Raiffeisen Bank International AG

Annual Financial Statements

2023

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In this report RBI denotes the RBI Group. If RBI AG is used it denotes Raiffeisen Bank International AG. Head office refers to Raiffeisen Bank International AG excluding branches.

Adding and subtracting rounded amounts in tables and charts may lead to minor discrepancies. Changes in tables are based on not rounded amounts.

The report in English is a translation of the original German report. The only authentic version is the German version.

Annual Financial Statements

Statement of financial position

	ASSETS	31/12/2023 in €	31/12/2022 in € thousand
1.	Cash in hand and balances with central banks	9,986,222,925.94	20,375,942
2.	Treasury bills and other bills eligible for refinancing with central banks	8,780,883,575.24	6,798,155
3.	Loans to banks	13,583,573,841.50	13,491,490
	a) Repayable on demand	1,471,800,364.72	1,448,055
	b) Other loans and advances	12,111,773,476.78	12,043,434
4.	Loans to customers	27,699,948,522.95	29,863,730
5.	Debt securities and other fixed-income securities	3,777,295,419.35	4,793,367
	a) Issued by public bodies	156,606,619.50	159,656
	b) Issued by other borrowers	3,620,688,799.85	4,633,710
	hereof own financial instruments	1,459,889,748.02	2,501,811
6.	Shares and other variable-yield securities	1,042,844,657.39	859,072
7.	Equity interests	67,646,421.27	58,941
	hereof: in credit institutions	27,157,140.97	19,192
8.	Investments in affiliated companies	10,262,525,020.16	9,674,953
	hereof: in credit institutions	1,718,194,689.67	1,177,956
9.	Intangible fixed assets	19,508,748.07	27,548
10.	Tangible fixed assets	16,891,864.81	27,394
11.	Other assets	6,989,545,060.22	6,551,745
12.	Deferred income and accrued expenses	96,652,180.03	91,199
13.	Deferred tax assets	411,458.82	1,077
	Total	**82,323,949,695.75**	**92,614,612**

	EQUITY AND LIABILITIES	31/12/2023 in €	31/12/2022 in € thousand
1.	Deposits from banks	26,684,645,838.09	35,300,134
	a) Repayable on demand	4,525,879,654.76	5,532,067
	b) With agreed maturity dates or periods of notice	22,158,766,183.33	29,768,067
2.	Deposits from customers	19,901,522,232.04	23,097,485
	a) Savings deposits	0.00	0
	b) Other liabilities	19,901,522,232.04	23,097,485
	aa) Repayable on demand	6,759,789,691.49	7,188,568
	bb) With agreed maturity dates or periods of notice	13,141,732,540.55	15,908,917
3.	Debt securities issued	17,079,035,550.25	15,470,239
	a) Debt securities issued	14,909,121,579.06	13,419,345
	b) Other securitised liabilities	2,169,913,971.19	2,050,893
4.	Other liabilities	4,572,765,378.93	5,380,247
5.	Deferred income and accrued expenses	203,194,080.14	208,620
6.	Provisions	947,696,455.07	766,903
	a) Provisions for severance payments	51,173,984.33	51,039
	b) Provisions for pensions	61,474,724.36	61,150
	c) Provisions for taxation	18,253,470.04	10,356
	d) Other	816,794,276.34	644,358
7.	Supplementary capital pursuant to chapter 4 of title I of part 2 of regulation (EU) no 575/2013	2,107,910,127.81	2,696,099
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	1,655,025
9.	Subscribed capital	1,001,515,333.15	1,001,709
	a) Share capital	1,003,265,844.05	1,003,266
	b) Nominal value of own shares	(1,750,510.90)	(1,557)
10.	Capital reserves	4,427,905,632.09	4,429,065
	a) Committed	4,334,726,183.14	4,334,286
	b) Uncommitted	93,179,448.95	94,779
11.	Retained earnings	2,376,177,728.22	1,686,418
	a) Legal reserve	5,500,000.00	5,500
	b) Other reserves	2,370,677,728.22	1,680,918
12.	Liability reserve pursuant to article 57 (5)	535,097,489.59	535,097
13.	Net profit for the year	831,458,525.64	387,571
	Total	**82,323,949,695.75**	**92,614,612**

Items off the statement of financial position

	ASSETS	31/12/2023 in €	31/12/2022 in € thousand
1.	Foreign assets	45,380,132,414.21	45,641,871

	EQUITY AND LIABILITIES	31/12/2023 in €	31/12/2022 in € thousand
1.	Contingent liabilities	7,736,762,142.74	7,188,967
	Guarantees and assets pledged as collateral security	7,736,762,142.74	7,188,967
2.	Commitments	19,711,703,105.00	19,434,120
	hereof: liabilities from repurchase agreements	0.00	0
3.	Commitments arising from agency services	187,452,782.11	203,304
4.	Eligible own funds according to part 2 of regulation (EU) no 575/2013	11,695,854,570.80	11,179,557
	hereof: supplementary capital pursuant to chapter 4 of title I of part 2 of regulation EU) no 575/2013	1,990,442,752.19	2,252,687
5.	Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013	40,461,265,709.96	41,903,360
	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)	19.9 %	17.3 %
	b) hereof: Tier 1 capital ratio pursuant to Article 92 (b)	23.9 %	21.1 %
	c) hereof: total capital ratio pursuant to Article 92 (c)	28.8 %	26.6 %
6.	Foreign liabilities	22,092,657,400.53	27,096,050

Income statement

		2023 in €	2022 in € thousand
1.	Interest receivable and similar income	2,952,782,419.21	1,187,116
	hereof: from fixed-income securities	235,123,538.19	74,642
2.	Interest payable and similar expenses	(2,529,367,782.75)	(700,655)
I.	**NET INTEREST INCOME**	**423,414,636.46**	**486,461**
3.	Income from securities and participating interests	1,786,418,289.76	564,321
	a) Income from shares and other variable-yield securities	76,684,279.09	49,133
	b) Income from participating interests	8,056,442.47	7,543
	c) Income from shares in affiliated undertakings	1,701,677,568.20	507,644
4.	Fee and commission income	555,787,190.12	531,264
5.	Fee and commission expenses	(194,354,216.19)	(178,609)
6.	Net profit or net loss on financial operations	56,805,678.37	93,490
7.	Sundry operating income	305,412,883.90	212,648
II.	**OPERATING INCOME**	**2,933,484,462.42**	**1,709,574**
8.	General administrative expenses	(1,022,229,060.98)	(872,307)
	a) Staff costs	(506,046,469.45)	(420,295)
	hereof: aa) Wages and salaries	(389,021,415.47)	(336,897)
	bb) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	(82,452,037.06)	(74,747)
	cc) Other social expenses	(10,295,253.39)	(8,471)
	dd) Expenses for pensions and assistance	(12,772,307.35)	(10,255)
	ee) Allocation/Release of provision for pensions	(324,566.15)	5,238
	ff) Expenses for severance payments and contributions to severance funds	(11,180,890.03)	4,836
	b) Other administrative expenses	(516,182,591.53)	(452,011)
9.	Value adjustments in respect of asset items 9 and 10	(12,315,181.65)	(13,685)
10.	Sundry operating expenses	(1,131,444,148.30)	(655,486)
III.	**OPERATING EXPENSES**	**(2,165,988,390.93)**	**(1,541,479)**
IV.	**OPERATING RESULT**	**767,496,071.49**	**168,096**
11./12.	Net income/expenses from the disposal and valuation of loans and advances and securities classified as current assets	49,986,970.25	(164,641)
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	568,408,510.85	(976,414)
V.	**PROFIT ON ORDINARY ACTIVITIES**	**1,385,891,552.59**	**(972,960)**
15.	Current income taxes	14,410,365.46	5,531
16.	Other taxes not reported under item 15	(3,840,568.15)	(20,193)
17.	Result from Business Combinations	0.00	(3,553)
VI.	**PROFIT FOR THE YEAR AFTER TAX**	**1,396,461,349.90**	**(991,175)**
18.	Changes in reserves	(688,135,440.86)	998,747
	hereof: allocation to liability reserve	0.00	0
VII.	**NET INCOME FOR THE YEAR**	**708,325,909.04**	**7,571**
19.	Profit/Loss brought forward	123,132,616.60	380,000
VIII.	**Net profit for the year**	**831,458,525.64**	**387,571**

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 Austrian Electronic Announcement and Information Platform of the Federation ("EVI") in accordance with the Austrian disclosure regulations.

The annual financial statements for the year ending 31 December 2023 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. RBI AG 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 subsidiary banks, leasing companies and numerous specialized financial service providers with some 1,500 branches. In Austria, RBI AG is also active in business activities in the areas of housing finance, leasing, asset management, pension funds, factoring and private banking. RBI AG's 18.6 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 RBI AG 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.l

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 Austrian Raiffeisen-Sicherungseinrichtung eGen (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, the disclosure and valuation rules of the Austrian Banking Act, 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 29 December 2023 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, payment flows with Russia are assumed to not 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 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, direct CDS quotes of RBI AG are used.

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 over the residual term according to the effective interest method.

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 currency-related swaps, such as cross currency swaps, FX swaps or FX forward contracts.

When the requirements are met, the above-mentioned 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 recognized as micro fair value hedges in accordance with AFRAC 15 "Derivatives and Hedging Instruments". 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 7 and/or 10 – Other operating income/Other operating expenses . Credit default swaps have the following effect on the income statement: The margins received or paid (including accruals) are reported under net commission income. Valuations are conducted in adherence to the imparity principle under the tenants of prudence. A provision for impending losses is recognized in the event that negative market values arise.

Financial instruments in the trading book

The securities in the trading portfolio are valued on a mark-to-market basis. In the absence of observable market rates or prices, the fair value is determined using valuation models. 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/or the measurement options they provide for in connection with 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. When exercising the above-mentioned measurement option in relation to securities recognized as fixed assets in accordance with section 56 BWG, any difference between the acquisition cost and the repayment amount is deferred and reported in net interest income. 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. Provisions are recognized for impairment losses on loan commitments, financial guarantees and letters of credit.

Accordingly, two options exist for calculating the amount of risk provisioning:

- 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 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 significantly 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 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

For loans made in Austria by RBI AG, 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. Stage 1 and 2 provisions for Swiss franc-denominated loans are recognized on a portfolio level. Additional details pertaining to this subject can be referenced in the section addressing litigation risk associated with foreign currency loans in Poland. 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 generally 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 in the rating, and when individual lending exposures within a group of lending exposures react to factors or events differently than initially expected. The emergence of new macroeconomic, microeconomic or political events, along with expected changes to parameters, models or data that are not incorporated in current parameters, internal risk rating migrations or forward-looking information are examples of such circumstances. In general RBI units use post-model adjustments to allowances for expected credit losses only as an interim solution. In order to reduce the potential for bias, add-ons and post-model adjustments are of a temporary nature and typically remain 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, add-ons (post-model adjustments) are based on a collective assessment. "Other risk factors" typically comprise a longer time horizon than post-model adjustments (e.g. the prolongation of sanctions risks), which leads to ECL-overlays. Post-model adjustments are transferred to in-model adjustments.

Individual loan loss provisions

Impairments are recognized on an individual basis for 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.

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.

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, a reduction in their equity or other indicators 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 (and on ad-hoc basis) 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 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 net financial debt.

The recoverable amount is calculated based in principal on a three to 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 generally 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.

According to AFRAC 24 (16), liquidation value is generally the lower bound of any investment valuation absent any legal or de facto constraints to continue the investee company. Liquidation value is defined as the pro rata breakup value of the assets minus the liabilities held by the entity. When setting a liquidation value, a sector-specific, individual analysis is conducted, which includes a comparison using the discounted cash flow method. Liquidation value is employed when it represents the lower bound of the investment's valuation range under the conditions set out.

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 3.66 per cent (31/12/2022: 3.64 per cent) p.a. and an effective pensionable salary increase of 7.5 per cent in the first year, 4.2 per cent in the second year and 3.1 per cent in the third year as well as 3.0 per cent in subsequent years (31/12/2022: 8.0 per cent in the first year, 5.1 per cent in the second year and 3.2 per cent in subsequently years). The parameters for retired employees are calculated using a capitalization rate of 3.66 per cent (31/12/2022: 3.64 per cent) per year and an expected increase in retirement benefits of 7.5 per cent in the first year, 4.2 per cent in the second year and 3.1 per cent in the third year as well as 3.0 per cent in subsequent years (31/12/2022: 8.0 per cent in the first year, 5.1 per cent in the second year and 3.2 per cent in the subsequent years), and in the case of pension commitments with existing reinsurance policies of 0.5 per cent (31/12/2022: 0.5 per cent). The calculations are based on an assumed retirement age of 65, subject to transitional statutory requirements for women as well as 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 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 3.66 per cent (31/12/2022: 3.65 per cent for severance payments and 3.64 per cent for long-service bonus obligations) p. a., for birthday benefits 3.68 per cent (31/12/2022: 3.64 per cent) and an average salary increase of 7.5 per cent in the first year, 4.2 per cent in the second year, 3.1 per cent in the third year and 3.0 per cent in subsequent years (31/12/2022: 8.0 per cent in the first year, 5.1 per cent in second year and 3.2 per cent in subsequent years) p.a.

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 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. 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 rate of 6.90 per cent (31/12/2022: 7.25 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: 60 per cent of the annual bonus is paid out 50 per cent as an upfront cash payment and 50 per cent by way of a phantom share plan with a retention period of one year. Forty 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 to 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	31/12/2023	31/12/2022
Loans to banks	**13,583,573.8**	**13,491,489.6**
Repayable on demand	1,471,800.4	1,448,055.5
Up to 3 months	9,476,260.8	8,662,406.1
More than 3 months, up to 1 year	401,584.1	505,354.7
More than 1 year, up to 5 years	1,667,223.0	1,156,799.4
More than 5 years	566,705.6	1,718,873.9
Loans to customers	**27,699,948.5**	**29,863,729.7**
Repayable on demand	6,270,409.7	5,634,842.9
Up to 3 months	1,175,753.0	587,523.8
More than 3 months, up to 1 year	3,781,101.1	3,437,810.6
More than 1 year, up to 5 years	13,630,523.7	13,863,947.0
More than 5 years	2,842,161.1	6,339,605.4
Other assets	**6,989,545.1**	**6,551,745.3**
Up to 3 months	4,805,290.0	5,709,447.2
More than 3 months, up to 1 year	1,700,000.0	500,000.0
More than 5 years	484,255.1	342,298.1

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 2023.

Derivative financial instruments for hedging 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 existing hedging relationships together amounts to a negative market value of € 109,773 thousand (31/12/2022: € 154,294 thousand), of which € 262,353 thousand (31/12/2022: € 368,402 thousand) is attributable to positive market values and € 372,126 thousand (31/12/2022: € 522,696 thousand) to negative market values.

In the financial year 2023, no material settlement payments were made in connection with derivatives in hedging relationships (31/12/2022: € 0 thousand).

In the course of the IBOR reform, compensation payments were made in the amount of € 196 thousand (2022: € 0 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

RBI employs interest rate derivatives to hedge interest rate risks in accordance with the accounting regulations pertaining to hedging relationships and functional units, as outlined in AFRAC 15 "Derivatives and Hedging Instruments" and the FMA Circular on "Accounting issues relating to interest rate derivatives and valuation adjustments for derivatives." Provisions for impending losses on these derivatives amount to € 68,708 thousand on the reporting date (31/12/2022: € 73,140 thousand). In the financial year 2023, allocations in the amount of € 14,557 thousand (31/12/2022: € 53,430 thousand) and reversals in the amount of € 18,988 thousand (31/12/2022: € 10,259 thousand) resulted from the change in the market values of the functional units of the hedging derivatives.

Currency derivatives

In financial year 2023, provisions were recognized in the amount of € 6,199 thousand (31/12/2022: € 6,727 thousand) for impending losses on non-netted UAH transactions that were initially recognized in 2022 based on the geopolitical situation. In the reporting year, reversals were made in the amount of € 528 thousand (31/12/2022: € 0 thousand).

Credit default swaps

To a lesser extent, RBI AG also actively manages positions in credit derivatives (in the form of credit default swaps), which require individual valuation in accordance with the FMA circular on accounting issues relating to interest rate derivatives and valuation adjustments for derivatives. Provisions for impending losses amount to € 7,575 thousand as of the reporting date (31/12/2022: € 2,316 thousand). In the financial year 2023, allocations in the amount of € 5,259 thousand (31/12/2022: € 2,316 thousand) and reversals in the amount of € 0 thousand (31/12/2022: € 879 thousand) resulted from changes in the market value of these derivatives.

Functional units

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:

	31/12/2023		31/12/2022		Valuation effect
in € thousand	**Positive values**	**Negative values**	**Positive values**	**Negative values**	**31/12/2023**
CHF	0	(150)	0	(387)	237
CZK	3,186	(2,184)	2,706	(1,131)	(573)
EUR	49,614	(26,448)	62,025	(31,789)	(7,070)
GBP	0	0	6	0	(6)
HUF	9,800	0	7,335	0	2,465
NOK	2	0	6	0	(4)
PLN	0	(1,895)	0	0	(1,895)
RON	54	0	125	0	(71)
RUB	1,010	0	0	(568)	1,578
USD	340	(831)	275	(1,215)	449
Total	**64,006**	**(31,508)**	**72,478**	**(35,090)**	**(4,890)**

The main factors driving the valuation result were the change in the level of interest rates in EUR and USD, an expansion in netting volumes, an increase in PLN business and a reduction in RUB 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:

	31/12/2023		31/12/2022		Valuation effect
in € thousand	**Positive values**	**Negative values**	**Positive values**	**Negative values**	**31/12/2023**
EUR	4,252	(7,575)	15,096	(2,316)	(16,103)
Total	**4,252**	**(7,575)**	**15,096**	**(2,316)**	**(16,103)**

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

31/12/2023	Nominal amount by maturity					Fair value		Carrying amount	
in € thousand	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	positive	negative	positive	negative
Total	**89,725,880**	**132,170,152**	**79,372,038**	**301,268,070**	**196,313,436**	**4,746,270**	**4,455,184**	**4,054,656**	**3,718,712**
a) Interest rate contracts	**41,809,732**	**119,847,836**	**75,887,155**	**237,544,723**	**137,653,487**	**3,753,124**	**3,736,511**	**3,096,764**	**3,009,582**
OTC products									
Interest rate swaps	35,590,026	106,659,018	71,908,239	214,157,283	123,298,779	3,604,223	3,717,766	2,935,971	2,908,823
Floating Interest rate swaps				0					
Interest rate futures	1,900,987	404,465	0	2,305,452	2,305,452	1,017	670	1,017	670
Interest rate options - buy	1,582,871	3,970,076	1,360,797	6,913,744	5,618,012	114,477		126,369	
Interest rate options - sell	2,462,441	7,891,137	2,142,651	12,496,229	4,759,229		8,003	0	90,017
Other similar interest rate contracts	109,934	575,405	375,818	1,061,157	1,061,157	31,197	6,745	31,197	6,745
Products traded on stock exchange									
Interest rate futures	30,308	7,349	1,178	38,835	38,835	31	4	31	4
Interest rate options	133,165	340,386	98,472	572,023	572,023	2,179	3,323	2,179	3,323
b) Foreign exchange rate contracts	**46,459,532**	**8,097,831**	**2,117,202**	**56,674,565**	**52,247,454**	**688,941**	**597,612**	**653,687**	**591,391**
OTC products									
Cross-currency interest rate swaps	2,463,602	7,239,990	2,117,202	11,820,794	7,452,175	293,869	191,412	258,033	185,191
Forward foreign exchange contracts	39,726,990	20,956	0	39,747,946	39,747,946	385,675	402,013	385,675	402,013
Currency options – purchased	3,443,566	275,712	0	3,719,278	3,660,786	9,397	0	9,979	
Currency options – sold	807,849	561,173	0	1,369,022	1,369,022	0	4,120	0	4,120
Other similar interest rate contracts									
Products traded on stock exchange									
Currency contracts (futures)	17,525	0	0	17,525	17,525		67	0	67
c) Securities-related transactions	**1,243,703**	**2,935,613**	**870,787**	**5,050,103**	**5,050,103**	**277,234**	**79,153**	**277,234**	**79,153**
OTC products									
Equity/Index options -buy	226,524	1,925,388	651,696	2,803,608	2,803,608	276,270	0	276,270	0
Equity/Index options -sell	243,717	929,950	219,091	1,392,758	1,392,759	0	79,153	0	79,153
Products traded on stock exchange									
Equity/Index options	773,462	80,275	0	853,737	853,736	964	0	964	0
d) Commodity contracts	**19,520**	**1,839**	**0**	**21,359**	**21,359**	**598**	**37**	**598**	**37**
OTC products									
Commodities	1,900	1,839	0	3,739	3,739	598	0	598	0
Products traded on stock exchange									
Commodity futures	17,620	0	0	17,620	17,620	0	37	0	37
e) Credit derivative contracts	**193,393**	**1,287,033**	**496,894**	**1,977,320**	**1,341,033**	**26,373**	**41,871**	**26,373**	**38,549**
OTC products									
Credit default swap	193,393	1,287,033	496,894	1,977,320	1,341,033	26,373	41,871	26,373	38,549

31/12/2022 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	Fair value positive	negative	Carrying amount positive	negative
Total	**84,330,522**	**116,250,894**	**78,496,258**	**279,077,674**	**184,149,989**	**9,105,538**	**9,090,068**	**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**	**7,824,676**	**8,047,858**	**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	7,603,198	7,943,494	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	4,314	433
Interest rate options - buy	644,694	4,900,701	1,726,545	7,271,940	5,761,131	210,329		217,336	
Interest rate options - sell	1,259,091	7,970,283	2,908,678	12,138,052	4,763,052		98,559		152,687
Other similar interest rate contracts	36,759	502,150	311,238	850,147	850,147	4,769	5,841	23,374	5,841
Products traded on stock exchange									
Interest rate futures	6,874	9,282	7,366	23,522	23,522	0	19	0	19
Interest rate options	29,500	98,876	11,250	139,626	139,626	2,066	378	2,066	378
b) Foreign exchange rate contracts	**45,078,733**	**7,690,209**	**2,281,218**	**55,050,160**	**52,494,737**	**1,072,114**	**862,829**	**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	465,995	252,206	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	596,759	600,886
Currency options – purchased	388,265	66,683	0	454,948	445,487	9,360		9,360	0
Currency options – sold	550,514	136,826	0	687,340	687,341		9,737	0	9,737
Products traded on stock exchange									
c) Securities-related transactions	**469,362**	**2,496,741**	**745,700**	**3,711,802**	**3,711,802**	**190,022**	**165,528**	**190,022**	**165,528**
OTC products									
Equity/Index options -buy	199,755	1,379,749	639,661	2,219,165	2,219,166	190,022	0	190,022	
Equity/Index options -sell	269,606	1,116,992	106,039	1,492,637	1,492,637	0	165,528		165,528
Products traded on stock exchange									
d) Commodity contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
e) Credit derivative contracts	**21,000**	**1,450,569**	**543,327**	**2,014,896**	**1,451,569**	**18,726**	**13,853**	**10,639**	**18,546**
OTC products									
Credit default swap	21,000	1,450,569	543,327	2,014,896	1,451,569	18,726	13,853	10,639	18,546

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

Derivative financial instruments in € thousand	Positive fair values 31/12/2023	31/12/2022	Negative fair values 31/12/2023	31/12/2022
Derivatives in the trading book				
a) Interest rate contracts	2,728,475	3,787,182	2,744,555	3,914,276
b) Foreign exchange rate contracts	649,185	1,003,131	574,235	826,011
c) Share and index contracts	200,563	25,764	2,091	1,270
d) Credit derivatives	26,373	10,757	26,987	9,948
e) Commodities	598	0	37	0

Securities

Debt securities and other fixed-income securities amounting to € 406,606 thousand (31/12/2022: € 350,601 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 31/12/2023	Unlisted 31/12/2023	Listed 31/12/2022	Unlisted 31/12/2022
Debt securities and other fixed-income securities	3,749,212.0	28,083.5	4,746,281.7	47,085.3
Shares and other variable-yield securities	365,001.7	0.0	256,359.0	1,439.0

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 31/12/2023	Current assets 31/12/2023	Fixed assets 31/12/2022	Current assets 31/12/2022
Debt securities and other fixed-income securities	1,933,349.7	1,843,945.7	1,922,436.3	2,870,930.7
Shares and other variable-yield securities	0.0	365,001.7	0.0	257,799.0

The table below shows the disposal of securities from fixed assets. Of this amount, € 1,019,992 thousand related to repayments (31/12/2022: € 924,927 thousand).

On-balance in € thousand	Nominal amount 31/12/2023	Net result 31/12/2023	Nominal amount 31/12/2022	Net result 31/12/2022
Treasury bills and other bills eligible for refinancing with central banks	447,841.7	(3,895.1)	248,160.0	(6,532.1)
Loans to banks	53,893.6	0.0	82,120.2	0.0
Loans to customers	286,049.3	(225.0)	312,016.2	(1,142.6)
Debt securities and other fixed-income securities	301,207.2	112.3	564,538.5	(2,148.5)
Shares and other variable-yield securities	0.0	0.0	58,000.0	0.0
Total	**1,088,991.8**	**(4,007.8)**	**1,264,834.9**	**(9,823.2)**

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 € 55,075 thousand (31/12/2022: € 75,036 thousand) to be recognized in the future as expenditure, and € 165,708 thousand (31/12/2022: € 93,801 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 € 7,742 thousand (31/12/2022: € 4,934 thousand) pursuant to Section 56 (4) of the Austrian Banking Act (BWG) and € 0 thousand (31/12/2022: € 2,458 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 € 16,509 thousand (31/12/2022: € 15,272 thousand).

Securities amounting to € 496,340 thousand (31/12/2022: € 583,472 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 € 203,359,690 thousand (31/12/2022: € 120,771,058 thousand), with € 7,046,254 thousand (31/12/2022: € 4,612,566 thousand) accounted for by securities and € 196,313,436 thousand (31/12/2022: € 116,158,492 thousand) accounted for by other financial instruments. Securities relates to the carrying amounts of the instruments, while other financial instruments relates to derivatives, including nominal values.

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 31/12/2023	Fair value 31/12/2023	Carrying amount 31/12/2022	Fair value 31/12/2022
1. Treasury bills and other bills eligible for refinancing with central banks	5,885,751.1	5,367,189.4	6,404,251.8	5,612,351.7
2. Loans to banks	98,581.5	96,588.0	158,905.8	153,715.1
3. Loans to customers	311,806.0	305,201.8	218,440.7	211,276.9
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	1,461,315.4	1,369,290.2	1,848,630.9	169,663.2
5. Shares and other variable-yield securities	363,288.0	361,463.5	440,222.1	431,710.6
Total	**8,120,742.0**	**7,499,732.9**	**9,070,451.3**	**6,578,717.5**

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 2023.

Affiliated companies

Company, domicile (country)	Total nominal value in thousand	Currency	Direct share of RBI	Equity in € thousand	Result in € thousand[1]	From annual financial statements[2]
Akcenta CZ a.s., Prag[3]	100,125	CZK	70 %	602	86	31/12/2023
Akcenta Logisitic a.s., Prag[3]	2,000	CZK	70 %	200	17	31/12/2022
Angaga Handels- und Beteiligungs GmbH, Wien	35	EUR	100 %	2,150	(291)	31/12/2023
AO Raiffeisenbank, Moskau[3]	36,711,260	RUB	100 %	4,358,883	1,349,655	31/12/2023
BAILE Handels- und Beteiligungsgesellschaft m.b.H.,Wien[2]	40	EUR	100 %	249,295	12,867	31/12/2023
Centralised Raiffeisen International Services & Payments S.R.L., Bukarest	2,820	RON	100 %	19,996	2,991	31/12/2023
Elevator Ventures Beteiligungs GmbH, Wien	100	EUR	100 %	36,457	(2,082)	31/12/2023
Extra Year Investments Limited, Tortola	50	USD	100 %	7,080	760	31/12/2022
Fairo GmbH, Wien[2]	35	EUR	100 %	2,692	(2,979)	31/12/2023
FAIRO LLC, Kiew	1,881	UAH	100 %	7,575	750	31/12/2022
FARIO Handels- und Beteiligungsgesellschaft m.b.H., Wien	40	EUR	100 %	2,070	(9)	31/12/2023
GABARTS Beteiligungs GmbH & Co. KG	10	EUR	100 %	N/A[4]	N/A	N/A
Golden Rainbow International Limited, Tortola	<1	USD	100 %	7,080	60	31/12/2022
Kathrein Privatbank Aktiengesellschaft, Wien (AT)[2]	20,000	EUR	100 %	50,453	2,285	31/12/2023
KAURI Handels und Beteiligungs GmbH, Wien[2]	50	EUR	88 %	7,080	760	31/12/2023
LOTA Handels- und Beteiligungs-GmbH, Wien	35	EUR	100 %	1,921	(15)	31/12/2023
R.L.H. Holding GmbH, Wien	35	EUR	100 %	7,575	750	31/12/2023
R.P.I. Handels- und Beteiligungsges.m.b.H., Wien[2]	36	EUR	100 %	155	(11)	31/12/2023
RADWINTER SP.Z.O.O	10	PLN	100 %	2,400	(18)	31/12/2022
Raiffeisen Bank Aval JSC, Kiew (UA)	6,154,516	UAH	68 %	511,892	121,394	31/12/2023
Raiffeisen Continuum GmbH & Co KG, Wien	85	EUR	59 %	110	(45)	31/12/2022
Raiffeisen Continuum GmbH, Wien	100	EUR	14 %	967,574	15,226	31/12/2022
Raiffeisen Continuum Management GmbH, Wien	100	EUR	50 %	248,357	20,664	31/12/2022
Raiffeisen Digital Bank AG	47,599	EUR	100 %	115,913	(32,823)	31/12/2023
Raiffeisen Investment Advisory GmbH, Wien	730	EUR	100 %	997	60	31/12/2023
Raiffeisen RS Beteiligungs GmbH, Wien[2]	35	EUR	100 %	5,894,010	1,518,059	31/12/2023
Raiffeisen Tech GmbH[4]	35	EUR	100 %	N/A	N/A	N/A
RALT Raiffeisen Leasing Ges.m.b.H, Wien[2]	219	EUR	100 %	46,971	1,010	31/12/2023
RALT Raiffeisen-Leasing GmbH & Co. KG, Wien[2]	19,970	EUR	97 %	32,799	0	31/12/2023
RB International Investment Asia Limited, Labuan	<1	USD	100 %	178	(23)	31/12/2022
RB International Markets (USA) LLC, New York[3]	8,000	USD	100 %	13,392	375	31/12/2022
RBI Group IT GmbH, Wien	100	EUR	100 %	110	<1	31/12/2023
RBI Invest GmbH, Wien[2]	500	EUR	100 %	967,574	20,977	31/12/2023
RBI Kantinenbetriebs GmbH, Wien	35	EUR	100 %	1,086	(616)	31/12/2022
RBI LEA Beteiligungs GmbH, Wien[2]	70	EUR	100 %	248,357	8,566	31/12/2023
RBI PE Handels- und Beteiligungs GmbH, Wien[2]	150	EUR	100 %	686	(27)	31/12/2023
RBI Retail Innovation GmbH, Wien[2]	35	EUR	100 %	5,289	(45)	31/12/2023
REC Alpha LLC, Kiew[3]	1,596,843	UAH	85 %	3,328	(109)	31/12/2023
Regional Card Processing Center s.r.o., Bratislava[3]	539	EUR	100 %	23,207	2,193	31/12/2023
R-Insurance Services sp. z o.o.	5	PLN	100 %	3,319	640	31/12/2023
RL Leasing GmbH, München (DE)	26	EUR	25 %	28	(6)	31/12/2022
RZB-BLS Holding GmbH, Wien[2]	500	EUR	100 %	430,042	(109)	31/12/2023
Salvelinus Handels- und Beteiligungsges.m.b.H., Wien[2]	40	EUR	100 %	391,709	2,193	31/12/2023
Scantius Holding GmbH[4]	35	EUR	100 %	N/A	N/A	N/A
TEG 1 Imm GmbH & Co KG[4]	10	EUR	100 %	N/A	N/A	N/A
Ukrainian Processing Center PJSC, Kiew[3]	180	UAH	100 %	34,192	9,625	31/12/2023
ZHS Office- & Facilitymanagement GmbH, Wien[2]	36	EUR	1 %	909	49	31/12/2023

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)
4 Foundation 2023

Fixed assets

The land value of developed land amounts to € 33 thousand (31/21/2022: € 2,667 thousand). The reduction relates to a contribution into a project company.

RBI AG was not directly involved in the leasing business as a lessor in 2023.

Obligations from the use of tangible fixed assets not reported on the statement of financial position amount to € 42,528 thousand (31/12/2022: € 39,998 thousand) for the following financial year, of which € 39,101 thousand were owed to affiliated companies (31/12/2022: € 36,591 thousand). The total amount of obligations for the following five years amounts to € 248,899 thousand (31/12/2022: € 237,098 thousand), of which € 228,845 thousand are owed to affiliated companies (31/12/2022: € 216,900 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 1/1/2023 1	Additions due to merger 2	Exchange differences 3	Additions 4	Disposals 5	Transfers 6	As at 31/12/2023 7
1.	Treasury bills and other bills eligible for refinancing with central banks	6,495,961	0	(918)	1,791,342	(449,791)	0	7,836,594
2.	Loans to banks	157,863	0	(2,540)	55,000	(53,120)	0	157,203
3.	Loans to customers	641,962	0	(2,594)	193,327	(205,940)	0	626,755
4.	Debt securities and other fixed-income securities	1,917,673	0	(6,420)	301,020	(291,995)	0	1,920,278
a)	Issued by public bodies	0	0	0	0	0	0	0
b)	own debt securities	0	0	0	0	0	0	0
c)	Issued by other borrowers	1,917,673	0	(6,420)	301,020	(291,995)	0	1,920,278
5.	Shares and other variable-yield securities	518,400	0	0	40,000	0	0	558,400
6.	Equity interests	97,362	0	0	5,168	(722)	(7,739)	94,069
7.	Investments in affiliated companies	12,552,877	0	0	42,108	(31,327)	(14)	12,563,644
8.	Intangible fixed assets	212,403	0	373	3,431	(26,253)	0	189,954
9.	Tangible fixed assets	67,125	0	188	2,786	(23,435)	0	46,664
10.	Other assets	231	0	0	0	0	0	231
	Total		**0**	**(18,331)**	**2,735,202**	**(1,374,578)**	**(7,753)**	**25,914,070**

in € thousand	Writing up/depreciation/revaluation								Carrying amount	
Item	Cumulative depreciation as of 1/1/2023 8	Additions due to merger 9	Exchange differences 10	Cumulative depreciation and amortization disposal 11	Write-ups 12	Depreciation 13	Transfers 14	Cumulative depreciation as of 31/12/2023 15	31/12/2023 16	31/12/2022 17
1.	(33,966)	0	(26)	2,789	18,064	(18,923)	0	(32,062)	7,804,532	6,461,995
2.	(11)	0	1	42	570	(481)	0	121	157,324	157,853
3.	(809)	0	(11)	176	1,388	(370)	0	374	627,129	641,154
4.	(4,501)	0	(57)	590	5,451	(4,658)	0	(3,175)	1,917,103	1,913,172
a)	0	0	0	(1)	0	0	0	0	0	0
b)	0	0	0	0	0	0	0	0	0	0
c)	(4,501)	0	(57)	590	5,451	(4,658)	0	(3,175)	1,917,103	1,913,172
5.	0	0	0	0	0	0	0	0	558,400	518,400
6.	(38,421)	0	0	0	5,923	(1,675)	7,751	(26,422)	67,646	58,941
7.	(2,877,924)	0	0	19,388	640,789	(83,374)	2	(2,301,119)	10,262,525	9,674,953
8.	(184,856)	0	(48)	22,630	0	(8,171)	0	(170,445)	19,509	27,548
9.	(39,731)	0	(97)	14,200	0	(4,144)	0	(29,772)	16,892	27,394
10.	0	0	0	0	0	0	0	0	231	231
	(3,184,720)	**0**	**(295)**	**60,404**	**677,636**	**(126,454)**	**7,753**	**(2,565,676)**	**23,348,394**	**21,394,812**

Other assets

As at 31 December 2023, other assets totaled € 6,989,545 thousand (31/12/2022: € 6,551,745 thousand). This item also contains loans and advances from treasury transactions (positive market values arising from derivatives in the trading book, including derivatives for capital guarantees, 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 € 4,090,369 thousand (31/12/2022: € 5,105,179 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 € 484,255 thousand (31/12/2022: € 392,005 thousand), loans and advances to the tax administration in the amount of € 48,510 thousand (31/12/2022: € 54,935 thousand), holdings of precious metals in coin and other forms in the amount of € 238,726 thousand (31/12/2022: € 113,743 thousand), loans and advances to Group members arising from tax transfers in the amount of € 51,846 thousand (31/12/2022: € 51,225 thousand) and dividends receivable totaling € 1,700,550 thousand (31/12/2022: € 500,540 thousand).

The other assets also contain income of € 2,154,521 thousand (31/12/2022: € 746,521 thousand) which is not payable until after the reporting date.

Deferred tax assets

The deferred tax assets of € 411 thousand (31/12/2022: € 1,077 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 (tax rate: 25.4 per cent). Existing liability-side temporary differences were fully offset against asset-side temporary differences in the amount of € 23,354 thousand (31/12/2022: none). No deferred tax assets were recognized for asset-side temporary differences of € 155,083 thousand (31/12/2022: € 207,025 thousand) and € 1,841,125 thousand (31/12/2022: € 2,107,800 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.

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 11.5 per cent 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.

The rationale behind recognizing deferred tax assets at half the statutory corporate tax rate is grounded in the certainty of future relief at this rate, as stipulated by the relevant group allocation agreement. Any additional relief cannot be reliably estimated for the respective group member, given the member's lack of influence on the determination of the taxable profit share at group level. Deferred tax liabilities are recognized at 23 per cent (in the absence the possibility of offsetting them with deferred tax assets) due to the agreed allocation rate for positive results. This rate is only lower when there is a taxable profit share.

Subordinated assets

Subordinated assets contained under assets:

in € thousand	31/12/2023	31/12/2022
Loans to banks	**547,425.1**	**857,921.5**
hereof to affiliated companies	545,687.2	856,230.6
hereof to companies linked by virtue of a participating interest	1,737.8	1,690.9
Loans to customers	**36,844.0**	**112,583.6**
hereof to affiliated companies	0.0	6,480.8
hereof to companies linked by virtue of a participating interest	2,215.0	2,212.1
Debt securities and other fixed-income securities	**56,615.1**	**62,497.3**
hereof to affiliated companies	0.0	0.0
hereof to companies linked by virtue of a participating interest	0.0	3,047.2
Shares and other variable-yield securities	**636,420.3**	**597,828.3**
hereof to affiliated companies	594,673.9	543,470.1
hereof to companies linked by virtue of a participating interest	1,364.2	3,262.5

The table above incorporates proprietary holdings of Tier 2 and AT1 instruments, delineated in finer granularity within the respective liability line item.

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	31/12/2023	31/12/2022
Indemnification for securities lending transactions	229,491.9	142,868.5
Loans assigned to Oestereichische Kontrollbank (OeKB)	3,089,881.1	2,736,859.9
Indemnification for OeNB tender	0.0	3,582,633.5
Loans assigned to European Investment Bank (EIB)	21,004.7	37,533.6
Loans assigned to Kreditanstalt für Wiederaufbau (KfW)	156,420.6	170,249.6
Institutional Protection Scheme	484,255.1	342,298.1
Margin requirements	54,620.7	54,671.8
Treasury call deposits for contractual netting agreements	1,652,917.7	2,120,256.9
Total	**5,688,591.8**	**9,187,371.9**

In addition, assets with usage restrictions in an amount of € 2,160,860 thousand (31/12/2022: € 2,469,367 thousand) exist for covered bonds which have been established but not yet issued.

RBI AG recognizes derivatives with a carrying amounts of € 4,090,369 thousand (31/12/2022: € 5,105,179 thousand) under other assets, of which € 3,718,901 thousand (31/12/2022: € 4,633,419 thousand) are collateralized by cash collateral. The item other liabilities also includes derivatives with a carrying amount of € 3,722,604 thousand (31/12/2022: € 4,916,710 thousand), of which € 3,333,134 thousand (31.12.2022: € 4,345,431 thousand) are collateralized by cash collateral. These carrying amounts of derivatives classified under other assets include carrying amounts attributable to members of the Austrian resolution group in the amount of € 879 thousand (31/12/2022: € 1,557 thousand) and carrying amounts attributable to other liabilities in the amount of € 24,993 thousand (31/12/2022: € 8,224 thousand), which are also collateralized by cash collateral.

None of the balance sheet items are netted out, as each contracting party is granted the right to offset recognized amounts, which is enforceable only if an event such as insolvency or bankruptcy occurs. Moreover, there exists is no intention to settle on a net basis..

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	31/12/2023	31/12/2022
Loans to banks		
To affiliated companies	2,601,073.4	3,522,104.8
To companies linked by virtue of a participating interest	399,564.3	374,155.7
Loans to customers		
To affiliated companies	1,370,064.6	1,399,316.8
To companies linked by virtue of a participating interest	71,038.3	87,615.2
Debt securities and other fixed-income securities		
To affiliated companies	74,124.1	71,157.9
To companies linked by virtue of a participating interest	58,586.6	157,889.7

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	31/12/2023	31/12/2022
Deposits from banks	**26,684,645.8**	**35,300,134.0**
Repayable on demand	4,525,879.7	5,532,066.9
Up to 3 months	15,007,974.9	17,210,346.0
More than 3 months, up to 1 year	1,106,792.6	5,619,876.2
More than 1 year, up to 5 years	3,851,217.8	4,227,131.9
More than 5 years	2,192,781.0	2,710,713.0
Deposits from customers	**19,901,522.2**	**23,097,485.1**
Repayable on demand	6,759,789.7	7,188,567.9
Up to 3 months	9,496,320.5	9,960,315.9
More than 3 months, up to 1 year	2,426,369.5	4,274,787.6
More than 1 year, up to 5 years	449,384.2	795,655.4
More than 5 years	769,658.4	878,158.2
Debt securities issued	**17,079,035.6**	**15,470,238.6**
Up to 3 months	346,615.9	480,233.0
More than 3 months, up to 1 year	701,189.3	1,350,599.4
More than 1 year, up to 5 years	15,269,369.8	11,582,481.1
More than 5 years	761,860.6	2,056,925.0
Other liabilities	**4,572,765.4**	**5,380,247.1**
Up to 3 months	4,572,765.4	5,380,247.1

Bonds and notes issued amounting to € 1,057,003 thousand (31/12/2022: € 1,780,679 thousand) will become due in next financial year.

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

in € thousand	31/12/2023	31/12/2022
Deposits from banks		
From affiliated companies	4,958,637.2	5,956,385.9
From companies linked by virtue of a participating interest	5,242,490.3	5,182,369.3
Deposits from customers		
From affiliated companies	4,519,741.4	4,153,936.4
From companies linked by virtue of a participating interest	66,141.3	67,874.5

TLTRO III program (Targeted Longer-Term Refinancing Operations)

As of the reporting date, RBI AG had no long-term financing from the TLTRO-III Program (31/12/2022: nominal amount of € 4,925,000 thousand). In 2023, all open tranches were repaid early, which included € 3,500,000 thousand in January 2023 (maturing in June 2023), € 800,000 thousand in June 2023 (maturing in December 2023), and in December 2023 € 200,000 thousand (maturing in March 2024) and € 425,000 thousand (maturing in June 2024).

In the year under review, negative interest from the TLTRO III programs in the amount of € 919 thousand (31/12/2022: € 28,831 thousand) was recognized in net interest income, while interest expenses in the amount of € 27,496 thousand were recognized (31/12/2022: € 0 thousand.

Other liabilities

As at 31 December 2023, other liabilities amounted to € 4,572,765 thousand (31/12/2022: € 5,380,247 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 € 3,715,786 thousand (31/12/2022: € 4,901,000 thousand) and liabilities from shot positions in bonds of € 555,015 thousand (31/12/2022: € 80,929 thousand) from short positions in bonds. The fair market value of the hedges for capital guarantees for funds is € 6,799 thousand (31/12/2022: € 15,710 thousand). The item also includes accrued interest for Tier 2 capital of € 20,418 thousand (31/12/2022: € 70,933 thousand), liabilities from tax transfers (corporate income tax) and liabilities from creditable capital yields and withholding tax toward Group members totaling € 21,194 thousand (31/12/2022: € 27,067 thousand).

The other liabilities also contain expenses in the amount of € 388,166 thousand (31/12/2022: € 233,751 thousand), for which payment is to be made after the reporting date.

Provisions

Provisions amount to € 51,174 thousand (31/12/2022: € 51,039 thousand) for severance payments, € 61,475 thousand (31/12/2022: € 61,150 thousand) for pensions, € 18,253 thousand (31/12/2022: € 10,356 thousand) for tax provisions, and € 816,794 thousand (31/12/2022: € 644,358 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 € 9,768 thousand (31/12/2022: € 9,955 thousand). In the financial year under review these were offset with claims of the same amount.

The tax provisions of € 18,253 thousand mainly relate to provisions for corporate income tax from 2020 in the amount of € 7,500 thousand, with an additional € 1,744 thousand related to 2022 and € 8,150 thousand to 2023.

The increase in other provisions to € 192,881 thousand resulted primarily from higher provisions for litigation risks related to legal disputes for foreign currency loans in Poland. Provisions for guaranteed loans and for operational risks/claims/other experienced a year-on-year decline.

As of 31 December 2023, a provision for impending losses is recognized in the amount of € 82,482 thousand (31/12/2022: € 82,183 thousand) for derivatives valued as functional units, valuation units as well as credit derivatives and unsettled UAH transactions.

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 2023, the total amount in dispute was approximately PLN 5,411 million (€ 1,156 million). The number of lawsuits continues to increase.

In this context, a Polish court requested the Court of Justice of the European Union (CJEU) to clarify whether certain clauses in these agreements breach European law and are unfair. The CJEU'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 CJEU will be applied under national law on a case-by-case basis.

In another proceeding involving RBI, the District Court for Warszawa-Wola in Warsaw requested the CJEU 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 CJEU 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 installments 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 CJEU specified that a provision that does not enable the consumer to determine the exchange rate himself or herself is unfair. Moreover, the CJEU 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 CJEU 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 remedy may be applied only in strictly limited cases as specified by the CJEU. 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 CJEU 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 CJEU'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 CJEU judgement.

On 15 June 2023, the CJEU announced its judgment in case C-520/21 on the consequences of the annulment of a mortgage loan agreement vitiated by unfair terms. The consumer mortgage loan agreement indexed to CHF had been annulled on the ground that the conversion clauses determining the rate of exchange into PLN for purposes of the monthly installments were considered to be unfair and that the loan agreement could not continue in existence after removal of the unfair terms. The CJEU observed that EU law does not expressly govern the consequences of the annulment of a consumer contract which are to be determined by domestic legislation in the individual EU member states. Such domestic legislation has to be compatible with EU law and its objectives, in particular to restore the situation which the consumer would have been in had the annulled contract not existed as well as not to undermine the deterrent effect sought by EU law. According to the CJEU, EU law does not preclude consumers from seeking compensation from the bank going beyond the reimbursement of the monthly installments paid and the expenses paid in respect of the performance the mortgage loan agreement together with the payment of default interest at the statutory rate from the date on which notice is served. Nevertheless, it is a matter for the national courts to determine whether upholding such claims on the part of the consumers is in accordance with the principle of proportionality. By contrast, EU law precludes the bank from being able to claim from the consumer compensation going beyond reimbursement of the capital paid in respect of the performance of the mortgage loan agreement together with the payment of default interest at the statutory rate from the date on which notice is served.

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

Furthermore, Polish courts have approached the CJEU 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'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 have resulted in and 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 alleging employment of unfair commercial practices towards consumers in respect of a case in which RBI – 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. In May 2023, the claim of the Financial Ombudsman was dismissed by the court of first instance.

Model description and sensitivity analysis

RBI has around 26,000 CHF loans to customers outstanding with a total volume of around € 1,9 billion and a further 10,000 loans have been repaid. These also include loans that are not expected to be the subject of litigation.

RBI has recognized a provision for the lawsuits filed in Poland. As lawsuits have been filed by a number of customers, the provision is 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, based on propensity to litigate, 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 resulting provisions were increased to € 1,652 million (31/12/2022: € 803 million). As at the reporting date of 31/12/2023, RBI AG reported provisions for litigation risks for repaid loans in connection with this matter in the amount of € 500 million (31/12/2022: € 307 million), which are included in the following table on other provisions under "Process risks". In addition, reductions in the carrying amount for active loans in the amount of € 1,152 million are taken into account as at the reporting date of 31/12/2023 (31/12/2022: € 496 million).

The total amount of the provision for CHF loans in Poland represents RBI'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 matters that are inherently uncertain, such as official pronouncements, the number of future lawsuits, the probability of losing court cases and the development of jurisprudence that lead to negative scenarios.

A number of risks and uncertainties remain, and the cost could therefore differ from RBI's estimates and the assumptions underpinning them and result in a further provision being required. The main measurable uncertainties associated with the calculation of the provision relate to a potential reduction in the discount period, a decrease in discount rates, an increase in the number of total expected claims for outstanding and repaid loans and an increase in the provision coverage of outstanding or repaid loans. The sensitivity analysis refined during the reporting year for changes in the actual parameters over the next 12 months, while holding all other parameters constant, is shown in the table below:

31/12/2023	Actual parameter	Increase/Decrease of the parameter	New parameter	Increase/Decrease in provision (in € million)
Provision amount in € million	1,652			
Reduction in discounting period in years	7	(1)	6	55
Decrease in discount rate (reduction of carrying amounts of loans)	1.88 %	(0.30)PP	1.58 %	22
Increase in propensity to litigate active loans	85.00 %	0.01 PP	86.00 %	16
Increase in average loss coverage on outstanding loans	108.00 %	0.01 PP	109.00 %	11
Decrease in discount rate (other provisions)	6.90 %	(1.00)PP	5.90 %	14
Increase in propensity to litigate repaid loans	42.00 %	1.00 PP	43.00 %	2

The assumptions are based on internal, observable statistics as well as on market observations. The increase in provision is linear for each change, with the exception of the discount rate changes which are logarithmic increases. Furthermore, the model does not take into account changes related to unexpected developments in jurisprudence.

Furthermore, RBI has around 10 thousand Euro denominated loans to customers outstanding with a total volume of around € 500 million and a further 8,000 loans have been repaid. A small number of customers with Euro denominated loans have filed litigation against RBI.

Settlement program

After launching a pilot projekt for an out-of- court settlement program based on the proposal by the Chairman of the Polish Financial Supervisory Authority (KNF) in the second half of 2023, RBI fully launched the settlement program in December 2023. The major goal of the settlement program is to limit the expected losses resulting from the current negative jurisprudence that in most case cancels the mortgage contract.

The base offer consists of recalculation of the amount originally disbursed in CHF as if the loan was issued in PLN from the outset applying a WIBOR reference rate increased by the margin historically applied to such loans. This leads to a write-off of a portion of the loan balance depending on the individually negotiated settlement offer. The settlements are offered through a mediation proceeding conducted by the Polish Financial Supervisory Authority.

In 2024 RBI will increase its efforts to encourage customers to join the settlement program through active approaching of customers. As of 31 of December 2023, RBI made 946 individual settlement proposals, out of which 244 customers have signed agreements to enter a mediation process. The bank included in the provisioning calculation the estimated number of settlements to be signed with customers reflecting the adjusted level of future losses in these settlement cases. The consideration of settlements in the provision calculation is affected by factors such as the interest rate of PLN loans, the CHF/PLN conversion rate, the development of the ruling practice and the duration of proceedings.

Other provisions

in € thousand	31/12/2023	31/12/2022
Losses on bankbook derivatives	82,482.0	82,182.7
Guarantee loans	36,631.0	54,426.1
Process risks	501,545.5	308,664.6
Bonus payments	51,505.9	45,358.0
Anniversary payments and birthday payments	33,595.6	31,267.5
Overdue vacation	29,510.5	29,369.7
Restructuring costs	874.0	1,134.0
Supervisory Board fees	1,170.7	1,127.0
Operational risk/losses/other	33,833.9	46,851.0
Audit costs	1,374.4	1,162.3
Other expenses/outstanding invoices	44,270.8	42,814.6
Total	**816,794.3**	**644,357.5**

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

As at 31 December 2023, tier 2 capital amounts to € 2,107,910 thousand (31/12/2022: € 2,696,099 thousand).

Company tier 2 capital according to CRR:

in € thousand	31/12/2023	31/12/2022
6% RBI Schuldverschreibung 2013-2023	0.0	9,141.4
RBI SUB.CALL.NTS 20-32	1,547.7	1,970.1
RBI NFS 19-30/S193T1	5,091.8	5,148.7
RBI NACHR. ANL. 21-33	3,792.9	3,270.8
RBI NTS 22-32 S258/T1	4,320.2	4,476.8

In the reporting year, issuances of Tier 2 capital took place in the amount of € 13,958 thousand (31/12/2022: € 5 thousand), and covered bonds in the amount of € 1,150,000 thousand were redeemed (31/12/2022: € 80 thousand). As a result, this line item had a positive impact on earnings in the amount of € 7,592 thousand for the financial year 2023 (31/12/2022: € 0 thousand).

Subordinated liabilities

List of subordinated loans (including tier 2 capital) that exceed 10 per cent of the total subordinated liabilities of € 2,107,910 thousand (i.e. that exceed € 210,791 thousand):

Name	ISIN	Nominal value in € thousand	Emission	Due	Currency	Interest rate	Call date	Subordination
Subordinated Notes 2030 Serie 193	XS2049823763	500.0	12/09/2019	12/03/2030	EUR	1.500 %	12/03/2025	Tier 2
Subordinated Notes 2032 Serie 215	XS2189786226	500.0	18/06/2020	18/06/2032	EUR	2.875 %	18/06/2027	Tier 2
Subordinated Notes 2033 Serie 231	XS2353473692	500.0	17/06/2021	17/06/2033	EUR	1.375 %	17/03/2028	Tier 2
Subordinated Notes 2032 Serie 258	XS2534786590	500.0	20/09/2022	20/12/2032	EUR	7.375 %	20/09/2027	Tier 2

Subordinated liabilities also include eight subordinated schuldschein loans with maturities of between 1 and 10 years, which are 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 € 102,866 thousand (2022: € 105,593 thousand).

Additional tier 1 capital

As in the previous year, no additional tier 1 capital was issued in 2023. 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 2023 amounts to € 1,655,025 thousand (31/12/ 2022: € 1,655,025 thousand). The discount in the amount of € 5,826 thousand is carried as a deferred expense until the respective first call date (17 June 2024, 15 June 2025, and 15 December 2026).

RBI AG holds the following amounts of its own AT1 instruments:

in € thousand	31/12/2023	31/12/2022
RBI FIX TO FLR 17/UD	13,689.8	16,445.6
RBI FIX TO FLR 18/UD	3,255.9	977.8
RBI FIX TO RES RTE TIER 1	8,583.4	6,295.3

Assets and liabilities in foreign currency

in € thousand	31/12/2023	31/12/2022
Assets in foreign currency	13,629,131.0	17,634,244.3
Liabilities in foreign currency	13,754,091.6	14,814,848.5

Equity

Subscribed capital

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

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 with the approval of the purchase by the Supervisory Board can also be effected off-exchange under the exclusion of the shareholders’ pro rata tender right. Own shares, whether already purchased or to be purchased, may not collectively exceed 10 per cent of the company’s share capital. The authorization to purchase own shares expires 30 months after the date of the Annual General Meeting resolution, i.e. until 30 September 2024. The acquisition price for repurchasing the shares may be no lower than € 3.05 per share and no higher than 10 per cent above the average unweighted closing price over the 10 trading days prior to exercising this authorization. The authorization may be exercised in full or in part or also in several partial amounts, for one or more purposes – with the exception of securities trading – by the company, by a subsidiary (§ 189a (7) of the UGB) or by third parties for the account of the company or a subsidiary.

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

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

Authorized capital

Pursuant to § 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 13 June 2019 to increase the share capital with the approval of the Supervisory Board – in one or more tranches – by up to € 501,632,920.50 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.

Capital reserves

The committed capital reserves amounted to € 4,334,726 thousand (31/12/2022: € 4,334,286 thousand), while the uncommitted capital reserves totaled € 93,179 thousand (31/12/2022: € 94,779 thousand). The change resulted from the recognition of treasury shares in accordance with section 229 (1a) and (1b) UGB.

Retained earnings

Retained earnings consist of legal reserves of € 5,500 thousand (31/12/2022: € 5,500 thousand) and other free reserves amounting to € 2,370,678 thousand (31/12/2022: € 1,680,918 thousand). Of the other free reserves, an amount of € 502,050 thousand (31/12/2022: € 403,914 thousand) is allocated to the Raiffeisen-IPS. An amount of € 98,135 thousand (31/12/2022: € 51,253 thousand) was allocated to other reserves in the 2023 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, free reserves were increased in the amount of € 590,000 thousand in financial year 2023 (31/12/2022: release of € 1,050,000 thousand).

Liability reserves

As at 31 December 2023, liability reserves stood unchanged at € 535,097 thousand (31/12/2022: € 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 2023, the volume of these guarantees stood at € 855,915 thousand (31/21/2022: € 801,585 thousand).

Raiffeisen Customer Guarantee Scheme (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 the change in the legal and regulatory framework and implementation of an institutional protection scheme, the RKÖ and its respective member institutions decided in 2019 to discontinue the scheme for new transactions. Accordingly, the supplementary protection by RKÖ may only be granted to protected transactions entered into before 1 October 2019. The rights of customers with regard to statutory deposit insurance are not affected and remain fully in place.

Institutional protection scheme (Raiffeisen-IPS)

Raiffeisen Bank International AG and its Austrian bank subsidiaries, the regional Raiffeisen banks and the local Raiffeisen banks, are part of the agreement on an institutional protection scheme (Raiffeisen-IPS) as well as the Austrian Raiffeisen-Sicherungseinrichtung eGen (ÖRS), as a statutory protection scheme.

In the agreement on the Raiffeisen-IPS, the member institutions agree to ensure one another's security and in particular, join forces to ensure liquidity and solvency when required. The new Raiffeisen-IPS was recognized by the relevant supervisory authorities (ECB and FMA) as an institutional protection scheme according to Article 113 (7) CRR (Capital Requirements Regulation of the European Union) and its related rights and obligations of the participating member institutions. This allows, among other things, for receivables to be risk-weighted at zero per cent between Raiffeisen-IPS members. The Raiffeisen-IPS is subject to joint regulatory supervision and capital requirements must also be met on a consolidated basis.

The Raiffeisen-IPS was recognized together with ÖRS by the Austrian Financial Market Authority (FMA) as a statutory deposit guarantee and investor protection scheme according to the Austrian Deposit Guarantee and Investor Protection Act Einlagensicherungs- und Anlegerentschädigungsgesetz (ESAEG).

ÖRS is mandated to operate the reporting and early risk assessment systems for the Raiffeisen-IPS. ÖRS also acts as trustee and manages the liquid assets for the Raiffeisen-IPS.

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.

Letters of comfort and other financial obligations

As at 31 December 2023, soft letters of comfort in the amount of € 127,632 thousand (31/12/2022: € 133,673 thousand) had been issued. Open capital commitments on share capital in the amount of € 21,772 thousand were recorded at 31 December 2023 (31/12/2022: € 23,492 thousand).

Contingent liabilities recorded in statement of financial position of RBI AG of € 7,736,762 thousand were reported as at 31 December 2023 (31/12/2022: € 7,188,967 thousand). Of that amount, € 6,780,029 thousand (31/12/2022: € 6,278,399 thousand) was attributable to guarantees and € 956,733 thousand (31/12/2022: € 910,568 thousand) to letters of credit. Of the guarantees, an amount of € 638,949 thousand (31/12/2022: € 738,389 thousand) relates to guarantees to affiliated companies.

As at 31 December 2023, € 19,711,703 thousand (31/12/2022: € 19,434,120 thousand) in credit risk was reported under liabilities in the statement of financial position. In the reporting year, € 10,763,135 thousand of that amount relates to irrevocable loan commitments not yet drawn down (31/12/2022: € 11,312,946 thousand) and € 8,948,568 thousand to revocable loan commitments (31/12/2022: € 8,121,174 thousand).

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 estimated as accurately as possible. 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 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 asserted against RBI originally amounted to approximately € 10 million. In total, claims of approximately € 8 million had been filed in court by investors either directly or or indirectly through a 'class action' of the Austrian Federal Chamber for Workers and Employees (Bundeskammer für Arbeiter und Angestellte). Owing to the termination of some of the proceedings and claim reductions in other proceedings, the value in dispute of the pending court proceedings against RBI currently amounts to approximately € 7 million. Among other things, it is claimed that the banks acted as joint lead managers of the bond issue and were or at least should have been aware of financial problems of Alpine at the time of the issue. Thus, they should have known that Alpine was not in a position to redeem the bonds as set forth in the terms and conditions of the bonds. It is alleged that the capital market prospectus in relation to the bond issue was misleading and incomplete and that the joint lead managers including RBI, were aware of that fact. In December 2023, in several joint proceedings the court of first instance issued a partial judgment and dismissed the claims of the investors based on prospectus liability in the amount of in total approximately € 5.9 million regarding RBI related claims. The judgment is not final.

In the first quarter of 2021, RBI 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. The claim was served upon RBI in May 2022. On 27 June 2023, the South Jakarta District Court (Pengadilan Negeri Jakarta Selatan), held that RBI has committed an unlawful act against the Indonesian company and ordered RBI to pay damages in the amount of USD 119 million (€ 112 million). In view of the facts of the case and the legal situation, RBI is still of the opinion that the claims are neither valid nor enforceable against RBI and therefore filed an appeal against the judgment with the High Court of Jakarta (Pengadilan Tinggi Jakarta).

In August 2019, RBI launched a claim for approximately € 44 million against a Cayman Islands incorporated parent 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 alleges that the Cayman Islands Defendants participated in transactions to defraud creditors and a fraudulent conspiracy to injure RBI, by dissipating assets so as to frustrate RBI's claims under a number of parent company guarantees. Furthermore, RBI alleges that said transfers were carried out at undervalue or without consideration between or among the Cayman Islands Defendants. RBI obtained an order against one of the Cayman Islands Defendants in September 2019, placing restrictions on its ability to deal with its assets, pending determination of the CI Proceedings. RBI obtained a similar order against a further Cayman Islands 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 in the course of the CI Proceedings. RBI considers that the counterclaim, which is based on documents that the Cayman Islands Defendants have refused to disclose to date, is entirely without merit. In July 2021, RBI 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 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 Islands 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 issued an arbitration claim for an amount of approximately € 87 million plus interest and costs against one of the Cayman Islands Defendants, at the time incorporated in the Marshall Islands, before the Vienna International Arbitral Centre (VIAC) (the VIAC Arbitration). The VIAC Arbitration concerned RBI's claims under guarantees provided by said company to RBI. In October 2022, the sole arbitrator issued an award, ordering the respondent to pay to RBI: (i) over € 62 million and USD 19 million (€ 18 million) in respect of the principal sums due under the guarantees, (ii) interest on those amounts at a rate of 5 per cent per annum accruing from 27 February 2018 until the date of payment, (iii) fees, costs and expenses incurred by RBI in ancillary proceedings in various jurisdictions worldwide, (iv) the costs of the VIAC Arbitration.

Regulatory enforcement

The RBI AG provides services to corporate clients that increase the risk of legal disputes at the operational level. The most significant cases are:

In March 2018, an administrative fine of € 2.7 million (which was calculated by reference to the annual consolidated revenue of RBI and constitutes 0.06 per cent of the last available annual consolidated revenue) was imposed on RBI in the course of administrative proceedings based on alleged non-compliance with formal documentation requirements relating to the know-your-customer principle. According to the interpretation of the Austrian Financial Market Authority (FMA), RBI had failed to comply with these administrative obligations in a few individual cases. FMA did not allege that any money laundering or other crime had occurred, or that there was any suspicion of, or any relation to, any criminal act. RBI took the view that it had duly complied with all due diligence obligations regarding know-your-customer requirements and appealed against the fining order in its entirety. The Federal Administrative Court (Bundesverwaltungsgericht) confirmed FMA's decision at first instance, against which RBI 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 in general but reduced the administrative fine to € 824 thousand and allowed another appeal before the Austrian Supreme Administrative Court. Such appeal was filed by RBI. In July 2023, the Austrian Supreme Administrative Court revoked the decision of the administrative court of first instance and, again, referred the case back to the court of first instance. A provision of an appropriate amount has been recognized.

In September 2018, two administrative fines totaling PLN 55 million (€ 12 million) were imposed on Raiffeisen Bank Polska S.A. (RBPL), the former Polish subsidiary of RBI 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 February 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 Bank BGZ BNP Paribas S.A., the responsibility for said administrative proceedings and related fines was assumed by RBI. RBI filed appeals against these fines in their entirety. In September 2019, in relation to the PLN 5 million (€ 1 million) fine regarding RBPL's duties as depositary bank, the Voivodship Administrative Court considered RBI's appeal and overturned the KNF decision in its entirety. However, the KNF filed an appeal in cassation against the judgement. 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 has raised appeal in cassation to the Supreme Administrative Court because it takes the view that RBPL has duly complied with all its duties. In April 2023, the Supreme Administrative Court decided to refer the case regarding the PLN 5 million (€ 1 million) fine back to the Voivodship Administrative Court for reconsideration. Furthermore, the Supreme Administrative Court dismissed RBI's appeal in cassation in connection with the PLN 50 million (€ 11 million) fine which is now final. However in October 2023 RBI filed a complaint to the European Court of Human Rights over this verdict. In October 2023, the Voivodship Administrative Court dismissed RBI's appeal and upheld the KNF decision imposing the PLN 5 million (€ 1 million) penalty on RBI in relation to the alleged violations of RBI's duties as depositary of certain investment funds. A cassation appeal against this judgment to the Supreme Administrative court is possible. Both fines have already been paid.

In this context, several individual lawsuits and four class actions, aggregating claims of holders of certificates in the above-mentioned investment funds currently in liquidation, were filed against RBI, whereby the total amount in dispute as at 31 December 2023 equals approximately PLN 77 million (€ 16 million). Additionally, RBI was informed that a modification of a statement of claim had been submitted to the court which could result in an increase of the total amount in dispute by approximately PLN 91 million (€ 19 million). However, such modification has not yet been served upon RBI. The plaintiffs of the class actions demand the confirmation of RBI's responsibility for the alleged improper performance of RBPL (in respect of which RBI is the legal successor) as custodian bank. Such confirmation would secure and facilitate their financial claims in further lawsuits. Due to RBI's legal assessment, no provision has been recognized.

Additionally, RBI 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 (Polish Financial Supervision Authority) in connection with alleged failures of RBPL/BNP in acting as a depository 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. The financial impact can not be estimated at this time.

In January 2023, RBI was informed by FMA that an administrative proceeding has been started based on the alleged non-compliance with certain legal requirements regarding the know-your-customer principle in connection with three customers of RBI's correspondent banking business. The transactions relevant for the administrative proceedings had been processed by RBI between 2017 and 2020. According to the interpretation of FMA, RBI had not sufficiently convinced itself that these banks had appropriate due diligence procedures in place regarding customers of their own correspondent banking business. Thus, in the view of FMA, RBI failed to fully comply with its administrative obligations in this regard. FMA did not state that any money laundering or other crime had occurred, or that there was any suspicion of, or any relation to, any criminal act. The administrative proceeding is ongoing and might lead to administrative fines.

In January 2023, RBI received a Request for Information (RFI) by the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury. OFAC administers and enforces economic and trade sanctions based on US foreign policy and national security goals. A breach of US sanctions may, among others, result in fines, the freezing of accounts or the termination of business relationships with US correspondent banks. The questions raised by OFAC in the RFI are seeking to clarify payments business and related processes maintained by RBI with US correspondent banks in light of the developments related to Russia and Ukraine. As a matter of principle, RBI maintains policies and procedures that ensure compliance with applicable embargoes and financial sanctions and is cooperating fully with OFAC in relation to their request to the extent permitted by applicable laws and regulations.

In August 2023 the Austrian Financial Markets Authority (FMA) instigated administrative fining proceedings against RBI regarding a suspected breach by Raiffeisen Centrobank AG ("RCB") of insider trading rules according to EU Regulation 596/2014 (MAR) in September 2022 in respect of a financial instrument for which RCB acted as market maker. RCB was a fully consolidated Austrian subsidiary of RBI and RBI became the legal successor of the relevant parts of RCB's business by way of a demerger by absorption in December 2022. The relevant transaction which is the basis of the allegations amounts to approximately € 85 thousand.

Tax litigation

RBI AG is engaged in several consequential tax proceedings, including but not limited to the following:

IIn Germany, a tax liability totaling approximately € 23 million arose in connection with real estate transfer taxes. As the taxes have already been settled, the establishment of a provision is deemed unnecessary.

The tax authority's decision has been contested at the Federal Fiscal Court in Munich.

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Total capital according to CCR

in € thousand	31/12/2023	31/12/2022
Capital instruments and the related share premium accounts	5,409,421	5,414,618
Retained earnings	420,284	2,017,115
Accumulated other comprehensive income (and other reserves)[1]	2,447,900	0
Minority interests (amount allowed in consolidated CET1)	0	0
Common equity tier 1 (CET1) capital before regulatory adjustments	**8,277,605**	**7,431,733**
Additional value adjustments (negative amount)	(41,468)	(54,015)
Intangible assets (net of related tax liability) (negative amount)	(19,509)	(22,099)
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)	(411)	(1,077)
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
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)[2]	(20,000)	0
Exposure amount of the following items which qualify for a risk weight of 1250%, where the institution opts for the deduction alternative	(36,977)	0
hereof: qualifying holdings outside the financial sector (negative amount)	0	0
hereof: securitization positions (negative amount)	(36,977)	0
hereof: securitization positions (negative amount)	0	0
Other regulatory adjustments	(60,702)	(38,846)
Total regulatory adjustments to common equity tier 1 (CET1)	**(179,067)**	**(116,037)**
Common equity tier 1 (CET1) capital	**8,098,538**	**7,315,696**
Capital instruments and the related share premium accounts	1,639,874	1,644,174
hereof: classified as equity under applicable accounting standards	0	0
hereof: classified as liabilities under applicable accounting standards	0	0
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
Additional Tier 1 (AT1) capital before regulatory adjustments	**1,639,874**	**1,644,174**
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	(33,000)	(33,000)
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**(33,000)**	**(33,000)**
Additional tier 1 (AT1) capital	**1,606,874**	**1,611,174**
Tier 1 capital (T1 = CET1 + AT1)	**9,705,412**	**8,926,870**
Capital instruments and the related share premium accounts	2,059,118	2,174,901
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	0	149,647
Tier 2 (T2) capital before regulatory adjustments	**2,059,118**	**2,324,548**
Tier 2 (T2) capital: regulatory adjustments	**(38,675)**	**(41,861)**
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	**(30,000)**	**(30,000)**
Total regulatory adjustments to Tier 2 (T2) capital	**(68,675)**	**(71,861)**
Tier 2 (T2) capital	**1,990,443**	**2,252,687**
Total capital (TC = T1 + T2)	**11,695,855**	**11,179,557**
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)	**40,461,266**	**41,903,360**
Total risk-weighted assets (RWA)	**40,461,266**	**41,903,360**

1 Comparative figures as at the reporting date 31/12/2022 in the amount of € 1,892,696 thousand are shown in the item "Retained earnings"
2 Comparative figures as at the reporting date 31/12/2022 in the amount of € minus 20,000 are shown in the item "Capital instruments and the related share premium accounts"

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	31/12/2023		31/12/2022	
	Risk-weighted exposure	Capital requirement	Risk-weighted exposure	Capital requirement
Total risk-weighted assets (RWA)	**40,461,266**	**3,236,901**	**41,903,360**	**3,352,269**
Risk-weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**34,625,104**	**2,770,008**	**35,802,082**	**2,864,167**
Standardized approach (SA)	**2,013,877**	**161,110**	**3,326,324**	**266,106**
Exposure classes excluding securitization positions	2,013,877	161,110	3,326,324	266,106
Central governments and central banks	25,025	2,002	0	0
Regional governments or local authorities	10,709	857	17,524	1,402
Public sector entities	84,587	6,767	0	0
Institutions	2,442	195	2,304	184
Corporates	2,623	210	5,511	441
Retail	106,345	8,508	240,257	19,221
Secured by mortgages on immovable property	955,069	76,406	2,362,419	188,994
Exposure in default	28,904	2,312	20,530	1,642
Items associated with particular high risk	0	0	0	0
Covered bonds	0	0	0	0
Collective investments undertakings (CIU)	0	0	14	1
Equity interests	73,489	5,879	86,130	6,890
Other items	724,291	57,943	591,635	47,331
Internal ratings based approach (IRB)	**31,700,665**	**2,536,053**	**32,475,759**	**2,598,061**
IRB approaches when neither own estimates of LGD nor conversion factors are used	**15,772,934**	**1,261,835**	**18,587,936**	**1,487,035**
Central governments and central banks	0	0	71,565	5,725
Institutions	2,243,888	179,511	3,053,197	244,256
Corporates - SME	102,572	8,206	285,445	22,836
Corporates - Specialized lending	1,306,059	104,485	1,130,277	90,422
Corporates - Other	12,120,414	969,633	14,047,451	1,123,796
IRB approaches when own estimates of LGD and/or conversion factors are used	**0**	**0**	**0**	**0**
Equity interests	15,899,514	1,271,961	13,859,991	1,108,799
Simple risk weight approach	0	0	0	0
Other equity exposure	0	0	0	0
PD/LGD approach	0	0	0	0
Securitization positions[1]	910,563	72,845	719,124	57,530
Internal ratings based approach (IRB)	0		0	0
Other non-credit obligation assets	28,217	2,257	0	0

in € thousand	31/12/2023		31/12/2022	
	Risk-weighted exposure	Capital requirement	Risk-weighted exposure	Capital requirement
Total risk exposure amount for settlement/delivery	**23,058**	**1,845**	**18,517**	**1,481**
Settlement/delivery risk in the non-trading book	458	37	0	0
Settlement/delivery risk in the trading book	22,601	1,808	18,517	1,481
Total risk exposure amount for position, foreign exchange and commodities risk	**2,598,770**	**207,902**	**2,249,908**	**179,993**
Risk exposure amount for position, foreign exchange and commodities risks under standardized approaches (SA)	**1,295,472**	**103,638**	**994,932**	**79,595**
Traded debt instruments	275,838	22,067	362,653	29,012
Equity interests	57,842	4,627	82,688	6,615
Particular approach for position risk in CIUs	1,348	108	780	62
Foreign exchange	958,474	76,678	545,993	43,679
Commodities	1,970	158	2,817	225
Risk exposure amount for position, foreign exchange and commodities risks under internal models (IM)	**1,303,297**	**104,264**	**1,254,976**	**100,398**
Total risk exposure amount for operational risk (OpR)	**3,033,801**	**242,704**	**2,904,518**	**232,361**
OpR standardized (STA) /alternative standardized (ASA) approaches	3,033,801	242,704	2,904,518	232,361
OpR advanced measurement approaches (AMA)	0		0	0
Total risk exposure amount for credit valuation adjustments	**180,532**	**14,443**	**209,211**	**16,737**
Standardized method	180,532	14,443	209,211	16,737
Other risk exposure amounts[1]	**0**	**0**	**0**	**0**

1 Specification of the previous year's disclosure and presentation of other risk position amounts as at the reporting date 31/12/2022 in the amount of € 719,124 thousand (risk weighted exposure) and € 57,530 thousand (capital requirement) in the item "Securitization positions"

Equity ratios[1]

in per cent	31/12/2023	31/12/2022
Common equity tier 1 ratio (fully loaded)	19.9 %	17.3 %
Tier 1 ratio (fully loaded)	23.9 %	21.1 %
Total capital ratio (fully loaded)	28.8 %	26.6 %

1 Fully loaded

Leverage ratio

in € thousand	31/12/2023	31/12/2022
Leverage exposure	90,876,965	92,902,358
Tier 1	9,705,412	8,926,870
Leverage ratio in per cent [1]	**10.7 %**	**9.6 %**

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:

2023 **in € thousand**	**Total**	**Austria**	**Rest of Europe**	**Asia**
Interest receivable and similar income	2,952,782.4	2,869,314.5	81,637.7	1,830.2
hereof: from fixed-income securities	235,123.5	234,949.9	0.0	173.7
Income from variable-yield securities and participations	1,786,418.3	1,786,418.3	0.0	0.0
Fee and commission income	555,787.2	554,482.7	1,304.5	0.0
Net profit or net loss on financial operations	56,805.7	54,124.1	3,642.6	(960.9)
Sundry operating income	305,412.9	277,399.7	23,685.5	4,327.6

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
Fee and commission income	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)
Sundry operating income	212,647.6	197,999.0	9,616.6	5,032.0

Negative interest rates

An expense, resulting from negative interest for loans and advances, was shown in an amount of € 2,834 thousand (2022: € 34,495 thousand) in the item interest receivable and similar income. This contrasted with income of € 2,152 thousand (2022: € 140,410 thousand) resulting from negative interest for liabilities, which was shown in the item interest payable and similar expenses. The decrease in this item is due to the general development of interest rates.

Other operating income

Other operating income includes staff and administrative expenses passed on for services in the amount of € 145,209 thousand (2022: € 157,242 thousand), income from releases of provisions for impending losses from derivatives in the amount of € 19,517 thousand (2022: € 6,714 thousand), income from close-out fees for derivatives on the banking book in an amount of € 97,778 thousand (2022: € 16,963 thousand), as well as income from the release of other provisions in the amount of € 1,742 thousand (2022: € 3,980 thousand).

Staff expenses

Expenses for severance payments and benefits for occupational employee pension funds in the amount of € 11,181 thousand (2022: minus € 4,836 thousand) include € 6,450 thousand (2022: income of € 10,688 thousand) in expenses for severance payments.

In the 2022 financial year, income in the expenses for severance payments and pension expenses 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 € 475,958 thousand to € 1,131,444 thousand in 2023. This includes allocations for provisions for impending losses for banking book derivatives in an amount of € 19,816 thousand (2022: € 62,582 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 € 873,400 thousand (2022: € 462,000 thousand), as well as expenses deriving from close-out fees for banking book derivatives in an amount of € 157,002 thousand (2022: € 9,971 thousand). Also included are expenses from staff and administrative costs passed on in the amount of € 30,113 thousand (2022: € 57,944 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 positive balance – unlike in the previous year - of € 49,987 thousand (2022: minus € 164,641 thousand). This change derived, firstly, from a positive net gain/loss on the valuation and disposal of marketable securities and banking book derivatives in the amount of € 149,120 thousand (2022: minus € 60,546 thousand) and from an improvement in the net gain/loss on the valuation of loans and advances as well as guarantees to an amount of minus € 99,133 thousand (2022: minus € 104,095 thousand). RBI AG recognized net provisioning for individual loan loss provisions of € 213,567 thousand. This represented a year-on-year increase of € 128,560 thousand. The increase was largely due to increased individual loan loss provisions which were required due to the current economic trends in the area of real estate financing. In contrast, a positive trend was noted in the risk evaluation of non-defaulted loans in the financial year under review. On balance, therefore, a net release of portfolio-based loan loss impairments was made in an amount of € 106,086 thousand in the financial year under review (2022: net addition of € 20,910 thousand). This decrease is attributable to the release of provisions made in the previous year for general political risks, including in particular the Russia sanctions and the Russian business managed from Vienna, in an amount of € 46,940 thousand (2022: minus € 22,862 thousand). In addition, the releases of impairments (special risk factors) due to reduced macroeconomic risks in an amount of € 27,030 thousand (2022: minus € 22,778 thousand) contributed to this decrease. In addition, net releases were made in the financial year under review due to organic development of RBI AG's loan portfolio. For substantial as well as non-substantial contract modifications, gains in carrying amounts of € 1,560 thousand (2022: minus € 1,820 thousand) were realized in the financial year. Net income from extraordinary disposals of loan receivables amounted to minus € 1,224 thousand (2022: minus € 2,311 thousand).

In the financial year under review, losses were realized on shares in investment funds in an amount of € 0 thousand (2022: € 162 thousand). Income from distributions amounted to € 0 thousand (2022: € 2 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 total amount of € 646,712 thousand, of which € 604,249 thousand was attributable to AO Raiffeisenbank, € 14,107 thousand to RZB-BLS Holding GmbH, € 10,073 thousand to BAILE Handels- und Beteiligungsgesellschaft m.b.H., and € 7,386 thousand to Salvelinus Handels- und Beteiligungsges.m.b.H. Shares in affiliated companies and equity participations were written down by € 85,049 thousand in total, including Raiffeisen Digital Bank AG in the amount of € 66,850 thousand and FAIRO GmbH in the amount of € 9,795 thousand. In total, gains of € 10,974 thousand (2022: € 17 thousand) were realized on the sale of shares in affiliated companies and participating interests in the financial year. A total of € 572,637 thousand in gains (2022: € 965,955 thousand in losses) from both the valuation and disposal of shares in affiliated companies and participating interests has therefore been recognized.

In the financial year 2023, a net amount of € 3,837 thousand in price losses was realized from the sale of securities held as financial assets. In the comparable period of 2022, the price loss was € 9,823 thousand.

Tax on profit or loss

The tax on profit or loss shows net positive income from taxes in the amount of € 14,410 thousand (2022: € 5,531 thousand) for the financial year 2023. The item includes income from current income taxes of € 15,105 thousand (2022: € 5,859 thousand), a deferred tax expense of € 631 thousand (2022: deferred tax income of € 504 thousand) and tax income for previous years of € 7,943 thousand (2022: tax expense of € 258 thousand). Furthermore, foreign withholding taxes are included in an amount of € 8,007 thousand (2022: € 574 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 2023, 71 companies (including the parent company) were members of the group of companies (31/12/2022: 54 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 per cent and for the non-deductible profit share 24 per cent. In addition, the positive tax levy amounts to 12 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 per cent of the negative result.

At the end of 2022, the EU adopted the Directive on implementing a global minimum tax rate of 15 per cent on profits of multinational companies in accordance with the OECD's Base Erosion and Profit Shifting Project. The Directive had to be implemented into national law by the individual Member States by 31 December 2023. In Austria, the Minimum Taxation Reform Act (MinBestRefG) was published in the Federal Gazette. The Minimum Taxation Reform Act includes the new federal act on guaranteeing a global minimum taxation rate for corporate groups (Minimum Taxation Act, MinBestG) and also provides for amendments to the Federal Fiscal Code (BAO) and the Austrian Company Code (UGB). RBI is monitoring the progress in the legislative process in the jurisdictions of relevance for the Group. By 31 December 2023, the EU Directive had been implemented in local law in the following countries in which the Group operates: Austria, the Czech Republic, Hungary and Romania.

Since the majority of the Group's subsidiaries are located in jurisdictions whose nominal tax rate or effective tax rate is higher than the minimum tax rate of 15 per cent, based on the current status of legislation, tax effects from the entry into force of the global minimum tax rate, expected for the start of 2024, are only anticipated in individual countries. It is possible that the nominal tax rate will be increased or that supplementary taxes will be introduced in order to prevent an outflow of taxes from the countries affected. In most countries where RBI operates, the Safe Harbour Rules were complied with as at 31 December 2023. The following countries represent an exception: Hungary, Bosnia and Herzegovina, Kosovo, Serbia and Austria. As at 31 December 2023, RBI AG anticipates an effect in the high single-digit millions.

Branches on a consolidated basis

2023 in € thousand	Bratislava	Frankfurt	London	Beijing	Singapore	Warsaw
Domicile state	Slovakia	Germany	Great Britain	China	Singapore	Poland
Net interest income	26	0	0	1,430	174	81,435
Operating income	(15,593)	334	6	463	196	87,731
Profit on ordinary activities	(17,337)	(1,506)	(3,984)	(2,785)	(1,444)	(853,345)
Income taxes	(252)	(51)	(74)	(221)	0	0
Number of employees (average)	20	8	13	15	4	273
Public subsidies received	None	None	None	None	None	None

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)
Income taxes	(214)	(36)	(66)	(200)	0	0
Number of employees (average)	25	8	14	16	4	254
Public subsidies received	None	None	17.0	None	None	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

Overall return on assets

The overall return on assets (net loss or profit after tax divided by the average total assets) in 2023 was 1.60 per cent (2022: minus 1.13 per cent).

Profit contribution from 2022

On 30 March 2023, due to the continuing uncertainties resulting from the war in Ukraine, the Annual General Meeting resolved to carry forward the entirety of the retained earnings. Following the volatile market environment in the spring, it was decided, in the interests of prudent capital and liquidity management, to initially await further developments in the course of the 2023 financial year. At the extraordinary general meeting on 21 November 2023, it was decided, due to the positive development in the 2023 financial year, to distribute a dividend of € 0.80 per dividend-bearing share for the 2022 financial year.

Proposal for the appropriation of profits

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

Other

Transactions with related parties (companies and individuals) are limited to banking business transactions that are carried out at fair market conditions.

In the financial year the company had an average of 3,658 employees (2022: 3,445).

Expenses for severance payments and pensions

	Pension		Severance payments	
in € thousand	2023	2022	2023	2022
Members of the management board and senior staff	1,821	(2,744)	895	(1,134)
Employees	11,276	7,761	10,286	(3,702)
Total	**13,097**	**5,017**	**11,181**	**(4,836)**

The income from severance payments and pension expenses in the financial year 2022 resulted from changes in actuarial parameters used to determine provisions.

Boards

Management Board

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

1 Effective as of 10 October 2010

2 On 31 August 2023 Peter Lennkh stepped down from the Management Board.

Supervisory Board

Supervisory Board members	Initial 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
Michael Alge	31 March 2022	Annual General Meeting 2027
Eva Eberhartinger	22 June 2017	Annual General Meeting 2027
Andrea Gaal	21 June 2018	Annual General Meeting 2028
Peter Gauper[2]	22 June 2017	14 June 2023
Michael Höllerer	31 March 2022	Annual General Meeting 2027
Rudolf Könighofer	22 June 2017	Annual General Meeting 2027
Heinz Konrad	20 October 2020	Annual General Meeting 2025
Reinhard Mayr	20 October 2020	Annual General Meeting 2025
Birgit Noggler	22 June 2017	Annual General Meeting 2027
Manfred Wilhelmer[3]	21 November 2023	Annual General Meeting 2028
Natalie Egger-Grunicke[4]	18 February 2016	Until further notice
Peter Anzeletti-Reikl[4]	10 October 2010	Until further notice

Supervisory Board members	Initial appointment	End of term
Rudolf Kortenhof[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
Denise Simek[4]	1 October 2021	Until further notice

1 Effective as of 10 October 2010

2 Peter Gauper resigned from his position with effect from 14 June 2023

3 Member of the Supervisory Board with effect from the Annual General Meeting on 21 November 2023

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	2023	2022
Fixed remunerations	4,807	4,906
Bonus (performance-based)	3,510	3,742
Payments to pension funds and reinsurance policies	397	412
Other remunerations	2,546	2,330
Total	**11,259**	**11,390**
hereof remuneration from affiliated companies (Supervisory board remuneration)	2,329	2,145

The fixed remunerations shown in the table include salaries and non-cash benefits.

The performance-based components of the Management Board's remuneration cover bonus payments. The bonuses reported above are immediately payable bonus amounts for 2022 and deferred bonus amounts for previous years.

The bonus agreement is linked to the achievement of annually agreed objectives. The respective step-in criteria as well as the individual performance targets can be found in the current remuneration policy (www.rbinternational.com → Corporate Governance & Remuneration → Remuneration Policy).

The amount of the bonus depends on the return on equity 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 € 1,577 thousand (previous year: € 1,386 thousand) was paid in pension benefits to former members of the Management Board and to their surviving dependents in the 2023 financial year. In addition to these amounts, short-term benefits and deferred bonus components as well as severance payments totaling € 469 thousand (previous year: € 978 thousand) were paid to former members of the Management Board.

In addition to the amounts presented above, there are expenses of € 2,761 thousand (31/12/2022: € 1,135 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	2023	2022
Remunerations Supervisory Board	1,171	1,127

In The Annual General Meeting held on 22 April 2021 approved a 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 each additional € 17.5 thousand.

In the 2023 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	2023	2022
Remuneration Advisory Council	191	188

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, as well as other legal transactions

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

in € thousand	2023	2022
Debt securities	1,635	657
Shares	2,786	2,581
Deposits and other receivables	423	1,288
Loans and other liabilities	213	–
Lease liabilities	17	59

Of the amounts stated, bonds worth € 784 thousand (2022: € 22 thousand), shares worth € 1,545 thousand (2022: € 1,576 thousand) and deposits and other receivables worth € 10 thousand (2022: € 750 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.

Qualified electronically signed by:

Vienna, 12 February 2024
The Management Board

Johann Strobl m.p.	Marie-Valerie Brunner m.p.
Andreas Gschwenter m.p.	Łukasz Januszewski m.p.
Hannes Mösenbacher m.p.	Andrii Stepanenko m.p.

Management report

Market development

Weak economy in a crisis-ridden environment

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

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

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

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

CEE: High interest rates and inflation, sluggish growth

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

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

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

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

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

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

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

Banking sector in Austria

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

Development of the banking sector in CEE

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

Regulatory environment

Supervisory priorities and interaction with the ECB

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

New regulation in 2023

Finalization of Basel III (CRR III/CRD VI)

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

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

Payment Services Directive and framework for financial data access

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

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

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

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

Retail investment strategy

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

Digital Operational Resilience Act (DORA)

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

Markets in Crypto Assets Regulation (MiCA)

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

Minimum requirements for own funds and eligible liabilities (MREL)

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

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

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

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

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

Crisis management and deposit insurance (CMDI) framework

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

Regulatory environment for ESG disclosures in the EU

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

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

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.

In the Raiffeisen Certificates, Retail Bonds & Equity Trading business area, RBI AG, as a leading and multi-award-winning Austrian certificate provider, offers more than 6,000 investment and leverage products that allow opportunity/risk-optimized investing, particularly for retail customers. This is a cross-asset offering aimed at customers in the DACH region as well as many markets in Central and Eastern Europe. Raiffeisen certificates are publicly offered in 11 countries in both the primary and secondary markets through exchanges, trading platforms and via RBI as a systematic internalizer. The retail bond business was also integrated into this business area in September 2023. The business area also includes market making and proprietary trading activities in equities, equity derivatives and commodities, with a focus on Central and Eastern Europe. RBI is one of the leading market makers on various stock exchanges in this segment.

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.

Despite the challenging geopolitical and economic developments, the Corporate Banking business managed from Vienna performed well over the course of the past financial year. The extensive support for our corporate customers enabled us to assert and strengthen our position as a relationship bank.

Income increased further compared to the strong previous year. Important sources of income in the previous financial year once again included traditional lending business and, thanks to the bank's outstanding product expertise, structured project and acquisition financing, real estate financing and hedging for our customers' interest rate and foreign currency positions, despite subdued demand for credit. Significant year-on-year growth was recorded in the deposit business due to the changed interest rate environment.

The deteriorating economic situation significantly increased risk costs year-on-year.

The Corporates business segment nevertheless achieved a very good result.

Further progress was made in environmental, social and governance (ESG) activities. Customer demand for advisory services in the field of sustainability and sustainable financing solutions remained very high. The high level of interest in ESG was also reflected in the volume of ESG-compliant financing, which was increased further year-on-year. The Climate & Environmental Business Strategy further refined the ESG framework for our business activities.

The customer care approach for corporate customers serviced in several countries was improved further to achieve a more uniform service across the RBI Group.

The digital product range was also expanded to further enhance the customer experience.

The financial year was also significantly influenced by the reorganization of the Corporate Banking and Markets & Investment Banking Management Board areas. The newly created Corporate and Investment Banking (CIB) Customer Coverage and Corporate and Investment Banking (CIB) Products & Solutions Management Board areas have been jointly serving corporate and institutional clients as One Business Bank since 1 September 2023. Valerie Brunner has been overseeing CIB Customer Coverage as a member of the Management Board since 1 November 2023, while Lukasz Januszewski is in charge of CIB Products & Solutions.

Institutional Clients

In 2023, the Institutional Customers (IC) business area of RBI AG performed remarkably well. Its performance was driven by a combination of growth in the foreign currency and international clearing, settlement and payment services business as well as successful upselling initiatives. Further uplift came from positive developments supported by the current interest rate level in the eurozone and in the CEE currencies. The Group's gross income in the Institutional Customers business area was significantly higher than the already pleasing result in 2022.

Business activities in the CIS region were adversely affected by the ongoing RU/UA crisis. The teams responsible for the Institutional Customers business continued their efforts to terminate correspondent banking relationships with third-party banks in RU and BY wherever possible in order to further reduce risk exposure to these markets. These efforts focused on managing and channeling our important customer relationships in order to comply with all the sanctions and meet the information needs of our global customers.

The growing Institutional Customers business in all other regions more than offset the decline in the CIS region thanks to increased transaction volumes in clearing, settlement and payment services, trade finance and securities services. Persistently high inflation and elevated interest rates in some of our markets also supported our efforts to increase business activities in the fixed income value chain and helped to generate significant net interest income from deposits and current accounts.

We continued to promote ESG (environmental, social, governance) activities in the Institutional Customers (IC) business area in the past financial year. Demand remained strong for our advisory services in sustainability and sustainable banking services in financing and investment and for capital market issues for our customers. Strong interest in ESG translated into numerous customer communications on this subject. The Climate & Environmental Business Strategy has further refined the ESG framework for our business activities.

Our declared objective for 2023 was the successful execution of our comprehensive "One Business Bank" strategy. It focuses on strengthening cross-selling and intensifying Group-wide cooperation in order to profitably expand our product range for our IC customers. In both areas, we reached key milestones toward achieving business success in this segment in the years to come.

The previous year once again demonstrated that the regional growth potential for RBI AG in the IC business segment remains intact and that RBI can continue to successfully play its central role as a bridge between East and West for our customers.

Capital Markets

It was yet another year of geopolitical discord. The European Central Bank responded to the high inflation rate with repeated interest rate hikes; the stock markets nevertheless rose sharply in this environment (DAX up 20.3 per cent, etc.).

FX trading matched the previous year's outstanding result despite lower volatility and trading volumes than the year before due to greater internalization in market making and successful positioning in the CEE region. A new pricing engine including an automated sales trader workflow was implemented for FX options.

The previous year's result was significantly exceeded in money market trading and the securities refinancing business. This was the first time in a long while that demand for EUR financing rose in addition to USD. However, no sustained margin expansion was observed despite further increases in EUR and USD money market interest rates. The customer / counterparty portfolio was expanded in CEE and Southeast Asia in particular. Additional digitalization and automation measures were implemented to raise efficiency. The securities proprietary trading and investment books once again also closed out the year successfully thanks to prudent positioning.

The best result ever in the eurobonds segment was achieved amid interest rate hikes, a 10-month-long flat market and a bond rally in the last two months of the year. RBI bonds in particular appreciated significantly in value due to the dividend payment and the planned in-kind dividend paid by RBRU to RBI AG.

The very positive trend of increased sales and improved profits with interest rate derivatives continued. Indeed, the best result in history was achieved with interest rate derivatives, together with local currency bonds and derivatives, despite the write-off of all existing Russian bond positions.

The retail market's demand for inflation-linked RBI bonds continued in the first half of 2023, but fell away in the second half of the year as inflation declined. Nevertheless, inflation remained an issue for us in H2: Croatian pension funds began using inflation swaps in 2023 to hedge their liabilities against inflation.

Collaborating with the Corporates area resulted in various meetings with prominent Austrian corporate customers regarding their interest rate risks. A range of interest rate scenarios and a peer group comparison were presented to the customers to illustrate their balance sheet interest rate risks, followed by several hedging solutions. This discussion resulted in a number of transactions that should solidify long-term relationships with the companies and enhance RBI's reputation as a problem solver.

Various data analytics tools were refined and implemented to enable bond traders, for example, to measure their risks in futures in real time. This has helped with the successful management of relatively large positions, particularly in the extremely fast-moving market for Austrian government bonds, thus significantly increasing the volume traded in market making. In addition, the pricing library for non-standard swaps was extended to CEE currencies; a relative value tool was rolled out that identifies attractive spreads between bonds; and a nearest-neighbor software program was introduced to suggest alternative bonds to customers if RBI does not have the customer's desired bond on its books.

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. RBI AG has also had a program for issuing small-volume bonds and certificates since the integration of Raiffeisen Centro Bank AG.

In 2023, RBI AG once again increasingly used international large-volume bonds in various formats alongside long-term deposits in order to implement its funding plan. One € 1,000 million senior issue in January was followed by two € 500 million mortgage covered bond issues in March and May and a € 500 million non-preferred, non-subordinated eligible note in September. 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 2023 amounted to approximately € 4,953 million and had a weighted maturity of approximately four years. At year-end 2022, the total volume of outstanding issued unsecured bonds excluding AT1 amounted to approximately € 9,859 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. RBI AG repaid an additional € 3,500 million early in January 2023, € 800 million in June 2023 and € 625 million in December 2023. The total volume of ESCB financing has thus been repaid in full.

Certificates and Equity Trading

The first full financial year following the integration into RBI AG (demerger date 30 June 2022, legal effect upon entry in the commercial register on 1 December 2022) was very satisfactory, especially in the certificates business.

Raiffeisen Certificates

Inflation remained high in the first half of 2023. That made it nearly impossible for retail customers to preserve the real value of their assets with traditional fixed-term deposit instruments, despite higher interest rates. However, certificates, which are mainly offered in this customer segment, generated positive real interest rates/returns. The successful business performance and strong issuance activity showed that Raiffeisen Certificates' product range satisfied important customer needs with very attractive terms.

Total issuance was up 35.6 per cent year-on-year, setting a new record and making a significant contribution to the funding of Raiffeisen Bank International AG. The volume of Raiffeisen certificates outstanding at the end of 2023 therefore reached a new all-time high (up 20.6 per cent from the end of 2022). Overall, € 1.96 billion in Raiffeisen certificates were traded in 2023.

In order to focus even more strongly on retail customer needs, Raiffeisen Bank International AG's retail bond business was successfully integrated into the Raiffeisen Certificates, Retail Bonds and Equity Trading business area in September 2023. A total of € 0.32 billion in retail bonds were traded in 2023.

In the Austrian Raiffeisen sector, the outstanding volume of Raiffeisen certificates reached a new record at the end of 2023 (up 27.0 per cent from 2022). A new record volume of certificates (up 22.8 per cent from 2022) was sold in collaboration with the Raiffeisen banks and regional Raiffeisen banks, including individual issues and intensive training programs for advisors.

We also continued to expand digital communication channels such as videos and webinars for advisors and website tools in 2023. The relaunch of Certificate Finder 2.0 in February 2023 gives interested investors a simple website tool for finding a suitable selection of certificates with exciting risk/reward profiles in just a few steps.

A record-breaking result was also achieved in the Central and Eastern Europe region, including the current core markets of Slovakia, the Czech Republic, Hungary, Croatia and Poland. The volume of certificates sold increased 41.8 per cent year-on-year. This result was made possible both by the issuance of certificates tailored to customer requirements and market conditions and by very effective collaboration with the local network banks.

We also continued to successfully and rigorously expand the digital market presence of certificates in the region. For example, we collaborated with the network banks in Bosnia-Herzegovina and Kosovo to offer certificates to retail customers for the first time. Raiffeisen Czech Republic now offers customers the opportunity to purchase certificates 100 per cent digitally via the online broker EDI (Easy Digital Investing). Work is underway to roll this offering out to other countries. The range of listed certificates on the Warsaw Stock Exchange has also been significantly expanded with the relaunch of the Polish website, which is specifically geared towards the needs of individuals who make their own investment decisions.

The Slovak branch of Raiffeisen Bank International AG in Bratislava, whose business activities include the issuance of certificates for the Slovakian market, achieved a particularly high market penetration among retail customers with customized issues.

Raiffeisen Certificates received several awards for its products and services in 2023. Raiffeisen Certificates was named Austria's Best Certificate House for the 17th time in a row at the Zertifikate Award Austria ceremony in September. The team also gained international success at the Structured Retail Products Europe 2023 Awards in London and was re-confirmed as Capital Market Leader in Poland by the Warsaw Stock Exchange.

Equity Trading

The stock markets were highly volatile in the first half of the year and especially the first quarter of the 2023 financial year, resulting in good business performance in market making. The second half of the year was much calmer despite the geopolitical situation, with much lower volatility in the fourth quarter (due to interest rate and inflation trends), which had a negative impact on the general trading and market-making business, especially in Austria and the Western European markets.

We further expanded our trading activities and product range in Poland in particular and Eastern Europe in general, which delivered a very good contribution to earnings.

The number of market-making mandates for equities and exchange-traded derivatives on the Central and Eastern European exchanges increased slightly to 237 mandates in total. At the end of the year, RBI was responsible for 108 mandates on the Warsaw Stock Exchange, 49 on the German stock exchanges, 38 mandates on the Vienna Stock Exchange, 29 on the Prague Stock Exchange and 13 on the Bucharest Stock Exchange.

On the innovation side, the first-ever certificate on Bitcoin futures was launched in December 2023.

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 AG, simultaneously commenced operations in order to expand and deepen our digital product and service range for customers. Crédit Agricole Srbija AD, which was integrated into the consolidated group for the first time as of 1 April 2022, was merged with the Serbian subsidiary bank, Raiffeisen banka a.d., as of 30 April 2023.

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. There were no significant shifts in the investment portfolio in 2023. Governance and administration of all participations is steered by RBI Group Subsidiaries and Equity Investments.

There were significant write-ups at AO Raiffeisenbank (€ 604.2 million), RZB-BLS Holding GmbH (€ 14.1 million), BAILE Handels- und Beteiligungsgesellschaft m.b.H. (€ 10.1 million) and Salvelinus Handels- und Beteiligungsges.m.b.H. (€ 7.4 million). Significant write-downs were booked at Raiffeisen Digital Bank AG (€ 66.9 million) and FAIRO GmbH (€ 9.8 million).

Most of the investees showed a stable to positive development despite ongoing challenges in the macroeconomic environment such as persistently high inflation, a further rise in interest rates and the ongoing conflict in Ukraine. On the one hand, the direct impact of the Ukraine conflict on the investees remained limited since they have little to no direct exposure or business activities in the relevant regions. On the other hand, the general increase in prices, including higher staff costs, was (more than) offset by improvements in earnings. For example, 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.

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 2023, the net carrying amount of the loan exposures (less impairments) totaled approximately € 2.4 billion, consisting of € 1.90 billion (2022: € 1.91 billion) in Swiss franc loans, € 0.4 billion (2022: € 0.4 billion) in euro loans and € 0.01 billion (2022: € 0.02 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 2023, as in previous years, the business environment was marked by the legal dispute between customers with Swiss franc-denominated residential mortgage loans and banks. A provision was recognized in the amount of € 1,652 million (2022: € 803 million) on account of this still-pending legal issue.

Polish banks received considerable support from interest rates in the first few months of 2023. The banks' net interest margin (NIM) continued to rise, while the higher interest rates have not yet caused any significant deterioration in asset quality. The interest rate cuts in September and October totaled 100 basis points.

Loan growth was moderate in 2023 with a slight recovery in mortgage sales thanks to the government's subsidy program, while deposit growth accelerated.

The unfavorable ruling of the Court of Justice of the European Union on CHF loans in June 2023 undoubtedly prompted the banks to significantly increase provisions for legal risks in the first half of 2023.

Branches and representative offices

RBI AG operates a total of six branches in Bratislava, Frankfurt, London, Warsaw, Singapore and Beijing. As service branches, these branches support RBI AG in Vienna and the network banks in customer care and sales activities. In addition to these branches, RBI AG also operates representative offices in Paris, Stockholm, Mumbai, Seoul and Ho Chi Minh City.

RBI AG has a branch in Poland. The Polish portfolio mainly comprises retail customers' foreign-currency mortgage loans. The branch focuses on the administration of the foreign currency loans until their maturity, and additionally takes over the role of liquidator for selected investment funds. It also develops digital solutions for the market and investment banking business, as well as digital cloud solutions for RBI AG. In 2022, a competence center was also established for the core banking system Temenos T24.

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

The Beijing branch operates as a service branch and supports RBI AG and the network banks in customer service and sales activities relating to China. The Belt and Road initiative, under which the branch concluded various cooperation agreements with leading Chinese banks and funds as well as major companies and other financial institutions, is an important driver for international trade and direct investments between Central and Eastern Europe and China. The branch in Beijing serves Chinese state companies, financial institutions and major private companies by providing access from and to RBI AG's home markets. Business cooperation was intensified in the last year. In particular, RBI AG is increasingly involved in the transcontinental cash management and trading business of these companies and financial institutions, and is well positioned to offer local banking products in CEE to support the increasing Chinese investments in certain sectors.

The Frankfurt branch office successfully continued its consulting and structuring services in various forms of working capital financing, as well as its local sales-support activities for RBI AG in its business with subsidiaries of German corporate customers, especially in CEE. In 2023, further working capital financing mandates were secured and implemented for customers in RBI AG's focus markets, and business was further developed. In addition to winning new customers, another key task in the corporate customer business involves providing sales support for RBI AG's network, in close collaboration with the corporate customer departments of the RBI Group. The increasing demand from German SME corporate customers for contact points in Germany reflects customers' centralization of administration functions and decision-making authorities. Building contacts with decision makers at customers' head offices strengthens customer relationships in CEE and opens up cross-selling potential.

RBI AG has been present in London since 1989 and offers a broad range of services for different customer segments. Institutional customers are served by our Capital Market Bond Desk, which offers primary and secondary sales of sovereign and corporate bonds, including special CEE and CIS bonds in local currencies, as well as private placements and structured products. A special focus is on fund financing and alternative investments, where we offer products such as subscription credit facilities as part of our global asset-based finance activities. Our corporate desk provides corporate customers based in the United Kingdom and Ireland with an extensive range of financial products and services offered by RBI AG and the Group's network banks. The London branch is licensed and supervised by the Financial Conduct Authority. Petr Polach was appointed the new General Manager of RBI's London branch with effect from October 2023.

The branch in Slovakia, which was established in 2017 as a branch of Raiffeisen Centrobank AG, was acquired by and integrated into RBI AG as part of the spin-off process to acquire Raiffeisen Centrobank AG's Certificates and Equity Trading banking division, and was registered with the commercial register on 1 December 2022. The branch covers a broad range of services and structured products (certificates) for retail customers of Tatra banka a.s. in Slovakia. Following the integration into RBI AG, it has extended its range of services to include Group procurement services and Group reporting services.

Financial Performance Indicators

Statement of Financial Position

RBI AG's total assets were down € 10,290,662 thousand, or 11.1 per cent, to € 82,323,950 thousand in the 2023 financial year. On the assets side, the decrease is mainly due to lower balances at central banks. On the liabilities side, it mostly relates to a decline in liabilities to credit institutions, among other things due to the repayment of ECB targeted longer-term refinancing operations (TLTRO III).

The € 10,389,719 thousand decrease in cash reserves and balances at central banks to € 9,986,223 thousand resulted mainly from reduced investment of surplus liquidity in the form of deposits at the Austrian National Bank and the repayment of ECB targeted longer-term refinancing operations (TLTRO III) due to the interest rate level.

Treasury bills and other bills eligible for refinancing with the central bank increased € 1,982,729 thousand to € 8,780,884 thousand in the past financial year, mainly as a result of the higher volume of government bonds.

Loans and advances to credit institutions remained virtually unchanged relative to the previous year-end, with a moderate € 92,084 thousand rise to € 13,583,574 thousand. Within this, loans and advances repayable on demand showed an increase of € 23,744 thousand and other loans and advances an increase of € 68,339 thousand.

Loans and advances to customers decreased € 2,163,781 thousand, or 7.2 per cent, to € 27,699,949 thousand. The decline mainly reflected a € 2,565,603 thousand reduction in the loan volume. This contrasted with a € 319,794 thousand increase in repo and lending business. Value adjustments to loans and advances to customers were down € 23,188 thousand.

Debt securities and other fixed-income securities decreased € 1,016,072 thousand year-on-year, or 21.2 per cent, to € 3,777,295 thousand. Own debt securities held as assets declined a significant 41.6 per cent, or € 1,041,922 thousand, to € 1,459,890 thousand.

Shares in affiliated companies increased € 587,572 thousand to € 10,262,525 thousand. This mainly relates to a write-up at AO Raiffeisenbank, RU, in connection with the activities described in the Outlook section.

Other assets increased € 437,800 thousand, with a year-end carrying amount of € 6,989,545 thousand. This is mainly due to higher dividends receivable amounting to € 1,200,000 thousand. There was also an increase in accrued interest from derivatives in the banking book, which were up € 207,990 thousand. In contrast, there was a significant decrease of € 1,230,616 thousand, or 25.5 per cent, in positive market values from derivative financial instruments in the trading book.

On the liabilities side, liabilities to credit institutions showed a significant decline of € 8,615,488 thousand, or 24.4 per cent, to € 26,684,646 thousand. Liabilities to credit institutions represent a significant source of funding for RBI AG, at 32 per cent of total assets.

Long-term money market transactions decreased € 7,609,301 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 in the past year, resulting in a repayment in the full amount of € 4,925,000 thousand in the 2023 financial year. Long-term money market transactions were also down on the previous year-end, with a decrease of € 2,757,023 thousand. Short-term giro and clearing business showed a decline of € 1,404,810 thousand. Conversely, short-term interbank money market transactions increased € 393,066 thousand.

Liabilities to customers decreased € 3,195,963 thousand, or 13.8 per cent, to € 19,901,522 thousand. The decrease is mainly due to lower long-term money market transactions and time deposits, which were down € 1,198,139 thousand and € 1,685,923 thousand, respectively, on the previous year-end. Short-term giro and clearing business was also down, with a decrease of € 427,684 thousand.

Securitized liabilities and supplementary capital according to CRR rose € 1,020,608 thousand, or 5.6 per cent, year-on-year to € 19,186,946 thousand. Funds raised through new issues totaled € 4,076,008 thousand in 2023 (2022: € 4,300,265 thousand). In contrast, retirements of securitized liabilities from scheduled and early repayments amounted to € 3,055,381 thousand in 2023 (2022: € 340,217 thousand). During the reporting year, RBI AG issued an unsecured, non-subordinated senior non-preferred bond for € 500,000 thousand with a maturity of five years.

Other liabilities decreased € 807,482 thousand year-on-year to € 4,572,765 thousand. This mainly relates to € 1,390,144 thousand lower negative market values from derivative financial instruments in the trading book. Liabilities from short positions in trading increased € 474,086 thousand. Accruals on derivatives in the banking book were also up € 204,931 thousand.

The provisions included provisions of € 51,174 thousand for severance payments (31/12/2022: € 51,039 thousand), provisions of € 61,475 thousand for pensions (31/12/2022: € 61,150 thousand), tax provisions of € 18,253 thousand (31/12/2022: € 10,356 thousand), and other provisions of € 816,794 thousand (31/12/2022: € 644,358 thousand). The increase in tax provisions is mainly due to the allocation to the provision for corporation tax for 2023 in the amount of € 8,150 thousand. The rise in other provisions mainly relates, in the amount of € 192,881 thousand, to higher provisions for litigation risks, the main item being the provision for litigation risks due to litigation concerning foreign currency loans in Poland. Provisions for guarantee loans and provisions for operational risk/losses/other decreased compared to the previous year.

Total risk exposure at year-end 2023 was € 40,461,266 thousand (2022: € 41,903,360 thousand). Of that amount, credit risk accounted for € 34,625,104 thousand (2022: € 35,802,082 thousand), market risk for € 2,598,770 thousand (2022: € 2,249,908 thousand), and operational risk for € 3,033,801 thousand (2022: € 2,904,518 thousand). Total risk exposure was down around € 1,442,094 thousand year-on-year.

Common equity tier I (CET1) capital was up to € 8,098,538 thousand at year-end 2023 (2022: € 7,315,696 thousand). Tier 1 capital amounted to € 9,705,412 thousand (2022: € 8,926,870 thousand). RBI AG issued no additional tier 1 capital in 2023. Tier 2 capital amounted to € 1,990,443 thousand (2022: € 2,252,687 thousand). All in all, total capital amounted to € 11,695,855 thousand, a year-on-year rise of € 516,298 thousand. The CET1 ratio improved relative to the previous year's figure to 19.9 per cent (2022: 17.3 per cent). The tier 1 ratio was 23.9 per cent and thus increased 2.8 percentage points year-on-year. The total capital ratio was 28.8 per cent (2022: 26.6 per cent). All capital ratios were sufficiently above the respective requirements (including all buffer and Pillar 2 requirements).

The committed capital reserves of € 4,334,726 thousand (31/12/2022: € 4,334,286 thousand) were virtually unchanged in the financial year. The uncommitted capital reserves amount to € 93,179 thousand (2022: € 94,779 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 2023. 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. The total number of own shares was 573,938 shares at year-end 2023 (2022: 510,450 shares). The increase is due to the market-making obligation of the Certificates and Equity Trading business division.

Retained earnings covered legal reserves of € 5,500 thousand (31/12/2022: € 5,500 thousand) and other free reserves of € 2,370,678 thousand (31/12/2022: € 1,680,918 thousand). Of the other free reserves, an amount of € 502,049 thousand (31/12/2022: € 403,914 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 € 98,135 thousand (31/12/2022: € 51,253 thousand) was allocated to other reserves in 2023 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.

The liability reserve of € 535,097 thousand was unchanged at year-end 2023 (31/12/2022: € 535,097 thousand).

Earnings performance

In the 2023 financial year, RBI AG reported a decrease in net interest income of 13.0 per cent, or € 63,046 thousand, to € 423,415 thousand. The interest rate environment during the reporting period was characterized by the increase in the ECB's key interest rates to 4.5 per cent at the end of 2023 (31/12/2022: 2.5 per cent). The decline in RBI AG's net income is due to the higher expense of refinancing the bank's own issues (including AT1 coupons) and volume-related declines in the corporate customer business.

The terms of existing longer-term refinancing transactions were also adjusted upwards in several steps over the course of the year, creating an incentive for early repayment. As of the end of 2023, RBI AG repaid all outstanding tranches of the ECB's TLTRO III program for a total of € 4,925,000 thousand.

Income from securities and participating interests increased € 1,222,098 thousand to € 1,786,418 thousand due to higher dividend income from affiliated companies. The income from participating interests in the 2023 financial year was mainly from RS Beteiligungs GmbH (€ 1,700,000 thousand).

The net amount of commissions payable and commissions receivable was up € 8,778 thousand to € 361,433 thousand. Much of the increase related to a € 39,706 thousand higher volume of transactions in clearing, settlement and payment services. Securities and custody business, on the other hand, decreased € 16,767 thousand, partly due to fee and commission expenses in

Certificates and Equity Trading, which is included for a full reporting period for the first time following the integration of Raiffeisen Centrobank AG in the previous year with a demerger date of 30 June 2022. Net fee and commission income from the loan and guarantee business was also down, falling € 9,851 thousand relative to the previous year. The foreign currency, notes/coins and precious metals business also decreased € 5,888 thousand in the financial year.

The net profit on financial operations was positive at € 56,806 thousand in the 2023 financial year, € 36,684 thousand below the previous year's level (2022: profit of € 93,490 thousand). This mainly reflected € 615,609 thousand lower net trading income from the valuation of certificates, included for a full financial year for the first time in 2023, from the former Raiffeisen Centrobank AG integrated as of the 30 June 2022 demerger date, and from other transactions. Net income from currency-based derivative, foreign currency and notes/coins business was also down, at € 49,564 thousand. Net trading income from interest-based derivative and securities transactions increased € 639,125 thousand in the 2023 financial year, again with a significant contribution from the integration of Raiffeisen Centrobank AG with valuation effects in connection with the hedging of certificates issued in the previous year.

Other operating income includes staff and administrative expenses passed on for services in the amount of € 145,207 thousand (2022: € 157,242 thousand), income from releases of provisions for impending losses from derivatives in the amount of € 19,517 thousand (2022: € 6,714 thousand), income from close-out fees for derivatives on the banking book in an amount of € 97,778 thousand (2022: € 16,963 thousand) and income from the release of other provisions in the amount of € 1,742 thousand (2022: € 3,980 thousand).

Operating income therefore totaled € 2,933,485 thousand, a 71.6 per cent increase year-on-year (2022: € 1,709,574 thousand).

Operating expenses were up 40.5 per cent relative to the 2022 financial year to € 2,165,988 thousand. Staff expenses increased € 85,751 thousand, or 20.4 per cent, to € 506,046 thousand. The increase in expenses for wages and salaries over the previous year reflects the inflation-related wage and salary rises and the larger headcount.

Other administrative expenses increased € 64,171 thousand, or 14.2 per cent, to € 516,183 thousand and consisted mainly of IT expenses of € 188,122 thousand (2022: € 161,453 thousand), consulting and audit fees of € 137,791 thousand (2022: € 78,684 thousand), rent of € 37,999 thousand (2022: € 35,460 thousand), and communication expenses of € 25,687 thousand (2022: € 18,863 thousand). Depreciation of tangible assets and intangible fixed assets showed a decrease of € 1,370 thousand to € 12,315 thousand in the reporting period (2022: € 13,685 thousand).

Other operating expenses increased a significant € 475,958 thousand in the past financial year to € 1,131,444 thousand. This includes provisions for impending losses on banking book derivatives in the amount of € 19,816 thousand (2022: € 62,582 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 € 873,400 thousand (2022: € 462,000 thousand) and expenses of € 157,002 thousand (2022: € 9,971 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 € 30,113 thousand (2022: € 57,944 thousand).

After deducting operating expenses from operating income, RBI AG generated an operating result of € 767,496 thousand for the 2023 financial year. This represents a year-on-year increase of € 599,400 thousand. As a consequence, the cost/income ratio (operating expenses divided by operating income) was 73.84 per cent (2022: 90.17 per cent).

Net income/expenses from the disposal and valuation of loans and advances and securities classified as current assets resulted in net income – in contrast to the previous year – of € 49,987 thousand (2022: net expense of € 164,641 thousand). This development was due, firstly, to positive valuation results and proceeds from disposals of securities held as current assets and banking book derivatives in the amount of € 149,120 thousand (2022: minus € 60,546 thousand) and, secondly, to an improvement in the valuation of loans and guarantees to minus € 99,133 thousand (2022: minus € 104,095 thousand).

With regard to individual loan loss provisions, RBI AG reported a net allocation to provisions of € 213,567 thousand, an increase of € 128,560 thousand compared to the previous year. The increase is mainly due to increased individual loan loss provisions, which became necessary due to the current economic trends in real estate financing. In contrast, the current financial year shows a positive trend in the risk assessment of non-defaulted loans and advances. The result was a net release of portfolio-based loss provisions in the current financial year in the amount of € 106,086 thousand (2022: net allocation of € 20,910 thousand). The decrease is due to the release of provisions recognized in the previous year for general political risks, notably the Russia sanctions and the Russian business managed from Vienna, in the amount of € 46,940 thousand (2022: minus € 22,862 thousand). A further contributor was the reversal of valuation allowances (special risk factors) in the amount of € 27,030 thousand due to reduced macroeconomic risks. In addition, there were net reversals in the current financial year due to the organic development of RBI AG's loan portfolio. Material and non-material contractual amendments generated book gains of € 1,560 thousand (2022: minus € 1,820 thousand). Net income from exceptional disposals of loan receivables amounted to minus € 1,124 thousand in the financial year (2022: minus € 2,311 thousand).

No losses on shares in investment funds were realized in the financial year (2022: € 162 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 € 646,712 thousand in the financial year, including € 604,249 thousand at AO Raiffeisenbank, RU. Shares in affiliated companies and equity participations were written down by a total of

€ 85,049 thousand in the financial year, including € 66,850 thousand at Raiffeisen Digital Bank AG, Vienna, and € 9,795 thousand at Fairo GmbH, Vienna. Disposals of shares in affiliated companies and equity participations resulted in net income of € 10,974 thousand in the financial year (2022: € 17 thousand). In total, € 572,637 thousand in gains (2022: € 965,955 thousand in losses) were reported on the valuation and disposal of shares in affiliated companies and equity participations.

As a result, the profit on ordinary activities for the year under review amounted to € 1,385,892 thousand (2022: loss of € 972,960 thousand).

The return on equity before tax (profit before tax divided by average equity in 2023, including AT1 instruments) was 14.0 per cent in the financial year (2022: minus 9.7 per cent).

The net reorganization loss of € 3,553 thousand shown for the 2022 financial year related to the demerger of Raiffeisen Centrobank AG for absorption in RBI AG.

The income tax item shows net income of € 14,410 thousand for the 2023 financial year (2022: income of € 5,531 thousand). This includes income from current income taxes of € 15,105 thousand (2022: income of € 5,859 thousand), deferred tax expense of € 631 thousand (2022: deferred tax income of € 504 thousand) and tax income for previous years of € 7,943 thousand (2022: expense of € 258 thousand). Also included in this item is foreign withholding tax in the amount of € 8,007 thousand (2022: € 574 thousand).

The return on equity after tax (net income after tax divided by average equity in 2023, including AT1 instruments) was 14.1 per cent (2022: minus 9.9 per cent).

The profit after tax in 2023 was thus € 1,396,461 thousand (2022: loss after tax of € 991,175 thousand).

After movements in reserves of minus € 688,135 thousand and profit of € 123,133 thousand brought forward from the previous year, net profit was € 831,459 thousand (2022: € 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 2023, the company's share capital amounted to € 1,003,265,844.05 and was divided into 328,939,621 voting common bearer shares. As at 31 December 2023, 573,938 (31 December 2022: 510,450) of those were own shares, and consequently 328,365,683 shares were outstanding at the reporting date.

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

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

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

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

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

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

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

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

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

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

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

The Annual General Meeting of 31 March 2022 also authorized the Management Board, under the provisions of § 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 30 September 2024), provided that the trading portfolio of shares purchased for this purpose does not at the end of any given day exceed 5 per cent of the company's respective share capital.

The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition. This authorization may be exercised in full or in part or also in several partial amounts by the company, by a subsidiary (§ 189a (7) UGB) or by third parties acting for the account of the company or a subsidiary.

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

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

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

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 → Sustainability & ESG → Sustainability Reports and also contains the disclosure for the parent company in accordance with § 243a of the UGB.

Research and Development

The current research and development activities of RBI AG are explained below with reference § 243 (3) 2 UGB. Due to the approach of developing products and technical solutions more centrally and subsequently making them available to all banks in the group, the activities in RBI are discussed in the following statements.

Digitalization

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

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

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

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

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

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

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

Innovation Areas

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

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

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

IT

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

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

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

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

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

Corporate Governance

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

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 Group Capital Management Committee is a sub-committee of the Group Asset/Liability Committee and analyses, controls and manages the regulatory capital ratios as well as the structural currency and interest rate 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 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.

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.

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	Risk	Measurement technique	Confidence level
Economic perspective			
Economic capital	Risk that unexpected losses from the economic point of view exceed the internal capital	The unexpected loss for the risk horizon of one year (economic capital) may not exceed the current value of the tier 1 capital.	99.90 per cent
Normative perspective			
Stress scenarios	Risk of falling below a sustainable tier 1 ratio throughout an economic cycle	Capital and earnings projection for a three-year planning period based on assumptions of a significant downturn in the economy	Around 95 per cent, based on potential management decisions to reduce risk temporarily or raise additional equity capital

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	31/12/2023	Share	31/12/2022	Share
Participation risk	5,796,364	76.2 %	5,115,770	74.9 %
Credit risk corporate customers	550,118	7.2 %	623,513	9.1 %
Market risk	301,253	4.0 %	300,540	4.4 %
Credit risk sovereigns	276,043	3.6 %	119,363	1.7 %
Owned property risk	114,187	1.5 %	98,625	1.4 %
Operational risk	101,310	1.3 %	126,056	1.8 %
Credit risk banks	73,565	1.0 %	78,222	1.1 %
Credit risk retail customers	17,013	0.2 %	29,913	0.4 %
CVA risk	13,984	0.2 %	16,703	0.2 %
Risk buffer	362,192	4.8 %	325,435	4.8 %
Total	**7,606,029**	**100.0 %**	**6,834,139**	**100.0 %**

The economic capital increased year on year to € 7,606,029 thousand. For RBI AG, the participation risk is the most material risk type in terms of amount. In addition to further increase in participation risk, also credit risk to sovereigns increased.

RBI AG uses a confidence level of 99.90 per cent to calculate economic capital.

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	31/12/2023	Share	31/12/2022	Share
Corporate customers	42,853,909	46.7 %	43,700,074	43.7 %
Project finance	2,562,816	2.8 %	2,382,088	2.4 %
Retail customers	2,797,094	3.0 %	3,572,301	3.6 %
Banks	22,863,788	24.9 %	21,757,362	21.7 %
Sovereigns	20,660,142	22.5 %	28,693,945	28.7 %
Total	**91,737,749**	**100.0 %**	**100,105,769**	**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 the total credit exposure according to internal corporate ratings (large corporates, mid-market and small corporates). For presentation purposes, the individual grades of the rating scale have been combined into nine main rating grades.

in € thousand		31/12/2023	Share	31/12/2022	Share
1	Minimal risk	1,454,211	3.4 %	2,316,588	5.3 %
2	Excellent credit standing	5,398,143	12.6 %	5,554,815	12.7 %
3	Very good credit standing	14,325,960	33.4 %	14,615,313	33.4 %
4	Good credit standing	12,479,463	29.1 %	11,481,652	26.3 %
5	Sound credit standing	5,469,893	12.8 %	6,139,146	14.0 %
6	Acceptable credit standing	1,858,430	4.3 %	1,814,903	4.2 %
7	Marginal credit standing	404,070	0.9 %	678,200	1.6 %
8	Weak credit standing/sub-standard	143,882	0.3 %	177,641	0.4 %
9	Very weak credit standing/doubtful	39,516	0.1 %	197,873	0.5 %
10	Default	1,279,396	3.0 %	722,432	1.7 %
NR	Not rated	943	– %	1,511	– %
Total		**42,853,909**	**100.0 %**	**43,700,074**	**100.0 %**

The total credit exposure for corporate customers decreased € 846,165 thousand compared to year-end 2022 to € 42,853,909 thousand.

The decline for corporate customers was primarily due to a reduction in credit and facility financing in Austria, France and Germany. The largest decline was recorded in rating grade 1 due to rating downgrades of individual Austrian customers and reduced credit exposures in Ireland. The decrease in rating grade 3 was due to reduced credit exposures in Germany, Great Britain and Hungary (partly due to rating downgrades to rating grade 4), which was partly offset by increased credit financing in Austria. The decline in rating grade 5 resulted from decreased credit exposures in Austria and rating downgrades of individual Austrian customers. Rating grade 4 recorded an increase due to new customers and increased credit exposures mainly in Germany, Switzerland, Great Britain, Hungary and China. The increase in defaulted loans was due to defaulted financing in the real estate sector.

The five grades rating model for project finance is based on the slotting criteria in accordance with EBA/RTS/2016/02. In June 2023, the model parameters for real estate financing were adjusted based on the current macroeconomic parameters (especially inflation expectations).

in € thousand		31/12/2023	Share	31/12/2022	Share
6.1	Excellent project risk profile – very low risk	1,562,846	61.0 %	1,229,865	51.6 %
6.2	Good project risk profile – low risk	565,445	22.1 %	940,681	39.5 %
6.3	Acceptable project risk profile – average risk	91,022	3.6 %	79,463	3.3 %
6.4	Poor project risk profile – high risk	152,988	6.0 %	0	– %
6.5	Default	190,514	7.4 %	132,080	5.5 %
NR	Not rated	0	– %	0	– %
Total		**2,562,816**	**100.0 %**	**2,382,088**	**100.0 %**

Credit exposure to loans reported under project financing showed a decline of € 180,728 thousand to € 2,562,816 thousand as at 31 December 2023. The increase in rating grade 6.1 resulted mainly from new financing in the Czech Republic and Germany as well as from rating upgrades of a German and Czech customer to rating grade 6.2. In addition to the rating downgrades to rating grade 6.1 the decline in rating grade 6.2 resulted from rating downgrades of individual customers to rating grade 6.3 in

Austria and Romania, to rating grade 6.4 in Germany and Austria and to rating grade 6.5 in Austria. The increase in rating grade 6.4 was also due to rating downgrades of an Italian customer from rating grade 6,3.

Credit portfolio – Retail customers

Credit exposure to retail customers according to internal rating:

in € thousand		31/12/2023	Share	31/12/2022	Share
0.5	Minimal risk	471,785	16.9 %	687,187	19.2 %
1.0	Excellent credit standing	367,028	13.1 %	616,399	17.3 %
1.5	Very good credit standing	121,710	4.4 %	246,033	6.9 %
2.0	Good credit standing	52,739	1.9 %	120,068	3.4 %
2.5	Sound credit standing	40,956	1.5 %	71,820	2.0 %
3.0	Acceptable credit standing	20,820	0.7 %	43,222	1.2 %
3.5	Marginal credit standing	11,573	0.4 %	30,910	0.9 %
4.0	Weak credit standing/sub-standard	7,063	0.3 %	15,134	0.4 %
4.5	Very weak credit standing/doubtful	17,113	0.6 %	20,223	0.6 %
5.0	Default	145,448	5.2 %	154,418	4.3 %
NR	Not rated	1,540,860	55.1 %	1,566,887	43.9 %
Total		**2,797,094**	**100.0 %**	**3,572,301**	**100.0 %**

The not rated credit exposure includes credit card limits in Austria.

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 May 2023, the rating model for credit institutions was adjusted in accordance to the EBA guidelines after approval of ECB.

in € thousand		31/12/2023	Share	31/12/2022	Share
1	Minimal risk	2,862,516	12.5 %	4,111,731	18.9 %
2	Excellent credit standing	2,606,044	11.4 %	7,274,225	33.4 %
3	Very good credit standing	13,887,198	60.7 %	8,394,710	38.6 %
4	Good credit standing	2,598,571	11.4 %	770,109	3.5 %
5	Sound credit standing	574,398	2.5 %	140,397	0.6 %
6	Acceptable credit standing	145,336	0.6 %	709,926	3.3 %
7	Marginal credit standing	23,291	0.1 %	161,898	0.7 %
8	Weak credit standing/sub-standard	91,680	0.4 %	2,035	– %
9	Very weak credit standing/doubtful	71,830	0.3 %	177,342	0.8 %
10	Default	2,874	– %	14,868	0.1 %
NR	Not rated	50	– %	123	– %
Total		**22,863,788**	**100.0 %**	**21,757,362**	**100.0 %**

Total credit exposure to banks as at 31 December 2023 amounted to € 22,863,788 thousand, an increase of € 1,106,427 thousand compared to year-end 2022. This increase resulted mainly from a rise in repo transactions in France, Ireland, Italy, Spain and Great Britain and was partly offset by a decrease of loans and advances in Austria, Russia and the Ukraine.

Rating grade 3 recorded the largest increase, due to rating downgrades of Austrian, German, French and Irish banks from rating grade 2 and individual Austrian banks from rating grade 1. This increase was partly offset due to the rating downgrade of an Italian bank to rating grade 4. The rating shifts are mainly due to the rating model change for credit institutions described above.

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		31/12/2023	Share	31/12/2022	Share
1	Excellent credit standing	1,410,157	6.8 %	25,323,328	88.3 %
2	Very good credit standing	17,536,045	84.9 %	2,125,793	7.4 %
3	Good credit standing	1,243,979	6.0 %	1,116,341	3.9 %
4	Sound credit standing	396,683	1.9 %	120,608	0.4 %
5	Average credit standing	33,926	0.2 %	365	– %
6	Mediocre credit standing	10,851	0.1 %	501	– %
7	Weak credit standing	2,388	– %	6	– %
8	Very weak credit standing	20	– %	118	– %
9	Doubtful/high default risk	18,429	0.1 %	236	– %
10	Default	7,664	– %	6,648	– %
NR	Not rated	0	– %	0	– %
Total		**20,660,142**	**100.0 %**	**28,693,945**	**100.0 %**

Credit exposure to sovereigns decreased € 8,033,803 thousand to € 20,660,142 thousand compared to year-end 2022, mainly due to decreased money market transactions with the Austrian national bank. In addition, there was a rating downgrade of Austria and the Austrian national bank from rating grade 1 to rating grade 2.

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	31/12/2023	Share	31/12/2022	Share
Austria	37,881,272	41.3 %	47,082,483	47.0 %
Germany	10,184,070	11.1 %	10,224,710	10.2 %
France	7,315,069	8.0 %	6,679,377	6.7 %
Spain	3,569,659	3.9 %	3,133,711	3.1 %
Great Britain	3,371,626	3.7 %	3,440,816	3.4 %
Switzerland	2,895,921	3.2 %	2,779,454	2.8 %
Poland	2,592,395	2.8 %	3,478,141	3.5 %
Luxembourg	2,499,501	2.7 %	2,805,857	2.8 %
Netherlands	2,245,376	2.4 %	2,238,861	2.2 %
Italy	2,183,659	2.4 %	1,971,632	2.0 %
Far East	1,960,166	2.1 %	1,840,064	1.8 %
Czech Republic	1,435,323	1.6 %	1,289,840	1.3 %
United States of America	1,287,412	1.4 %	1,337,870	1.3 %
Belgium	1,188,004	1.3 %	827,248	0.8 %
Romania	1,022,437	1.1 %	840,936	0.8 %
Other	10,105,862	11.0 %	10,134,770	10.1 %
Total	**91,737,749**	**100.0 %**	**100,105,769**	**100.0 %**

RBI AG's loan portfolio declined € 8,368,020 thousand to € 91,737,749 thousand. In Austria the decrease of € 9,201,211 thousand to € 37,881,272 thousand resulted mainly from reduced money market transactions and lower deposits at the Austrian national bank. France recorded an increase of € 635,692 thousand mainly due to increased repo transactions and bond portfolio. This increase was partly offset by decreased credit financing. The decrease in Poland resulted mainly from credit financing and reduced bond portfolio. Repo transactions and guarantees given in particular were responsible for the positive development in Spain. The € 360,755 thousand increase to € 1,188,004 in Belgium was mainly due to the bond portfolio.

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	31/12/2023	Share	31/12/2022	Share
Financial Intermediation	37,553,230	40.9 %	46,529,652	46.5 %
Manufacturing	13,656,018	14.9 %	13,776,882	13.8 %
Public administration and defense and social insurance institutions	8,611,974	9.4 %	7,162,072	7.2 %
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	8,424,477	9.2 %	8,551,650	8.5 %
Real estate, renting and business activities	7,376,120	8.0 %	7,869,158	7.9 %
Electricity, gas and water supply	3,211,969	3.5 %	2,867,694	2.9 %
Private households	2,722,226	3.0 %	3,442,487	3.4 %
Education; health and social work; other community, social and personal service activities	2,556,718	2.8 %	1,328,836	1.3 %
Construction	1,724,748	1.9 %	1,586,078	1.6 %
Agriculture, hunting and forestry; fishing; mining and quarrying	964,673	1.1 %	919,467	0.9 %
Transport, storage and communication	920,275	1.0 %	817,733	0.8 %
Other	4,015,322	4.4 %	5,254,060	5.2 %
Total	**91,737,749**	**100.0 %**	**100,105,769**	**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. If restructuring is necessary, problem loans are assigned either to a designated specialist or to a restructuring unit (workout department),which work independently of the market side and are also subject to a separate responsibility. Involving employees of the workout departments at an early stage can help reduce losses from problem loans and/or optimize the collateral structure of the loan.

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	**31/12/2023**	**31/12/2022**	**31/12/2023**	**31/12/2022**	**31/12/2023**	**31/12/2022**
General governments	177,808	169,037	18.2 %	19.7 %	2.7 %	3.0 %
Banks	2,733	4,931	– %	– %	36.2 %	58.3 %
Other financial corporations	378,964	155,584	4.2 %	1.6 %	27.9 %	29.3 %
Non-financial corporations	950,846	608,476	5.6 %	3.5 %	46.3 %	69.9 %
Households	110,584	119,046	7.6 %	5.5 %	81.0 %	84.7 %
Loans and advances	**1,620,935**	**1,057,075**	**3.2 %**	**1.7 %**	**39.5 %**	**54.9 %**
Bonds	**0**	**0**	**– %**	**– %**	**– %**	**– %**
Total	**1,620,935**	**1,057,075**	**2.6 %**	**1.5 %**	**39.5 %**	**54.9 %**

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 1/1/2023**	**Additions due to merger**	**Allocation**	**Release[2]**	**Usage[1]**	**Reclassifications, exchange differences[3]**	**As at 31/12/2023**
Individual loan loss provisions	**882,352**	**0**	**396,828**	**(183,781)**	**(153,502)**	**(4,640)**	**937,258**
Banks	2,873		513	(1,856)	(472)	(67)	991
Corporate customers	767,911		351,471	(118,775)	(148,300)	(13,502)	838,805
Retail customers	100,783		19,828	(35,628)	(4,313)	8,936	89,606
Sovereigns	4,999		4,204	(3,946)	(417)	0	4,840
Off-balance sheet obligations	5,787		20,812	(23,576)	0	(7)	3,016
Portfolio-based loan loss provisions	**293,991**	**0**	**585,970**	**(692,057)**	**0**	**6,542**	**194,446**
Banks	9,781		11,865	(20,800)	0	4,361	5,207
Corporate customers	200,308		485,010	(544,364)	0	267	141,221
Retail customers	35,110		7,140	(30,058)	0	2,071	14,263
Sovereigns	153		146	(160)	0	0	139
Off-balance sheet obligations	48,639		81,809	(96,675)	0	(157)	33,616
Total	**1,176,343**	**0**	**982,798**	**(875,838)**	**(153,502)**	**1,902**	**1,131,704**

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 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.

In previous years the global COVID-19 situation required increased monitoring of market trends and position changes for RBI AG. In 2022 the war in Ukraine provided the challenge for market risk management, which continued during 2023 as well. Active risk management and daily monitoring with a focus on the Russian, Ukrainian and Belarusian markets were necessary in order to adapt to the changed environment.

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 and theoretical market price changes of trading book

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. The IFRS-P&L model aims to measure short-term market fluctuations, while the ALL model focuses on measuring structural interest rate risks. 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 at 31/12/2023**	**Average VaR**	**Minimum VaR**	**Maximum VaR**	**VaR as at 31/12/2022**
Currency risk	275	741	172	1,421	386
Interest rate risk	938	1,343	518	2,445	707
Credit spread risk	1,559	1,390	469	3,365	2,331
Vega risk	463	326	85	973	91
Basis risk	904	965	420	1,997	1,402
Total	2,430	2,433	1,352	4,345	3,031

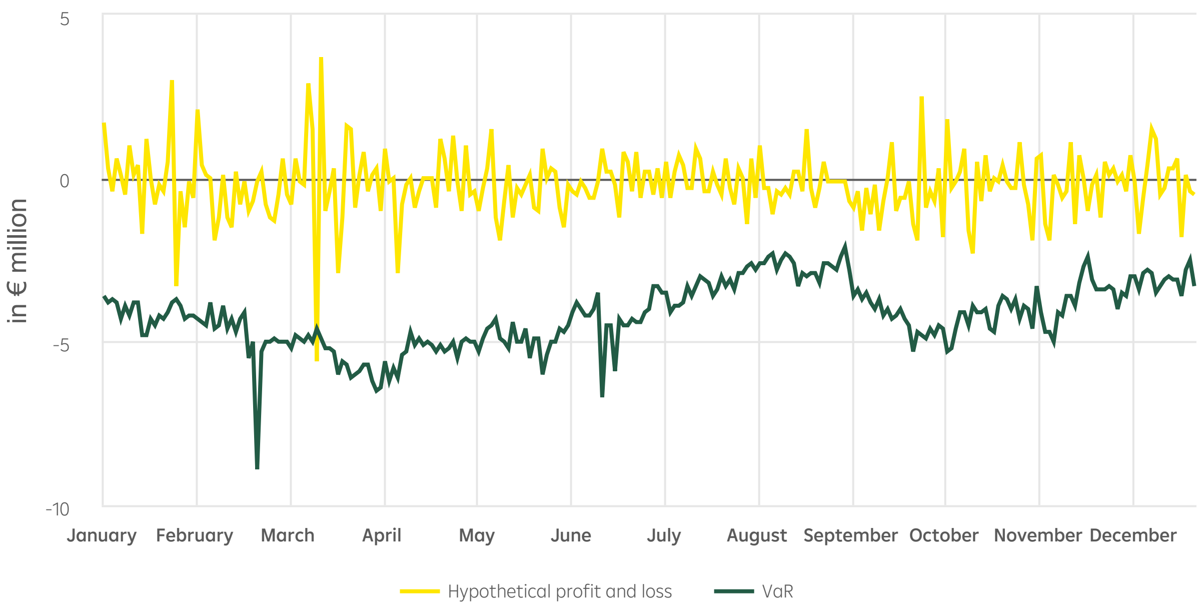
Model IFRS-P&L total VaR (99%, 1d) **in € thousand**	**VaR as at 31/12/2023**	**Average VaR**	**Minimum VaR**	**Maximum VaR**	**VaR as at 31/12/2022**
Currency risk	4,127	3,268	1,167	7,903	2,629
Interest rate risk	7,294	2,587	915	34,291	1,044
Credit spread risk	3,410	3,461	2,551	5,480	3,380
Vega risk	621	557	175	1,856	154
Basis risk	1,897	3,013	1,645	6,503	2,743
Total	11,299	7,573	5,415	37,155	5,557

Model ALL VaR (99%, 20d) **in € thousand**	**VaR as at 31/12/2023**	**Average VaR**	**Minimum VaR**	**Maximum VaR**	**VaR as at 31/12/2022**
Economic capital ALL	129,000	64,886	23,214	130,000	49,648
Vega risk ALL	7,231	9,178	4,478	18,483	11,297
Total ALL	**136,231**	**73,777**	**34,146**	**137,824**	**60,944**
Economic capital banking book	121,488	60,812	18,233	127,858	46,090
Vega risk banking book	6,907	8,883	4,398	17,856	10,991
Total banking book	**128,394**	**69,425**	**28,331**	**135,910**	**57,081**
Interest rate risk in the banking book	16,877	38,580	16,511	148,073	24,067

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 2023 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 und and theoretical market price changes of trading book



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.

31/12/2023 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	> 20 y
CHF	(10)	(1)	3	(10)	(3)	0	0	0	0	0	0	0
CNY	4	0	0	4	0	0	0	0	0	0	0	0
CZK	10	0	0	2	(1)	0	5	(1)	10	(2)	(1)	(1)
EUR	(49)	9	10	(3)	(5)	(31)	22	(32)	2	(21)	13	(13)
GBP	(4)	0	(2)	(1)	0	0	(1)	0	0	0	0	0
HRK	0	0	0	0	0	0	0	0	0	0	0	0
HUF	13	2	0	(4)	(2)	(1)	3	(2)	14	1	0	0
NOK	1	0	0	0	0	0	0	0	0	0	0	0
PLN	3	0	0	(8)	9	(1)	5	3	(4)	0	0	0
RON	(4)	0	0	0	0	(8)	4	0	0	0	0	0
RUB	(5)	0	(1)	0	(1)	0	(1)	0	(1)	0	0	0
USD	(1)	6	4	(13)	(12)	(4)	(16)	(5)	1	9	9	20
Other	44	(16)	(14)	33	17	44	(21)	37	(23)	14	(21)	(6)

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	> 20 y
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)
Other	(2)	0	0	0	(1)	(1)	0	0	0	0	0	0

Interest rate risk in the banking book

Different maturities and repricing schedules of assets and the corresponding liabilities (i.e. deposits and financing from money markets and capital markets) cause interest rate risk in 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.

31/12/2023 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	> 20 y
CHF	(73)	(21)	(1)	(2)	(3)	(1)	(3)	(13)	(9)	(13)	(6)	(1)
CNY	(2)	0	(1)	(1)	0	0	0	0	0	0	0	0
CZK	(20)	4	0	(5)	(4)	(5)	1	(8)	(3)	0	0	0
EUR	(323)	(2)	(24)	141	124	(2)	(69)	(138)	(78)	(137)	(146)	7
GBP	(5)	(2)	3	0	(1)	(7)	2	0	0	0	0	0
HUF	(6)	1	(3)	3	2	(1)	(9)	(1)	1	0	0	0
PLN	(12)	(2)	(6)	1	0	(2)	(3)	0	0	0	0	0
SGD	0	0	0	0	0	0	0	0	0	0	0	0
USD	20	2	(27)	7	0	3	15	11	8	1	0	0
Other	0	(1)	0	1	3	4	(1)	0	(1)	(2)	(3)	0

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	> 20 y
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
Other	(3)	(1)	0	0	0	1	3	0	0	(2)	(3)	0

Credit spread risk

The market risk management framework uses time-dependent bond and CDS-spread curves as risk factors in order to measure credit spread risks. It captures all capital market instruments in the trading and banking book.

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

Despite the ongoing war in Ukraine and intense media coverage of RBI, the liquidity position remained stable throughout 2023. In response to the unstable environment, several decisions were made and implemented in 2023 to establish an additional liquidity buffer.

These decisions included increasing buffers in selected currencies and adjusting models based on observed statistics from previous years and the reporting year. Ongoing analysis, monitoring, and scenario analysis for potential adverse developments have been implemented.

The ILAAP framework and governance once again proved to be solid and functioning even in times of crisis. Daily monitoring of the liquidity position using dynamic dashboards showed that the infrastructure and monitoring are effective and support quick reactions 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. For market crisis scenario a special model for assessment of the potential liquidity outflow due to margin calls is in place. This model relies on Value-at-Risk calculations to estimate the potential depreciation of derivative portfolios involving counterparties with CSA or variation margin agreements. By incorporating this outflow into the liquidity risk stress test, a corresponding buffer is maintained to account for potential margin calls in extremely adverse situations.

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	31/12/2023		31/12/2022	
Maturity	**1 month**	**1 year**	**1 month**	**1 year**
Liquidity gap	10,849,049	12,837,604	9,791,000	6,063,994
Liquidity ratio	125 %	115 %	120 %	106 %

Liquidity coverage ratio (LCR)

The liquidity coverage ratio (LCR) requires the short-term resilience of banks by ensuring that they have an adequate stock of unencumbered high-quality liquid assets (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	31/12/2023	31/12/2022
Average liquid assets	**20,480,949**	**26,465,842**
Net outflows	**13,404,737**	**17,341,910**
Inflows	9,716,429	9,032,834
Outflows	23,121,167	26,374,744
Liquidity Coverage Ratio	**153 %**	**153 %**

Despite the increased volume of own issuance and the decrease in the loan portfolio, LCR remained unchanged compared to year-end 2022 as these effects were offset by the repayment of the TLTRO instruments.

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	31/12/2023	31/12/2022
Required stable funding	40,558,033	41,960,579
Available stable funding	47,374,467	46,603,649
Net Stable Funding Ratio	**117 %**	**111 %**

The increase of NSFR compared to year-end 2022 was mainly due to increased volume of own issuance and decreased loan portfolios.

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, Technology 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 Archer (an overall non-financial risk platform) 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 2023, the equity requirement was calculated using the standardized 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 and by Technology Risk Management. Financial Crime Management provides support for the prevention and identification of fraud. Technology Risk Management has an important role in defining and monitoring IT risks. 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, but do not include any loss events that are already reflected in the credit risk provisions:

in € thousand	31/12/2023	Share	31/12/2022	Share
Clients, Products and Business Practices	916,408	99.4 %	512,051	99.1 %
External Fraud	370	0.0 %	1,808	0.3 %
Disasters and Public Safety	4,089	0.4 %	1,546	0.3 %
Excecution, Delivery and Process Management	584	0.1 %	1,136	0.2 %
Employment Practices and Workplace Safety	137	0.0 %	144	0.0 %
Technology and Infrastructure Failures	245	0.0 %	1	0.0 %
Total	**921,833**	**100.0 %**	**516,686**	**100.0 %**

Number of OpRisk events	31/12/2023	Share	31/12/2022	Share
Clients, Products and Business Practices	894	24.3 %	323	6.1 %
External Fraud	2,548	69.2 %	4,670	88.7 %
Disasters and Public Safety	63	1.7 %	12	0.2 %
Excecution, Delivery and Process Management	161	4.4 %	214	4.1 %
Employment Practices and Workplace Safety	7	0.2 %	43	0.8 %
Technology and Infrastructure Failures	8	0.2 %	2	0.0 %
Total	**3,681**	**100.0 %**	**5,264**	**100.0 %**

Internal control and risk management system in relation 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)
- VEGA (Certificates and Equity-Trading)
- 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 the accounting systems 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 via the online platform Verlautbarungs- und Informationsplattform (EVI) 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.

RBI yearly publishes the annual report. During the year external reports are available quarterly 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

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

Central Europe

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

Southeastern Europe

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

Eastern Europe

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

Austria

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

Banking sector in Austria

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

CEE banking sector

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

RBI AG’s outlook for 2024

The outlook assumes that interest rates for the main currency, the euro, will decline slightly starting in 2024. We also expect USD interest rates to fall slightly by the end of 2024. Interest rates are expected to decrease further in the coming years.

The eurozone economy is expected to grow 1.5 per cent in 2024, with Austria growing at a slightly slower rate of 1.4 per cent. A similar economic situation is expected for 2025 and 2026. In addition, inflation is forecast to start falling in 2024 after having peaked in 2022 and 2023.

We expect net interest income to trend downward. Margins on customer deposits benefited from the rapid rise in EUR and USD interest rates in 2023. Deposit rates are expected to be adjusted due to market developments in 2024, which will reduce this positive effect. In addition, higher risk premiums for new issues have a negative impact on net interest income.

The average customer loan volume is expected to remain stable or increase slightly. Commission business is expected to decline in 2024 after booking exceptionally high income in the cross-border Russia business from payment transaction commissions and exchange differences in 2022 and 2023. Except for Russia, earnings in core markets and core products are expected to trend upward with support from the implementation of the AT 2025 strategy.

In terms of operating expenses, we expect staff expenses to rise due to inflation. We are planning for non-staff expenses to increase at the average of the inflation rate in 2023 and the forecast inflation in 2024.

The risk costs are based on expected loss levels, macroeconomic assumptions and risk model forecasts. The sanctions and compliance risk for Russia is closely monitored for all transactions. The volume of cross-border Russia business is expected to continue to decrease.

RBI has decided to acquire shares in STRABAG SE

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

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

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

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

Russia and Belarus

In 2023, RBI continued to work on a spin-off or sale of AO Raiffeisenbank. Both alternatives require numerous approvals from various Russian and European authorities, and from the respective central banks. In the meantime, business activities in Russia will be further reduced.

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

Statement of the board of Management pursuant to § 82 (4) Z 3 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.

Qualified electronically signed by:

Vienna, 12 February 2024
The Management Board

Johann Strobl m.p.

Marie-Valerie Brunner m.p.

Andreas Gschwenter m.p.

Łukasz Januszewski m.p.

Hannes Mösenbacher m.p.

Andrii Stepanenko m.p.

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 2023, the income statement, and notes to the consolidated financial statements.

In our opinion, the accompanying financial statements comply with legal require-ments and give a true and fair view of the financial position of the company as at 31 December 2023, and of its financial performance and 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 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 in a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these 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 27,7 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 Bank 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 losses determined for various weighted scenarios. 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 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 methodology 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.

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 with regard to the main characteristics relevant for the categorisation of the loans, such as quality, type of supervision, rating and level allocation as well as the development of risk provisions at customer and portfolio level 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, 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 10.3 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 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 an impairment or whether a reversal of a previous impairment is required.

Partly internal and partly external valuations are used to determine the recoverable amount. The valuations are based on assumptions and estimates regarding future business development and resulting returns to owners, especially in the form of dividends. The expected business performance is 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. 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. 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.

- 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 2023, the Bank has recorded provisions (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 1,652 million.

The Bank describes the legal risks, the procedure for determining the provisions 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 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 from the lawyers engaged by the Bank for this subject matter and critically assessed this information.

- We have reviewed the current 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 annual financial statements, the management report, the consolidated financial statements, the group management report and the related auditor's reports.

Our audit opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information mentioned above and assess whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears misleading.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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 relevant, actions taken to eliminate hazards or safeguards applied.

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 31 March 2022 for the fiscal year ending on 31 December 2023 and mandated by the chairman of the Supervisory Board on 31 March 2022. Furthermore, we were elected as auditor at the annual general shareholders' meeting on 30 March 2023 for the subsequent fiscal year and mandated by the chairman of the Supervisory Board on 31 March 2023. 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.

Qualified electronically signed by:

Vienna, 13 February 2024

Deloitte Audit Wirtschaftsprüfungs GmbH

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.