance with their probability of occurrence and the scenarios, weighted using the effective interest rate. The loan is recognized in the balance sheet less the total loss on maturity. The resulting net carrying amount is used as the basis for calculating future interest income.

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.

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 discounted cash flow model, which calculates the enterprise value as the present value of future financial profits. The dividend discount model is also employed to account for the specific characteristics of investment companies operating in the financial services sector, and the weighted average cost of capital model is used for investment companies outside the financial services sector (e.g., LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna)., The dividend discount model properly accounts for the specific characteristics of the banking business, including the need to comply with capital adequacy regulations. The present value of the expected future dividends that may be distributed to the shareholders after meeting all appropriate capital adequacy regulations is the recoverable amount. Accordingly, under the WACC method, the fair value of total capital is determined in a first step on the basis of free cash flows and, in a second step, the recoverable amount is determined by deducting interest-bearing debt.

The recoverable amount is calculated based in principal on a five-year detailed planning period. Significant planning uncertainties, which came about to some extent as a result of the direct consequences of the crisis in Ukraine, were taken into account in scenario analyses. 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 or cost of capital converge.

Liquidation value is generally the lower bound of any investment valued according to AFRAC 24 (14). If the application of the dividend discount model does not result in a valuation exceeding the current carrying value of the investment, liquidation value is calculated in addition, which is then recognized as fair value in the accounts provided such value constitutes the lower bound of the valuation range.

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 below its carrying amount.

Scheduled depreciation is based on the following periods of use:

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.

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 of 3.62 per cent (31/12/2021: 0.99 per cent) p.a. and an effective pensionable salary increase of 8.0 per cent in the first year, 5.1 per cent in the second year and 3.2 per cent in subsequent years (31/12/2021: 3.7 per cent continuously). The parameters for retired employees are calculated using a capitalization rate of 3.64 per cent (31/12/2021: 0.99 per cent) and an expected increase in retirement benefits of 8.0 per cent in the first year, 5.1 per cent in the second year and 3.2 per cent in subsequent years (31/12/2021: 2.1 per cent), and in the case of pension commitments with existing reinsurance policies of 0.5 per cent (31/12/2021: 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 imputed retirement age was applied as the end date of funding.

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 actuarial calculation of severance payments and long-service bonus obligations is based on an interest rate of 3.65 per cent and 3.64 per cent p.a. respectively (31/12/2021: 1.04 per cent p.a. for both), for birthday benefits 3.64 per cent p.a. (31/12/2021: 1.12 per cent) and an average salary increase of 8.0 per cent in the first year, 5.1 per cent in the second year and 3.2 per cent in subsequent years (31/12/2021: 3.7 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 in Austria are currently discounted in accordance with § 211 (2) of the Austrian Commercial Code (UGB), whereby they are discounted at a standard market rate if the effect of discounting is deemed material. The long-term provisions for litigation costs for lawsuits filed in connection with foreign currency loans in Poland (please refer to the section titled "Litigation risk for foreign currency loans in Poland" for details on the accounting method applied and any changes made to such method) were discounted at a market rate of 7.25 per cent (31/12/2021: 1.7 per cent).

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: 40 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. 60 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. The difference between the issue and repayment amount is allocated according to the effective interest method.

Zero-coupon bonds are recognized at nominal value plus accrued interest on a pro rata basis up to the reporting date.

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 are broken down by their residual terms as follows:

in € thousand	31/12/2022	31/12/2021
Loans and advances to credit institutions	**13,491,489.6**	**10,933,167.2**
Repayable on demand	1,448,055.5	1,294,593.6
Up to 3 months	8,662,406.1	6,711,282.9
More than 3 months, up to 1 year	505,354.7	772,397.9
More than 1 year, up to 5 years	1,156,799.4	733,595.5
More than 5 years	1,718,873.9	1,421,297.4
Loans and advances to customers	**29,863,729.7**	**31,778,841.2**
Repayable on demand	5,634,842.9	595,191.4
Up to 3 months	587,523.8	6,041,884.7
More than 3 months, up to 1 year	3,437,810.6	6,047,387.9
More than 1 year, up to 5 years	13,863,947.0	12,953,008.2
More than 5 years	6,339,605.4	6,141,368.9
Other assets	**6,551,745.3**	**3,164,540.7**
Up to 3 months	5,709,447.2	2,520,844.6
More than 3 months, up to 1 year	500,000.0	300,000.0
More than 5 years	342,298.1	343,696.1

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 2043 existed as at 31 December 2022.

Derivative financial instruments used to hedge interest rate and credit risks are used for underlying transactions on both the assets and liabilities side. As of the reporting date, risks from bonds and loans are hedged on the assets side, and risks from own issues, registered bonds, promissory note loans and deposits are hedged on the liabilities side.

The clean present value of the hedging transactions (i.e. excluding accrued interest) for the hedging relationships together amount to minus € 154,294 thousand (31/12/2021: € 59,421 thousand), of which € 368,402 thousand (31/12/2021: € 108,534 thousand) is attributable to positive market values and € 522,696 thousand (31/12/2021: € 49,113 thousand) to negative market values.

In the financial year 2022, no material settlement payments were made in connection with derivatives in hedging relationships (31/12/2021: € 0 thousand), nor were any material losses incurred from hedging derivatives not recognized in the statement of financial position (31/12/2021: € 0 thousand).

In the course of the IBOR reform, no compensation payments were made in the year under review. In financial year 2021, compensation payments of in the amount of € 55 thousand, which were immediately recognized in profit or loss in accordance with AFRAC Statement 15 on Derivatives and Hedging Instruments (UGB) Rz 77 et seq.

Interest rate management derivatives

Interest rate swaps are suitable for the formation of valuation units in accordance with the FMA circular on accounting issues relating to interest rate derivatives and valuation adjustments for derivatives, pursuant to section 57 of the Austrian Banking Act. For derivatives valued within functional units, the provision for impending loss amounts to € 73,140 thousand (31/12/2021: € 29,969 thousand). In the financial year 2022, allocations in the amount of € 53,430 thousand (31/12/2021: € 15,364 thousand) and reversals in the amount of € 10,259 thousand (31/12/2021: € 24,336 thousand) resulted from the change in the market values of the functional units of the hedging derivatives.

Currency derivatives

In financial year 2022, € 6,727 thousand (31/12/2021: € 0 thousand) of provision for impending loss on non-netted UAH transactions was recognized based on the geopolitical situation.

Credit default swaps

Credit default swaps require individual valuation in accordance with the FMA circular on accounting issues relating to interest rate derivatives and valuation adjustments for derivatives, pursuant to section 57 of the Austrian Banking Act. For derivatives not managed as part of functional units, the provision for impending loss amounts to € 2,316 thousand as of the reporting date (31/12/2021: € 879 thousand). In the financial year 2022, allocations in the amount of € 2,316 thousand (31/12/2021: € 308 thousand) and reversals in the amount of € 879 thousand (31/12/2021: € 4,550 thousand) resulted from changes in the market values of these derivatives.

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:

	31/12/2022		31/12/2021		Valuation effect
in € thousand	Positive values	Negative values	Positive values	Negative values	31/12/2022
AUD	0	0	0	(2)	2
CHF	0	(387)	1	0	(388)
CZK	2,706	(1,131)	839	(2,413)	3,149
EUR	62,025	(31,789)	57,275	(27,088)	49
GBP	6	0	18	(15)	3
HUF	7,335	0	3,343	0	3,992
NOK	6	0	1	0	5
PLN	0	0	0	(206)	206
RON	125	0	114	0	11
RUB	0	(568)	0	(20)	(548)
USD	275	(1,215)	1,656	(225)	(2,371)
Total	**72,478**	**(35,090)**	**63,247**	**(29,967)**	**4,108**

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 an increase in USD and CZK business.

The following table summarizes the currencies of the hedging derivatives that are not suitable for management under functional units. This gives the following picture for the positive and negative fair values as of the reporting date:

	31/12/2022		31/12/2021		Valuation effect
in € thousand	Positive values	Negative values	Positive values	Negative values	31/12/2022
EUR	15,096	(2,316)	1,472	(879)	12,187
Total	**15,096**	**(2,316)**	**1,472**	**(879)**	**12,187**

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

31/12/2022	Nominal amount by maturity					Market value	
in € thousand	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	positive	negative
Total	**84,330,522**	**116,250,894**	**78,496,258**	**279,077,674**	**184,149,989**	**5,191,707**	**5,037,385**
a) Interest rate contracts	**38,761,427**	**104,613,375**	**74,926,013**	**218,300,815**	**126,491,881**	**3,976,963**	**4,013,510**
OTC products							
Interest rate swaps	34,439,803	91,032,083	69,960,936	195,432,822	112,883,883	3,729,873	3,854,152
Floating Interest rate swaps				0			
Interest rate futures	2,344,706	100,000	0	2,444,706	2,070,520	4,314	433
Interest rate options - buy	644,694	4,900,701	1,726,545	7,271,940	5,761,131	217,336	0
Interest rate options - sell	1,259,091	7,970,283	2,908,678	12,138,052	4,763,052	0	152,687
Other similar interest rate contracts	36,759	502,150	311,238	850,147	850,147	23,374	5,841
Exchange-traded products							
Interest rate futures	6,874	9,282	7,366	23,522	23,522	0	19
Interest rate options	29,500	98,876	11,250	139,626	139,626	2,066	378
b) Foreign exchange rate contracts	**45,078,733**	**7,690,209**	**2,281,218**	**55,050,160**	**52,494,737**	**1,014,083**	**839,801**
OTC products							
Cross-currency interest rate swaps	2,925,917	5,533,956	2,281,218	10,741,091	8,195,130	407,964	229,178
Forward foreign exchange contracts	41,214,037	1,952,743	0	43,166,780	43,166,779	596,759	600,886
Currency options – purchased	388,265	66,683	0	454,948	445,487	9,360	0
Currency options – sold	550,514	136,826	0	687,340	687,341	0	9,737
Other similar interest rate contracts							
Exchange-traded products							
Currency contracts (futures)				0			
Currency options				0			
c) Securities-related transactions	**469,362**	**2,496,741**	**745,700**	**3,711,802**	**3,711,802**	**190,022**	**165,528**
OTC products							
Securities-related forward transactions				0			
Equity/Index options -buy	199,755	1,379,749	639,661	2,219,165	2,219,166	190,022	0
Equity/Index options -sell	269,606	1,116,992	106,039	1,492,637	1,492,637	0	165,528
Exchange-traded products				0			
Exchange-traded products							
Equity/Index futures	0	0	0	0	0	0	0
Equity/Index options	0	0	0	0	0	0	0
d) Commodity contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**
OTC products							
Commodity forward transactions	0	0	0	0	0	0	0
Exchange-traded products							
Commodity futures	0	0	0	0	0	0	0
e) Credit derivative contracts	**21,000**	**1,450,569**	**543,327**	**2,014,896**	**1,451,569**	**10,639**	**18,546**
OTC products							
Credit default swaps	21,000	1,450,569	543,327	2,014,896	1,451,569	10,639	18,546

31/12/2021 in € thousand	Nominal amount by maturity Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	Market value positive	negative
Total	**93,961,965**	**110,601,423**	**75,947,643**	**280,511,032**	**203,287,708**	**1,992,828**	**1,859,205**
a) Interest rate contracts	**42,337,696**	**98,726,567**	**72,920,639**	**213,984,902**	**140,727,499**	**1,338,285**	**1,259,708**
OTC products							
Interest rate swaps	32,854,445	88,974,552	67,542,271	189,371,269	122,153,355	1,205,504	1,144,027
Floating Interest rate swaps				0			
Interest rate futures	8,244,821	985,027	0	9,229,848	8,043,467	13,220	9,101
Interest rate options - buy	742,680	4,118,714	1,958,983	6,820,377	5,217,269	115,408	0
Interest rate options - sell	376,261	4,090,545	2,991,024	7,457,830	4,207,830	0	61,410
Other similar interest rate contracts	62,388	500,026	360,939	923,353	923,353	815	45,161
Exchange-traded products				**0**			
Interest rate futures	0	16,496	8,656	25,152	25,152	0	9
Interest rate options	57,100	41,207	58,766	157,073	157,073	3,338	0
b) Foreign exchange rate contracts	**51,550,769**	**10,025,006**	**2,450,615**	**64,026,391**	**60,612,085**	**632,074**	**571,391**
OTC products							
Cross-currency interest rate swaps	2,846,379	5,500,864	2,450,615	10,797,858	8,499,368	241,634	154,230
Forward foreign exchange contracts	46,612,455	4,446,856	0	51,059,310	49,965,709	381,049	405,125
Currency options – purchased	1,009,100	26,111	0	1,035,211	1,012,996	9,391	0
Currency options – sold	1,082,836	51,176	0	1,134,012	1,134,012	0	12,036
Other similar interest rate contracts				0			
Exchange-traded products							
Currency contracts (futures)				0			
Currency options				0			
c) Securities-related transactions	**0**	**69,146**	**6,374**	**75,520**	**7,920**	**812**	**807**
OTC products							
Securities-related forward transactions				0			
Equity/Index options -buy	34,923	68,373	3,187	71,560	3,960	812	0
Equity/Index options -sell	12,523	773	3,187	3,960	3,960	0	807
Exchange-traded products							
Equity/Index futures	0	0	0	0	0	0	0
Equity/Index options	0	0	0	0	0	0	0
d) Commodity contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**
e) Credit derivative contracts	**73,500**	**1,780,704**	**570,014**	**2,424,218**	**1,940,204**	**21,657**	**27,299**
OTC products							
Credit default swaps	73,500	1,780,704	570,014	2,424,218	1,940,204	21,657	27,299

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 31/12/2022	31/12/2021	Negative fair values 31/12/2022	31/12/2021
Derivatives in the trading book				
a) Interest rate contracts	3,787,182.0	1,219,236.4	3,914,276.0	1,208,368.6
b) Foreign exchange rate contracts	1,003,131.0	631,372.4	826,011.0	570,084.1
c) Share and index contracts	25,764.0	816.8	1,270.0	811.7
d) Credit derivatives	10,757.0	21,657.5	9,948.0	23,486.5

Securities

Debt securities and other fixed-income securities amounting to € 350,601 thousand (31/12/2021: € 643,579 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 31/12/2022	Unlisted 31/12/2022	Listed 31/12/2021	Unlisted 31/12/2021
Debt securities and other fixed-income securities	4,746,281.7	47,085.3	3,611,437.3	31,094.5
Shares and other variable-yield securities	256,359.0	1,439.0	23,021.8	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 31/12/2022	Current assets 31/12/2022	Fixed assets 31/12/2021	Current assets 31/12/2021
Debt securities and other fixed-income securities	1,922,436.3	2,870,930.7	1,869,461.4	1,773,070.4
Shares and other variable-yield securities	0.0	257,799.0	0.0	23,021.8

The table below shows the disposal of securities from fixed assets. Of this amount, € 924,927 thousand related to repayments (31/12/2021: € 745,828 thousand).

Balance sheet item in € thousand	Nominal amount 31/12/2022	Net result 31/12/2022	Nominal amount 31/12/2021	Net result 31/12/2021
Treasury bills and other bills eligible for refinancing with central banks	248,160.0	(6,532.1)	426,598.5	0.0
Loans and advances to credit institutions	82,120.2	0.0	27,280.6	0.0
Loans and advances to customers	312,016.2	(1,142.6)	162,966.9	814.8
Debt securities and other fixed-income securities	564,538.5	(2,148.5)	149,481.9	8,319.4
Shares and other variable-yield securities	58,000.0	0.0	0.0	0.0
Total	**1,264,835**	**(9,823)**	**766,328**	**9,134**

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 € 75,036 thousand (31/12/2021: € 99,627 thousand) to be recognized in the future as expenditure, and € 93,801 thousand (31/12/2021: € 11,332 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 € 4,934 thousand (31/12/2021: € 19,320 thousand) pursuant to Section 56 (4) of the Austrian Banking Act (BWG) and € 2,458 thousand (31/12/2021: € 6,495 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 € 15,272 thousand (31/12/2021: € 18,172 thousand).

Securities amounting to € 583,472 thousand (31/12/2021: € 999,762 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 € 120,771,058 thousand (31/12/2021: € 145,694,345 thousand), with € 4,612,566 thousand (31/12/2021: € 908,390 thousand) accounted for by securities and € 116,158,492 thousand (31/12/2021: € 144,785,955 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 31/12/2022	Fair value 31/12/2022	Carrying amount 31/12/2021	Fair value 31/12/2021
1.	Treasury bills and other bills eligible for refinancing with centralbank	6,404,251.8	5,612,351.7	1,479,065.7	1,458,723.1
2.	Loans and advances to credit institutions	158,905.8	153,715.1	62,362.7	62,123.8
3.	Loans and advances to customers	218,440.7	211,276.9	40,699.8	40,372.2
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	1,848,630.9	169,663.2	817,201.1	809,583.8
5.	Shares and other variable-yield securities	440,222.1	431,710.6	19,500.0	19,406.4
Total		**9,070,451.3**	**6,578,717.5**	**2,418,829.2**	**2,390,209.3**

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 2022.

Affiliated companies

Company, registered office (country)	Total nominal value in thousand	Exchange	Direct share of RBI	Equity in € thousand	Result in € thousand[1]	From annual financial statements[2]
Akcenta CZ a.s., Prague[3]	100,125	CZK	70%	15,618	1,485	31/12/2022
Akcenta Logisitic a.s., Prague[3]	2,000	CZK	70%	214	19	31/12/2022
Angaga Handels- und Beteiligungs GmbH, Vienna	35	EUR	100%	1,616	(11)	31/12/2022
AO Raiffeisenbank, Moscow[3]	36,711,260	RUB	100%	4,013,974	2,004,589	31/12/2022
BAILE Handels- und Beteiligungsgesellschaft m.b.H.,Vienna[2]	40	EUR	100%	242,056	(7,170)	31/12/2022
Centralised Raiffeisen International Services & Payments S.R.L., Bukarest	2,820	RON	100%	17,109	1,912	31/12/2022
Elevator Ventures Beteiligungs GmbH, Vienna	100	EUR	100%	35,427	10,815	31/12/2022
Extra Year Investments Limited, Tortola	50	USD	100%	26	(8)	31/12/2021
Fairo GmbH, Vienna[2]	35	EUR	100%	7,536	(3,004)	31/12/2022
FAIRO LLC, Kiev	1,881	UAH	100%	270	(4,232)	31/12/2021
FARIO Handels- und Beteiligungsgesellschaft m.b.H., Vienna	40	EUR	100%	2,110	59	31/12/2022
Golden Rainbow International Limited, Tortola	<1	USD	100%	567	4,969	31/12/2021
Kathrein Privatbank Aktiengesellschaft, Vienna[2]	20,000	EUR	100%	47,814	13,335	31/12/2022
KAURI Handels und Beteiligungs GmbH, Vienna[2]	50	EUR	88%	8,126	1,054	31/12/2022
LOTA Handels- und Beteiligungs-GmbH, Vienna	35	EUR	100%	1,941	(6)	31/12/2022
R.L.H. Holding GmbH, Vienna	35	EUR	100%	6,773	(29)	31/12/2022
R.P.I. Handels- und Beteiligungsges.m.b.H., Vienna[2]	36	EUR	100%	167	(17)	31/12/2022
RADWINTER SP.Z.O.O	10	PLN	100%	2,462	(15)	31/12/2021
Raiffeisen Bank Aval JSC, Kiew[3]	6,154,516	UAH	68%	427,808	64,916	31/12/2022
Raiffeisen Continuum GmbH & Co KG, Vienna	75	EUR	77%	2,156	(494)	31/12/2021
Raiffeisen Continuum GmbH, Vienna	100	EUR	100%	84	6	31/12/2021
Raiffeisen Continuum Management GmbH, Vienna	100	EUR	100%	24	(905)	31/12/2021
Raiffeisen Digital Bank AG	47,599	EUR	100%	129,064	(16,973)	31/12/2022
Raiffeisen Investment Advisory GmbH, Vienna	730	EUR	100%	1,237	389	31/12/2022
Raiffeisen RS Beteiligungs GmbH, Vienna[2]	35	EUR	100%	4,875,951	100,950	31/12/2022
RALT Raiffeisen Leasing Ges.m.b.H, Vienna[2]	219	EUR	100%	45,961	1,291	31/12/2022
RALT Raiffeisen-Leasing GmbH & Co. KG, Vienna[2]	19,970	EUR	97%	28,949	3,413	31/12/2022
RB International Investment Asia Limited, Labuan	<1	USD	100%	190	(84)	31/12/2021
RB International Markets (USA) LLC, New York[3]	8,000	USD	100%	13,392	375	31/12/2022
RBI Group IT GmbH, Vienna	100	EUR	100%	109	<1	31/12/2022
RBI Invest GmbH, Vienna[2]	500	EUR	100%	946,597	83,583	31/12/2022
RBI Kantinenbetriebs GmbH, Vienna	35	EUR	100%	302	(33)	31/12/2021
RBI LEA Beteiligungs GmbH, Vienna[2]	70	EUR	100%	239,791	1,162	31/12/2022
RBI PE Handels- und Beteiligungs GmbH, Vienna[2]	150	EUR	100%	1,434	701	31/12/2022
RBI Retail Innovation GmbH, Vienna[2]	35	EUR	100%	5,112	602	31/12/2022
REC Alpha LLC, Kiev[3]	1,596,843	UAH	85%	3,717	(448)	31/12/2022
Regional Card Processing Center s.r.o., Bratislava[3]	539	EUR	100%	21,014	1,715	31/12/2022
R-Insurance Services sp. z o.o.	5	PLN	100%	2,516	885	31.12.2022
RL Leasing GmbH, München (DE)	26	EUR	25%	28	(6)	31/12/2021
RZB-BLS Holding GmbH, Vienna[2]	500	EUR	100%	414,816	(47,935)	31/12/2022
Salvelinus Handels- und Beteiligungsges.m.b.H., Vienna[2]	40	EUR	100%	371,045	(18,805)	31/12/2022
Ukrainian Processing Center PJSC, Kiew[3]	180	UAH	100%	27,239	10,067	31/12/2022
ZHS Office- & Facilitymanagement GmbH, Vienna	36	EUR	1%	1,405	483	31/12/2022

1 The result (in part from the consolidated financial statements) in € thousand corresponds to the annual profit/loss
2 Equity and result reported in accordance with IFRS (fully consolidated domestic entities)
3 Equity and result reported in accordance with IFRS (fully consolidated foreign entities)

Fixed assets

The land value of developed land amounts to € 2,667 thousand (31/21/2021: € 29 thousand). The increase relates to RBI AG's acquisition of the certificates and equity trading activities, which was spun off from Raiffeisen Centrobank on 30 June 2022.

RBI AG was not directly involved in the leasing business as a lessor in 2022.

Obligations from the use of tangible fixed assets not reported on the statement of financial position amount to € 39,998 thousand (31/12/2021: € 33,849 thousand) for the following financial year, of which € 36,591 thousand were owed to affiliated companies (31/12/2021: € 30,987 thousand). The total amount of obligations for the following five years amounts to € 237,098 thousand (31/12/2021: € 178,849 thousand), of which € 216,900 thousand are owed to affiliated companies (31/12/2021: € 163,725 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 1/1/2022 1	Additions due to merger 2	Exchange differences 3	Additions 4	Disposals 5	Reclass-ification 6	As at 31/12/2022 7
1.	Treasury bills and other bills eligible for refinancing with central banks	4,817,374	0	3,448	1,927,409	(252,270)	0	6,495,961
2.	Loans and advances to credit institutions	128,280	0	2,436	112,233	(85,085)	0	157,863
3.	Loans and advances to customers	498,886	0	12,019	396,491	(265,433)	0	641,962
4.	Debt securities and other fixed-income securities	1,874,201	0	11,785	639,499	(607,813)	0	1,917,673
a)	Issued by public bodies	9,932	0	615	0	(10,547)	0	0
b)	Issued by other borrowers	1,864,269	0	11,171	639,499	(597,266)	0	1,917,673
5.	Shares and other variable-yield securities	443,400	0	0	75,000	0	0	518,400
6.	Participating interests	94,361	0	0	3,004	(3)	0	97,362
7.	Shares in affiliated untertakings	12,651,302	0	0	228,609	(327,034)	0	12,552,877
8.	Intangible fixed assets	218,391	1,776	(139)	7,960	(15,584)	0	212,403
9.	Tangible assets	41,637	24,756	(88)	4,623	(3,803)	0	67,125
10.	Other assets	231	0	0	0	0	0	231
	Total	**22,642,265**	**26,532**	**41,246**	**4,034,326**	**(2,164,838)**	**0**	**24,579,532**

	in € thousand	Writing up/depreciation/revaluation							Carrying amount	
Item	Cumulative depreciation as of 1/1/2022 8	Additions due to merger 9	Exchange differences 10	Cumulative depreciation and amortization disposal 11	Write-ups 12	Depreciation 13	Reclass-ification 14	Cumulative depreciation as of 31/12/2022 15	31/12/2022 16	31/12/2021 17
1.	(29,358)	0	36	7,533	6,363	(18,540)	0	(33,966)	6,461,995	4,788,017
2.	(1,463)	0	(88)	1,621	251	(331)	0	(11)	157,853	126,817
3.	996	0	136	(1,439)	903	(1,405)	0	(809)	641,154	499,882
4.	(10,265)	0	72	7,678	3,294	(5,280)	0	(4,501)	1,913,172	1,863,936
a)	0	0	0	(1)	0	0	0	0	0	9,933
b)	(10,265)	0	72	7,679	3,293	(5,280)	0	(4,501)	1,913,172	1,854,003
5.	0	0	0	0	0	0	0	0	518,400	443,400
6.	(41,872)	0	0	0	4,886	(1,435)	0	(38,421)	58,941	52,489
7.	(1,943,793)	0	0	74,479	942	(1,009,553)	0	(2,877,924)	9,674,953	10,707,510
8.	(184,386)	(1,746)	64	10,919	0	(9,705)	0	(184,856)	27,548	34,004
9.	(23,541)	(15,589)	46	3,322	0	(3,970)	0	(39,731)	27,394	18,097
10.	0	0	0	0	0	0	0	0	231	231
	(2,243,946)	**(17,336)**	**339**	**111,791**	**19,932**	**(1,055,500)**	**0**	**(3,184,720)**	**21,394,812**	**20,398,319**

Other assets

As at 31 December 2022, other assets totaled € 6,551,745 thousand (31/12/2021: € 3,164,541 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 € 5,081,791 thousand (31/12/2021: € 2,000,976 thousand). This item also includes loans and advances (special fund) to the Austrian Raiffeisen Deposit Guarantee scheme (ÖRES) relating to the Raiffeisen-IPS contribution of € 392,005 thousand (31/12/2021: € 343,696 thousand), loans and advances to the tax administration in the amount of € 54,935 thousand (31/12/2021: € 39,750 thousand), holdings of precious metals in coin and other forms in the amount of € 113,743 thousand (31/12/2021:

€ 114,657 thousand), loans and advances to Group members arising from tax transfers in the amount of € 51,225 thousand (31/12/2021: € 39,684 thousand) and dividends receivable totaling € 500,540 thousand (31/12/2021: € 433,070 thousand).

The other assets also contain income of € 746,521 thousand (31/12/2021: € 567,330 thousand) which is not payable until after the reporting date.

Deferred tax assets

The deferred tax assets of € 1,077 thousand (31/12/2021: € 481 thousand) shown in the statement of financial position result primarily 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 (applicable tax rate: 25.4 per cent). No deferred tax assets were recognized for temporary differences of € 207,025 thousand (31/12/2021: € 265,965 thousand) and € 2,107,800 thousand (31/12/2021: € 2,103,441 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 in principle set off up to the amount of the asset-side temporary differences, in the financial year.

For the calculation of deferred tax assets and liabilities, the applicable tax rate is that which is likely to be applied upon realization (reversal) of the underlying temporary difference. With the eco-social tax reform 2022, a gradual reduction of the corporate income tax rate from 25 per cent to 23 per cent (2023: 24 per cent, from 2024: 23 per cent) was adopted in Austria. For deferred tax assets, a tax rate of 12 per cent (realization in 2023) and 11.5 per cent (realization in 2024) is to be applied. For deferred tax liabilities, the corresponding tax rates are 24 per cent and 23 per cent, or 12 per cent and 11.5 per cent where such liabilities can be offset against loss carryforwards or deferred tax assets.

Subordinated assets

Subordinated assets contained under assets:

in € thousand	31/12/2022	31/12/2021
Loans and advances to credit institutions	**857,921.5**	**1,018,585.0**
hereof to affiliated companies	856,230.6	1,014,889.6
hereof to companies linked by virtue of a participating interest	1,690.9	3,695.4
Loans and advances to customers	**112,583.6**	**192,478.3**
hereof to affiliated companies	6,480.8	18,752.8
hereof to companies linked by virtue of a participating interest	2,212.1	2,209.9
Debt securities and other fixed-income securities	**62,497.3**	**46,933.2**
hereof from affiliated companies	0.0	0.0
hereof from companies linked by virtue of a participating interest	3,047.2	4,375.4
Shares and other variable-yield securities	**597,828.3**	**483,227.5**
hereof from affiliated companies	543,470.1	460,205.6
hereof from companies linked by virtue of a participating interest	3,262.5	499.3

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	31/12/2022	31/12/2021
Indemnification for securities lending transactions	142,868.5	92,867.7
Loans assigned to Oestereichische Kontrollbank (OeKB)	2,736,859.9	2,294,168.6
Indemnification for OeNB tender	3,582,633.5	2,982,616.7
Loans assigned to European Investment Bank (EIB)	37,533.6	31,617.5
Loans assigned to Kreditanstalt für Wiederaufbau (KfW)	170,249.6	131,633.4
Institutional Protection Scheme	342,298.1	343,696.1
Margin requirements	54,671.8	54,229.0
Treasury call deposits for contractual netting agreements	2,120,256.9	924,857.9
Total	**9,187,371.9**	**6,855,686.9**

In addition, assets with usage restrictions in an amount of € 2,469,367 thousand (31/12/2021: € 2,341,117 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	31/12/2022	31/12/2021
Loans and advances to credit institutions		
To affiliated companies	3,522,104.8	2,731,374.9
To companies linked by virtue of a participating interest	374,155.7	299,167.3
Loans and advances to customers		
To affiliated companies	1,399,316.8	1,311,555.0
To companies linked by virtue of a participating interest	87,615.2	96,714.9
Debt securities and other fixed-income securities		
From affiliated companies	71,157.9	50,977.8
From companies linked by virtue of a participating interest	157,889.7	134,071.1

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	31/12/2022	31/12/2021
Liabilities to credit institutions	**35,300,134.0**	**35,764,017.5**
Repayable on demand	5,532,066.9	3,765,261.2
Up to 3 months	17,210,346.0	15,469,941.5
More than 3 months, up to 1 year	5,619,876.2	2,478,015.2
More than 1 year, up to 5 years	4,227,131.9	10,369,611.9
More than 5 years	2,710,713.0	3,681,187.7
Liabilities to customers	**23,097,485.1**	**22,461,732.4**
Repayable on demand	7,188,567.9	9,721,565.3
Up to 3 months	9,960,315.9	8,231,729.0
More than 3 months, up to 1 year	4,274,787.6	3,110,814.5
More than 1 year, up to 5 years	795,655.4	824,974.6
More than 5 years	878,158.2	572,649.0
Securitised liabilities	**15,470,238.6**	**7,934,166.8**
Up to 3 months	480,233.0	331,782.2
More than 3 months, up to 1 year	1,350,599.4	188,334.3
More than 1 year, up to 5 years	11,582,481.1	5,466,549.5
More than 5 years	2,056,925.0	1,947,500.8
Other liabilities	**5,380,247.1**	**2,512,340.4**
Up to 3 months	5,380,247.1	2,512,340.4

Bonds and notes issued amounting to € 1,780,679 thousand (31/12/2021: € 1,036,107 thousand) will become due in next financial year.

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

in € thousand	31/12/2022	31/12/2021
Liabilities to credit institutions		
From affiliated companies	5,956,385.9	6,152,706.3
From companies linked by virtue of a participating interest	5,182,369.3	4,502,953.0
Liabilities to customers		
From affiliated companies	4,153,936.4	3,044,334.3
From companies linked by virtue of a participating interest	67,874.5	31,343.4

TLTRO III program (Targeted Longer-Term Refinancing Operations)

In connection with the ECBs targeted longer-term refinancing operations (TLTRO III), the ECB increased the underlying base rate of these financial instruments in several steps during the year. This was done in part by directly raising the interest rate on the deposit facility, which was gradually increased from minus 0.5 per cent to 2.0 per cent from 27 July 2022 to 27 December 2022. In an additional measure, the ECB effectuated a modification in the way the average interest rate is calculated, which was announced by the ECB at the end of October. As a result of this change, the interest rate period running at that time was split in two, and the average of the applicable interest rates for the deposit facility from that date until maturity (or earlier repayment) is to be applied as of 24 November 2022. This resulted in an increase in the interest rate, as earlier interest periods with significant negative interest rates are no longer to be averaged to the same extent.

The TLTRO III terms and conditions generally provided for a fixed interest rate reduction when banks reach certain lending thresholds. RBI AG considers the reference rate of these financial instruments to be a floating market rate in a separate market for TLTRO instruments, which is organized and controlled by the ECB as part of its monetary policy. Therefore, RBI AG treats these financial instruments as floating rate instruments with regard to all ECB interventions that raise or lower the base rate. Due to the above-mentioned change announced by the ECB in October, the effective interest rate applied by RBI as of 23 November was 1.5 per cent, which was or will be subject to further adjustments in the event of changes to market interest rates by the ECB.

As of the reporting date, the longer-term financing transactions reported under liabilities to banks included in the ECB's TLTRO III program totaled € 4,925,000 (31/12/2021: 5,425,000 thousand). After the reporting date, on 25 January 2023, an early repayment in the amount of € 3,500 million was effectuated. Up until the reporting date, RBI had made early repayments in connection with the TLTRO III program only to a non-material extent. After deduction of the repayment effectuated 25 January 2023, RBI holds an aggregate of € 800 million maturing in December 2023, € 200 million maturing in March 2024 and € 425 million maturing in June 2024.

In the current financial year, negative interest from the TLTRO III programs in the amount of € 28,831 thousand (31/12/2021: € 50,422 thousand) was recognized in net interest income. Due to the increase in the interest rate for the deposit facility in the course of the 2nd half of 2022, this amount was € 21,591 thousand lower than the negative interest of € 50,422 thousand in the previous year's results (31/12/2021: € 15,115 thousand).

Other liabilities

As at 31 December 2022, other liabilities amounted to € 5,380,247 thousand (31/12/2021: € 2,512,340 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 € 4,901,000 thousand (31/12/2021: € 1,840,826 thousand) and liabilities of € 80,929 thousand (31/12/2021: € 201,680 thousand) from short positions in bonds. The fair market value of the hedges for capital guarantees for funds is € 15,710 thousand (31/12/2021: € 45,211 thousand). The item also includes accrued interest for additional capital of € 70,933 thousand (31/12/2021: € 249,506 thousand), liabilities from tax transfers (corporate income tax) and liabilities from creditable capital yields and withholding tax toward Group members totaling € 27,067 thousand (31/12/2021: € 23,125 thousand).

The other liabilities also contain expenses in the amount of € 233,751 thousand (31/12/2021: € 331,473 thousand), for which payment is to be made after the reporting date.

Provisions

Provisions amount to € 51,039 thousand (31/12/2021: € 67,038 thousand) for severance payments, € 61,150 thousand (31/12/2021: € 67,748 thousand) for pensions, € 10,356 thousand (31/12/2021: € 7,509 thousand) for tax provisions, and € 644,358 thousand (31/12/2021: € 599,704 thousand) for other provisions (for additional information about other provisions, please refer to the breakdown in the table below). Reinsurance policies for pension provisions are in place in the amount of € 9,955 thousand (31/12/2021: € 14,011 thousand). In the financial year under review these were offset with claims of the same amount.

Out of the tax provisions of € 10,356 thousand, € 8,900 thousand relate to provisions for corporate income tax from 2020, while € 436 thousand relate to provisions for corporate income tax from 2022.

The increase in other provisions resulted primarily from higher provisions for impending losses from interest rate swaps. Provisions for operational risks/claims/other also experienced a rise. In contrast, provisions for litigation risks declined, the main item being the provision for litigation risks resulting from legal disputes for foreign currency loans in Poland. As of 31 December 2022, a provision for impending loss is recognized in the amount of € 82,183 thousand (31/12/2021: € 30,848 thousand) for derivatives valued as functional units and for hedge derivatives valued individually on an imparity basis.

Litigation risk 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 31 December 2022, the total amount in dispute was approximately PLN 3,247,000 thousand (€ 694,000 thousand). The number of lawsuits continues to increase. 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 (C-260/18) 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.

In another proceeding involving RBI AG, the District Court for Warszawa-Wola in Warsaw requested the ECJ to issue a preliminary ruling concerning the way in which the contractual provisions concerning the rules for determining the buying and selling rates for foreign currency are to be formulated in the case of consumer mortgage loans indexed to a foreign currency.

In the judgement of 18 November 2021 in case C-212/20, the ECJ considered that the content of a clause of a loan agreement that sets the buying and selling prices of a foreign currency to which the loan is indexed must enable a reasonably well informed and reasonably observant consumer, based on clear and intelligible criteria, to understand the way in which the foreign currency exchange rate used to calculate the amount of the repayment instalments is set. Based on information specified in such a provision, the consumer must be able to determine on his or her own, at any time, the exchange rate applied by the entrepreneur. In the justification the ECJ specified that a provision that does not enable the consumer to determine the exchange rate himself or herself is unfair. Moreover, the ECJ indicated in said judgement that the national court, when the considered term of a consumer contract is unfair, is not allowed to interpret that term in order to remedy its unfairness, even if that interpretation would correspond to the common intention of the parties to that contract. Only if the invalidity of the unfair term were to require the national court to annul the contract in its entirety, thereby exposing the consumer to particularly unfavorable consequences, so that the consumer would thus be penalized, the national court might replace that term with a supplementary provision of national law. The ECJ therefore did not entirely preclude national courts hearing such cases from supplementing the contract with supplementary provisions of national law, but gaps may not be filled solely with national provisions of a general nature and such instrument may be applied only in strictly limited cases as specified by the ECJ. The assessment of an unfair nature of contractual provisions as well as the decision concerning supplementation of the contract after removal of unfair contractual clauses, however, still falls within the competence of the national court hearing the case. The ECJ did not determine at all whether, in the consequence of the above-mentioned actions, the entire foreign currency contract is to be annulled.

The current judicial practice of Polish courts is already consistent with the ECJ's preliminary ruling and, thus, unfavorable for banks holding consumer mortgage loans indexed to a foreign currency. The respective clauses, depending on the assessment made by the national court hearing the case, may not meet the requirements as specified in the above ECJ judgement.

A significant inflow of new cases has been observed since the beginning of 2020 as a result of the ECJ preliminary ruling and of 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 AG's Polish branch, but by all banks handling currency loan portfolios in Poland.

Furthermore, Polish courts have approached the ECJ with requests for a preliminary ruling in other civil proceedings. That ruling could lead to further clarifications and may influence how court cases concerning foreign currency loans are decided by national Polish courts.

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. Furthermore, such proceedings could result in the imposition of administrative fines on RBI's Polish branch – and in the event of appeals – in administrative court proceedings.

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

RBI AG has recognized provisions for the lawsuits filed in Poland. As lawsuits were filed by a number of customers, these provisions are based on a statistical approach that takes into account both statistical 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 are expected to 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 total of provision on the liability side as well as deduction from the gross carrying amount of the loans on the assets side of the balance sheet has been increased to € 803 million (31/12/2021: € 364 million). 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.

In connection with the recognition of provisions for this matter, there was a change in accounting policies in the financial year 2022 (§ 237 (1) 1 UGB). RBI AG has made this adjustment in order to provide the users of the financial statements with more relevant information on the effects of the CHF mortgage dispute on the financial position and performance. This approach, which is now applied, more appropriately reflects the value of CHF-indexed loans in the balance sheet, enables better comparability of financial statements across the financial sector and represents prevailing market practice in Poland. Due to the increasing number of court cases and predominantly unfavorable court rulings regarding the invalidity of the contract, RBI AG expects that it will not receive the full amount of contractual cash flows related to these financial instruments and has adjusted the expected cash flows and subsequently the carrying amount of the active loans. These changes are not related to credit risk.

As of the balance sheet date 31 December 2022, RBI AG reports provisions for litigation risks for repaid loans in connection with this matter in the amount of € 307 million (31/12/2021: € 364 million), which are included in the following table on other provisions in the item litigation risks. In addition, as of the balance sheet date 31 December 2022, an amount of € 496 million is recognized for the first time to reduce the carrying amount of the loans, as explained above.

When calculating the CHF provision for lawsuits filed in Poland, it is necessary to form a view on matters that are inherently uncertain, such as regulatory pronouncements, the number of future complaints, the extent to which they will be upheld and the impact of legal decisions that may be relevant to claims received. The total amount provided for CHF loans in Poland represents RBI AG's best estimate of the likely future cost. However, a number of risks and uncertainties remain and the cost could therefore differ from the RBI AG's estimates and the assumptions underpinning them and result in a further provision being required. As a result, a negative legal decision for the bank can lead to a significant increase in the provision recognized.

RBI AG has a total of around 29,000 Swiss franc loans outstanding with a total volume of approximately € 2 billion in addition to around 8,000 loans that have been repaid. These also include loans that are not expected to be the subject of litigation. The total amount of the provision for CHF loans in Poland represents RBI AG's best estimate of the future outflow of economic benefits. In calculating the CHF provision for lawsuits filed in Poland, it is nevertheless necessary to form an opinion on events that are inherently uncertain, such as official pronouncements, the number of future lawsuits, the probability of losing court cases and the impacts of court decisions that lead to negative scenarios.

The sensitivity of the uncertainties to a 10-percentage point change in a specific parameter while holding all other parameters constant is shown in the table below:

in € million	2022 10 percentage point increase	2022 10 percentage point decrease	2021 10 percentage point increase	2021 10 percentage point decrease
Change in the number of future lawsuits	85	(84)	36	(36)
Change in the probability of losing court cases	29[1]	(83)	47	(47)

1 The increase is limited to 3.4 percentage points as the overall probability of losing the court cases is 100 per cent.

Other provisions

in € thousand	31/12/2022	31/12/2021
Losses on bankbook interest rate derivatives	82,182.7	30,848.2
Guarantee loans	54,426.1	40,242.7
Litigation risks	308,664.6	368,148.8
Bonus payments	45,358.0	43,782.5
Anniversary payments and birthday payments	31,267.5	40,534.9
Overdue vacation	29,369.7	27,317.8
Restructuring costs	1,134.0	1,291.8
Supervisory Board fees	1,127.0	1,123.3
Operational risk/losses/other	46,851.0	18,022.8
Audit costs	1,162.3	688.2
Other expenses/outstanding invoices	42,814.6	27,703.0
Total	**644,357.5**	**599,704.0**

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

As at 31 December 2022, tier 2 capital amounts to € 2,696,099 thousand (31/12/2021: € 2,712,617 thousand).

Company tier 2 capital according to CRR:

in € thousand	31/12/2022	31/12/2021
6% RBI debt securities issued 2013-2023	9,141.4	335.3
RBI SUB.CALL.NTS 20-32	1,970.1	980.3
RBI NFS 19-30/S193T1	5,148.7	2,045.7
RBI SUB. BONDS 21-33	3,270.8	2,194.8
RBI NTS 22-32 S258/T1	4,476.8	0.0

In the reporting year, issuances of Tier 2 capital took place in the amount of € 5,000 thousand (31/12/2021: € 0 thousand), and covered bonds in the amount of €80,000 thousand were redeemed (31/12/2021: € 0 thousand). As a result, this line item had no impact on earnings for the financial year 2022 (31/12/2021: € 0 thousand).

Subordinated liabilities

List of subordinated loans (including tier 2 capital) that exceed 10 per cent of the total subordinated liabilities of € 2,696,099 thousand (i.e. that exceed € 269,610 thousand):

Name	ISIN	Nominal value in € thousand	Emission	Maturity date	Exchange	Interest rate	Call date	Subordination
Subordinated Notes 2023 Serie 45	XS0981632804	500,000	16/10/2013	16/10/2023	EUR	6,000%		Tier 2
Subordinated Notes 2030 Serie 193	XS2049823763	500,000	12/09/2019	12/03/2030	EUR	1,500%	12/03/2025	Tier 2
Subordinated Notes 2032 Serie 215	XS2189786226	500,000	18/06/2020	18/06/2032	EUR	2,875%	18/06/2027	Tier 2
Subordinated Notes 2033 Serie 231	XS2353473692	500,000	17/06/2021	17/06/2033	EUR	1,375%	17/03 /2028	Tier 2
Subordinated Notes 2032 Serie 258	XS2534786590	500,000	20/09/2022	20/12/2032	EUR	7,375%	20/09 /2027	Tier 2

Subordinated liabilities also include seven subordinated schuldschein loans with maturities of between 10 and 30 years, which are also denominated in EUR.

Claims by creditors for repayment of these liabilities are subordinated to other creditors and, in the event of bankruptcy or liquidation, may only be repaid after all non-subordinated creditors have been repaid.

No contractual regulations exist in relation to the aforementioned liabilities concerning any conversion or early termination.

Expenses for subordinated liabilities

The expenses for subordinated liabilities in the financial year amount to € 105,593 thousand (2021: € 113,533 thousand).

Additional tier 1 capital

No additional tier 1 capital was issued in 2022. With the AT1 capital placed to date in the volume of € 1,650,000 thousand (€ 650,000 thousand in 2017, € 500,000 thousand in 2018 and € 500,000 thousand in 2020), RBI AG has currently completed its planned AT1 issuance program. Additional tier 1 capital, including accrued interest, as of 31 December 2022 amounts to € 1,655,025 thousand (31/12/ 2021: € 1,654,264 thousand). The discount in the amount of € 5,826 thousand is carried as a deferred expense until the applicable first call date (15 December 2022, 15 June 2025, and 15 December 2026).

Assets and liabilities in foreign currency

in € thousand	31/12/2022	31/12/2021
Assets in foreign currency	17,634,244.3	20,500,926.3
Liabilities in foreign currency	14,814,848.5	14,985,628.8

Equity

Subscribed capital

As of 31 December 2022, 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 510,450 own shares, the stated subscribed capital totaled € 1,001,709 thousand.

Own shares

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

The Management Board was further authorized, pursuant to Section 65 (1b) of the Stock Corporation Act (Aktiengesetz – 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 ex-clouded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary (Section 189a 7 UGB) or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 31 March 2027.

Since that time, no own shares were purchased on the basis of the replaced authorization from October 2020 nor on the basis of the current authorization from March 2022. However, in the course of the spin-off of the certificates and equity trading activities from Raiffeisen Centrobank AG, 188,246 shares of RBI AG were taken into treasury as of the reporting date 30 June 2022, as a result of which the total number of treasury shares now comes to 510,450 shares (2021: 322,204 shares).

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

Authorized capital

Pursuant to Section 169 AktG, the Management Board has been authorized since the Annual General Meeting of 13 June 2019 to in-crease the share capital with the approval of the Supervisory Board – in one or more tranches – by up to € 501,632,920.50 through the issuance of up to 164,469,810 new voting common bearer shares in exchange for contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to Section 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 to date of the authority granted in June 2019 to utilize the authorized capital.

Capital reserves

The committed capital reserves of € 4,334,286 (31/12/2021: € 4,334,286 thousand) remained unchanged over the entire financial year, while the uncommitted capital reserves declined to € 94,779 thousand (31/12/2021: € 97,066 thousand).

Retained earnings

Retained earnings consist of legal reserves of € 5,500 thousand (31/12/2021: € 5,500 thousand) and other free reserves amounting to € 1,680,918 thousand (31/12/2021: € 2,679,665 thousand). Of the other free reserves, an amount of € 403,914 thousand (31/12/2021: € 352,661 thousand) is allocated to the Raiffeisen-IPS. An amount of € 51,253 thousand (31/12/2021: € 28,783 thousand) was allocated to other reserves in the 2022 financial year as a reserve for the Raiffeisen institutional protection scheme (Raiffeisen-IPS) based on the agreement to establish an institutional protection scheme and a corresponding resolution by the Raiffeisen-IPS Joint Risk Council. The Raiffeisen-IPS reserve is not eligible for inclusion in the calculation of own funds pursuant to CRR. In addition, a release of free reserves in the amount of € 1,050,000 thousand was made in financial year 2022 (31/12/2021: allocation € 247,000).

Liability reserves

As at 31 December 2022, liability reserves stood unchanged at € 535,097 thousand (31/12/2021: € 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 2022, the volume of these guarantees was € 801,585 thousand (31/21/2021: € 780,503 thousand).

Raiffeisen-Kundengarantiegemeinschaft Austria (RKÖ)

RBI AG is a member of Raiffeisen-Kundengarantiegemeinschaft Austria (Raiffeisen Customer Guarantee Scheme Austria (RKÖ)). The members of this association have a contractual obligation to guarantee jointly the punctual fulfillment of the entirety of an insolvent association member's commitments arising from customer deposits and its own issues up to the limit of the sum of the individual capacities of the remaining association members. The individual capacity of an association member is measured on the basis of its freely available reserves subject to the pertinent provisions of the Austrian Banking Act (BWG).

In view of legal and regulatory changes and implementation of an institutional protection scheme, RKÖ and its member institutions decided in 2019 to discontinue the scheme for new transactions. Accordingly, the supplementary protection by RKÖ only applies to covered claims against members that arose before 1 October 2019. Customers' rights under the statutory deposit guarantee scheme are unaffected by this and remain in full force and effect.

Institutional Protection Scheme (R-IPS)

In March 2021, RBI AG, its Austrian subsidiary banks, the regional Raiffeisen banks and the local Raiffeisen banks concluded an agreement on a new institutional protection scheme (Raiffeisen-IPS) in accordance with Article 113 (7) CRR (Capital Requirements Regulation of the European Union). In this agreement, the participating institutions undertake to provide mutual protection and, in particular, to ensure each other's liquidity and solvency if required. This new Raiffeisen-IPS was recognized in May 2021 by the competent supervisory authorities ECB and FMA as an institutional protection scheme within the meaning of Article 113 (7) CRR with the associated rights and obligations of its participating institutions. Accordingly, among other things, claims between Raiffeisen-IPS members may be assigned a risk weighting of zero per cent. Raiffeisen-IPS is subject to joint regulatory supervision. The capital adequacy requirements are one of the items that must be complied with on a consolidated basis.

The institutional protection scheme Raiffeisen-IPS was recognized by the FMA as a deposit guarantee and investor compensation system in accordance with the Deposit Guarantee and Investor Compensation Act (ESAEG), with Österreichische Raiffeisen-Sicherungseinrichtung eGen (ÖRS) as the entity providing the deposit guarantee, in May 2021. Since 29 November 2021, RBI AG and its Austrian subsidiary banks, regional Raiffeisen banks and the local Raiffeisen banks have belonged to ÖRS as a statutory protection scheme.

Raiffeisen-IPS is managed by the overall risk council, which is composed of representatives of RBI, the regional Raiffeisen banks and representatives of the local Raiffeisen banks. It is supported in the performance of its duties by, among others, provincial risk councils at the level of the federal states.

ÖRS is responsible for early risk identification and reporting tasks for Raiffeisen-IPS. ÖRS also manages the assets of Raiffeisen-IPS as a trustee.

Letters of comfort and other financial obligations

As at 31 December 2022, soft letters of comfort in the amount of € 133,673 thousand (31/12/2021: € 230,460 thousand) had been issued.

Open capital commitments on share capital in the amount of € 23,492 thousand (31/12/2021: € 5,600 thousand) exist vis-a-vis European Investment Fund S.A., Luxembourg.

Contingent liabilities recorded in statement of financial position of RBI AG of € 7,188,967 thousand were reported as at 31 December 2022 (31/12/2021: € 7,436,706 thousand). Of that amount, € 6,278,399 thousand (31/12/2021: € 5,940,323 thousand) was attributable to guarantees and € 910,568 thousand (31/12/2021: € 1,496,382 thousand) to letters of credit. Of the guarantees, an amount of € 738,389 relates to guarantees to affiliated companies.

As at 31 December 2022, € 19,434,120 thousand (31/12/2021: € 18,850,115 thousand) in credit risk was reported under liabilities in the statement of financial position. In the reporting year, € 11,312,946 thousand of that amount relates to irrevocable loan commitments not yet drawn down and € 8,121,174 thousand to revocable loan commitments.

Pending legal issues

RBI AG is involved in various legal, administrative or arbitration proceedings before various courts and authorities, both as a plaintiff and a defendant. The proceedings generally arise in the ordinary course of business in contractual, employment and other matters.

A provision is only recognized if there is a legal or constructive obligation as a result of a past event, payment is likely and the amount can be reliably estimated. A contingent liability that arises from a past event is disclosed unless payment is highly unlikely. A contingent asset that arises from a past event is reported if there is high probability of occurrence. In the following description, no amount is specified in those cases in which it would be severely detrimental to do so.

Banking business

RBI and its subsidiaries provide services for corporate customers that increase litigation risk at the operating level. The most important cases are as follows:

Following the insolvency of Alpine Holding GmbH (Alpine) in 2013, a number of lawsuits were filed by retail investors in Austria against RBI AG and another credit institution in connection with a bond which had been issued by Alpine in 2012 in an aggregate principal amount of € 100 million. The claims against RBI AG originally amounted to approximately € 10 million. In total, claims amounting to € 8 million were filed directly by individual investors or by means of class action associations. Due to some discontinued proceedings as well as claim limitations, the amount in dispute in the pending legal proceedings is currently around € 7 million. Among other things, the litigants claim that the banks acted as joint lead managers of the bond issue and were or at least should have been aware of the financial problems of Alpine at the time of the issue. Thus, they should have known that Alpine was not in a position to redeem the bonds as set out in the terms and conditions of the bonds. It is alleged that the capital market prospectus in relation to the bond issue was misleading and incomplete and that the joint lead managers, including RBI AG, which were also involved in the preparation of the prospectus, were aware of this.

In the first quarter of 2021, RBI AG learned about a claim already filed against it in Jakarta by an Indonesian company in November 2020. The amount of the alleged claim is approximately USD 129 million (€ 121 million) in material damages and USD 200 million (€ 188 million) in immaterial damages. RBI AG was served with the claim in May 2022. At the first hearing before the South Jakarta District Court, on 27 September 2022, the parties were ordered to participate in court-ordered mediation on a mandatory basis beginning 4 October 2022. The mediation process was inconclusively terminated and legal proceedings resumed.

In August 2019, RBI AG launched a claim for approximately € 44 million against a Cayman Islands incorporated company, several of its subsidiaries and one former subsidiary (the Cayman Islands Defendants) in the Grand Court of the Cayman Islands, Financial Services Division (the CI Proceedings). In the CI Proceedings, RBI AG alleges that the Cayman Islands Defendants participated in transactions to defraud creditors and a fraudulent conspiracy to injure RBI AG by dissipating assets so as to frustrate RBI AG's claims under a number of parent company guarantees. Furthermore, RBI AG alleges that said transfers were carried out at undervalue or without consideration between or among the Cayman Islands Defendants. RBI AG obtained an order against one of the Cayman Island Defendants in September 2019, placing restrictions on its ability to deal with its assets, pending determination of the CI Proceedings. RBI AG obtained a similar order against a further Cayman Island Defendant in May 2020 (together the Freezing Orders). In November 2019, some of the Cayman Islands Defendants filed a counterclaim in the amount of € 203 million against RBI AG in the course of the CI Proceedings. RBI AG considers that the counterclaim, which is based on documents that the Caymans Island Defendants have refused to disclose to date, is entirely without merit. In July 2021, RBI AG applied for permission to amend its claim in the CI Proceedings, to add an additional defendant and claim further damages and associated relief, bringing the total sums claimed by RBI AG in the CI Proceedings to approximately € 87 million plus interest and costs. That application has yet to be determined. In December 2021, the Cayman Islands Court of Appeal gave judgment on an appeal brought by two of the Cayman Island Defendants, against the Freezing Orders. The Court of Appeal has refused to dismiss the Freezing Orders, which will remain in place. The CI Proceedings are ongoing. In January 2021, RBI AG issued an arbitration claim for an amount of approximately € 87 million plus interest and costs against one of the Cayman Islands Defendants (who, at that time, was incorporated in the Marshall Islands) before the Vienna International Arbitral Centre (VIAC) (the VIAC Arbitration). The VIAC arbitration dealt with claims by RBI AG arising from guarantees issued by said company to RBI AG. In October 2022, the sole arbitrator issued an award ordering the Respondent to pay RBI AG (i) € 62 million and USD 19 million (€18 million) in respect of the nominal amounts due under the Guarantees, (ii) interest on such amounts at the rate of 5 per cent per annum, accruing on these amounts from 27 February 2018 until the date of payment, (iii) fees, costs and expenses incurred by RBI AG in connection with additional proceedings in various jurisdictions worldwide, (v) the costs of the VIAC arbitration.

In April 2018, a lawsuit was brought against Raiffeisen Bank Polska S.A. (RBPL), the former Polish subsidiary of RBI AG, by a former client claiming an amount of approximately PLN 203 million (€ 43 million). According to the plaintiff's complaint, RBPL blocked the client's current overdraft credit account for six calendar days in 2014 without formal justification. The plaintiff claimed that the blocking of the account resulted in losses and lost profits due to a periodic disruption of the client's financial liquidity, the inability to replace loan-based funding sources on the blocked account with financing streams originating from other sources, a reduction in inventory and merchant credits being made available and generally a resulting deterioration of the client's financial results and business reputation. RBPL contended that the blocking was legally justified and implemented upon available information. In the course of the sale of the core banking operations of RBPL to BGZ BNP Paribas S.A., the lawsuit against RBPL was transferred to BGZ BNP Paribas S.A. However, RBI AG must still bear any negative financial consequences in connection with the said proceeding. In February 2022, RBI AG was informed by the bank BGZ BNP Paribas S.A. that the claim had been dismissed in the first instance. The plaintiff has appealed against this decision.

Regulatory enforcement

RBI AG is subject to numerous national and international regulatory authorities.

In March 2018, an administrative fine of € 2.7 million (which was calculated by reference to the annual consolidated revenue of RBI AG and constitutes 0.06 per cent of the last available annual consolidated revenue) was imposed on RBI AG in the course of administrative proceedings based on alleged non-compliance with formal documentation requirements relating to the know-your-customer principle. According to the interpretation of the Austrian Financial Market Authority (FMA), RBI AG had failed to comply with these administrative obligations in a few individual cases. FMA did not allege that any money laundering or other crime had occurred, or that there was any suspicion of, or any relation to, any criminal act. RBI AG took the view that it had duly complied with all due diligence obligations regarding know-your-customer requirements and appealed against the fine notice in its entirety. The Federal Administrative Court (Bundesverwaltungsgericht) confirmed FMA's decision at first instance, against which RBI AG appealed to the Austrian Supreme Administrative Court (Verwaltungsgerichtshof). In December 2019, the Austrian Supreme Administrative Court revoked the decision of the lower administrative instances and referred the case back to the Federal Administrative Court. In the retrial on 6 May 2021, the Federal Administrative Court again confirmed FMA's decision but reduced the administrative fine to € 824 thousand and allowed another appeal before the Austrian Supreme Administrative Court. Said appeal was filed by RBI AG and the case is now again pending at the Austrian Supreme Administrative Court.

In September 2018, two administrative fines totaling PLN 55 million (€ 12 million) were imposed on RBPL in the course of administrative proceedings based on alleged non-performance of duties as the depositary and liquidator of certain investment funds. RBPL as custodian of investment funds assumed the role of liquidator of certain funds in spring 2018. According to the interpretation of the Polish Financial Supervision Authority – which is known by its Polish abbreviation, KNF – RBPL failed to comply with certain obligations in its function as depository bank and liquidator of the funds. In the course of the transactions related to the sale of the core banking operations of RBPL to BGZ BNP Paribas S.A., the responsibility for said administrative proceedings and related fines was assumed by RBI AG. RBI AG filed appeals against these fines in their entirety. In September 2019, in relation to the PLN 5 million (€ 1 million) fine regarding RBPL's duties as depositary bank, the Voivodship Administrative Court approved RBI's appeal and overturned the KNF's decision in its entirety. However, the KNF appealed the decision. In relation to the PLN 50 million (€ 11 million) fine regarding RBPL's function as liquidator, the Voivodship Administrative Court decided to dismiss the appeal and uphold the KNF decision in its entirety. RBI AG has appealed to the Supreme Administrative Court because it takes the view that RBPL has duly complied with all its duties.

In this context, several individual lawsuits and four class actions combining claims of holders of certificates of the above-mentioned investment funds in liquidation have been filed against RBI AG. The total amount in dispute as of 30 December 2022 is approximately PLN 69 million (€ 15 million). In addition, RBI AG was informed that an amendment to the statement of claim was submitted to the court, which could lead to an increase in the total amount in dispute by approximately PLN 91 million (€ 19 million). However, this amendment has not yet been served on RBI AG. The plaintiffs in the class actions demand that RBI AG's responsibility for the alleged improper performance of RBPL (whose legal successor is RBI AG) as the depositary bank be established. Such a determination would secure and facilitate the plaintiffs' financial claims in further lawsuits.

Additionally, RBI AG received a number of claim notices from BNP in connection with certain bank operations in respect of which BNP is the legal successor to RBPL. Said claim notices primarily relate to administrative proceedings conducted by the KNF in connection with alleged failures of RBPL/BNP in acting as a custodian of investment funds and could lead to cash penalties. Furthermore, claims in this context have been raised by investors to BNP, and as a mitigating measure RBI supports BNP in this regard.

In January 2023, RBI AG was notified by the FMA that investigations had been initiated into alleged non-compliance with legal requirements in connection with the know-your-customer principle. The FMA accused RBI AG of processing so-called "nested transactions" for three correspondent banks between 2017 and 2020 without taking sufficient measures to ensure that these transactions were not used for money laundering and terrorist financing purposes and, as a result, did not have appropriate measures and procedures in place to ensure compliance with the applicable due diligence requirements. Furthermore, according to the FMA's interpretation, RBI AG did not ensure that appropriate measures and procedures were in place to ensure compliance with the required due diligence obligations. The administrative proceedings have not yet been completed and could result in fines.

Tax litigation

In tax audits for the years 2001 to 2005 and 2006 to 2011, the interest in connection with hedging transactions for group equity (capital hedges) and IPO costs of RBI AG were classified as non-deductible. RBI AG lodged a complaint with the Federal Finance Court (BFG), which fully upheld the complaint in 2021, resulting in a tax refund to RBI AG in the amount of around € 14 million (including interest). The authority filed an extraordinary appeal against the judgment of the BFG with the Austrian Administrative Court. The Austrian Administrative Court confirmed the BFG's decision, but with respect to interest payments in connection with capital hedges, it referred the case back to the BFG to examine whether gains or expenses were realized in connection with the capital hedges.

Total capital according to CCR

in € thousand	31/12/2022	31/12/2021
Capital instruments and the related share premium accounts	5,414,618	5,414,618
Retained earnings	2,017,115	2,869,321
Accumulated other comprehensive income (and other reserves)	0	0
Minority interests (amount allowed in CET1)	0	0
Common equity tier 1 (CET1) capital before regulatory adjustments	**7,431,733**	**8,283,939**
Additional value adjustments (negative amount)	(54,015)	(43,904)
Intangible assets (net of related tax liability) (negative amount)	(22,099)	(33,953)
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)	(1,077)	(481)
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
Other regulatory adjustments	(38,846)	(15,523)
Total regulatory adjustments to common equity tier 1 (CET1)	**(116,037)**	**(93,861)**
Common equity tier 1 (CET1) capital	**7,315,696**	**8,190,078**
Capital instruments and the related share premium accounts	1,644,174	1,639,874
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	0	0
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**(33,000)**	**(50,000)**
Additional tier 1 (AT1) capital	**1,611,174**	**1,589,874**
Tier 1 capital (T1 = CET1 + AT1)	**8,926,870**	**9,779,951**
Capital instruments and the related share premium accounts	2,174,901	1,914,305
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	149,647	182,780
Tier 2 (T2) capital before regulatory adjustments	**2,324,548**	**2,097,084**
Total regulatory adjustments to Tier 2 (T2) capital	**(71,861)**	**(55,000)**
Tier 2 (T2) capital	**2,252,687**	**2,042,084**
Total capital (TC = T1 + T2)	**11,179,557**	**11,822,036**
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)	**41,903,360**	**47,358,183**
Total risk-weighted assets (RWA)	**41,903,360**	**47,358,183**

A presentation of consolidated own funds in accordance with CRR can be found in the consolidated financial statements in the chapter "Capital management and total capital according to CRR/CRD IV and Austrian Banking Act (BWG)."

Own funds requirements and risk-weighted assets

in € thousand	31/12/2022		31/12/2021	
	Risk-weighted exposure	Capital requirement	Risk-weighted exposure	Capital requirement
Total risk-weighted assets (RWA)	**41,903,360**	**3,352,269**	**47,358,183**	**3,788,655**
Risk-weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**35,802,082**	**2,864,167**	**41,042,783**	**3,283,423**
Standardized approach (SA)	**3,326,324**	**266,106**	**3,844,101**	**307,528**
Exposure classes excluding securitization positions	3,326,324	266,106	3,844,101	307,528
Central governments and central banks	0	0	0	0
Regional governments or local authorities	17,524	1,402	10,707	857
Public sector entities	0	0	0	0
Institutions	2,304	184	2,368	189
Corporates	5,511	441	66	5
Retail	240,257	19,221	112,672	9,014
Receivables secured by real estate	2,362,419	188,994	3,072,469	245,798
Exposure in default	20,530	1,642	27,952	2,236
Items associated with particular high risk	0	0	0	0
Covered bonds	0	0	0	0
Collective investments undertakings (CIU)	14	1	18,074	1,446
Participating interests	86,130	6,890	196,697	15,736
Other items	591,635	47,331	403,095	32,248
Internal ratings based approach (IRB)	**32,475,759**	**2,598,061**	**37,198,681**	**2,975,895**
IRB approaches when neither own estimates of LGD nor conversion factors are used	**18,587,936**	**1,487,035**	**21,669,447**	**1,733,556**
Central governments and central banks	71,565	5,725	64,511	5,161
Institutions	3,053,197	244,256	2,457,244	196,580
Corporates - SME	285,445	22,836	278,127	22,250
Corporates - Specialized lending	1,130,277	90,422	1,460,255	116,820
Corporates - Other	14,047,451	1,123,796	17,409,310	1,392,745
IRB approaches when neither own estimates of LGD nor conversion factors are used	**0**	**0**	**0**	**0**
Participating interests	13,859,991	1,108,799	15,497,394	1,239,792
Simple risk weight approach	0	0	0	0
Other equity exposure	0	0	0	0
PD/LGD approach	0	0	0	0

in € thousand	31/12/2022		31/12/2021	
	Risk-weighted exposure	Capital requirement	Risk-weighted exposure	Capital requirement
Risk exposure amount for settlement and delivery risk	**18,517**	**1,481**	**6,495**	**520**
Settlement/delivery risk in the non-trading book	0	0	6,441	515
Settlement/delivery risk in the trading book	18,517	1,481	54	4
Total risk exposure amount for position, foreign exchange and commodities risk	**2,249,908**	**179,993**	**3,150,561**	**252,045**
Risk exposure amount for position, foreign exchange and commodities risks under standardized approaches (SA)	**994,932**	**79,595**	**581,744**	**46,540**
Traded debt instruments	362,653	29,012	572,704	45,816
Participating interests	82,688	6,615	7,304	584
Particular approach for position risk in CIUs	780	62	352	28
Foreign exchange	545,993	43,679	0	0
Commodities	2,817	225	1,385	111
Risk exposure amount for position, foreign exchange and commodities risks under internal models (IM)	**1,254,976**	**100,398**	**2,568,817**	**205,505**
Total risk exposure amount for operational risk	**2,904,518**	**232,361**	**2,904,129**	**232,330**
OpR standardized (STA) /alternative standardized (ASA) approaches	2,904,518	232,361	2,904,129	232,330
OpR advanced measurement approaches (AMA)	0	0	0	0
Total risk exposure amount for credit valuation adjustments	**209,211**	**16,737**	**151,126**	**12,090**
Standardized method	209,211	16,737	151,126	12,090
Other risk exposure amounts	**719,124**	**57,530**	**103,089**	**8,247**
Of which: Risk-weighted exposure amounts for credit risk: securitization positions (revised securitization framework)	719,124	57,530	103,089	8,247

Equity ratios[1]

in per cent	31/12/2022	31/12/2021
Common equity tier 1	17.3%	17.3%
Tier 1 ratio	21.1%	20.7%
Total capital ratio	26.6%	25.0%

1 Fully loaded

Leverage ratio

in € thousand	31/12/2022	31/12/2021
Leverage exposure	92,902,358	91,087,536
Tier 1	8,926,870	9,779,951
Leverage ratio in per cent[1]	**9.5%**	**10.7%**

1 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:

2022 in € thousand	Total	Austria	Rest of Europe	Asia
Interest receivable and similar income	1,187,115.6	1,147,541.4	38,303.7	1,270.5
hereof: from fixed-income securities	74,642.0	74,212.2	352.6	77.2
Income from variable-yield securities and participations	564,320.6	564,320.6	0.0	0.0
Commissions receivable	531,264.2	528,626.4	2,637.8	0.0
Net profit or net loss on financial operations	93,490.1	93,300.2	3,119.3	(2,929.5)
Other operating income	212,647.6	197,999.0	9,616.6	5,032.0

2021 in € thousand	Total	Austria	Rest of Europe	Asia
Interest receivable and similar income	688,163.1	655,741.2	31,119.1	1,302.8
hereof: from fixed-income securities	41,198.6	41,185.9	0.0	12.6
Income from variable-yield securities and participations	841,438.1	841,438.1	0.0	0.0
Commissions receivable	476,733.0	473,532.9	3,200.1	0.0
Net profit or net loss on financial operations	(186,492.8)	(190,895.7)	3,441.5	961.5
Other operating income	275,287.3	271,776.1	3,438.8	72.4

Negative interest rates

An expense, resulting from negative interest for loans and advances, was shown in an amount of € 34,495 thousand (2021: € 50,456 thousand) in the item interest receivable and similar income. This contrasted with income of € 140,410 thousand (2021: € 199,833 thousand) resulting from negative interest for liabilities, which was shown in the item interest payable and similar expenses.

Other operating income

Other operating income includes staff and administrative expenses passed on for services in the amount of € 157,242 thousand (2021: € 130,356 thousand), income from releases of provisions for impending losses from derivatives in the amount of € 6,714 thousand (2021: € 28,751 thousand), income from close-out fees for derivatives on the banking book in an amount of € 16,963 thousand (2021: € 16,832 thousand), as well as income from the release of other provisions in the amount of € 3,980 thousand (2021: € 917 thousand).

Staff expenses

Expenses for severance payments and benefits for occupational employee pension funds include € 10,688 thousand in proceeds for severance payments (2021: expenses of €3,769 thousand), which resulted from changes in actuarial parameters used to determine provisions.

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 increased € 298,410 thousand to € 655,486 thousand in 2022. This includes allocations for provisions for impending losses for banking book derivatives in an amount of € 62,582 thousand (2021: € 14,811 thousand), allocations for other provisions for liabilities and charges (see also the item "Provisions" in the statement of financial position and the section "Litigation risk for foreign currency loans in Poland") of € 462,000 thousand (2021: € 300,150 thousand), as well as expenses deriving from close-out fees for banking book derivatives in an amount of € 9,971 thousand (2021: € 26,553 thousand). Also included are expenses from staff and administrative costs passed on in the amount of € 57,944 thousand (2021: € 26,508 thousand)

Disposal and valuation of loans and advances and securities classified as current assets

Net income/expenses from the disposal and valuation of loans and advances and securities classified as current assets recorded a net expense - as in the previous year - of € 164,641 thousand (2021: minus € 91,290 thousand). This change derived, firstly, from a decrease in the net gain/loss on the valuation and disposal of marketable securities and banking book derivatives to minus € 60,546 thousand (2021: minus € 17,303 thousand) and from a decline in the net gain/loss on the valuation of loans and advances as well as guarantees to an amount of minus € 104,095 thousand (2021: minus € 73,987 thousand). The need for new loan loss provisions has grown as a result of the general economic situation in 2022. RBI AG recognized net provisioning for individual loan loss provisions of € 85,006 thousand. This represented a year-on-year increase of € 47,017 thousand. Despite the generally negative macroeconomic outlook and the ongoing war in Ukraine, lower additions to portfolio-based loan loss impairments were made in an amount of € 20,910 thousand (2021: minus € 50,567 thousand). This decrease is mainly attributable to the adjustment of portfolio-based loan loss provisions for foreign currency loans in Poland in the amount of € 39,332 thousand (see also the section on litigation risk for foreign currency loans in Poland and the change in accounting policies pursuant to Section 237 (1) 1 UGB in this context). On the other hand, new allocations for general political risks, the Russia sanctions and the Russian business managed from Vienna amount to minus € 22,862 thousand (2021: minus € 7,724 thousand). As part of the ongoing risk assessment, significant deteriorations in creditworthiness that have not yet resulted in default have been provisioned for a net amount of minus € 24,351 thousand (2021: minus € 6,542 thousand). In the course of the financial year under review, adjustments based on macroeconomic parameters amounting to minus € 22,778 thousand (2021: € 8,535 thousand) were made. For substantial as well as non-substantial contract modifications, adjustments to carrying amounts of minus € 1,820 thousand (2021: minus € 4,485 thousand) were realized in the financial year. Net income from extraordinary disposals of loan receivables amounts to minus € 2,311 thousand (2021: € 6,271 thousand).

In the financial year under review, losses were realized on shares in investment funds in an amount of € 162 thousand (2021: € 1 thousand). Income from distributions amounted to € 2 thousand (2021: € 8 thousand).

Disposal and valuation of securities evaluated as financial investments and of shares in affiliated companies and participating interests

The item net income/expenses from the disposal and valuation of securities evaluated as financial investments and of shares in affiliated companies and participating interests included reversals of write-downs in the amount of € 5,828 thousand, of which € 3,974 thousand was attributable to Posojilnica Bank eGen, Klagenfurt. Shares in affiliated companies and equity participations were written down by € 971,767 thousand in total, including AO Raiffeisenbank, Moscow in the amount of € 604,248 thousand, Raiffeisen Bank Aval JSC, Kiev, in the amount of € 253,048 thousand, RZB-BLS Holding GmbH, Vienna, in the amount of € 51,449 thousand and Raiffeisen Digital Bank AG, Vienna, in the amount of € 20,400 thousand (please also refer to the section "Reorganization result" for the disclosure of the additional reorganization-related impairment loss on the investment in Raiffeisen Digital Bank AG in the amount of € 39,222 thousand). In total, gains of € 17 thousand (2021: gains of € 3,704 thousand) were realized on the sale of shares in affiliated companies and participating interests in the financial year. A total of € 965,955 thousand in losses (2021: gains of € 186,003 thousand) from both the valuation and disposal of shares in affiliated companies and participating interests will be recognized.

In the financial year 2022, a net amount of € 9,823 thousand in losses was realized from the sale of securities held as financial assets, while € 9,134 thousand in price gains were realized in the comparable period of 2021.

Tax on profit or loss

The tax on profit or loss shows net positive income from taxes in the amount of € 5,531 thousand (2021: € 10,400 thousand) for the financial year 2022. The item includes income from current income taxes of € 5,859 thousand (2021: € 13,127 thousand), deferred tax income of € 504 thousand (2021: € 300 thousand) and taxes for previous years of € 258 thousand (2021 € 21,266 thousand). Furthermore, foreign withholding taxes are included in an amount of € 574 thousand (2021: € 24,294 thousand).

RBI AG is the group parent of a corporate group pursuant to Section 9 of the Corporation Tax Act (KStG). As of 31 December 2022, 54 companies (including the parent company) were members of the group of companies (31/12/2021: 52 companies) pursuant to Section 9 of the Corporation Tax Act (KStG). If a group company achieves a positive taxable result, the tax allocation to be paid for the tax-deductible profit share is 12.5 per cent and for the non-deductible profit share 25 per cent. In addition, the positive tax levy amounts to 12.5 per cent if a positive result of a group company reduces the balance on the record account (i.e. an off-book account that the group parent keeps for the group company for the purpose of keeping records of negative results of the group member and later offsetting them against positive results of the group member). In the event of negative results for tax purposes, the group member has a claim against the group parent amounting to 12.5 per cent of the negative result.

Reorganization result

The reported reorganization result of minus € 3,553 thousand is due to the spin-off of Raiffeisen Centrobank AG to RBI AG (see chapter "Spin-off of the certificates and equity trading activities from Raiffeisen Centrobank AG to RBI AG"). It comprises € 34,659 thousand (the "Confusio result") directly related to the acquired financial instruments and related derivatives, € 1,010 thousand carrying value of net assets acquired and a € 39,222 thousand impairment loss on investments due to the reorganization.

Branches on a consolidated basis

2022 in € thousand	Bratislava	Frankfurt	London	Beijing	Singapore	Warsaw
Domicile state	Slovakia	Germany	Great Britain	China	Singapore	Poland
Net interest income	1	0	(4)	1,168	77	37,950
Operating income	5,408	410	(127)	(1,765)	76	45,105
Profit on ordinary activities	3,728	(1,826)	(4,306)	(5,487)	(1,617)	(485,460)
Tax on profit or loss	(214)	(36)	(66)	(200)	0	0
Number of employees (average)	25.0	8.0	13.5	16.0	4.0	254.0
Public subsidies received	None	None	17	None	None	None

2021 in € thousand	Frankfurt	London	Beijing	Singapore	Warsaw
Domicile state	Germany	Great Britain	China	Singapore	Poland
Net interest income	0	(3)	1,290	13	31,119
Operating income	337	88	2,269	47	40,442
Profit on ordinary activities	(1,668)	(3,915)	(916)	(1,498)	(285,058)
Tax on profit or loss	(84)	(50)	0	0	0
Number of employees (average)	8.0	13.3	15.0	4.0	246.0
Public subsidies received	None	None	None	5	None

With regard to the business areas in which the branches operate, please refer to the chapter "Branches and representative offices" in the management report.

The branch in Slovakia, originally established in 2017 as a branch of Raiffeisen Centrobank AG, was acquired by RBI AG as part of the spin-off to include the certificates and equity trading activities of Raiffeisen Centrobank AG with entry in the commercial register on 1 December 2022.

Overall return on assets

The overall return on assets (net loss or profit after tax divided by the average total assets) in 2022 was -1.13 per cent (2021: 0.71 per cent).

Profit contribution from 2021

On 31 March 2022, the Annual General Meeting resolved not to pay out a dividend due to the escalation of the military Russia/Ukraine conflict at that time and to carry forward the remaining net profit for fiscal 2021 in the amount of € 379,999,596.87.

Prosposal for the appropriation of profits

Due to the ongoing war in Ukraine, the sanctions imposed in this context, associated effects and the economic environment the business activities of the RBI Group continue to be subject to considerable volatility and uncertainty. The Management Board and the Supervisory Board have therefore decided that a proposal will be made to the Annual General Meeting to carry forward the entirety of the retained earnings.

Despite the aforementioned circumstances, which make it reasonable from today's perspective to carry forward profits, the Management Board would like to offer shareholders the prospect of an appropriate share in the company's profit for the past financial year in the form of a dividend of probably up to EUR 0.80 per ordinary share entitled to dividend. The Management Board therefore intends, taking into account the development of the capital ratios, regulatory requirements and the ongoing strategic considerations, to examine the possibility of a subsequent dividend distribution from the retained balance-sheet profit carried forward for the financial year 2022 in the current financial year and would then, if necessary, submit the distribution of a dividend to a separate (extraordinary) shareholders' meeting for a resolution.

Other

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

In the financial year the company had an average of 3,445 employees (2021: 3,238).

Expenses for severance payments and pensions

	Pension		Severance payments	
in € thousand	2022	2021	2022	2021
Members of the managing board and senior staff	(2,744)	3,358	(1,134)	1,916
Employees	7,761	(2,483)	(3,702)	5,614
Total	**5,017**	**875**	**(4,836)**	**7,530**

The income from severance payments and pension expenses in the financial year resulted from changes in actuarial parameters used to determine provisions.

Management Board

Members of the Management Board	Original appointment	End of term
Johann Strobl, Chairman	22 September 2010[1]	28 February 2027
Andreas Gschwenter	1 July 2015	30 June 2023
Łukasz Januszewski	1 March 2018	28 February 2026
Peter Lennkh	1 October 2004	31 December 2025[2]
Hannes Mösenbacher	18 March 2017	28 February 2025
Andrii Stepanenko	1 March 2018	28 February 2026

1 Effective as of 10 October 2010
2 On 31 January 2023, Peter Lennkh announced his intention to step down from the Management Board in the course of 2023.

Supervisory Board

Members of the Supervisory Board	Original appointment	End of term
Erwin Hameseder, Chairman	8 July 2010[1]	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 2027
Klaus Buchleitner[2]	26 June 2013	31 March 2022
Peter Gauper	22 June 2017	Annual General Meeting 2027
Wilfried Hopfner[2]	22 June 2017	31 March 2022
Rudolf Könighofer	22 June 2017	Annual General Meeting 2027
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 2027
Michael Höllerer[3]	31 March 2022	Annual General Meeting 2027
Michael Alge[3]	31 March 2022	Annual General Meeting 2027
Andrea Gaal	21 June 2018	Annual General Meeting 2023
Birgit Noggler	22 June 2017	Annual General Meeting 2027
Rudolf Kortenhof[4]	10 October 2010	Until further notice
Peter Anzeletti-Reikl[4]	10 October 2010	Until further notice
Gebhard Muster[4]	22 June 2017	Until further notice
Helge Rechberger[4]	10 October 2010	Until further notice
Natalie Egger-Grunicke[4]	18 February 2016	Until further notice
Denise Simek[4]	1 October 2021	Until further notice

1 Effective as of 10 October 2010
2 Resigned as of the Annual General Meeting of 31 March 2022
3 Member of the Supervisory Board as of the Annual General Meeting of 31 March 2022
4 Delegated by the Staff Council

State Commissioners

- Alfred Lejsek, State Commissioner (since 1 January 2011)
- Matthias Kudweis, Deputy State Commissioner (since 1 April 2021)

Remuneration of members of the Management Board

The following remuneration was paid to the Management Board:

in € thousand	2022	2021
Fixed remunerations	4,906	4,737
Bonus (performance-based)	3,742	2,808
Payments to pension funds and reinsurance policies	412	375
Other remunerations	2,330	2,250
Total	**11,390**	**10,171**
hereof remuneration from affiliated companies (Supervisory Board remuneration)	2,145	2,065

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 2021 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 € 1,386 thousand (2021: € 1,319 thousand) was paid in pension benefits to former members of the Management Board and to their surviving dependants in the 2022 financial year. In addition to these amounts, short-term benefits and deferred bonus components as well as severance payments totaling € 978 thousand (2021: € 2,566 thousand) were paid to former members of the Management Board.

In addition to the amounts presented above, there are expenses of € 1,135 thousand (31/12/2021: € 1,574 thousand) as portions of the bonus provision, which relate to deferred bonus portions payable in cash and retained portions payable in instruments. In the case of the latter, valuation changes due to exchange rate fluctuations are also taken into account.

Remuneration of members of the Supervisory Board

in € thousand	2022	2021
Remunerations supervisory board	1,127	1,123

The Annual General Meeting held on 22 April 2021 approved a new remuneration model for the Supervisory Board, beginning on 23 April 2021 and for the following years. It was decided to distribute the remuneration as follows: Chairman € 120 thousand, Deputy Chairman € 95 thousand, members of the Supervisory Board € 60 thousand, plus attendance fees for the Chairman of the Audit Committee and the Risk Committee amounting to an additional € 17,5 thousand each.

In the 2022 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	2022	2021
Remuneration Advisory Council	188	185

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.

Amounts of loans and grants extended to members of the Management Board and Supervisory Board

The relationships of members of the Management Board and Supervisory Board to RBI AG are as follows:

in € thousand	2022	2021
Debt securities	657	1,622
Shares	2,581	4,934
Deposits	762	162
Loans	0	233

Of the amounts stated, bonds worth € 22 thousand (2021: € 837 thousand), shares worth € 1,576 thousand (2021: € 2,846 thousand) and deposits worth € 732 thousand (2021: € 134 thousand) are attributable to members of the Management Board. The remaining items are attributable to the Supervisory Board.

Events after the reporting date

There were no significant events after the reporting date.

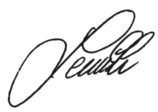
Vienna, 13 February 2023

The Management Board

Johann Strobl

Andreas Gschwenter

Łukasz Januszewski



Peter Lennkh

Hannes Mösenbacher

Andrii Stepanenko

Management report

Market development

Energy price shock ends COVID recovery

Although economic activity was still affected by pandemic restrictions at the beginning of 2022, the services sector in particular benefited from the normalization of the business environment as restrictions eased over the first few months. However, economic uncertainty increased abruptly from March following Russia's military invasion of Ukraine. Trade restrictions were imposed and, more importantly, energy and commodity prices shot up as the risk of an energy shortage increased. Consumer and business sentiment cooled noticeably in response. Soaring costs led to significant price increases for many consumer goods, driving up the inflation rate to its highest level since the 1970s and markedly reducing the purchasing power of private households. While the end of COVID restrictions initially put the economy on track for a buoyant recovery, the persistent energy price shock brought it all to an abrupt halt later in the year.

According to preliminary figures, the gross domestic product of the **euro area** increased by a 3.5 per cent in 2022. The strong growth resulted primarily from the significant increase in economic output in the first half of the year. However, economic momentum slowed significantly in the second half of the year. The labor market experienced rising employment and falling unemployment rates. Inflation trended strongly upward and doubled over the year, rising from 5.0 per cent at the end of 2021 to 10.6 per cent in October 2022. The pace of inflation did not begin to slow somewhat until the final months of 2022.

The **European Central Bank (ECB)** changed its monetary policy stance in 2022. At the beginning of the year, it initially viewed rising inflation rates as temporary and thus maintained its expansionary stance. It changed this position during the year and gradually began to normalize monetary policy. It ended net bond purchases in the middle of the year. In the second half of the year, it raised key interest rates at every meeting. The rate hikes were between 50 and 75 basis points each, resulting in a key interest rate of 2.50 per cent at the end of 2022. Conditions for existing longer-term refinancing transactions were also changed towards the end of the year, encouraging early repayment of outstanding loans and thus noticeably reducing the ECB's balance sheet. Money market rates trended strongly upward in 2022. Swap rates and yields on German government bonds also increased significantly but were extremely volatile. Yield curves inverted towards the end of the year.

The **Austrian economy** grew very rapidly in the first half of 2022 (high quarterly GDP growth). This was partly fueled by the hospitality and food service industry, whose large value-added gains should, however, be viewed against the backdrop of pent-up demand caused by the lockdown. The economy also benefited from the industrial sector, which provided support despite the adverse environment. Strong economic momentum in the first half of the year is the sole reason why GDP rose 4.7 per cent (preliminary) for the year as a whole, while it declined in the second half of the year. Private consumption proved to be a negative factor, whereas the industrial sector mostly supported the economy.

CEE: High inflation rates and significant interest rate hikes

CEE also recorded a significant increase in inflation in 2022, starting with high energy and food prices and spreading to the entire basket of goods. Inflationary pressures were already high in Central Europe before the pandemic given its tight labor markets; however, the expansion of inflation reached the Southeastern Europe region as well in 2022. Governments employed various tools such as tax cuts, price caps or cash transfers to cushion the impact of rising prices on households and businesses. Central banks in Central Europe and Romania started responding to price pressures back in 2021 by raising interest rates and then accelerating their rate hikes in 2022 as inflation increased. However, they approached the end of the rate hike cycles later in 2022, having raised key rates to levels not seen since the financial crisis. In Southeastern Europe, the central banks of Albania and Serbia also began hiking interest rates, albeit at a slower pace. In Ukraine, the key rate remained unchanged after a steep 1,500 basis point increase to 25 per cent in the second half of 2022. To support the economy and respond to disrupted monetary transmission channels, the central bank in Russia slashed the key rate to 7.5 per cent at the end of 2022 after raising it to 20 per cent (from 8.5 per cent) at the start of the war in Ukraine.

The first half of 2022 in **Central Europe (CE)** was characterized by a sustained economic recovery driven by dynamic consumption, reviving investment and an inventory build-up. This had a positive impact on the full-year 2022 GDP growth rate (3.9 per cent) despite the visible economic slowdown later in the year. The region's strongest growth was recorded in Slovenia (5.5 per cent), followed by Poland (4.6 per cent).

Supported by high tourism demand, the economies of **Southeastern Europe (SEE)** achieved solid economic momentum in the first half of 2022. The EU countries in the SEE region also benefited from investments made under the Next Generation EU program. Still, the SEE region, like the overall CEE region, experienced a slowdown in economic momentum in the second half of the year due to the ongoing war in Ukraine. GDP growth in the region thus declined to 4.4 per cent for 2022 as a whole (2021: 7.3 per cent), with Croatia recording the highest growth rate (6.3 per cent). Serbia brought up the rear at 2.4 per cent.

GDP in the **Eastern Europe (EE)** region is projected to decline 6.5 per cent in 2022. Although fighting in Ukraine is confined to the eastern part of the country and the economy has adapted to wartime conditions thanks to bold government policies, the Ukrainian economy likely contracted about 33 per cent year-on-year in 2022. In Russia, the effects of the war and sanctions have only begun to gradually appear in the economic data. All components of GDP are affected, but consumer demand, investment and imports were hit particularly hard. Russian GDP has thus likely declined around 3.5 per cent – much less than expected at the beginning of the year. Belarus has also been affected by the sanctions, which resulted in a significant recession of around 4 per cent year-on-year in 2022.

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

Region/country	2021	2022e	2023f	2024f
Czech Republic	3.5	2.5	0.9	3.3
Hungary	7.1	4.4	1.0	3.5
Poland	6.8	4.6	1.0	3.6
Slovakia	3.0	1.7	1.0	2.5
Slovenia	8.2	5.5	1.7	2.5
Central Europe	**5.9**	**3.9**	**1.0**	**3.4**
Albania	8.5	3.9	3.0	3.9
Bosnia and Herzegovina	7.4	4.0	1.5	3.0
Croatia	13.1	6.3	1.2	2.7
Kosovo	10.8	3.0	2.9	3.7
Romania	5.8	4.5	2.3	4.5
Serbia	7.5	2.4	1.9	3.0
Southeastern Europe	**7.3**	**4.4**	**2.1**	**3.9**
Belarus	2.3	(4.0)	0.0	1.0
Russia	4.7	(3.5)	(4.0)	0.9
Ukraine	3.4	(33.0)	1.8	7.5
Eastern Europe	**4.5**	**(6.5)**	**(3.6)**	**1.3**
Austria	**4.6**	**4.7**	**0.5**	**1.8**
Euro area	**5.3**	**3.5**	**0.3**	**2.0**

Source: Raiffeisen Research, as of early February 2023, (e: estimate, f: forecast); subsequent revisions may be made for prior years

Banking sector in Austria

In 2022, the Austrian banking sector built on the good results from 2021. The operating business was supported by increasing net interest income and positive performance in the commission business. Nevertheless, operating costs increased as well. Risk costs increased moderately again in 2022 after recent significant declines, which was also attributable to the overall economic outlook. The funding environment for the Austrian banking sector was challenging in 2022. Nevertheless, Austrian banks held their own in the primary market and successfully placed significantly larger volumes than in previous years, especially in the covered bond segment. Growth in the volume of loans granted in the household segment was stable year-on-year at around 5 per cent. However, since the implementing of the stricter lending standards for mortgage loans, which came into force in August, a noticeable decline in new business in this segment has been observed. Loan growth in the corporate segment was stronger, most recently reaching 11.3 per cent in October 2022. Despite a slight decline compared with year-end 2021, the banking sector's capitalization remained solid at 15.8 per cent (CET1 ratio) as of September 2022. The Austrian Financial Market Stability Board concluded in its September meeting that Austrian banks are less capitalized than their European peers and therefore recommended raising macroprudential buffer requirements for selected banks another 0.5 percentage points and gradually phasing in this increase over two years.

Development of the banking sector in CEE

Central banks and their monetary policies have been the driving force for banks' profitability in CE/SEE in 2022. Thanks to the high inertia of deposit rates, the rapid rise in key rates benefited net interest margins, thereby pushing up returns on equity for banks in the region to between 13 and 14 per cent on average. However, the impact of the war in Ukraine also resulted in higher inflation and a moderate increase in risk costs. Higher interest rates and inflationary pressures affected lending, making loans less affordable for households and shifting corporate demand for credit to short-term credit facilities. Eastern European markets were in a much more difficult situation since harsh sanctions led to losses among Russia's largest sovereign and private lenders and Ukrainian banks faced unprecedented levels of economic distress and operational risk, which significantly affected their performance.

Regulatory environment

ECB supervisory priorities

- Ensure that banks emerge from the pandemic healthy
  One of the ECB's priorities is to address the adverse impacts of the pandemic and ensure that the banking sector stays resilient. Banks should address deficiencies in their credit risk management frameworks in order to prevent possible asset quality deterioration. In this connection, banks are called upon to adequately monitor their exposures to vulnerable sectors and leveraged finance and to manage those exposures accordingly. Banks should also be prepared to cope with potential repricing in the financial markets.
- Ensure that banks address structural weaknesses
  To support the resilience and sustainability of their business models, banks should address persisting deficiencies in their strategies for digital transformation and governance. The ECB's supervisory activities in this regard focus on ensuring that banks have sound strategies and adequate rules. Banks should strengthen the effectiveness of their boards and their associated strategic steering capabilities in order to address the risks and challenges stemming from a constantly evolving operating environment.
- Ensure that banks tackle emerging risks
  The ECB focuses on vulnerabilities in connection with three areas: Climate-related and environmental risks, counterparty credit risk, and IT resilience. One of the main challenges for banks and supervisors in this connection will be addressing risks stemming from climate change and environmental degradation. Further, banks should have sound governance and risk management frameworks in order to adequately address larger exposures towards riskier and less transparent counterparties. It is also essential to increase resilience against cyber threats and to ensure adequate management of IT outsourcing.

Supervisory implications of the war in Ukraine

Following the outbreak of war in Ukraine, the ECB focused on liquidity and emergency liquidity assistance, credit risk, preparedness for sanctions, and business continuity (including operational preparedness and contingency plans). Liquidity was reported to the supervisory authorities additionally to the regular reporting cycles, including monitoring with the aid of special data templates.

The ECB examined banks' governance and internal control systems as these are crucial to their sanctions compliance. The ECB expected strong monitoring by internal control functions, assessing sanctions on an ongoing basis and analyzing compliance risk. Overall, banks need to ensure that their processes can mitigate legal and reputation risk.

With regard to credit risk, the ECB analyzed strategies and measures for maintaining business continuity. In addition, cyber risk should be adequately assessed and banks should be capable of detecting and averting cyber attacks.

New regulation in 2022

Finalization of Basel III (CRR III/CRD VI)

In October 2021, the European Commission published its proposal for the CRR III/CRD VI package (Basel IV) for the purpose of transposing the global standards on bank capital (the Basel III framework) into EU law. The regulatory package primarily aims to strengthen the resilience of the banking sector by making the calculation of capital requirements more transparent and comparable. Finalization of the Basel III requirements continued to be pursued in 2022. The requirements of the CRR III/CRD VI package are intended to enter into force on 1 January 2025.

RBI AG as a universal bank is affected by the proposed changes in various respects. The proposals are therefore continually evaluated and discussions between policymakers and banking associations closely followed so as to be able to respond accordingly. In order to prepare appropriately for implementation and reduce remaining uncertainties, the implications for capitalization and the bank's business are being actively investigated and the effects on the portfolio calculated taking the transition period into account.

Final revised guidelines on common procedures and methodologies for SREP (amendments to SREP)

On 18 March, the European Banking Authority (EBA) published its revised guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing. The revisions aim to incorporate the latest standards adopted under the Capital Requirements Directive (CRD V) and the Capital Requirements Regulation (CRR II) and drive convergence around best supervisory practices.

The ECB plans to expand its integrated approach by applying a risk-oriented approach to the analysis of individual risk factors. Consequently, the factors incorporated in the supervisory authority's overall assessment of a bank do not all have the same impact on the capital requirements. The new guidelines apply from 1 January 2023.

Capital Buffer Regulation (2022 amendment)

Building on a proposal of the Financial Market Stability Board (FMSB), the Austrian Financial Market Authority (FMA) has published a consultation paper proposing an increase in macroeconomic capital buffers. Based on that proposal, a 25 basis point increase in the buffer for O-SIIs is planned for the beginning of 2023, with a further 25 basis point increase to follow at the beginning of 2024.

The reason given for the increase is that, while pandemic-related uncertainty has receded, new uncertainty has been created by the Russian invasion of Ukraine, increased energy prices and high inflation.

Initiatives under the Digital Finance Package focused on consumer protection

The Digital Finance Strategy sets out the four main priorities for the digital transformation of the financial sector in the years ahead. Its main objectives and supporting legislation and initiatives are as follows:

- A Digital Single Market for financial services: The European Digital Identity (eID) is a suite of services proposed by the European Commission for mutual recognition of national electronic identity models across borders. The objective of the digital euro, meanwhile, is to preserve the role of public money as the anchor of the payments system in the digital age and to contribute to Europe's strategic autonomy and economic efficiency.
- A regulatory framework to facilitate innovation: The European Commission published a proposal for a regulation on artificial intelligence (AI) in 2021. It creates new requirements and obligations for the development, marketing and use of AI systems, following a risk-based approach.
- A European financial data space to promote data-driven innovation: The goal is to establish an open finance framework in line with the European Data Strategy by 2024. The main benefit for banks is stated to be that they earn revenue from a wide range of financial services by providing payment initiating functionality and customer data to third parties.
- Addressing the risks associated with digital transformation: The objectives of the Digital Operational Resilience Act (DORA) tackle the dependency of the financial sector on software and digital processes that makes information and communication technology (ICT) risks inherent in finance. Finally, the EU Markets in Crypto Assets (MiCA) regulation aims to regulate crypto assets not covered by existing EU financial services legislation.

The above legislation and initiatives will enter into force and affect the financial sector in the coming years.

Minimum requirement for own funds and eligible liabilities (MREL)

The Single Resolution Board (SRB) published the updated MREL policy on 8 June 2022. The multiple-point-of-entry (MPE) approach, which RBI AG employs as its resolution strategy, requires that each resolution entity can be resolved independently without causing shortfalls in other resolution groups.

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

The MREL planning is an integral part of the budgeting process for RBI AG and its subsidiary banks in the EU. The individual MREL levels in the resolution groups are closely monitored. RBI AG and several of its bank subsidiaries in the EU made issuances in order to fulfill their respective MREL requirements (binding interim targets from 1 January 2022). It is worth highlighting that RBI covered a significant portion of its MREL requirements in 2022 through the issuance of green bonds. This also served to prepare for what in most resolution groups will be increased informative interim targets, which are to be taken into account as of 1 January 2023 and compliance with which is to be understood as an expectation on the part of the resolution authorities.

The bank resolution changes under the CRR (CRR quick fix) may lead to a change from 2023 onwards in the calibration of the MREL for MPE banking groups.

Corporate Sustainability Reporting Directive (CSRD)

The EU Corporate Sustainability Reporting Directive (CSRD) was adopted by the EU Parliament in November 2022 and published in the Official Journal of the European Union in December 2022; it replaces the Non-Financial Reporting Directive (NFRD). The EU hopes that the directive will make business enterprises more publicly accountable by obliging them to regularly disclose information on their social and environmental impact. The CSRD introduces more detailed reporting obligations on the impacts of entities on the environment, human rights and social standards, based on criteria in line with EU climate targets. In addition to the reporting obligations being extended to additional entities, provision is also made for the development of European sustainability reporting standards.

The aim is to place financial and sustainability reporting on an equal footing and provide investors with comparable and reliable data. For large public-interest entities already subject to the requirements of the NFRD, the requirements of the CSRD will apply from 1 January 2024, with reporting beginning in 2025.

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 other institutional customers. It originally developed out of Correspondent Banking and Trade Finance and today stands for an integrated client-centric approach to doing business with banks, national and supranational institutions, insurance companies, asset managers and other institutional customers. Its extensive product and service range includes, among others, clearing, settlement and payment services, custody and depositary banking services, capital market and securities transactions as well as loan financing and advisory services aimed at helping our clients achieve a more sustainable business orientation.

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. 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 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 2022 financial year was dominated by the outbreak of war in Ukraine and dealing with all the consequences of the war. Proactive communication as well as close and regular dialog with our customers was extremely important in order to best understand how this affected them and to provide them with the requisite support. We focused on providing competent advice and servicing in transaction banking and trade finance.

Despite the challenging geopolitical and economic developments, the Corporate Banking business managed from Vienna performed extremely well over the course of the past financial year. The extensive support for our corporate customers and strong credit demand, particularly at the start of the year, enabled us to increase the volume of business and assert our position as a relationship bank.

In addition to traditional lending business, RBI AG's outstanding product expertise resulted in a significant contribution being made in the financial year under review by structured project and acquisition financing and real estate financing. Income increased significantly year-on-year in the trade finance business, transaction banking and capital market products.

The deteriorating economic situation increased risk costs year-on-year. The Corporates business segment nevertheless achieved an excellent result that significantly exceeded that of the previous year.

Further progress was made in environmental, social and governance (ESG) activities. Demand for advisory services in the field of sustainability and sustainable financing solutions was still very high. The high level of interest in ESG was also reflected in the volume of ESG-compliant financing, which recorded further year-on-year growth.

The digital product range was also expanded to improve the customer experience. Among other things, "eTradeOn" – a trade finance solution that enables customers to quickly and easily request and manage bank guarantees – was launched on the myraiffeisen.com digital corporate banking platform.

An optimization of the lending process was launched to improve our internal workflows. One element introduced in this project was the lending orchestration layer, which will accelerate the completion of the corporate lending process and bring greater transparency into individual process steps for internal stakeholders and customers.

Institutional Clients

While the previous year was marked by the COVID-19 pandemic, 2022 got off to an encouraging start based on incipient growth trends in trade flows and our core markets' overall economies. However, the outbreak of war in Ukraine in February 2022 dominated the day-to-day activities of most relationship managers for institutional clients. In the ensuing months, they paid full attention to complying with all the ever-tightening sanctions and meeting all the information needs of customer relationships in both the West and the East. Most of the long-standing relationships between correspondent banks and Russian and Belarusian customers were terminated during this phase in order to safeguard business in RBI's core markets from a compliance, risk and operational perspective. The institutional client business in all other regions reported healthy growth across all product areas. Long-standing customer relationships were deepened through active cross-selling.

RBI AG once again proved itself to be a capable partner for complex issues in capital markets, securities services and clearing, settlement and payment services. The combination of increased prices, higher interest rates in some of our core markets and our customers' significant hedging needs in the capital markets led to exceptionally high total comprehensive income for 2022. RBI AG once again reinforced its central role for business in Central and Eastern Europe in this special year.

The institutional client's business has traditionally focused on the international distribution of capital- and liquidity-efficient products. The large contribution from clearing, settlement and payment services was increased even more this year despite a substantial reduction in correspondent banks due to price adjustments and positive interest rate dynamics. This once again underscores RBI AG's role as a bridge between West and East for banks, insurance companies and asset managers. Trade and export finance aimed at supporting our customers' trade flows showed a solid, slightly positive trend despite the difficult geopolitical situation. All capital market transactions such as new bond issues, linked securities and foreign currency sales increased year-on-year. The asset-based finance business grew significantly compared with the same period of the previous year.

All product areas of relevance to institutional clients remain focused on aligning the product range with current customer needs and improving settlement efficiency with the help of innovation and digitalization.

The past year clearly showed that RBI AG can tap regional growth potential and continue to play a pivotal role as a bridge between East and West.

Capital Markets

2022 experienced extreme volatility in all asset classes, partly due to the war in Ukraine and partly due to changes in the central banks' interest rate policies to combat inflation. Equity markets lost an average of 15 to 25 per cent, while credit spreads widened around 40 basis points. Short-term interest rates increased between 2.5 and 4 per cent in absolute terms over the year. Short-term FX volatility increased between 3 and 8 per cent in absolute terms.

Heightened volatility in the FX business led to significantly higher volumes and revenues in customer segments, market-making and positioning compared to the previous year. The successful consolidation of the FX market-making books (Czech koruna, Hungarian forint, Romanian leu and Croatian kuna) in Vienna leveraged synergies and expanded the service offering. We effectively ensured security of supply for our own Ukrainian subsidiary in banknote trading and supported Ukrainian refugees in converting cash in cooperation with the regional Raiffeisen banks and savings banks.

The loss of Russia-related business in money market trading and the securities refinancing business was offset by new customers and increased volumes. Russia-related positions in FX derivatives and securities refinancing business were successfully reduced. In general, the focus continued to be on the automation and digitalization of workflows, communication and trading. The securities proprietary trading and investment books closed out the year successfully thanks to defensive positioning. Due to the steep rise in interest rates and the associated demand for interest rate swaps and interest rate options, volume in EUR interest rate derivatives increased 60 per cent year-on-year, which enabled the EUR Derivatives Desk to achieve its best performance since its inception. The trend towards platform trading continued. The support provided by a dedicated derivatives pricing engine was extremely beneficial. For the first time in a year, issue swaps were carried out for all regional Raiffeisen banks that issued benchmark bonds.

CEE interest rate derivatives generated positive net income despite large interest rate hikes in the CEE region. The business was strongly driven by activities with the network banks.

The war in Ukraine led to significant market upheaval as a result of sanctions and countersanctions, leading to a complete standstill in trading in Russian ruble bonds and significant losses in value. However, the losses were more than offset by very successful trading in Ukrainian government bonds.

Eurobonds experienced their most difficult year since 1990 due to interest rate increases and spread widening. RBI AG bonds were additionally affected by the war. Despite these adverse circumstances, net income was positive in 2022.

Equity markets were hit hard by the war in Ukraine. This resulted not only in price corrections but also lower trading volumes and thus lower commission income. Trading in Russian shares also had to be terminated due to the sanctions. Unfortunately, primary market transactions also decreased drastically due to the uncertainty in the capital market, which negatively affected the equity capital markets business.

Customer business in the fixed-income segment was characterized by strong volatility, risk minimization and shorter durations. Nevertheless, 2022 was another strong year for primary market activities with institutional clients, especially in the core business with Austrian issuers. Secondary trading was again dominated by government bond activities, largely driven by institutional clients in the Asset Managers and Banks segment. Sales teams also generated extraordinary income from the purchase and sale of CEE/CIS bonds and thus also made a significant contribution to the positive net trading income.

The rise in interest rates in 2022 revived the retail market for fixed-income products. RBI AG therefore significantly increased the volume sold year-on-year. Network banks were particularly successful with foreign currency bonds (especially USD) in the first half of the year, while the regional Raiffeisen banks did well with inflation bonds in the second half of the year. One particularly noteworthy example is RLB NÖ-W's exclusive issue, which sold so well that the book had to be closed early (the maximum volume of € 50 million was reached).

RBI AG expanded its ESG-related product offering further. It sold more of its established ESG-linked derivatives and also introduced a sustainable deposit product. Like a green bond, the funds raised for this product are invested in a sustainable loan portfolio, albeit one with a shorter maturity. In addition, a short-term loan secured by CO_2 certificates was concluded for the first time.

In the data analytics area, a self-developed algorithm was connected to external pricing software so that RBI AG could trade non-standard swaps on digital platforms such as Bloomberg and Tradeweb. Since new issues are also frequently traded with longer durations and are therefore non-standard, this algorithm made it possible to price the associated new issue swaps more accurately and reliably, enabling RBI AG to win more business in this area.

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 2022, RBI AG once again increasingly used international large-volume bonds in various formats alongside long-term deposits in order to implement its funding plan. Two successful € 500 million mortgage covered bond issues in January and May were followed by a green € 500 million senior issue in August, a € 500 million subordinated issue and a € 500 million mortgage covered bond issue in September, and a € 500 million senior issue in October. RBI AG's remaining refinancing requirements were covered by small unsecured private placements.

The total volume of multi-year deposits and issuance taken up in 2022 amounted to approximately € 5,546 million and had a weighted maturity of approximately five years. At year-end 2022, the total volume of outstanding issued unsecured bonds excluding AT1 amounted to approximately € 9,380 million.

For optimum coverage of liquidity requirements, in RBI AG has since 2019 participated in long-term secured financing via the European System of Central Banks (ESCB), i.e. TLTRO III (Targeted Longer-Term Refinancing Operations) of the ECB (European Central Bank). In November 2022, RBI AG repaid an initial TLTRO III tranche of € 500 million ahead of schedule. The total volume of ESCB financing has thus declined to € 4,925 million. TLTRO III, the latest round of targeted longer-term refinancing operations conducted by the ECB, offered three-year secured financing on preferential terms (for details, see the remarks in the notes to the balance sheet).

Group Subsidiaries and Equity Investments

Following the sale of Raiffeisenbank Bulgaria in 2022, RBI AG has 12 subsidiary banks in CEE. The certificates business of the former Raiffeisen Centrobank AG, which is strategically relevant for the RBI Group, was transferred to RBI AG as of 1 December 2022, while the company, now named Raiffeisen Digital Bank, simultaneously commenced operations in order to expand and deepen our digital product and service range for customers.

The business operations of RBI AG and its bank subsidiaries are complemented by numerous additional Austrian and international subsidiaries in the strategic financial services sector as well as other participations, mostly in banking-related ancillary services.

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. That is why RBI AG joined forces with Bayrische Landesbank and Landesbank Hessen-Thüringen in the financial year to invest in vc trade GmbH, a German company that operates a digital platform for trading schuldschein loans and other private debt instruments. Governance and administration of all participations is steered by RBI Group Subsidiaries and Equity Investments.

Significant write-ups were recognized at AO Raiffeisenbank in the amount of € 604.3 million, at Raiffeisen Bank Aval JSC in the amount of € 253.1 million, at Raiffeisen Digital Bank AG in the amount of € 59.6 million and at RZB-BLS Holding GmbH in the amount of € 51.4 million.

The direct impact of the war in Ukraine on the investees was limited since they have little to no direct exposure or business activities in the relevant regions. However, they were still subject to indirect associated macroeconomic effects that not only increased general uncertainty but also directly affected the earnings situation. The general increase in prices (including commodity and energy prices) resulted in cost increases. On the other hand, the rising interest rate environment had a positive impact on the earnings prospects of the financial institutions, which constitute the most significant part of the investment portfolio. In particular, the heightened uncertainty surrounding the determination of fair value was reflected in generally higher capitalization rates.

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 2022, the net carrying amount of the loan exposures (less impairments) totaled approximately € 2.5 billion, consisting of € 1.91 billion (2021: € 1.94 billion) in Swiss franc loans, € 0.4 billion (2020: € 0.5 billion) in euro loans and € 0.02 billion (2021: € 0.03 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 2022, as in previous years, the business environment was 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 € 803 million (2021: € 364 million) on account of this still-pending legal issue.

Among other factors, the impact of the war in Ukraine resulted in annual inflation of approximately 17% (at year-end 2022), increasing 3M WIBOR 400bp to 7.5%. High interest rates led to a sharp slowdown in consumer loan demand and a slump in real estate financing. The government implemented measures to improve the liquidity situation for borrowers, mainly by passing laws on loan moratoriums, which should provide considerable payment relief for customers. The costs of these measures are borne by the financial sector.

The COVID-19 pandemic no longer had a negative impact on economic development in PL in 2022.

Financial Performance Indicators

Statement of Financial Position

RBI AG's total assets were up € 9,605,603 thousand, or 11.6 per cent, to € 92,614,612 thousand in the 2022 financial year. The growth in total assets resulted in particular from the demerger of the Certificates and Equity Trading business division from Raiffeisen Centrobank AG as of the 30 June 2022 demerger date. On the assets side, in particular, balances at central banks increased and there was a rise in other loans and advances to credit institutions and in other assets due to positive fair values from interest rate derivatives in the trading book. On the liabilities side, the substantial increase in debt securities issued resulted from the acquisition of the Certificates and Equity Trading business from Raiffeisen Centrobank AG and from other liabilities due to the increase in negative fair values from interest rate derivatives in the trading book.

The growth of € 6,130,701 thousand in cash reserves and balances at central banks to € 19,634,735 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 € 1,340,876 thousand to € 6,798,155 thousand.

Loans and advances to credit institutions increased € 2,558,322 thousand, or 23.4 per cent, to € 13,491,490 thousand, mainly due to a € 1,427,553 thousand increase in repo and lending business and a € 637,145 thousand rise in balances from money market transactions.

Loans and advances to customers decreased € 1,915,112 thousand, or 6.0 per cent, to € 29,863,730 thousand. This mainly related to a € 1,468,159 thousand decrease in purchases of loans and factoring transactions, while the volume of repo and lending business fell € 729,001 thousand. In addition, lending was up € 207,737 thousand as a result of increased business activity. Value adjustments to loans and advances to customers were up € 45,990 thousand year-on-year.

Bonds, notes and other fixed-interest securities increased € 1,150,835 thousand, or 31.6 per cent, year-on-year to € 4,793,367 thousand. The volume of shares and other variable-yield securities increased significantly relative to 2021, by 69.4 per cent; the carrying amount at year-end was € 859,072 thousand (2021: € 507,019 thousand).

Shares in affiliated companies decreased € 1,032,557 thousand to € 9,674,953 thousand. This mostly reflected the need to write down the value of affiliated companies, primarily due to the ongoing war in Ukraine and the imposed sanctions.

Other assets increased € 3,387,205 thousand year-on-year, with a carrying amount of € 6,551,745 thousand. This mainly relates to a significant increase of € 2,969,095 thousand in positive market values from derivative financial instruments in the trading book.

On the liabilities side, liabilities to credit institutions fell € 463,884 thousand, or 1.3 per cent, to € 35,300,134 thousand. Short-term giro and clearing business increased € 2,552,270 thousand, whereas short-term interbank money market transactions were down € 756,532 thousand. Long-term money market transactions also decreased € 2,261,212 thousand in the financial year. In connection with the ECB's Targeted Longer-Term Refinancing Operations (TLTRO III), the ECB increased the key interest rate underlying these financial instruments in several steps over the course of the year, resulting in a reduction of € 530,099 thousand in the 2022 financial year. Time deposits, on the other hand, increased € 537,306 thousand in the 2022 financial year. Liabilities to credit institutions represented a significant source of funding for RBI AG at 45 per cent of total assets.

Liabilities to customers were up € 635,753 thousand, or 2.8 per cent, to € 23,097,485 thousand, largely due to a € 2,531,952 thousand increase in long-term money market transactions and a € 2,439,824 thousand decrease in short-term giro and clearing business.

Securitized liabilities and additional capital according to CRR rose € 7,519,553 thousand, or 70.6 per cent, year-on-year to € 18,166,337 thousand. Funds raised through new issues totaled € 4,300,265 thousand in 2022 (2021: € 1,691,818 thousand). In contrast, retirements of securitized liabilities from scheduled and early repayments amounted to € 340,217 thousand in 2022 (2021: € 1,497,859 thousand). In addition, there was an increase of € 3,387,865 thousand in securitized liabilities from the Certificates and Equity Trading business division acquired from Raiffeisen Centrobank AG by way of demerger for absorption.

Other liabilities increased € 2,867,907 thousand year-on-year to € 5,380,247 thousand, which mainly reflected the increase in the negative market values arising from derivative financial instruments in the trading book, a decrease in liabilities from short positions in trading and an increase in other liabilities.

The provisions included provisions of € 51,038 thousand for severance payments (31/12/2021: € 75,611 thousand), provisions of € 61,150 thousand for pensions (31/12/2021: € 67,748 thousand), tax provisions of € 10,356 thousand (31/12/2021: € 7,509 thousand), and other provisions of € 644,358 thousand (31/12/2021: € 599,704 thousand). The decrease in provisions for severance payments and pensions mainly included utilization and a partial release for voluntary severance payments. The increase in other provisions was mainly due to a higher provision for impending losses for interest rate derivatives. Provisions for operational risk/losses/other also increased. In contrast, there was a decrease in the provision for litigation risks, the main item being the provision for litigation risks due to litigation concerning foreign currency loans in Poland.

Total risk exposure at year-end 2022 was € 41,827,251 thousand (2021: € 47,358,183 thousand). Of that amount, credit risk accounted for € 35,802,082 thousand (2021: € 41,042,783 thousand), market risk for € 2,173,799 thousand (2021: € 3,150,561 thousand), and operational risk for € 2,904,518 thousand (2021: € 2,904,129 thousand). Total risk exposure was up around € 5,503,932 thousand year-on-year.

Common equity tier I (CET1) capital was up to € 7,431,733 thousand at year-end 2022 (2021: € 8,283,939 thousand). Tier 1 capital amounted to € 8,926,870 thousand (2021: € 9,779,951 thousand). RBI AG issued no additional tier 1 capital in 2022. Tier 2 capital amounted to € 2,324,548 thousand (2021: € 2,097,084 thousand). All in all, total capital amounted to € 11,179,557 thousand, a year-on-year rise of € 642 thousand. The CET1 ratio remained unchanged relative to the previous year at 17.3 per cent. The tier 1 ratio was 21.1 per cent and improved 0.4 of a percentage point year-on-year. The total capital ratio was 26.6 per cent (2021: 25.0 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 (31/12/2021: € 4,334,286 thousand) were unchanged in the financial year. The uncommitted capital reserves amount to € 94,779 thousand (2021: € 97,066 thousand).

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 where the own shares were acquired in the years 2005 to 2009 amounted to 322,204 shares at year-end 2022. 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. On the demerger of the Certificates and Equity Trading business division from Raiffeisen Centrobank AG as of the 30 June 2022 demerger date, 188,246 own shares in RBI AG were acquired, as a result of which the total number of own shares is now 510,450 (2021: 322,204).

Retained earnings covered legal reserves of € 5,500 thousand (31/12/2021: € 5,500 thousand) and other free reserves of € 1,680,918 thousand (31/12/2021: €2,679,665 thousand). Of the other free reserves, an amount of € 403,914 thousand (31/12/2021: € 352,661 thousand) was earmarked for the Raiffeisen IPS. As a result of the agreement on the establishment of the institutional protection scheme and a corresponding decision of the Raiffeisen IPS Risk Council, a contribution of € 51,253 thousand (31/12/2021: € 28,783 thousand) was allocated to other reserves in 2022 as a reserve for the Raiffeisen IPS. The reserve for the Federal IPS is not eligible for inclusion in the calculation of own funds under the CRR.

In addition, free reserves of € 1,050,000 thousand were released in the 2022 financial year (31/12/2021: allocation of € 247,000). The liability reserve of € 535,097 thousand was unchanged at year-end 2022 (31/12/2021: € 535,097 thousand).

Earnings performance

In the 2022 financial year, Raiffeisen Bank International AG (RBI AG) reported an increase in net interest income of 18.5 per cent, or € 76,074 thousand, to € 486,461 thousand. The increase in net interest income is partly due to the increase in the volume of customer and interbank business and partly to the monetary policy reversal by central banks during the financial year with the gradual increase in the key rate, which was 2.5 percent at the end of 2022. Conditions for existing longer-term refinancing transactions were also changed towards the end of the year, creating an incentive for early repayment. In November 2022, RBI AG repaid an initial € 500 million tranche of the ECB's TLTRO III program ahead of schedule.

Income from securities and participating interests decreased € 277,118 thousand to € 564,321 thousand, mainly due to lower dividend income from affiliated companies in 2022. The income from participating interests shown was mainly from RS Beteiligungs GmbH, Vienna (€ 500,000 thousand).

The net amount of commissions payable and commissions receivable was up € 39,922 thousand to € 352,655 thousand. Much of the € 44,623 thousand increase relates to settlement and payment services due to price adjustments. In addition, net fee and commission income from the loan and guarantee business increased € 11,032 thousand, partly due to an increase in business volume and partly because commitment fees for undrawn revolving credit facility amounts are now recognized on a linear basis over the relevant term. Securities and custody business, on the other hand, decreased € 18,015 thousand, as the war in Ukraine led to upheavals on the capital market as a result of sanctions and countersanctions. The foreign currency, notes/coins and precious metals business also increased € 2,993 thousand in the financial year.

The net profit on financial operations increased € 279,983 thousand in the 2022 financial year, to a profit of € 93,490 thousand (2021: loss of € 186,493 thousand). This mainly reflected a € 205,327 thousand improvement in net trading income from currency-based derivative, foreign currency and notes/coins business due to the higher volatility resulting in significant year-on-year increases in volumes and income in the customer segments, market making and positioning. In banknote trading, security of supply was ensured for Raiffeisen Bank Aval JSC, Kiev, and Ukrainian refugees were supported with the conversion of cash in cooperation with the regional Raiffeisen banks and savings banks. Net trading income from interest-based derivative and securities transactions decreased € 103,212 thousand in the financial year due to the severe impact on stock markets of the war in Ukraine and also because trading in Russian equities had to cease due to the sanctions. The increase totaling € 207,681 thousand in net trading income from certificates and other business relates to the acquisition of the Certificates and Equity Trading business division from Raiffeisen Centrobank AG by way of demerger as of 30 June 2022.

Other operating income includes staff and administrative expenses passed on for services in the amount of € 157,242 thousand (2021: € 130,356 thousand), income from releases of provisions for impending losses from derivatives in the amount of € 6,714 thousand (2021: € 28,751 thousand), income from close-out fees for derivatives on the banking book in an amount of € 16,963 thousand (2021: € 16,832 thousand) and income from the release of other provisions in the amount of € 3,980 thousand (2021: € 917 thousand).

Operating income therefore totaled € 1,709,574 thousand, a 3.4 per cent increase year-on-year.

Total operating expenses were up 32.3 per cent year-on-year to € 1,541,478 thousand. Staff expenses increased € 24,580 thousand year-on-year, to € 420,295 thousand. Expenses for wages and salaries were higher year-on-year and reflected the increase in the number of employees, which was partly due to a number of employees being taken over from Raiffeisen Centrobank. Other administrative expenses increased € 53,751 thousand, or 13.5 per cent, to € 452,011 thousand. Other administrative expenses consisted mainly of IT expenses of € 161,453 thousand (2021: € 163,504 thousand), rent of € 35,460 thousand (2021: € 31,468 thousand), and consulting and audit fees of € 78,684 thousand (2021: € 72,709 thousand). Depreciation of tangible assets and intangible fixed assets showed a slight decrease of € 355 thousand to € 13,685 thousand (2021: € 14,040 thousand).

Other operating expenses increased € 298,410 thousand to € 655,486 thousand in 2022. This includes provisions for impending losses on banking book derivatives in the amount of € 62,582 thousand (2021: € 14,811 thousand), allocations of other provisions (see also the "Provisions" item and under the heading "Litigation risk for foreign currency loans in Poland") in the amount of € 462,000 thousand (2021: € 300,150 thousand) and expenses of € 9,971 thousand (2021: € 26,553 thousand) from close-out fees for banking book derivatives. Also included are expenses for staff and administrative expenses passed on for services in the amount of € 57,944 thousand (2021: € 26,508 thousand).

After deducting all operating expenses from operating income, RBI AG generated an operating result of € 168,096 thousand for the 2022 financial year. This represents a year-on-year decrease of 65.6 per cent, or € 320,165 thousand. As a consequence, the cost/income ratio (operating expenses divided by operating income) was 90.17 per cent (2021: 70.5 per cent).

Net income/expenses from the disposal and valuation of loans and advances and securities classified as current assets resulted in a net expense – as in the previous year – of € 164,641 thousand (2021: net expense of € 91,290 thousand). This development was due, firstly, to a decrease in valuation results and proceeds from disposals of securities held as current assets and banking book derivatives to minus € 60,546 thousand (2021: minus € 17,303 thousand) and, secondly, to a decrease in the valuation of loans and guarantees to minus € 104,095 thousand (2021: minus € 73,987 thousand). The provisioning requirement increased due to the general economic situation in 2022. With regard to individual loan loss provisions, RBI AG reported a net allocation to provisions of € 85,006 thousand, an increase of € 47,017 thousand compared to the previous year. Despite the negative general macroeconomic outlook and the ongoing war in Ukraine, portfolio-based loan loss provisions were lower in the financial year at € 20,910 thousand (2021: minus € 50,567 thousand). The decrease is mainly due to the adjustment of portfolio-based loan loss provisions for foreign currency loans in Poland in the amount of € 39,332 thousand (in this connection, see under the heading "Litigation risk for foreign currency loans in Poland" and the section on the change in accounting policies in accordance with Section 237 (1) 1 of the Austrian Commercial Code (UGB)). In the opposite direction, there were new allocations of € 22,862 thousand (2021: € 7,724 thousand) for general political risk, the Russia sanctions and the Russian business managed from Vienna. As part of ongoing risk assessment, net provisions of € 24,351 thousand were allocated for significant credit rating downgrades that have not yet led to default (2021: € 6,542 thousand). Adjustments due to macroeconomic parameters were made in the financial year in the amount of minus € 22,778 thousand (2021: € 8,535 thousand). Material and non-material contractual amendments generated book losses of € 1,820 thousand (2021: € 4,485 thousand). Net income from exceptional disposals of loan receivables amounted to minus € 2,311 thousand in the financial year (2021: € 6,271 thousand).

Net income/expenses from the disposal and valuation of securities valued as financial investments and of shares in affiliated companies and equity participations included write-ups totaling € 5,828 thousand in the financial year, including € 3,974 thousand at Posojilnica Bank eGen, Klagenfurt. Shares in affiliated companies and equity participations were written down by a total of € 971,767 thousand in the financial year, including € 604,248 thousand at AO Raiffeisenbank, Moscow, € 253,048 thousand at Raiffeisen Bank Aval JSC, Kiev, € 51,449 thousand at RZB-BLS Holding Gmbh, Vienna, and € 20,400 thousand at Raiffeisen Digital Bank AG, Vienna (due to a reorganization, an additional € 39,222 thousand in write-downs at Raiffeisen Digital Bank AG are accounted for in net income from reorganization). Disposals of shares in affiliated companies and equity participations resulted in net income of € 17 thousand in the financial year (2021: € 3,704 thousand). In total, € 965,955 thousand in losses (2021: € 186,003 thousand in gains) were reported on the valuation and disposal of shares in affiliated companies and equity participations. As a result, the loss on ordinary activities for the year under review amounted to € 972,960 thousand (2021: profit of € 592,143 thousand).

The return on equity before tax (profit before tax divided by average equity in 2021) was minus 9.7 per cent in the financial year (2021: plus 5.8 per cent).

The net reorganisation loss of € 3,553 thousand relates to the demerger of Raiffeisen Centrobank AG for absorption in RBI AG (see the section on the absorption in RBI AG of the Certificates and Equity Trading business division of Raiffeisen Centrobank AG). It consists of a € 34,659 thousand gain directly connected with the acquired financial instruments and related derivatives (net absorption gain) plus the € 1,010 thousand carrying amount of the acquired net assets less a reorganisation-related write-down of € 39,222 thousand on the investment.

The income tax item shows net income of € 5,531 thousand for the 2022 financial year (2021: € 10,400 thousand). This includes income from current income taxes of € 5,859 thousand (2021: € 13,127 thousand), deferred tax income of € 504 thousand (2021: € 300 thousand) and tax expense for previous years of € 258 thousand (2021: income of € 21,266 thousand). Also included is foreign withholding tax in the amount of € 574 thousand (2021: € 24,294 thousand).

The return on equity after tax (net income after tax divided by average equity in 2022) was minus 9.9 per cent (2021: 5.7 per cent).

The loss after tax in 2022 was € 991,175 thousand (2021: profit after tax of € 579,477 thousand).

After movements in reserves of € 998,747 thousand and profit of € 380,000 thousand brought forward from the previous year, net profit in 2021 was € 387,571 thousand.

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 2022, 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 2022, 510,450 (31 December 2021: 322,204) of those were own shares, and consequently 328,429,171 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) Raiffeisenlandesbank Niederösterreich-Wien AG holds directly and indirectly total around 22.6 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 aged 68 years or older may not be appointed as a member of the Management Board or be reappointed for another term in office. The rule for the Supervisory Board is that a person who is aged 75 years or older may not be elected as a member of the Supervisory Board or be re-elected for another term in office. Moreover, no person who already holds eight supervisory board mandates in publicly traded companies may be a member of the Supervisory Board. Holding a position as chairman of the supervisory board of a publicly traded company would count twice for this purpose. The Annual General Meeting may choose to waive this restriction through a simple majority of votes if permitted by law. Any candidate who has more mandates for, or chairman positions on, supervisory boards in publicly traded companies must disclose this to the Annual General Meeting. There are no further regulations regarding the appointment or dismissal of members of the Management Board and the Supervisory Board beyond the provisions of the relevant laws. The Articles of Association stipulate that the resolutions of the Annual General Meeting are, provided that there are no mandatory statutory provisions to the contrary, adopted by a simple majority of the votes cast. Where the law requires a capital majority in addition to the voting majority, resolutions are adopted by a simple majority of the share capital represented in the votes. As a result of this provision, members of the Supervisory Board may be 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 the issuance of up to 164,469,810 new voting common bearer shares in exchange for contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to § 153 (6) of the AktG) by 2 August 2024 at the latest and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Management Board is further authorized to exclude shareholders' subscription rights with the approval of the Supervisory Board (i) if the capital increase is carried out in exchange for contributions in kind, or (ii) if the capital increase is carried out in exchange for contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's share capital (exclusion of subscription rights). The (i) utilization of authorized capital with exclusion of the statutory subscription right in the event of a capital increase in return for a contribution in cash, and the (ii) implementation of the conditional capital resolved upon in the Annual General Meeting on 20 October 2020 in order to grant

conversion or subscription rights to convertible bond creditors may not exceed 10 per cent in total of the share capital of the company. The utilization of the authorized capital in the form of a capital increase in return for a contribution in kind is not covered by this restriction.

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

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

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

There have been no convertible bonds issued to date.

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

The Management Board was further authorized, pursuant to § 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad. Furthermore, shareholders' subscription rights may be excluded in the event that convertible bonds are issued in future, in order that (own) shares may be issued to such convertible bond creditors that have exercised their right of conversion into or subscription to shares in the company, and also in the event of a conversion obligation stipulated in the convertible bonds' issuance conditions in order to fulfil this conversion obligation. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary (§ 189a 7 UGB) or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 31 March 2027. This authorization replaces the authorization granted by the Annual General Meeting of 20 October 2020 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 replaced authorization from October 2020 nor on the basis of the current authorization from March 2022.

The Annual General Meeting of 31 March 2022 also authorized the Management Board, under the provisions of § 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a peri-od of 30 months from the date of the resolution (i.e. until 30 September 2024), provided that the trading portfolio of shares purchased for this purpose does not at the end of any given day exceed 5 per cent of the company's respective share capital. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition. This authorization may be exercised in full or in part or also in several partial amounts by the company, by a subsidiary (§ 189a 7 UGB) or by third parties acting for the account of the company or a subsidiary. This authorization replaces the authorization to acquire treasury shares for the purpose of securities trading resolved at the Annual General Meeting on 20 October 2020. Since then, no treasury shares have been acquired either on the basis of the replaced authorization of October 2020 or on the basis of the now current authorization of March 2022.

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

- RBI AG is insured under a Group-wide D&O policy. In the event of a merger with another legal entity, the insurance policy would automatically cease at the end of the insurance period in which the merger took effect. In such cases, insurance cover only exists for claims for damages arising from breaches of obligations that occurred before the merger, which are reported to the insurer prior to the termination of RBI AG's Group-wide D&O insurance cover.
- RBI AG is a member of the Professional Association of Raiffeisen Banks. Upon a change in control of RBI AG which results in the attainment of control by shareholders outside of the Raiffeisen Banking Group Austria, membership of the Professional Association of Raiffeisen Banks, as well as that of the Raiffeisen-IPS pursuant to Art. 113 (7) of the CRR, the Österreichische Raiffeisen-Sicherungseinrichtung eGen and of the Raiffeisen Customer Guarantee Scheme Austria may be terminated. RBI AG also serves as the central institution of the Raiffeisen Banking Group at a national level. Upon a change in control of RBI AG, related contracts (central institution of the liquidity group pursuant to § 27a of the BWG may end or change.
- The company's refinancing agreements and agreements concerning third-party financing for subsidiaries, which are guaranteed by the company, stipulate in some cases that the lenders can demand early repayment of the financing in the event of a change in control.

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

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.rbinternational.com → Who we are → Sustainability – and also contains the disclosure for the parent company in accordance with § 243b of the UGB.

Research and Development

Due to the purpose of the company, RBI AG does not carry out any relevant research and development activities within the meaning of § 243 (3) Z 2 UGB.

Corporate Governance

The Corporate Governance Report is available on RBI's website (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 the bank's risks. The risk policies and risk management principles are laid out by the Management Board of RBI AG. These are regularly reported and discussed in the Supervisory Board committees. The bank's risk principles include the following:

- Risk awareness
  A risk culture is promoted which consciously deals with the risks inherent in banking business, in particular through the transparent presentation of information and the use of suitable tools.
- Risk appetite
  Risk-taking is cautious and requires a pre-defined minimum return on the risk.
- Risk management
  State-of-the-art risk management and risk controlling technologies are used which are commensurate with the materiality of the risks; risk data and risk report technologies are also effectively combined.
- Regulatory requirements
  All provisions and requirements of the supervisory authorities relating to risk management are taken into account and complied with.
- 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 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.
- New business areas
  New products and market launches are subject to a prior, specific risk analysis and risk assessment and are decided on by the relevant committees and bodies.

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. ESG risks are implemented and managed within the framework of a project that spans business lines and includes all risk areas.

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 Risk Committee's scope of responsibility also includes resolution-related topics and decisions reflecting the respective SRB guidelines & requirements.

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.

The Group Security Committee is responsible for the implementation of and compliance with the Security Policy and the IT Risk Management Policy within the Group. This includes, inter alia, approving the Security Policy and the IT Risk Management Policy, defining key performance indicators and key risk indicators, which must be reported on at Group level and in the local security committees, and defining and checking the risk appetite in relation to IT risk and security.

The Data Governance Board is the Group's higher-level decision-making body for all subject areas relating to data governance. This also includes in particular topics relating to data quality as well as to compliance with the BCBS 239 principles.

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.

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 guarantee 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 common equity 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 temprarily or raise additional equity capital

ESG risks

Environmental, Social and Governance (ESG) risks are considered cross-dimensional risks which affect all areas of risk management. As a result, ESG risk factors are continuously integrated into the management of risk types within the existing risk management framework (based on the internally developed materiality assessment). The ESG Risk Framework provides a detailed description of how the components are worked out, of how the ESG risk is managed, and of its impact on the four traditional pillars of risk management (definition & identification, measurement, risk control, and reporting & monitoring). Risk control takes particular account of strategic business decisions by RBI which specifically provide for further steps in contributing towards the promise undertaken in the Paris Agreement of limiting global warming to less than 2 degrees by 2050.

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	31/12/2022	Percentage	31/12/2021	Percentage
Participation risk	5,115,770	74.9%	4,158,262	69.6%
Credit risk corporate customers	623,513	9.1%	738,443	12.4%
Market risk	300,540	4.4%	336,838	5.6%
Operational risk	126,056	1.8%	113,490	1.9%
Credit risk sovereigns	119,363	1.7%	94,290	1.6%
Owned property risk	98,625	1.4%	79,406	1.3%
Credit risk banks	78,222	1.1%	104,611	1.8%
Credit risk retail customers	29,913	0.4%	50,831	0.9%
CVA risk	16,703	0.2%	11,835	0.2%
Risk buffer	325,435	4.8%	284,400	4.8%
Total	**6,834,139**	**100.0%**	**5,972,406**	**100.0%**

The economic capital increased year on year to € 6,834,139 thousand. For RBI AG, the participation risk is the most material risk type in terms of amount. The year-on-year increase was due to the downgrading of the rating for the equity participations in Russia.

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 additional tier 1 (AT1) has no longer been used to calculate the internal capital since the end of 2021.

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	31/12/2022	Percentage	31/12/2021	Percentage
Corporate customers	43,700,074	43.7%	45,719,230	49.4%
Project finance	2,382,088	2.4%	2,496,218	2.7%
Retail customers	3,572,301	3.6%	2,754,480	3.0%
Banks	21,757,362	21.7%	19,633,025	21.2%
Sovereigns	28,693,945	28.7%	22,022,522	23.8%
Total	**100,105,769**	**100.0%**	**92,625,475**	**100.0%**

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 thd 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.

in € thousand		31/12/2022	Percentage	31/12/2021	Percentage
1	Minimal risk	2,316,588	5.3%	1,888,161	4.1%
2	Excellent credit standing	5,554,815	12.7%	6,939,130	15.2%
3	Very good credit standing	14,615,313	33.4%	15,230,180	33.3%
4	Good credit standing	11,481,652	26.3%	11,030,885	24.1%
5	Sound credit standing	6,139,146	14.0%	6,244,939	13.7%
6	Acceptable credit standing	1,814,903	4.2%	2,203,174	4.8%
7	Marginal credit standing	678,200	1.6%	941,371	2.1%
8	Weak credit standing/sub-standard	177,641	0.4%	368,000	0.8%
9	Very weak credit standing/doubtful	197,873	0.5%	34,216	0.1%
10	Default	722,432	1.7%	723,717	1.6%
NR	Not rated	1,511	0.0%	115,458	0.3%
Total		**43,700,074**	**100.0%**	**45,719,230**	**100.0%**

The total credit exposure for corporate customers increased € 2,019,156 thousand compared to year-end 2021 to € 43,700,074 thousand.

The decline for corporate customers was primarily due to a reduction in credit and facility financing in Austria, Germany, France, Great Britain, the Czech Republic and Belgium, and to the ending of repo transactions in Russia. The largest decline was recorded in rating grade 2 (down € 1,384,315 thousand), due to reduced credit and facility financing in Austria, Luxembourg, France and Belgium. In rating grade 3, the decline in Switzerland, France, the Czech Republic and Poland was partly offset by an increase in Austria and Luxembourg. The decline in rating grades 6 and 7 was primarily attributable to the ending of repo transactions in Russia. In addition, loans and advances in Germany declined in rating grade 6. The increase in rating grade 9 was mainly the result of rating downgrades of Russian and Ukrainian customers from rating grades 4, 6 and 7.

The rating model for project finance has five grades and takes both individual probabilities of default and available collateral into account.

in € thousand		31/12/2022	Percentage	31/12/2021	Percentage
6.1	Excellent project risk profile - very low risk	1,229,865	51.6%	1,538,431	61.6%
6.2	Good project risk profile - low risk	940,681	39.5%	787,863	31.6%
6.3	Acceptable project risk profile - average risk	79,463	3.3%	24,866	1.0%
6.4	Poor project risk profile - high risk	0	0.0%	0	0.0%
6.5	Default	132,080	5.5%	145,057	5.8%
NR	Not rated	0	0.0%	0	0.0%
Total		**2,382,088**	**100.0%**	**2,496,218**	**100.0%**

Credit exposure to loans reported under project financing showed a decline of € 114,130 thousand to € 2,382,088 thousand as at 31 December 2022. The decline in rating grade 6.1 resulted mainly from matured financing in the Czech Republic, Germany and Romania, and from rating shifts of German and Romanian customers into rating grade 6.2. In rating grade 6.2, there was also an increase in project and facility financing in Austria due to new financing. This increase was partly offset by the rating shift of an Italian customer into rating grade 6.3.

Credit portfolio – Retail customers

Credit exposure to retail customers according to internal rating:

in € thousand		31/12/2022	Percentage	31/12/2021	Percentage
0.5	Minimal risk	687,187	19.2%	1,682,426	61.1%
1.0	Excellent credit standing	616,399	17.3%	410,316	14.9%
1.5	Very good credit standing	246,033	6.9%	43,244	1.6%
2.0	Good credit standing	120,068	3.4%	90,153	3.3%
2.5	Sound credit standing	71,820	2.0%	52,978	1.9%
3.0	Acceptable credit standing	43,222	1.2%	72,113	2.6%
3.5	Marginal credit standing	30,910	0.9%	59,204	2.1%
4.0	Weak credit standing/sub-standard	15,134	0.4%	25,885	0.9%
4.5	Very weak credit standing/doubtful	20,223	0.6%	24,514	0.9%
5.0	Default	154,418	4.3%	168,795	6.1%
NR	Not rated	1,566,887	43.9%	124,852	4.5%
Total		**3,572,301**	**100.0%**	**2,754,480**	**100.0%**

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		31/12/2022	Percentage	31/12/2021	Percentage
1	Minimal risk	4,111,731	18.9%	2,679,589	13.6%
2	Excellent credit standing	7,274,225	33.4%	5,627,260	28.7%
3	Very good credit standing	8,394,710	38.6%	4,584,284	23.3%
4	Good credit standing	770,109	3.5%	5,747,135	29.3%
5	Sound credit standing	140,397	0.6%	407,077	2.1%
6	Acceptable credit standing	709,926	3.3%	357,298	1.8%
7	Marginal credit standing	161,898	0.7%	221,740	1.1%
8	Weak credit standing/sub-standard	2,035	0.0%	5,598	0.0%
9	Very weak credit standing/doubtful	177,342	0.8%	0	0.0%
10	Default	14,868	0.1%	2,935	0.0%
NR	Not rated	123	0.0%	109	0.0%
Total		**21,757,362**	**100.0%**	**19,633,025**	**100.0%**

Total credit exposure to banks as at 31 December 2022 amounted to € 21,757,362 thousand, an increase of € 2,124,337 thousand compared to year-end 2021. The increase in rating grade 1 mainly resulted from increased bond business with international organizations and from increased repo transactions in Germany and France (rating improvements from rating grades 2 and 3). The credit exposure in rating grade 2 increased mainly due to the increase in credit financing in Austria and to an increase in repo transactions in France and the Netherlands, partly caused by rating shifts from rating grade 3. This increase was partly offset by a decline in money market transactions in Austria. Rating grade 3 recorded the largest increase (€ 3,810,426 thousand) as a result of rating improvements of Spanish, French and Italian banks from rating grade 4 and as a result of increased repo transactions. In addition to the rating shifts to rating grade 3, the decline in rating grade 4 was attributable to the rating downgrade of Russian banks to rating grade 6.

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.

Credit exposure to sovereigns (including central banks) by internal rating:

in € thousand		31/12/2022	Percentage	31/12/2021	Percentage
1	Excellent credit standing	25,323,328	88.3%	18,416,848	83.6%
2	Very good credit standing	2,125,793	7.4%	2,275,271	10.3%
3	Good credit standing	1,116,341	3.9%	1,056,822	4.8%
4	Sound credit standing	120,608	0.4%	220,946	1.0%
5	Average credit standing	365	0.0%	6,496	0.0%
6	Mediocre credit standing	501	0.0%	5,261	0.0%
7	Weak credit standing	6	0.0%	40,878	0.2%
8	Very weak credit standing	118	0.0%	0	0.0%
9	Doubtful/high default risk	236	0.0%	0	0.0%
10	Default	6,648	0.0%	0	0.0%
NR	Not rated	0	0.0%	0	0.0%
Total		**28,693,945**	**100.0%**	**22,022,522**	**100.0%**

Credit exposure to sovereigns increased € 6,671,423 thousand to € 28,693,945 thousand compared to year-end 2021, mainly due to money market transactions with the Austrian national bank.

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 borrower's country of risk as follows (countries with credit exposure greater than € 1 billion are shown separately):

in € thousand	31/12/2022	Percentage	31/12/2021	Percentage
Austria	47,082,483	47.0%	38,085,630	41.1%
Germany	10,224,710	10.2%	10,925,337	11.8%
France	6,679,377	6.7%	6,289,236	6.8%
Poland	3,478,141	3.5%	4,161,369	4.5%
Great Britain	3,440,816	3.4%	4,194,384	4.5%
Spain	3,133,711	3.1%	2,513,961	2.7%
Luxembourg	2,805,857	2.8%	2,323,548	2.5%
Switzerland	2,779,454	2.8%	3,645,642	3.9%
Netherlands	2,238,861	2.2%	1,621,759	1.8%
Italy	1,971,632	2.0%	1,548,497	1.7%
Far East	1,840,064	1.8%	1,847,500	2.0%
United States of America	1,337,870	1.3%	1,143,874	1.2%
Czech Republic	1,289,840	1.3%	1,570,753	1.7%
Belgium	827,248	0.8%	1,073,086	1.2%
Russia	616,743	0.6%	1,990,993	2.1%
Others	10,358,963	10.3%	9,689,905	10.5%
Total	**100,105,769**	**100.0%**	**92,625,475**	**100.0%**

RBI AG's loan portfolio grew € 7,480,294 thousand to € 100,105,769 thousand. In Austria, the € 8,996,853 thousand increase to € 47,082,483 thousand mainly resulted from money market and bond transactions, which were partly offset by a decline in credit financing. Germany recorded a decline of € 700,627 thousand primarily as a result of reduced credit financing and repo transactions. Credit financing and repo transactions in Great Britain also decreased € 753,568 thousand. The

€ 866,188 thousand decline to € 2,779,454 thousand in Switzerland was primarily attributable to credit financing, documentary credits and guarantees issued. Russia recorded a € 1,374,250 thousand decline, mainly due to reduced guarantees issued, repo transactions and facility financing. Repo transactions in particular were responsible for the positive development in the Netherlands.

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 industry classification:

in € thousand	31/12/2022	Percentage	31/12/2021	Percentage
Financial Intermediation	46,529,652	46.5%	38,629,795	41.7%
Manufacturing	13,776,882	13.8%	13,806,811	14.9%
Wholesale and retail trade; repair of motor vehicles, motorcyles and personal and household goods	8,551,650	8.5%	10,783,906	11.6%
Real estate, renting and business activities	7,869,158	7.9%	8,452,565	9.1%
Public administration and defence, compulsory social security	7,162,072	7.2%	6,844,129	7.4%
Private households	3,442,487	3.4%	2,623,383	2.8%
Electricity, gas and water supply	2,867,694	2.9%	2,107,620	2.3%
Construction	1,586,078	1.6%	1,547,661	1.7%
Education; health and social work; other community, social and personal service activities	1,328,836	1.3%	1,261,154	1.4%
Agriculture, hunting and forestry; fishing; mining and quarrying	919,467	0.9%	1,412,126	1.5%
Transport, storage and communication	817,733	0.8%	905,668	1.0%
Others	5,254,060	5.2%	4,250,656	4.6%
Total	**100,105,769**	**100.0%**	**92,625,475**	**100.0%**

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. However, the use of a master scale enables rating grades to be compared even across business segments. 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 its 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, and 12 months after a non-performing non-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:

	NPE		NPE ratio		NPE coverage ratio	
in € thousand	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**
General governments	169,037	0	19.7%	0.0%	3.0%	-
Banks	4,931	2,926	0.0%	0.0%	58.3%	98.3%
Other financial corporations	155,584	107,906	1.6%	1.0%	29.3%	39.9%
Non-financial corporations	608,476	664,544	3.5%	3.5%	69.9%	62.2%
Households	119,046	128,902	5.5%	4.6%	84.7%	82.6%
Loans and advances	**1,057,075**	**904,278**	**1.7%**	**1.6%**	**54.9%**	**62.5%**
Bonds	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1,057,075**	**904,278**	**1.5%**	**1.4%**	**54.9%**	**62.5%**

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 1/1/2022	Additions due to merger	Allocation	Release[2]	Usage[1]	Reclassifications, exchange differences[3]	As at 31/12/2022
Individual loan loss provisions	**837,343**	**0**	**269,249**	**(199,494)**	**(55,371)**	**30,625**	**882,352**
Banks	2,879		356	(480)	15	103	2,873
Corporate customers	721,206		234,412	(162,326)	(52,958)	27,577	767,911
Retail customers	106,357		20,438	(25,714)	(3,250)	2,952	100,783
Sovereigns	0		4,187	(10)	822	0	4,999
Off-balance sheet obligations	6,902		9,856	(10,964)	0	(7)	5,787
Portfolio-based loan loss provisions	**271,970**	**18**	**518,039**	**(497,130)**	**(1,036)**	**2,130**	**293,991**
Banks	221	18	12,821	(3,510)		231	9,781
Corporate customers	168,106		311,879	(278,422)	(40)	(1,215)	200,308
Retail customers	70,064		14,400	(51,874)	(996)	3,516	35,110
Sovereigns	238		724	(809)	0	0	153
Off-balance sheet obligations	33,341		178,215	(162,515)	0	(402)	48,639
Total	**1,109,313**	**18**	**787,288**	**(696,624)**	**(56,407)**	**32,755**	**1,176,343**

1 This contains unwinding interest income from impaired customers and changes in internal interest exemptions
2 This contains changes in internal interest exemptions
3 This contains reclassifications of provisions and changes in customer categories

Country risk

Country risk includes transfer and convertibility risks as well as political risk and macroeconomic risk in a broader sense, which arises from cross-border transactions in foreign countries. Activities in core markets are given particular attention in this respect.

As part of an established approach across all RBI Group units, RBI AG's active country-risk management is ensured based on the country risk policy, which is set regularly and approved 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. At the same time, the policy is designed to incentivize risk-taking within the RBI Group's core markets. The limit levels for individual countries are established using an internal model based on pillars such as the RBI Group's own capitalization, the internal sovereign rating, and the size and dynamics of the country and its banking sector.

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 (e.g. by seeking insurance with 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 manage the total credit exposure in each individual country (i.e. including the exposure that is funded by local deposits). RBI AG thus aligns its business activities with 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. 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 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 Subsidiaries & Equity Investments. 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.

Whereas in previous years the global COVID-19 situation required increased monitoring of market trends and position changes for RBI AG, the war in Ukraine provided the challenge for market risk management in 2022. At the end of February, soon after the outbreak, all limits for Russia, Ukraine and Belarus were largely reduced to zero and positions were actively reduced without suffering market distortions. Active risk management and daily monitoring with a focus on the Russian, Ukrainian and Belarusian markets and portfolios as well as on the neighboring affected markets are necessary in order to adapt to the changed conditions.

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
  Value-at-Risk is the main market risk steering instrument in liquid markets and normal market situations. Two different methods of calculation are used, depending on the steering approach. The consistency between P&L and risk figures is in parallel necessary with the economic scope of RBI AG in order to ensure comprehensive control. For the overall portfolio including the banking book, a model is used that is based on a historical simulation and which is suitable for longer-term steering of the market risks from the banking books (ALL model, confidence level 99 per cent, risk horizon 20 days). The calculation is based on overlapping 20-day returns of the last seven years and is also used for allocating economic capital. For all market risks with a direct impact on the income statement, a model is used that provides a good forecast of short-term volatility (IFRS P&L model, confidence level 99 per cent, risk horizon 1 day). The Austrian Financial Market Authority has approved this approach as an internal model for calculating the total capital requirement for market risks for RBI AG's trading book. Both models calculate value-at-risk indicators for changes in the risk factors foreign currencies, interest rate trend, credit spreads, implicit volatility, stock indices and basis spreads.
- 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 ALL 99 per cent, 20 days and VaR IFRS P&L 99 per cent, one day) for the individual market risk categories in the trading books, while the overall risk is shown for the banking book. Structural equity positions, structural interest rate risks, especially in euro, and also spread risks from bond books maintained as a liquidity buffer dominate RBI AG's VaR.

Model IFRS-P&L trading book VaR (99%, 1d) in € thousand	VaR as of 31/12/2022	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2021
Currency risk	386	597	209	1,831	4,209
Interest rate risk	707	1,572	579	4,125	1,578
Credit spread risk	2,331	1,582	754	4,238	1,670
Vega risk	91	199	78	685	137
Basis risk	1,402	1,358	404	4,752	533
Total	3,031	2,704	1,515	5,509	5,734

Model IFRS-P&L total VaR (99%, 1d) in € thousand	VaR as of 31/12/2022	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2021
Currency risk	2,629	4,830	1,950	9,911	4,130
Interest rate risk	1,044	3,878	592	13,016	721
Credit spread risk	3,380	3,722	1,990	6,009	2,644
Vega risk	154	2,840	154	9,366	474
Basis risk	2,743	1,862	756	5,009	832
Total	5,557	10,766	3,803	19,734	6,482

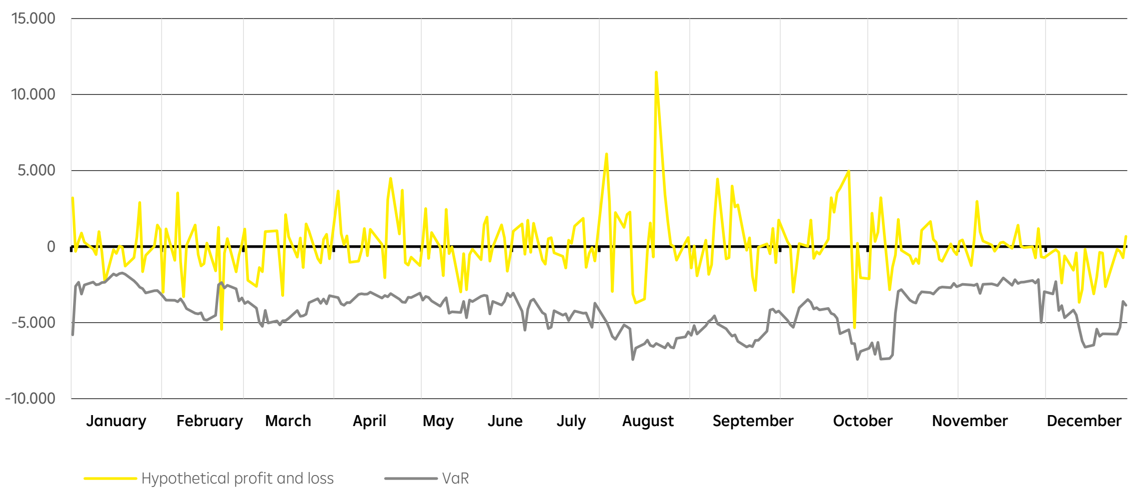
Modell ALL VaR (99%, 20d) in € thousand	VaR as of 31/12/2022	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2021
Ökonomisches Kapital ALL	49,648	56,465	33,905	92,851	66,307
Vega Risiko ALL	11,297	22,274	10,435	45,699	16,734
Gesamt ALL	**60,944**	**78,739**	**51,634**	**115,898**	**83,041**
Ökonomisches Kapital Bankbuch	46,090	52,043	26,664	89,205	50,263
Vega Risiko Bankbuch	10,991	21,077	10,173	45,661	16,435
Gesamt Bankbuch	**57,081**	**73,120**	**42,295**	**106,342**	**66,698**
Zinsrisiko im Bankbuch	24,067	45,017	14,672	105,219	50,324

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.

In the 2022 reporting year there was one hypothetical backtesting violation. The following chart compares VaR with the hypothetical profits and losses on a daily basis. VaR denotes the maximum loss that will not be exceeded with a 99 per cent confidence level within a day. It is compared to the respective theoretical gain or loss which would arise on the following day due to the actual market conditions at the time.

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

in € Tausend



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.

31/12/2022 in € thousand	Total	< 3 m	> 3 to 6 m	> 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	4	5	0	0	(1)	1	0	0	0	0	0	0
CNY	5	0	0	5	0	0	0	0	0	0	0	0
CZK	(4)	(6)	1	9	10	4	0	(12)	(9)	(1)	0	0
EUR	(70)	1	6	7	19	2	(6)	(58)	(13)	(3)	(12)	(12)
GBP	1	1	0	(1)	1	0	0	0	0	0	0	0
HRK	(7)	0	0	0	1	0	(2)	(2)	0	(3)	0	0
HUF	(1)	4	0	(6)	(1)	1	1	(2)	4	0	0	0
NOK	1	0	0	0	1	0	0	0	0	0	0	0
PLN	(1)	0	(2)	1	(2)	(1)	7	(2)	(2)	0	0	0
RON	(6)	0	0	0	1	(4)	(4)	0	0	0	0	0
RUB	(4)	0	0	(1)	(2)	0	2	(1)	(1)	(1)	0	0
USD	(7)	(1)	2	(6)	(2)	(3)	(2)	5	(7)	5	6	(2)
Others	(2)	0	0	0	(1)	(1)	0	0	0	0	0	0

31/12/2021 in € thousand	Total	< 3 m	> 3 to 6 m	> 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	17	21	(4)	(2)	(1)	0	3	(1)	(1)	1	0	0
CNY	5	0	0	5	0	0	0	0	0	0	0	0
CZK	12	(7)	19	(8)	0	14	9	(6)	(7)	(1)	0	0
EUR	(184)	(11)	(4)	(7)	7	(16)	(15)	(41)	47	(20)	(25)	(99)
GBP	1	1	1	(1)	(2)	2	0	0	0	0	0	0
HRK	(1)	0	0	0	0	1	(2)	0	0	0	0	0
HUF	2	(2)	3	0	3	(2)	(1)	(2)	3	0	0	0
NOK	1	0	0	0	1	0	0	0	0	0	0	0
PLN	(1)	(2)	(9)	4	4	(1)	(1)	0	4	0	0	0
RON	0	0	(1)	0	(3)	2	3	1	(3)	0	0	0
RUB	(3)	2	0	3	(2)	0	(2)	(3)	(1)	0	0	0
USD	(23)	(4)	0	(1)	0	0	14	(19)	0	(3)	(4)	(6)
Others	(7)	1	(5)	6	(7)	0	(7)	71	(42)	24	28	105

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.

31/12/2022 in € thousand	Total	< 3 m	> 3 to 6 m	> 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	(94)	(52)	0	(1)	(2)	(2)	(1)	(10)	(8)	(10)	(7)	(1)
CNY	(2)	0	(1)	(1)	0	0	0	0	0	0	0	0
CZK	1	4	0	(3)	(16)	(2)	(4)	12	13	(2)	0	0
EUR	(564)	30	124	156	(77)	(165)	(617)	(247)	354	(55)	(54)	(13)
GBP	(10)	(1)	0	(1)	1	(2)	(7)	0	0	0	0	0
HUF	5	1	(2)	0	3	0	1	1	1	0	0	0
PLN	(22)	(2)	(5)	2	(4)	(3)	(9)	0	0	0	0	0
SGD	0	0	0	0	0	0	0	0	0	0	0	0
USD	122	23	101	11	8	(3)	0	2	2	(23)	0	0
Others	(3)	(1)	0	0	0	1	3	0	0	(2)	(3)	0

31/12/2021 in € thousand	Total	< 3 m	> 3 to 6 m	> 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	(128)	(55)	(1)	(4)	(10)	(7)	(8)	(7)	(17)	(11)	(5)	(2)
CNY	(3)	0	(1)	(2)	0	0	0	0	0	0	0	0
CZK	(14)	3	0	(1)	0	(13)	(6)	5	(3)	0	0	0
EUR	(2,478)	110	(14)	(236)	(517)	(436)	(618)	(412)	(343)	41	(43)	(9)
GBP	(24)	(3)	(1)	0	0	(1)	(16)	(2)	0	0	0	0
HUF	1	1	(2)	0	1	1	1	0	0	0	0	0
PLN	(11)	(1)	(6)	1	0	(1)	(3)	0	0	0	0	0
SGD	0	0	0	0	0	0	0	0	0	0	0	0
USD	(126)	9	(17)	1	4	(4)	(22)	(20)	(19)	(41)	(17)	0
Others	(13)	(1)	(1)	0	0	0	0	0	(1)	(4)	(5)	(1)

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 (KI-RMV) issued 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.

Liquidity risk management during the war in Ukraine

As early as November 2021, a working group was established at head office in order to assess the geopolitical tensions between Russia and Ukraine and their potential impact on RBI. In weekly meetings, this working group developed stress tests and preparatory measures for various scenarios (including an outbreak of war).

At the end of June 2022, liquidity risk indicators (LCR) even improved for RBI compared to pre-war levels. A further improvement in RBI AG's liquidity based on the LCR and NSFR surplus was recorded in the fourth quarter of 2022. The focus is now on the medium-term trend in the liquidity position. As a result, in order to meet the demand for customer loans with stable equity and liabilities, the development of the customer deposit base and stable, long-term financing continues.

The current crisis related to the war in Ukraine once more emphasizes RBI's strong liquidity position and its ability to adapt to market or idiosyncratic turmoil. The ILAAP framework and governance again proved to be solid and functional even in times of crisis. The daily monitoring of the liquidity position via dynamic dashboards showed that infrastructure and monitoring are effective and support fast responses in times of crisis.

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) and the Chief Risk Officer (Risk Controlling). Accordingly, the processes regarding liquidity risk are essentially run by two areas within the bank: Firstly the Treasury unit, which takes on liquidity risk positions within the strategy, guidelines and parameters set by the responsible decision-making bodies. Secondly, they are monitored and supported by the independent Risk Controlling unit, which measures and models liquidity risk positions, sets limits and supervises compliance with them.

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 inflows 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 also 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 examine 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.

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 few 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	**31/12/2022**		**31/12/2021**	
Maturity	**1 month**	**1 year**	**1 month**	**1 year**
Liquidity gap	9,791,000	6,063,994	5,043,923	6,506,536
Liquidity ratio	120%	106%	112%	108%

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	**31/12/2022**	**31/12/2021**
Average liquid assets	**26,465,842**	**20,935,411**
Net outflows	**17,341,910**	**15,877,268**
Inflows	9,032,834	8,458,309
Outflows	26,374,744	24,335,578
Liquidity Coverage Ratio	**153%**	**132%**

The increase in average liquid assets resulted from increased overnight central bank balances.

Net Stable Funding Ratio (NSFR)

The NSFR is defined as the ratio of available stable funding to required stable funding. 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	31/12/2022	31/12/2021
Required stable funding	41,960,579	42,705,800
Available stable funding	46,603,649	47,721,266
Net Stable Funding Ratio	**111%**	**112%**

The NSFR again remained stable in 2022.

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).

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. In addition, scenario analyses for focus topics such as ESG, model risks or cyber risks are specified via the Group.

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

At the end of 2022, the equity requirement was calculated using the standardized approach, which was additionally adapted due to the retirement of the advanced measurement approach.

The economic capital 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 preventing 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.

Loss data per category of operational risk for RBI AG is distributed across the Basel risk categories as follows:

in € thousand	31/12/2022	Percentage	31/12/2021	Percentage
Clients, Products and Business Practices	512,051	99.1%	289,956	99.3%
External Fraud	1,808	0.3%	1,372	0.5%
Disasters and Public Safety	1,546	0.3%	0	0.0%
Excecution, Delivery and Process Management	1,136	0.2%	741	0.3%
Employment Practices and Workplace Safety	144	0.0%	0	0.0%
Technology and Infrastructure Failures	1	0.0%	5	0.0%
Total	**516,686**	**100.0%**	**292,074**	**100.0%**

Number of OpRisk events	31/12/2022	Percentage	31/12/2021	Percentage
External Fraud	4,670	88.7%	4,344	94.6%
Clients, Products and Business Practices	323	6.1%	102	2.2%
Excecution, Delivery and Process Management	214	4.1%	141	3.1%
Employment Practices and Workplace Safety	43	0.8%	0	0.0%
Disasters and Public Safety	12	0.2%	0	0.0%
Technology and Infrastructure Failures	2	0.0%	4	0.1%
Total	**5,264**	**100.0%**	**4,591**	**100.0%**

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 Finance Services Banking department, which is part of Group Accounting and is located in the CFO unit under the CEO, prepares and coordinates the annual financial statements of RBI AG. The foreign branches deliver financial statements to the head office. They themselves are responsible for preparing the financial statements, taking into account the applicable UGB/BWG accounting manual of RBI AG.

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 S4 HANA. 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)
- Cognos Controller for preparing the consolidated financial statements of RBI AG including branches

The accounting process can be described as follows:

- Day-to-day accounting
  Day-to-day accounting records of business transactions are mainly posted to the respective integrated subledgers. The relevant accounting data is directly and automatically transferred to the general ledger. In addition, individual postings are recorded directly in the SAP general ledger.
  The SAP general ledger has multi-GAAP functionality, meaning two equivalent general ledgers are maintained in parallel: one in accordance with UGB/BWG reporting standards and also a parallel ledger in accordance with IFRS. An operational chart of accounts exists for both of the general ledgers; depending on the respective content, all postings are effected either in both general ledgers simultaneously or only in one of the two. The parallelism of the entries and existence of the two parallel general ledgers removes the need for reconciliation from UGB/BWG to IFRS.

- Individual financial statements for RBI head office in accordance with UGB/BWG
  The SAP trial balance in accordance with UGB/BWG results from the posting data of the respective subsystems of the banking operations which is delivered via automated interfaces. In addition, supplementary ledger-specific closing entries are made directly in SAP. These are independent of the respective subsystems. The sum of all these entries gives the statement of financial position and the income statement pursuant to UGB/BWG for RBI's head office excluding branches.

- 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 the closing data of head office are provided 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 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:

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

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. Regulations in connection with bookkeeping and accounting within the framework of the separate financial statements according to the Austrian Commercial Code/Austrian Banking Act are set out in the UGB/BWG Accounting Manual.

Risk assessment

The assessment of the risk of incorrect financial reporting is based on various criteria taking into account appropriate escalation mechanisms. 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 the annual financial statements and the management report, which are also approved and adopted by the Supervisory Board in accordance with § 96(4) of the German Stock Corporation Act (AktG). They are published in the Wiener Zeitung and filed with the commercial register.

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, BWG 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 in place 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 AG. 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 Board.

Outlook

Economic outlook

A moderate economic upswing is anticipated to start no later than mid-2023 following the slight recession expected in many countries in the 2022/23 winter half-year. Industrial supply bottlenecks have already decreased significantly throughout 2022 and should no longer constitute a significant negative factor in 2023. Mandatory volume restrictions on gas consumption were avoided in the 2022/23 winter. Natural gas storage levels are likely to be lower at the beginning of the 2023/24 winter than they were in the year before. However, elevated prices should be sufficient to bring demand in line with the scarcer supply. Monthly inflation rates peaked towards the end of 2022 and should remain well above pre-pandemic levels on average over the year. This has created a stagflationary environment, particularly for Western European countries. A quick end to the war in Ukraine currently seems improbable. However, absent a further substantial military escalation, the war seems unlikely to have any additional negative implications for the economy in the euro area or the CE/SEE countries. Energy supply disruptions continue to pose the greatest economic risk in 2023, although this risk has decreased somewhat due to the warmer temperatures and thus lower energy consumption in the 2022/23 winter season. All in all, 2023 is likely to be characterized by continued heightened geopolitical uncertainty and elevated energy prices.

Central Europe

At the turn of 2022/23, we expect a technical recession in Central Europe (CE) that will slow the growth rate for 2023 as a whole. As in 2022, there will likely be a stronger drag on consumer demand and increased volatility in financial markets, which will additionally weigh on the CE economy. Inflation should peak in the first quarter of 2023 but will remain historically high. This poses further challenges for governments and central banks and will curtail consumer demand. The biggest glimmer of hope in the CE region remains EU funds that are being disbursed in addition to funds from the previous EU budget and have been also approved for Hungary and Poland, even if their disbursement is still subject to certain conditions. The entire region is assumed to grow at 1.0 per cent in 2023 (2022: 3.9 per cent).

Southeastern Europe

The technical recession expected for the CE region will be less pronounced in service-oriented Southeastern Europe (SEE). However, negative effects will ripple out from the euro area economy. In some countries of the region, these will not least be felt through the volume of inflowing foreign remittances. Inflation, which remains high but is expected to be lower on average than in 2022, should continue to dampen consumer demand. GDP growth in the region is projected to drop to 2.1 per cent in 2023 (2022: 4.4 per cent). Transfers from the NGEU fund are a supportive factor for the region as a whole since cyclical effects spill over to non-EU countries. EU funds can also be used partially to address current challenges and thus support national energy security. EU’s Economic and Investment Plan for the Western Balkans should continue supporting this region in particular.

Eastern Europe

Ukraine’s war-torn economy will likely continue to suffer from war-related destruction in 2023. However, there is scope for a limited recovery (up 1.8 per cent) since economic activity has adapted somewhat to the wartime conditions and GDP plummeted in 2022. However, the downside risks predominate and depend on the further course of the war. The prospect of a protracted conflict implies a high key rate in 2023 along with high inflation. In Belarus, there appears little scope for an economic recovery in 2023, which is why economic output is forecast to merely stagnate despite the previous downturn coming to an end. Since the economy in Russia faces additional adverse effects from further sanctions, its economic output is projected to decline further (down 4 per cent) for 2023 as a whole, which means that Russian GDP would decrease somewhat more in 2023 than in the year before (down 3.5 per cent). Following the interest rate cuts at the end of 2022, monetary policy is expected to ease moderately in 2023. Additional EU sanctions (ban on Russian oil products and a ninth sanctions package), the EU and G7 price cap on Russian oil and lower global energy prices are likely to affect the foreign trade sector in 2023. Additional risks to economic growth arise from the speed with which the country adjusts itself to these new foreign trade restrictions. Nevertheless, depending on the progress of the “war economy”, a smaller decline in GDP is also possible,

Austria

The Austrian economy is likely to experience a moderate recession in the winter half-year of 2022/23. The industrial sector and private consumption are likely to weigh on the economy in the winter half-year. However, from the middle of the year onwards, the Austrian economy should trace a cyclical upward trend again, although it will probably not be particularly strong. While the industrial sector and investment are expected to serve as economic drivers again, private consumption will probably support the economy comparatively little in the later course of 2023. GDP is expected to grow only a marginal 0.5 per cent in 2023 as a whole due to the economic headwinds in the 2022/23 winter half-year. The labor market is projected to remain robust despite the economic downturn.

Banking sector in Austria

Regulatory decisions made in 2022 with regard to mortgage lending standards for households had an impact as early as in the second half of 2022 as loan growth slowed down in this segment. About 50 per cent of new loans originated in the household segment over the past five years carry variable rates; those households now face a significant increase in interest payments. This means asset quality may deteriorate somewhat in the coming months. Credit growth may also slow down in the corporate segment following a sharp rise in growth rates in this segment in 2022, especially for short-term loans. The grim macroeconomic environment will also likely affect bank balance sheets in the year ahead. Risk costs for 2023 are therefore expected to increase moderately. Moreover, the Austrian banking industry is one of the sectors with the deepest financial links to Russia and continued drawing over 50 per cent of its net profit from the CE/SEE region through its subsidiaries in 2022.

CEE banking sector

Bank profitability in core CE/SEE markets is expected to decline as the widening of net interest margins due to higher interest rates fades while deposit rates catch up and issuance of expensive MREL bonds increases. Defaults also seem likely to increase given the recession risks and pressures on real household incomes. In addition, the banking sector will share in the cost of supporting borrowers (payment holidays, regulatory interest rate caps) and contribute to fiscal consolidation (windfall taxes). The uncertain economic outlook makes banks more cautious about granting new loans, while growth incentives are further dulled by regulators tightening macroprudential measures (additional capital buffers, etc.). However, support from European funds means that selective expansion is still possible (in the ESG domain and elsewhere).

RBI AG’s outlook for 2023

The 2023 outlook calls for a continuation of the gradual rise in interest rates in EUR, our main working currency. In USD, we also expect slightly higher interest rates for 2023 followed by slightly lower rates in subsequent years. The 2023 outlook also anticipates weak economic growth of 1 per cent in the eurozone and slightly higher growth of 1.5 per cent in Austria. Beginning in 2024, we expect the economy to improve. Furthermore, for 2023 and beyond, we expect to see inflation fall back from its peak in 2022.

We expect net interest income to decline. In 2022, deposit margins benefited from the rapid rise in EUR and USD interest rates. In line with market developments, deposit rates are expected to be adjusted in 2023, thereby reducing this positive effect. Furthermore, RBI AG's higher risk premium on new issuance has a negative impact on net interest income. Average customer lending volumes are expected to remain stable.

In the area of net fee and commission income, declines are expected for 2023 following the extraordinarily high income in Russia-related cross-border payments and FOREX volumes in 2022. With the exception of Russia, earnings are expected to show positive growth in core markets and products.

In terms of operating expenses, we are forecasting an inflation-driven increase in staff expenses. Other administrative expenses are expected to grow in line with the average inflation rate over 2022 and 2023 (projected).

Based on the macroeconomic assumptions and forecasts embedded in the risk models, loan loss provisions are expected to remain stable in 2023.

All transactions are closely monitored for Russia-related sanctions and compliance risk, and it is currently assumed that the volume of Russia-related cross-border business will decline.

Due to the current uncertainty surrounding foreign currency loans in Poland, the amount of provisions to cover them is susceptible to significant fluctuation depending on the number of new lawsuits and the outcome of court decisions.

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, 13 February 2023 / The Management Board

Johann Strobl

Chief Executive Officer responsible for Active Credit Management, Chairman's Office, Group Accounting, Group Communications, Group ESG & Sustainability Management, Group Executive Office, Group Finance Data, Analytics & Operations, Group Finance Task Force, Group Financial Reporting & Steering, Group Internal Audit, Group Investor Relations, Group Marketing, Group People & Organisational Innovation, Group Strategy, Group Subsidiaries & Equity Investments, Group Tax Management, Group Treasury, Legal Services and Sector Marketing

Andreas Gschwenter

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

Łukasz Januszewski

Member of the Management Board responsible for Certificates & Equity Trading, Group Asset Management (via RCM), 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, RCB Retail Risk Management and Sector Risk Controlling Services

Andrii Stepanenko

Member of the Management Board responsible for Payments & Daily Banking, Retail Customer Growth, Retail Products and Retail Strategy & Digital Transformation

Independent Auditor’s Report

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the annual financial statements of Raiffeisen Bank International AG, Vienna, which comprise the statement of financial position as at 31 December 2022, the income statement, and the notes to the financial statements.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and the Austrian Banking Act.

Basis for Opinion

We conducted our audit in accordance with the Regulation (EU) No. 537/2014 and the Austrian Standards on Auditing. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with laws and regulations applicable in Austria and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of our opinion is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have identified the following key audit matters:

1. Recoverability of loans and advances to customers
2. Recoverability of shares in affiliated undertakings
3. Adequacy of provision for foreign currency loans in the branch in Poland

1. Recoverability of loans and advances to customers

Description and Issue

Loans and advances to customers are reported with an amount of EUR 29,9 billion after deduction of valuation allowances. They mostly are loans and advances to Austrian and international non-financial corporations and to a lower extent retail customers in the Polish branch.

The Management Board describes the process for monitoring credit risk and the procedure for determining credit losses in the section "Recognition and Measurement Principles" of the notes to the financial statements and in the "Credit Risk" section of the Risk Report in the Management Report.

Calculations of credit losses for defaulted loans to corporates are based on the expected recoveries. These are determined by the assessment of the economic situation and development of the respective customer, the valuation of collateral, and the estimate of the amount and timing of the recoveries derived from these.

Specific loan loss provisions for retail customers in the branch in Poland and expected credit losses for loans and advances for which no default has been identified are based on models with statistical assumptions such as rating-based probability of default, which are used to estimate the expected credit loss. The Bank uses the methods of IFRS 9 to determine expected credit losses (12 months expected credit loss or, in the case of a significant increase in credit risk since initial recognition – lifetime expected credit loss).

Post model adjustments and other adjustments are made when input parameter, assumptions and modeling do not cover all relevant risks. Adjustments are made for example for macroeconomic, microeconomic and political events.

The calculation of the expected credit losses on loans and advances to customers is an estimate that is based on assumptions about future developments to a considerable extent. The expected credit loss depends on the selection of the data, the key assumptions, statistical and mathematical models and the correct execution of the calculation steps. We have therefore identified the recoverability of loans to customers as a key audit matter.

Our response

In testing expected credit losses for loans and advances to customers, we performed the following significant audit procedures:

- We assessed the methodologies used to determine expected credit losses and their compliance with the Austrian Generally Accepted Accounting Principles and those of the Banking Act.
- We analyzed the documentation of the processes of monitoring loans and risk provisioning, and critically assessed whether these processes are suitable for identifying loan losses and adequately reflecting the recoverability of exposures. We also assessed the processes and tested key controls regarding their design and implementation, including the relevant IT systems, and tested their effectiveness on a sample basis.
- By performing analytical audit procedures, we examined changes of loans and advances in terms of quality, type of care, rating and level allocation throughout the year and in comparison with the previous year.
- We tested individual exposures selected on the basis of a sample determined according to selected risk criteria: For defaulted loans, we assessed the Bank's estimates of the amount and timing of recoveries, taking into account collateral, and examined whether the assumptions used in the calculation were appropriate and derived from internal or external evidence. For non-defaulted loans, we examined whether indicators of default exist.
- In order to assess the appropriateness of the expected credit losses for non-defaulted loans, we examined the plausibility of assumptions and the statistical/mathematical appropriateness of the models used, as well as the proper application of the models, with the assistance of specialists. In particular, we examined the assumptions in connection with forward-looking information and post-model adjustments. Furthermore, we examined the appropriateness of the assumptions "probability of default", "loss given default" and the staging model, taking into account the results of the bank's internal validations, and reperformed selected calculation steps. In addition, internal IT specialists tested the effectiveness of key automated controls of the IT systems relevant for these calculations.
- Finally, we assessed whether the disclosures in the notes to the financial statements regarding the calculation of expected credit losses and the significant assumptions and estimation uncertainties are appropriate.

2. Recoverability of shares in affiliated undertakings

Description and Issue

Shares in affiliated undertakings represent a significant balance sheet item at Raiffeisen Bank International AG with a total amount of approximately EUR 9.7 billion. The Bank holds interests, mostly through holding companies, in particular in domestic and foreign credit institutions as well as in finance and project companies.

The Management Board describes the management process and the procedures for impairment testing for shares in affiliated undertakings in the section "Recognition and Measurement Principles" in the notes as well as in the section "Participation risk" of the Risk Report in the management report.

The Bank reviews whether there are triggers for permanent impairments or whether a reversal of a previous impairment, limited to the original cost, is required.

Internal and external valuations are used to determine the recoverable amount. The valuations are primarily based on assumptions and estimates regarding future business development and resulting returns to owners, especially in the form of dividends. These are usually based on the budgeted figures approved by the corporate bodies of the respective companies. The discount rates used are derived from the financial and capital markets.

The parameter used in these calculations are based on assumptions that are subject to a high degree of uncertainty. Minor changes in these assumptions may lead to significantly different results. Due to the sensitivity of the valuation results and the high degree of discretion in the assumptions, we have identified the valuation of shares of affiliated undertakings as a key audit matter.

Our response

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

- We analyzed the documentation of the processes for monitoring and valuation of shares in affiliated undertakings and critically assessed whether these processes are suitable for identifying necessary impairments or reversals of impairments and appropriately reflecting the recoverability of the shares.
- We reviewed the valuation models used, and – based on risk-based samples - the key planning assumptions and the valuation parameter with the involvement of our valuation specialists. This included the understanding of the valuation models. We evaluated the planning and valuation parameters for selected valuations, based on external market data and historical data. We assessed the appropriateness of the interest rate parameters by comparing them with market- and industry-specific benchmarks and compared the cash flows used in the valuation model with the approved plans. The mathematical correctness of the valuations was verified on a sample basis and the valuation was checked for plausibility in our own developed valuation model.
- Finally, we assessed whether the disclosures in the notes to the financial statements on the determination of an impairment of shares in affiliated undertakings are appropriate.

3. Adequacy of provision for foreign currency loans in the branch in Poland

Description and Issue

As at 31 December 2022, the Bank has recorded a "provision" [partly a provision, partly a deduction from carrying value] in connection with foreign currency loans in the branch in Poland in the amount of EUR 803 million.

The Management Board describes the legal risks, the procedure for determining the "provision" and related uncertainties in the chapter "Litigation risk for foreign currency loans in Poland" of the notes to the financial statements.

Due to the lack of clear answers by the competent courts, including the supreme courts, and the necessary assumptions about the future behavior of borrowers and former borrowers, there are considerable estimation uncertainties and scope for judgement in determining the amount of the "provision". Thus, we have determined the adequacy of the "provision" for foreign currency loans of the branch in Poland to be a key audit matter.

Our Response

In particular, we performed the following audit procedures in testing the adequacy of the "provision":

- We assessed the Bank's processes and controls for determining the “provision”, including the key controls applied, and their suitability for ensuring the determination of an appropriate “provision”.
- We verified the plausibility and critically assessed the Bank's method for determining the “provision”, including the derivation of the underlying assumptions and their appropriateness.
- We verified the mathematical accuracy of the Bank's calculations.
- We obtained information on the pending lawsuits from the lawyers involved, critically assessed this information, and reconciled the list of lawsuits in the lawyers' letters with the bank's data on a sample basis.
- We have reviewed the current Polish case law with regard to foreign currency loans and have assessed its consideration for the calculation of the provision.
- We reviewed the disclosure of the risks in the notes to the financial statements for appropriateness.

Other Information

The legal representatives are responsible for the other information. The other information comprises all information in the Annual Financial Report, except for the consolidated financial statements, the group management report, the annual financial statements, the management report and the related auditor's reports. The Annual Financial Report is expected to be available to us after the date of the auditor's report.

Our audit opinion on the financial statements does not cover this other information, and we will not express any form of assurance conclusion thereon. With regard to the information in the management report, we refer to the section "Report on the management report".

In connection with our audit of the financial statements, our responsibility is to read the other information mentioned above, when it becomes available, and assess whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears misleading.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Company as of December 31, 2022, and of its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and the Austrian Banking Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 for the Audit of the Financial Statements

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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with EU rules and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 Regulation (EU) 537/2014 and with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement 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.
- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that give a true and fair view.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Management Report

Pursuant to Austrian Commercial Code, the management report is to be audited as to whether it is consistent with the financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the management report.

Opinion

In our opinion, the management report attached is prepared in accordance with the applicable legal requirements, the disclosures pursuant to section 243a UGB are appropriate, and it is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the thus obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Additional Information in Accordance with Article 10 of EU Regulation (EU) 537/2014

We were elected as auditor of the Company at the annual general shareholders' meeting on 22 April 2021 for the fiscal year ending on 31 December 2022 and mandated by the chairman of the Supervisory Board on 28 August 2021. Furthermore, we were elected as auditor at the annual general shareholders' meeting on 31 March 2022 for the subsequent fiscal year and mandated by the chairman of the Supervisory Board on 31 March 2022. We are the auditor of the Company since the financial year ending 31 December 2021.

We confirm that the audit opinion in the section "Report on the Financial Statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent from the Company in conducting the audit.

Engagement Partner

The engagement partner responsible for the audit is Peter Bitzyk.

Vienna

13 February 2023

Deloitte Audit Wirtschaftsprüfungs GmbH

(signed by:)

Peter Bitzyk

Certified Public Accountant

Publication or sharing with third parties of the financial statements together with our auditors' opinion is only allowed if the financial statements and the management report are identical with the audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 para 2 UGB applies to alternated versions.

This translation is for convenience purposes only.
Only the German original is legally valid and binding.