

RAIFFEISEN BANK
INTERNATIONAL

ANNUAL
FINANCIAL REPORT
2019



Overview

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

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

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

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With cooperation of Group Investor Relations (parts of management report), Integrated Risk Management (parts of risk report)

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Consolidated financial statements

Company

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

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

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

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

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

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

Statement of comprehensive income

Income statement

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

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

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

Earnings per share

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

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

Other comprehensive income and total comprehensive income

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

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

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

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

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

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

Statement of financial position

Assets

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

Equity and liabilities

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

Statement of changes in equity

Changes in equity

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

Development of cumulative other comprehensive income

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

in € thousand	Remeasurements reserve acc. to IAS 19	Exchange differences	Net investment hedge	At fair value OCI	
				Cash flow hedge	
As at 1/1/2018	609	(2,840,002)	52,987	(8,019)	69,651
Unrealized net gains/losses of the period	(27,032)	0	0	0	30,113
Items that may be reclassified subsequently to profit or loss	0	(300,261)	42,988	(5,731)	(27,989)
Net gains/losses reclassified to income statement	0	63,495	13,869	13,417	0
As at 31/12/2018	(26,423)	(3,076,768)	109,845	(334)	71,774
Unrealized net gains/losses of the period	(19,318)	0	0	0	92,360
Items that may be reclassified subsequently to profit or loss	0	316,172	(51,089)	3,101	44,576
Net gains/losses reclassified to income statement	0	(8,077)	0	0	0
As at 31/12/2019	(45,741)	(2,768,673)	58,756	2,767	208,710
hereof related deferred taxes	1,432	–	0	(2,154)	(17,064)
in € thousand		Fair value option	At equity	Deferred taxes	Total
As at 1/1/2018		(79,957)	2,837	(5,841)	(2,807,735)
Unrealized net gains/losses of the period		33,692	(19,413)	1,843	19,202
Items that may be reclassified subsequently to profit or loss		0	(7,163)	1,797	(296,360)
Net gains/losses reclassified to income statement		0	0	0	90,781
As at 31/12/2018		(46,265)	(23,739)	(2,202)	(2,994,112)
Unrealized net gains/losses of the period		(21,766)	29,306	(8,838)	71,744
Items that may be reclassified subsequently to profit or loss		0	1,328	(3,558)	310,530
Net gains/losses reclassified to income statement		0	0	0	(8,077)
As at 31/12/2019		(68,031)	6,895	(14,598)	(2,619,915)
hereof related deferred taxes		0	3,188	–	(14,598)

Statement of cash flows

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

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

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

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

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

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

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

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

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

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

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

Segment reporting

Segment classification

Segmentation principles

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

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

The following segments resulted thereof:

Central Europe

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

Southeastern Europe

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

Eastern Europe

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

Group Corporates & Markets

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

Corporate Center

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

Assessment of segment profit/loss

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

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

Profitability

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

Efficiency

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

Constraints

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

Business mix

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

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

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

Segment performance

2019 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	830,182	866,873	1,142,457	598,204
Dividend income	5,190	8,168	1,501	16,746
Current income from investments in associates	4,839	0	0	858
Net fee and commission income	440,617	417,238	557,428	394,450
Net trading income and fair value result	25,849	39,268	32,179	34,682
Net gains/losses from hedge accounting	11	(481)	0	453
Other net operating income	(19,200)	5,348	3,224	130,129
Operating income	1,287,489	1,336,414	1,736,789	1,175,522
General administrative expenses	(730,417)	(720,674)	(720,824)	(699,589)
Operating result	557,072	615,740	1,015,965	475,933
Other result	(57,106)	(40,390)	(17,150)	(30,999)
Levies and special governmental measures	(59,756)	(25,060)	0	(20,520)
Impairment losses on financial assets	(38,220)	(69,710)	(58,927)	(63,719)
Profit/loss before tax	401,990	480,580	939,889	360,695
Income taxes	(111,703)	(70,589)	(204,794)	(77,814)
Profit/loss after tax	290,287	409,991	735,095	282,881
Profit attributable to non-controlling interests	(69,412)	3,009	(54,615)	(4,441)
Profit/loss after deduction of non-controlling interests	220,875	412,999	680,480	278,440
Return on equity before tax	11.3%	18.9%	41.3%	9.4%
Return on equity after tax	8.1%	16.1%	32.3%	7.4%
Net interest margin (average interest-bearing assets)	2.09%	3.63%	5.84%	1.23%
Cost/income ratio	56.7%	53.9%	41.5%	59.5%
Loan/deposit ratio	98.0%	74.6%	83.6%	147.6%
Provisioning ratio (average loans to customers)	0.13%	0.46%	0.44%	0.57%
NPE ratio	2.4%	3.0%	2.0%	1.7%
NPE coverage ratio	58.6%	69.9%	60.0%	55.9%
Assets	42,093,613	26,986,357	23,380,652	53,705,533
Risk-weighted assets (total RWA)	22,114,216	15,903,103	15,054,121	24,580,808
Average equity	3,561,913	2,548,265	2,274,371	3,841,523
Loans to customers	29,603,275	15,914,939	14,465,387	29,719,794
Deposits from customers	31,966,614	21,529,357	17,712,306	27,600,716
Business outlets	391	894	732	23
Employees as at reporting date (full-time equivalents)	9,915	14,480	18,356	2,908
Customers in million	2.7	5.4	6.7	2.0

Significant changes in profit/loss are described below:

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

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

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

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

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

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

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

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

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

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

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

Notes

Principles underlying the consolidated financial statements

Principles of preparation

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

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

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

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

Key sources of estimation uncertainty and critical accounting judgments

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

Impairment in the lending business

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

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

Fair value of financial instruments

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

Provision for pensions and similar obligations

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

Impairment of non-financial assets

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

Deferred tax assets

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

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

Control

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

Interests in structured entities

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

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

Application of new and revised standards

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

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

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

RBI as lessee

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

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

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

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

RBI as lessor

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

IFRS 16 transition

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

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

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

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

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

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

Specifically, the amendments include:

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

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

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

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

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

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

Foreign currency translation

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

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

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

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

The following exchange rates were used for currency translation:

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

Notes to the income statement

(1) Net interest income

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

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

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

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

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

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

(2) Dividend income

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

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

(3) Current income from investments in associates

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

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

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

(4) Net fee and commission income

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

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

Excluding the Polish core banking operations, the year-on-year changes were as follows: The largest growth was reported in net income from clearing, settlement and payment services, which increased 11 per cent or € 76,611 thousand to € 756,579 thousand as a result of volume, margin and currency effects. Russia, Hungary and Ukraine reported the largest increases. Net income from loan and guarantee business was also up € 50,406 thousand to € 217,565 thousand, mainly at head office, due to early loan repayments. Net income from foreign exchange business rose € 36,062 thousand to € 374,973 thousand, which mostly reflected margin-related growth in Russia, Hungary and Serbia. Other net fee and commission income was down € 38,034 thousand, largely as a result of a change in disclosure in net fee and commission income in connection with income from insurance

products and income from clearing, settlement and payment services in the Czech Republic and Slovakia. Income from customer resources distributed but not managed also fell € 4,854 thousand to € 44,652 thousand, primarily in Romania.

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

(5) Net trading income and fair value result

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

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

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

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

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

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

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

(6) Net gains/losses from hedge accounting

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

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

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

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

(7) Other net operating income

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

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

(8) General administrative expenses

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

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

Staff expenses

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

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

Expenses for severance payments and retirement benefits

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

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

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

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

Other administrative expenses

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

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

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

Depreciation of tangible and intangible fixed assets

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

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

(9) Other result

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

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

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

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

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

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

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

MPREAL: MP Real Invest a.s., Bratislava (SK)

BBCNS: BUILDING BUSINESS CENTER DDO NOVI SAD, Novi Sad (RS)

RFHK: RB International Finance (Hong Kong) Ltd, Hong Kong (HK)

KHDKAS: KHD a.s., Prague (CZ)

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

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

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

Details are shown under (69) Group composition.

(10) Levies and special governmental measures

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

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

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

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

(11) Impairment losses on financial assets

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

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

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

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

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

(12) Income taxes

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

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

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

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

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

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

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

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

Notes to the statement of financial position

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

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

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

(14) Financial assets – amortized cost

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

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

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

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

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

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

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

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

in € thousand	2019	2018
Visa Inc., San Francisco (US), Class C Common Stock and Series C Preferred Shares	71,061	36,797
Valida Pension AG, Vienna (AT), Investment fund - Valida Nostro 100 (AT0000A1H088)	–	34,217
CEESEG Aktiengesellschaft, Vienna (AT), ordinary shares	23,414	23,116
Medicur - Holding Gesellschaft m.b.H., Vienna (AT), company shares	21,590	19,977
Valida Pension AG, Vienna (AT) Investment fund - PID2 (AT0000767622)	–	19,940
Valida Pension AG, Vienna (AT) Investment fund - VANL7 (AT0000A1G41G)	–	19,777
DZ BANK AG, Frankfurt am Main (DE), Deutsche Zentral-Genossenschaftsbank ordinary shares	12,816	12,953
PSA Payment Services Austria GmbH, Vienna (AT), company shares	9,260	10,933
Other	90,475	98,373
Total	228,616	276,082

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

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

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

1 Previous-year figures adjusted due to change in classification

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

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

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

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

(18) Financial assets – held for trading

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

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

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

(19) Hedge accounting

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

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

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

(20) Investments in subsidiaries and associates

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

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

Investments in associates valued at equity are as follows:

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

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

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

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

Financial information on associates valued at equity is as follows:

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

1 Consolidated financial statements: Profit and equity is after deduction of non-controlling interests.

CCSB: card complete Service Bank AG, Vienna (AT)

EMCOM: EMCOM Beteiligungs GmbH, Vienna (AT)

LLI: LEIPNIK-LUNDEBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna (AT)

NTB: NOTARTREUHANDBANK AG, Vienna (AT)

OeKB: Österreichische Kontrollbank Aktiengesellschaft, Vienna (AT)

OEHT: Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna (AT)

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

1 Consolidated financial statements: Profit and equity is after deduction of non-controlling interests.

2 Figures as at 30 September 2019 because UNIQA is a listed company and has not yet published its full 2019 consolidated financial statements. Fair value of the shares held and based on stock exchange price as at 31 December 2019 amounted to € 305,557 thousand (2018: € 264,065 thousand).

POSO: Posojilnica Bank eGen, Klagenfurt (AT)

PSS: Prva stavebná spoločnosť a.s., Bratislava (SK)

RIZ: Raiffeisen Informatik GmbH & Co KG, Vienna (AT)

R-Leasing: Raiffeisen-Leasing Management GmbH, Vienna (AT)

UNIQA: UNIQA Insurance Group AG, Vienna (AT)

(21) Development of fixed assets

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

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

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

Fixed assets developed as follows:

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

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

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

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

Software

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

Goodwill

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

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

1 Calculated with average exchange rates

RBCZ: Raiffeisenbank a.s., Prague (CZ)

RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

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

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

1 Calculated with average exchange rates

RBCZ: Raiffeisenbank a.s., Prague (CZ)

RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

Impairment test for goodwill

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

Recoverable value

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

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

The calculation of the recoverable amount is based on a five-year detailed planning period. The sustainable future growth (stabilization phase) is based on the premise of perpetuity (perpetual annuity); in the majority of cases country nominal growth rates of earnings are assumed, which are based on the long-term expected rate of inflation. For companies that have a significant over-capitalization an interim period of five years is defined, but without extending the detailed planning phase. Within this period, it is possible for these CGUs to make full payments without violating the capital adequacy requirements. In the stabilization phase,

profit retention relating to growth while ensuring compliance with capital requirements is imperative. If, however, zero growth is assumed in the stabilization phase, no profit retention is required.

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

Key assumptions

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

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

RBCZ: Raiffeisenbank a.s., Prague (CZ)

RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

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

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

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

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

RBCZ: Raiffeisenbank a.s., Prague (CZ)

RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

Sensitivity analysis

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

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

RBCZ: Raiffeisenbank a.s., Prague (CZ)

RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

Brand

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

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

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

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

Customer relationships

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

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

(22) Tax assets

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

Net deferred taxes were derived from the following items:

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

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

(23) Other assets

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

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

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

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

(24) Financial liabilities – amortized cost

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

in € thousand	2019	2018
Deposits from banks	23,582,454	23,959,843
Current accounts/overnight deposits	10,864,209	9,993,571
Deposits with agreed maturity	11,731,323	13,228,746
Repurchase agreements	986,922	737,526
Deposits from customers	95,910,514	86,623,218
Current accounts/overnight deposits	64,759,794	58,705,626
Deposits with agreed maturity	31,071,365	27,789,768
Repurchase agreements	79,354	147,825
Debt securities issued	8,779,634	7,966,769
Certificates of deposits	796	778
Covered bonds	1,321,263	726,560
Hybrid contracts	220	369
Other debt securities issued	7,457,355	7,239,063
hereof convertible compound financial instruments	1,070,346	1,339,644
hereof non-convertible	6,387,009	5,899,418
Other financial liabilities	491,814	524,268
Total	128,764,416	119,074,098
hereof subordinated financial liabilities	2,725,517	2,765,225

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

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

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

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

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

The following table shows the principal debt securities issued:

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

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

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

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

(26) Financial liabilities – held for trading

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

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

(27) Hedge accounting

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

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

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

(28) Provisions for liabilities and charges

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

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

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

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

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

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

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

Pension obligations and other termination benefits

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

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

Funding

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

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

Pension obligations/defined benefit pension plans

Financial status

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

The defined benefit obligations developed as follows:

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

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

Plan assets developed as follows:

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

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

Structure of plan assets

Plan assets comprised the following items:

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

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

Asset-Liability Matching

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

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

Actuarial assumptions

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

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

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

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

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

Sensitivity analysis

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

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

Other termination benefits

The other termination benefits developed as follows:

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

Actuarial assumptions

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

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

Employee benefit expenses

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

(29) Tax liabilities

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

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

(30) Other liabilities

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

(31) Equity

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

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

Subscribed capital

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

Own shares

The Annual General Meeting held on 21 June 2018 authorized the Management Board pursuant to Section 65 (1) item 8, Section 65 (1a) and Section 65 (1b) of the Austrian Stock Corporation Act (AktG) to purchase own shares and to retire them if appropriate without requiring any further resolutions to be passed by the General Meeting. Own shares, whether already purchased or to be purchased, may not collectively exceed 10 per cent of the company's share capital. The authorization to purchase own shares expires 30 months after the date of the General Meeting resolution, i.e. as of 20 December 2020. The acquisition price

for repurchasing the shares may be no lower than € 1.00 per share and no higher than 10 per cent above the average unweighted closing price over the ten trading days prior to exercising this authorization.

The Management Board was further authorized, pursuant to Section 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary (Section 189a (7) UGB) or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution i.e. until 20 June 2023.

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

The Annual General Meeting of 21 June 2018 also authorized the Management Board, under the provisions of Section 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 20 December 2020), provided that the trading portfolio of shares purchased for this purpose does not exceed 5 per cent of the company's respective share capital at the end of any given day. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition.

Authorized capital

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

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

Additional tier 1 capital

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

Dividend proposal

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

Number of shares outstanding

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

Non-controlling interests

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

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

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

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

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

1 Included in net cash from financing activities

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

1 Included in net cash from financing activities

Significant restrictions

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

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

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

Notes to financial instruments

(32) Fair value of financial instruments

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

If a market value is used and the market cannot be considered to be an active market in view of its restricted liquidity, the underlying financial instrument is assigned to Level II of the fair value hierarchy. If no market prices are available, valuation models based on observable market data are used to measure these financial instruments. These observable market data are mainly reproducible yield curves, credit spreads and volatilities. The Group generally uses valuation models which are subject to an internal audit by the Market Risk Committee in order to ensure appropriate measurement parameters.

If fair value cannot be measured using either sufficiently regularly quoted market prices (Level I) or using valuation models which are entirely based on observable market prices (Level II), then individual input parameters which are not observable on the market are estimated using appropriate assumptions. If parameters which are not observable on the market have a significant impact on the measurement of the underlying financial instrument, it is assigned to Level III of the fair value hierarchy. These measurement parameters, which are not regularly observable, are mainly credit spreads derived from internal estimates.

Assigning certain financial instruments to the level categories requires regular assessment, especially if measurement is based on both observable parameters and also parameters which are not observable on the market. The classification of an instrument can also change over time to take account of changes in market liquidity and thus price transparency.

Fair value of financial instruments reported at fair value

The living loan portfolio is included in the central calculation of fair value. Fair value is calculated monthly and is based on the discounted cash flow method. The expected payment streams are discounted using an appropriate discount rate (e.g. risk-free rate plus premium). The method applied to calculate the discount rate depends on the segment (i.e. retail and non-retail).

In addition, the fair value of the embedded options is calculated for the living loan portfolio, and the method applied is based on the segment (i.e. retail and non-retail). The measurement of the embedded options in the retail segment is based on behavioral modeling (e.g. linear regression/moving twelve-month average of prepayment rates). The measurement of embedded options in loans in the non-retail segment is based on the assumption that the customer will behave in an entirely rational manner. The embedded options in non-retail loans such as prepayment, disbursement and replenishment are replicated with swaptions and measured using the trinomial tree Hull-White structural model. The Black model, which is based on the log-normal distribution of yields, is generally used to measure interest rate options (caps and floors). As we are in a negative interest rate environment, the shifted log-normal Black model is used to measure interest rate options. It is based on a displaced diffusion model (log-normal distribution with a shift in interest rates).

For bonds, tradable market prices are mostly used. If no quotes are available, a discounted cash flow model is used to value the securities. The yield curve and an adequate credit spread are used as measurement parameters. The credit spread is determined through comparable financial instruments available on the market. Credit default spreads were used to measure a small part of the portfolio. In addition, consideration is given to third party external measurements, which are indicative in all cases. The positions are assigned to levels at the end of the reporting period.

In the Group, well-known conventional market valuation techniques are used to measure OTC derivatives. For example, interest rate swaps, cross currency swaps and forward rate agreements are measured using the customary discounted cash flow model for these products. OTC options, such as foreign exchange options or caps and floors, are based on valuation models which are in line with market standards. In the case of the examples listed, such models would be the Garman-Kohlhagen model, Black-Scholes 1972 and Black 1976. Monte Carlo simulations are used to measure complex options.

Credit value adjustments (CVA) are also necessary to determine fair value in order to reflect counterparty risk associated with OTC derivative transactions, especially for contractual partners for whom a credit support annex does not provide protection. This amount represents the respective estimated market value of a security measure which is required to hedge against counterparty credit risk in the Group's OTC derivative portfolios.

For OTC derivatives, credit value adjustments (CVA) and debit value adjustments (DVA) are used to cover expected credit losses. The CVA will depend on the expected future exposure (expected positive exposure) and the probability of default of the contractual partner. The DVA is determined on the basis of the expected negative exposure and on RBI's credit quality. The expected positive exposure is calculated by simulating a large number of scenarios for future points in time, taking into account all available risk factors (e.g. currency and yield curves). OTC derivatives are measured at market values taking into account these scenarios at the respective future points in time and are aggregated at counterparty level in order to then ascertain the expected positive exposure for all points in time. Counterparties with CSA contracts (credit support annex contracts) are taken into account in the calculation. The expected exposures are not calculated directly from simulated market values, but from a future expected change in market values based on a margin period of risk of ten days.

A further element of the CVA involves determining a probability of default for each counterparty. Where direct credit default swap (CDS) quotations are available, the Group calculates the market-based probability of default and, implicitly, the loss-given-default (LGD) for the respective counterparty. The probability of default for counterparties which are not actively traded on the market is calculated by assigning a counterparty's internal rating to a sector and rating-specific CDS curve.

The DVA is determined by the expected negative exposure and by RBI's credit quality and represents the value adjustment for own probability of default. The method of calculation is similar to that for the CVA, but the expected negative market value is used instead of the expected positive market value. Instead of the expected positive exposures, expected negative exposures are calculated from the simulated future aggregated counterparty market values; these represent the Group's expected liability to the counterparty at the respective future points in time. Values implied by the market are also used to calculate RBI's probability of default. Direct CDS quotations are used where available. If no CDS quotation is available, RBI's probability of default is calculated by assigning the own rating to a sector and rating-specific CDS curve.

No funding value adjustment (FVA) was considered to measure OTC derivatives. RBI is observing market developments and will develop a method to calculate the FVA where appropriate.

In the tables below, the financial instruments reported at fair value in the statement of financial position are grouped according to items in the statement of financial position and classified according to measurement category. A distinction is made as to whether the measurement is based on quoted market prices (Level I), or whether the valuation models are based on observable market data (Level II) or on parameters which are not observable on the market (Level III). Items are assigned to levels at the end of the reporting period.

Assets in € thousand	2019			2018		
	Level I	Level II	Level III	Level I ¹	Level II	Level III
Financial assets - held for trading	1,910,478	2,271,806	88	1,614,690	2,278,821	98
Derivatives	28,606	1,865,835	24	43,404	1,929,047	18
Equity instruments	420,010	6,534	0	225,158	1,052	59
Debt securities	1,461,863	399,437	64	1,346,128	348,723	20
Non-trading financial assets - mandatorily fair value through profit/loss	393,687	54,117	328,133	193,650	54,151	311,981
Equity instruments	1,085	35	7	1,009	7	1
Debt securities	392,602	54,081	742	192,641	54,144	41,701
Loans and advances	0	0	327,384	0	0	270,279
Financial assets - designated fair value through profit/loss	2,231,152	44,675	6	3,135,148	56,915	53
Equity instruments	0	0	0	0	0	0
Debt securities	2,231,152	44,675	6	3,135,148	56,915	53
Financial assets - fair value through other comprehensive income	3,912,452	681,391	187,512	5,707,630	571,383	210,003
Equity instruments	1,662	81,837	145,116	79,476	48,463	148,142
Debt securities	3,910,790	599,554	42,396	5,628,153	522,920	61,861
Loans and advances	0	0	0	0	0	0
Hedge accounting	0	402,064	0	0	500,687	0

¹ Previous-year figures adjusted due to change in classification

Liabilities in € thousand	2019			2018		
	Level I	Level II	Level III	Level I	Level II	Level III
Financial liabilities - held for trading	404,913	5,376,631	7,268	344,090	4,756,829	916
Derivatives	17,167	1,916,415	12	36,257	1,998,086	216
Short positions	358,723	1,938	0	307,832	10,169	0
Deposits	0	0	0	0	0	0
Debt securities issued	29,023	3,458,278	7,255	0	2,748,574	700
Financial liabilities - designated fair value through profit/loss	0	1,842,725	0	0	1,931,076	0
Deposits	0	328,021	0	0	435,188	0
Debt securities issued	0	1,514,704	0	0	1,495,888	0
Hedge accounting	0	282,066	0	0	153,323	0

Fair value hierarchy

Level I

Level I inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on the measurement date (IFRS 13.76).

Level II

Level II financial instruments are financial instruments determined using valuation techniques based on observable market data, the fair value of which can be determined from similar financial instruments traded on active markets or valuation techniques whose input parameters are directly or indirectly observable (IFRS 13.81 ff).

Level III

Level III inputs are input factors which are unobservable for the asset or liability (IFRS 13.86). The fair value is measured using the valuation method.

Movements between Level I and Level II

An examination is carried out for each financial instrument to determine whether quoted market prices are available on an active market (Level I). For financial instruments with unquoted market prices, observable market data such as yield curves are used to calculate fair value (Level II). A reclassification takes place if this assessment changes.

A reclassification from Level I to Level II involves instruments for which market quotes were provided in the past, but are no longer available. Such securities are now valued on the basis of a discounted cash flow model together with the respective valid yield curve and an appropriate credit spread.

A reclassification from Level II to Level I involves instruments for which a discounted cash flow model was previously used to determine the valuation results. As market quotes are now available, they can be used for the valuation.

The shares of financial assets classified as Level I and as Level II both decreased compared to year-end 2018, mainly as a result of the sale of debt securities.

Movements in Level III of financial instruments at fair value

The following tables show the changes in the fair value of financial instruments whose fair value cannot be calculated on the basis of observable market data and are therefore subject to other measurement models. Financial instruments in this category have a value component which is unobservable directly or indirectly on the market and which has a material impact on the fair value.

Assets in € thousand	As at 1/1/2019	Change in consolidated group	Exchange differences	Additions	Disposals
Financial assets - held for trading	98	0	2	64,516	(64,533)
Non-trading financial assets - mandatorily fair value through profit/loss	311,981	0	10,079	107,049	(93,583)
Financial assets - designated fair value through profit/loss	53	0	(0)	9	(48)
Financial assets - fair value through other comprehensive income	210,003	0	2,656	5,495	(37,138)
Total	522,135	0	12,736	177,070	(195,302)

Assets in € thousand	Gains/loss in P/L	Gain/loss in other comprehensive income	Transfer to Level III	Transfer from Level III	As at 31/12/2019
Financial assets - held for trading	5	0	0	0	88
Non-trading financial assets - mandatorily fair value through profit/loss	(3,832)	0	0	(3,562)	328,133
Financial assets - designated fair value through profit/loss	(8)	0	0	0	6
Financial assets - fair value through other comprehensive income	4,493	2,264	0	(262)	187,512
Total	657	2,264	0	(3,823)	515,738

Equity and liabilities in € thousand	As at 1/1/2019	Change in consolidated group	Exchange differences	Additions	Disposals
Financial liabilities - held for trading	916	0	4	3,518	(700)
Total	916	0	4	3,518	(700)

Equity and liabilities in € thousand	Gains/loss in P/L	Gain/loss in other comprehensive income	Transfer to Level III	Transfer from Level III	As at 31/12/2019
Financial liabilities - held for trading	45	0	3,631	(146)	7,268
Total	45	0	3,631	(146)	7,268

Qualitative information for the valuation of financial instruments in Level III

Assets 2019	Fair value in € thousand	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Financial assets - held for trading	88			
Subordinated capital	0	Price (expert opinion)	Price	-
Treasury bills, fixed coupon bonds	64	Discounted cash flow method	Credit spread (all base rate - last auctions yields)	0 - 1% 1.12 - 1.61 %
Forward foreign exchange contracts	24	Discounted cash flow method	Interest rate curve	10 - 30%
Non-trading financial assets - mandatorily fair value through profit/loss	328,133			
Other interests	7	Simplified net present value method Expert opinion	-	-
Bonds, notes and other non fixed-interest securities	742	Net asset value Expert opinion	Haircuts Price	20 - 50%
Loans	327,384	Retail: Discounted cash flow method (incl. prepayment option, withdrawal option etc.) Non Retail: Discounted cash flow method/Financial option pricing (Black-Scholes (shifted) model ; Hull-White model)	Discount spread (new business) Funding curves (for liquidity costs)	1.44 - 3.77% over all currencies (0.11) - 1.41% over all currencies
Financial assets - designated fair value through profit/loss	6		Credit risk premium (CDS curves)	0.03 - 31.98% (depending on the rating: from AA to CCC)
Fixed coupon bonds	6	Discounted cash flow method (incl. expert opinion)	Price cap Price	-
Financial assets - fair value through other comprehensive income	187,512			
Other interests	42,248	Dividend discount model Simplified income approach DCF method	Credit spread Cash flow Discount rate Dividends Beta factor	-
Other interests	38,700	Adjusted net asset value	Adjusted equity	-
Other interests	64,169	Market comparable companies Transaction price Valuation report (expert judgment) Cost minus impairment	EV/Sales EV/EBIT P/E P/B	-
Mortgage bonds/fixed coupon bonds and floating rate notes	42,396	Discounted cash flow method	Prepayment rate Embedded option premium	23.1 - 47.4% (37.9%), 0.10 - 0.24% (0.19%)
Total	515,738			

Liabilities 2019	Fair value in € thousand	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Financial liabilities - held for trading	7,268			
Forward foreign exchange contracts	12	Discounted cash flow method	Interest rate curve	10 - 30%
Certificates	7,255	Combination of Down-and-In-Put/Option and DCF method	Share volatilities Index volatilities	-
Total	7,268			

Sensitivity of the fair value of financial assets (Level III) and liabilities measured at fair value

According to IFRS 13 it is necessary to disclose information that helps users of its financial statements assess recurring fair value measurements using significant unobservable inputs (Level III) and disclose separately the effect of the measurements on profit or loss and other comprehensive income for the period. This means for recurring fair value measurements categorized within Level III of the fair value hierarchy of financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, an entity shall state that fact and disclose the effect of such changes.

The table below shows the impact of changing certain reasonably possible assumptions for Level III financial assets measured at fair value. In estimating the impact mainly changes in credit spreads for bonds and loans and market values of comparable equities are relevant. For bonds and loans an increase (decrease) in credit spread of 100 basis points (75 basis points) leads to a corresponding decrease (increase) in fair value. For unquoted equity instruments an increase (decrease) in price of 10 per cent leads to a corresponding increase (decrease) in fair value.

Financial assets

2019 in € thousand	Carrying amount Level III	Fair value changes	
		Positive	Negative
Loans and advances	327,384	+20,530	(22,084)
Debt securities	812	+103	(53)
Income statement effect	–	+20,632	(22,137)

2019 in € thousand	Carrying amount Level III	Fair value changes	
		Positive	Negative
Debt securities	42,396	+2,784	(2,118)
Equity instruments	145,116	+15,344	(15,139)
Other comprehensive income effect	–	+18,128	(17,258)

In RBI Group, no material amounts of Level III financial liabilities currently exist and as a result no sensitivity analysis is disclosed. This disclosure is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable input parameters. However, it is unlikely in practice that all unobservable parameters would be simultaneously at the extremes of their ranges of reasonably possible alternatives. Hence, the estimates disclosed above are likely to be greater than the true uncertainty in fair value at the balance sheet date. Furthermore, the disclosure is neither predictive nor indicative of future movements in fair value.

Fair value of financial instruments not reported at fair value

The financial instruments in the following table are not managed on a fair value basis and are therefore not measured at fair value in the statement of financial position. For these instruments the fair value is calculated only for the purposes of providing information in the notes, and has no impact on the consolidated statement of financial position or on the consolidated income statement. With the introduction of IFRS 9, the calculation of the fair value of receivables and liabilities not reported at fair value was reclassified and, among other things, input factors are also used in the models which are not observable on the market, but which have a significant influence on the calculated value. A simplified fair value calculation method for retail and non-retail portfolios is applied for all short-term transactions (transactions with maturities up to three months). The fair value of these short-term transactions will be equal to the carrying amount of the product. For the other transactions the methodology as described in the section entitled Fair value of financial instruments reported at fair value is applied.

2019 in € thousand	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash, cash balances at central banks and other demand deposits	0	24,289,265	0	24,289,265	24,289,265	0
Financial assets - amortized cost	8,122,741	25,436,403	105,044,539	138,603,683	134,811,570	3,792,113
Debt securities	8,122,741	1,147,139	877,714	10,147,594	9,973,175	174,419
Loans and advances	0	0	103,929,578	103,929,578	100,311,884	3,617,694
Liabilities						
Financial liabilities - amortized cost	0	8,644,863	120,445,206	129,090,069	128,311,306	778,763
Deposits from banks and customers ¹	0	0	119,544,413	119,544,413	119,039,858	504,555
Debt securities issued	0	8,644,863	408,979	9,053,842	8,779,634	274,208
Other financial liabilities	0	0	491,814	491,814	491,814	0

¹ Leasing deposits are not included according to IFRS 7.

Level I Quoted market prices

Level II Valuation techniques based on market data

Level III Valuation techniques not based on market data

2018 in € thousand	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash, cash balances at central banks and other demand deposits	0	22,557,484	0	22,557,484	22,557,484	0
Financial assets - amortized cost	5,476,083	23,635,994	89,886,305	122,921,144	121,481,025	1,440,119
Debt securities	5,476,082	1,078,509	1,466,279	8,020,871	8,162,273	(141,402)
Loans and advances ¹	0	0	88,252,260	92,175,022	90,593,501	1,581,522
Liabilities						
Financial liabilities - amortized cost	0	7,769,818	110,060,580	117,830,398	119,074,098	(1,242,417)
Deposits from banks and customers ¹	0	0	109,051,828	109,051,828	110,583,061	(1,531,233)
Debt securities issued	0	7,769,818	498,009	8,267,827	7,966,769	301,058
Other financial liabilities	0	0	510,743	510,743	524,268	(12,243)

¹ Previous-year figures adjusted (Fair value - Level III)

Level I Quoted market prices

Level II Valuation techniques based on market data

Level III Valuation techniques not based on market data

(33) Loan commitments, financial guarantees and other commitments

The following table shows the loan commitments given, financial guarantees and other commitments given:

in € thousand	2019	2018
Loan commitments given	35,135,831	31,226,964
Financial guarantees given	7,908,756	6,975,261
Other commitments given	3,297,568	2,942,779
Total	46,342,154	41,145,004
Provisions for off-balance sheet items according to IFRS 9	(160,561)	(125,750)

In addition to the provisions for off-balance-sheet risks according to IFRS 9, provisions for other commitments given were recognized according to IAS 37 in the amount of € 12,317 thousand (2018: € 399 thousand).

The following table was prepared in accordance with Section 51 (13) BWG and shows the nominal amount and provisions for off-balance-sheet liabilities from commitments and financial guarantees under IFRS 9:

2019 in € thousand	Nominal amount			Provisions for off-balance sheet items according to IFRS 9		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central banks	126	0	0	0	0	0
General governments	368,871	17,646	0	(34)	(282)	0
Banks	3,070,732	7,798	0	(258)	(10)	0
Other financial corporations	4,067,592	214,543	9,129	(3,528)	(642)	(593)
Non-financial corporations	31,234,797	2,262,408	306,904	(32,396)	(24,600)	(79,157)
Households	3,768,876	1,002,769	9,963	(7,498)	(4,536)	(7,027)
Total	42,510,994	3,505,163	325,997	(43,715)	(30,069)	(86,777)

2018 in € thousand	Nominal amount			Provisions for off-balance sheet items according to IFRS 9		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central banks	96	0	0	0	0	0
General governments	519,132	13,052	266	(90)	(2)	0
Banks	2,110,567	303,390	0	(542)	(1,002)	0
Other financial corporations	2,040,649	1,643,330	589	(1,467)	(2,602)	(584)
Non-financial corporations	27,159,587	2,782,710	127,459	(26,876)	(21,976)	(47,006)
Households	3,483,205	950,231	10,744	(7,663)	(6,671)	(9,269)
Total	35,313,236	5,692,712	139,057	(36,638)	(32,253)	(56,860)

(34) Credit quality analysis

The credit quality analysis of financial assets is a point in time assessment of the probability of default of the assets. It should be noted that for financial assets in Stages 1 and 2, due to the relative nature of significant increase in credit risk it is not necessarily the case that Stage 2 assets have a lower credit rating than Stage 1 assets, although this is normally the case. The following list provides a description of the grouping of assets by probability of default:

- Excellent are exposures which demonstrate a strong capacity to meet financial commitments, with negligible or no probability of default (PD range 0.0000 - 0.0300 per cent).
- Strong are exposures which demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default (PD range 0.0300 - 0.1878 per cent).
- Good are exposures which demonstrate a good capacity to meet financial commitments, with low default risk (PD range 0.1878 - 1.1735 per cent).
- Satisfactory are exposures which require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk (PD range 1.1735 - 7.3344 per cent).
- Substandard are exposures which require varying degrees of special attention and default risk is of greater concern (PD range 7.3344 - 100.0 per cent).
- Credit-impaired are exposures which have been assessed as impaired (PD range 100.0 per cent).

The following table sets out information about the credit quality of financial assets measured at amortized cost and fair value through other comprehensive income. The amortized cost and fair value through other comprehensive income amounts represent the gross carrying amount. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed.

The following table shows the carrying amounts of the financial assets – amortized cost by rating categories and stages:

2019 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	12,747,620	507,212	0	13,254,832
Strong	30,091,873	3,807,414	0	33,899,288
Good	32,969,928	3,486,546	0	36,456,474
Satisfactory	17,850,690	3,199,416	0	21,050,106
Substandard	1,006,217	1,275,858	0	2,282,075
Credit impaired	0	0	2,863,792	2,863,792
Unrated	2,573,303	227,228	17	2,800,549
Gross carrying amount	97,239,631	12,503,675	2,863,810	112,607,116
Accumulated impairment	(182,517)	(341,813)	(1,797,727)	(2,322,057)
Carrying amount	97,057,114	12,161,862	1,066,083	110,285,060

2018 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	18,501,569	682,060	435	19,184,064
Strong	23,674,851	2,931,161	2,424	26,608,437
Good	25,305,372	4,005,981	1,091	29,312,444
Satisfactory	14,642,236	3,352,129	5,211	17,999,575
Substandard	1,216,710	1,396,536	19,791	2,633,036
Credit impaired	0	0	3,109,460	3,109,460
Unrated	2,166,682	221,194	6,549	2,394,425
Gross carrying amount	85,507,420	12,589,062	3,144,961	101,241,442
Accumulated impairment	(166,725)	(332,589)	(1,986,355)	(2,485,669)
Carrying amount	85,340,694	12,256,473	1,158,606	98,755,774

In the reporting year, no longer defaulted, purchased or originated credit-impaired financial assets (POCI) are now included in Stage 2, while they were reported solely in Stage 3 in the previous period. The category unrated includes financial assets for households for whom no ratings are available. The rating is therefore based on qualitative factors. These are mainly a portfolio of mortgage loans to households in the Czech Republic.

The following table shows the gross carrying amount of financial assets – fair value through other comprehensive income, excluding equity instruments, by rating category and stages:

2019 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	1,122,394	0	0	1,122,394
Strong	3,030,466	0	0	3,030,466
Good	125,175	93,902	0	219,077
Satisfactory	138,933	13,430	0	152,363
Substandard	0	0	0	0
Credit impaired	0	0	0	0
Unrated	31,055	0	0	31,055
Gross carrying amount¹	4,448,023	107,332	0	4,555,355
Accumulated impairment	(1,437)	(1,179)	0	(2,615)
Carrying amount	4,446,587	106,154	0	4,552,740

1 The gross carrying amount follows the definition under FINREP in Annex V 1.34(b).

2018 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	1,497,805	94,780	0	1,592,585
Strong	4,176,034	24,603	0	4,200,637
Good	300,843	0	0	300,843
Satisfactory	10	6,034	0	6,044
Substandard	112,094	0	0	112,094
Credit impaired	0	0	0	0
Unrated	4,718	0	0	4,718
Gross carrying amount¹	6,091,504	125,417	0	6,216,922
Accumulated impairment	(3,787)	(200)	0	(3,987)
Carrying amount	6,087,717	125,217	0	6,212,934

1 The gross carrying amount follows the definition under FINREP in Annex V 1.34(b).

The category unrated includes financial assets for several retail customers for whom no ratings are available. The rating is therefore based on qualitative factors.

The following table shows the nominal values of off-balance-sheet commitments by rating category and stages:

2019 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	2,970,644	184,548	0	3,155,192
Strong	16,688,109	1,300,958	112	17,989,179
Good	15,371,302	1,279,927	0	16,651,229
Satisfactory	6,869,429	548,330	0	7,417,759
Substandard	184,707	154,290	0	338,997
Credit impaired	0	0	325,885	325,885
Unrated	426,803	37,111	0	463,913
Gross carrying amount	42,510,994	3,505,163	325,997	46,342,154
Provisions for off-balance sheet items according to IFRS 9	(43,715)	(30,069)	(86,777)	(160,561)
Carrying amount	42,467,279	3,475,094	239,220	46,181,593

2018 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Excellent	2,925,635	209,711	0	3,135,346
Strong	14,394,089	2,810,591	0	17,204,680
Good	11,838,143	1,335,534	6	13,173,683
Satisfactory	5,556,373	713,775	8	6,270,156
Substandard	269,502	209,158	1	478,661
Credit impaired	0	0	139,042	139,042
Unrated	329,495	413,942	0	743,437
Gross carrying amount	35,313,236	5,692,712	139,057	41,145,004
Provisions for off-balance sheet items according to IFRS 9	(36,638)	(32,253)	(56,860)	(125,750)

The category unrated includes off-balance sheet commitments for several retail customers for whom no ratings are available. The rating is therefore based on qualitative factors.

The following table shows an analysis of the default risk from derivative transactions, most of which are OTC contracts. Default risk can be minimized by the use of settlement houses and collateral in most cases.

2019 in € thousand	Nominal amount	Fair Value	
		Assets	Liabilities
OTC products	220,663,760	2,258,276	(2,089,351)
Interest rate contracts	164,570,585	1,638,858	(1,335,626)
Equity contracts	3,571,817	155,639	(169,918)
Foreign exchange rate and gold contracts	52,521,357	463,779	(583,807)
Products traded on stock exchange	3,126,929	26,471	(22,510)
Interest rate contracts	206,100	68	0
Equity contracts	1,549,451	24,201	(15,315)
Foreign exchange rate and gold contracts	1,371,378	2,202	(7,196)
Other - Credit contracts, commodities and other	2,286,477	11,781	(103,799)
Total	226,077,166	2,296,528	(2,215,660)

2018 in € thousand	Nominal amount	Fair Value	
		Assets	Liabilities
OTC products	210,878,533	2,405,437	(2,044,893)
Interest rate contracts	160,232,200	1,620,588	(1,077,702)
Equity contracts	3,120,027	80,347	(330,584)
Foreign exchange rate and gold contracts	47,526,306	704,501	(636,607)
Products traded on stock exchange	3,551,725	63,246	(45,901)
Interest rate contracts	1,373,971	503	(584)
Equity contracts	741,732	40,606	(34,967)
Foreign exchange rate and gold contracts	1,436,022	22,137	(10,350)
Other - Credit contracts, commodities and other	1,731,870	4,473	(97,088)
Total	216,162,128	2,473,156	(2,187,882)

(35) Collateral and maximum exposure to credit risk

The following table contains details of the maximum exposure from financial assets not subject to impairment and the financial assets subject to impairment and reconciles these to the loans and advances non-trading which is the basis of the collateral disclosures below:

2019 in € thousand	Maximum exposure to credit risk		
	Not subject to impairment	Subject to impairment	hereof loans and advances non-trading, loan commitments, financial guarantees and other commitments
Financial assets - amortized cost	0	112,607,116	102,625,739
Financial assets - fair value through other comprehensive income ¹	0	4,555,355	0
Non-trading financial assets - mandatorily fair value through profit/loss	774,809	0	327,384
Financial assets - designated fair value through profit/loss	2,275,832	0	0
Financial assets - held for trading	3,755,827	0	
On-balance	6,806,469	117,162,472	102,953,123
Loan commitments, financial guarantees and other commitments	0	46,342,154	46,342,154
Total	6,806,469	163,504,626	149,295,277

¹ The gross carrying amount follows the definition under FINREP in Annex V 1.34(b).

2018 in € thousand	Maximum exposure to credit risk		
	Not subject to impairment ¹	Subject to impairment	hereof loans and advances non-trading, loan commitments, financial guarantees and other commitments
Financial assets - amortized cost	0	101,241,442	93,073,000
Financial assets - fair value through other comprehensive income ²	0	6,216,922	0
Non-trading financial assets - mandatorily fair value through profit/loss	456,792	0	270,279
Financial assets - designated fair value through profit/loss	3,192,115	0	0
Financial assets - held for trading	3,667,340	0	0
On-balance	7,316,248	107,458,364	93,343,279
Loan commitments, financial guarantees and other commitments	0	41,145,004	41,145,004
Total	7,316,248	148,603,368	134,488,283

1 Previous-year figures adjusted due to changed allocation

2 The gross carrying amount follows the definition under FINREP in Annex V 1.34(b).

RBI employs a range of policies to mitigate credit risk, the most common of which is the acceptance of collateral for loans and advances provided. The eligibility of collateral is defined on a RBI Group basis to ensure uniform standards of collateral evaluation. A valuation of collateral is performed during the credit approval process. This is then reviewed periodically using various validation processes. The main types of collateral which are accepted in RBI Group are residential and commercial real estate collateral, financial collateral, guarantees and movable goods. Long-term financing is generally secured and revolving credit facilities are generally unsecured. Debt securities are mainly unsecured, and derivatives can be secured by cash or master netting agreements. Collateral from leasing business is also included in the table. Items shown in cash and cash equivalents are considered to have negligible credit risk.

RBI Group's policies regarding obtaining collateral have not been significantly changed during the reporting period; however, they are updated on a yearly basis.

It should be noted that the collateral values shown in the tables are capped at the maximum value of the gross carrying amount of the financial asset. The following table shows non-trading loans and advances as well as loan commitments, financial guarantees and other commitments that are subject to impairment:

2019 in € thousand	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Central banks	4,602,195	172,082	4,430,113
General governments	1,199,445	531,364	668,081
Banks	4,836,988	2,355,627	2,481,361
Other financial corporations	9,886,800	4,813,403	5,073,397
Non-financial corporations	46,553,218	22,460,654	24,092,564
Households	35,874,477	22,406,778	13,467,700
Loan commitments, financial guarantees and other commitments	46,342,154	8,113,740	38,228,414
Total	149,295,277	60,853,648	88,441,630

2018 in € thousand	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Central banks	4,862,759	81,106	4,781,653
General governments	920,605	676,328	244,277
Banks	5,143,901	1,506,576	3,637,324
Other financial corporations	6,711,862	2,572,406	4,139,457
Non-financial corporations	43,467,027	21,477,748	21,989,279
Households	32,237,124	20,088,239	12,148,885
Loan commitments, financial guarantees and other commitments	41,145,004	7,315,169	33,829,835
Total	134,488,283	53,717,572	80,770,711

Approximately two thirds of collateral which can be considered by RBI relate to loans collateralized by immovable property and of this more than 70 per cent is residential immovable property. Other sources of collateral include guarantees (16 per cent) and collateral from reverse repos and securities lending (18 per cent).

The following table contains details of the maximum exposure from financial assets in Stage 3 and the corresponding collateral:

2019 in € thousand	Maximum exposure to credit risk (Stage 3)	Fair value of collateral (Stage 3)	Credit risk exposure net of collateral (Stage 3)	Impairment allowance (Stage 3)
Central banks	0	0	0	0
General governments	2,250	0	2,250	(2,219)
Banks	3,857	0	3,857	(3,857)
Other financial corporations	63,852	76	63,776	(32,783)
Non-financial corporations	1,700,161	450,872	1,249,289	(995,995)
Households	1,093,691	224,267	869,424	(762,872)
Loan commitments, financial guarantees and other commitments	325,997	38,371	287,626	(86,777)
Total	3,189,807	713,586	2,476,221	(1,884,504)

2018 in € thousand	Maximum exposure to credit risk (Stage 3)	Fair value of collateral (Stage 3)	Credit risk exposure net of collateral (Stage 3)	Impairment allowance (Stage 3)
Central banks	0	0	0	0
General governments	2,295	449	1,846	(2,264)
Banks	8,113	3,014	5,099	(8,113)
Other financial corporations	95,840	13,790	82,050	(65,422)
Non-financial corporations	1,972,199	597,820	1,374,379	(1,143,465)
Households	1,066,514	233,406	833,108	(767,090)
Loan commitments, financial guarantees and other commitments	139,057	18,808	120,249	(56,859)
Total	3,284,017	867,287	2,416,731	(2,043,213)

RBI holds an immaterial amount of repossessed assets on its statement of financial position.

(36) Expected credit losses

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

General approach

The measurement of impairment for expected credit loss on financial assets measured at amortized cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and payment behavior. Significant judgments are required in applying the accounting requirements for measuring expected credit losses, *inter alia*:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of expected credit losses
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

For RBI, credit risk comes from the risk of suffering financial loss should any of RBI's customers, clients or market counterparties fail to fulfil their contractual obligations. Credit risk arises mainly from interbank, commercial and personal loans, and loan commitments arising from such lending activities, but can also arise from financial guarantees given, such as, credit guarantees, letters of credit, and acceptances.

RBI is also exposed to other credit risks arising from investments in debt securities and from its trading activities (trading credit risks) including trade in non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

The estimation of the credit risk for risk management purposes is complex and requires the use of models, as the risk varies with changes in market conditions, expected cash flows and the passage of time. The assessment of the credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated default ratios and the default correlations between counterparties. RBI measures credit risks using the probability of default (PD), exposure at default (EAD) and loss given default (LGD). This is the predominant approach used for the purposes of measuring expected credit losses under IFRS 9.

IFRS 9 prescribes a three-stage model for impairment based on changes in credit quality from the point of initial recognition. Under this model, a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. If the financial instrument is deemed credit-impaired, it is then moved to Stage 3.

Financial instruments in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next twelve months. Instruments in Stages 2 or 3 have their expected credit losses measured based on expected credit losses on a lifetime basis. According to IFRS 9, when measuring expected credit losses it is necessary to consider forward-looking information. Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their expected credit loss is always measured on a lifetime basis.

Significant increase in the credit risk

RBI Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

RBI uses quantitative criteria as the primary indicator of significant increase in credit risk for all material portfolios plus additionally qualitative criteria like 30 days past due or forbearance measures for a particular facility as backstop. For quantitative staging RBI compares the lifetime PD curve at reporting date with the forward lifetime PD curve at the date of initial recognition. Given the different nature of products between non-retail and retail, the methods for assessing potential significant increases also slightly differ.

For non-retail risk to make the two curves comparable the PDs are scaled down to annualized PDs. A significant increase in credit risk is considered to have occurred if the PD increase was 250 per cent or greater. For longer maturities the threshold of 250 per cent is reduced to account for a maturity effect.

For retail exposure on the other hand, the remaining cumulative PDs are compared. In general, a significant increase in credit risk is considered to have occurred with a relative increase in the cumulative remaining PD above a certain threshold. The level of the threshold was estimated empirically for each individual portfolio based on the characteristics of the relevant rating model used for the given facility, and it ranges between 150 and up to 300 per cent.

With regard to the threshold at which a financial instrument must be transferred to stage 2, RBI has decided on the aforementioned thresholds based on the current market practice.

Qualitative criteria

RBI uses qualitative criteria as a secondary indicator of a significant increase in credit risk for all material portfolios. A movement to Stage 2 takes place when the criteria below are met.

For sovereign, bank, corporate customer and project finance portfolios, if the borrower meets one or more of the following criteria:

- External market indicators
- Changes in contract terms
- Changes to management approach
- Expert judgment

The assessment of a significant increase in credit risk incorporates forward-looking information and is performed on a quarterly basis at an individual transaction level for all sovereign, bank, corporate customer and project finance portfolios held by RBI.

For retail portfolios, if the borrower meets one or more of the following criteria:

- Forbearance refers to concessions made to the borrower on the part of the lender for economic or contractual reasons when the borrower is experiencing economic difficulties, but which the lender would not otherwise grant,
- Expert judgment.

The assessment of significant increase in credit risk incorporates forward-looking information and is performed on a monthly basis at an individual transaction level for all retail portfolios held by RBI.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days overdue on its contractual payments. In a few limited cases, the presumption that financial assets which are more than 30 days overdue should be moved to Stage 2, is rebutted.

Low credit risk exemption

In selected cases for mostly sovereign debt securities RBI makes use of the low credit risk exemption. All securities which are presented as low credit risk have a rating equivalent to investment grade or better i.e. minimum S&P BBB-, Moody's Baa3 or Fitch BBB-. RBI has not used the low credit risk exemption for any lending business.

Definition of default and credit-impaired assets

In 2016, the European Banking Authority published guidelines on the definition of default (EBA/GL/2016/07), which include a long list of clarifications and changes to indications of default, materiality thresholds and related topics such as criteria regarding the past due status, indications of insolvency, and criteria regarding cure rates and restructuring. The new definition of default leads to material changes to the IRB approach, which forces banks to adjust their models. These adjustments must be approved by the competent regulators prior to implementation (Delegated Regulation EU 529/2014).

The definition of default used to calculate expected credit losses is the same definition of default used for internal credit risk management practices. Default is assessed by referring to quantitative and qualitative triggers. Firstly, a borrower is considered to be defaulted if they are assessed to be more than 90 days past due on a material credit obligation. No attempt is made to rebut the presumption that financial assets which are more than 90 days past due are to be shown in Stage 3. Secondly, a borrower is considered to be defaulted if they meet the unlikelihood to pay criteria, which indicate that the borrower is in significant financial difficulty and unlikely to repay any credit obligation in full. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout RBI's expected loss calculations. A credit obligation is considered to no longer be in default after a probation period of minimum three months (six months after a distressed restructuring in retail), where during the probation period the customer demonstrated good payment discipline and no other indication of unlikelihood to pay was observed. Two effects which arise as a result of the new default definition will be seen in profit and loss. The first is an increase or decrease in ECL provisions coming from the stage redistribution, in particular the change in Stage 3 volumes. The second is a decrease or increase in ECL provisions coming from the adjustments of the Stage 1 and 2 models as a result of the new default rates. Due to the nature of the changes there will not be full counterbalancing of the first effect with the second effect. Increased ECL provision effects occur as a result of a stricter days past due count, the pulling effect leading to cross default, and longer probation periods. Decreased ECL provisions will mainly come about as a result of the abolition of the absorption status, as the previously applied regime of absorption status prevented the accounts from exiting default status if they have ever reached more than 180 days past due. As the new models are at varying stages of adjustment and authorization by regulators the effects of the change will be seen over the next several quarters in the consolidated profit/loss. In the reporting period the effect from the harmonization of the default definitions amounted to expenses of €73,538 thousand especially in the Czech Republic and Romania. In accordance with IAS 8, this represents a change of estimate which must be applied in the future and thus fully recognized in profit or loss.

Explanation of inputs, assumptions and estimation techniques

The expected credit loss is measured on either a twelve-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Forward-looking economic information is also included in determining the twelve-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Expected credit losses are the discounted product of the probability of default (PD), loss given default (LGD), exposure at default (EAD) and discount factor (D).

Probability of Default (PD)

The probability of default represents the likelihood of a borrower defaulting on its financial obligation either over the next twelve months or over the remaining lifetime of the obligation. In general the lifetime probability of default is calculated using the regulatory twelve-month probability of default, stripped of any margin of conservatism, as a starting point. Thereafter various statistical methods are used to generate an estimate of how the default profile will develop from the point of initial recognition throughout the lifetime of the loan or portfolio of loans. The profile is based on historical observed data and parametric functions.

Different models have been used to estimate the default profile of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign, local and regional governments, insurance companies and collective investment undertakings: The default profile is generated using a transition matrix approach. Forward-looking information is incorporated into the probability of default using the Vasicek one factor model.
- Corporate customers, project finance and financial institutions: The default profile is generated using a parametric survival regression (Weibull) approach. Forward-looking information is incorporated into the probability of default using the Vasicek one factor model. The default rate calibration is based on Kaplan Maier methodology with withdrawal adjustment.
- Retail lending and mortgage loans: The default profile is generated using parametric survival regression in competing risk frameworks. Forward-looking information is incorporated into the probability of default using satellite models.

In the limited circumstances where some inputs are not fully available grouping, averaging and benchmarking of inputs is used for the calculation.

Loss Given Default (LGD)

Loss given default represents RBI's expectation of the extent of loss on a defaulted exposure. Loss given default varies by type of counterparty and product. Loss given default is expressed as a percentage loss per unit of exposure at the time of default. Loss given default is calculated on a twelve-month or lifetime basis, where twelve-month loss given default is the percentage of loss expected to be made if the default occurs in the next twelve months and lifetime loss given default is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

Different models have been used to estimate the loss given default of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign: The loss given default is found by using market implied sources.
- Corporate customers, project finance, financial institutions, local and regional governments, insurance companies: The loss given default is generated by discounting cash flows collected during the workout process. Forward-looking information is incorporated into the loss given default using the Vasicek model.
- Retail lending and mortgage loans: The loss given default is generated by stripping the downturn adjustments and other margins of conservatism from the regulatory loss given default. Forward-looking information is incorporated into the loss given default using various satellite models.

In the limited circumstances where some inputs are not fully available alternative recovery models, benchmarking of inputs and expert judgment is used for the calculation.

Exposure at Default (EAD)

Exposure at default is based on the amounts RBI expects to be owed at the time of default, over the next twelve months or over the remaining lifetime. The twelve-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a twelve-month or lifetime basis. Where relevant, early repayment/refinance assumptions are also considered in the calculation.

For revolving products, the exposure at default is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default. The prudential regulatory margins are removed from the credit conversion factor. In the limited circumstances where some inputs are not fully available benchmarking of inputs is used for the calculation.

Discount factor

In general for on balance sheet exposure which is not leasing or POCI the discount rate used in the expected credit loss calculation is the effective interest rate or an approximation thereof.

Calculation

The expected credit loss is the product of PD, LGD and EAD times the probability not to default prior to the considered time period. The latter is expressed by the survivorship function S. This effectively calculates future values of expected credit losses, which are then discounted back to the reporting date and summed. The calculated values of expected credit losses are then weighted by forward-looking scenario.

Different models have been used to estimate the provisions of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign, corporate customers, project finance, financial institutions, local and regional governments, insurance companies and collective investment undertakings: Stage 3 provisions are calculated by workout managers who discount expected cash flows by the appropriate effective interest rate.
- Retail mortgages: Stage 3 provision is generated for the majority of group units by calculating the statistically derived best estimate of expected loss which has been adjusted for indirect costs.
- Other retail lending: Stage 3 provision is generated by calculating the statistically derived best estimate of expected loss which has been adjusted for indirect costs.

Shared credit risk characteristics

Almost all of the provisions under IFRS 9 are measured collectively. Only for non-retail Stage 3 are most of the provisions individually assessed. For expected credit losses provisions modelled on a collective basis a grouping of exposures is performed on the basis of shared credit risk characteristics so that the exposures within each group are similar. Retail exposure characteristics are grouped on country level, customer classification (households and SMEs), product level (e.g. mortgage, personal loans, overdraft facilities or credit cards), PD rating grades and LGD pools/loan-to-value bands. For each combination of the above characteristics an individual model was developed. Non-retail exposure characteristics are grouped on country and product level and are used as LGD and EAD parameters.

Forward-looking information

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. RBI has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the probability of default, loss given default and exposure at default vary by category type. Forecasts of these economic variables (the base economic scenario) are provided by Raiffeisen Research on a quarterly basis and provide the best estimate view of the economy over the next three years. The set of forward-looking information also includes the credit clock used for improvement of the regression which reproduces the current state of the credit cycle and the derived outlook of the credit cycle development. After three years, to project the economic variables for the full remaining

lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long-term average rate or a long-term average growth rate until maturity. The impact of these economic variables on the probability of default, loss given default and exposure at default has been determined by performing statistical regression to understand the impact changes in these variables have had historically on default rates and on the components of loss given default and exposure at default.

In addition to the base economic scenario, Raiffeisen Research also estimates an optimistic and a pessimistic scenario to ensure non-linearities are captured. RBI has concluded that three or fewer scenarios appropriately capture non-linearity. Expert judgment on idiosyncratic risks has also been applied in this process on the level of Raiffeisen Research in coordination with RBI Group risk management, resulting in selective adjustments to the optimistic and pessimistic scenarios. In case of a potential negative or positive forecast bias of selected macroeconomic indicators a potential bias correction might be performed on a single country level. In this respect the range of possible outcomes which is representative for each chosen scenario is taken into account. The probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit loss (ECL) model and multiplying it by the appropriate scenario weighting.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. RBI considers these forecasts to represent its best estimate of the future outcomes and cover any potential non-linearities and asymmetries within RBI's different portfolios.

The most significant assumptions used as a starting point for the expected credit loss estimates at year-end are shown below. (Source: Raiffeisen Research 18 October 2019)

Real GDP	Scenario	2020e	2021f	2022f
Austria	Optimistic	1.3%	2.0%	1.7%
	Base	0.8%	1.4%	1.2%
	Pessimistic	(0.5)%	(0.1)%	(0.1)%
Russia	Optimistic	3.1%	3.1%	2.8%
	Base	1.6%	1.3%	1.3%
	Pessimistic	(1.3)%	(2.2)%	(1.6)%
Poland	Optimistic	3.7%	3.6%	3.1%
	Base	3.3%	3.2%	2.7%
	Pessimistic	1.9%	1.5%	1.3%
Romania	Optimistic	4.2%	3.5%	3.5%
	Base	3.0%	2.0%	2.3%
	Pessimistic	0.1%	(1.5)%	(0.6)%
Slovakia	Optimistic	3.6%	4.4%	4.1%
	Base	2.0%	2.5%	2.5%
	Pessimistic	0.1%	0.2%	0.6%
Croatia	Optimistic	3.4%	2.9%	2.7%
	Base	2.5%	1.8%	1.8%
	Pessimistic	0.0%	(1.2)%	(0.7)%
Hungary	Optimistic	3.3%	3.8%	4.1%
	Base	2.8%	3.2%	3.6%
	Pessimistic	0.2%	0.1%	1.0%
Bulgaria	Optimistic	3.6%	4.2%	3.6%
	Base	2.5%	2.9%	2.5%
	Pessimistic	0.7%	0.7%	0.7%

Unemployment	Scenario	2020e	2021f	2022f
Austria	Optimistic	4.5%	4.5%	4.9%
	Base	4.8%	4.8%	5.2%
	Pessimistic	5.4%	5.6%	5.8%
Russia	Optimistic	3.5%	3.2%	3.4%
	Base	4.7%	4.7%	4.6%
	Pessimistic	6.2%	6.5%	6.1%
Poland	Optimistic	4.0%	4.3%	4.8%
	Base	5.7%	6.3%	6.5%
	Pessimistic	9.2%	10.5%	10.0%
Romania	Optimistic	3.5%	3.9%	4.8%
	Base	4.1%	4.6%	5.3%
	Pessimistic	5.3%	6.1%	6.6%
Slovakia	Optimistic	2.7%	2.2%	2.2%
	Base	5.1%	5.0%	4.5%
	Pessimistic	8.3%	8.9%	7.8%
Croatia	Optimistic	5.5%	5.0%	5.6%
	Base	6.6%	6.3%	6.7%
	Pessimistic	9.9%	10.2%	10.0%
Hungary	Optimistic	2.8%	2.7%	2.7%
	Base	3.6%	3.7%	3.5%
	Pessimistic	5.7%	6.2%	5.6%
Bulgaria	Optimistic	2.7%	2.7%	4.2%
	Base	5.5%	6.0%	7.0%
	Pessimistic	9.2%	10.4%	10.7%
Lifetime bond rate	Scenario	2020e	2021f	2022f
Austria	Optimistic	(1.0)%	(0.7)%	0.1%
	Base	(0.4)%	0.1%	0.8%
	Pessimistic	1.6%	2.4%	2.7%
Russia	Optimistic	5.8%	5.7%	6.1%
	Base	6.9%	7.0%	7.3%
	Pessimistic	9.4%	10.0%	9.7%
Poland	Optimistic	1.5%	1.7%	2.1%
	Base	2.2%	2.5%	2.8%
	Pessimistic	3.7%	4.4%	4.4%
Romania	Optimistic	2.8%	2.7%	2.9%
	Base	4.3%	4.5%	4.3%
	Pessimistic	5.3%	5.7%	5.3%
Slovakia	Optimistic	(0.8)%	(0.5)%	0.3%
	Base	(0.1)%	0.3%	1.0%
	Pessimistic	1.7%	2.5%	2.8%
Croatia	Optimistic	0.0%	0.0%	0.7%
	Base	0.4%	0.6%	1.1%
	Pessimistic	2.2%	2.7%	2.9%
Hungary	Optimistic	1.9%	1.8%	2.3%
	Base	2.6%	2.7%	3.0%
	Pessimistic	5.1%	5.6%	5.5%
Bulgaria	Optimistic	0.1%	0.4%	0.5%
	Base	0.7%	1.1%	1.1%
	Pessimistic	2.9%	3.8%	3.3%

Real estate prices	Scenario	2020e	2021f	2022f
Austria	Optimistic	5.3%	5.2%	4.3%
	Base	2.2%	1.4%	1.2%
	Pessimistic	(0.9)%	(2.4)%	(1.9)%
Russia	Optimistic	7.8%	7.9%	5.4%
	Base	4.2%	3.5%	1.8%
	Pessimistic	0.6%	(0.9)%	(1.8)%
Poland	Optimistic	6.0%	5.5%	4.9%
	Base	2.6%	1.5%	1.5%
	Pessimistic	(0.8)%	(2.5)%	(1.9)%
Romania	Optimistic	6.4%	6.5%	5.5%
	Base	3.3%	2.8%	2.4%
	Pessimistic	0.2%	(0.9)%	(0.7)%
Slovakia	Optimistic	7.0%	6.8%	5.8%
	Base	3.0%	2.0%	1.8%
	Pessimistic	(2.3)%	(4.4)%	(3.5)%
Croatia	Optimistic	14.0%	13.5%	9.5%
	Base	6.2%	4.2%	1.7%
	Pessimistic	(1.6)%	(5.1)%	(6.1)%
Hungary	Optimistic	7.5%	8.0%	6.7%
	Base	3.7%	3.5%	2.9%
	Pessimistic	(0.1)%	(1.0)%	(0.9)%
Bulgaria	Optimistic	9.1%	9.5%	6.6%
	Base	5.2%	4.8%	2.7%
	Pessimistic	1.3%	0.1%	(1.2)%

The weightings assigned to each scenario at the end of the reporting year end are as follows: 25 per cent optimistic, 50 per cent base and 25 per cent pessimistic scenarios.

Post-model adjustments

Post-model adjustments to expected credit loss allowance estimates are adjustments which are used in circumstances where existing inputs, assumptions and model techniques do not capture all relevant risk factors. Existing inputs, assumptions and model techniques might not capture all relevant risk factors due to transient circumstances, insufficient time to appropriately incorporate relevant new information into the rating, re-segmentation of portfolios and when lending exposures within a group of lending exposures react to factors or events differently than initially expected. The emergence of new macroeconomic, microeconomic or political events, along with expected changes to parameters, models or data that are not incorporated in current parameters, internal risk rating migrations or forward-looking information are examples of such circumstances. In general RBI Group units use post-model adjustments to allowances for expected credit losses only as an interim solution. In order to reduce the potential for bias post-model adjustments are of a temporary nature and in general valid for no longer than 1-2 years. All material adjustments are authorized by the Group Risk Committee (GRM). From an accounting point of view all post-model adjustments are based on collective assessment, but do not necessarily result in a change in expected credit losses within the same stage. The post-model adjustments result in additional provisions up to € 92,560 thousand (2018: € 53,853 thousand) as additional Stage 2 provisions. The major part relates to a provision on Russian corporate exposures for covering possible losses related to potential future sanctions. It also includes slightly higher expected defaults on mortgage loans due to government-imposed interest rate clauses for retail customers in the Czech Republic and foreign-currency lending to retail customers due to consumer protection initiatives in Romania. In the reporting year, further model adjustments were made for Croatia as a result of changed market expectations regarding the debt-to-income ratio.

Sensitivity analysis

The most significant assumptions affecting the sensitivity of the expected credit loss allowance are as follows:

- Gross domestic product (all portfolios)
- Unemployment rate (all portfolios)
- Long term government bond rate (non-retail portfolios especially)
- Real estate prices (retail portfolios especially)

The table below provides a comparison between the reported accumulated impairment for expected credit losses for financial assets in Stages 1 and 2 (weighted by 25 per cent optimistic, 50 per cent base and 25 per cent pessimistic scenarios) and then each scenario weighted by 100 per cent on their own. The optimistic and pessimistic scenarios do not reflect extreme cases, but the average of the scenarios which are distributed in these cases. This information is provided for illustrative purposes.

2019 in € thousand	31/12/2019 (25/50/25%)	100% Optimistic	100% Base	100% Pessimistic
Accumulated impairment (Stage 1 and 2)	600,730	528,198	592,069	680,526

2018 in € thousand	31/12/2018 (25/50/25%)	100% Optimistic	100% Base	100% Pessimistic
Accumulated impairment (Stage 1 and 2)	572,193	501,107	560,941	660,891

The table below shows the impact of staging on RBI's accumulated impairment for financial assets by comparing the reported amounts accumulated for all performing assets subject to impairment with the special case where all accumulated impairment is measured based on twelve-month expected losses (Stage 1). As no complete historical data on stage transfers during credit cycles is available, it is currently not possible to estimate what a reasonable increase would be. However we do not expect the percentage of Stage 1 assets to ever reach 100 per cent. This information is provided for illustrative purposes.

2019 in € thousand	31/12/2019 (25/50/25%)	100% Performing loans in Stage 1	Impact of Staging
Accumulated impairment (Stage 1 and 2)	600,730	341,628	(259,102)

2018 in € thousand	31/12/2018 (25/50/25%)	100% Performing loans in Stage 1	Impact of Staging
Accumulated impairment (Stage 1 and 2)	572,193	311,371	(260,822)

The table below shows the impact of staging on RBI's accumulated impairment for financial assets by comparing the reported amounts accumulated for all performing assets subject to impairment with the special case where all accumulated impairment is measured based on lifetime expected losses (Stage 2). As no complete historical data on stage transfers during credit cycles is available, it is currently not possible to estimate what a reasonable increase would be. However we do not expect the percentage of Stage 2 assets to ever reach 100 per cent. This information is provided for illustrative purposes.

2019 in € thousand	31/12/2019 (25/50/25%)	100% Performing loans in Stage 2	Impact of Staging
Accumulated impairment (Stage 1 and 2)	600,730	1,194,159	593,430

2018 in € thousand	31/12/2018 (25/50/25%)	100% Performing loans in Stage 2	Impact of Staging
Accumulated impairment (Stage 1 and 2)	572,193	1,278,320	706,127

Write-offs

Loans and debt securities are written off (either partially or fully) where there is no reasonable expectation of recovery. This happens when the borrower does not have income from operations anymore and collateral values cannot generate sufficient cash flows to repay amounts subject to impairment. For the exposure of companies in bankruptcy, loans are written down to the value of the collateral if the company no longer generates cash flows from its operating business. The retail business takes into account qualitative factors. In cases where no payment has been made for one year, the outstanding amounts are derecognized whereby depreciated assets can continue to be subject to enforcement activities.

For the exposure of companies in gone concern cases, loans are written down to the value of the collateral if the company no longer generates cash flows from its operating business. The retail business takes into account qualitative factors. In cases where no payment has been made for one year, the outstanding amounts are written off here.

The contractual amount outstanding on financial assets that were written off and are still subject to enforcement activity was € 1,716,563 thousand (2018: € 1,844,101 thousand).

(37) Exposure to credit risk by stages

RBI's credit portfolio is well diversified in terms of type of customer, geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by limits and regular reporting. As a consequence, portfolio granularity is high. The following table shows the financial assets – amortized cost based on the respective counterparties and stages. This reveals the bank's focus on non-financial corporations and households:

2019 in € thousand	Stage 1	Gross carrying amount			Accumulated impairment			ECL Coverage Ratio		
		Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Central banks	6,095,262	3,972	0	(118)	0	0	0.0%	0.0%	–	
General governments	7,228,687	418,954	2,250	(1,879)	(2,150)	(2,219)	0.0%	0.5%	98.6%	
Banks	5,873,185	56,686	3,857	(322)	(34)	(3,857)	0.0%	0.1%	100.0%	
Other financial corporations	9,323,741	1,008,954	63,852	(7,093)	(6,918)	(32,783)	0.1%	0.7%	51.3%	
Non-financial corporations	40,318,957	4,826,693	1,700,161	(87,122)	(99,237)	(99,595)	0.2%	2.1%	58.6%	
Households	28,399,798	6,188,418	1,093,691	(85,984)	(233,473)	(762,872)	0.3%	3.8%	69.8%	
hereof mortgage	13,983,587	3,822,695	436,736	(16,754)	(108,530)	(276,370)	0.1%	2.8%	63.3%	
Total	97,239,631	12,503,675	2,863,810	(182,517)	(341,813)	(1,797,727)	0.2%	2.7%	62.8%	

2018 in € thousand	Stage 1	Gross carrying amount			Accumulated impairment			ECL Coverage Ratio		
		Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Central banks	4,950,473	0	0	(950)	0	0	0.0%	–	–	
General governments	6,614,908	297,855	2,295	(1,146)	(1,407)	(2,264)	0.0%	0.5%	98.7%	
Banks	5,842,461	532,657	8,113	(319)	(148)	(8,113)	0.0%	0.0%	100.0%	
Other financial corporations	6,555,542	523,857	95,840	(6,237)	(4,188)	(65,422)	0.1%	0.8%	68.3%	
Non-financial corporations	36,089,237	5,636,275	1,972,199	(91,174)	(94,377)	(1,143,465)	0.3%	1.7%	58.0%	
Households	25,454,798	5,598,418	1,066,514	(66,900)	(232,470)	(767,090)	0.3%	4.2%	71.9%	
hereof mortgage	11,385,852	3,862,265	453,176	(10,617)	(114,329)	(259,463)	0.1%	3.0%	57.3%	
Total	85,507,420	12,589,062	3,144,961	(166,725)	(332,589)	(1,986,355)	0.2%	2.6%	63.2%	

The following breakdown of financial assets – amortized cost by segment shows the high level of diversification of RBI's credit business in the European markets:

2019 in € thousand	Gross carrying amount			Accumulated impairment			ECL Coverage Ratio			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Central Europe	31,779,824	4,712,543	926,176	(48,409)	(118,636)	(579,549)	0.2%	2.5%	62.6%	
hereof Czech Republic	14,300,941	1,997,337	227,897	(18,579)	(31,305)	(144,756)	0.1%	1.6%	63.5%	
hereof Hungary	4,888,372	441,399	195,090	(6,630)	(17,863)	(87,478)	0.1%	4.0%	44.8%	
hereof Slovakia	10,721,104	1,765,394	229,113	(18,002)	(24,864)	(158,671)	0.2%	1.4%	69.3%	
Southeastern Europe	16,696,427	2,196,692	738,915	(69,784)	(100,068)	(522,317)	0.4%	4.6%	70.7%	
hereof Romania	6,118,838	703,448	252,472	(28,017)	(37,536)	(170,169)	0.5%	5.3%	67.4%	
Eastern Europe	17,169,049	2,187,050	437,902	(40,041)	(68,430)	(262,794)	0.2%	3.1%	60.0%	
hereof Russia	13,626,415	1,839,175	262,317	(24,416)	(57,053)	(144,773)	0.2%	3.1%	55.2%	
Austria and other ¹	31,594,330	3,407,389	760,818	(24,283)	(54,678)	(433,066)	0.1%	1.6%	56.9%	
Total	97,239,631	12,503,675	2,863,810	(182,517)	(341,813)	(1,797,727)	0.2%	2.7%	62.8%	

¹ Austria mainly includes the business of the head office and Raiffeisen Bausparkasse. Other also includes any consolidation effects.

2018 in € thousand	Gross carrying amount			Accumulated impairment			ECL Coverage Ratio		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central Europe	29,756,988	5,284,773	998,911	(45,096)	(137,988)	(632,920)	0.2%	2.6%	63.4%
hereof Czech Republic	13,570,295	2,363,977	224,242	(18,556)	(43,104)	(154,781)	0.1%	1.8%	69.0%
hereof Hungary	4,368,347	827,917	198,634	(5,699)	(22,463)	(135,492)	0.1%	2.7%	68.2%
hereof Slovakia	9,513,874	1,727,718	239,578	(16,851)	(32,161)	(164,985)	0.2%	1.9%	68.9%
Southeastern Europe	15,488,875	1,608,911	772,204	(55,337)	(101,112)	(538,987)	0.4%	6.3%	69.8%
hereof Romania	5,631,576	555,358	243,443	(19,538)	(45,691)	(150,084)	0.3%	8.2%	61.7%
Eastern Europe	11,623,230	1,947,883	503,359	(31,492)	(53,041)	(304,128)	0.3%	2.7%	60.4%
hereof Russia	8,862,090	1,657,404	260,052	(17,564)	(44,945)	(141,029)	0.2%	2.7%	54.2%
Austria and other ¹	28,638,326	3,747,495	870,486	(34,801)	(40,448)	(510,319)	0.1%	1.1%	58.6%
Total	85,507,420	12,589,062	3,144,961	(166,725)	(332,589)	(1,986,355)	0.2%	2.6%	63.2%

¹ Austria mainly includes the business of the head office and Raiffeisen Bausparkasse. Other also includes any consolidation effects.

Stage 1 amounts include assets in the amount of € 10,034,042 thousand (2018: € 9,789,961 thousand), for which the low credit risk exemption has been used. Furthermore, Stage 2 and Stage 3 contain purchased or originated credit-impaired assets (POCI) in the amount of € 347,010 thousand (2018: € 305,197 thousand). RBI has financial instruments in the amount of € 1,229,826 thousand (2018: € 3,521,864 thousand) with no expected credit losses due to collateral.

For further information on the concentration risk by industry classification and foreign currency position, reference is made to the risk report.

The following table shows the credit commitments, financial guarantees and other commitments by counterparties and stages.

2019 in € thousand	Provisions for off-balance sheet items according to IFRS 9						ECL Coverage Ratio		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central banks	126	0	0	0	0	0	0.1%	-	-
General governments	368,871	17,646	0	(34)	(282)	0	0.0%	1.6%	-
Banks	3,070,732	7,798	0	(258)	(10)	0	0.0%	0.1%	-
Other financial corporations	4,067,592	214,543	9,129	(3,528)	(642)	(593)	0.1%	0.3%	6.5%
Non-financial corporations	31,234,797	2,262,408	306,904	(32,396)	(24,600)	(79,157)	0.1%	1.1%	25.8%
Households	3,768,876	1,002,769	9,963	(7,498)	(4,536)	(7,027)	0.2%	0.5%	70.5%
Total	42,510,994	3,505,163	325,997	(43,715)	(30,069)	(86,777)	0.1%	0.9%	26.6%

2018 in € thousand	Provisions for off-balance sheet items according to IFRS 9						ECL Coverage Ratio		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central banks	96	0	0	0	0	0	0.1%	-	-
General governments	519,132	13,052	266	(90)	(2)	0	0.0%	0.0%	0.0%
Banks	2,110,567	303,390	0	(542)	(1,002)	0	0.0%	0.3%	-
Other financial corporations	2,040,649	1,643,330	589	(1,467)	(2,602)	(579)	0.1%	0.2%	98.3%
Non-financial corporations	27,159,587	2,782,710	127,459	(26,876)	(21,976)	(47,011)	0.1%	0.8%	36.9%
Households	3,483,205	950,231	10,744	(7,663)	(6,671)	(9,269)	0.2%	0.7%	86.3%
Total	35,313,236	5,692,712	139,057	(36,638)	(32,253)	(56,860)	0.1%	0.6%	40.9%

The following table shows the gross carrying amount and impairment of the financial assets – amortized cost and financial assets – fair value through other comprehensive income that have moved in the reporting period from expected twelve-month losses (Stage 1) to expected lifetime losses (Stages 2 and 3) or vice versa:

2019 in € thousand	Gross carrying amount		Impairment		ECL Coverage Ratio	
	12 month ECL	Lifetime ECL	12 month ECL	Lifetime ECL	12 month ECL	Lifetime ECL
Movement from 12 month ECL to lifetime ECL						
(4,454,153)	4,454,153	(31,543)	301,094		0.7%	6.8%
Central banks	0	0	0	0	-	-
General governments	(86,461)	86,461	(314)	2,086	0.4%	2.4%
Banks	(9,515)	9,515	0	0	0.0%	0.0%
Other financial corporations	(138,260)	138,260	(18)	733	0.0%	0.5%
Non-financial corporations	(1,689,689)	1,689,689	(7,526)	66,016	0.4%	3.9%
Households	(2,530,228)	2,530,228	(23,684)	232,260	0.9%	9.2%
Movement from lifetime ECL to 12 month ECL						
3,249,005	(3,249,005)	43,792	(145,930)		1.3%	4.5%
Central banks	0	0	0	0	-	-
General governments	175,357	(175,357)	35	(227)	0.0%	0.1%
Banks	158,958	(158,958)	5	(41)	0.0%	0.0%
Other financial corporations	205,695	(205,695)	5	(344)	0.0%	0.2%
Non-financial corporations	1,095,500	(1,095,500)	8,306	(27,426)	0.8%	2.5%
Households	1,613,496	(1,613,496)	35,441	(117,891)	2.2%	7.3%

The increase in expected credit losses arising from the measurement of the loss allowance moving from twelve-month expected credit losses to lifetime losses was € 269,552 thousand (2018: € 182,541 thousand). The decrease in expected credit losses arising from the measurement of the loss allowance moving from lifetime losses to twelve-month expected credit losses was € 102,138 thousand (2018: € 52,067 thousand).

2018 in € thousand	Gross carrying amount		Impairment		ECL Coverage Ratio	
	12 month ECL	Lifetime ECL	12 month ECL	Lifetime ECL	12 month ECL	Lifetime ECL
Movement from 12 month ECL to lifetime ECL						
(6,070,961)	6,070,961	(53,391)	235,932		0.9%	3.9%
Central banks	0	0	0	0	-	-
General governments	(72,250)	72,250	(58)	2,159	0.1%	3.0%
Banks	(163,760)	163,760	(15)	40	0.0%	0.0%
Other financial corporations	(168,003)	168,003	(158)	3,545	0.1%	2.1%
Non-financial corporations	(2,352,054)	2,352,054	(17,418)	81,366	0.7%	3.5%
Households	(3,314,895)	3,314,895	(35,742)	148,822	1.1%	4.5%
Movement from lifetime ECL to 12 month ECL						
1,782,336	(1,782,336)	46,138	(98,205)		2.6%	5.5%
Central banks	0	0	0	0	-	-
General governments	34,989	(34,989)	14	(61)	0.0%	0.2%
Banks	15,291	(15,291)	24	(24)	0.2%	0.2%
Other financial corporations	22,702	(22,702)	122	(122)	0.5%	0.5%
Non-financial corporations	271,578	(271,578)	3,153	(13,179)	1.2%	4.9%
Households	1,437,776	(1,437,776)	42,825	(84,818)	3.0%	5.9%

(38) Development of impairments

The following table shows the development of impairments on loans and bonds in the measurement categories of financial assets - amortized cost and financial assets - fair value through other comprehensive income:

2019 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1/1	170,512	332,789	1,986,355	2,489,656
Increases due to origination and acquisition	100,549	31,573	53,225	185,347
Decreases due to derecognition	(44,739)	(44,489)	(342,089)	(431,317)
Changes due to change in credit risk (net)	(46,611)	11,938	389,105	354,432
Changes due to modifications without derecognition (net)	(26)	(109)	6,135	6,000
Decrease due to write-offs	(495)	(2,411)	(413,237)	(416,143)
Changes due to model/risk parameters	(322)	4,379	74,054	78,111
Change in consolidated group	(24)	(54)	10,347	10,269
Foreign exchange and other	5,109	9,376	33,833	48,319
As at 31/12	183,954	342,992	1,797,727	2,324,673

2018 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1/1	188,295	369,830	2,911,475	3,469,600
Increases due to origination and acquisition	91,537	28,037	109,452	229,025
Decreases due to derecognition	(36,751)	(41,989)	(414,855)	(493,595)
Changes due to change in credit risk (net)	(26,761)	61,602	328,213	363,053
Changes due to modifications without derecognition (net)	(16)	18	(986)	(983)
Decrease due to write-offs	(7,372)	(6,412)	(622,944)	(636,728)
Changes due to model/risk parameters	172	609	(3,667)	(2,886)
Change in consolidated group	(17,237)	(47,185)	(207,080)	(271,503)
Foreign exchange and other	(21,353)	(31,721)	(113,253)	(166,327)
As at 31/12	170,512	332,789	1,986,355	2,489,656

The following table shows the development of provisions for loan commitments, financial guarantees and other commitments given:

2019 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1/1	36,638	32,253	56,860	125,750
Increases due to origination and acquisition	34,979	6,980	16,192	58,150
Decreases due to derecognition	(11,757)	(6,981)	(12,759)	(31,497)
Changes due to change in credit risk (net)	(18,069)	(2,644)	26,279	5,566
Changes due to modifications without derecognition (net)	0	0	1	1
Decrease due to write-offs	0	0	0	0
Changes due to model/risk parameters	(381)	(486)	(387)	(1,255)
Change in consolidated group	0	1	0	1
Foreign exchange and other	2,307	945	593	3,845
As at 31/12	43,715	30,069	86,777	160,561

2018 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1/1	21,168	25,996	101,521	148,685
Increases due to origination and acquisition	24,266	7,389	3,188	34,843
Decreases due to derecognition	(10,397)	(5,721)	(8,771)	(24,890)
Changes due to change in credit risk (net)	0	0	(28,569)	(28,569)
Changes due to modifications without derecognition (net)	0	0	0	0
Decrease due to write-offs	0	0	0	0
Changes due to model/risk parameters	0	0	0	0
Change in consolidated group	(2,464)	(3,466)	(2,734)	(8,664)
Foreign exchange and other	4,064	8,055	(7,774)	4,345
As at 31/12	36,638	32,253	56,860	125,750

The following table shows the breakdown of impairments and provisions in accordance with IFRS 9 stages by asset classes:

2019 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and debt securities	183,954	342,992	1,797,727	2,324,673
Central banks	118	0	0	118
General governments	3,155	3,076	2,219	8,450
Banks	417	27	3,857	4,300
Other financial corporations	7,120	6,928	32,783	46,831
Non-financial corporations	87,162	99,487	995,995	1,182,643
Households	85,984	233,473	762,872	1,082,329
Loan commitments, financial guarantees and other commitments given	43,715	30,069	86,777	160,561
Total	227,669	373,061	1,884,504	2,485,234

2018 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and debt securities	170,512	332,789	1,986,355	2,489,656
Central banks	999	0	0	999
General governments	4,632	1,560	2,264	8,455
Banks	440	185	8,113	8,738
Other financial corporations	6,349	4,198	65,422	75,969
Non-financial corporations	91,193	94,377	1,143,465	1,329,035
Households	66,900	232,470	767,090	1,066,460
Loan commitments, financial guarantees and other commitments given	36,638	32,253	56,860	125,750
Total	207,150	365,042	2,043,214	2,615,406

The following table shows the breakdown of impairments and provisions in accordance with IFRS 9 stages of impairment by segments:

2019 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and debt securities	183,954	342,992	1,797,727	2,324,673
Central Europe	48,402	118,838	579,549	746,789
Southeastern Europe	69,777	100,952	522,317	693,046
Eastern Europe	40,878	68,401	262,794	372,074
Group Corporates & Markets	24,571	54,637	430,942	510,150
Corporate Center	326	163	2,124	2,614
Loan commitments, financial guarantees and other commitments given	43,715	30,069	86,777	160,561
Total	227,669	373,061	1,884,504	2,485,234

2018 in € thousand	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and debt securities	170,512	332,789	1,986,355	2,489,656
Central Europe	45,005	137,776	632,920	815,701
Southeastern Europe	55,340	101,131	538,987	695,458
Eastern Europe	34,578	52,953	304,128	391,659
Group Corporates & Markets	35,590	40,929	486,633	563,152
Corporate Center	0	0	23,686	23,686
Loan commitments, financial guarantees and other commitments given	36,638	32,253	56,860	125,750
Total	207,150	365,042	2,043,214	2,615,406

(39) Modified assets

Changes in contractual cashflows of financial assets are examined on the basis of qualitative and quantitative criteria to determine whether the modifications are substantial or non-substantial.

If the modifications are substantial, the existing asset is derecognized and a new financial instrument is recognized (including new classification and new stage allocation for impairment purposes). Non-substantial modifications do not lead to derecognition, but to an adjustment to the gross carrying amount through profit and loss.

2019 in € thousand	Stage 1	Stage 2	Stage 3	Total
Net modifications gains/losses	(2,881)	(47)	989	(1,940)
Gross carrying amount before modifications of financial assets	1,832,152	170,822	52,063	2,055,038
Gross carrying amount of modified assets as at 31/12, which moved to Stage 1 during the year	–	21,072	0	21,072

2018 in € thousand	Stage 1	Stage 2	Stage 3	Total
Net modifications gains/losses	(2,734)	(1,565)	(516)	(4,815)
Gross carrying amount before modifications of financial assets	754,975	101,235	62,451	918,662
Gross carrying amount of modified assets as at 31/12, which moved to Stage 1 during the year	–	0	0	0

(40) Offsetting of financial assets and liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's statement of financial position or are subject to an enforceable/unenforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position or not.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements.

Some of the agreements are not set-off in the statement of financial position. This is because they create, for the parties to the agreement, a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously. The Group receives and gives collaterals in the form of cash and marketable securities.

2019 in € thousand	Gross amount		Net amount recognized financial assets	Amounts from global netting agreements		Net amount
	recognized financial assets	recognized financial liabilities set-off		Financial instruments	Cash collateral received	
Derivatives (enforceable)	3,962,748	1,866,344	2,096,404	1,246,876	138,598	710,930
Repurchase, securities lending and similar agreements (legally enforceable)	11,142,163	0	11,142,163	11,100,094	0	42,068
Total	15,104,911	1,866,344	13,238,567	12,346,971	138,598	752,998

2019 in € thousand	Gross amount		Net amount recognized financial liabilities	Amounts from global netting agreements		Net amount
	recognized financial liabilities	recognized financial assets set-off		Financial instruments	Cash collateral received	
Derivatives (enforceable)	3,891,272	1,866,344	2,024,928	1,152,669	147,947	724,312
Reverse repurchase, securities lending and similar agreements (legally enforceable)	795,334	0	795,334	779,854	0	15,479
Total	4,686,605	1,866,344	2,820,261	1,932,523	147,947	739,791

In 2019, assets which were not subject to legally enforceable netting agreements amounted to € 138,960,937 thousand (2018: € 130,310,110 thousand), of which an immaterial part was accounted for by derivative financial instruments and cash balances from reverse repo business. Liabilities which were not subject to legally enforceable netting agreements totaled € 135,614,259 thousand in 2019 (2018: € 125,248,281 thousand), of which only an immaterial part was accounted for by derivative financial instruments and cash deposits from repo business.

2018 in € thousand	Gross amount		Net amount recognized financial assets	Amounts from global netting agreements		Net amount
	recognized financial assets	recognized financial liabilities set-off		Financial instruments	Cash collateral received	
Derivatives (enforceable)	3,039,561	1,061,801	1,977,760	1,416,311	80,885	480,563
Repurchase, securities lending and similar agreements (legally enforceable)	7,827,285	0	7,827,285	7,786,627	0	40,658
Total	10,866,846	1,061,801	9,805,045	9,202,938	80,885	521,221

2018 in € thousand	Gross amount		Net amount recognized financial liabilities	Amounts from global netting agreements		Net amount
	recognized financial liabilities	recognized financial assets set-off		Financial instruments	Cash collateral received	
Derivatives (enforceable)	2,692,327	1,061,801	1,630,526	587,999	285,439	757,088
Reverse repurchase, securities lending and similar agreements (legally enforceable)	822,991	0	822,991	799,464	0	23,527
Total	3,515,318	1,061,801	2,453,517	1,387,463	285,439	780,615

(41) Securitization (RBI as originator)

Securitization represents a particular form of refinancing and credit risk enhancement under which risks from loans or lease agreements are packaged into portfolios and placed with capital market investors. The objective of the Group's securitization transactions is to relieve Group regulatory total capital and to use additional refinancing sources.

The following transactions for all or at least some tranches were executed with external contractual partners, were still active in the reporting year and resulted in a credit risk mitigation which led to a reduction in risk-weighted assets in regulatory reporting. The stated amounts represent the securitized portfolio and the underlying receivables as well as the externally placed tranche at the balance sheet date.

2019 in € thousand	Date of contract	End of maturity	Max. volume	Securitized portfolio	Outstanding portfolio ⁴	Portfolio	Externally placed tranche	Amount of the externally placed tranche
Synthetic Transaction ROOF CRE 2019 ¹	Oct. 2019	Sept. 2029	1,262,072	1,222,584	3,441,893	Corporate customers, Project finance	Mezzanine	94,700
Synthetic Transaction ROOF Slovakia 2017 ²	Nov. 2017	April 2025		1,231,637	2,461,636	Company loans	Mezzanine	83,800
Synthetic Transaction EIF JEREMIE Romania ³	Dec. 2010	Dec. 2023	172,500	5,838	7,297	SME loans	Junior	2,258
Synthetic Transaction EIF JEREMIE Slovakia	March 2014	June 2025	60,000	10,818	15,454	SME loans	Junior	3,679
Synthetic Transaction EIF Western Balkans EDIF Albania	Dec. 2016	June 2028	17,000	9,938	14,198	SME loans	Junior	2,975
Synthetic Transaction EIF Western Balkans EDIF Croatia	April 2015	May 2023	20,107	3,713	5,304	SME loans	Junior	391

1 Junior tranche held in the Group

2 Junior tranche held in the Group

3 Due to full amortization of the senior tranche, the amount of the externally placed junior tranche corresponds to the amount of the securitized portfolio.

4 Outstanding portfolio (securitized and retained)

SME: Small and Medium-sized Enterprises

The Group executed a new synthetic transaction, ROOF CRE 2019, which was split into a senior, a mezzanine and a junior tranche. The credit risk of the mezzanine tranche in the amount of € 94,700 thousand is guaranteed by an institutional investor, while the credit risk of the junior and senior tranche is retained.

The synthetic transaction, ROOF Slovakia 2017, is split into a senior, a mezzanine and a junior tranche. The mezzanine tranche in the amount of € 83,800 thousand was sold to institutional investors, while the credit risk of the junior and senior tranches is retained.

As part of the JEREMIE initiative, the participating subsidiaries (Raiffeisenbank S.A., Bucharest, and Tatra banka a.s., Bratislava) have received guarantees from the European Investment Fund (EIF) to support lending to small and medium-sized enterprises. Since 2016 the Slovakian JEREMIE transaction has been converted into a funded credit guarantee via a Slovakian state-owned fund. EIF is no longer part of the transaction.

As part of the Western Balkans Enterprise Development and Innovation Facility, the participating subsidiaries (Raiffeisenbank Sh.a., Tirana, and Raiffeisenbank Austria d.d., Zagreb) each signed a portfolio guarantee agreement which was funded by the EU and which, like the JEREMIE initiatives, is aimed at providing access to finance for small and medium-sized enterprises.

(42) Transferred assets

The Group enters into transactions that result in the transfer of trading assets, financial investments and loans and advances to customers. The transferred financial assets continue to be recognized in their entirety or to the extent of the Group's continuing involvement, or are derecognized in their entirety. The Group transfers financial assets that are not derecognized in their entirety or for which the Group has continuing involvement primarily through sale and repurchase of securities, securities lending and securitization activities.

Transferred financial assets not derecognized

Sale and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it at a fixed price on a future date. The Group continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Securities lending agreements are transactions in which the Group lends securities for a fee and receives cash as collateral. The Group continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash received is recognized as a financial asset and a financial liability is recognized for the obligation to repay it. Because as part of the lending arrangement the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Loans and advances to customers are sold by the Group to securitization vehicles that in turn issue notes to investors collateralized by the purchased assets. In the securitizations in which the Group transfers loans and advances to an unconsolidated securitization vehicle, it retains some credit risk while transferring some credit risk, prepayment and interest rate risk to the vehicle. The Group therefore does not retain or transfer substantially all of the risks and rewards of such assets.

The table below shows the carrying amounts of financial assets transferred:

2019 in € thousand	Transferred assets hereof securitizations			Associated liabilities hereof securitizations		
	Carrying amount	hereof repurchase agreements	Carrying amount	hereof repurchase agreements		
Financial assets - held for trading	87,435	0	87,435	85,444	0	85,444
Non-trading financial assets - mandatorily fair value through profit/loss	0	0	0	0	0	0
Financial assets - designated fair value through profit/loss	0	0	0	0	0	0
Financial assets - fair value through other comprehensive income	45,497	0	45,497	47,750	0	47,750
Financial assets - amortized cost	108,621	0	108,621	98,679	0	98,679
Total	241,553	0	241,553	231,873	0	231,873

2018 in € thousand	Transferred assets hereof securitizations			Associated liabilities hereof securitizations		
	Carrying amount	hereof repurchase agreements	Carrying amount	hereof repurchase agreements		
Financial assets - held for trading	266,470	0	266,470	266,141	0	266,141
Non-trading financial assets - mandatorily fair value through profit/loss	0	0	0	0	0	0
Financial assets - designated fair value through profit/loss	0	0	0	0	0	0
Financial assets - fair value through other comprehensive income	0	0	0	0	0	0
Financial assets - amortized cost	63,740	0	63,740	55,648	0	55,648
Total	330,210	0	330,210	321,789	0	321,789

The Group currently has no securitization transactions in which financial assets are partly derecognized.

(43) Assets pledged as collateral and received financial assets

The Group pledges assets mainly for repurchase agreements, securities lending agreements as well as other lending arrangements and for margining purposes in relation to derivative liabilities. The table below contains assets from repo business, securities lending business, securitizations, debentures transferred as collateral of liabilities or guarantees (this means collateralized deposits):

in € thousand	2019		2018	
	Pledged	Otherwise restricted with liabilities	Pledged	Otherwise restricted with liabilities
Financial assets - held for trading	128,868	0	309,030	0
Non-trading financial assets - mandatorily fair value through profit/loss	1,572	0	753	0
Financial assets - designated fair value through profit/loss	27,925	0	0	0
Financial assets - fair value through other comprehensive income	218,097	4,836	119,858	5,209
Financial assets - amortized cost	11,027,243	782,108	8,079,756	751,480
Total	11,403,705	786,945	8,509,397	756,689

Statutory, contractual or regulatory requirements as well as protective rights of non-controlling interests might restrict the ability of the Group to access and transfer assets freely to or from other Group entities and settle liabilities. As at the reporting date, the Group has not granted any material protective rights associated with non-controlling interests and therefore these were not a source of significant restrictions.

The following products restrict the Group in the use of its assets: repurchase agreements, securities lending contracts as well as other lending contracts for margining purposes in relation to derivative liabilities, securitizations and various insurance activities. The table below shows assets pledged as collateral and otherwise restricted assets with a corresponding liability. These assets are restricted from usage to secure funding, for legal or other reasons.

The table below shows securities and other financial assets accepted as collateral:

in € thousand	2019		2018	
Securities and other financial assets accepted as collateral which can be sold or repledged		12,095		9,138,919
hereof which have been sold or repledged		2,365		1,603,132

The Group received collaterals which can be sold or repledged even if no default occurs in the course of reverse repo business, securities lending business, derivative and other transactions. For information on asset encumbrance we refer to the Group's Pillar 3 disclosures which are published pursuant to EU 575/2013 Capital Requirements Regulation (CRR) Part 8.

(44) Breakdown of remaining terms of maturity

Assets 2019 in € thousand	Current assets			Non-current assets	
	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash, cash balances at central banks and other demand deposits	24,044,341	244,923	0	0	0
Financial assets - amortized cost	6,227,629	16,658,400	16,997,394	38,389,876	32,011,760
Financial assets - fair value through other comprehensive income	140,260	445,138	741,557	2,290,988	1,163,412
Non-trading financial assets - mandatorily fair value through profit/loss	311,368	26,823	17,947	61,344	358,455
Financial assets - designated fair value through profit/loss	29,515	137,599	556,330	1,188,421	363,968
Financial assets - held for trading	756,830	400,250	287,987	1,704,315	1,032,989
Hedge accounting	(46,562)	13,282	14,782	280,750	134,903
Investments in subsidiaries and associates	1,106,539	–	–	–	–
Tangible fixed assets	1,828,929	–	–	–	–
Intangible fixed assets	757,435	–	–	–	–
Current tax assets	61,272	–	–	–	–
Deferred tax assets	70,567	35	9,633	63,057	472
Other assets	645,231	429,852	221,311	17,760	435
Total	35,933,353	18,356,303	18,846,941	43,996,513	35,066,394

Liabilities 2019 in € thousand	Short-term liabilities			Long-term liabilities	
	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Financial liabilities - amortized cost	64,336,066	17,213,440	14,145,594	24,102,785	8,966,531
Financial liabilities - designated fair value through profit/loss	0	134,987	264,320	913,770	529,648
Financial liabilities - held for trading	94,293	479,101	680,365	2,839,396	1,695,656
Hedge accounting	(43,896)	23,597	1,954	113,818	150,977
Provisions for liabilities and charges	491,193	18,203	144,779	112,508	316,048
Current tax liabilities	25,487	2,054	2,991	0	17
Deferred tax liabilities	30,371	1,653	6,072	(933)	853
Other liabilities	315,859	98,862	43,474	159,294	23,332
Subtotal	65,249,374	17,971,897	15,289,549	28,240,638	11,683,062
Equity	13,764,983	–	–	–	–
Total	79,014,358	17,971,897	15,289,549	28,240,638	11,683,062

Assets 2018 in € thousand	Current assets			Non-current assets	
	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash, cash balances at central banks and other demand deposits	22,435,608	121,876	0	0	0
Financial assets - amortized cost	6,015,523	15,551,468	14,476,282	33,847,192	28,865,309
Financial assets - fair value through other comprehensive income	1,544,399	395,164	1,073,671	2,369,427	1,106,356
Non-trading financial assets - mandatorily fair value through profit/loss	182,644	55,549	27,253	57,544	236,792
Financial assets - designated fair value through profit/loss	56,490	7,801	78,560	2,143,256	906,008
Financial assets - held for trading	517,605	390,835	489,113	1,410,899	1,085,157
Hedge accounting	0	25,550	8,363	283,208	140,081
Investments in subsidiaries and associates	964,213	—	—	—	—
Tangible fixed assets	1,384,277	—	—	—	—
Intangible fixed assets	692,897	—	—	—	—
Current tax assets	56,820	—	—	—	—
Deferred tax assets	109,846	10	9,458	2,677	380
Other assets	366,645	442,232	146,187	34,309	220
Total	34,326,967	16,990,484	16,308,887	40,148,512	32,340,305

Liabilities 2018 in € thousand	Short-term liabilities			Long-term liabilities	
	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Financial liabilities - amortized cost	59,228,519	17,406,300	13,434,188	22,372,904	6,632,187
Financial liabilities - designated fair value through profit/loss	0	142,574	265,799	975,203	547,500
Financial liabilities - held for trading	133,755	641,450	800,200	2,362,179	1,164,251
Hedge accounting	0	3,345	13,668	11,154	62,882
Provisions for liabilities and charges	367,987	12,273	128,768	93,462	253,433
Current tax liabilities	38,969	493	1,914	0	0
Deferred tax liabilities	34,414	0	7,559	13,181	4,548
Other liabilities	36,603	54,281	141,083	237,333	77,440
Subtotal	59,840,246	18,260,716	14,793,179	26,065,416	8,742,240
Equity	12,413,358	—	—	—	—
Total	72,253,604	18,260,716	14,793,179	26,065,416	8,742,240

(45) Foreign currency volumes

in € thousand	2019	2018
Assets	71,709,428	63,487,761
Liabilities	59,523,322	52,444,554

(46) Derivative financial instruments

2019 in € thousand	Nominal amount	Fair values	
		Positive	Negative
Trading book	176,548,070	1,663,968	(1,655,063)
Interest rate contracts	121,991,721	1,041,459	(874,110)
Equity contracts	5,121,269	179,840	(185,233)
Foreign exchange rate and gold contracts	47,327,103	430,888	(499,132)
Credit contracts	745,140	5,446	(10,800)
Commodities	104,744	5,142	(69)
Other	1,258,093	1,193	(85,719)
Banking book	22,882,001	230,496	(278,531)
Interest rate contracts	16,673,905	203,115	(186,290)
Equity contracts	0	0	0
Foreign exchange rate and gold contracts	6,029,596	27,381	(85,031)
Credit contracts	178,500	0	(7,210)
Hedging instruments	26,647,095	402,064	(282,066)
Interest rate contracts	26,111,060	394,352	(275,225)
Foreign exchange rate and gold contracts	536,036	7,712	(6,840)
Total	226,077,166	2,296,528	(2,215,660)
OTC products	220,663,760	2,258,276	(2,089,351)
Products traded on stock exchange	3,126,929	26,471	(22,510)

2018 in € thousand	Nominal amount	Fair values	
		Positive	Negative
Trading book	161,380,971	1,787,388	(1,834,966)
Interest rate contracts	115,828,572	1,058,044	(821,574)
Equity contracts	3,861,755	120,879	(365,332)
Foreign exchange rate and gold contracts	40,042,574	603,992	(553,725)
Credit contracts	131,201	1,518	(204)
Commodities	128,982	2,949	(2,673)
Other	1,387,887	5	(91,457)
Banking book	32,179,328	185,080	(199,593)
Interest rate contracts	23,645,705	94,003	(103,577)
Equity contracts	4	74	(218)
Foreign exchange rate and gold contracts	8,449,819	91,004	(93,045)
Credit contracts	83,800	0	(2,753)
Hedging instruments	22,601,830	500,687	(153,323)
Interest rate contracts	22,131,895	469,045	(153,135)
Foreign exchange rate and gold contracts	469,935	31,643	(187)
Total	216,162,128	2,473,156	(2,187,882)
OTC products	210,878,533	2,405,437	(2,044,893)
Products traded on stock exchange	3,551,725	63,246	(45,901)

(47) Hedge accounting – additional information

RBI applies various types of hedge accounting with the aim of reducing interest rate risk and volatility in the income statement. Depending on the risk to be hedged, both fair value and cash flow hedge accounting are used. Both types may be modeled at the micro level and in portfolios. A further type of hedge accounting hedges the net investment risk against fluctuations in the rate of the Russian ruble and Romanian Leu.

Under the rules of IAS 39, which the Group decided to continue to apply, various financial instruments are used as underlying transactions for fair value and cash flow hedges. The majority of these instruments are loans and advances on the asset side and deposits on the liability side. Bonds and debt securities issued are further positions incorporated into hedge accounting relationships. Interest rate and exchange rate agreements are the main hedging instruments.

Hedging instruments

The following table shows the breakdown of hedging instruments by type of hedge accounting at the level of nominal amounts, both in total and by contractual termination, and at the level of the carrying amounts.

2019 in € thousand	Nominal amount	Maturity				Carrying amount	
		Up to 3 months	More than 3 months, up to 1 year	1 year, up to 5 years	More than 5 years	Assets	Liabilities
Interest rate contracts	25,836,475	366,339	2,424,468	13,765,451	9,280,217	394,113	271,426
Cash flow hedge	1,480,307	50,000	156,589	1,251,591	22,127	11,951	2,117
Fair value hedge	24,356,169	316,339	2,267,879	12,513,861	9,258,090	382,161	269,309
Foreign exchange contracts	810,620	500,000	37,125	225,106	48,389	7,952	10,639
Cash flow hedge	217,107	0	37,125	179,982	0	240	3,799
Fair value hedge	93,512	0	0	45,124	48,389	7,712	135
Net investment hedge	500,000	500,000	0	0	0	0	6,706
Total	26,647,095	866,339	2,461,594	13,990,557	9,328,605	402,064	282,066

2018 in € thousand	Nominal amount	Maturity				Carrying amount	
		Up to 3 months	More than 3 months, up to 1 year	1 year, up to 5 years	More than 5 years	Assets	Liabilities
Interest rate contracts	21,655,282	93,082	2,283,487	14,244,637	5,034,077	468,850	142,257
Cash flow hedge	1,074,718	1,937	5,812	970,237	96,732	4,039	6,964
Fair value hedge	20,580,564	91,145	2,277,675	13,274,400	4,937,345	464,811	135,293
Foreign exchange contracts	946,548	0	264,293	667,135	15,120	31,836	11,065
Cash flow hedge	424,269	0	199,358	209,791	15,120	97	10,878
Fair value hedge	117,279	0	64,935	52,344	0	15,123	187
Net investment hedge	405,000	0	0	405,000	0	16,616	0
Total	22,601,830	93,082	2,547,780	14,911,772	5,049,197	500,686	153,323

Fair value hedges

The following table shows details of the underlying transactions for fair value hedges:

2019 in € thousand	Carrying amount of the hedged items Assets	Carrying amount of the hedged items Liabilities	Accumulated amount of fair value adjustments of the hedged items		Changes in fair value of the hedged items ¹
			Assets	Liabilities	
Interest rate hedges	8,047,788	13,176,031	417,456	278,872	50,130
Debt securities	1,440,430	34,424	10,838	0	53,275
Loans and advances	6,607,358	0	24,470	132	67,939
Deposits	0	6,534,469	0	180,497	(97,077)
Debt securities issued	0	6,607,138	382,148	98,243	25,993
Other financial liabilities	0	0	0	0	0
Foreign exchange hedges	53,510	0	586	0	1,184
Other assets	53,510	0	586	0	1,184
Total	8,101,298	13,176,031	418,043	278,872	51,314

¹ Fair value changes in the underlying transactions which were used to calculate ineffectiveness

2018 in € thousand	Carrying amount of the hedged items		Accumulated amount of fair value adjustments of the hedged items		Changes in fair value of the hedged items ¹
	Assets	Liabilities	Assets	Liabilities	
Interest rate hedges	5,374,344	11,297,125	96,654	404,324	11,661
Debt securities	1,068,975	31,416	817	0	(7,982)
Loans and advances	4,305,369	0	(32,855)	2	8,694
Deposits	0	6,080,897	0	166,855	24,468
Debt securities issued	0	5,184,812	128,693	237,467	(13,519)
Foreign exchange hedges	50,019	0	(1,135)	0	(183)
Other assets	50,019	0	(1,135)	0	(183)
Total	5,424,363	11,297,125	95,519	404,324	11,478

1 Fair value changes in the underlying transactions which were used to calculate ineffectiveness

Cash flow hedges

The following table shows details of the cash flow hedges:

2019 in € thousand	Change in the value of the hedging instruments recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss
Interest rate hedges	2,675	146
Loans and advances	3,034	77
Deposits	(810)	23
Debt securities issued	451	0
Other financial liabilities	0	46
Foreign exchange hedges	650	(157)
Other liabilities	650	(157)
Total	3,324	(11)

2018 in € thousand	Change in the value of the hedging instruments recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss
Interest rate hedges	2,569	(12,614)
Loans and advances	1,484	(124)
Deposits	(665)	(12,539)
Debt securities issued	1,750	0
Other financial liabilities	0	49
Foreign exchange hedges	5,116	(797)
Other liabilities	5,116	(797)
Total	7,685	(13,411)

In the second quarter of 2018, the sale of the Polish core banking operations resulted in the termination of the existing portfolio cash flow hedges, which had hedged foreign currency loans and local currency deposits against cash flow fluctuations by means of foreign currency interest rate swaps. This one-off effect of minus € 13,417 thousand is included in the ineffectiveness of hedging instruments recognized in profit or loss.

Risk report

Active risk management is a core competency of RBI. In order to effectively identify, measure, and manage risks the Group continues to develop its comprehensive risk management system. Risk management is an integral part of overall bank management. Particularly, in addition to legal and regulatory requirements, it considers the nature, scale, and complexity of the Group's business activities and the resulting risks. In this respect it should be mentioned that RBI's internal risk models to measure risk-weighted assets (RWA) have been reviewed by the supervisory authority within the framework of the TRIM (Targeted Review of Internal Models). RBI is one of the few banks not to have conditions imposed regarding its internal models, i.e. the models used in the bank do not lead to any underestimates of the risk and therefore meet the expectations of the supervisory authority and of the CRR. The figures below refer to the regulatory scope of consolidation pursuant to CRR. In terms of risk, the companies in the IFRS scope of consolidation that are not included therein are covered by the participation risk.

The risk report describes the principles and organization of risk management and describes current risk exposure in all material risk categories.

(48) Risk management principles

The Group has a system of risk principles and procedures in place for measuring and monitoring risk, which is aimed at controlling and managing material risks at all banks and specialist companies in the Group. The risk policies and risk management principles are laid out by the Management Board. The principles include the following risk policies:

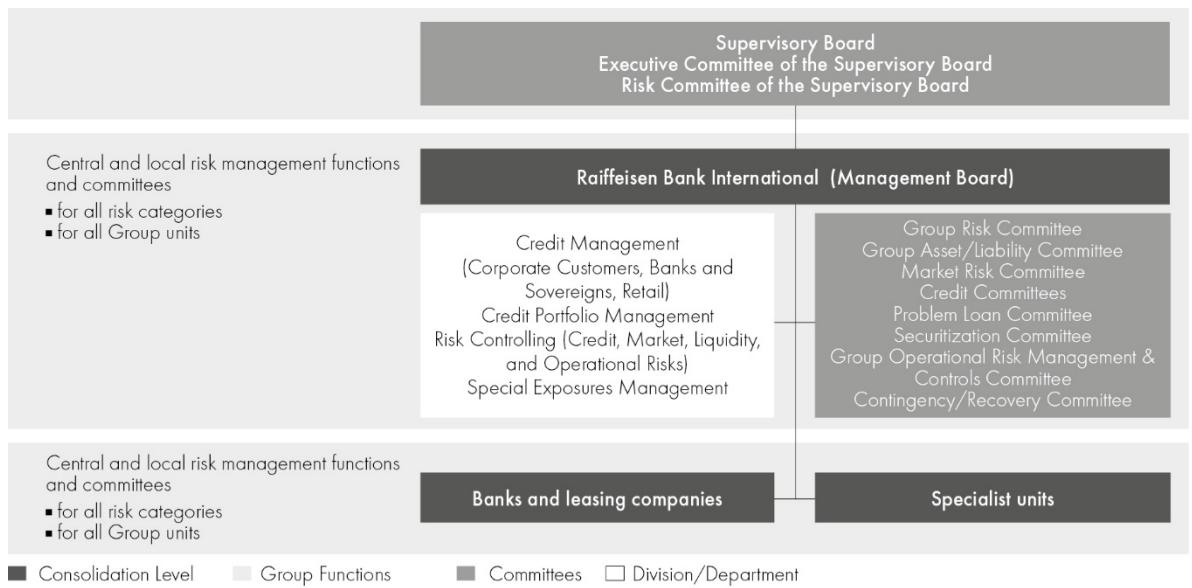
- Integrated risk management: Credit, country, market, liquidity, and operational risks are managed as key risks on a Group-wide basis. For this purpose, these risks are measured, limited, aggregated, and compared to available risk coverage capital.
- Standardized methodologies: Risk measurement and risk limitation methods are standardized Group-wide in order to ensure a consistent and coherent approach to risk management. This is efficient for the development of risk management methods and it forms the basis for consistent overall bank management across all countries and business lines in RBI.
- Continuous planning: Risk strategies and risk capital are reviewed and approved in the course of the annual budgeting and planning process, whereby special attention is also paid to preventing risk concentrations.
- Independent control: A clear personnel and organizational separation is maintained between business operations and all risk management or risk control activities.
- Ex ante and ex post control: Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. Thereby it is ensured that business in general is conducted only under risk-return considerations and that there are no incentives for taking high risks.

Individual risk management units of the Group develop detailed risk strategies, which set more concrete risk targets and specific standards in compliance with these general principles. The overall Group risk strategy is derived from the Group's business strategy and the risk appetite and adds risk relevant aspects to the planned business structure and strategic development. These aspects include for example structural limits and capital ratio targets which have to be met in the budgeting process and in the scope of business decisions. More specific targets for individual risk categories are set in detailed risk strategies. The credit risk strategy of RBI, for instance, sets credit portfolio limits for individual countries and segments and defines the credit approval authority for limit applications.

(49) Organization of risk management

The Management Board of the Group ensures the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions according to the risk reports and analyses. The Management Board is supported in undertaking these tasks by independent risk management units and special committees.

Risk management functions are performed on different levels in the Group. RBI AG develops and implements the relevant concepts as the parent credit institution and in cooperation with the subsidiaries of the Group. The central risk management units are responsible for the adequate and appropriate implementation of the Group's risk management processes. Particularly, they establish common Group directives and set business-specific standards, tools, and practices for all Group entities.



In addition, local risk management units are established in the different Group entities of RBI. They implement the risk policies for specific risk types and take active steering decisions within the approved risk budgets in order to achieve the targets set in the business policy. For this purpose, they monitor resulting risks using standardized measurement tools and report them to central risk management units via defined interfaces.

The central Group Risk Controlling division assumes the independent risk controlling function required by banking law. Its responsibilities include developing the Group-wide framework for overall bank risk management (integrating all risk types) and preparing independent reports on the risk profile for the Supervisory Board's Risk Committee, the Group Management Board and the heads of individual business units. It also measures the required risk coverage capital for different Group units and calculates the utilization of the allocated risk capital budgets in the internal capital adequacy framework.

Risk committees

The Group Risk Committee is the most senior decision-making body for all the Group's risk-related topic areas. It decides on the risk management methods and on the control concepts used for the overall Group and for key subdivisions, and is responsible for ongoing development and implementation of methods and parameters for risk quantification and for refining steering instruments. This also includes setting the risk appetite and the various risk budgets and limits at overall bank level as well as monitoring the current risk situation with respect to internal capital adequacy and the corresponding risk limits. It approves risk management and control activities (such as the allocation of risk capital) and advises the Management Board in these matters.

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

The Market Risk Committee controls market risks arising from trading and banking book transactions and establishes corresponding limits and processes. Particularly, it relies on profit and loss reports, the risks calculated and the limit utilization, as well as the results of scenario analyses and stress tests with respect to market risks.

The Credit Committees are staffed by front office and back office representatives, with the staff assignments depending on the type of customer (corporate customers, banks, sovereigns and retail). The committees decide upon the specific lending criteria for the different customer segments and countries and make all credit decisions concerning those segments and countries in connection with the credit approval process (depending on rating and exposure size).

The Problem Loan Committee is the most important committee in the evaluation and decision-making process concerning problem loans. Its chairman is the Chief Risk Officer (CRO). Further members with voting rights are those members of the Management Board responsible for the customer divisions, the Chief Financial Officer (CFO), and the relevant division and departmental managers from risk management and special exposures management.

The Securitization Committee is the decision-making committee for limit requests in relation to securitization positions within the specific decision-making authority framework. It develops proposals for modifications to the securitization strategy for the Management Board. In addition, the Securitization Committee offers a platform for exchanging information regarding securitization positions and market developments.

The Group Operational Risk Management & Controls Committee comprises representatives of the business areas (retail, market and corporate customers) and representatives from Compliance (including financial crime), Internal Control System, Operations, Security and Risk Controlling, under chairmanship of the CRO. This committee is responsible for managing the Group's operational risk (including conduct risk). It derives and sets the operational risk strategy based on the risk profile and the business strategy and makes decisions regarding actions, controls and risk acceptance.

The Contingency/Recovery Committee is a decision-making body convened by the Management Board. The composition of the committee varies as circumstances require depending on the intensity and focus of the specific requirements pertaining to the situation (e.g. capital and/or liquidity). The core task of the committee is to maintain or recover financial stability in accordance with BaSAG (Austrian Bank Recovery and Resolution Act) and BRRD (Banking Recovery and Resolution Directive) in the event of a critical financial situation.

Quality assurance and internal audit

Quality assurance with respect to risk management refers to ensuring the integrity, soundness, and accuracy of processes, models, calculations, and data sources. This is to ensure that the Group adheres to all legal requirements and that it can achieve the highest standards in risk management-related operations.

All these aspects are coordinated by the Group Compliance division, which analyzes the internal control system on an ongoing basis and – if actions are necessary to address any deficiencies – is also responsible for tracking their implementation.

Two very important functions in assuring independent oversight are performed by the divisions Audit and Compliance. Independent internal auditing is a legal requirement and a central pillar of the internal control system. Internal Audit periodically assesses all business processes and contributes considerably to securing and improving them. It sends its reports directly to the Management Board, which discusses them on a regular basis in its board meetings.

The Compliance Office is responsible for all issues concerning compliance with legal requirements in addition to and as an integral part of the internal control system. Thereby compliance with existing regulations in daily operations is monitored.

Moreover, an independent and objective audit, free of potential conflicts of interest, is carried out during the audit of the annual financial statements by the independent auditors. Finally, the Group is continuously supervised by the European Central Bank, the Austrian Financial Market Authority and by the local supervisor in those countries where the Group is represented by branches or subsidiaries.

(50) Overall group risk management

Maintaining an adequate level of capital is a core objective of the Group. Capital requirements are monitored regularly based on the risk level as measured by internal models, and in choosing appropriate models the materiality of risks annually assessed is considered. This concept of overall bank risk management provides for meeting capital requirements from both a regulatory perspective (sustainability and going concern perspective) and from an economic point of view (target rating). Thus it covers the quantitative aspects of the Internal Capital Adequacy Assessment Process (ICAAP) as legally required and as described in the ICAAP Directive published by the European Central Bank. The full ICAAP process of the Group is audited during the supervisory review process for RBI credit institution group (RBI-Kreditinstitutsgruppe) on an annual basis.

The Risk Appetite Framework (RAF) limits the Group's overall risk in accordance with the Group's strategic business objectives and allocates the risk capital calculated to the different risk categories and business areas. The primary aim of the RAF is to limit risk, particularly in adverse scenarios and for major singular risks in such a way as to ensure compliance with regulatory minimum ratios.

The Risk Appetite Framework is, therefore, closely linked with the ICAAP and the ILAAP (Internal Liquidity Adequacy Assessment Process) and sets the concentration risk limits for the risk types identified as significant in the risk assessment. There is also a connection to the recovery plan as the risk capacity and risk tolerance limits in the RAF are aligned with the corresponding trigger monitoring limits. In addition, the risk appetite decided by the Management Board and the Group's risk strategy and its implementation are reported regularly to the Supervisory Board's Risk Committee.

Approach	Risk	Measurement technique	Confidence level
Economic perspective			
Economic capital	Risk that unexpected losses from the economic point of view exceed the internal capital	The unexpected loss for the risk horizon of one year (economic capital) may not exceed the current value of the tier 1 capital	99.90 per cent
Value-at-Risk	Risk of falling below the capital adequacy requirement under the CRR rules	Risk taking capacity (projected earnings plus capital in excess of the regulatory requirement) must exceed the Group's value at risk (one-year risk horizon)	95 per cent, reflecting the owners' willingness to inject additional equity
Normative perspective			
Stress scenarios	Risk of falling below a sustainable tier 1 ratio throughout an economic cycle	Capital and earnings projection for a three-year planning period based on assumptions of a significant downturn in the economy	Around 95 per cent, based on potential management decisions to reduce risk temporarily or raise additional equity capital

Economic perspective – economic capital approach

In this approach, risks are measured based on economic capital, which represents a comparable risk indicator across all risk types. Economic capital is calculated as the sum of unexpected losses stemming from different Group units and different risk categories. In addition, a general buffer is held to cover other risk types not explicitly quantified.

The Group uses a confidence level of 99.90 per cent (2018: 99.92 per cent) to calculate economic capital as at year-end 2019. In compliance with the ICAAP Directive published by the European Central Bank, the tier 2 capital will no longer be used to calculate the internal capital as at year-end 2019.

Economic capital is compared to internal capital, which – in compliance with the ICAAP Directive published by the European Central Bank – no longer takes account of the tier 2 capital as at year-end 2019. Due to this change in the method used to calculate the internal capital and because of the increase in economic capital described above the total utilization of available risk capital (the ratio of economic capital to internal capital) increased to 58.7 per cent (2018: 46 per cent) as at year-end 2019.

Risk contribution of individual risk types to economic capital:

in € thousand	2019	Share	2018 ¹	Share
Credit risk retail customers	1,750,650	24.8%	1,175,737	19.5%
Credit risk corporate customers	1,749,130	24.8%	1,637,701	27.2%
Participation risk	726,957	10.3%	308,365	5.1%
Market risk	633,221	9.0%	649,290	10.8%
Macroeconomic risk	556,989	7.9%	606,720	10.1%
Operational risk	454,151	6.4%	542,080	9.0%
Owned property risk	252,058	3.6%	226,118	3.8%
FX risk capital position	229,412	3.2%	128,764	2.1%
Credit risk sovereigns	210,343	3.0%	281,316	4.7%
Credit risk banks	147,766	2.1%	143,523	2.4%
CVA risk	17,810	0.3%	17,090	0.3%
Liquidity risk	72	0.0%	14,645	0.2%
Risk buffer	336,428	4.8%	286,568	4.8%
Total	7,064,987	100.0%	6,017,918	100.0%

1 Adaptation of previous year figures (market risk)

Regional allocation of economic capital by Group unit domicile:

in € thousand	2019	Share	2018 ¹	Share
Austria	2,822,211	39.9%	1,903,494	31.6%
Eastern Europe	1,488,569	21.1%	1,308,671	21.7%
Southeastern Europe	1,436,307	20.3%	1,329,702	22.1%
Central Europe	1,317,898	18.7%	1,471,099	24.4%
Rest of World	2	0.0%	4,952	0.1%
Total	7,064,987	100.0%	6,017,918	100.0%

1 Adaptation of previous year figures (market risk)

The Group's calculated economic capital increased during the year to € 7,064,987 thousand. Although participation risk increased € 418,592 thousand to € 726,957 thousand as at 31 December 2019 due to an adjustment of the currently used model for other affiliated companies and equity participations, materially lower participation risks may be expected again in the course of 2020 as a result of the development of a comprehensive new model. The currency risk inherent in the capital position also increased € 100,648 thousand to € 229,412 thousand and is now calculated in all currencies for a holding period of one year. The increase in the credit risk of retail customers of € 574,913 thousand to € 1,750,650 thousand was the result of the implementation of the regulatory capital already held in Pillar I into economic capital with regard to the foreign currency mortgage loans in Poland. In the risk capital allocation as at 31 December 2019, the bulk of the economic capital – 40 per cent (2018: 32 per cent) – was consumed by Group units located in Austria. The year-on-year increase was the result of participation risk and the risk presented by the foreign currency mortgage loans of the RBI AG's Polish branch.

Economic capital is an important instrument in overall bank risk management. Economic capital limits are allocated to individual business areas during the annual budgeting process and are supplemented in day-to-day management by volume, sensitivity, and value-at-risk limits. The Group planning process is undertaken on a revolving basis for the coming three years and incorporates future changes in economic capital as well as available internal capital. Economic capital thus substantially influences plans for future lending activities and the overall limit for market risk.

Risk-adjusted performance measurement is also based on the indicator for economic capital. The profitability of a business unit is examined in relation to the amount of economic capital attributed to the unit in question (risk-adjusted profit in relation to risk-adjusted capital, RORAC), which yields a comparable performance indicator for all business units in the Group. That indicator is used in turn as a key figure in overall bank management and for future capital allocation, and influences the remuneration paid to the Group's executive management.

Economic perspective – value-at-risk approach

Parallel to the economic capital approach, internal capital adequacy is assessed with a focus on the risk taking capacity with regard to regulatory capital and total capital requirements.

In pursuit of the hedging objective, expected profits, expected loan loss provisions and surplus capital (considering various limits on eligible capital) are counted towards risk-taking capacity. The figure for risk-taking capacity is compared to the overall value-at-risk (including expected losses), which is calculated using similar techniques as those used under the economic capital approach (albeit using a lower confidence level of 95 per cent). The Group takes this approach to ensure adequate regulatory capitalization (going concern) with the given probability.

Normative perspective – stress scenarios

The analysis of the stress scenarios in the normative perspective of the ICAAP is intended to ensure that the Group has a sufficiently high tier 1 ratio at the end of the multi-year planning period, even in a severe macroeconomic downturn scenario. The analysis is based on a multi-year macroeconomic stress test where hypothetical market developments in a severe but realistic economic downturn scenario are simulated. The risk parameters used include interest rates, foreign exchange rates and securities prices, as well as changes in default probabilities and rating migrations in the credit portfolio.

The integrated stress test focuses primarily on the tier 1 ratio at the end of the multi-year observation period. It should not fall below a sustainable level, meaning that it should not require the bank to substantially increase capital or to significantly reduce its business activities. The current minimum amount of tier 1 capital is therefore determined by the size of a potential economic downturn. The downturn scenario assumed incorporates recognition of the necessary loan loss provisions and potential pro-cyclical effects (which increase the minimum regulatory capital requirement) along with the impact of foreign exchange rate fluctuations and other valuation and earnings effects. Regulatory changes that are already known are considered for the planning period.

This perspective thus also complements traditional risk measurement methods based on the value-at-risk concept (which is in general based on historical data). Therefore, it can account for exceptional market situations that have not been observed in the past, and permits estimation of the potential impact of such developments. The stress test also allows for analyzing risk concentrations (e.g. individual positions, industries, or geographical regions) and gives insight into profitability, liquidity situation, and solvency under extreme situations. Building on these analyses, risk management in the Group actively contributes to portfolio diversification, for example via limits for the total credit exposure to individual industry segments and countries and through ongoing updates to lending standards.

(51) Credit risk

Credit risk is the largest risk for the Group's business. Credit risk means the risk of suffering financial loss should any of the Group's customers or counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from loans and advances to banks, loans and advances to customers, lending commitments and financial guarantees given. The Group is also exposed to other credit risks arising from investments in debt securities and other exposures associated with trading activities, derivatives, settlement agreements and reverse repo transactions.

Limit application process

In the non-retail area, each lending transaction runs through the limit application process before a decision is made. This process covers – besides new lending – increases in existing limits, rollovers, overdrafts, and changes in the risk profile of a borrower (e.g. with respect to the financial situation of the borrower, the agreed terms and conditions, or the collateral furnished) compared to the time of the original lending decision. It is also used when setting counterparty limits for trading and new issuance operations as well as other credit limits, and for equity investments subject to credit risk.

Credit decisions are made within the context of a competence authority hierarchy based on the size and type of the loan. Approval from the business and the credit risk management divisions is always required when making individual limit decisions or performing regular rating renewals. If the individual decision-making parties disagree, the potential transaction is decided upon by the next higher-ranking credit authority.

The whole limit application process is based on defined uniform principles and rules. Account management for multinational customers doing business with more than one RBI Group unit simultaneously is supported by the Global Account Management System, for example. This is made possible by Group-wide unique customer identification in the non-retail asset classes.

The limit application process in the retail division is automated to a great degree due to the high number of applications and relatively low exposure amounts. Limit applications often are assessed and approved in central processing centers based on credit score cards. This process is facilitated by the respective IT systems.

Credit portfolio management

Credit portfolio management in the Group is, among other aspects, based on the credit portfolio strategy which is in turn based on the business and risk strategy. The strategy selected is used to limit the exposure amount in different countries, industries or product types and thus prevents undesired risk concentrations. Additionally, the long-term potentials of different markets are continuously analyzed. This allows for an early strategic repositioning of future lending activities.

Reconciliation of figures from the IFRS consolidated financial statements to credit exposure (according to CRR)

The following table shows the reconciliation of items on the statement of financial position to the credit exposure (banking and trading book positions), which is used in portfolio management. It includes both exposures on and off the statement of financial position before the application of credit-conversion factors, and thus represents the total credit exposure. It is not reduced by the effects of credit risk mitigation such as guarantees or physical collateral, effects that are, however, considered in the total assessment of credit risk. The total credit exposure is used – if not explicitly stated otherwise – for referring to exposures in all subsequent tables in the risk report. The reasons for the differences in the values used for internal portfolio management and for external financial accounting are the different scopes of consolidation (regulatory versus accounting rules according to IFRS) and differences in the classification and presentation of exposure volumes.

in € thousand	2019	2018
Cash, cash balances at central banks and other demand deposits	19,761,386	18,425,583
Financial assets - amortised cost	112,607,116	101,241,442
Financial assets - fair value through other comprehensive income	4,555,355	6,216,922
Non-trading financial assets - mandatorily at fair value through profit / loss	775,937	559,782
Financial assets - designated fair value through profit/loss	2,275,832	3,192,115
Financial assets - held for trading	4,182,372	3,893,609
Hedge accounting	397,155	457,202
Current tax assets	61,272	56,820
Deferred tax assets	143,764	122,371
Other assets	1,027,830	749,665
Loan commitments given	35,135,831	31,226,964
Financial guarantees given	7,908,756	6,975,261
Other commitments given	3,297,568	2,942,779
Disclosure differences	(3,046,324)	(1,761,995)
Credit exposure¹	189,083,851	174,298,522

¹ Items on the statement of financial position contain only credit risk amounts

The detailed credit portfolio analysis shows the breakdown by rating category. Customer rating assessments are performed separately for different asset classes using internal risk classification models (rating and scoring models), which are validated by a central organizational unit. The default probabilities assigned to individual rating grades are calculated separately for each asset class. As a consequence, the default probabilities relating to the same ordinal rating grade are not directly comparable between asset classes.

Rating models in the main non-retail asset classes – corporates, banks, and sovereigns – are uniform in all Group units and rank creditworthiness in 27 grades for corporate customers and banks and ten grades for sovereigns. For retail asset classes, country specific scorecards are developed based on uniform Group standards. Tools are used to produce and validate ratings (e.g. business valuation tools, rating and default databases).

The following table shows credit exposure by asset classes (rating models):

in € thousand	2019	2018
Corporate customers	81,951,994	73,482,137
Project finance	7,212,158	7,050,295
Retail customers	42,184,670	38,049,768
Banks	21,977,973	19,207,251
Sovereigns	35,757,056	36,509,071
Total	189,083,851	174,298,522

Credit portfolio – Corporate customers

The internal rating models for corporate customers take into account qualitative parameters, various ratios from the statement of financial position, and profit ratios covering different aspects of customer creditworthiness for various industries and countries. In addition, the model for smaller corporates also includes an account behavior component.

The following table shows the credit exposure according to internal corporate rating (large corporates, mid-market and small corporates). For presentation purposes, the individual grades of the rating scale have been combined into nine main rating grades.

in € thousand	2019	Share	2018	Share
1 Minimal risk	5,785,489	7.1%	5,071,555	6.9%
2 Excellent credit standing	11,876,959	14.5%	11,133,932	15.2%
3 Very good credit standing	13,834,231	16.9%	11,357,385	15.5%
4 Good credit standing	13,036,930	15.9%	10,402,833	14.2%
5 Sound credit standing	16,409,891	20.0%	15,824,179	21.5%
6 Acceptable credit standing	14,510,666	17.7%	12,272,729	16.7%
7 Marginal credit standing	3,853,267	4.7%	4,216,589	5.7%
8 Weak credit standing/sub-standard	765,700	0.9%	1,133,628	1.5%
9 Very weak credit standing/doubtful	315,915	0.4%	198,909	0.3%
10 Default	1,417,762	1.7%	1,637,862	2.2%
NR Not rated	145,185	0.2%	232,535	0.3%
Total	81,951,994	100.0%	73,482,137	100.0%

The credit exposure for corporate customers rose compared to year-end 2018 by € 8,469,857 thousand to € 81,951,994 thousand.

Credit exposures in the rating grades from good credit standing to minimal risk increased € 6,567,904 thousand to € 44,533,609 thousand, corresponding to a share of 54.4 per cent (2018: 51.8 per cent).

Rating grade 1 increased € 713,934 thousand to € 5,785,489 thousand, mainly due to swap transactions in Great Britain and to rating improvements at individual Russian customers from rating grade 2. The increase was partly offset by a decline in facility financing in Austria. The increase of € 743,027 thousand to € 11,876,959 thousand in rating grade 2 was mainly the result of an increase in documentary credits and facility financing in Switzerland, whereby there were also rating improvements at individual Swiss customers from rating grade 3. In addition, there was an increase in facility financing in Germany, Great Britain and Luxembourg and in credit financing in France and Russia (partly due to the appreciation of the Russian ruble). The decrease in repo transactions in Austria partially compensated for the increase in rating grade 2. Rating grade 3 registered an increase of € 2,476,846 thousand to € 13,834,231 thousand, which was due to repo transactions in Great Britain and credit financing in Austria, the Czech Republic, Germany and Luxembourg. In addition, facility financing increased in Austria and Germany, while it fell in Great Britain. The increase of € 2,634,097 thousand in rating grade 4 to € 13,036,930 thousand was attributable to credit financing in France, the Czech Republic, Great Britain, Russia (largely due to the appreciation of the Russian ruble) and Switzerland. There was also an increase in facility financing in France, Spain, Romania, Italy and the USA and in guarantees issued in Austria, the Czech Republic, Russia and Switzerland. Rating grade 5 registered an increase of € 585,712 thousand to € 16,409,891 thousand, which was due to guarantees issued in Russia, facility financing and repo transactions in the USA. In addition, there were rating improvements at individual Russian customers from rating grade 6. The increase in rating grade 5 was reduced by a decline in credit financing in Germany and Slovakia and by rating downgrades of individual German and Slovakian customers to rating grade 6. Besides the aforementioned rating downgrade, credit financing in the Czech Republic,

Romania, Russia (partly due to the appreciation of the Russian ruble) and Ukraine was responsible for the increase in rating grade 6 by € 2,237,937 thousand to € 14,510,666 thousand.

The rating model for project finance has five grades and takes both individual probabilities of default and available collateral into account. The breakdown of the bank's project finance exposure is shown in the table below:

in € thousand	2019	Share	2018	Share
6.1 Excellent project risk profile – very low risk	5,366,921	74.4%	5,307,911	75.3%
6.2 Good project risk profile – low risk	1,309,563	18.2%	968,352	13.7%
6.3 Acceptable project risk profile – average risk	91,268	1.3%	113,598	1.6%
6.4 Poor project risk profile – high risk	82,351	1.1%	102,630	1.5%
6.5 Default	351,130	4.9%	383,110	5.4%
NR Not rated	10,924	0.2%	174,694	2.5%
Total	7,212,158	100.0%	7,050,295	100.0%

As at 31 December 2019, the credit exposure reported under project finance increased € 161,863 thousand to € 7,212,158 thousand. The increase in the 6.2 rating grade of € 341,211 thousand to € 1,309,563 thousand resulted from new project financing in Austria, Hungary, Russia and Slovakia. In addition, there were rating downgrades at Slovakian customers from rating grade 6.1. The increase in rating grade 6.2 was partly offset by rating improvements of Czech and Romanian customers to rating grade 6.1. The assignment of a Dutch and Austrian customer to rating grade 6.1 and expired project financing in Serbia led to a reduction of € 163,770 thousand to € 10,924 thousand in customers not rated.

At 92.6 per cent, the rating grades excellent project risk profile – very low risk and good project risk profile – low risk. This mainly reflected the high level of collateralization in these types of specialized lending transactions.

The following table provides a breakdown by country of risk of the credit exposure for corporate customers and project finance structured by region, taking into account the guarantor:

in € thousand	2019	Share	2018 ¹	Share
Western Europe	21,641,577	24.3%	17,182,235	21.3%
Central Europe	19,361,427	21.7%	18,491,300	23.0%
Austria	16,710,793	18.7%	16,898,109	21.0%
Eastern Europe	15,626,365	17.5%	12,853,120	16.0%
Southeastern Europe	12,819,231	14.4%	12,431,799	15.4%
Asia	1,121,573	1.3%	1,195,050	1.5%
Other	1,883,186	2.1%	1,480,819	1.8%
Total	89,164,152	100.0%	80,532,432	100.0%

¹ Previous year figures adjusted due to changed allocation

At € 89,164,152 thousand, the credit exposure rose € 8,631,720 thousand compared to year-end 2018. The increase in Western Europe of € 4,459,342 thousand to € 21,641,577 thousand resulted from credit and facility financing, swap and repo transactions and documentary credits. Central Europe registered an increase of € 870,127 thousand to € 19,361,427 thousand, which was attributable to facility and credit financing. Rising credit financing and guarantees issued and the appreciation of the Russian ruble and Ukrainian hryvnia were responsible for the increase of € 2,773,245 thousand in Eastern Europe to € 15,626,365 thousand.

The table below provides a breakdown of the credit exposure to corporates and project finance by industry of the original customer:

in € thousand	2019	Share	2018 ¹	Share
Manufacturing	22,502,489	25.2%	21,364,744	26.5%
Wholesale and retail trade	20,083,356	22.5%	18,531,761	23.0%
Financial intermediation	9,774,624	11.0%	7,527,225	9.3%
Real estate	9,857,898	11.1%	9,780,072	12.1%
Construction	5,767,093	6.5%	5,249,911	6.5%
Freelance/technical services	2,046,594	2.3%	1,951,809	2.4%
Transport, storage and communication	3,602,275	4.0%	3,611,244	4.5%
Electricity, gas, steam and hot water supply	3,440,651	3.9%	3,393,234	4.2%
Other industries	12,089,171	13.6%	9,122,431	11.3%
Total	89,164,152	100.0%	80,532,432	100.0%

¹ The previous year's figures were adjusted due to an optimized allocation of individual areas of activity at large companies and conglomerates.

Credit portfolio – Retail customers

Retail customers are subdivided into private individuals and small and medium-sized entities (SMEs). For retail customers a two-fold scoring system is used, consisting of the initial and ad-hoc scoring based on customer data and of the behavioral scoring based on account data. The table below shows the Group's credit exposure to retail customers.

in € thousand	2019	Share	2018	Share
Retail customers – private individuals	38,990,342	92.4%	35,268,595	92.7%
Retail customers – small and medium-sized entities	3,194,329	7.6%	2,781,173	7.3%
Total	42,184,670	100.0%	38,049,768	100.0%

The following table shows the credit exposure to retail customers by internal rating:

in € thousand	2019	Share	2018	Share
0.5 Minimal risk	12,314,383	29.2%	9,038,313	23.8%
1.0 Excellent credit standing	7,065,681	16.7%	9,091,214	23.9%
1.5 Very good credit standing	6,158,781	14.6%	5,498,801	14.5%
2.0 Good credit standing	4,891,248	11.6%	4,039,654	10.6%
2.5 Sound credit standing	3,286,980	7.8%	2,863,964	7.5%
3.0 Acceptable credit standing	1,789,454	4.2%	1,726,684	4.5%
3.5 Marginal credit standing	927,196	2.2%	839,619	2.2%
4.0 Weak credit standing/sub-standard	428,331	1.0%	413,993	1.1%
4.5 Very weak credit standing/doubtful	381,744	0.9%	312,728	0.8%
5.0 Default	1,353,133	3.2%	1,326,523	3.5%
NR Not rated	3,587,739	8.5%	2,898,275	7.6%
Total	42,184,670	100.0%	38,049,768	100.0%

The credit exposure to retail customers increased € 4,134,903 thousand compared to year-end 2018 to € 42,184,670 thousand. The rating shift between rating grades 0.5 and 1.0 resulted mainly from rating adjustments in the course of the IRB implementation planned at Raiffeisen Bausparkasse, Vienna. In addition, an increase was registered for rating grade 0.5, which was due to an increase in the credit exposure in Romania and Russia (partly due to the appreciation of the Russian ruble). The increase in rating grades 1.5, 2.0 and 2.5 was mainly due to an increase in credit exposure in the Czech Republic, Croatia, Austria, Russia (partly due to the appreciation of the Russian ruble) and Slovakia. The increase in not rated was due to Hungary and to mortgage-backed loans in the Czech Republic.

The total credit exposure to retail customers breaks down by segment as follows:

2019 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	18,294,621	9,747,784	5,987,257	4,960,680
Retail customers – small and medium-sized entities	1,498,808	798,598	490,513	406,409
Total	19,793,429	10,546,382	6,477,770	5,367,089
hereof non-performing exposure	655,261	455,371	182,647	35,643

2018 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	17,377,251	8,720,106	4,420,411	4,750,828
Retail customers – small and medium-sized entities	1,370,316	687,641	348,580	374,636
Total	18,747,567	9,407,747	4,768,990	5,125,463
hereof non-performing exposure ¹	714,775	458,403	203,694	29,264

¹ The previous year's figures were adjusted due to the inclusion of non-defaulted non-performing loans

Central Europe registered an increase of € 1,045,862 thousand to € 19,793,429 thousand due to an increased volume of mortgage loans in the Czech Republic and Slovakia. Increasing mortgage and personal loans in Bulgaria, Croatia and Romania and a rise in credit card financing in Romania and SME financing in Bulgaria were responsible for the increase of € 1,138,635 thousand in Southeastern Europe to € 10,546,382 thousand. The increase in Eastern Europe of € 1,708,780 thousand to € 6,477,770 thousand resulted from credit card financing, mortgage loans and personal loans in Russia, partly due to the appreciation of the Russian ruble. The appreciation of the Ukrainian hryvnia also had a growing impact.

The table below shows the retail credit exposure by products:

in € thousand	2019	Share	2018	Share
Mortgage loans	24,501,823	58.1%	22,556,842	59.3%
Personal loans	9,626,944	22.8%	8,456,959	22.2%
Credit cards	3,565,691	8.5%	3,087,446	8.1%
SME financing	2,290,387	5.4%	2,045,615	5.4%
Overdraft	1,675,615	4.0%	1,443,756	3.8%
Car loans	524,210	1.2%	459,149	1.2%
Total	42,184,670	100.0%	38,049,768	100.0%

The increase in mortgage loans of € 1,944,981 thousand to € 24,501,823 thousand was mainly attributable to Russia (partly due to the appreciation of the Russian ruble), the Czech Republic, Austria, Bulgaria, Croatia, Romania and Slovakia. Russia (partly due to the appreciation of the Russian ruble), Bulgaria, Croatia, Hungary and Romania were mainly responsible for the increase of € 1,169,985 thousand in personal loans to € 9,626,944 thousand.

2019 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Mortgage loans	14,391,974	2,778,887	2,177,038	5,153,925
Personal loans	2,430,042	4,610,076	2,434,699	152,127
Credit cards	875,496	1,322,961	1,363,187	4,047
SME financing	785,165	1,146,072	302,527	56,622
Overdraft	1,019,199	476,000	180,416	0
Car loans	291,552	212,387	19,903	368
Total	19,793,429	10,546,382	6,477,770	5,367,089

2018 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Mortgage loans	13,579,748	2,448,014	1,629,209	4,899,871
Personal loans	2,287,388	4,166,484	1,825,274	177,813
Credit cards	866,163	1,178,668	1,039,368	3,247
SME financing	873,931	988,721	139,588	43,375
Overdraft	890,760	448,878	103,587	530
Car loans	249,577	176,982	31,964	627
Total	18,747,567	9,407,747	4,768,990	5,125,463

Credit portfolio – Banks

The following table shows the credit exposure by internal rating for banks (excluding central banks). Due to the small number of customers (or observable defaults), the default probabilities of individual rating grades in this asset class are calculated based on a combination of internal and external data.

in € thousand	2019	Share	2018	Share
1 Minimal risk	3,483,673	15.9%	3,797,198	19.8%
2 Excellent credit standing	7,722,741	35.1%	5,804,826	30.2%
3 Very good credit standing	7,741,973	35.2%	7,142,295	37.2%
4 Good credit standing	1,912,565	8.7%	1,346,752	7.0%
5 Sound credit standing	657,730	3.0%	700,977	3.6%
6 Acceptable credit standing	266,910	1.2%	268,171	1.4%
7 Marginal credit standing	165,286	0.8%	31,239	0.2%
8 Weak credit standing/sub-standard	9,019	0.0%	100,827	0.5%
9 Very weak credit standing/doubtful	1,673	0.0%	216	0.0%
10 Default	4,294	0.0%	9,456	0.0%
NR Not rated	12,109	0.1%	5,293	0.0%
Total	21,977,973	100.0%	19,207,251	100.0%

The credit exposure came to € 21,977,973 thousand, an increase of € 2,770,722 thousand compared to year-end 2018.

The increase in rating grade 2 of € 1,917,915 thousand to € 7,722,741 thousand resulted from deposits with banks, an increase in the bond portfolio in Austria, Great Britain, Poland and Slovakia and repo transactions in Austria, France and Great Britain. The rating improvement of Russian customers in rating grade 3 also had a positive effect. Overall, rating grade 3 registered an increase of € 599,678 thousand to € 7,741,973 thousand. This was due to an increase in repo transactions in France, Germany, Spain and Italy. The increase in rating grade 4 of € 565,813 thousand to € 1,912,565 thousand resulted from repo transactions in Great Britain and from the rating improvement of a French customer.

The following table provides a breakdown of the credit exposure by country of risk grouped into regions:

in € thousand	2019	Share	2018	Share
Western Europe	11,046,661	50.3%	8,235,134	42.9%
Austria	4,360,135	19.8%	4,624,378	24.1%
Eastern Europe	2,011,739	9.2%	2,302,814	12.0%
Central Europe	1,423,333	6.5%	1,115,708	5.8%
Asia	1,067,185	4.9%	755,204	3.9%
Southeastern Europe	197,551	0.9%	117,571	0.6%
Other	1,871,369	8.5%	2,056,442	10.7%
Total	21,977,973	100.0%	19,207,251	100.0%

The increase in repo transactions was responsible for the rise of € 2,811,527 thousand to € 11,046,661 thousand in Western Europe.

The table below shows the credit exposure to banks (excluding central banks) by products:

in € thousand	2019	Share	2018	Share
Repo	7,353,045	33.5%	3,645,159	19.0%
Loans and advances	5,104,112	23.2%	4,922,923	25.6%
Bonds	3,496,816	15.9%	3,829,310	19.9%
Derivatives	2,465,890	11.2%	2,415,346	12.6%
Money market	2,149,468	9.8%	2,723,479	14.2%
Other	1,408,643	6.4%	1,671,035	8.7%
Total	21,977,973	100.0%	19,207,251	100.0%

The increase in repo transactions of € 3,707,886 thousand to € 7,353,045 thousand was attributable to Austria, Germany, Spain, Great Britain and Italy. The decline in money market transactions of € 574,011 thousand to € 2,149,468 thousand was largely attributable to Austria.

Credit portfolio – Sovereigns

Another asset class is formed by central governments, central banks, and regional municipalities as well as other public sector entities. The table below provides a breakdown of the credit exposure to sovereigns (including central banks) by internal rating:

in € thousand	2019	Share	2018	Share
A1 Excellent credit standing	898,251	2.5%	1,210,429	3.3%
A2 Very good credit standing	13,395,868	37.5%	14,655,790	40.1%
A3 Good credit standing	8,302,314	23.2%	7,954,653	21.8%
B1 Sound credit standing	532,386	1.5%	936,989	2.6%
B2 Average credit standing	7,826,343	21.9%	3,000,719	8.2%
B3 Mediocre credit standing	2,733,288	7.6%	6,630,898	18.2%
B4 Weak credit standing	664,699	1.9%	1,213,982	3.3%
B5 Very weak credit standing	1,391,615	3.9%	360,285	1.0%
C Doubtful/high default risk	2,816	0.0%	541,678	1.5%
D Default	1,922	0.0%	2,236	0.0%
NR Not rated	7,554	0.0%	1,413	0.0%
Total	35,757,056	100.0%	36,509,071	100.0%

Compared to year-end 2018, the credit exposure to sovereigns declined € 752,015 thousand to € 35,757,056 thousand.

Rating grade A1 registered a decline of € 312,178 thousand to € 898,251 thousand, which was due to lower facility financing in Germany and the decrease in the bond portfolio of the Republic of Germany and the Netherlands. Rating grade A2 registered a decline of € 1,259,922 thousand to € 13,395,868 thousand, which was due to deposits with the Austrian National Bank and the decrease in the bond portfolio of the Republic of Austria and France. There was a decline of € 347,661 thousand to € 8,302,314 thousand in rating grade A3. This was the result of repo transactions in the Czech Republic and rating shifts at individual German customers. The decline was offset by an increase in minimum reserve at the Slovakian National Bank and money market transactions in the Czech Republic as well as by rating improvements of individual Polish customers in rating grade B1. Improvements in the ratings of these Polish customers were responsible for the decline in rating grade B1 of € 404,603 thousand to € 532,386 thousand. Rating improvements of Russia, Bulgaria and Croatia resulted in shifts of € 4,826,449 thousand from rating grade B3 to rating grade B2. The decrease of € 549,283 thousand in rating grade B4 to € 664,699 thousand resulted from the improvement in Serbia's rating to rating grade B3. Rating grade B5 registered an increase of € 1,031,330 thousand to € 1,391,615 thousand, which was due to the improvement in the ratings of Belarus and Ukraine from rating grade C and an increase in the minimum reserve at the Central Bank of Bosnia and Herzegovina as well as new money market transactions in Belarus. The rating improvement of Belarus and Ukraine was responsible for the decline in rating grade C of € 538,862 thousand to € 2,816 thousand.

The table below shows the credit exposure to sovereigns (including central banks) by products:

in € thousand	2019	Share	2018	Share
Loans and advances	16,088,779	45.0%	16,445,411	45.0%
Bonds	14,349,614	40.1%	14,874,640	40.7%
Repo	3,627,600	10.1%	3,905,064	10.7%
Money market	1,513,257	4.2%	1,158,254	3.2%
Derivatives	57,176	0.2%	34,549	0.1%
Other	120,631	0.3%	91,154	0.2%
Total	35,757,056	100.0%	36,509,071	100.0%

The € 356,632 thousand decrease in loans and advances to € 16,088,779 thousand was mainly driven by Austria, Hungary and Romania. The decline was offset by an increase in Russia (partly due to the appreciation of the Russian ruble). The decline of € 525,026 thousand in the bond product group to € 14,349,614 thousand resulted from France, Austria and Germany. The decrease was offset by an increase in Romania and Russia (partly due to an appreciation of the Russian ruble). The decline in the repo products group of € 277,464 thousand to € 3,627,600 thousand was attributable to the Czech Republic. The decrease in the credit exposure to the sovereign sector was compensated for by the increase in money market business in Belarus, the Czech Republic, Hungary and Ukraine (partly due to an appreciation of the Ukrainian hryvna).

The table below shows non-investment grade credit exposure to sovereigns (rating B3 and below):

in € thousand	2019	Share	2018	Share
Hungary	1,856,721	38.7%	2,000,754	22.9%
Ukraine	696,196	14.5%	400,527	4.6%
Serbia	673,397	14.0%	535,268	6.1%
Albania	637,592	13.3%	663,514	7.6%
Bosnia and Herzegovina	396,045	8.2%	330,283	3.8%
Belarus	244,553	5.1%	131,989	1.5%
Romania	213,366	4.4%	111,570	1.3%
Other	84,023	1.7%	95,552	1.1%
Total (current rating)	4,801,893	100.0%	4,269,457	48.8%
Released due to rating improvements	0	0.0%	4,481,034	51.2%
Total	4,801,893	100.0%	8,750,492	100.0%

Improvements in the ratings of Russia, Bulgaria and Croatia led to a reclassification from rating grade B3 to rating grade B2. This led to a significant reduction in non-investment grade credit exposure.

The non-investment grade credit exposure to sovereigns mainly comprised deposits of Group units at central banks in Central, Eastern, and Southeastern Europe. The deposits serve to fulfil the respective minimum reserve requirements and act as a vehicle for short-term investment of excess liquidity and are therefore inextricably linked with business activity in these countries.

Non-performing exposures (NPE)

In 2016, the European Banking Authority published guidelines on the definition of default (EBA/GL/2016/07), which contain a long list of clarifications of and amendments to default indicators, materiality limits and related topics such as criteria on the status of overdue assets, indicators of insolvency, criteria for recovery and restructuring. The new default definition leads to material changes in the IRB approach, forcing banks to adapt their models. These adjustments must be approved by the competent supervisory authorities before implementation (Delegated Regulation EU 529/2014).

RBI implemented the new guidelines in its risk management in 2019. The effects on the total non-performing exposure were insignificant.

The following table shows non-performing exposures pursuant to the applicable definition contained in the Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures) issued by the EBA. It includes the defaulted exposures.

in € thousand	NPE		NPE ratio		NPE coverage ratio	
	2019	2018	2019	2018	2019	2018
General governments	2,246	2,291	0.2%	0.2%	98.8%	98.8%
Banks	4,285	8,445	0.0%	0.1%	100.0%	100.0%
Other financial corporations	55,844	80,846	0.5%	0.9%	58.7%	80.9%
Non-financial corporations	1,734,409	2,079,678	3.9%	5.0%	57.4%	55.0%
Households	1,141,255	1,228,301	3.2%	3.8%	66.8%	62.5%
Loans and advances	2,938,040	3,399,562	2.4%	3.0%	61.2%	58.4%
Bonds	11,344	9,004	0.1%	0.1%	-	-
Total	2,949,384	3,408,566	2.1%	2.6%	61.0%	58.3%

The following tables show the development of non-performing exposure in the defined asset classes (excluding items off the statement of financial position):

in € thousand	As at 1/1/2019	Change in consolidated group	Exchange rate	Additions	Disposals	As at
						31/12/2019
General governments	2,291	0	2	0	(47)	2,246
Banks	8,445	0	75	268	(4,503)	4,285
Other financial corporations	80,846	0	(768)	33,281	(57,515)	55,844
Non-financial corporations	2,079,678	0	30,003	588,227	(963,498)	1,734,409
Households	1,228,301	0	32,806	558,883	(678,736)	1,141,255
Loans and advances (NPL)	3,399,562	0	62,118	1,180,660	(1,704,300)	2,938,040
Bonds	9,004	0	0	11,334	(8,994)	11,344
Total (NPE)	3,408,566	0	62,118	1,191,993	(1,713,294)	2,949,384

in € thousand	As at 1/1/2018	Change in consolidated group	Exchange rate	Additions	Disposals	As at
						31/12/2018
General governments	266	0	328	1,970	(272)	2,291
Banks	10,030	0	230	29	(1,845)	8,445
Other financial corporations	40,245	(8,595)	(739)	61,718	(11,783)	55,846
Non-financial corporations ¹	3,308,995	(246,994)	8,638	442,387	(1,433,348)	2,079,678
Households ¹	1,560,737	(134,055)	(24,832)	252,922	(426,470)	1,228,301
Loans and advances (NPL)	4,920,272	(389,644)	(16,374)	759,025	(1,873,717)	3,399,562
Bonds	13,150	0	0	52	(4,198)	9,004
Total (NPE)	4,933,423	(389,644)	(16,374)	759,077	(1,877,915)	3,408,566

¹ Previous year's figures adjusted due to reclassification of small and medium-sized entities to non-financial corporations

The volume of the non-performing exposure decreased € 459,183 thousand. A decline of € 521,301 thousand was mainly due to the sale of non-performing loans and the derecognition of loans that were no longer economically recoverable totaling € 269,657 thousand for RBI AG, € 208,384 thousand for Southeastern Europe, € 207,535 thousand for Central Europe and € 138,421 thousand for Eastern Europe. On the other hand, currency movements were responsible for an increase of € 62,118 thousand (mainly Ukrainian hryvnia and Russian ruble). The NPE ratio in relation to the total exposure fell 0.5 percentage points to 2.1 per cent, while the coverage ratio increased 2.7 percentage points to 61.0 per cent.

Non-financial corporations registered a decline of € 345,269 thousand compared to the beginning of the year to € 1,734,409 thousand. In the Group Corporates & Markets segment, the decrease was mainly due to disposals totaling € 106,216 thousand and write-offs of € 172,692 thousand, in Central Europe to disposals totaling € 84,354 thousand and write-offs of € 28,684 thousand, in Southeastern Europe to write-offs of € 61,309 thousand and in Eastern Europe mainly to write-offs of € 34,137 thousand. The share of non-performing exposure declined 1.1 percentage points to 3.9 per cent, while the coverage ratio increased 2.4 percentage points to 57.4 per cent. In the households portfolio, non-performing exposure fell € 87,046 thousand to € 1,141,255 thousand, mainly in Southeastern Europe due to write-offs totaling € 98,791 thousand and sales of € 40,718 thousand, in Central Europe due to write-offs totaling € 60,401 thousand and sales of € 34,097 thousand, and in Eastern Europe due to sales totaling € 48,399 thousand and write-offs of € 42,996 thousand. The share of non-performing exposure to credit exposure fell 0.6 percentage points to 3.2 per cent, and the coverage ratio increased 4.4 percentage points to 66.8 per cent. Non-performing exposure to other financial corporations fell € 25,002 thousand to € 55,844 thousand. The coverage ratio fell 22.2 percentage points to 58.7 per cent.

The following table shows the share of non-performing exposure (NPE) by segments (excluding items off the statement of financial position):

in € thousand	NPE		NPE ratio		NPE coverage ratio	
	2019	2018	2019	2018	2019	2018
Central Europe	988,929	1,131,016	2.4%	2.8%	58.6%	56.0%
Southeastern Europe	746,819	848,759	3.0%	3.6%	69.9%	63.5%
Eastern Europe	438,179	491,936	2.0%	2.9%	60.0%	61.8%
Group Corporates & Markets	770,935	898,810	1.7%	2.4%	55.9%	54.1%
Corporate Center	4,521	38,045	0.0%	0.2%	47.0%	62.3%
Total	2,949,384	3,408,566	2.1%	2.6%	61.0%	58.3%

In Central Europe, the non-performing exposure declined € 142,087 thousand to € 988,929 thousand, primarily due to sales and write-offs of € 40,572 thousand in the households portfolio and € 39,942 thousand in the non-financial corporations portfolio in Hungary as well as due to sales and write-offs of € 34,707 thousand in the households portfolio and € 35,565 thousand in the non-financial corporations portfolio in the Czech Republic. The NPE ratio decreased 0.5 percentage points to 2.4 per cent, and the coverage ratio increased 2.6 percentage points to 58.6 per cent.

In Southeastern Europe, non-performing exposure decreased € 101,940 thousand to € 746,819 thousand compared to the start of the year, mainly driven by sales and write-offs of € 94,107 thousand in Romania and € 24,527 thousand in Croatia. The NPE ratio fell 0.6 percentage points to 3.0 per cent, and the coverage ratio increased 6.4 percentage point to 69.9 per cent.

The Eastern Europe segment registered a decrease in non-performing exposure of € 53,717 thousand to € 438,179 thousand attributable to Ukraine, which recorded an overall decline of € 43,383 thousand due to write-offs and sales in the households portfolio amounting to € 50,722 thousand, while the appreciation of the Ukrainian hryvnia had a strong countervailing effect. In Russia, non-performing exposure remained unchanged compared to the beginning of the year. This was positively influenced by write-offs and sales in the households portfolio amounting to € 39,660 thousand and in the non-financial corporations portfolio amounting to € 24,069 thousand. The appreciation of the Russian ruble had a countervailing effect. The share of non-performing exposure to credit exposure in Eastern Europe fell 0.9 percentage points to 2.0 per cent, and the coverage ratio also declined 1.8 percentage points to 60.0 per cent.

Non-performing exposure in the Group Corporates & Markets segment fell € 127,875 thousand to € 770,935 thousand at year's end. In the reporting period, the non-performing exposure at RBI AG fell € 147,283 thousand, mainly due to sales and write-offs, while at Raiffeisen Leasing Group it fell € 16,199 thousand. The NPE ratio declined 0.7 percentage points to 1.7 per cent, and the NPE coverage ratio stood at 55.9 per cent, 1.8 percentage points above the figure at the start of the year.

Starting with the first quarter of 2019, the following table shows the non-performing exposure with restructuring measures. The previous year's values which included the forborne exposures have therefore been adjusted.

in € thousand	Instruments with modified time and modified conditions				Total	
	Refinancing	2018	2019	2018	2019	2018
General governments	0	0	0	0	0	0
Banks	0	0	0	0	0	0
Other financial corporations	7,040	12,716	28,184	34,527	35,224	47,242
Non-financial corporations	34,602	83,247	864,369	1,148,823	898,971	1,232,070
Households	16,488	40,531	2,989	1,246	19,477	41,777
Total	58,130	136,494	895,542	1,184,596	953,672	1,321,090

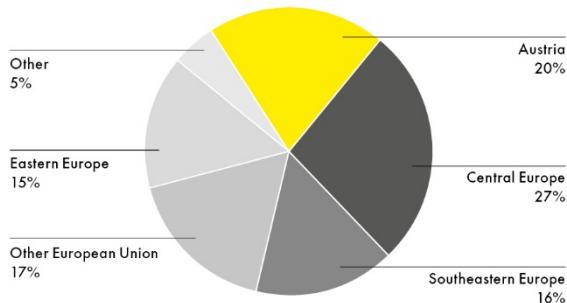
The portfolio with accompanying restructuring measures reduced further in 2019, notably due to the continuing recovery of the relevant customers.

The following table shows the breakdown of the non-performing exposure with restructuring measures by segments:

in € thousand	2019	Share	2018	Share
Central Europe	162,252	17%	227,208	17.2%
Southeastern Europe	173,796	18%	245,204	18.6%
Eastern Europe	184,609	19%	233,048	17.6%
Group Corporates & Markets	433,016	45%	615,629	46.6%
Total	953,672	100%	1,321,090	100.0%

Country risk

Credit exposure by risk country taking into consideration the guarantor



Country risk includes transfer and convertibility risk as well as political risk. It arises from cross-border transactions and direct investments in foreign countries. The Group is exposed to country risk due to its business activities in the Central and Eastern European markets, where political and economic risks continue to be seen as relatively significant in some cases.

Active country risk management in the Group is based on the country risk policy set by the Management Board. This policy is part of the credit portfolio limit system and sets a strict limitation on cross-border risk exposure to individual countries in order to avoid risk concentrations. The Group's business units must therefore submit limit applications for the respective countries with regard to all cross-border transactions as part of their day-to-day operations, in addition to complying with customer-specific limits. The absolute limits for individual countries are set using a model that takes the internal rating for the sovereign, the size of the country, and the Group's own capitalization into account.

Country risk also is reflected in product pricing and in risk-adjusted performance measurement via the internal funds transfer pricing system. In this manner, the Group provides the business units with incentive to mitigate country risk by taking out insurance (e.g. from export credit insurance organizations) or seeking guarantors in third countries. The insights gained from the country risk analysis are not only used for limiting the total cross-border exposure, but also for limiting the total credit exposure in each individual country (i.e. including the exposure funded by local deposits). The Group thus gears its business activities to the expected macroeconomic trend within different markets, which promotes broad diversification of its credit portfolio.

Concentration risk

The credit portfolio of the Group is well diversified in terms of geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by way of limits and regular reporting. As a result, portfolio granularity is high.

The regional breakdown of the exposures reflects the broad diversification of credit business in the Group's markets.

The following table shows the distribution of credit exposures across all asset classes by the country of risk, grouped by regions:

in € thousand	2019	Share	2018	Share
Central Europe	50,670,481	26.8%	48,378,615	27.8%
Czech Republic	21,539,253	11.4%	20,600,117	11.8%
Slovakia	16,672,111	8.8%	15,721,267	9.0%
Hungary	7,337,718	3.9%	6,902,728	4.0%
Poland	4,728,409	2.5%	4,805,907	2.8%
Other	392,990	0.2%	348,597	0.2%
Austria	38,380,850	20.3%	39,683,466	22.8%
Other European Union	32,836,745	17.4%	26,804,475	15.4%
Germany	10,453,915	5.5%	9,073,012	5.2%
Great Britain	8,191,834	4.3%	5,460,373	3.1%
France	4,191,227	2.2%	3,946,866	2.3%
Luxembourg	2,338,718	1.2%	1,701,036	1.0%
Spain	1,989,651	1.1%	1,137,330	0.7%
Netherlands	1,308,485	0.7%	1,319,394	0.8%
Italy	1,304,720	0.7%	838,299	0.5%
Other	3,058,196	1.6%	3,328,165	1.9%
Southeastern Europe	30,496,962	16.1%	28,434,979	16.3%
Romania	11,580,775	6.1%	11,273,278	6.5%
Croatia	5,416,544	2.9%	5,008,474	2.9%
Bulgaria	5,246,703	2.8%	4,614,490	2.6%
Serbia	3,503,442	1.9%	3,015,812	1.7%
Bosnia and Herzegovina	2,262,489	1.2%	2,190,851	1.3%
Albania	1,599,514	0.8%	1,532,195	0.9%
Other	887,494	0.5%	799,879	0.5%
Eastern Europe	27,455,469	14.5%	22,679,320	13.0%
Russia	21,424,904	11.3%	17,803,000	10.2%
Ukraine	3,611,935	1.9%	2,815,563	1.6%
Belarus	2,183,849	1.2%	1,870,941	1.1%
Other	234,780	0.1%	189,817	0.1%
North America	2,740,116	1.4%	2,381,627	1.4%
Switzerland	2,690,997	1.4%	2,426,563	1.4%
Asia	2,268,831	1.2%	2,011,437	1.2%
Rest of World	1,543,399	0.8%	1,498,039	0.9%
Total	189,083,851	100.0%	174,298,522	100.0%

Credit exposure across all asset classes increased € 14,785,329 thousand compared to year-end 2018 to € 189,083,851 thousand.

In Central Europe the increase of € 2,291,866 thousand to € 50,670,481 thousand was mainly attributable to the Czech Republic and Slovakia. In the Czech Republic, retail business, the Czech Republic bond portfolio, money market transactions and credit financing increased. The increase was offset by a decline in repo transactions. In Slovakia, there was an increase in the minimum reserve at the Slovakian National Bank, as well as guarantees issued and overdrafts. Austria registered a decline of € 1,302,616 thousand to € 38,380,850 thousand. This was due to a reduction of the Republic of Austria's bond portfolio, deposits with the Austrian National Bank and repo transactions. On the other hand, facility financing in Austria increased. The largest increase of € 6,032,270 thousand to € 32,836,745 thousand in the rest of the European Union was due to facility financing in Germany and Spain, credit financing in Luxembourg, Great Britain and Germany, repo transactions in Germany, Spain and Great Britain and swap transactions in Great Britain. Rising mortgage loans, personal loans and facility financing in Bulgaria and Croatia and SME financing in Bulgaria were responsible for the increase of € 2,061,983 thousand in Southeastern Europe to € 30,496,962 thousand. There was also an increase in facility and credit financing and in the bond portfolio in Serbia. The increase of € 4,776,149 thousand to € 27,455,469 thousand in Eastern Europe was the result of the appreciation of the Russian ruble and the Ukrainian hryvnia. Credit financing, guarantees issued and retail business also increased in Russia.

The following table shows credit exposure across all asset classes by currencies:

in € thousand	2019	Share	2018	Share
Euro (EUR)	100,663,196	53.2%	95,469,635	54.8%
Czech koruna (CZK)	19,376,440	10.2%	18,656,882	10.7%
US dollar (USD)	18,007,980	9.5%	16,423,359	9.4%
Russian ruble (RUB)	17,260,651	9.1%	12,968,889	7.4%
Romanian leu (RON)	7,509,135	4.0%	7,107,641	4.1%
Hungarian forint (HUF)	5,804,898	3.1%	5,526,425	3.2%
Bulgarian lev (BGN)	3,255,723	1.7%	2,907,371	1.7%
Croatian kuna (HRK)	3,086,246	1.6%	2,748,346	1.6%
Swiss franc (CHF)	2,916,710	1.5%	3,003,628	1.7%
Ukrainian hryvnia (UAH)	2,805,649	1.5%	2,108,940	1.2%
Bosnian marka (BAM)	2,250,781	1.2%	2,164,640	1.2%
Serbian dinar (RSD)	1,549,441	0.8%	1,357,867	0.8%
Belarusian ruble (BYN)	1,178,594	0.6%	854,404	0.5%
Albanian lek (ALL)	1,120,510	0.6%	1,076,358	0.6%
Other foreign currencies	2,297,897	1.2%	1,924,137	1.1%
Total	189,083,851	100.0%	174,298,522	100.0%

The € 5,193,561 thousand increase in euro exposure to € 100,663,196 thousand was mainly driven by credit and facility financing and repo transactions. However, this was partly offset by a decline in deposits with the Austrian National Bank. The US dollar registered an increase of € 1,584,621 thousand to € 18,007,980 thousand due to repo transactions. With regard to Russian ruble exposure, credit financing and an increase in the retail business resulted in growth of € 4,291,762 thousand to € 17,260,651 thousand. In addition, the Russian ruble appreciated. The increase of € 696,709 thousand in the exposure to the Ukrainian hryvnia to € 2,805,649 thousand was the result of currency appreciation.

The following table shows the Group's credit exposure based on original customer's industry classification:

in € thousand	2019	Share	2018 ¹	Share
Banking and insurance	50,884,049	26.9%	45,942,430	26.4%
Private households	39,134,241	20.7%	35,298,314	20.3%
Public administration and defense and social insurance institutions	13,770,783	7.3%	14,293,144	8.2%
Wholesale trade and commission trade (except car trading)	14,805,845	7.8%	13,723,051	7.9%
Other manufacturing	16,565,229	8.8%	15,713,664	9.0%
Real estate activities	10,183,209	5.4%	10,133,573	5.8%
Construction	6,169,058	3.3%	5,698,063	3.3%
Other business activities	2,312,703	1.2%	2,178,201	1.2%
Retail trade except repair of motor vehicles	5,099,390	2.7%	4,750,188	2.7%
Electricity, gas, steam and hot water supply	3,684,371	1.9%	3,621,589	2.1%
Manufacture of basic metals	2,787,686	1.5%	2,599,414	1.5%
Other transport	1,763,726	0.9%	1,870,426	1.1%
Land transport, transport via pipelines	2,233,266	1.2%	2,206,891	1.3%
Manufacture of food products and beverages	2,450,904	1.3%	2,273,105	1.3%
Manufacture of machinery and equipment	1,864,231	1.0%	1,788,708	1.0%
Sale of motor vehicles	1,300,809	0.7%	1,072,058	0.6%
Extraction of crude petroleum and natural gas	1,103,217	0.6%	493,571	0.3%
Other industries	12,971,134	6.9%	10,642,132	6.1%
Total	189,083,851	100%	174,298,522	100%

¹ The previous year's figures were adjusted due to an optimized allocation of individual areas of activity at large companies and conglomerates.

The increase in the credit exposure was essentially fueled by an increase of € 4,941,619 thousand in banking and insurance to € 50,884,049 thousand, which was mainly attributable to increased repo transactions in Austria, and by an increase of € 3,835,927 thousand to € 39,134,241 thousand in the private households portfolio, primarily in Russia and Slovakia.

Structured credit portfolio

The Group invests in structured products. The total exposure to structured products showed a nominal amount of € 348,946 thousand (2018: € 594,999 thousand) and a carrying amount of € 348,944 thousand (2018: € 580,996 thousand). These are mainly investments in asset-backed securities (ABS), asset-based financing (ABF), and in some cases collateralized debt obligations (CDO). A total of 42.12 per cent of the portfolio (2018: 53.4 per cent) contains loans and advances to European customers, and 31.61 per cent of the portfolio (2018: 13.7 per cent) has been rated A or better by external rating agencies. The year-on-year increase is attributable to current transactions, which include interim repayments and new acquisitions.

Counterparty credit risk

The default of a counterparty in a derivative, repurchase, securities lending, or borrowing transaction can lead to losses from re-establishing an equivalent contract. In the Group this risk is measured by the mark-to-market approach where a predefined add-on is added to the current positive fair value of the contract in order to account for potential future changes. For internal management purposes potential price changes, which affect the fair value of an instrument, are calculated specifically for different contract types based on historical market price changes.

For derivative contracts the standard limit approval process applies, where the same risk classification, limitation, and monitoring process is used as for traditional lending. In doing so, the weighted nominal exposure of derivative contracts is added to the customers' total exposure in the limit application and monitoring process as well as in the calculation and allocation of internal capital.

An important strategy for reducing counterparty credit risk is utilization of credit risk mitigation techniques such as netting agreements and collateralization. In general, the Group strives to establish standardized ISDA master agreements with all major counterparties for derivative transactions in order to be able to perform close-out netting and credit support annexes (CSA) for full risk coverage for positive fair values on a daily basis.

(52) Market risk

The Group defines market risk as the risk of possible losses arising from changes in market prices of trading and investment positions. Market risk estimates are based on changes in exchange rates, interest rates, credit spreads, equity and commodity prices, and other market parameters (e.g. implied volatilities).

Market risks from the customer divisions are transferred to the Treasury division using the transfer price method. Treasury is responsible for managing structural market risks and for complying with the Group's overall limit. The Capital Markets division is responsible for proprietary trading, market making, and customer business in money market and capital market products.

Organization of market risk management

All market risks are measured, monitored, and managed on Group level. The Market Risk Committee is responsible for strategic market risk management issues. It is responsible for managing and controlling all market risks in the Group. The Group's overall limit is set by the Management Board on the basis of the risk-taking capacity and income budget. This limit is apportioned to sub-limits in coordination with business divisions according to the strategy, business model and risk appetite.

The Market Risk Management department ensures that the business volume and product range comply with the defined strategy of the Group. It is responsible for implementing and enhancing risk management processes, risk management infrastructure and systems, manuals, and measurement techniques for all market risk categories and credit risk arising from market price changes in derivative transactions. Furthermore, Market Risk Management independently measures and reports all market risks on a daily basis.

All products in which open positions can be held are listed in the product catalog. New products are added to this list only after successfully completing the product approval process. Product applications are investigated thoroughly for any risks. They are approved only if the new products can be implemented in the bank's front- and back-office and risk management systems.

Limit system

The Group uses a comprehensive risk management approach for both the trading and the banking book (total-return approach). Market risk is therefore managed consistently in all trading and banking books. The following indicators are measured and limited on a daily basis in the market risk management system:

- **Value-at-Risk (VaR)** – confidence level 99 per cent, risk horizon one day
Value-at-Risk is the main market risk steering instrument in liquid markets and normal market situations. VaR is measured based on a hybrid simulation approach in which 5,000 scenarios are calculated for the regulatory trading book and 1,000 scenarios for the banking book. The approach combines the advantages of a historical simulation and a Monte Carlo simulation and derives market parameters from 500 days of historical data. Distribution assumptions include modern features such as volatility declustering and random time changes, which helps in accurately reproducing fat-tailed and asymmetric distributions. The Austrian Financial Market Authority has approved the VaR model for use in calculating the total capital requirement for market risk. Value-at-risk results are not only used for limiting risk but also in the allocation of economic capital, for which longer time series of seven years are used for interest rate risk.
- **Sensitivities** (to changes in exchange rates and interest rates, gamma, vega, equity and commodity prices)
Sensitivity limits are to ensure that concentrations are avoided in normal market situations and are the main steering instrument under extreme market situations and in illiquid markets or in markets that are structurally difficult to measure.
- **Stop loss**
Stop loss limits serve to strengthen the discipline of traders such that they do not allow losses to accumulate on their own proprietary positions but strictly limit them instead.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio. The results on market risk concentrations shown by these stress tests are reported to the Market Risk Committee and taken into account when setting limits. Stress test reports for individual portfolios are included in daily market risk reporting.

Value-at-Risk (VaR)

The following tables show the VaR (99 per cent, 1 day) for the individual market risk categories in the trading book and the banking book. The Group's VaR mainly results from structural equity positions, structural interest rate risk, and credit spread risks of bonds, which are held as liquidity buffer.

Trading book VaR 99% 1d in € thousand	VaR as at 31/12/2019	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2018
Currency risk	2,363	1,102	249	11,913	473
Interest rate risk	1,746	1,539	841	3,134	2,358
Credit spread risk	693	788	472	1,286	818
Share price risk	418	467	394	561	561
Vega risk	219	169	68	346	86
Basis risk	553	817	415	1,247	1,130
Total	3,616	2,778	1,805	12,010	3,141

Banking book VaR 99% 1d in € thousand	VaR as at 31/12/2019	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2018
Currency risk	10,426	10,139	6,924	15,409	10,253
Interest rate risk	18,639	13,684	6,150	27,761	9,771
Credit spread risk	21,496	16,203	10,866	23,324	18,862
Vega risk	155	1,528	155	6,824	501
Basis risk	3,140	3,963	2,536	6,002	4,026
Total	30,849	26,184	19,356	37,300	27,385

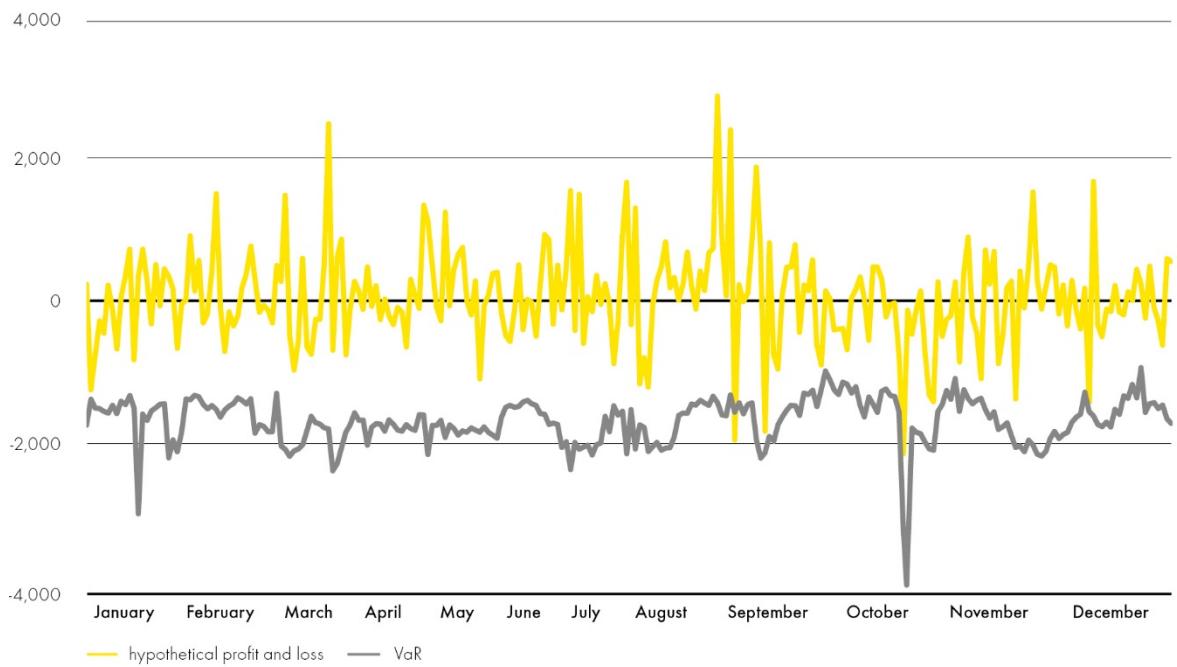
Total VaR 99% 1d in € thousand	VaR as at 31/12/2019	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2018
Currency risk	8,868	9,618	5,694	15,258	9,955
Interest rate risk	19,716	14,600	6,909	28,377	11,197
Credit spread risk	22,099	16,651	11,085	23,632	19,636
Share price risk	418	467	394	561	561
Vega risk	343	1,609	342	6,915	484
Basis risk	3,264	4,061	2,607	5,892	4,701
Total	31,447	27,306	19,855	39,135	28,066

The risk measurement approaches employed are verified – besides analyzing returns qualitatively – on an ongoing basis through backtesting and statistical validation techniques. If model weaknesses are identified, then they are adapted accordingly.

In the 2019 reporting year, there was one hypothetical backtesting exceeding. The following graph compares the VaR to the theoretical gains and losses on a daily basis. The VaR represents the maximum loss which will not be exceeded within one day, with a confidence level of 99 per cent. It is compared to the respective theoretical gain or loss which would arise on the following day due to the actual market conditions at the time.

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

in € thousand



In March there was a strong positive change in hypothetical profit and loss against a stable VaR. This was due to daily market fluctuations in long-term euro interest rates of up to minus 9 basis points. As in August, this affected a portfolio of equity instruments, which also explained the hypothetical profit when interest rates fell. This portfolio was reduced towards the end of March, which was reflected in the volatility of the hypothetical profit and loss and a reduced VaR.

The main reason for the fluctuation in hypothetical profit and loss in August was the volatility of euro interest rates. In addition, a hypothetical backtesting exceeding was measured and reported to the regulator at the beginning of August. The background was strong daily market value fluctuations in long-term euro interest rates. A portfolio of equity instruments, measured in the internal model as perpetuities with maturity in 2099, was the main driver.

Strategic hedge positions at head office led to a change in VaR and hypothetical profit and loss due to a forthcoming decision by the European Court of Justice regarding Swiss franc loans in Poland. These positions were closed within a few days.

Exchange rate risk and capital (ratio) hedge

Market risk in the Group results primarily from exchange rate risk, which stems from foreign-currency denominated equity investments in foreign Group units and the corresponding hedging positions entered into by the Group Asset/Liability Committee. In a narrow sense, exchange rate risk denotes the risk of losses being incurred due to open foreign exchange positions. However, exchange rate fluctuations also influence current revenues and expenses. They also affect regulatory capital requirements for assets denominated in foreign currencies, even if they are financed in the same currency and thus do not create an open foreign exchange position.

The Group holds material equity participations located outside of the euro area with equity denominated in the corresponding local currency. Also, a significant share of risk-weighted assets in the Group is denominated in foreign currencies. Changes in foreign exchange rates thus lead to changes in the consolidated capital of the Group and to changes in the total capital requirement for credit risk as well.

There are two different approaches for managing exchange rate risk:

- **Preserve equity:** With this hedging strategy an offsetting position is held on Group level for local currency denominated equity positions. However, the necessary hedging positions cannot be established in all currencies in the required size. Moreover, these hedges might be inefficient for some currencies if they carry a high interest rate differential.
- **Stable capital ratio:** The goal of this hedging strategy is to balance tier 1 capital and risk-weighted assets in all currencies according to the targeted tier 1 ratio (i.e. reduce excess capital or deficits in relation to risk-weighted assets for each currency) such that the tier 1 ratio remains stable even if foreign exchange rates change.

The Group aims at stabilizing its capital ratio when managing exchange rate risks. Changes in foreign exchange rates thus lead to changes in the consolidated equity amount; however, the regulatory capital requirement for credit risks stemming from assets denominated in foreign currencies also changes correspondingly. This risk is managed on a monthly basis in the Group Asset/Liability Committee based on historical foreign exchange volatilities, exchange rate forecasts, and the sensitivity of the tier 1 ratio to changes in individual foreign exchange rates.

The following table shows all material open foreign exchange rate positions as at 31 December 2019 and the corresponding values for the previous year. The numbers include both trading positions as well as capital positions of the subsidiaries with foreign currency denominated statements of financial position.

in € thousand	2019	2018
ALL	(11,523)	(678)
BAM	120,238	126,219
BGN	126,284	292,436
BYN	152,934	131,593
CNY	(2,658)	(3,163)
CHF	(403,298)	(393,625)
CZK	212,336	321,596
HRK	359,413	459,458
HUF	341,122	310,421
PLN	20,000	(12,436)
RON	368,274	384,191
RSD	354,927	289,157
RUB	441,145	393,389
UAH	(131,678)	23,521
USD	(462,845)	(486,571)

Interest rate risk in the trading book

The following tables show the largest present value changes for the trading book of the Group given a one-basis-point interest rate increase for the whole yield curve in € thousand for the reporting dates 31 December 2019 and 31 December 2018.

2019 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
ALL	0	0	0	0	0	0	0	0	0	0	0	0
CHF	(4)	(4)	(2)	(3)	5	0	2	(2)	(1)	1	0	0
CNY	4	0	0	4	0	0	0	0	0	0	0	0
CZK	1	8	(3)	(14)	12	4	(6)	(1)	7	(7)	0	0
EUR	(184)	9	(22)	4	3	(23)	(30)	(25)	23	(27)	(23)	(73)
HRK	(30)	1	(1)	5	(7)	(2)	(10)	(1)	(5)	(9)	0	0
HUF	(5)	(4)	6	(5)	2	(12)	9	(3)	3	(1)	0	0
NOK	3	0	1	0	(1)	2	2	0	0	0	0	0
PLN	26	2	6	3	0	(1)	12	0	4	0	0	0
RON	(24)	0	1	1	0	(6)	5	(13)	(5)	(7)	0	0
RUB	(42)	(2)	(5)	(10)	13	(11)	(35)	(18)	23	7	(4)	0
UAH	(13)	0	0	0	(4)	(3)	(7)	(1)	0	0	0	0
USD	(59)	(5)	(6)	(8)	(20)	(34)	39	1	2	(29)	13	(12)
Other	(12)	1	1	(1)	(3)	(2)	(3)	(4)	(1)	0	0	0

The presentation of currencies changed year-on-year depending on the absolute amount of interest rate sensitivity.

2018 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
ALL	0	0	0	0	0	0	0	0	0	0	0	0
CHF	(4)	(10)	(1)	14	(7)	3	(3)	5	(6)	0	1	0
CNY	4	0	0	4	0	0	0	0	0	0	0	0
CZK	69	25	(2)	(12)	42	(4)	7	3	0	8	0	0
EUR	(213)	9	(23)	8	(48)	(24)	(7)	(48)	55	(25)	(22)	(87)
HRK	(19)	0	1	1	(11)	(2)	(8)	0	0	0	0	0
HUF	(2)	(6)	(3)	1	2	(4)	9	3	(4)	0	0	0
NOK	1	0	0	0	0	(2)	2	0	0	0	0	0
PLN	34	(5)	15	6	10	(9)	2	(1)	16	0	0	0
RON	(12)	(1)	1	(3)	1	4	(1)	(5)	(1)	(7)	0	0
RUB	(62)	5	(6)	(16)	(35)	(14)	3	5	3	(8)	0	0
UAH	(3)	0	0	0	(2)	(1)	0	0	0	0	0	0
USD	(13)	(5)	(1)	(31)	5	(15)	(2)	18	13	(10)	14	2
Other	(3)	0	0	(1)	0	0	(2)	0	0	0	0	0

Interest rate risk in the banking book

Different maturities and repricing schedules of assets and the corresponding liabilities (i.e. deposits and financing from money markets and capital markets) cause interest rate risk in the Group. This risk arises in particular from different interest rate sensitivities, rate adjustments, and other optionality of expected cash flows. Interest rate risk in the banking book is material for the euro and US dollar as major currencies as well as for local currencies of Group units located in Central and Eastern Europe.

This risk is mainly hedged by a combination of transactions on and off the statement of financial position where in particular interest rate swaps and – to a smaller extent – also interest rate forwards and interest rate options are used. Management of the statement of financial position is a core task of the central Global Treasury division and of individual network banks, which are supported by the Group Asset/Liability Committee. They base their decisions on various interest income analyses and simulations that ensure proper interest rate sensitivity in line with expected changes in market rates and the overall risk appetite.

Interest rate risk in the banking book is not only measured within a value-at-risk framework but also managed by the traditional tools of nominal and interest rate gap analyses. Interest rate risk is subject to quarterly reporting in the context of the interest rate risk statistic submitted to the banking supervisor. This report also shows the change in the present value of the banking book as a percentage of total capital in line with the CRR requirements. Maturity assumptions needed in this analysis are defined as specified by regulatory authorities and based on internal statistics and empirical values.

The following table shows the change in the present value of the Group's banking book given a one-basis-point interest rate increase for the whole yield curve in € thousand for reporting dates 31 December 2019 and 31 December 2018.

2019 in € thousand	Total	> 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	
ALL	18	(1)	(4)	1	(2)	17	(3)	1	3	3	2	1
BGN	72	(3)	4	30	29	29	1	(9)	(4)	(2)	0	0
BYN	(4)	0	1	(5)	(4)	2	5	(1)	(1)	0	0	0
CHF	(238)	(41)	(3)	(1)	2	(8)	(23)	(13)	(40)	(51)	(38)	(23)
CNY	(3)	0	(1)	(1)	0	0	0	0	0	0	0	0
CZK	(318)	10	(12)	2	(84)	(22)	(89)	42	67	(148)	(79)	(8)
EUR	(2,634)	124	(52)	(45)	(704)	(468)	(148)	305	(544)	(530)	(542)	(29)
GBP	(18)	(4)	(5)	1	1	(2)	(7)	(2)	0	0	0	0
HRK	(10)	2	(4)	(11)	(10)	7	0	(12)	14	4	0	0
HUF	(101)	(5)	(8)	2	(3)	(35)	(17)	(37)	11	(8)	(1)	0
PLN	(14)	(3)	(1)	(1)	(1)	0	(1)	(5)	0	0	0	0
RON	(193)	(7)	(1)	22	39	33	(128)	(101)	(41)	(8)	(1)	0
RSD	(45)	(1)	(2)	5	(24)	(8)	4	(21)	1	1	0	0
RUB	(519)	2	(20)	(49)	(207)	(121)	(43)	29	61	(94)	(59)	(17)
SGD	1	0	0	1	0	0	0	0	0	0	0	0
UAH	(79)	4	(2)	(9)	(24)	(14)	(22)	(5)	(3)	(2)	0	0
USD	163	35	(9)	(25)	(7)	23	53	14	40	34	5	0
Other	(19)	6	(3)	(8)	(4)	(2)	(2)	1	0	(2)	(4)	(2)

The presentation of currencies changed year-on-year depending on the absolute amount of interest rate sensitivity.

2018 in € thousand	Total	> 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	
ALL	(16)	1	(5)	(2)	(13)	1	(4)	0	2	2	1	1
BGN	89	0	(3)	1	21	34	63	(19)	(5)	(2)	0	0
BYN	(33)	0	(2)	(8)	(13)	(5)	(3)	(1)	(1)	0	0	0
CHF	(366)	47	0	1	(6)	(5)	(27)	(42)	(88)	(140)	(83)	(23)
CNY	(3)	0	(1)	(2)	0	0	0	0	0	0	0	0
CZK	(477)	1	(11)	(12)	25	(3)	(115)	69	53	41	(381)	(144)
EUR	84	(56)	(44)	389	(331)	50	564	271	201	(387)	(480)	(92)
GBP	4	(3)	10	1	(1)	0	(1)	(1)	0	0	0	0
HRK	(11)	3	(1)	(8)	(2)	10	(11)	(2)	(1)	1	0	0
HUF	(111)	6	(35)	2	(13)	(5)	(33)	(26)	(1)	(5)	(1)	0
PLN	11	5	0	1	2	7	5	(5)	(3)	(1)	0	0
RON	(34)	(8)	(5)	19	24	27	(13)	(40)	(28)	(5)	(2)	0
RSD	(28)	(1)	(1)	3	(12)	(2)	(10)	(5)	0	1	0	0
RUB	(482)	(2)	(15)	(30)	(233)	(99)	(77)	17	52	(54)	(31)	(9)
SGD	0	0	0	1	0	0	0	0	0	0	0	0
UAH	(45)	2	(3)	(7)	(13)	(6)	(10)	(3)	(3)	(2)	0	0
USD	54	36	(32)	(20)	(32)	30	66	1	10	3	(9)	0
Other	(30)	5	(2)	(6)	(7)	(3)	(5)	(10)	(1)	0	0	0

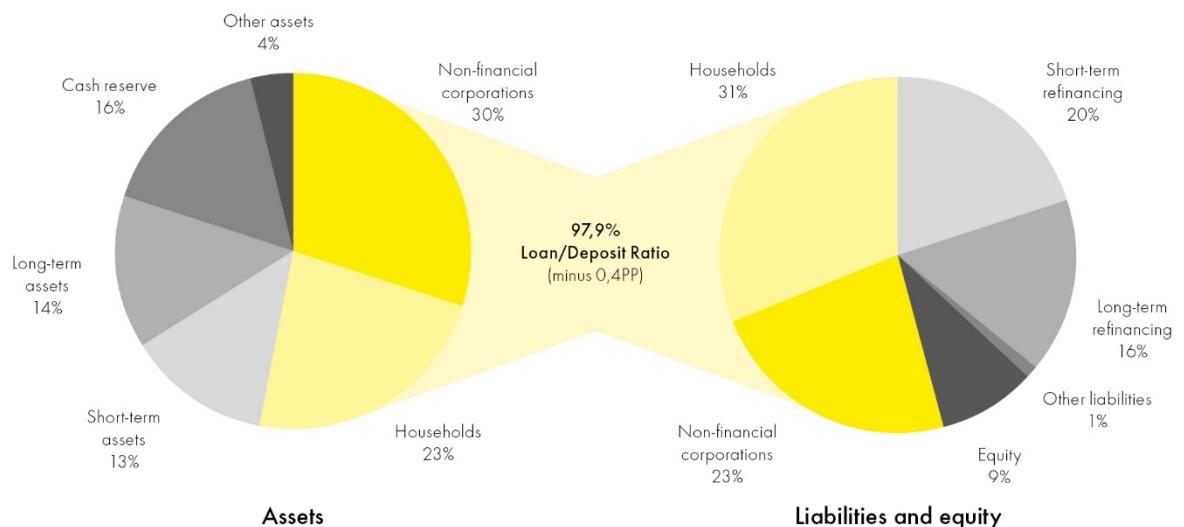
Credit spread risk

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

(53) Liquidity management

Funding structure

The Group's funding structure is highly focused on retail business in Central and Eastern Europe. In addition, as a result of the Austrian Raiffeisen Banking Group's strong local market presence, the Group also benefits from funding through the Raiffeisen Landesbanken. Different funding sources are utilized in accordance with the principle of diversification. These include the issue of international bonds by RBI AG, the issue of local bonds by the Group units and the use of third party financing loans (including supranationals). Partly due to tight country limits and partly due to beneficial pricing, the Group units also use interbank loans with third party banks.



Principles

Internal liquidity management is an important business processes within general bank management, because it ensures the continuous availability of funds required to cover day-to-day demands.

Liquidity adequacy is ensured from both an economic and a regulatory perspective. In order to approach the economic perspective RBI Group established a governance framework comprising internal limits and steering measures which complies with the Principles for Sound Liquidity Risk Management and Supervision set out by the Basel Committee on Banking Supervision and the Kreditinstitute-Risikomanagement-Verordnung (KI-RMV) by the Austrian regulatory authority.

The regulatory component is addressed by complying with the reporting requirements under Basel III (Liquidity Coverage Ratio, Net Stable Funding Ratio, and Additional Liquidity Monitoring Metrics) as well as by complying with the regulatory limits. In addition some Group units have additional liquidity and reporting requirements set by their local supervisory authorities.

Organization and responsibility

Responsibility for ensuring adequate levels of liquidity lies with the overall Management Board. The functionally responsible board members are the Chief Financial Officer (Treasury/ALM) and the Chief Risk Officer (Risk). Accordingly, the processes regarding liquidity risk are run essentially by two areas within the bank: On the one side the Treasury units, which take on liquidity risk positions within the strategy, guidelines and parameters set by the responsible decision-making bodies. On the other side they are monitored and supported by independent Risk Controlling units, which measure and model liquidity risk positions, set limits and supervise the compliance with those.

Besides the responsible units in the line functions, there are respective asset/liability management committees (ALCOs) set up in all network banks. These committees act as decision making bodies with respect to all matters affecting the management of the liquidity position and balance sheet structure of a unit including the definition of strategies and policies for managing liquidity risks.

The ALCOs take decisions and provide standard reports on liquidity risk to the Board of Management at least on a monthly basis. On group level these functions are taken by the RBI Group ALCO. Treasury ALM operations and respective ALCO decisions are mainly based on Group-wide, standardized Group rules and their local supplements, which take specific regional factors into account.

Liquidity strategy

Treasury units are committed to achieving KPIs and to complying with risk-based principles. The current set of KPIs includes general targets (e.g. for return on risk-adjusted capital (RORAC) or coverage ratios), as well as specific Treasury targets for liquidity such as a minimum survival period in defined stress scenarios or diversification of the funding structure. While generating an adequate structural income from maturity transformation which reflects the liquidity and market risk positions taken by the bank, Treasury has to follow a prudent and sustainable risk policy when steering the balance sheet. Strategic goals comprise a reduction of parent funding within the group, the sustainable management of the depositor base and credit growth as well as continuous compliance with regulatory requirements and the internal limit framework.

Liquidity risk framework

Regulatory and internal liquidity reports and ratios are generated based on certain modelling assumptions. Whereas the regulatory reports are calculated on specifications given by authorities, the internal reports are modelled with assumptions from empirical observations.

The Group has a substantial database along with expertise in forecasting cash flows arising from all material on- and off-balance sheet positions. The modelling of liquidity in- and outflows is carried out on an appropriate granular level, differentiating between product and customer segments, and, where applicable, currencies as well. Modelling of retail and corporate customer deposits includes assumptions concerning the retention times for deposits after maturity. The model assumptions are quite prudent, e.g. there is a no rollover assumption on funding from banks and all funding channels and the liquidity buffer are stressed simultaneously without taking mitigating effects from diversification into account.

The cornerstones of the economic liquidity risk framework are the Going Concern (GC) and the Time to Wall (TTW) scenario. The Going Concern report shows the structural liquidity position. It covers all main risk drivers which could detrimentally affect the group in a business-as-usual scenario. The Going Concern Models are important input factors for the liquidity contribution to the internal Funds transfer pricing model. On the other hand, the Time to Wall report shows the survival horizon for defined adverse scenarios and stress models (market, reputational and combined crisis) and determines the minimum level of the liquidity buffer (and/or the counter-balancing capacity) of the Group and its individual units.

The liquidity scenarios are modelled using a Group-wide approach, acknowledging local specifications where they are justified by influencing factors such as the market environment or certain business characteristics; the calculation is performed at RBI AG. The modelling of cash inflows and outflows differentiates between product and customer segments, while if applicable, a distinction between different currencies is made as well. For products without a contractual maturity, the distribution of cash inflows and outflows is calculated using a geometric Brownian motion which derives the statistical forecasts for future daily balances from the observed, exponentially weighted historical volatility of the corresponding products.

The liquidity risk framework is continuously developed at both Group level and at the level of the individual Group units. The technical infrastructure is enhanced in numerous Group-wide projects and data availability is improved in order to meet the new reporting and management requirements for this area of risk.

Risk appetite and liquidity limits

The liquidity position is monitored on Group level and on individual unit level and is restricted by means of a comprehensive limit system. Limits are defined both under a business as usual as well as under a stress perspective. In accordance with the defined risk appetite, each Group unit must demonstrate a survival horizon of several months (TTW) in a severe, combined stress scenario (reputational and market stress). This can be ensured either by a structurally positive liquidity profile or by a sufficiently high liquidity buffer. In a normal going concern environment, maturity transformation must be fully covered by the available liquidity buffer in the medium term. This means that the cumulative liquidity position over a period of up to one year must be positive. In the long term (one year or more), maturity transformation is permitted up to a certain level. The internal model limits are supplemented by limits for compliance with regulatory liquidity ratios, such as the liquidity coverage ratio (LCR). All limits must be complied with on a daily basis.

Liquidity monitoring

The bank uses a range of customized measurement tools and early warning indicators that provide board members and senior management with timely and forward-looking information. The limit framework ensures that the bank can continue to operate in a period of severe stress.

Monitoring of limits and reporting limit compliance is performed regularly and effectively. Any breach by Group units is reported to the Group ALCO and escalated. In such cases, appropriate steps are undertaken in consultation with the relevant unit or contentious matters are escalated to the next highest responsible body.

Liquidity stress testing

Stress tests are conducted for RBI AG and the network banks on a daily basis and on Group level on a weekly basis. The tests cover three scenarios (market, reputational and combined crisis), consider the effects of the scenarios for a period of several months and demonstrate that stress events can simultaneously result in a time-critical liquidity requirement in several currencies. The stress scenarios include the principal funding and market liquidity risks, without considering beneficial diversification effects. This means that in the stress tests of the Group, all network units are simultaneously subject to a pronounced combined crisis for all their major products. The results of the stress tests are reported to the Chief Risk Officer and the Chief Financial Officer as well as other members of management on a weekly basis; they also form a key component of the monthly ALCO meetings and are included in the bank's strategic planning and contingency planning.

A conservative approach is adopted when establishing outflow ratios based on historical data and expert opinions. The simulation assumes a lack of access to the money or capital market and simultaneously significant outflows of customer deposits. In this respect, the deposit concentration risk is considered by assigning higher outflow ratios to large customers. Furthermore, stress assumptions are formulated for the drawdown of guarantees and credit obligations. In addition, the liquidity buffer positions are adapted by haircuts in order to cover the risk of disadvantageous market movements, and the potential outflows resulting from collateralized derivative transactions are estimated. The bank continuously monitors whether the stress assumptions are still appropriate or whether new risks need to be considered.

The time to wall concept has established itself as the main control instrument for day-to-day liquidity management and is therefore a central component of funding planning and budgeting. It is also fundamental to determining performance ratios relating to liquidity.

Liquidity buffer

As shown by the daily liquidity risk reports, the main Group units actively maintain and manage liquidity buffers, including high quality liquid assets (HQLA) which are always sufficient to cover the net outflows expected in crisis scenarios. The Group has sizeable, unencumbered and liquid securities portfolios and favors securities eligible for Central Bank tender transactions in order to ensure sufficient liquidity in various currencies. The main Group units ensure the availability of liquidity buffers, test their ability to utilize central bank funds, constantly evaluate their collateral positions as regards their market value and encumbrance and examine the remaining counterbalancing capacity, including the funding potential and the sale ability of the assets.

Generally, a haircut is applied to all liquidity buffer positions. These haircuts include a market-risk specific haircut and a central bank haircut. While the market risk haircut represents the potential price volatility of the securities held as assets as part of the liquidity buffer, the central bank haircut represents an additional haircut for each individual relevant security that may be offered as collateral.

Intraday liquidity management

In compliance with regulatory requirements for intraday liquidity management a daily stressed forecast of available intraday liquidity at defined critical times during a business day is calculated for RBI. This stressed forecast, which considers outflow assumptions analogous to the regular liquidity stress testing in the Group (see above), is quite conservative since inflows that are not final (revocable) are not considered at all. In case of limit breaches, the intraday contingency and escalation process is triggered. At Group Unit level the local intraday liquidity management process is within the responsibility of the local Treasury Unit which ensures that the following minimum standards are implemented locally: clear responsibilities and workflows for managing intraday liquidity; daily monitoring of available intraday liquidity; intraday liquidity forecasting model and limit; escalation and contingency processes and measures in case of limit breaches.

Contingency funding plan

Under difficult liquidity conditions, the units switch to a contingency process in which they follow predefined liquidity contingency plans. These contingency plans also constitute an element of the liquidity management framework and are mandatory for all significant Group units. The emergency management process is designed so that the Group can retain a strong liquidity position even in serious crisis situations.

Liquidity position

Group funding is founded on a strong customer deposit base supplemented by wholesale funding. Funding instruments are appropriately diversified and are used regularly. The ability to procure funds is precisely monitored and evaluated by the Treasury ALM units and the ALCOs.

In the past year and to date, the Group's excess liquidity was above all regulatory and internal limits. The result of the internal time to wall stress test demonstrates that the Group would survive throughout the modelled stress phase of several months even without applying contingency measures.

The Going Concern report shows the structural liquidity position. It covers all material risk drivers which might affect the Group in a business as usual scenario. The results of the going concern scenario are shown in the following table. It illustrates excess liquidity and the ratio of expected cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for selected maturities on a cumulative basis. Based on assumptions employing expert opinions, statistical analyses and country specifics, this calculation also incorporates estimates of the stability of the customer deposit base, outflows from items off the statement of financial position and downward market movements in relation to positions which influence the liquidity counterbalancing capacity.

in € thousand Maturity	2019		2018	
	1 month	1 year	1 month	1 year
liquidity gap	23,373,543	27,930,593	22,097,151	26,432,462
liquidity ratio	146%	128%	151%	130%

Liquidity coverage ratio (LCR)

The liquidity coverage ratio (LCR) requires the short-term resilience of banks by ensuring that they have an adequate stock of unencumbered high-quality liquid assets (HQLAs) to meet potential liability run offs that might occur in a crisis, which can be converted into cash to meet liquidity needs for a minimum of 30 calendar days in a liquidity stress scenario.

The calculation of expected inflows and outflows of funds and the HQLAs is based on regulatory guidelines. The regulatory limit for LCR is 100 per cent.

in € thousand	2019	2018
Average liquid assets	29,167,895	29,140,356
Net outflows	20,777,131	21,706,212
Inflows	12,078,541	8,391,923
Outflows	32,855,672	30,098,136
Liquidity Coverage Ratio	140%	134%

The increase in short-term secured capital market transactions at RBI AG led to a rise in inflows, which was accompanied by an increase in short-term secured and unsecured deposits. The growth of retail deposits in the Group also contributed to higher outflows.

Net Stable Funding Ratio (NSFR)

The NSFR is defined as the ratio of available stable funding to require stable funding. The new regulatory requirements come into force as of 28 June 2021 and the regulatory limit of 100 per cent must be complied with.. Available stable funding is defined as the portion of equity and debt which is expected to be a reliable source of funds over the time horizon of one year covered by the NSFR. A bank's required stable funding depends on the liquidity characteristics and residual maturities of the various assets and off-balance sheet positions. The RBI Group targets a balanced funding position.

in € thousand	2019	2018
Required stable funding	109,881,603	99,974,470
Available stable funding	122,986,265	114,337,200
Net Stable Funding Ratio	112%	114%

Funding liquidity risk

Funding liquidity risk is mainly driven by changes in the risk strategy of lenders or by a deterioration in the creditworthiness of a bank that needs external funding. Funding rates and supply rise and fall with credit spreads, which change due to the market or bank specific situation.

As a consequence, long-term funding depends on restoring confidence in banks and increased efforts in collecting customer deposits. RBI AG's banking activities are financed by combining wholesale funding and the retail franchise of deposit-taking subsidiary banks. It is the central liquidity balancing agent for the local Group units in Central and Eastern Europe.

In the Group's funding plans, special attention is paid to a diversified structure of funding to mitigate funding liquidity risk. In the Group, funds are not only raised by RBI AG as the Group's parent institution, but also individually by different banking subsidiaries. Those efforts are coordinated and optimized through a joint funding plan. Moreover, RBI AG arranges medium-term and long-term funding for its subsidiaries through syndicated loans, bilateral funding agreements with banks, and financing facilities provided by supranational institutions. These funding sources are based on long-term business relationships.

For managing and limiting liquidity risks, the targets for loan/deposit ratios (the ratio of customer loans to customer deposits) in the individual subsidiary banks take into account the planned future business volumes as well as the feasibility of increasing customer deposits in different countries. On the one hand, this initiative reduces external funding requirements. On the other hand, it also reduces the need for internal funding operations and the risk associated with such liquidity transfers.

The following table shows a breakdown of cash flows according to the contractual maturity of financial assets:

2019 in € thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative financial assets	144,039,069	155,928,091	54,219,014	19,350,089	46,645,147	35,713,841
Cash, cash balances at central banks and other demand deposits	24,289,265	24,585,290	24,585,290	0	0	0
Loans and advances	100,639,268	111,600,990	25,266,901	16,150,486	38,175,103	32,008,500
Central banks	4,602,186	4,603,177	4,603,014	17	145	0
General governments	1,194,855	1,267,524	101,796	125,589	517,821	522,318
Banks	4,832,860	4,838,296	2,805,272	619,475	1,068,101	345,447
Other financial corporations	9,843,327	10,272,923	4,050,693	1,191,843	3,255,722	1,774,665
Non-financial corporations	45,373,892	48,899,010	11,368,920	10,656,850	21,603,485	5,269,754
Households	34,792,148	41,720,061	2,337,205	3,556,711	11,729,828	24,096,317
Debt securities	19,110,537	19,741,811	4,366,823	3,199,603	8,470,044	3,705,341
Central banks	1,504,409	1,514,650	1,475,248	39,401	0	0
General governments	12,734,722	13,075,947	1,843,194	2,576,729	5,705,448	2,950,576
Banks	3,061,099	3,120,245	502,417	403,445	1,849,881	364,501
Other financial corporations	1,063,193	1,162,936	403,707	123,831	426,620	208,779
Non-financial corporations	747,114	868,033	142,257	56,196	488,096	181,485
Derivative financial assets	2,291,619	2,352,495	328,436	331,505	892,192	800,362
Derivatives - Trading book	1,894,464	2,070,143	356,868	322,070	676,909	714,296
Derivatives - Hedge accounting	397,155	282,352	(28,432)	9,435	215,283	86,065

2018 in € thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative financial assets	132,866,446	142,137,666	53,315,027	16,958,523	43,224,316	28,639,800
Cash, cash balances at central banks and other demand deposits	22,557,484	23,126,102	23,126,102	0	0	0
Loans and advances	90,860,255	98,988,544	26,341,234	14,129,994	33,307,161	25,210,155
Central banks	4,862,756	4,863,848	4,863,793	7	47	0
General governments	916,738	965,856	99,162	82,454	338,621	445,619
Banks	5,135,203	5,402,671	3,015,324	945,371	846,910	595,067
Other financial corporations	6,635,145	6,765,846	3,248,999	594,222	2,141,693	780,932
Non-financial corporations	42,139,749	44,767,212	12,555,506	8,181,233	17,671,749	6,358,724
Households	31,170,664	36,223,111	2,558,450	4,326,708	12,308,141	17,029,812
Debt securities	19,448,707	20,023,019	3,847,691	2,828,529	9,917,155	3,429,644
Central banks	1,409,946	1,412,678	1,342,769	69,909	0	0
General governments	13,322,908	13,593,036	1,679,628	2,318,916	7,127,938	2,466,554
Banks	3,150,497	3,194,339	376,153	354,268	1,851,368	612,550
Other financial corporations	799,217	970,746	234,369	56,474	496,752	183,150
Non-financial corporations	766,139	852,220	214,772	28,961	441,096	167,391
Derivative financial assets	2,473,156	2,560,214	444,514	498,776	859,265	757,659
Derivatives - Trading book	1,972,469	2,155,435	436,010	495,687	591,402	632,337
Derivatives - Hedge accounting	500,687	404,778	8,504	3,090	267,863	125,322

The following table shows a breakdown of cash flows according to the contractual maturity of financial liabilities:

2019 in € thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative financial liabilities	142,010,453	141,533,321	95,596,538	13,458,085	21,996,876	10,481,821
Deposits	119,820,989	117,833,847	90,828,806	10,548,697	12,209,122	4,247,222
Central banks	2,462,354	2,436,331	679,200	82,474	1,591,098	83,559
General governments	3,231,055	3,285,919	1,553,215	966,956	472,389	293,360
Banks	21,144,823	21,332,675	14,433,977	1,294,768	3,988,944	1,614,987
Other financial corporations	11,132,756	11,324,997	7,580,346	1,645,063	856,747	1,242,841
Non-financial corporations	34,888,808	34,857,533	31,860,622	2,257,935	452,266	286,710
Households	46,961,194	44,596,392	34,721,446	4,301,502	4,847,679	725,765
Short positions	13,788,894	15,104,469	409,099	1,444,853	8,119,915	5,130,601
Debt securities issued	491,814	505,310	461,493	11,760	10,932	21,126
Other financial liabilities	7,908,756	8,089,695	3,897,140	1,452,775	1,656,907	1,082,872
Derivative financial liabilities	2,180,044	2,634,731	563,866	568,520	1,011,794	490,551
Derivatives - Trading book	1,933,594	2,642,167	606,421	567,715	981,039	486,992
Derivatives - Hedge accounting	246,450	(7,436)	(42,556)	805	30,755	3,559
Issued financial guarantee contracts	7,908,756	8,089,695	3,897,140	1,452,775	1,656,907	1,082,872
Issued loan commitments	13,515,769	15,027,610	4,910,502	2,081,585	6,898,841	1,136,682

2018 in € thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative financial liabilities	124,071,167	126,110,635	86,796,339	11,716,379	20,552,403	7,045,514
Deposits	111,018,249	111,691,805	85,124,697	10,057,451	12,430,671	4,078,987
Central banks	2,147,243	2,138,526	860,217	28,056	1,160,269	89,984
General governments	2,817,271	3,046,684	1,268,550	654,991	599,313	523,830
Banks	21,832,936	22,144,522	14,517,000	1,807,469	4,137,652	1,682,402
Other financial corporations	9,681,974	9,731,020	6,972,799	873,789	581,903	1,302,529
Non-financial corporations	31,443,056	31,452,481	29,017,368	2,024,854	286,828	123,431
Households	43,095,770	43,178,571	32,488,763	4,668,292	5,664,706	356,810
Short positions	318,001	318,001	318,001	0	0	0
Debt securities issued	12,211,931	13,577,758	853,686	1,640,812	8,121,732	2,961,528
Other financial liabilities	522,986	523,070	499,955	18,116	0	5,000
Derivative financial liabilities	2,187,882	1,979,541	459,934	504,231	776,499	238,877
Derivatives - Trading book	2,034,559	1,948,591	454,207	496,644	765,186	232,554
Derivatives - Hedge accounting	153,323	30,950	5,727	7,587	11,313	6,323
Issued financial guarantee contracts	6,975,261	7,818,804	4,287,604	1,525,196	1,492,327	513,678
Issued loan commitments	12,579,692	14,973,125	5,364,420	2,271,985	6,090,440	1,246,280

(54) Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In this risk category internal risk drivers such as unauthorized activities, fraud or theft, conduct-related losses, modelling errors, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or fraud are managed and controlled as well.

This risk category is analyzed and managed based on own historical loss data and the results of risk assessments.

As with other risk types the principle of firewalling of risk management and risk controlling is also applied to operational risk in the Group. To this end, individuals are designated and trained as Operational Risk Managers for each business area. Operational Risk Managers provide central Operational Risk Controlling with reports on risk assessments, loss events, indicators and measures. They are supported in their work by Dedicated Operational Risk Specialists (DORS).

Operational risk controlling units are responsible for reporting, implementing the framework, developing control measures and monitoring compliance with requirements. Within the framework of the annual risk management cycle, they also coordinate the participation of the relevant second line of defense departments (Financial Crime Management, Compliance, Vendor Management, Outsourcing Management, Insurance Management, Information Security, Physical Security, BCM, Internal Control System, IT Risk Management) and all first line of defense partners (Operational Risk Managers).

Risk identification

Identifying and evaluating risks that might endanger the Group's existence (but the occurrence of which is highly improbable) and areas where losses are more likely to arise more frequently (but have only limited impact) are important aspects of operational risk management.

Operational risk assessment is executed in a structured and Group-wide uniform manner according to risk categories such as business processes and event types. Moreover, risk assessment applies to new products as well. All Group units grade the impact of high probability/low impact events and low probability/high impact incidents according to their estimation of the loss potential for the next year and in the next ten years. Low probability/high impact events are quantified by a Group-wide analytical tool (scenarios). The internal risk profile, losses arising and external changes determine which cases are dealt with in detail.

Monitoring

In order to monitor operational risks, early warning indicators are used that allow prompt identification and minimization of losses.

Loss data is collected in a central database called ORCA (Operational Risk Controlling Application) in a structured manner and on a Group-wide basis according to the event type and the business line. In addition to the requirements for internal and external reporting, information on loss events is exchanged with international data pools to further develop operational risk management tools as well as to track measures and control effectiveness. Since 2010, The Group has been a participant in the ORX data pool (Operational Risk Data Exchange Association), whose data are currently used for internal benchmark purposes and analyses and as part of the operational risk model. The ORX data consortium is an association of banks and insurance groups for statistical purposes. The results of the analyses as well as events resulting from operational risks are reported in a comprehensive manner to the relevant Operational Risk Management Committee on a regular basis.

Quantification and mitigation

Since October 2016, the Group has calculated the equity requirement for a significant part of the Group using the Advanced Measurement Approach (AMA). This includes units in Bulgaria, Romania, Russia, Slovakia and principal banks in Austria (Raiffeisen Bank International AG, Vienna, Kathrein Privatbank Aktiengesellschaft, Vienna, Raiffeisen Centробанк AG, Vienna, Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna, Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna). The Standardized Approach (STA) is still used to calculate the operational risk of the remaining units in the CRR scope of consolidation.

To reduce operational risk, business managers decide on preventive risk reduction actions such as risk mitigation or risk transfer. The progress and effectiveness of these actions is monitored by risk control. The former also define contingency plans and nominate responsible persons or departments for initiating the defined actions if losses in fact occur. In addition, several dedicated organizational units provide support to business units for reducing operational risks. An important role in connection with operational risk activities is taken on by Financial Crime Management. Financial Crime Management provides support for the prevention and identification of fraud. The Group also conducts an extensive staff training program and has different contingency plans and back-up systems in place.

Other disclosures

(55) Pending legal issues

The RBI Group is involved in various legal, governmental or arbitration proceedings before various courts and governmental agencies mainly arising in the ordinary course of business and involving contractual, labor and other matters. There is also a tendency, particularly in the aftermaths of financial market and economic crisis, towards more aggressive behavior on the part of contracting parties in the context of legal or other disputes. This also applies to credit institutions with whom an agreement could be reached in the past as well as to credit institutions with whom RBI maintains business relationships in connection with syndicated loan facilities where it acts, *inter alia*, as co-manager or agent.

A provision is only recognized if there is a legal or constructive obligation as a result of a past event, payment is likely and the amount can be reliably estimated. A contingent liability that arises from a past event is disclosed unless payment is highly unlikely. A contingent asset that arises from a past event is reported if there is high probability of occurrence. In no instance in the description that follows is an amount stated in which, in accordance with IAS 37, this would be severely detrimental. In some cases, provisions are measured on a portfolio basis because this results in the obligation being estimated with greater reliability. RBI has grouped its provisions, contingent assets and contingent liabilities under the headings of consumer protection, banking business, regulatory enforcement and tax litigation.

Consumer protection

RBI faces customer lawsuits in connection with consumer protection matters. Most claims relate to terms of contract that are alleged to breach consumer protection or other laws. The legal risk associated with such claims is heightened by the danger of politically motivated legislation that increases the degree of unpredictability.

Croatia

In Croatia, following litigation initiated by a Croatian consumer association against Raiffeisenbank Austria, d.d., Croatia (RBHR) and other Croatian banks, two contractual clauses used in consumer loan agreements between 2003/2004 and 2008 were declared null and void: an interest change clause and a CHF index clause. The decision on the interest adjustment clause cannot be challenged any more. The decision on the nullity of the CHF index clause was confirmed by the Croatian Supreme Court but was challenged by RBHR at the Croatian Constitutional Court. A final decision by this court may have an impact on the relevant CHF index clause. However, based on the decisions already rendered on the nullity of the interest change clause and/or the CHF index clause, borrowers – subject to the statute of limitations – are now already filing claims against RBHR. Given current legal uncertainties relating to the statute of limitations, the validity of the CHF index clause, the appropriate further procedures, the final outcome of the constitutional court challenge and the number of borrowers raising such claims, final quantification of the financial impact and the possible damage is not possible at this point of time as the final legal assessment of the loan agreement clauses has to be made in each individual case. As of the reporting date, 3,649 lawsuits had been filed against the bank. In this connection, the provision recognized on a portfolio basis was increased to € 21,221 thousand.

Poland

In Poland, a significant number of civil lawsuits are pending in relation to certain contractual stipulations connected with consumer mortgage loans denominated in or indexed to foreign currencies. In this connection, a Polish court requested the European Court of Justice (ECJ) for clarification whether certain clauses in these agreements breach European law and are unfair. The ECJ's preliminary ruling of 3 October 2019 does not answer whether the loan agreements are invalid in whole or part but merely gives interpretative guidance on the principles according to which the national courts must decide in each individual case. According to this, a loan agreement without unfair terms should remain valid provided, that it is in conformity with national law. If a loan agreement cannot remain valid without the unfair term, the entire contract would have to be annulled. If the annulment of the entire contract triggers material negative consequences for the borrower, the Polish courts can replace the unfair term by a valid term in accordance with national law. The consequences of the contract being annulled must be carefully examined so that the borrower can consider all potential negative consequences of annulment. However, the consequences of canceling an annulled loan agreement remain unclear and may be serious for the borrower, for example due to the obligation to repay the loan immediately including the costs of using the loan amount. It remains to be seen how the principles developed by the ECJ will be applied under national law on a case-by-case basis.

The impact assessment in relation to affected loan agreements indexed to or denominated in a foreign currency may also be influenced by investigations initiated against RBI's Polish branch by the President of the Office of Competition and Consumer Protection (UOKiK). The object of the proceedings is certain standard clauses in foreign currency loan agreements and a related practice which allegedly may have been contrary to the collective interests of consumers.

As the lawsuits have been filed by a number of customers, the provision is based on a statistical approach that takes into account both static data, where relevant, and expert opinions. Possible decision scenarios have been estimated together with the expected loss rates per scenario. The expected impact is based on loans from customers who have filed or indicated that they will file a lawsuit against the bank. To calculate the financial impact per scenario, the claim amount is multiplied by the estimated financial outflow in the scenario and the probability that the bank will ultimately have to pay compensation to the customer. An appropriate discount rate is applied to outflows that are not expected to arise within one year. The financial impacts of the individual scenarios are weighted on the basis of expert opinions. The resulting provision has been increased to € 49,336 thousand.

Romania

The Romanian subsidiary is confronted with a number of individual lawsuits and a lawsuit filed by the consumer protection authority for the use of unfair loan clauses. The clauses relate to administration fees and interest change clauses. € 4,233 thousand in compensation was paid out in this connection up to 2018. For the approximately 1,400 remaining cases, a provision has been recognized for further estimated losses of € 14,160 thousand calculated in scenario analysis.

Banking business

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

Following the insolvency of Alpine Holding GmbH (Alpine) in 2013, a number of lawsuits were filed by retail investors in Austria against RBI and another credit institution in connection with a bond which had been issued by Alpine in 2012 in an aggregate principal amount of € 100 million. The claims against RBI, filed either directly, by investors or in a class action, amount to approximately € 10 million of value in dispute. Among other things, it is claimed that the banks acted as joint lead managers of the bond issue and were or at least should have been aware of the financial problems of Alpine at the time of the issue. Thus, they should have known that Alpine was not in a position to redeem the bonds as set forth in the terms and conditions of the bonds. It is alleged that the capital market prospectus in relation to the bond issue was misleading and incomplete and that the joint lead managers including RBI, which were also involved in the preparation of the prospectus, were aware of that fact.

Legal action has been filed against Raiffeisen Zentralbank (prior to the merger with RBI in 2010) and Raiffeisen Investment AG (RIAG) in New York. The claimant alleged that RBI, in its capacity as universal successor to Raiffeisen Zentralbank, had unlawfully paid USD 150 thousand (€ 134 thousand) on a bid bond and that RIAG had been involved in a fraud committed by the Serbian privatization agency resulting in a damage in the range of USD 31 million to USD 52 million (€ 28 million to € 46 million). According to RBI's assessment the claim is unfounded and very unlikely to succeed. In February 2014, the action was dismissed, and the plaintiff filed a motion for reconsideration with the court which has been pending for several years. The case was assigned to a new judge in 2018 and is now again pending in New York. RBI's assessment of the claim remains unchanged.

RBI was served with a lawsuit by the Romanian Ministry of Traffic against RBI and Banca de Export Import a Romanei Eximbank SA (EximBank) regarding payment of € 10 million in May 2017. According to the lawsuit, in the year 2013, RBI issued a letter of credit on the amount of € 10 million for the benefit of the Romanian Ministry of Traffic at the request of a Romanian customer of Romanian Network Bank Raiffeisen Bank S.A., Bucharest, which is indirectly owned by RBI. EximBank acted as advising bank of RBI in Romania. The Romanian Ministry of Traffic had sent a payment request under the mentioned letter of credit in March 2014 which had been denied by RBI as having been received after termination date thereof. In April 2018, the lawsuit was rejected as unfounded by the court of first instance, which was confirmed by the Bucharest Court of Appeal in October 2019.

In May 2017, a subsidiary of RBI was sued for an amount of approximately € 12 million in Austria for breach of warranties under a share purchase agreement relating to a real estate company. The claimant, i.e. the purchaser under the share purchase agreement, alleges the breach of a warranty. More precisely, it alleges the defendant warranted that the company sold under the share purchase agreement had not waived potential rental payment increases to which it may have been entitled.

In December 2016, a French company filed a lawsuit at the commercial court in Paris against Raiffeisen Bank Polska S.A. (RBPL), the former Polish subsidiary of RBI, and RBI. The French company claimed damages from both banks in the aggregate amount of € 15.3 million alleging that RBPL failed to comply with duties of care when opening an account for a certain customer and executing money transfers through this account, and that RBI acted as a correspondent bank in this context and failed to comply with duties of care when doing so. In the meantime, the lawsuit was withdrawn by the plaintiff for reasons of jurisdiction of court. In December 2017, a lawsuit of the same content as set out above was filed against RBPL and RBI at the commercial court in Warsaw. As regards the lawsuit against RBI, the commercial court in Warsaw declined jurisdiction in May 2019. The decision was appealed.

In June 2012, a client (the Slovak claimant) of Tatra banka, a.s. (Tatra banka) filed a petition for compensation of damage and lost profits in the amount of approximately € 71 million. The lawsuit is connected with certain credit facilities entered into between Tatra banka and the Slovak claimant. The Slovak claimant claims that Tatra banka breached its contractual obligations by refusing to execute payment orders from the Slovak claimant's accounts without cause and by not extending the maturity of facilities despite a previous promise to do so, which led to non-payment of the Slovak claimant's obligations towards its business partners and the termination of the Slovak claimant's business activities. In February 2016, the Slovak claimant filed a petition for increasing the claimed amount by € 50 million but the court refused this petition. A constitutional appeal was filed regarding this court's decision. The constitutional court refused this appeal and rejected the proposed increase of the claimed amount. In December 2017, Tatra banka was delivered a new claim amounting to € 50 million, based on the same grounds as the petition from February 2016. This new claim was joined to the original claim. Thus, the Slovak claimant in this lawsuit demanded compensation of damage and lost profits in the amount of approximately € 121 million. In February 2018, the first-instance court rejected the petition in full. The Slovak claimant, which by law is now the trustee in the Slovak claimant's bankruptcy proceedings, as the Slovak claimant has become bankrupt, launched an appeal against the rejection. In September 2018, the appellate court upheld the decision of the first-instance court and confirmed the rejection of the claim in full. In January 2019, the Slovak claimant filed an extraordinary appeal with the Supreme Court of the Slovak Republic but the extraordinary appeal was refused by the Supreme Court in April 2019. The Slovak claimant filed a constitutional appeal with respect to the Supreme Court ruling in July 2019.

Furthermore, a Cypriot company (the Cypriot claimant) filed a separate action for damages in the amount of approximately € 43.1 million. In January 2016, the Cypriot claimant filed a petition for increasing the claimed amount by € 84 million and the court approved this petition. It means that the total claimed amount in this lawsuit is approximately € 127 million. This lawsuit is connected with the proceeding of the Slovak claimant above because the Cypriot claimant having filed the action had acquired the claim from a shareholder of the holding company of the Slovak claimant. The matter of the claim is the same as in the proceeding above. According to the Cypriot claimant, this had caused damage to the Slovak claimant and, thus, also to the shareholder of the holding company in the form of a loss of value of its shares. Subsequently, said shareholder assigned his claim to the Cypriot claimant. The Cypriot claimant claims that Tatra banka acted contrary to the good morals as well as contrary to fair business conduct and requires Tatra banka to pay part of its claims corresponding to the loss in value of the holding company's shares.

Following an assignment of Tatra banka's receivable (approximately € 3.5 million) against a corporate customer to an assignee, two lawsuits in the total amount of approximately € 18.6 million were filed by the original shareholders of the corporate customer against Tatra banka. Their shares in the corporate customer had been pledged as security for a financing provided by Tatra banka to the corporate customer. The claims are claims for compensation of damages which were incurred by the original shareholders as a consequence of an alleged late notification of the assignment to the original shareholders, the fact that the assignee had realized the pledge over the shares and, thus, the original shareholders ceased to be the shareholders of the corporate customer as well as the fact that the assignee had realized a mortgage over real estates of the corporate customer (which had also been created as a security for the financing provided by Tatra banka to the corporate customer). The original shareholders claimed that the value of the corporate customer was € 18.6 million and that this amount would represent the damage incurred by them due to the assignment of Tatra banka's claim against the corporate customer. Subsequently, the original shareholders assigned their claims under the lawsuits mentioned above to a Panamanian company which is now the plaintiff. The plaintiff claims that Tatra banka had acted in contradiction of good faith principles and that it had breached an obligation arising from the Slovak Civil Code. In June 2019, the court entirely rejected the claim. The plaintiff filed an appeal against the judgment of the first-instance court in August 2019.

In 2011, a client of Raiffeisenbank Austria, d.d., Croatia (RBHR) launched a claim for damages in the amount of approximately HRK 143.5 million (€ 19 million) and alleged that damages have been caused by an unjustified termination of the loan.

In February 2014, the commercial court in Zagreb issued a judgment by which the claim was declined. The plaintiff launched an appeal against this judgment which is not finally decided.

In 2015, a former client of RBHR launched a claim for damages in the amount of approximately HRK 181 million (€ 24 million) based on the allegation that RBHR had acted fraudulently by terminating loans, which had been granted for the financing of the client's hotel business, without justification. In previous court proceedings in respect of the termination of the loans as well as the enforcement over the real estate, all final judgments were in favor of RBHR. Several hearings were held as well as submissions exchanged. So far, no ruling has been passed.

From 2014 onwards, a group of former clients of RBHR launched several claims for damages in the amount of approximately HRK 120.7 million (€ 16 million) based on the allegation that RBHR had acted fraudulently by terminating and collecting loans. In some of the court proceedings the final court decisions were issued by which the claims (in the amount of approximately HRK 20 million (€ 3 million) were declined.

In 2015, various plaintiffs launched two lawsuits against Raiffeisen Bank S.A., Bucharest, claiming damages in the amount of RON 45 million and RON 35 million (€ 9 million and € 7 million), respectively, based on the allegation that unfair terms in credit agreements had been used. According to the defendant's assessment, the RON 45 million (€ 9 million) claim was filed outside legal deadlines. In late 2015, the RON 45 million (€ 9 million) claim was split into over 180 separate litigations and the RON 35 million (€ 7 million) claim was also split into over 160 individual cases. Raiffeisen Bank S.A. won a major part of the individual litigations on the merits and some of them have already been finally closed.

In 2015, a former client of the Raiffeisenbank a.s. (RBCZ), launched a lawsuit against RBCZ claiming damages in the amount of approximately CZK 371 million (€ 15 million) based on the allegation that RBCZ caused damage to him by refusing to provide further financing to him. Owing to the non-payment of court fees by the claimant, a court ruling on dismissal of the lawsuit was issued but has been appealed by the claimant. In the meantime, the court has united two proceedings launched by the claimant against RBCZ and therefore the sued amount has increased to approximately CZK 494 million (€ 19 million). After the first-instance court decision was revoked by the High Court and the claimant finally paid the court fee, the first-instance court was able to issue a verdict on the core matter of the dispute in which the court dismissed the claimant's claims in September 2019. The claimant has appealed that decision.

In April 2018, Raiffeisen Bank Polska S.A. (RBPL), the former Polish subsidiary of RBI, obtained the lawsuit filed by a former client claiming an amount of approximately PLN 203 million (€ 48 million). According to the plaintiff's complaint, RBPL blocked the client's current overdraft credit account for six calendar days in 2014 without the formal justification. The plaintiff claimed that the blocking of the account resulted in losses and lost profits due to a periodic disruption of the client's financial liquidity, the inability to replace loan-based funding sources with financing streams originating from other sources on the blocked account, a reduction in inventory and merchant credits being made available and generally a resulting deterioration of the client's financial results and business reputation. RBPL contended that the blocking was legally justified and implemented upon the information obtained. In the course of the sale of the core banking operations of RBPL to Bank BGZ BNP Paribas S.A.), the lawsuit against RBPL was allocated to Bank BGZ BNP Paribas S.A. However, RBI remains commercially responsible for negative financial consequences in connection with said proceeding.

In July 2019, a former corporate customer (claimant) of RBI filed a request for arbitration with the International Court of Arbitration of the International Chamber of Commerce, claiming from RBI payment of USD 25 million (€ 22 million) plus damages, interest and further costs. The dispute relates to a guarantee of a third party, which served as a security for a loan granted by RBI to the claimant in 1998. The claimant fell into arrears, whereupon RBI called in the guarantee. In 2015 a settlement was reached between RBI and the guarantor as to the claims of RBI under the guarantee. RBI applied all monies received from the guarantor towards payment by the claimant under the loan. In its request for arbitration, the claimant alleges (inter alia) that the settlement was detrimental to it, and that RBI would be obliged to transfer the monies received from the guarantor to the claimant. RBI takes the view that the claims raised by the claimant are baseless.

Regulatory enforcement

RBI and its subsidiaries are subject to numerous national and international regulatory authorities. RBI does not currently have any significant open issues with regulatory authorities.

Following an audit review of the Romanian Court of Auditors regarding the activity of Raiffeisen Banca pentru Locuinte S.A. (RBL), a building society and subsidiary of Raiffeisen Bank S.A., Bucharest, the Romanian Court of Auditors claimed that several deficiencies were identified and that conditions for state premiums on savings had not been met. Such premiums may therefore have to be repaid.

Should RBL not succeed in reclaiming said amounts from its customers or providing satisfactory documentation, RBL may be held liable for the payment of such funds. RBL has initiated a contestation process against the position of the Romanian Court of Auditors. The case is in appeal at the High Court of Cassation and Justice. RBL may not be able to receive reimbursement of such funds from its customers due to legal and practical reasons. Given current uncertainties, an exact quantification of the negative financial impact is not possible, however, repayment of premiums and potential penalty payments are not expected to exceed € 48 million. In this connection, the provision was increased to € 10,016 thousand.

In March 2018, an administrative fine of € 2.7 million (which was calculated by reference to the annual consolidated turnover of RBL and constitutes 0.06 per cent of the last available annual consolidated turnover) was imposed on RBL 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), RBL 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. RBL took the view that it had duly complied with all due diligence obligations regarding know-your-customer requirements and appealed against the fining order in its entirety. The administrative court of first instance confirmed FMA's decision and – again – RBL appealed against this decision in its entirety. In December 2019, the Austrian Supreme Administrative Court (Verwaltungsgerichtshof) revoked the decision of the lower administrative instances and referred the case back to the administrative court of first instance.

In September 2018, two administrative fines of total PLN 55 million (€ 13 million) were imposed on RBPL in the course of administrative proceedings based on alleged non-performance of the duties as the depositary and liquidator of certain investment funds. RBPL as custodian of investment funds assumed the role as liquidator of certain funds in spring 2018. According to the interpretation of the Polish Financial Supervision Authority (PFSA) RBPL failed to comply with certain obligations in its function as depositary bank and liquidator of the funds. In the course of the transactions related to the sale of RBPL, the responsibility for said administrative proceedings and related fines was assumed by RBL. RBL filed appeals against these fines in their entirety. In September 2019, in relation to the PLN 5 million (€ 1 million) fine regarding RBPL's duties as depositary bank, the Voivodship Administrative Court approved RBL's appeal and overturned the PFSA's decision entirely. However, the PFSA appealed such decision. In relation to the PLN 50 million (€ 12 million) fine regarding RBPL's function as liquidator, the Voivodship Administrative Court decided to dismiss the appeal and uphold the PFSA decision entirely. RBL has raised appeal to the Supreme Administrative Court because it takes the view that RBPL has duly complied with all its duties.

Tax litigation

RBL is or is expected to be involved in various tax audits, tax reviews and tax proceedings. RBL is involved in the following significant tax proceedings, among others:

A provision for pending legal and tax litigation in the amount of € 27 million was recognized for German property transfer tax resulting from corporate reorganizations in previous years. This related to the merger of Raiffeisen Zentralbank and RBL AG in 2017 and to the acquisition of shares in Raiffeisen Leasing Group in 2012 and 2013. Interest on arrears and contractual penalties may also be incurred.

In connection with loan sales, assessments by the tax authorities in Romania could result in an exceptional tax burden of approximately € 33 million plus approximately € 22 million in penalty payments. The Romanian subsidiary bank considers the probability of occurrence to be very small.

In Russia, the tax audit could result in an extraordinary tax burden in an aggregate amount of approximately € 10 million plus € 2 million late payment interest. Additionally, penalty payments may be imposed in an amount of up to approximately € 4 million.

In the vast majority of the aforementioned amounts, the decision of the respective tax authorities is or will be challenged.

(56) Other agreements

Raiffeisen-Kundengarantiegemeinschaft Austria

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

In view of the change in the legal and regulatory framework and implementation of Institutional Protection Schemes, RKÖ and its members have decided to discontinue the scheme for new transactions. Accordingly, the supplementary protection by RKÖ will only be granted to transactions entered until 30 September 2019.

Institutional Protection Scheme

Several Institutional Protection Schemes (IPS) have been set up in the Austrian Raiffeisen Banking Group since the end of 2013. To this end, contractual or statutory liability arrangements have been concluded which protect the participating institutions and, in particular, ensure their liquidity and solvency if required. These Institutional Protection Schemes are based on uniform and joint risk monitoring as part of an early warning system pursuant to Article 113 (7) of the Capital Requirements Regulation of the European Union (CRR). In line with RBG's organizational structure, the IPS were also designed in two stages (currently one federal IPS and six regional IPS).

As RBG's central institution, RBI AG is a member of the federal IPS whose members, in addition to the regional Raiffeisen banks, include: Raiffeisen-Holding Niederösterreich-Wien reg GmbH, Vienna, Posojilnica Bank eGen, Klagenfurt, Raiffeisen Wohnbau-bank AG, Vienna, and Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna. A regional IPS was also set up in six federal states.

(57) Fiduciary business

The following information was prepared pursuant to Section 48 (1) of the Austrian Banking Act (BWG).

Fiduciary business not recognized in the statement of financial position was concluded with the following volumes on the reporting date:

in € thousand	2019	2018 ¹
Fiduciary assets	226,494	233,649
Loans to customers	219,330	224,240
Financial investments	7,163	9,409
Other fiduciary assets	0	0
Fiduciary liabilities	226,494	233,649
Deposits from banks	83,573	99,955
Deposits from customers	135,758	124,285
Other fiduciary liabilities	7,163	9,409

¹ Previous-year figures adjusted; reclassification to managed funds

The following table contains the funds managed by the Group:

in € thousand	2019	2018 ¹
Retail investment funds	25,281,762	21,343,391
Equity-based and balanced funds	14,464,170	10,875,395
Bond-based funds	10,588,473	10,420,410
Other	229,119	47,586
Special funds	12,086,046	10,634,681
Property-based funds	299,549	288,770
Pension funds	4,879,466	4,289,877
Customer portfolio managed on a discretionary basis	630,619	468,643
Other investment vehicles	55,575	26,957
Total	43,233,017	37,052,319

¹ Previous-year figures adjusted; reclassification from fiduciary funds

(58) RBI as lessor

Finance income from finance lease net investment was € 127,682 thousand in the reporting period. Income from operating leases was € 60,494 thousand.

There is no lease income from variable lease payments that do not depend on an index or a rate.

Finance leases

Assets under finance leases break down as follows:

in € thousand	2019	2018
Vehicles leasing	1,507,680	1,301,801
Real estate leasing	964,734	1,042,184
Equipment leasing	752,089	639,638
Total	3,224,503	2,983,622

The following table shows the maturity analysis of lease receivables to be received after the reporting date:

in € thousand	2019	2018
Gross investment value	3,557,266	3,312,016
Minimum lease payments	3,231,541	2,955,803
Up to 3 months	450,413	332,578
More than 3 months, up to 1 year	609,075	551,903
More than 1 year, up to 5 years	1,814,588	1,696,331
More than 5 years	357,464	374,991
Non-guaranteed residual value	325,726	356,213
Unearned finance income	332,764	328,394
Up to 3 months	49,330	37,192
More than 3 months, up to 1 year	72,624	70,487
More than 1 year, up to 5 years	153,907	159,246
More than 5 years	56,904	61,469
Net investment value	3,224,503	2,983,622

There was no income relating to variable lease payments not included in the measurement of the net investment in the lease. Profit due to sale of leased assets as part of a finance lease was € 635 thousand.

Operating leases

Assets under operating leases (including unleased parts) break down as follows:

in € thousand	2019	2018
Vehicles leasing	82,701	46,962
Real estate leasing	153,999	153,564
Equipment leasing	746	1,492
Total	237,447	202,018

The following table shows the maturity analysis of lease receivables to be received after the reporting date:

in € thousand	2019	2018
Up to 1 year	35,692	29,722
More than 1 year, up to 5 years	89,361	47,753
More than 5 years	15,837	7,998
Total	140,890	85,473

(59) RBI as lessee

Leases mainly relate to land and buildings, vehicles and IT equipment.

Right-of-use assets

The following table shows the development of right-of-use assets and related accumulated depreciation.

in € thousand	Property, plant and equipment	Investment property
Cost of acquisition or conversion 1/1/2019	455,971	0
Change in consolidated group	31,384	0
Exchange differences	9,109	0
Additions	57,010	39
Disposals	(14,940)	0
Transfers	1,035	0
Cost of acquisition or conversion 31/12/2019	539,569	40
Accumulated write-up/depreciation/impairment	(83,367)	(5)
hereof write-ups	0	0
hereof depreciation/impairment	(84,378)	(16)
Carrying amount as at 31/12/2019	456,202	35

Lease liabilities

The following table shows the maturity analysis of lease liabilities, showing the undiscounted lease payments to be paid after the reporting date:

in € thousand	2019
Up to 1 year	86,946
More than 1 year, up to 5 years	249,122
More than 5 years	154,283
Total	490,350

Amounts recognized in profit or loss

in € thousand	2019
Interest on lease liabilities	(8,193)
Variable lease payments not included in the measurement of lease liabilities	29
Income from sub-leasing right-of-use assets	94
Expenses relating to short-term leases	(13,080)
Expenses relating to leases of low-value assets	(5,566)
Total	(26,716)

Amounts recognized in the statement of cash flows

in € thousand	2019
Cash flows for leases	70,352

(60) Geographical markets

The following tables were prepared pursuant to Section 64 (1) 18 of the Austrian Banking Act (BWG).

2019 in € thousand	Operating income	hereof net interest income	Profit/loss before tax	Income taxes	Number of employees as of reporting date
Central Europe	1,287,489	830,182	401,990	(111,703)	9,915
Poland	15,323	14,134	(88,211)	(25,060)	227
Slovakia	492,057	294,056	178,800	(36,331)	4,029
Slovenia	8,029	182	6,191	(474)	9
Czech Republic	545,034	394,622	229,690	(37,724)	3,413
Hungary	227,470	126,810	75,519	(12,114)	2,237
Southeastern Europe	1,336,414	866,873	480,580	(70,589)	14,480
Albania	77,122	57,321	27,269	(4,311)	1,241
Bosnia and Herzegovina	113,877	67,717	40,601	(9,503)	1,316
Bulgaria	176,440	113,706	72,883	(7,003)	2,633
Croatia	204,764	121,627	58,971	(1,431)	1,860
Kosovo	55,537	43,834	20,734	(2,317)	862
Romania	559,556	374,284	199,804	(38,495)	4,987
Serbia	149,128	88,280	60,305	(7,529)	1,581
Eastern Europe	1,736,789	1,142,457	939,889	(204,794)	18,356
Belarus	157,105	103,361	82,343	(21,524)	1,746
Russia	1,201,657	788,853	642,643	(144,957)	8,819
Ukraine	378,027	250,250	214,902	(38,313)	7,791
Austria and other	2,009,098	511,272	716,259	(11,566)	4,122
Reconciliation	(894,441)	61,282	(771,931)	(3,534)	0
Total	5,475,349	3,412,067	1,766,786	(402,186)	46,873

2018 in € thousand	Operating income ¹	hereof net interest income	Profit/loss before tax	Income taxes	Number of employees as of reporting date
Central Europe	1,521,965	964,813	446,913	(100,604)	9,692
Poland	326,260	205,325	(136)	(17,192)	196
Slovakia	462,114	288,781	162,029	(34,836)	3,995
Slovenia	4,586	335	2,567	(313)	10
Czech Republic	497,064	337,618	199,304	(38,368)	3,402
Hungary	232,225	132,577	83,149	(9,895)	2,089
Southeastern Europe	1,297,258	814,192	525,162	(73,495)	14,646
Albania	69,577	55,162	30,620	(3,475)	1,226
Bosnia and Herzegovina	110,107	67,526	47,771	(5,030)	1,358
Bulgaria	163,822	103,358	72,161	(6,924)	2,589
Croatia	202,273	124,679	55,397	(9,675)	1,982
Kosovo	54,243	42,404	23,179	(2,594)	839
Romania	549,867	336,137	230,600	(37,166)	5,115
Serbia	147,431	84,843	65,432	(8,630)	1,537
Eastern Europe	1,528,901	1,021,629	855,195	(171,222)	18,750
Belarus	145,593	90,314	81,518	(16,969)	1,829
Russia	1,059,653	711,667	573,057	(117,770)	8,998
Ukraine	323,654	219,642	200,620	(36,483)	7,923
Austria and other	1,855,978	502,760	613,808	(10,053)	3,991
Reconciliation	(826,776)	58,352	(687,747)	(2)	0
Total	5,377,325	3,361,746	1,753,331	(355,377)	47,079

1 Current income from investments in associates, which was previously presented in the other result item, is now presented under operating income.

(61) Foreign assets/liabilities

Assets and liabilities with counterparties outside Austria pursuant to Section 64 (1) 2 of the Austrian Banking Act (BWG) were as follows:

in € thousand	2019	2018
Assets	118,789,898	110,196,915
Liabilities	85,995,038	77,209,870

(62) Volume of the securities trading book

The following table was prepared pursuant to Section 64 (1) 15 of the Austrian Banking Act (BWG).

in € thousand	2019	2018
Securities	5,425,962	4,946,589
Other financial instruments	165,844,926	151,182,477
Total	171,270,888	156,129,066

(63) Securities admitted for trading on a stock exchange

The following table was prepared pursuant to Section 64 (1) 10 of the Austrian Banking Act (BWG).

in € thousand	2019		2018	
	Listed	Unlisted	Listed	Unlisted
Bonds, notes and other fixed-interest securities	13,675,565	798,228	15,393,333	865,206
Shares and other variable-yield securities	346,603	61,086	171,621	44,992
Investments	1,348	227,047	674	309,834
Total	14,023,517	1,086,361	15,565,628	1,220,031

(64) Subordinated assets

The following table was prepared pursuant to Section 45 (2) of the Austrian Banking Act (BWG).

in € thousand	2019		2018	
Loans and advances		148,543		4,114
Debt securities		142,453		146,474
Total		290,996		150,587

(65) Related parties

The main companies exercising a significant influence are Raiffeisenlandesbank Niederösterreich-Wien AG, Vienna, as the largest single shareholder, its parent company, Raiffeisen-Holding Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, Vienna, and their fully consolidated subsidiaries. Under affiliated companies, affiliated companies that are not consolidated due to immateriality are shown.

Transactions with related parties (companies and individuals) are limited to banking business transactions that are carried out at fair market conditions. Disclosures on related parties (individuals) are reported under (67) Relations to key management.

in € thousand	2019			
	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
Selected financial assets	8,855	558,384	1,146,213	668,690
Equity instruments	0	270,134	836,406	228,616
Debt securities	6,041	0	56,077	12,181
Loans and advances	2,814	288,250	253,730	427,894
Selected financial liabilities	2,134,436	94,281	4,374,900	528,260
Deposits	2,134,436	94,281	4,374,900	528,260
Debt securities issued	0	0	0	0
Other items	168,763	60,207	251,463	124,628
Loan commitments, financial guarantees and other commitments given	162,009	60,207	221,697	124,628
Loan commitments, financial guarantees and other commitments received	6,754	0	29,766	0

2018 in € thousand	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
Selected financial assets	200,643	439,490	1,792,068	689,754
Equity instruments	0	199,211	765,001	266,142
Debt securities	13,612	154	44,003	12,148
Loans and advances	187,031	240,125	983,063	411,465
Selected financial liabilities	2,000,473	107,033	4,849,048	472,000
Deposits	2,000,473	106,154	4,849,048	472,000
Debt securities issued	0	879	0	0
Other items	186,512	44,836	499,534	131,777
Loan commitments, financial guarantees and other commitments given	166,922	44,712	468,650	107,970
Loan commitments, financial guarantees and other commitments received	19,589	124	30,883	23,806

2019 in € thousand	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
Interest income	7,140	4,721	7,773	6,819
Interest expenses	(13,824)	(1,186)	(27,907)	(2,567)
Dividend income	0	11,595	41,127	2,451
Fee and commission income	4,986	6,136	10,175	5,764
Fee and commission expenses	(2,151)	(13,946)	(7,097)	(1,979)

2018 in € thousand	Companies with significant influence	Affiliated companies	Investments in associates valued at equity	Other interests
Interest income	21,340	6,067	9,706	17,473
Interest expenses	(36,960)	(2,483)	(29,774)	(3,197)
Dividend income	0	12,226	79,767	4,771
Fee and commission income	2,884	25,922	8,569	7,015
Fee and commission expenses	(969)	(14,085)	(6,657)	(3,030)

(66) Staff

Average number of staff

Full-time equivalents	2019	2018
Salaried employees	46,564	49,162
Wage earners	609	583
Total	47,173	49,745

Full-time equivalents	2019	2018
Austria	3,982	3,751
Foreign	43,191	45,994
Total	47,173	49,745

Number of staff as at the reporting date

Full-time equivalents	2019	2018
Austria	4,049	3,910
Foreign	42,824	43,169
Total	46,873	47,079

(67) Relations to key management

Group relationship with key management

Key management refers to the members of the Management Board and the Supervisory Board of RBI AG. Transactions between key management and RBI are as follows (respective fair values):

in € thousand	2019	2018
Sight deposits	2,299	3,208
Debt securities	796	469
Shares	4,625	4,192
Time deposits	4,054	3,914
Loans	288	331
Lease liabilities	32	35

The following table shows transactions of related parties of key management to RBI:

in € thousand	2019	2018
Shares	4	4
Other receivables	373	337
Time deposits	65	68
Loans	2	5

There is no compensation agreed between the company and members of the Management Board and Supervisory Board or employees in the case of a takeover bid.

Remuneration of members of the Management Board

The following table shows total remuneration of the members of the Management Board according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis and according to the rules of the underlying standards (IAS 19 and IFRS 2):

in € thousand	2019	2018
Short-term employee benefits	9,861	9,054
Post-employment benefits	728	2,050
Other long-term benefits	7,698	7,794
Share-based Payment	0	399
Total	18,287	19,297

In the previous year, shares were allocated for the last time as part of share-based payment (IFRS 2). There are currently no share-based payment programs.

Short-term employee benefits shown in the above table contain salaries and benefits in kind and other benefits, remuneration for membership of boards in affiliated companies and those parts of the bonuses which become due in the short term.

Furthermore, it also includes changes possibly arising from the difference between the bonus provision and the bonus later awarded. Post-employment benefits comprise payments to pension funds and payments according to Retirement Plan Act (Mitarbeitervorsorgegesetz), severance payments, leave compensation as well as net allocations to provisions for retirement benefits and severance payments.

Other long-term benefits contain portions of the provision for bonus payments relating to deferred bonus portions in cash and retained portions payable in instruments. For the latter, valuation changes due to currency fluctuations are taken into account.

Bonus calculation is linked to the achievement of annually agreed objectives. These comprise four or five categories covering specific targets and financial targets adapted to the respective function. These are, for example, profit after tax in a particular segment, return on risk adjusted capital (RORAC), total costs, risk-weighted assets, customer-oriented and employee-oriented targets, as well as process-based, efficiency-based, and infrastructure targets, and if necessary other additional targets.

The bonus level is determined by the level of the return on equity and the cost/income ratio, whereby the target values to be achieved reflect the so-called strategic targets for the return on equity and the cost/income ratio at RBI level.

An amount of € 1,137 thousand (2018: € 1,142 thousand) was paid in pension benefits to former members of the Management Board and to their surviving dependants. In addition to these amounts, short-term benefits and deferred bonus components totaling € 1,346 thousand (2018: € 3,258 thousand) were paid to former members of the Management Board.

Remuneration of members of the Supervisory Board

in € thousand	2019	2018 ¹
Remuneration Supervisory Board	1,069	1,060

1 Adjustment of the previous year's figure (€ 965 thousand) to the remuneration actually paid

The Annual General Meeting held on 21 June 2018 approved a new remuneration model for the Supervisory Board, beginning in the 2017 financial year. It was decided to distribute the remuneration as follows: Chairman € 120 thousand, Deputy Chairman € 90 thousand, members of the Supervisory Board € 60 thousand, plus attendance fees.

In the 2019 financial year, no contracts subject to approval within the meaning of Section 95 (5) 12 of the Austrian Stock Corporation Act (AktG) were concluded with members of the Supervisory Board.

Remuneration of members of the Advisory Council

in € thousand	2019	2018 ¹
Remuneration Advisory Council	202	198

1 Adjustment of the previous year's figure (€ 104 thousand) to the remuneration actually paid

The Annual General Meeting held on 21 June 2018 passed a resolution to grant remuneration to the Advisory Council members for their work. It was decided to distribute the remuneration as follows: Chairman € 25 thousand, Deputy Chairman € 20 thousand, each additional member € 15 thousand, plus attendance fees.

(68) Management Board Board

The Management Board as at 31 December 2019 was as follows:

Members of the Management Board	First assignment	End of period
Johann Strobl, Chairman	22 September 2010 ¹	28 February 2022
Martin Grüll	3 January 2005	28 February 2020 ²
Andreas Gschwenter	1 July 2015	30 June 2023
Lukasz Januszewski	1 March 2018	28 February 2021
Peter Lennkh	1 October 2004	31 December 2020
Hannes Mösenbacher	18 March 2017	28 February 2025
Andrii Stepanenko	1 March 2018	28 February 2021

1 Effective as of 10 October 2010

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

Supervisory Board

The Supervisory Board as at 31 December 2019 was as follows:

Members of the Supervisory Board	First assignment	End of period
Erwin Hameseder, Chairman	8 July 2010 ¹	AGM 2020
Martin Schaller, 1st Deputy Chairman	4 June 2014	AGM 2024
Heinrich Schaller, 2nd Deputy Chairman	20 June 2012	AGM 2022
Klaus Buchleitner	26 June 2013	AGM 2020
Peter Gauper	22 June 2017	AGM 2022
Wilfried Hopfner	22 June 2007	AGM 2022
Rudolf Könighofer	22 June 2017	AGM 2022
Johannes Ortner	22 June 2017	AGM 2022
Günther Reibersdorfer	20 June 2012	AGM 2022
Eva Eberhartinger	22 June 2017	AGM 2022
Andrea Gaal	21 June 2018	AGM 2023
Birgit Noggler	22 June 2017	AGM 2022
Rudolf Kortenhofer ²	10 October 2010	Until further notice
Peter Anzeletti-Reikl ²	10 October 2010	Until further notice
Gebhard Muster ²	22 June 2017	Until further notice
Sigrid Netzker ²	1 January 2019	Until 31 December 2019
Helge Rechberger ²	10 October 2010	Until further notice
Suanne Unger ²	16 February 2012	Until further notice

1 Effective as of 10 October 2010.

2 Delegated by the Staff Council

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

State Commissioners

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

(69) Group composition

Consolidated Group

	Fully consolidated	
	2019	2018
Number of units		
As at beginning of period	226	236
Included for the first time in the financial period	4	9
Merged in the financial period	(4)	(2)
Excluded in the financial period	(17)	(17)
As at end of period	209	226

Of the 209 entities in the Group, 115 are domiciled in Austria (2018: 120) and 94 abroad (2018: 106). They comprise 20 banks, 134 financial institutions, 11 companies rendering bank-related ancillary services, 9 financial holding companies and 35 other companies.

In the period under review, four real estate companies were consolidated for the first time while twelve companies, primarily from the leasing and real estate sector, were removed from the consolidated group due to their minor significance. One leasing company and three real estate companies were sold, and one financial institution was shut down. In the period under review, two investment holdings, a financial institution and one company categorized as other were merged.

Included units

Company, domicile (country)	Share	Included as of	Reason
Other companies			
Campus NBhf RBI Immobilien-Leasing GmbH, Vienna (AT)	75.0%	1/1	Materiality
Esterhazy Real Estate s.r.o., Bratislava (SK)	100.0%	1/4	Materiality
Anton Proksch Institut Kalksburg RBI Immobilien Leasing GmbH, Vienna (AT)	75.0%	1/12	Materiality
Raiffeisen WohnBau Seeresidenz Weyregg GmbH, Vienna (AT)	100.0%	1/12	Materiality

Excluded units

Company, domicile (country)	Share	Excluded as of	Reason
Financial institutions			
Abakus Immobilienleasing GmbH & Co Projekt Leese KG, Eschborn (DE)	6.0%	1/9	Materiality
BUILDING BUSINESS CENTER DOO NOVI SAD, Novi Sad (RS)	100.0%	1/1	Materiality
EPPA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/11	Sale
FWR Russia Funding B.V., Amsterdam (NL)	<0.1%	1/1	Materiality
IGNIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Materiality
Lexsus Services Holding GmbH, Vienna (AT)	100.0%	1/6	Merger
MOBIX Raiffeisen-Mobilien-Leasing AG, Vienna (AT)	100.0%	1/1	Materiality
MOBIX Vermögensverwaltungsges.m.b.H., Vienna (AT)	100.0%	1/1	Materiality
Raiffeisen Factoring Ltd., Zagreb (HR)	100.0%	1/11	Merger
RB International Finance (Hong Kong) Ltd., Hong Kong (HK)	100.0%	1/4	End of operations
RL Hotel Palace Wien Besitz GmbH, Vienna (AT)	99.0%	1/11	Materiality
RL-Lamda s.r.o., Bratislava (SK)	100.0%	1/1	Materiality
Financial holdings			
Raiffeisen-RBHU Holding GmbH, Vienna (AT)	100.0%	1/10	Merger
Companies rendering bank-related ancillary services			
Bulevard Centar BBC Holding d.o.o., Belgrade (RS)	100.0%	1/1	Materiality
Park City real estate Holding d.o.o., Novi Sad (RS)	100.0%	1/1	Materiality
S.C. PLUSFINANCE ESTATE 1 S.R.L., Bucharest (RO)	100.0%	1/1	Materiality
Other companies			
CARNUNTUM Immobilienleasing GmbH, Eschborn (DE)	100.0%	1/6	Materiality
Esterhazy Real Estate s.r.o., Bratislava (SK)	100.0%	1/6	Merger
KHD a.s., Prague (CZ)	<0.1	1/6	Sale
MP Real Invest a.s., Bratislava (SK)	100.0%	1/11	Sale
RLX Dvorak S.A., Luxembourg (LU)	<0.1	1/6	Sale

Consolidated subsidiaries where RBI holds less than 50 per cent of the ordinary voting shares

Subsidiaries in which the Group holds less than half of the voting rights are fully consolidated if RBI has effective control according to the criteria of IFRS 10. This involves examining whether the Group is exposed or has rights to variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee.

Structured units have been designed in such a way that voting rights or other similar rights are not the dominant factor in establishing control of a company.

The Group has a number of leasing companies in the legal form of a GmbH & Co KG, in which a Group company assumes the role of general partner. Through this structure, the Group assumes the requisite personal liability which qualifies as exposure to the variability of the returns generated by the structured companies. These companies are included in the list of fully consolidated affiliated companies.

Subsidiaries not fully consolidated where RBI holds more than 50 per cent of the ordinary voting shares

Due to their negligible contribution to the Group's assets, earnings and financial position, 309 subsidiaries were not included in the consolidated financial statements (2018: 312). Total assets of the companies not included came to less than 1 per cent of the Group's total assets.

List of fully consolidated affiliated companies

Company, domicile (country)	Subscribed capital ¹ in local currency	Share ¹	Type ²
"Raiffeisen-Rent" Vermögensberatung und Treuhand Gesellschaft m.b.H., Vienna (AT)	364,000	EUR 100.0%	FI
Abade Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR 100.0%	FI
Abade Immobilienleasing GmbH & Co Projekt Lauterbach KG, Eschborn (DE)	5,000	EUR 6.0%	FI
Abura Immobilienleasing GmbH & Co. Projekt Seniorenhaus Boppard KG, Eschborn (DE)	5,000	EUR 6.0%	FI
Achat Immobilien GmbH & Co. Projekt Hochtaunus-Stift KG, Eschborn (DE)	10,000	EUR 1.0%	FI
Acridin Immobilienleasing GmbH & Co. Projekt Marienfeld KG, Eschborn (DE)	5,000	EUR 100.0%	FI
Adagium Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR 100.0%	FI
Adamas Immobilienleasing GmbH & Co. Projekt Pflegeheim Werdau KG, Eschborn (DE)	5,000	EUR 100.0%	FI
Adiantum Immobilienleasing GmbH & Co. Projekt Schillerhöhe Weimar KG, Eschborn (DE)	5,000	EUR 6.0%	FI
Adipes Immobilienleasing GmbH & Co. Projekt Bremervörde KG, Frankfurt am Main (DE)	5,000	EUR 100.0%	FI
Adorant Immobilienleasing GmbH & Co. Projekt Heilsbronn und Neuendettelsau KG, Eschborn (DE)	5,000	EUR 6.0%	OT
Ados Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR 75.0%	FI
Adritura Immobilienleasing GmbH & Co. Projekt Eching KG, Eschborn (DE)	5,000	EUR 70.0%	OT
Aedificium Banca pentru Locuinte S.A., Bucharest (RO)	131,074,560	RON 99.9%	BA
Agamemnon Immobilienleasing GmbH & Co. Projekt Pflegeheim Freiberg KG, Eschborn (DE)	5,000	EUR 100.0%	FI
AGIOS Raiffeisen-Immobilien Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR 51.0%	FI
AKRISIOS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR 100.0%	FI
Al Taunussteiner Grundstücks-GmbH & Co KG, Eschborn (DE)	10,000	EUR 88.0%	FI
A-Leasing SpA, Treviso (IT)	68,410,000	EUR 100.0%	FI
AMYKOS RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR 75.0%	FI
Anton Proksch Institut Kalksburg RBI Immobilien Leasing GmbH, Vienna (AT)	35,000	EUR 75.0%	OT
AO Raiffeisenbank, Moscow (RU)	36,711,260,000	RUB 100.0%	BA
ARCANA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR 100.0%	FI
A-Real Estate S.p.A., Bozen (IT)	390,000	EUR 100.0%	FI
Austria Leasing Beteiligungsgesellschaft mbH, Eschborn (DE)	25,000	EUR 100.0%	FI
Austria Leasing GmbH, Eschborn (DE)	1,000,000	EUR 100.0%	FI
Austria Leasing GmbH & Co. Immobilienverwaltung Projekt Hannover KG, Eschborn (DE)	10,000	EUR 100.0%	FI
B52 RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR 75.0%	OT
BAILE Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	40,000	EUR 100.0%	FI
Baumgartner Höhe RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR 75.0%	FI
Burgenländische Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	35,000	EUR 100.0%	FI
Campus NBhf RBI Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR 75.0%	OT
Canopa Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR 100.0%	FI
CERES Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR 100.0%	FI
CINOVA RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR 75.0%	FI
CJSC Mortgage Agent Raiffeisen O1, Moscow (RU)	10,000	RUB <0.1%	BR
CP Inlandsimmobilien-Holding GmbH, Vienna (AT)	364,000	EUR 100.0%	OT
CUPIDO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR 100.0%	FI
DOROS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR 100.0%	FI
ETEOKLES Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR 100.0%	FI
Expo 2000 Real Estate EOOD, Sofia (BG)	10,000	BGN 100.0%	OT
FCC Office Building SRL, Bucharest (RO)	30,298,500	RON 100.0%	BR
FEBRIS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR 100.0%	FI
Floreasca City Center Verwaltung Kft., Budapest (HU)	42,000	HUF 100.0%	FI
FMK Fachmarktcenter Kohlbrück Betriebs GmbH, Eschborn (DE)	30,678	EUR 94.5%	OT
FMZ PRIMUS Ingatlanfejlesztő Kft., Budapest (HU)	11,077	EUR 100.0%	OT
GENO Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR 100.0%	FI
GTNMS RBI Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR 75.0%	OT
HABITO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR 100.0%	FI
Health Resort RBI Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR 75.0%	FI

1 Less own shares

2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital ¹ in local currency	Share ¹	Type ²
Infrastruktur Heilbad Sauerbrunn RBI-Leasing GmbH & Co.KG., Bad Sauerbrunn (AT)	3,511,788	EUR 75.0%	FI
Invest Vermögensverwaltungs-GmbH, Vienna (AT)	73,000	EUR 100.0%	OT
JLLC "Raiffeisen-leasing", Minsk (BY)	430,025	BYN 91.4%	FI
Kathrein Privatbank Aktiengesellschaft, Vienna (AT)	20,000,000	EUR 100.0%	BA
KAURI Handels und Beteiligungs GmbH, Vienna (AT)	50,000	EUR 88.0%	FI
Kiinteistö Oy Rovaniemen tietotekniikkakeskus, Helsinki (FI)	100,000	EUR 100.0%	FI
Kiinteistö Oy Seinäjoen Joupinkatu 1, Helsinki (FI)	100,000	EUR 100.0%	FI
KONEVOVA s.r.o., Prague (CZ)	50,000,000	CZK 97.5%	BR
LARENTIA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR 100.0%	OT
Lenta Immobilienleasing GmbH & Co. Albert-Osswald-Haus KG, Eschborn (DE)	5,000	EUR 6.0%	FI
Limited Liability Company Raiffeisen Leasing Aval, Kiev (UA)	1,240,152,866	UAH 72.3%	FI
LLC "ARES Nedvizhimost", Moscow (RU)	10,000	RUB 50.0%	BR
LYRA Raiffeisen Immobilien Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR 100.0%	FI
Niederösterreichische Landes-Landwirtschaftskammer Errichtungs- und Betriebsgesellschaft m.b.H., Vienna (AT)	36,400	EUR 100.0%	FI
Objekt Linser Areal Immobilienerrichtungs GmbH & Co. KG, Vienna (AT)	1,000	EUR 100.0%	OT
OOO Raiffeisen-Leasing, Moscow (RU)	1,071,000,000	RUB 100.0%	FI
Orestes Immobilienleasing GmbH & Co. Projekt Wiesbaden KG, Eschborn (DE)	5,000	EUR 6.0%	FI
Ostarichi Immobilienleasing GmbH & Co. Projekt Langenbach KG, Eschborn (DE)	5,000	EUR 100.0%	FI
PELIAS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	36,400	EUR 100.0%	FI
PERSES RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR 75.0%	FI
PLANA Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR 100.0%	FI
Priorbank JSC, Minsk (BY)	86,147,909	BYN 87.7%	BA
Propria Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR 90.0%	FI
R Karpo Immobilien Linie S.R.L., Bucharest (RO)	200	RON 100.0%	OT
R.P.I. Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	36,336	EUR 100.0%	FI
Raiffeisen Bank Aval JSC, Kiev (UA)	6,154,516,258	UAH 68.2%	BA
Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo (BA)	247,167,000	BAM 100.0%	BA
Raiffeisen Bank Kosovo J.S.C., Pristina (KO)	63,000,000	EUR 100.0%	BA
Raiffeisen Bank S.A., Bucharest (RO)	1,200,000,000	RON 99.9%	BA
Raiffeisen Bank Sh.a., Tirana (AL)	14,178,593,030	ALL 100.0%	BA
Raiffeisen Bank Zrt., Budapest (HU)	50,000,090,000	HUF 100.0%	BA
Raiffeisen banka a.d., Belgrade (RS)	27,466,157,580	RSD 100.0%	BA
Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (AT)	35,000,000	EUR 100.0%	BA
Raiffeisen Bausparkassen Holding GmbH, Vienna (AT)	10,000,000	EUR 100.0%	FH
Raiffeisen Burgenland Leasing GmbH, Vienna (AT)	38,000	EUR 100.0%	FI
Raiffeisen CEE Region Holding GmbH, Vienna (AT)	35,000	EUR 100.0%	FH
Raiffeisen Centrocab AG, Vienna (AT)	47,598,850	EUR 100.0%	BA
Raiffeisen CIS Region Holding GmbH, Vienna (AT)	35,000	EUR 100.0%	FH
Raiffeisen consulting d.o.o., Zagreb (HR)	105,347,000	HRK 100.0%	OT
Raiffeisen Corporate Leasing GmbH, Vienna (AT)	35,000	EUR 100.0%	FI
Raiffeisen Corporate Lizing Zrt., Budapest (HU)	50,100,000	HUF 100.0%	FI
Raiffeisen Factor Bank AG, Vienna (AT)	10,000,000	EUR 100.0%	FI
Raiffeisen FinCorp, s.r.o., Prague (CZ)	200,000	CZK 75.0%	FI
Raiffeisen Immobilienfonds, Vienna (AT)	0	EUR 96.5%	FI
Raiffeisen International Invest Holding GmbH, Vienna (AT)	35,000	EUR 100.0%	FI
Raiffeisen International Liegenschaftsbesitz GmbH, Vienna (AT)	35,000	EUR 100.0%	FI
Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)	15,000,000	EUR 100.0%	FI
Raiffeisen Leasing Bulgaria EOOD, Sofia (BG)	35,993,000	BGN 100.0%	FI
Raiffeisen Leasing d.o.o., Belgrade (RS)	226,355,000	RSD 100.0%	FI
Raiffeisen Leasing d.o.o., Ljubljana (SI)	3,738,107	EUR 100.0%	FI

1 Less own shares

2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital ¹ in local currency	Share ¹	Type ²
Raiffeisen Leasing d.o.o. Sarajevo, Sarajevo (BA)	15,405,899	BAM	100.0%
Raiffeisen Leasing IFN S.A., Bucharest (RO)	14,935,400	RON	99.9%
Raiffeisen Leasing Kosovo LLC, Pristina (KO)	642,857	EUR	100.0%
Raiffeisen Leasing sh.a., Tirana (AL)	263,520,134	ALL	100.0%
Raiffeisen Leasing-Projektfinanzierung Gesellschaft m.b.H., Vienna (AT)	72,673	EUR	100.0%
Raiffeisen Mandatory and Voluntary Pension Funds Management Company Plc., Zagreb (HR)	143,445,300	HRK	100.0%
Raiffeisen ÖHT Beteiligungs GmbH, Vienna (AT)	35,000	EUR	88.0%
Raiffeisen Pension Insurance d.d., Zagreb (HR)	23,100,000	HRK	100.0%
Raiffeisen Property Holding International GmbH, Vienna (AT)	35,000	EUR	100.0%
Raiffeisen Property International GmbH, Vienna (AT)	40,000	EUR	100.0%
Raiffeisen Property Management GmbH, Vienna (AT)	40,000	EUR	100.0%
Raiffeisen Rehazentrum Schruns Immobilienleasing GmbH, Vienna (AT)	36,400	EUR	51.0%
Raiffeisen Rent DOO, Belgrade (RS)	243,099,913	RSD	100.0%
Raiffeisen RS Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%
Raiffeisen SEE Region Holding GmbH, Vienna (AT)	35,000	EUR	100.0%
Raiffeisen stambena stedionica d.d., Zagreb (HR)	180,000,000	HRK	100.0%
Raiffeisen stavebni sporitelna a.s., Prague (CZ)	650,000,000	CZK	97.5%
Raiffeisen WohnBau Seeresidenz Weyregg GmbH, Vienna (AT)	35,000	EUR	100.0%
Raiffeisen WohnBau Tirol GmbH, Vienna (AT)	35,000	EUR	100.0%
Raiffeisen WohnBau Vienna GmbH, Vienna (AT)	35,000	EUR	100.0%
Raiffeisen WohnBau Wien GmbH, Vienna (AT)	35,000	EUR	100.0%
Raiffeisen Wohnbaubank Aktiengesellschaft, Vienna (AT)	5,100,000	EUR	100.0%
Raiffeisen-Anlagenvermietung Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	603,447,952	BGN	100.0%
Raiffeisenbank a.s., Prague (CZ)	11,060,800,000	CZK	75.0%
Raiffeisenbank Austria d.d., Zagreb (HR)	3,621,432,000	HRK	100.0%
Raiffeisen-Gemeindegebäudeleasing Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%
Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%
Raiffeisen-Invest-Gesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%
Raiffeisen-Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%
Raiffeisen-Leasing Beteiligung GesmbH, Vienna (AT)	36,400	EUR	100.0%
Raiffeisen-Leasing d.o.o., Zagreb (HR)	30,000,000	HRK	100.0%
Raiffeisen-Leasing Equipment Finance GmbH, Vienna (AT)	35,000	EUR	100.0%
Raiffeisen-Leasing Finanzierungs GmbH, Vienna (AT)	5,000,000	EUR	100.0%
Raiffeisen-Leasing Fuhrparkmanagement Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%
Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	363,364	EUR	100.0%
Raiffeisen-Leasing Immobilienmanagement Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%
Raiffeisen-Leasing International Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%
Raiffeisen-Leasing Lithuania UAB, Vilnius (LT)	100,000	EUR	92.3%
Raiffeisen-Leasing, s.r.o., Prague (CZ)	450,000,000	CZK	75.0%
Raiffeisen-Rent Immobilienprojektentwicklung Gesellschaft m.b.H. Objekt Wallgasse 12 KG, Vienna (AT)	4,886,449	EUR	100.0%
Raiffeisen-Rent-Immobilienprojektentwicklung Gesellschaft m.b.H., Objekt Lenaugasse 11 KG, Vienna (AT)	6,169,924	EUR	100.0%
RALT Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	218,500	EUR	100.0%
RALT Raiffeisen-Leasing Gesellschaft m.b.H. & Co. KG, Vienna (AT)	20,348,394	EUR	100.0%
RAN vierzehn Raiffeisen-Anlagenvermietung GmbH, Vienna (AT)	36,336	EUR	100.0%
RAN zehn Raiffeisen-Anlagenvermietung Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%
RB International Markets (USA) LLC, New York (US)	8,000,000	USD	100.0%
RBI KI Beteiligungs GmbH, Vienna (AT)	48,000	EUR	100.0%
RBI Beteiligungs GmbH, Vienna (AT)	100,000	EUR	100.0%
RBI eins Leasing Holding GmbH, Vienna (AT)	35,000	EUR	75.0%

1 Less own shares

2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital ¹ in local currency	Share ¹	Type ²
RBI IB Beteiligungs GmbH, Vienna (AT)	35,000	EUR 100.0%	FH
RBI Invest GmbH, Vienna (AT)	500,000	EUR 100.0%	FH
RBI ITS Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR 75.0%	FI
RBI LEA Beteiligungs GmbH, Vienna (AT)	70,000	EUR 100.0%	FI
RBI Leasing GmbH, Vienna (AT)	100,000	EUR 75.0%	FI
RBI LGG Holding GmbH, Vienna (AT)	35,000	EUR 100.0%	FI
RBI PE Handels- und Beteiligungs GmbH, Vienna (AT)	150,000	EUR 100.0%	FI
RBI Vajnoria spol.s.r.o., Bratislava (SK)	5,000	EUR 75.0%	FI
Realplan Beta Liegenschaftsverwaltung Gesellschaft m.b.H., Vienna (AT)	36,400	EUR 100.0%	FI
REC Alpha LLC, Kiev (UA)	1,596,843,204	UAH 100.0%	BR
Regional Card Processing Center s.r.o., Bratislava (SK)	539,465	EUR 100.0%	BR
RIL VII Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR 100.0%	FI
RIL XIV Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR 100.0%	FI
RIRE Holding GmbH, Vienna (AT)	35,000	EUR 100.0%	FI
RL Anlagenvermietung Gesellschaft m.b.H., Eschborn (DE)	50,000	DEM 100.0%	FI
RL Grundstückverwaltung Klagenfurt-Süd GmbH, Vienna (AT)	35,000	EUR 100.0%	FI
RL LUX Holding S.a.r.l., Luxembourg (LU)	12,500	EUR 100.0%	OT
RL Retail Holding GmbH, Vienna (AT)	36,000	EUR 100.0%	FI
RL Thermal Beteiligungen GmbH, Vienna (AT)	35,000	EUR 100.0%	FI
RL Thermal GmbH, Vienna (AT)	36,336	EUR 100.0%	FI
RL Thermal GmbH & Co Liegenschaftsverwaltung KG, Vienna (AT)	1,453,457	EUR 100.0%	FI
RL-ALPHA Holding GmbH, Vienna (AT)	35,000	EUR 100.0%	FI
RLI Holding Gesellschaft m.b.H., Vienna (AT)	40,000	EUR 100.0%	FI
RL-Mörby AB, Stockholm (SE)	100,000	SEK 100.0%	FI
RL-Nordic AB, Stockholm (SE)	50,000,000	SEK 100.0%	FI
RL-Nordic OY, Helsinki (FI)	100,000	EUR 100.0%	FI
RL-Pro Auxo Sp.z.o.o., Warsaw (PL)	50,000	PLN 100.0%	FI
RL-PROMITOR Holding GmbH, Vienna (AT)	35,000	EUR 100.0%	OT
RL-PROMITOR Sp. z.o.o., Warsaw (PL)	50,000	PLN 100.0%	OT
ROOF Smart S.A., Luxembourg (LU)	1	EUR <0.1%	FI
RUBRA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR 100.0%	FI
RZB - BLS Holding GmbH, Vienna (AT)	500,000	EUR 100.0%	FI
RZB Finance (Jersey) III Ltd, St. Helier (JE)	1,000	EUR 100.0%	FI
RZB Versicherungsbeteiligung GmbH, Vienna (AT)	500,000	EUR 100.0%	FI
SALVEVINUS Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	40,000	EUR 100.0%	FI
SAMARA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR 100.0%	FI
SINIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	35,000	EUR 100.0%	FI
Sky Tower Immobilien- und Verwaltung Kft, Budapest (HU)	43,000	HUF 100.0%	OT
Skytower Building SRL, Bucharest (RO)	126,661,500	RON 100.0%	OT
SOLAR II Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR 100.0%	FI
"S-SPV" d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM 100.0%	OT
Styria Immobilienleasing GmbH & Co. Projekt Ahlen KG, Eschborn (DE)	5,000	EUR 6.0%	FI
Tatra Asset Management, správ. spol., a.s., Bratislava (SK)	1,659,700	EUR 78.8%	FI
Tatra banka, a.s., Bratislava (SK)	64,326,228	EUR 78.8%	BA
Tatra Residence, a.s., Bratislava (SK)	21,420,423	EUR 78.8%	BR
Tatra-Leasing, s.r.o., Bratislava (SK)	6,638,785	EUR 78.8%	FI
THYMO Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	36,336	EUR 100.0%	FI
Ukrainian Processing Center PJSC, Kiev (UA)	180,000	UAH 100.0%	BR
Unterinntaler Raiffeisen-Leasing GmbH & Co KG, Vienna (AT)	36,336	EUR 100.0%	FI
URSA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR 100.0%	FI

1 Less own shares

2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital ¹ in local currency	Share ¹	Type ²
Valida Holding AG, Vienna (AT)	5,000,000	EUR	57.4% FI
Valida Pension AG, Vienna (AT)	10,200,000	EUR	57.4% OT
Valida Plus AG, Vienna (AT)	5,500,000	EUR	57.4% FI
Viktor Property, s.r.o., Prague (CZ)	200,000	CZK	75.0% OT
Vindalo Properties Limited, Limassol (CY)	67,998	RUB	100.0% BR
Vindobona Immobilienleasing GmbH & Co. Projekt Autohaus KG, Eschborn (DE)	5,000	EUR	6.0% FI
WEGA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0% FI
ZHS Office & Facilitymanagement GmbH, Vienna (AT)	36,336	EUR	98.6% BR

1 Less own shares

2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Structured units

The following tables show the carrying amounts of the financial assets and the financial liabilities to non-consolidated structured entities broken down by type of structured entity. The carrying amounts presented below do not reflect the true variability of returns faced by the Group as they do not take into account the effects of collateral or hedges.

Assets

2019 in € thousand	Loans and advances	Equity instruments	Foreign exchange business	Derivatives
Securitization vehicles	36,659	0	312,759	0
Third party funding entities	176,806	2,747	0	0
Funds	0	60,793	0	0
Total	213,465	63,540	312,759	0

2018 in € thousand	Loans and advances	Equity instruments	Foreign exchange business	Derivatives
Securitization vehicles	228,577	0	350,926	0
Third party funding entities	252,740	2,712	0	0
Funds	0	12,625	0	0
Total	481,317	15,337	350,926	0

Liabilities

2019 in € thousand	Deposits	Equity instruments	Debt securities issued	Derivatives
Securitization vehicles	40	0	0	0
Third party funding entities	14,617	0	0	330
Funds	0	0	0	0
Total	14,658	0	0	330

2018 in € thousand	Deposits	Equity instruments	Debt securities issued	Derivatives
Securitization vehicles	156	0	0	0
Third party funding entities	22,629	0	0	347
Funds	0	0	0	0
Total	22,786	0	0	347

Nature, purpose and extent of the Group's interests in non-consolidated structured entities

The Group engages in various business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is one that has been set up so that any voting rights or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate only to administrative tasks and the relevant activities are directed by contractual arrangements.

A structured entity often has some or all of the following features or attributes:

- Restricted activities
- A narrow and well-defined objective
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support
- Financing in the form of the issue of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The principal uses of structured entities are to provide clients with access to specific portfolios of assets and to provide market liquidity for clients through securitizing financial assets. Structured entities may be established as corporations, trusts or partnerships. Structured entities generally finance the purchase of assets by issuing debt and equity securities that are collateralized by and/or indexed to the assets held by the structured entities.

Structured entities are consolidated when the substance of the relationship between the Group and the structured entities indicates that the structured entities are controlled by the Group.

Below is a description of the Group's investments in non-consolidated structured entities by type.

Third party funding entities

The Group provides funding to structured entities that hold a variety of assets. These entities may take the form of funding entities, trusts and private investment companies. The funding is collateralized by the assets in the structured entities. The Group's investment activity involves predominantly lending.

Securitization vehicles

The Group establishes securitization vehicles which purchase diversified pools of assets, including fixed income securities, company loans, and asset-backed securities (predominantly commercial and residential mortgage-backed securities and credit card receivables). The vehicles fund these purchases by issuing multiple tranches of debt and equity securities, the repayment of which is linked to the performance of the assets contained in the vehicles.

Funds

The Group establishes structured entities to accommodate client requirements to hold investments in specific assets. The Group also invests in funds that are sponsored by third parties. A Group entity may act as fund manager, custodian or in another function and provide funding and liquidity facilities to both Group-sponsored and third party funds. The funding provided is collateralized by the underlying assets held by the fund.

Maximum exposure to and size of non-consolidated structured entities

The maximum exposure to loss is determined by considering the nature of the interest in the non-consolidated structured entity. The maximum exposure for loans and trading instruments is reflected by their carrying amounts in the consolidated statement of financial position. The maximum exposure for derivatives and instruments off the statement of financial position such as guarantees, liquidity facilities and loan commitments under IFRS 12, as interpreted by the Group, is reflected by the respective notional amount. Such amounts do not reflect the economic risks faced by the Group because they do not take into account the effects of collateral or hedges or the probability of such losses being incurred. As at 31 December 2019, the notional values of derivatives and instruments off the statement of financial position amounted to € 17,672 thousand (2018: € 23,218 thousand) and € 18,884 thousand (2018: € 49,023 thousand) respectively. The reduction in instruments off the statement of financial position was primarily caused by Raiffeisen Leasing s.r.o., Prague, and is connected with a change in the refinancing structure of the companies involved.

Since information on the size of structured entities is not always publicly available, the Group has determined that its exposure is an appropriate guide to the risk of loss from investments in non-consolidated structured entities.

Financial support

As in 2018, the Group has not provided financial support during the financial year to non-consolidated structured entities.

Sponsored structured entities

As a sponsor, the Group is often involved in the legal set up and marketing of the entity and supports the entity in different ways such as providing operational support to ensure the entity's continued operation. The Group is also deemed a sponsor for a structured entity if market participants would reasonably associate the entity with the Group. Additionally, the use of the Raiffeisen name for the structured entity often indicates that the Group has acted as a sponsor. The gross proceeds from sponsored entities for the year ending 31 December 2019 amounted to €216,505 thousand (2018: €193,995 thousand). No assets were transferred to sponsored non-consolidated structured entities in 2019 or 2018.

(70) List of equity participations

Associated companies valued at equity

Company, domicile (country)	Subscribed capital in local currency	Share	Type ¹
card complete Service Bank AG, Vienna (AT)	6,000,000	EUR	25.0% BA
EMCOM Beteiligungs GmbH, Vienna (AT)	37,000	EUR	33.6% FI
LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna (AT)	32,624,283	EUR	33.1% OT
NOTARTREUHANDBANK AG, Vienna (AT)	8,030,000	EUR	26.0% FI
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (AT)	130,000,000	EUR	8.1% BA
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna (AT)	11,627,653	EUR	31.3% BA
Posojilnica Bank eGen, Klagenfurt (AT)	77,338,770	EUR	62.3% BA
Prva stavebná sporiteľna a.s., Bratislava (SK)	66,500,000	EUR	32.5% BA
Raiffeisen Informatik GmbH & Co KG, Vienna (AT)	1,460,000	EUR	47.6% BR
Raiffeisen-Leasing Management GmbH, Vienna (AT)	300,000	EUR	50.0% OT
UNIQA Insurance Group AG, Vienna (AT)	309,000,000	EUR	10.9% VV

¹ Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Other affiliated companies

Company, domicile (country)	Subscribed capital in local currency	Share	Type ¹
"Am Hafen" Sutterlüty GmbH & Co, Vienna (AT)	100,000	EUR	<0.1% FI
"A-SPV" d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	100.0% OT
Abakus Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Abakus Immobilienleasing GmbH & Co Projekt Leese KG, Eschborn (DE)	5,000	EUR	6.0% OT
Abrawiza Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Abrawiza Immobilienleasing GmbH & Co. Projekt Fernwald KG, Eschborn (DE)	5,000	EUR	6.0% OT
Abura Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Abutilon Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
ACB Ponava, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Achat Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Acridin Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Adamas Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Adiantum Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Adipes Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Adorant Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Adrett Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Adrittura Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Adufe Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Adular Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Adular Immobilienleasing GmbH & Co. Projekt Rödermark KG, Eschborn (DE)	5,000	EUR	100.0% FI
Agamemnon Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
AGITO Immobilien-Leasing GesmbH, Vienna (AT)	36,400	EUR	100.0% FI
ALT POHLEDY s.r.o., Prague (CZ)	84,657,000	CZK	100.0% OT
Ananke Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Angaga Handels- und Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0% OT
Apate Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Appolon Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Ares property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Argos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Aspius Immobilien Holding International GmbH, Vienna (AT)	35,000	EUR	100.0% OT
Astra Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Ate Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
AURIGA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0% FI
Austria Leasing GmbH & Co KG Immobilienverwaltung Projekt EKZ Meitingen, Eschborn (DE)	10,000	EUR	100.0% OT
Austria Leasing GmbH & Co. KG Immobilienverwaltung CURA, Eschborn (DE)	10,000	EUR	100.0% FI
Austria Leasing GmbH & Co. KG Immobilienverwaltung Projekt Eberdingen, Eschborn (DE)	10,000	EUR	100.0% FI
Austria Leasing Immobilienverwaltungsgesellschaft mbH, Eschborn (DE)	25,000	EUR	100.0% OT
Belos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Boreas Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
BRL Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	73,000	EUR	100.0% OT
Bukovina Residential SRL, Timisoara (RO)	1,901,600	RON	100.0% OT
Bulevard Centar BBC Holding d.o.o., Belgrade (RS)	127,416	RSD	100.0% BR
CARNUNTUM Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Carolina Corner, s.r.o., Prague (CZ)	60,000	CZK	100.0% OT
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest (RO)	2,820,000	RON	100.0% BR
Centrotrade Holding GmbH, Vienna (AT)	200,000	EUR	100.0% OT
Chronos Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
CP Linzerstraße 221-227 Projektentwicklungs GmbH, Vienna (AT)	37,000	EUR	100.0% OT
CP Logistikcenter Errichtungs- und Verwaltungs GmbH, Vienna (AT)	37,000	EUR	100.0% OT
CP Projekte Muthgasse Entwicklungs GmbH, Vienna (AT)	40,000	EUR	100.0% OT

¹ Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency	Share	Type ¹
Credibilis a.s., Prague (CZ)	2,000,000	CZK	100.0% OT
CRISTAL PALACE Property s.r.o., Prague (CZ)	400,000	CZK	100.0% OT
CURO Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0% FI
Dafne Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Daimon Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
DAV-ESTATE Kft., Budapest (HU)	3,010,000	HUF	100.0% OT
DAV-PROPERTY Kft., Budapest (HU)	3,020,000	HUF	100.0% OT
Demeter Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Dike Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Dobré Bývanie s.r.o., Bratislava (SK)	6,639	EUR	100.0% OT
Dom-office 2000, Minsk (BY)	283,478	BYN	100.0% OT
Doplnková dôchodková spoločnosť Tatra banky, a.s., Bratislava (SK)	1,659,700	EUR	100.0% FI
DORISCUS ENTERPRISES LTD., Limassol (CY)	19,843,400	EUR	86.6% OT
Elevator Ventures Beteiligungs GmbH, Vienna (AT)	100,000	EUR	100.0% OT
Eos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
EPFA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	1.0% FI
Erato Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
ESP BH doo društvo sa ograničenom odgovornošću za informacijske i druge usluge, Sarajevo (BA)	8,500,000	BAM	45.0% OT
Essox d.o.o., Belgrade (RS)	100	RSD	100.0% OT
Eunomia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Euorelease RE Leasing, s. r. o., Bratislava (SK)	6,125,256	EUR	100.0% OT
Exit 90 SPV s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Expo Forest 1 EOOD, Sofia (BG)	5,000	BGN	100.0% OT
Expo Forest 2 EOOD, Sofia (BG)	5,000	BGN	100.0% OT
Expo Forest 3 EOOD, Sofia (BG)	5,000	BGN	100.0% OT
Expo Forest 4 EOOD, Sofia (BG)	5,000	BGN	100.0% OT
Extra Year Investments Limited, Tortola (VG)	50,000	USD	100.0% FI
FARIO Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0% OT
Faru Handels- und Beteiligungs GmbH in Liqu., Vienna (AT)	80,000	EUR	100.0% OT
First Leasing Service Center GmbH, Vienna (AT)	35,000	EUR	100.0% OT
Fobos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Foibe Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Folos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
FVE Cihelna s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
FWR Russia Funding B.V., Amsterdam (NL)	1	EUR	<0.1% FI
Gaia Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
GEONE Holešovice Two s.r.o., Prague (CZ)	1,000	CZK	100.0% OT
Golden Rainbow International Limited, Tortola (VG)	1	SGD	100.0% FI
Grainulos s.r.o., Prague (CZ)	1	CZK	100.0% OT
GRENA REAL s.r.o., Prague (CZ)	89,715	CZK	100.0% OT
GS55 Sazovice s.r.o., Prague (CZ)	15,558,000	CZK	90.0% OT
Harmonia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Hebe Property, s.r.o., Prague (CZ)	200,000	CZK	95.0% OT
HERA Raiffeisen Immobilien Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0% OT
Hermes Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Hestia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Holeckova Property s.r.o., Prague (CZ)	210,000	CZK	100.0% OT
Humanitarian Fund "Budimir Bosko Kostic", Belgrade (RS)	30,000	RSD	100.0% OT
Hypnos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
ICS Raiffeisen Leasing s.r.l., Chisinau (MD)	8,307,535	MDL	100.0% FI

¹ Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency	Share	Type ¹
ICTALURUS Handels- und Beteiligungs GmbH in liqu., Vienna (AT)	36,336	EUR	100.0% OT
IDUS Handels- und Beteiligungs GmbH, Vienna (AT)	40,000	EUR	100.0% OT
IGNIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0% FI
Immoservice Polska Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0% OT
INFRA MI 1 Immobilien Gesellschaft mbH, Vienna (AT)	72,673	EUR	100.0% OT
Infrastruktur Heilbad Sauerbrunn GmbH, Vienna (AT)	35,000	EUR	100.0% FI
Ino Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
INPROX Split d.o.o., Zagreb (HR)	100,000	HRK	100.0% OT
Inprox Zagreb Sesvete d.o.o., Zagreb (HR)	10,236,400	HRK	100.0% OT
Insurance Limited Liability Company "Priorlife", Minsk (BY)	7,682,300	BYN	100.0% VV
Iris Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
ISIS Raiffeisen Immobilien Leasing GmbH, Vienna (AT)	36,400	EUR	100.0% FI
Janus Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
JFD Real s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Kaliope Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Kalypso Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
KAPMC s.r.o., Prague (CZ)	100,000	CZK	100.0% OT
Kappa Estates s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
KARAT s.r.o., Prague (CZ)	100,000	CZK	100.0% OT
Kathrein & Co Life Settlement Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0% OT
Kathrein & Co. Trust Holding GmbH, Vienna (AT)	35,000	EUR	100.0% OT
Kathrein Capital Management GmbH, Vienna (AT)	1,000,000	EUR	100.0% FI
Kathrein Private Equity GmbH, Vienna (AT)	190,000	EUR	100.0% OT
Késmárk utca 11-13. Szolgáltató Korlátolt Felelősségi Társaság, Budapest (HU)	10,000	EUR	100.0% OT
Keto Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Kleio Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Körlog Logistika Építő és Kivitelező Korlátolt Felelősségi Társaság, Budapest (HU)	11,077	EUR	100.0% OT
KOTTO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0% OT
LENTIA Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Leto Property, s.r.o., Prague (CZ)	200,000	CZK	77.0% OT
LIBRA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0% FI
Limited Liability Company European Insurance Agency, Moscow (RU)	120,000	RUB	100.0% OT
Limited Liability Company REC GAMMA, Kiev (UA)	49,015,000	UAH	100.0% BR
Logisticky areal Hostivá, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
LOTA Handels- und BeteiligungsGmbH, Vienna (AT)	35,000	EUR	100.0% OT
Lucius Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% FI
Luna Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
MAMONT GmbH, Kiev (UA)	66,872,100	UAH	100.0% OT
Medea Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
MELIKERTES Raiffeisen-Mobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	80.0% OT
Melpomene Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
MOBIX Raiffeisen-Mobilien-Leasing AG, Vienna (AT)	125,000	EUR	100.0% OT
MOBIX Vermögensverwaltungsges.m.b.H., Vienna (AT)	36,400	EUR	100.0% FI
Morfeus Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
MORHUA Handels- und Beteiligungs GmbH, Vienna (AT)	36,336	EUR	100.0% OT
MOVEO Raiffeisen-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0% FI
Na Starce, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
NAURU Handels- und Beteiligungs GmbH in liqu., Vienna (AT)	35,000	EUR	100.0% OT
Nereus Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Niobe Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT

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Company, domicile (country)	Subscribed capital in local currency	Share	Type ¹
Nußdorf Immobilienverwaltung GmbH, Vienna (AT)	36,336	EUR	100.0% OT
Nyx Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
OBI Eger Ingatlankezelő Korlatolt Felelőssegü Társaság, Budapest (HU)	3,000,000	HUF	74.9% FI
OBI Miskolc Ingatlankezelő Korlatolt Felelőssegü Társaság, Budapest (HU)	3,000,000	HUF	74.9% FI
OBI Veszprem Ingatlankezelő Korlatolt Felelőssegü Társaság, Budapest (HU)	3,000,000	HUF	74.9% FI
Objekt Linser Areal Immobilienerrichtungs GmbH, Vienna (AT)	35,000	EUR	100.0% OT
Ofion Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Onyx Energy Projekt II s.r.o., Prague (CZ)	210,000	CZK	100.0% OT
Onyx Energy s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
ООО "Extrusionnyie Tekhnologii", Mogilev (BY)	4,140,619	BYN	75.0% OT
ООО "Vneshleasing", Moscow (RU)	131,770	RUB	100.0% FI
ООО Estate Management, Minsk (BY)	13,459,836	BYN	100.0% OT
ООО Raiffeisen Capital Asset Management Company, Moscow (RU)	225,000,000	RUB	100.0% FI
ООО SB "Studia Strahovania", Minsk (BY)	34,924	BYN	100.0% OT
Orchideus Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Orestes Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
OSTARRICHI Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Ötödik Vagyonkezelő Kft., Budapest (HU)	9,510,000	HUF	100.0% OT
Palace Holding s.r.o., Prague (CZ)	2,700,000	CZK	90.0% OT
PARO Raiffeisen Immobilien Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0% FI
Photon Energie s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Photon SPV 10 s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Photon SPV 3 s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Photon SPV 4 s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Photon SPV 6 s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Photon SPV 8 s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
PILSENINEST SICAV, a.s., Prague (CZ)	2,120,000	CZK	100.0% OT
PLUSFINANCE LAND S.R.L., Bucharest (RO)	1,000	RON	100.0% BR
Pontos Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Priamos Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% FI
Pro Invest da Vinci e.o.o.d., Sofia (BG)	5,000	BGN	100.0% OT
PRODEAL, a.s., Bratislava (SK)	796,654	EUR	100.0% BR
Production unitary enterprise "PriortransAgro", Minsk (BY)	50,000	BYN	100.0% OT
PROKNE Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0% OT
Queens Garden Sp z.o.o., Warsaw (PL)	100,000	PLN	100.0% OT
R MORMO IMMOBILIEN LINIE S.R.L., Bucharest (RO)	50,000	RON	100.0% OT
R.B.T. Beteiligungsgesellschaft m.b.H, Vienna (AT)	36,336	EUR	100.0% OT
R.L.H. Holding GmbH, Vienna (AT)	35,000	EUR	100.0% FI
Radwinter sp.z o.o., Warsaw (PL)	10,000	PLN	100.0% OT
Raiffeisen Asset Management (Bulgaria) EAD, Sofia (BG)	250,000	BGN	100.0% FI
Raiffeisen Assistance D.O.O., Beograd, Belgrade (RS)	4,307,115	RSD	100.0% OT
Raiffeisen Assistance d.o.o Sarajevo, Sarajevo (BA)	4,000	BAM	100.0% OT
Raiffeisen Autó Lízing Kft., Budapest (HU)	3,000,000	HUF	100.0% OT
Raiffeisen Befektetési Alapkezelő Zrt., Budapest (HU)	100,000,000	HUF	100.0% FI
Raiffeisen Biztosításközvetítő Kft., Budapest (HU)	5,000,000	HUF	100.0% VV
Raiffeisen Bonus Ltd., Zagreb (HR)	200,000	HRK	100.0% BR
Raiffeisen Capital a.d. Banja Luka, Banja Luka (BA)	355,000	BAM	100.0% FI
Raiffeisen Direct Investments CZ, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Raiffeisen Energiaszolgáltató Kft., Budapest (HU)	3,000,000	HUF	100.0% OT
Raiffeisen Future AD Beograd drustvo za upravljanje dobrovoljnim penzijskim fondom, Belgrade (RS)	143,200,000	RSD	100.0% FI

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Company, domicile (country)	Subscribed capital in local currency	Share	Type ¹
Raiffeisen Gazdasági Szolgáltató Zrt., Budapest (HU)	20,099,879	HUF	100.0% OT
Raiffeisen Immobilien Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)	5,000,000	EUR	100.0% FI
Raiffeisen Ingatlan Üzemeltető Kft., Budapest (HU)	3,000,000	HUF	100.0% OT
Raiffeisen Insurance and Reinsurance Broker S.R.L, Bucharest (RO)	180,000	RON	100.0% BR
RAIFFEISEN INSURANCE BROKER EOOD, Sofia (BG)	5,000	BGN	100.0% BR
Raiffeisen Insurance Broker Kosovo L.L.C., Pristina (KO)	10,000	EUR	100.0% BR
RAIFFEISEN INVEST AD DRUSTVO ZA UPRAVLJANJE INVESTICIONIM FONDOVIMA BEOGRAD, Belgrade (RS)	47,660,000	RSD	100.0% FI
Raiffeisen Invest d.o.o., Zagreb (HR)	8,000,000	HRK	100.0% FI
Raiffeisen Invest Drustvo za upravljanje fondovima d.d. Sarajevo, Sarajevo (BA)	671,160	BAM	100.0% FI
Raiffeisen INVEST Sh.a., Tirana (AL)	90,000,000	ALL	100.0% FI
Raiffeisen investicni společnost a.s., Prague (CZ)	40,000,000	CZK	100.0% FI
Raiffeisen Investment Advisory GmbH, Vienna (AT)	730,000	EUR	100.0% FI
Raiffeisen Investment Financial Advisory Services Ltd. Co., Istanbul (TR)	2,930,000	TRY	100.0% FI
Raiffeisen Property Estate s.r.o., Bratislava (SK)	5,000	EUR	100.0% OT
Raiffeisen Property Management Bulgaria EOOD, Sofia (BG)	80,000	BGN	100.0% OT
Raiffeisen Salzburg Invest GmbH, Salzburg (AT)	500,000	EUR	100.0% FI
RAIFFEISEN SERVICE EOOD, Sofia (BG)	4,220,000	BGL	100.0% OT
Raiffeisen Windpark Zistersdorf GmbH, Vienna (AT)	37,000	EUR	100.0% OT
Raiffeisen WohnBau Eins GmbH, Vienna (AT)	35,000	EUR	100.0% OT
Raiffeisen WohnBau Zwei GmbH, Vienna (AT)	35,000	EUR	100.0% FI
Raiffeisen Wohnbauleasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0% FI
Raiffeisen-Leasing Immobilienverwaltung Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0% FI
Raiffeisen-Leasing Wärmeversorgungsanlagenbetriebs GmbH, Vienna (AT)	35,000	EUR	100.0% OT
Raiffeisen-Wohnbauleasing Österreich GmbH, Vienna (AT)	35,000	EUR	100.0% FI
RAN elf Raiffeisen-Anlagenvermietung Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0% FI
RB International Finance (Hong Kong) Ltd., Hong Kong (HK)	10,000,000	HKD	100.0% OT
RB International Investment Asia Limited, Labuan (MY)	1	USD	100.0% OT
RB Szolgáltató Központ Kft. - RBSC Kft., Nyíregyháza (HU)	3,000,000	HUF	100.0% OT
RBI Group IT GmbH, Vienna (AT)	100,000	EUR	100.0% BR
RBI Real Estate Services Czechia s.r.o., Prague (CZ)	100,000	CZK	100.0% FI
RBI Real Estate Services Polska SP.z.o.o., Warsaw (PL)	400,000	PLN	100.0% FI
RBM Wohnbau Ges.m.b.H., Vienna (AT)	37,000	EUR	100.0% OT
RCR Ukraine LLC, Kiev (UA)	282,699	UAH	100.0% BR
RDI Czech 1 s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
RDI Czech 3 s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
RDI Czech 4 s.r.o., Prague (CZ)	2,500,000	CZK	100.0% OT
RDI Czech 5 s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
RDI Czech 6 s.r.o., Prague (CZ)	3,700,000	CZK	100.0% OT
RDI Management s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Real Estate Rent 4 DOO, Belgrade (RS)	40,310	RSD	100.0% OT
REF HP 1 s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Rent CC, s.r.o., Bratislava (SK)	6,639	EUR	100.0% FI
Rent GRJ, s.r.o., Bratislava (SK)	6,639	EUR	100.0% OT
Rent PO, s.r.o., Bratislava (SK)	6,639	EUR	100.0% FI
Residence Park Trebes, s.r.o., Prague (CZ)	20,000,000	CZK	100.0% OT
Rheia Property, s.r.o., Prague (CZ)	200,000	CZK	95.0% OT
RIL VI Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0% FI
RIL XIII Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0% FI
R-Insurance Services sp. z o.o., Ruda O.S. (PL)	5,000	PLN	100.0% OT
RIRBRO ESTATE MANAGEMENT S.R.L, Bucharest (RO)	1,000	RON	100.0% BR

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Company, domicile (country)	Subscribed capital in local currency	Share	Type ¹
RL Jankomir d.o.o., Zagreb (HR)	20,000	HRK	100.0% OT
RL Leasing Gesellschaft m.b.H., Eschborn (DE)	25,565	EUR	100.0% FI
RL-ATTIS Holding GmbH, Vienna (AT)	35,000	EUR	100.0% OT
RL-Attis Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0% OT
RL-BETA Holding GmbH, Vienna (AT)	35,000	EUR	100.0% OT
RL-Delta Holding GmbH, Vienna (AT)	35,000	EUR	100.0% OT
RL-Epsilon Holding GmbH, Vienna (AT)	35,000	EUR	100.0% FI
RL-Epsilon Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0% FI
RL-ETA d.o.o., Zagreb (HR)	20,000	HRK	100.0% OT
RL-ETA Holding GmbH, Vienna (AT)	35,000	EUR	100.0% OT
RL-FONTUS Holding GmbH, Vienna (AT)	35,000	EUR	100.0% OT
RL-Fontus Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0% OT
RL-Gamma Holding GmbH, Vienna (AT)	35,000	EUR	100.0% FI
RL-Jota Holding GmbH, Vienna (AT)	35,000	EUR	100.0% FI
RL-Lamda s.r.o., Bratislava (SK)	6,639	EUR	100.0% FI
RL-Opis Holding GmbH, Vienna (AT)	35,000	EUR	100.0% OT
RL-OPIS SPOŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ, Warsaw (PL)	50,000	PLN	100.0% OT
RL-Prom-Wald Sp. Z.o.o, Warsaw (PL)	50,000	PLN	100.0% OT
RLRE Beta Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
RLRE Carina Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
RLRE Eta Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
RLRE Ypsilon Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Robert Károly Körút Irodaház Kft., Budapest (HU)	3,000,000	HUF	100.0% OT
Rogofield Property Limited, Nicosia (CY)	2,174	USD	100.0% OT
RPM Budapest KFT, Budapest (HU)	3,000,000	HUF	100.0% OT
RUBY Place, s.r.o., Prague (CZ)	60,000	CZK	100.0% OT
S.A.I. Raiffeisen Asset Management S.A., Bucharest (RO)	10,656,000	RON	100.0% FI
S.C. PLUSFINANCE ESTATE 1 S.R.L, Bucharest (RO)	13,743,340	RON	100.0% BR
SASSK Ltd., Kiev (UA)	152,322,000	UAH	88.7% OT
SCT Kárász utca Ingatlankezelő Kft., Budapest (HU)	3,000,000	HUF	100.0% OT
SCTE Első Ingatlanfejlesztő és Ingatlanhasznosító Kft., Budapest (HU)	3,000,000	HUF	100.0% BR
SeEnergy PT, s.r.o., Prague (CZ)	700,000	CZK	100.0% OT
Selene Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
SF Hotelerrichtungsgesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0% FI
SIGMA PLAZA, s.r.o., Prague (CZ)	60,000	CZK	100.0% OT
Sirius Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Sky Solar Distribuce s.r.o., Prague (CZ)	200,000	CZK	77.0% OT
SOLIDA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.5% FI
St. Marx-Immobilien Verwertungs- und Verwaltungs GmbH, Vienna (AT)	36,336	EUR	100.0% OT
STYRIA Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
Szentkirály utca 18 Kft., Budapest (HU)	5,000,000	HUF	100.0% OT
Terasa LAVANDE, s.r.o., Prague (CZ)	60,000	CZK	100.0% OT
Theia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
Theseus Property, s.r.o., Prague (CZ)	50,000	CZK	100.0% OT
UPC Real, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Valida Consulting GmbH, Vienna (AT)	500,000	EUR	100.0% OT
VINDOBONA Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0% OT
VN-Wohn Immobilien GmbH, Vienna (AT)	35,000	EUR	74.0% OT
Zahradnicka Property s.r.o., Bratislava (SK)	5,000	EUR	100.0% OT
Zatisi Rokytká s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
Zefyros Property, s.r.o., Prague (CZ)	200,000	CZK	100.0% OT
ZRB 17 Errichtungs GmbH, Vienna (AT)	35,000	EUR	100.0% OT
ZUNO GmbH, Vienna (AT)	35,000	EUR	100.0% OT

¹ Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Other equity participations

Company, domicile (country)	Subscribed capital in local currency	Share	Type ¹
Accession Mezzanine Capital II L.P. in liquidation, Bermuda (BM)	2,613	EUR	5.7% OT
Accession Mezzanine Capital III L.P., Hamilton (JE)	134,125,000	EUR	3.7% OT
Adoria Grundstückvermietungs Gesellschaft m.b.H., St. Pölten (AT)	36,360	EUR	24.5% FI
Agricultural Open Joint Stock Company Illintsi Livestock Breeding Enterprise, Illinci (UA)	703,100	UAH	4.7% OT
AIL Swiss-Austria Leasing AG, Glattbrugg (CH)	5,000,000	CHF	50.0% FI
ALCS Association of Leasing Companies in Serbia, Belgrade (RS)	853,710	RSD	12.5% OT
ALMC hf., Reykjavik (IS)	50,578,130	ISK	10.8% OT
Analytical Credit Rating Agency (Joint Stock Company), Moscow (RU)	3,000,024,000	RUB	3.7% OT
APUS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0% OT
A-Trust Gesellschaft für Sicherheitssysteme im elektronischen Datenverkehr GmbH, Vienna AT)	5,290,013	EUR	12.1% OT
Austrian Reporting Services GmbH, Vienna (AT)	41,176	EUR	15.0% BR
Aventin Grundstücksverwaltungs Gesellschaft m.b.H., St. Pölten (AT)	36,400	EUR	24.5% FI
AVION-Grundverwertungsgesellschaft m.b.H., Vienna (AT)	36,336	EUR	49.0% FI
Bad Sauerbrunn Thermalwasser Nutzungs- und Verwertungs GmbH, Bad Sauerbrunn (AT)	36,336	EUR	50.0% OT
Belarussian currency and stock exchange JSC, Minsk (BY)	14,328,656	BYN	<0.1% OT
Biroul de Credit S.A., Bucharest (RO)	4,114,615	RON	13.2% FI
BTS Holding a.s. "v likvidácií", Bratislava (SK)	35,700	EUR	19.0% OT
Budapest Stock Exchange, Budapest (HU)	541,348,100	HUF	<0.1% SC
Burza cennych papierov v. Bratislave, a.s., Bratislava (SK)	11,404,927,296	EUR	<0.1% OT
CADO Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0% FI
Cards & Systems EDV-Dienstleistungs GmbH, Vienna (AT)	75,000	EUR	45.0% OT
CEESEG Aktiengesellschaft, Vienna (AT)	18,620,720	EUR	7.0% OT
Central Depository and Clearing Company, Inc., Zagreb (HR)	94,525,000	HRK	<0.1% FI
Commodity Exchange Crimean Interbank Currency Exchange, Simferopol (UA)	420,000	UAH	4.8% OT
Commodity Exchange of the Agroindustrial Complex of Central Regions of Ukraine, Cherkassy (UA)	90,000	UAH	11.1% OT
CONATUS Grundstückvermietungs Gesellschaft m.b.H., St. Pölten (AT)	36,360	EUR	24.5% FI
CULINA Grundstückvermietungs Gesellschaft m.b.H., St. Pölten (AT)	36,360	EUR	25.0% FI
D. Trust Certifikácná Autorita, a.s., Bratislava (SK)	331,939	EUR	10.0% OT
Die Niederösterreichische Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	35.0% OT
Die Niederösterreichische Leasing GmbH & Co KG, Vienna (AT)	72,673	EUR	40.0% FI
DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (DE)	3,646,266,910	EUR	0.1% BA
Einlagensicherung AUSTRIA Ges.m.b.H., Vienna (AT)	515,000	EUR	1.7% FI
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna (AT)	70,000	EUR	0.1% BR
EMERGING EUROPE GROWTH FUND II, LP., Delaware (US)	370,000,000	USD	1.9% OT
Epsilon - Grundverwertungsgesellschaft m.b.H., Vienna (AT)	36,336	EUR	24.0% FI
ESQUILIN Grundstücksverwaltungs Gesellschaft m.b.H., St. Pölten (AT)	36,336	EUR	24.5% FI
Euro Banking Association (ABE Clearing S.A.S.), Paris (FR)	51,000	EUR	2.0% FI
European Investment Fund S.A., Luxembourg (LU)	3,000,000,000	EUR	0.2% FI
Export and Industry Bank Inc., Makati City (PH)	4,734,452,540	PHP	9.5% BA
FACILITAS Grundstücksvermietungs Gesellschaft m.b.H., St. Pölten (AT)	36,360	EUR	50.0% FI
Fondul de Garantare a Creditului Rural S.A., Bucharest (RO)	15,940,890	RON	33.3% FI
FORIS Grundstückvermietungs Gesellschaft m.b.H., St. Pölten (AT)	36,360	EUR	24.5% FI
G + R Leasing Gesellschaft m.b.H., Graz (AT)	36,400	EUR	25.0% OT
G + R Leasing Gesellschaft m.b.H. & Co. KG., Graz (AT)	72,673	EUR	50.0% FI
Garantiqa Hitelgarancia ZRt., Budapest (HU)	7,839,600,000	HUF	0.2% BR
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H., Vienna (AT)	3,336,336	EUR	0.2% OT
Greenix Limited, Tortola (VG)	100,000	USD	25.0% OT
HOBEX AG, Salzburg (AT)	1,000,000	EUR	8.5% FI
Hrvatski registar obveza po kreditima d.o.o., Zagreb (HR)	13,500,000	HRK	10.5% BR
INVESTOR COMPENSATION FUND, Bucharest (RO)	344,350	RON	0.4% OT

¹ Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency	Share	Type ¹
Joint Stock Company Stock Exchange PFTS, Kiev (UA)	32,010,000	UAH	0.2% OT
K & D Progetto s.r.l., Bozen (IT)	50,000	EUR	25.0% FI
Kommunal-Infrastruktur & Immobilien Zeltweg GmbH, Zeltweg (AT)	35,000	EUR	20.0% OT
LITUS Grundstückvermietungs Gesellschaft m.b.H., St. Pölten (AT)	36,360	EUR	24.5% FI
LLC "Insurance Company 'Raiffeisen Life", Moscow (RU)	240,000,000	RUB	25.0% VV
Lorit Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	42,000	EUR	8.3% FI
MASTERINVEST Kapitalanlage GmbH, Vienna (AT)	2,500,000	EUR	37.5% FI
Medicur - Holding Gesellschaft m.b.H., Vienna (AT)	4,360,500	EUR	25.0% OT
MIRA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0% FI
N.Ö. Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	37,400	EUR	33.3% FI
National Settlement Depository, Moscow (RU)	1,180,675,000	RUB	<0.1% FI
NÖ Raiffeisen Kommunalprojekte Service Gesellschaft m.b.H., Vienna (AT)	50,000	EUR	26.0% FI
NÖ Raiffeisen-Leasing Gemeindeprojekte Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	1.0% FI
NÖ. HYPO Leasing und Raiffeisen-Immobilien-Leasing Traisenhaus GesmbH & Co OG, St. Pölten (AT)	24,868,540	ATS	50.0% FI
NÖ-KL Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	37,400	EUR	33.3% FI
O.Ö. Leasing für öffentliche Bauten Gesellschaft m.b.H., Linz (AT)	510,000	ATS	16.7% FI
ÖAMTC-Leasing GmbH, Vienna (AT)	36,400	EUR	100.0% OT
Oberpinzg. Fremdenverkehrsförderungs- und Bergbahnen AG, Neukirchen am Großvenediger (AT)	3,297,530	EUR	<0.1% OT
OCTANOS Raiffeisen Immobilien Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0% OT
OJSC NBFI Single Settlement and Information Space, Minsk (BY)	23,429,095	BYN	4.2% FI
Open Joint Stock Company Kyiv Special Project and Design Bureau Menas, Kiev (UA)	3,383,218	UAH	4.7% OT
Österreichische Wertpapierdaten Service GmbH, Vienna (AT)	100,000	EUR	25.3% BR
OT-Optima Telekom d.d., Zagreb (HR)	694,432,640	HRK	2.4% OT
OVIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	1.0% FI
Pannon Lúd Kft, Mezőkovácszáza (HU)	852,750,000	HUF	0.6% OT
PEGA Raiffeisen-Immobilien Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0% FI
Private Joint Stock Company Bird Farm Bershadskyi, Vyitivka (UA)	6,691,141	UAH	0.5% OT
Private Joint Stock Company First All-Ukrainian Credit Bureau, Kiev (UA)	11,750,000	UAH	5.1% OT
Private Joint Stock Company Sumy Enterprise Agrotechservice, Sumy (UA)	1,545,000	UAH	0.6% OT
Private Joint Stock Company Ukrainian Interbank Currency Exchange, Kiev (UA)	36,000,000	UAH	3.1% OT
PSA Payment Services Austria GmbH, Vienna (AT)	285,000	EUR	11.2% FI
Public Joint Stock Company National Depository of Ukraine, Kiev (UA)	103,200,000	UAH	0.1% FI
Public Joint Stock Company Settlement Center for Servicing of Contracts in Financial Markets, Kiev (UA)	206,700,000	UAH	<0.1% OT
QUIRINAL Grundstücksverwaltungs Gesellschaft m.b.H., Vienna (AT)	37,063	EUR	33.3% FI
Raiffeisen e-force GmbH, Vienna (AT)	145,346	EUR	28.2% BR
Raiffeisen Informatik Geschäftsführungs GmbH, Vienna (AT)	70,000	EUR	47.6% OT
Raiffeisen Kooperations eGen, Vienna (AT)	9,000,000	EUR	11.1% OT
Raiffeisen Salzburg Leasing GmbH, Salzburg (AT)	35,000	EUR	19.0% FI
Raiffeisen Software GmbH, Linz (AT)	150,000	EUR	1.2% BR
Raiffeisen-IMPULS-Immobilienleasing GmbH, Linz (AT)	500,000	ATS	25.0% FI
Raiffeisen-IMPULS-Liegenschaftsverwaltung Gesellschaft m.b.H., Linz (AT)	500,000	ATS	25.0% FI
Raiffeisen-Impuls-Zeta Immobilien GmbH, Linz (AT)	58,333	EUR	40.0% FI
Raiffeisen-Leasing Anlagen und KFZ Vermietungs GmbH, Vienna (AT)	35,000	EUR	53.1% FI
Raiffeisen-Leasing BOT s.r.o., Prague (CZ)	100,000	CZK	20.0% OT
Raiffeisen-Leasing Mobilien und KFZ GmbH, Vienna (AT)	35,000	EUR	15.0% FI
RC Gazdasági és Adótanácsadó Zrt., Budapest (HU)	20,000,000	HUF	22.2% OT
Registry of Securities in FBH, Sarajevo (BA)	2,052,300	BAM	1.4% FI
Rehazentrum Kitzbühel Immobilien-Leasing GmbH, Innsbruck (AT)	35,000	EUR	19.0% FI
REMUS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0% FI
RLB Holding eGen OÖ, Linz (AT)	1,566,939	EUR	<0.1% FI

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency	Share	Type ¹
RIG Raiffeisen-Leasing GmbH, Vienna (AT)	40,000	EUR	12.5% FI
RSAL Raiffeisen Steiermark Anlagenleasing GmbH, Graz (AT)	38,000	EUR	19.0% FI
RSC Raiffeisen Service Center GmbH, Vienna (AT)	2,000,000	EUR	50.3% BR
RSIL Immobilienleasing Raiffeisen Steiermark GmbH, Graz (AT)	38,000	EUR	19.0% FI
S.C. DEPOZITARUL CENTRAL S.A., Bucharest (RO)	25,291,953	RON	2.6% OT
Sarajevska berza-burza vrijednosnih papira dd Sarajevo, Sarajevo (BA)	1,967,680	BAM	10.5% FI
Seilbahnleasing GmbH, Innsbruck (AT)	36,000	EUR	33.3% FI
Sektorrisiko eGen, Vienna (AT)	3,200	EUR	43.8% FI
SELENE Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Innsbruck (AT)	36,400	EUR	1.0% OT
SKR Lager 102 AB, Stockholm (SE)	100,000	SEK	49.0% OT
Slovak Banking Credit Bureau, s.r.o., Bratislava (SK)	9,958	EUR	33.3% BR
Societatea de Transfer de Fonduri si Decontari-TRANSFOND S.A, Bucharest (RO)	6,720,000	RON	3.4% FI
Society for Worldwide Interbank Financial Telecommunication scrl, La Hulpe (BE)	13,713,125	EUR	0.4% FI
SPICA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0% FI
SPRON ehf., Reykjavik (IS)	5,000,000	ISK	5.4% OT
Steirische Gemeindegebäude Leasing Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	50.0% FI
Steirische Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	50.0% FI
Steirische Leasing für Gebietskörperschaften Ges.m.b.H., Vienna (AT)	36,336	EUR	50.0% FI
Steirische Leasing für öffentliche Bauten Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	50.0% FI
Stemcor Global Holdings Limited, St. Helier (JE)	349,138	USD	0.9% OT
Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) GmbH, Vienna (AT)	100,000	EUR	10.7% OT
SUPRIA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0% OT
SVO Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	50.0% FI
Syrena Immobilien Holding AG, Spittal an der Drau (AT)	22,600,370	EUR	21.0% OT
The Zagreb Stock Exchange joint stock company, Zagreb (HR)	46,357,000	HRK	2.9% OT
TKL II. Grundverwertungsgesellschaft m.b.H., Vienna (AT)	39,000	EUR	8.3% FI
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck (AT)	39,000	EUR	33.3% FI
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck (AT)	39,000	EUR	33.3% FI
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck (AT)	39,000	EUR	33.3% FI
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck (AT)	39,000	EUR	24.5% FI
Top Vorsorge-Management GmbH, Vienna (AT)	35,000	EUR	25.0% OT
TRABITUS Grundstücksvermietungs Gesellschaft m.b.H., Vienna (AT)	36,360	EUR	25.0% FI
UNDA Grundstücksvermietungs Gesellschaft m.b.H., St. Pölten (AT)	36,360	EUR	25.0% FI
UNIQA Raiffeisen Software Service Kft., Budapest (HU)	19,900,000	HUF	1.0% OT
VALET-Grundstücksverwaltungs Gesellschaft m.b.H., St. Pölten (AT)	36,360	EUR	24.5% FI
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH, Vienna (AT)	36,336	EUR	17.0% OT
Vimal Grundstückverwaltungs Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	25.0% FI
Visa Inc., San Francisco (US)	192,964	USD	<0.1% BR
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H., Dornbirn (AT)	42,000	EUR	33.3% FI
W 3 Errichtungs- und Betriebs-Aktiengesellschaft, Vienna (AT)	800,000	EUR	20.0% OT
Zhytomyr Commodity Agroindustrial Exchange, Zhitomir (UA)	476,515	UAH	3.1% OT
Ziloti Holding S.A., Luxembourg (LU)	48,963	EUR	0.9% OT

¹ Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financial holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Regulatory information

(71) Capital management and total capital according to CRR/CRD IV and Austrian Banking Act (BWG)

Based on an annually undertaken Supervisory Review and Evaluation Process (SREP), the ECB has instructed RBI by way of an official notification to hold additional common equity tier 1 capital to cover risks which are not or not adequately covered under Pillar I.

The so-called Pillar 2 requirement is calculated based on the business model, risk management, or the capital situation, for example. The most recent official notification from the ECB specifies that the Pillar 2 requirement must be adhered to at the level of RBI (consolidated) and the level of RBI AG (unconsolidated). In addition, RBI is subject to the minimum requirements of the CRR and the combined buffer requirement. The combined buffer requirement for RBI currently contains a capital conservation buffer, a systemic risk buffer, and a countercyclical buffer. As at 31 December 2019, the CET1 ratio requirement (including the combined buffer requirement) was 9.3 per cent for the RBI Group. A breach of the combined buffer requirement would induce constraints, for example in relation to dividend distributions and coupon payments on certain capital instruments. The capital requirements applicable during the year were complied with, including an adequate buffer, on both a consolidated and individual basis.

National supervisors may in principle determine systemic risk buffers (up to 5 per cent) as well as additional capital add-ons for systemic banks (up to 3.5 per cent). In the event both systemic risk buffers and add-ons for systemic banks are determined for an institution, only the higher of the two values is applicable. In September 2015, the Financial Market Stability Board (FMSB) responsible for this in Austria recommended to the Austrian financial supervisor – the FMA – that it required certain banks, including RBI, to adhere to a systemic risk buffer (SRB). The FMA consequently introduced a systematic risk buffer at the beginning of 2016 via the Capital Buffer Regulation (including subsequent amendments). The SRB for RBI was set at 0.25 per cent in 2016, was raised to 0.50 per cent as of 1 January 2017, and has increased progressively to 2 per cent in 2019.

Establishment of a countercyclical buffer is the responsibility of the national supervisors. The buffer established for RBI resulted in a weighted average at the level of RBI in order to curb excessive lending growth. The buffer was set at 0 per cent for the present time due to restrained lending growth and the stable macroeconomic environment in Austria. The buffer rates defined in other member states apply at the level of RBI (based on a weighted calculation of averages).

Regulatory changes and developments are monitored on an ongoing basis, included in scenario calculations, and are analyzed. Potential effects are considered in planning and governance, insofar as their scope and implementation are foreseeable.

Total capital

The following consolidated figures have been calculated in accordance with the provisions of the Capital Requirements Regulation (CRR) and other statutory provisions such as the Implementing Technical Standards (ITS) issued by the European Banking Authority (EBA).

As at 31 December 2019, RBI's common equity tier 1 (CET1) after deductions amounted to € 10,861,965 thousand, representing an increase of € 1,159,949 thousand compared to the 2018 year-end figure. Material factors behind the improvement were the inclusion of eligible profit, foreign exchange effects directly recognized in equity and changes to qualifying minority interests. Tier 1 capital after deductions increased € 1,163,918 thousand to € 12,091,787 thousand primarily as a result of the increase in CET1. There was a € 417,814 thousand reduction in tier 2 capital to € 1,939,915 thousand, mainly due to early repayments and the regulatory amortization of outstanding issues. RBI's total capital amounted to € 14,031,703 thousand, representing an increase of € 746,103 thousand compared to the 2018 year-end figure.

Risk-weighted assets (total RWA) totaled € 77,966,207 thousand as at 31 December 2019. The major factors behind the € 5,294,464 thousand increase were new lending business as well as general business developments at head office, in Russia and in Bulgaria. In addition, foreign exchange movements also increased risk-weighted assets, primarily due to the Russian ruble. The changes in market risk reduced risk-weighted assets, while the change in settlement risk increased them marginally.

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

in € thousand	2019	2018
Paid-in capital	5,974,080	5,974,080
Earned capital	5,185,613	4,033,691
Non-controlling interests	498,861	428,618
Common equity tier 1 (before deductions)	11,658,553	10,436,390
Deduction intangible fixed assets/goodwill	(762,042)	(699,431)
Deduction provision shortage for IRB positions	0	0
Deductions for new net provisioning	0	0
Deduction securitizations	(18,377)	(14,809)
Deduction deferred tax assets	0	0
Deduction loss carry forwards	(16,169)	(20,133)
Deduction insurance and other investments	0	0
Common equity tier 1 (after deductions)	10,861,965	9,702,017
Additional tier 1	1,204,475	1,220,634
Non-controlling interests	25,347	5,218
Deduction intangible fixed assets/goodwill	0	0
Deduction provision shortage for IRB positions	0	0
Deduction securitizations	0	0
Deduction insurance and other investments	0	0
Tier 1	12,091,787	10,927,869
Long-term subordinated capital	1,679,026	2,087,390
Non-controlling interests	18,965	40,840
Provision excess of internal rating approach positions	243,419	229,500
Provision excess of standardized approach positions	0	0
Deduction securitizations	0	0
Deduction insurance and other investments	(1,496)	0
Tier 2 (after deductions)	1,939,915	2,357,730
Total capital	14,031,703	13,285,599
Total capital requirement	6,237,297	5,813,739
Common equity tier 1 ratio (transitional)	13.9%	13.4%
Common equity tier 1 ratio (fully loaded)	13.9%	13.4%
Tier 1 ratio (transitional)	15.5%	15.0%
Tier 1 ratio (fully loaded)	15.4%	14.9%
Total capital ratio (transitional)	18.0%	18.3%
Total capital ratio (fully loaded)	17.9%	18.2%

1 Over the course of the regulatory reporting process, tier 2 capital was reduced due to the adjustment of an eligibility limit, which led to a change in own funds as at 31 December 2018.

The transitional ratios are the currently applicable ratios according to CRR requirements under consideration of the applicable transitional provisions for the current calendar year set out in Part 10 of the CRR in conjunction with the CRR Supplementary Regulation (CRR-BV) published by the FMA.

The fully loaded ratios are for informational purposes only and are calculated assuming full implementation without taking the transitional provisions into account.

No direct transitional provisions have been used for RBI as at 31 December 2019 reporting date, for which reason they do not impact the common equity tier 1 ratio. Only the tier 1 ratio and the total capital ratio are affected due to capital instruments (in additional tier 1 capital) that are no longer eligible.

Total capital requirement and risk-weighted assets

in € thousand	2019	2018
Total capital requirement for credit risk	5,338,135	4,894,582
Internal rating approach	3,297,807	3,059,999
Standardized approach	2,022,517	1,817,492
CVA risk	17,810	17,090
Settlement and delivery risk	3,528	0
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	271,464	303,245
Total capital requirement for operational risk	624,170	615,913
Total capital requirement	6,237,297	5,813,739
Risk-weighted assets (total RWA)	77,966,207	72,671,743

Risk-weighted assets for credit risk by asset classes broke down as follows:

in € thousand	2019	2018
Risk-weighted assets according to standardized approach	25,281,464	22,718,655
Central governments and central banks	955,709	540,815
Regional governments	100,820	98,128
Public administration and non-profit organizations	27,924	31,289
Multilateral development banks	0	0
Banks	226,642	171,035
Corporate customers	5,505,817	7,030,811
Retail customers	13,651,152	10,503,972
Equity exposures	1,815,892	1,822,812
Covered bonds	12,840	13,274
Mutual funds	74,958	52,635
Securitization position	0	240
Items associated with particular high risk	139,492	0
Other positions	2,770,219	2,453,643
Risk-weighted assets according to internal rating approach	41,222,591	38,249,992
Central governments and central banks	1,816,744	2,186,652
Banks	1,457,155	1,424,099
Corporate customers	30,286,694	27,875,849
Retail customers	6,546,931	5,970,514
Equity exposures	462,390	373,916
Securitization position	652,676	418,963
CVA risk	222,627	213,627
Risk-weighted assets (credit risk)	66,726,682	61,182,274
Total capital requirement (credit risk)	5,338,135	4,894,582

Leverage ratio

The leverage ratio is defined in Part 7 of the CRR. As at 31 December 2019, the leverage ratio was not yet a mandatory quantitative requirement and is therefore only used for informational purposes:

in € thousand	2019	2018
Leverage exposure	178,226,154	163,077,123
Tier 1	12,091,787	10,928,269
Leverage ratio (transitional)	6.8%	6.7%
Leverage ratio (fully loaded)	6.7%	6.6%

The following table provides an overview of the calculation methods that are applied to determine total capital requirements in the subsidiaries:

Unit	Credit risk		Market risk	Operational risk
	Non-Retail	Retail		
Raiffeisen Bank International AG, Vienna (AT)	IRB	STA	Internal model	AMA
Raiffeisenbank a.s., Prague (CZ)	IRB	IRB	STA	STA
Raiffeisen Bank Zrt., Budapest (HU)	IRB	IRB	STA	STA
Tatra banka a.s., Bratislava (SK)	IRB	IRB	STA	AMA
Raiffeisen Bank S.A., Bucharest (RO)	IRB	IRB	STA	AMA
Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo (BA)	IRB	IRB	STA	STA
Raiffeisenbank Austria d.d., Zagreb (HR)	IRB	STA	STA	STA
Raiffeisen Banka a.d., Novi Beograd (RS)	IRB	IRB	STA	STA
Raiffeisenbank Russland d.d., Moscow (RU)	IRB	STA	STA	AMA
Raiffeisen Bank Sh.a., Tirana (AL)	IRB	IRB	STA	STA
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	IRB	IRB	STA	AMA
Raiffeisen Centробанк AG, Vienna (AT)	STA	n/a	STA	AMA
Kathrein Privatbank Aktiengesellschaft, Vienna (AT)	STA	STA	n/a	AMA
All other units	STA	STA	STA	STA

IRB: Internal ratings-based approach

Internal model for risk of open currency positions and general interest rate risk in the trading book

STA: Standardized approach

AMA: Advanced measurement approach

Recognition and measurement principles

Classification and measurement of financial assets and financial liabilities

According to IFRS 9, all financial assets, financial liabilities and derivative financial instruments are to be recognized in the statement of financial position. A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. On initial recognition, financial instruments are to be measured at fair value, which generally corresponds to the transaction price at the time of acquisition or issue. According to IFRS 13, the fair value is defined as the exit price. This is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants. For subsequent measurement, financial instruments are recognized in the statement of financial position according to the respective measurement category pursuant to IFRS 9, either at (amortized) cost or at fair value.

IFRS 9 contains a classification and measurement approach for financial assets which is firstly based on the business model under which the assets are managed, and secondly on the cash flow characteristics of the assets. For RBI, this results in five classification categories for financial assets:

- Financial assets measured at amortized cost (AC)
- Financial assets measured at fair value through other comprehensive income (FVOCI)
- Financial assets mandatorily measured at fair value through profit or loss (FVTPL)
- Financial assets designated fair value through profit or loss (FVTPL) and
- Financial assets held for trading (HFT)

In RBI, a financial asset is measured at amortized cost if the objective is to hold the asset to collect the contractual cash flows and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset is subsequently measured at fair value through other comprehensive income (FVOCI) if it is held within a business model whose objective is both collecting contractual cash flows and selling financial assets. In addition, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, RBI may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This decision is made on an investment-by-investment basis for each investment and essentially covers strategic interests that are not fully consolidated.

All other financial assets – i.e. financial assets that do not meet the criteria for classification as subsequently measured at either amortized cost or FVOCI – are classified as subsequently measured at fair value, with changes in fair value recognized in profit or loss. In addition, RBI has the option at initial recognition to designate a financial asset as at FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency – i.e. an accounting mismatch – that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases.

A financial asset is classified into one of these categories on initial recognition.

The recognition of financial liabilities according to IFRS 9 is largely in accordance with the rules of IAS 39, with the exception that changes in the fair value of liabilities measured at fair value which are caused by changes in RBI's own default risk are to be booked in other comprehensive income.

In accordance with IFRS 9, embedded derivatives are not separated from the host contract of a financial asset. Instead, financial assets are classified in accordance with the business model and their contractual characteristics as explained in the chapter business model assessment and in the chapter analysis of contractual cash flow characteristics.

The recognition of derivatives which are embedded in financial liabilities and in non-financial host contracts has not changed under IFRS 9.

Business model assessment

RBI makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The following factors are considered as evidence when assessing which business model is relevant:

- How the performance of the business model (and the financial assets held within that business model) are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed
- How managers of the business are compensated - e.g. whether the compensation is based on the fair value of the assets managed or the contractual cash flows collected
- The frequency, value and timing of sales in prior periods, the reasons for such sales, and expectations about future sales activity and
- Whether sales activity and the collection of contractual cash flows are each integral or incidental to the business model (hold-to-collect versus hold-and-sell business model).

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL.

A business model's objective can be to hold financial assets to collect contractual cash flows even when some sales of financial assets have occurred or are expected to occur. For RBI the following sales may be consistent with the hold-to collect business model:

- The sales are due to an increase in the credit risk of a financial asset.
- The sales are infrequent (even if significant) or are insignificant individually and in aggregate (even if frequent).
- The sales take place close to the maturity of the financial asset and the proceeds from the sales approximate the collection of the remaining contractual cash flows.

For RBI, the sale of more than 10 per cent of the portfolio (carrying amount) during a rolling three-year period will be considered more than infrequent unless these sales are immaterial as a whole.

Analysis of contractual cash flow characteristics

Once RBI determines that the business model of a specific portfolio is to hold the financial assets to collect the contractual cash flows (or to both collect contractual cash flows and sell financial assets), it must then assess whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For this purpose, interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. This assessment will be carried out on an instrument-by-instrument basis on the date of initial recognition of the financial asset.

In assessing whether the contractual cash flows are solely payments of principal and interest, RBI considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it no longer meets this condition. RBI considers:

- Prepayment or extension terms
- Leverage agreements
- Claim is limited to specified assets or cash flows
- Contractually linked instruments

IFRS 9 includes regulations for prepayment features with negative compensation. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortized cost measurement, the negative compensation must be a reasonable compensation for early termination of the contract.

Modification of the time value of money and the benchmark test

The time value of money is the element of interest that provides consideration for only the passage of time. It does not take into account other risks (credit, liquidity etc.) or costs (administrative etc.) associated with holding a financial asset. In some cases, the time value of money element is modified (referred to as imperfect). This would be the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate. In this case units must assess the modification as to whether the contractual cash flows still represent solely payments of principal and interest, i.e. the modification term does not significantly alter the cash flows from a perfect benchmark instrument. This assessment is not an accounting policy option and cannot be avoided simply by concluding that an instrument, in the absence of such an assessment, will be measured at fair value.

A benchmark test is applied for the following main contractual features that can potentially modify the time value of money:

- Reset rate frequency does not match interest tenor
- Lagging indicator
- Smoothing clause
- Grace period
- Secondary market yield reference (UDRB: Average government bond yields weighted by outstanding amounts)

Financial assets and financial liabilities

Financial assets – amortized cost

In RBI, a financial asset is measured at amortized cost (AC) if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These conditions are explained in more detail in the chapters business model assessment, analysis of contractual cash flow characteristics, and modification of the time value of money and the benchmark test.

Loans and advances to customers and banks in particular are assigned to this category. Loans and advances relating to finance lease business, which are recognized in accordance with IFRS 16, and securities which meet the above conditions, are also shown in this measurement category.

They are measured at amortized cost. If there is a difference between the amount paid and face value – and this has an interest character – the effective interest method is used, and the amount is stated under net interest income. Interest income is calculated on the basis of the gross carrying amount provided the financial asset is not impaired. As soon as the financial asset is impaired, interest income is calculated based on the net carrying amount. The amortized cost is also adjusted by the expected loss recognized, using the expected loss approach in accordance with IFRS 9, as outlined in the chapter impairment general (IFRS 9).

Financial assets – mandatorily at fair value through profit/loss

In RBI, a financial asset is mandatorily measured at fair value if the financial asset is managed neither at amortized cost nor at fair value through other comprehensive income, and if there is no intention to trade and the asset was not voluntarily designated at fair value. Essentially, this concerns securities and loans which do not pass the contractual cash flow characteristics analysis and portfolios of financial assets which are not held for trading, which are managed at fair value and whose performance is assessed.

Financial assets – fair value through other comprehensive income

In RBI, a debt instrument is measured at fair value through other comprehensive income if both of the following conditions are met:

- A financial asset is classified as subsequently measured at fair value through other comprehensive income (FVOCI) if it is held within a business model whose objective is both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Securities for the purpose of liquidity management are in particular assigned to this category.

Recognition is at fair value. Interest income, foreign exchange gains and losses from remeasurements and impairment expenses and reversals of impairment are recorded in the income statement and calculated in the same way as financial assets measured at amortized cost. The remaining fair value changes are recorded in other comprehensive income. On derecognition, the cumulative net gains or losses from the fair value changes which are recorded in other comprehensive income are reclassified to the income statement. In addition, the debt instruments in the category FVOCI are subject to the same impairment model (see chapter impairment general (IFRS 9)) as financial assets measured at amortized cost. The difference between the fair value and amortized cost is shown in other comprehensive income until the asset is derecognized.

In RBI, an equity instrument is shown at fair value through other comprehensive income if RBI irrevocably decides to present subsequent changes in fair value in other comprehensive income (OCI). This decision is made on an investment-by-investment basis for each investment and essentially covers strategic investments that are not fully consolidated. In contrast to debt instruments, the gains and losses recorded in other comprehensive income (OCI) are not reclassified to the income statement on sale; impairments are not recorded through profit or loss, either.

Financial assets and financial liabilities – held for trading

Financial assets and liabilities – held for trading are acquired or incurred principally for the purpose of generating profit from short-term fluctuations in market prices. Securities and derivative financial instruments held for trading are recognized at fair value. If securities are listed, the fair value is based on stock exchange prices. Where such prices are not available, internal prices based on present value calculations for originated financial instruments and futures or option pricing models for options are applied. Present value calculations are based on an interest rate curve which consists of money market rates, future rates and swap rates. Option price formulas Black-Scholes 1972, Black 1976 or Garman-Kohlhagen are applied depending on the kind of option. The measurement for complex options is based on a binomial tree model and Monte Carlo simulations.

Positive fair values are shown under financial assets – held for trading. Negative fair values are shown under financial liabilities – held for trading. Changes in fair value are shown in net trading income. Derivatives held for hedging purposes pursuant to IAS 39 are shown in the statement of financial position under the item hedge accounting. In addition, any liabilities from the short-selling of securities are shown in financial liabilities – held for trading.

Capital-guaranteed products (guarantee funds and pension plans) are shown as sold put options on the respective funds to be guaranteed, in accordance with statutory requirements. The valuation is based on a Monte Carlo simulation. The Group has provided capital guarantee obligations as part of the government-funded state-sponsored pension plans according to Section 108h (1) item 3 EStG (Austrian Income Tax Act). The bank guarantees that the retirement annuity, available for the payment amount is not less than the sum of the amounts paid by the taxpayer plus credits for such taxable premiums within the meaning of Section 108g EStG.

Interest income is shown in net interest income, valuation results and proceeds from disposals are shown in net trading income and fair value result.

Financial assets and financial liabilities – designated fair value through profit/loss

This category comprises mainly all those financial assets that are irrevocably designated as financial instruments at fair value (so-called fair value option) upon initial recognition in the statement of financial position. An entity may use this designation only when doing so eliminates or significantly reduces incongruities in measurement or recognition. These arise if the measurement of financial assets or liabilities or the recognition of resulting gains or losses has a different basis.

Financial liabilities are also designated as financial instruments at fair value, to avoid valuation discrepancies with related derivatives. The fair value of financial obligations under the fair value option in this category reflects all market risk factors, including those related to the credit risk of the issuer.

In 2019, as in 2018, observable market prices were used for the valuation of liabilities of subordinated issues measured at fair value. The financial liabilities are mostly structured bonds. The fair value of these financial liabilities is calculated by discounting the contractual cash flows with a credit-risk-adjusted yield curve, which reflects the level at which the Group could issue similar financial instruments at the reporting date. The market risk parameters are determined based on similar financial instruments. Valuation results for liabilities that are designated as a financial instrument at fair value are recognized in net trading income and fair value result.

In accordance with IFRS 9, these financial instruments are measured at fair value. Interest income is shown in net interest income; valuation results and proceeds from disposals are shown in net trading income and fair value result. For financial liabilities designated at fair value through profit or loss, changes in fair value attributable to a change in own credit risk is not reported in the income statement but in other comprehensive income.

Financial liabilities – amortized cost

Liabilities are predominantly recognized at amortized cost. In addition to interest expense, if there are differences between the amount paid and face value, the effective interest method is applied and amounts are shown in net interest income. This category mainly includes customer deposits and securities issues for refinancing purposes.

Relationships between assets/liabilities, measurement criteria and category pursuant to IFRS 9

Assets/liabilities	Measurement		Category according to IFRS 9
	Fair value	Amortized cost	
Asset classes			
Cash, cash balances at central banks and other demand deposits	X		AC
Financial assets - amortized cost	X		AC
hereof loans from finance lease	X		AC
Financial assets - fair value through other comprehensive income	X		FVOCI
Non-trading financial assets - mandatorily fair value through profit/loss	X		FVTPL
Financial assets - designated fair value through profit/loss	X		FVTPL
Financial assets - held for trading	X		FVTPL
Hedge accounting	X		n/a
Liability classes			
Financial liabilities - amortized cost	X		AC
hereof liabilities from finance lease	X		AC
Financial liabilities - designated fair value through profit/loss	X		FVTPL
Financial liabilities - held for trading	X		FVTPL
Hedge accounting	X		n/a
AC: Amortized Cost			
FVOCI: Fair Value Through Other Comprehensive Income			
FVTPL: Fair Value Through Profit/Loss			

Amortized cost

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and allocating interest expenses and interest income to the relevant periods. The effective interest rate is the interest rate applied to discount the forecast future cash inflows and outflows (including all fees which form part of the effective interest rate, transaction costs and other premiums and discounts) over the expected term of the financial instrument or a shorter period, where applicable, to arrive at the net carrying amount from initial recognition.

Fair value

The fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability, in an orderly business transaction between market participants on the measurement reference date. This applies irrespective of whether the price is directly observable or has been estimated using a valuation method.

In accordance with IFRS 13, RBI uses the following hierarchy to determine and report the fair value for financial instruments:

Quotation on an active market (Level I)

If market prices are available, the fair value is best reflected by the market price insofar as a publicly quoted market price is available. This category contains equity instruments traded on the stock exchange, debt instruments traded on the interbank market, and derivatives traded on the stock exchange. The valuation is mainly based on external data sources (stock exchange prices or broker quotes in liquid market segments). In an active market, transactions involving financial assets and liabilities are traded in sufficient frequency and volumes, so that price information is continuously available. Indicators for active markets are the number, the frequency of update or the quality of quotations (e.g. banks or stock exchanges). Moreover, narrow bid/ask spreads and quotations from market participants within a certain corridor are also indicators of an active liquid market.

Measurement techniques based on observable market data (Level II)

When quoted prices for financial instruments are not available, the prices of similar financial instruments are used to determine the current fair value or accepted measurement methods utilizing observable prices or parameters (in particular present value calculations or option price models) are employed. These methods concern the majority of the OTC-derivatives and non-quoted debt instruments.

Measurement techniques not based on observable market data (Level III)

If no sufficient current verifiable market data is available for the measurement with measurement models, parameters which are not observable in the market are also used. These input parameters may include data which is calculated in terms of approximated values from historical data among other factors (fair value hierarchy level III). The utilization of these models requires assumptions and estimates of the Management. The scope of the assumptions and estimates depends on the price transparency of the financial instrument, its market and the complexity of the instrument.

For financial instruments valued at amortized cost (this comprises loans and advances, deposits, other short-term borrowings and long-term liabilities), the Group publishes the fair value. In principle, there is low or no trading activity for these instruments, therefore a significant degree of assessment by the Management is necessary for determining the fair value.

Further information on measurement methods and quantitative information for determination of fair value is shown in the notes under (32) Fair value of financial instruments.

Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows arising from a financial asset have expired, when the Group has transferred the rights to the cash flows, or if the Group has the obligation, in case that certain criteria occur, to transfer the cash flows to one or more receivers. A transferred asset is also derecognized if all material risks and rewards of ownership of the assets are transferred. The Group has in place a write-off policy based on the principle that the bank being the creditor of loans does not expect any recovery/payment either on the entire exposure (full write-off) or on a part of the exposure (partial write-off). Furthermore, the loans have to be either fully impaired in amount of the entire exposure or, in case of collateralized loans, they are impaired in the extent not being collateralized. Further information on write-offs is provided in (36) Expected loan defaults.

Modification of financial assets

In RBI, a financial asset is derecognized on account of a modification if the underlying contract is modified substantially. Terms are substantially different if the discounted present value of the cash flows under the new terms using the original effective interest rate differs by at least 10 per cent from the discounted present value of the remaining cash flows of the original financial asset (present value test). In addition to the present value test further quantitative and qualitative criteria are considered in order to assess whether a substantial modification applies. These criteria consider the extension of the average remaining term, whereby in the

case of Stage 3 loans which are restructured, this is often done to match the maximum expected payments. If this is the case, then additional judgement is required to determine whether the extension is a new instrument in economic terms. RBI has defined qualitative criteria for a significant change in the terms of the contract as a change in the underlying currency and also the introduction of clauses that would normally cause the contractual cash flow criteria according to IFRS 9 to fail, or a change in the type of instrument (e.g. a bond is converted to a loan).

Securitization transactions

RBI securitizes various financial assets from transactions with retail and commercial customers by placing risks from these financial assets and transferring them to special purpose vehicles (SPV) or structured entities (SE) that issue securities to investors. The assets transferred may be derecognized fully or partly or be reflected in the form of a transfer of risks in the existence of portfolio guarantees received. Rights to securitized financial assets can be retained in the form of senior or subordinated tranches, interest claims or other residual claims (retained rights).

Derecognition of financial liabilities

The Group derecognizes a financial liability if the obligations of the Group have been paid, expired or revoked. The income or expense from the repurchase of own liabilities is shown in the notes under (7) Other net operating income. The repurchase of own bonds also falls under derecognition of financial liabilities. Differences on repurchase between the carrying amount of the liability (including premiums and discounts) and the purchase price are reported in the income statement under other net operating income.

Reclassification of financial assets

Reclassification is only possible for financial assets, not for financial liabilities. In RBI a change in the measurement category is only possible if there is a change in the business model used to manage a financial asset. Reclassification is then mandatory in such cases. Such changes must be determined by the Management Board and be significant for corporate activities. If such reclassification is necessary, this must be changed prospectively from the date of reclassification and approved by the RBI Management Board.

Derivatives

Within the operating activity, the Group carries out different transactions with derivative financial instruments for trading and hedging purposes. The Group uses derivatives including swaps, standardized forward contracts, futures, credit derivatives, options and similar contracts. The Group uses derivatives in order to meet client requirements concerning their risk management, to manage and hedge risks and to generate profit in proprietary trading. Derivatives are initially recognized at the time of the transaction at fair value and subsequently revalued to fair value. The resulting valuation gain or loss is recognized immediately in net trading income and fair value result, unless the derivative is designated as a hedging instrument for hedge accounting purposes and the hedge is effective. Here the timing of the recognition of the gain or loss on the hedging instrument depends on the type of hedging relationship.

Derivatives which are used for hedging against market risk (excluding trading assets/liabilities) for a non-homogeneous portfolio do not meet the conditions for IAS 39 hedge accounting. These are recognized as follows: the dirty price is booked under the item financial assets – held for trading or financial liabilities – held for trading in the statement of financial position. The change in value of these derivatives, on the basis of the clean price, is shown in net trading income and fair value result and interest is shown in net interest income.

Credit derivatives, the value of which is dependent on future specified credit (non-)events are shown at fair value under the item financial assets – held for trading or financial liabilities – held for trading. Changes in valuation are recognized under net trading income and fair value result.

Additional information on derivatives is provided in the notes under (46) Derivative financial instruments.

Offsetting of financial instruments

Where the borrower and lender are the same, offsetting of loans and liabilities with matching maturities and currencies occurs only if a legal right, by contract or otherwise, exists and offsetting is in line with the actually expected course of the business. Information on offsetting of financial instruments is provided in the notes under (40) Offsetting financial assets and liabilities.

Hedge accounting

IFRS 9 grants accounting options for hedge accounting. In 2019, RBI continues to apply the provisions on hedge accounting pursuant to IAS 39 while, however, taking into account the changes in the disclosures in the notes pursuant to IFRS 7. The respective disclosures are shown in the notes under (47) Hedge accounting - additional information.

If derivatives are held for the purpose of risk management and if the respective transactions meet specific criteria, the Group uses hedge accounting. The Group designates certain hedging instruments - mostly derivatives - as fair value hedges, cash flow hedges or capital hedges. At the beginning of the hedging relationship, the relationship between underlying and hedging instrument, including the risk management objectives, is documented. Furthermore, it is necessary to regularly document from the beginning and during the lifetime of the hedging relationship that the fair value or cash flow hedge is highly effective.

Fair value hedge

Hedge accounting according to IAS 39 applies to those derivatives that are used to hedge the fair value of financial assets and liabilities. The credit business is especially subject to such fair value risks if it deals with fixed-interest loans. Interest rate swaps that satisfy the prerequisites for hedge accounting are contracted to hedge against the interest-rate risks arising from individual loans or refinancing. Thus, hedges are formally documented, continuously assessed, and tested to be highly effective. Throughout the term of a hedge it can therefore be assumed that changes in the fair value of a hedged item will be nearly completely offset by a change in the fair value of the hedging instrument and that the actual effectiveness outcome will lie within a band of 80 to 125 per cent.

Derivative instruments held to hedge the fair value of individual items in the statement of financial position (except trading derivatives) are recognized at fair value (dirty price) under the item hedge accounting (for assets: positive dirty prices; for liabilities: negative dirty prices). Changes in the carrying amounts of hedged items (assets or liabilities) are allocated directly to the corresponding items of the statement of financial position and reported separately in the notes.

Both the effect of changes in the carrying amounts of positions requiring hedging and the effects of changes in the clean prices of the derivative instruments are recorded under net income from hedge accounting.

Within the management of interest rate risks, the hedging of interest rate risk is also undertaken on the portfolio level. Individual transactions or groups of transactions with similar risk structures, divided into maturities according to the expected repayment and interest rate adjustment date in a portfolio, are hedged. Portfolios can contain assets only, liabilities only, or both. For hedge accounting, the change in the value of the hedged asset or liability is shown in net income from hedge accounting. The hedged amount of the hedged items is determined in the consolidated financial statements including sight deposits (the rules of the EU carve-out are therefore applied).

Cash flow hedge

Cash flow hedge accounting according to IAS 39 applies for those derivatives that are used to hedge against the risk of fluctuating future cash flows. Variable-interest loans and liabilities, as well as expected transactions such as expected borrowing or investment, are especially subject to such cash flow risks. Interest rate swaps used to hedge against the risk of fluctuating cash flows arising from specific variable interest-rate items are recognized as follows: The hedging instrument is recognized at fair value, changes in its clean price are recorded in other comprehensive income. Any ineffective portion is recognized in the income statement under net gains/losses from hedge accounting.

Hedge of a net investment in an economically independent operation (capital hedge)

In the Group, foreign exchange hedges of investments in economically independent sub-units are executed in order to reduce differences arising from the foreign currency translation of equity components. Currency swaps are mainly used as hedging instruments. Where the hedge is effective the resulting gains or losses from foreign currency translation are recognized in other comprehensive income and shown separately in the statement of comprehensive income. Any ineffective part of the hedge is recognized in net trading income. The related interest components are shown in net interest income.

Financial guarantees

According to IFRS 9, a financial guarantee is a contract under which the guarantor is obliged to make certain payments. These payments compensate the party to whom the guarantee is issued for losses arising in the event that a particular debtor does not fulfill payment obligations on time as stipulated in the original terms of a debt instrument. At the date of recognition of a financial guarantee, the initial fair value corresponds under market conditions to the premium at the date of signature of the contract. In contrast to the presentation of impairments of financial assets, expected loan defaults are shown as a provision on the liabilities side.

Contingent liabilities and commitments

This item mainly includes contingent liabilities from guarantees, credit guarantees, letters of credit and loan commitments recognized at face value. Guarantees are used in situations in which the Group guarantees payment to the creditor of a third party to fulfill the obligation of the third party. Irrevocable credit lines must be reported when a credit risk may occur. These include commitments to provide loans, to purchase securities or to provide guarantees and acceptances. Loan loss provisions for contingent liabilities and irrevocable loan commitments are reported under provisions for liabilities and charges. Often, loan commitments are only partially drawn and thus comprise a drawn and an undrawn commitment. If it is not possible to separately identify the expected credit losses applicable to a drawn commitment and those to an undrawn commitment, these are shown together with the impairments of the financial asset, in accordance with IFRS 7. The total expected credit losses are shown as a provision if they exceed the gross carrying amount of the financial asset.

Impairment general (IFRS 9)

This section provides an overview of those aspects of the rules on impairment that involve a higher degree of judgement or complexity and major sources of estimation uncertainty. Quantitative information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

Overview

Since IFRS 9 entered into force, impairment losses for all debt instruments which are not measured at fair value and for loan commitments and financial guarantees (hereinafter referred to in this section as financial instruments) are recorded in the amount of the expected credit loss. Equity instruments are not subject to the impairment rules of IFRS 9.

If the credit risk for financial instruments has significantly increased since initial recognition, then on each reporting date, the impairment for a financial instrument must be measured in the amount of the expected credit losses over the (remaining) term. If the credit risk for financial instruments has not significantly increased since initial recognition, then on each reporting date, the impairment for a financial instrument must be measured in the amount of the present value of an expected twelve-month loss. The expected twelve-month loss is that portion of the credit losses expected over the lifetime which correspond to the expected credit losses from default events possible for a financial instrument within the twelve months following the reporting date.

RBI has introduced recognition and measurement methods in order to be able to assess at the end of every reporting period whether or not the credit risk for a financial instrument has significantly increased since initial recognition. Based on the method outlined above, RBI classifies its financial instruments into Stage 1, Stage 2, Stage 3 and POCI as follows:

- Stage 1 essentially includes all financial instruments whose credit default risk has not significantly increased since their initial recognition. Stage 1 also includes all transactions which show a low credit risk on the reporting date and where RBI has utilized the option available under IFRS 9 to waive the assessment of a significant increase in credit risk. A low credit risk exists for all debt securities whose internal credit rating on the reporting date is within the investment grade range (at least corresponds to Standard & Poor's BBB-, Moody's Baa3 or Fitch BBB-). RBI did not make use of the exemption for low credit risks in the lending business. On initial recognition of loans, the bank records an impairment in the amount of the expected twelve-month loss. Stage 1 also includes loans where the credit risk has improved and which have thus been reclassified from Stage 2.
- Stage 2 includes those financial instruments whose credit risk has significantly increased since their initial recognition and which, as at the reporting date, are not classified as transactions with limited credit risk. Impairments in Stage 2 are recognized in the amount of the financial instrument's lifetime expected credit loss. Stage 2 also includes loans where the credit risk has improved and which have thus been reclassified from Stage 3.
- Stage 3 includes financial instruments which are classified as impaired as at the reporting date. RBI's criterion for this classification is the definition of a default in accordance with Article 178 CRR. The expected credit loss over the entire remaining lifetime of the financial instrument is also to be used as the basis for recognizing impairment of Stage 3 loans in default.
- POCI: Purchased or originated credit-impaired assets are financial assets which were already impaired at the time of initial recognition. On initial recognition, the asset is recorded at fair value without any impairment, using an effective interest rate that is adjusted for creditworthiness. The impairment recognized in subsequent periods equals the cumulative change in the lifetime expected credit loss of the financial instrument since the initial recognition in the statement of financial position. This remains the basis for measurement, even if the value of the financial instrument has risen.

The recognition and measurement principles for calculating expected credit losses are set out in the notes under (36) Expected credit losses in the chapter determination of expected credit losses. The recognition and measurement principles for determining a significant increase in the credit risk are set out under (36) Expected credit losses in the chapter significant increase in the credit risk. The expected credit losses are measured on either a collective or individual basis. The requirements for collective measurement are set out under (36) Expected credit losses in the section shared credit risk characteristics.

Determination of expected credit losses

RBI calculates the expected credit loss as the probability-weighted, expected value of all payment defaults taking into account various scenarios over the expected lifetime of a financial instrument discounted with the effective interest rate that was originally determined. A payment default is the difference between the contractually agreed and actually expected payment flows.

The twelve-month loss used for the recognition of impairments in Stage 1 is the portion of the lifetime expected credit loss for the financial instrument that results from default events which are expected to occur within twelve months following the reporting date. The ECL for Stage 1 and Stage 2 as well as for insignificant financial instruments in Stage 3 is determined on an individual transaction basis taking into account statistical risk parameters. These parameters have been derived from the Basel IRB approach and modified to meet the requirements of IFRS 9. The most important input parameters used by RBI for determining the expected credit losses are as follows:

- PD: In RBI, the probability of default is the probability of a borrower being unable to fulfill its payment obligations either within the next twelve months or in the entire remaining lifetime of the instrument.
- Exposure at default (EAD): The exposure at default is the amount which RBI expects to be owed at the time of default, over the next twelve months or over the entire lifetime.
- Loss given default (LGD): The loss given default represents RBI's expectation of the extent of loss on a defaulted exposure.

All risk parameters used from the bank's internal models are adjusted to meet the specific requirements of IFRS 9, and the forecast horizon has been extended accordingly to cover the entire term of the financial instruments. For example, the forecast for the development of the exposure over the entire term of the financial instrument therefore also includes, in particular, contractual and statutory termination rights.

Further details on determining expected credit losses are provided under (36) Expected credit losses.

Forward-looking information

As a rule, the risk parameters specific to IFRS 9 are estimated not only on historical default information but also, in particular, on the current economic environment (point-in-time perspective) and forward-looking information. This assessment primarily involves regularly reviewing the effects which the bank's macroeconomic forecasts will have regarding the amount of the ECL and including these effects in the determination of the ECL. A baseline scenario is used for this purpose which relies on the respective applicable consensus (forecasts of Raiffeisen Research on significant macroeconomic factors, such as real GDP, unemployment rate, reference interest rates and information about the currently assumed state of the credit cycle). This baseline scenario is then supplemented with additional macroeconomic parameters that are relevant for the model. Other risks which cannot be depicted in the standard model and the related expected losses are also taken into account.

Further details on forward-looking information are provided in the notes under (36) Expected credit losses in the chapter forward-looking information.

Significant increase in the credit risk

RBI's rating systems combine into the PD all available quantitative and qualitative information relevant for forecasting the credit risk. This metric is based primarily on a statistical selection and weighting of all available indicators. In addition, the PD adjusted in accordance with IFRS 9 requirements takes into account not only historical information and the current economic environment, but also, in particular, forward-looking information such as the forecast for the development of macroeconomic conditions. As a consequence, RBI uses the PD only as a frame of reference for assessing whether the credit risk of a financial instrument has risen significantly since the date of its initial recognition. By anchoring the review of the relative transfer criterion in the robust processes and procedures of the bank's Group-wide credit-risk-management framework, the bank ensures that a significant increase in the credit risk is identified in a reliable and timely manner based on objective criteria. The review to determine whether the credit default risk as at the financial reporting date has risen significantly since the initial recognition of the respective financial instrument is performed as at the reporting date. This review compares the observed probability of default over the residual maturity of the financial instrument (Lifetime-PD) against the lifetime PD over the same period as expected on the date of recognition. Further details on forward-looking information are provided in the notes under (36) Expected credit losses in the chapter significant increase in the credit risk.

Collateral

In order to mitigate credit risks for financial assets, RBI endeavors to use collateral wherever possible. This collateral can take different forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets and credit improvements such as netting agreements. The accounting principles for collateral remain unchanged compared to IAS 39. Collateral is not recorded in RBI's statement of financial position unless it is repossessed. The fair value of collateral does, however, affect the calculation of ECLs. Generally, it is valued at least at the outset, and subject to half-yearly reviews. Some collateral such as cash or securities are assessed daily in respect of margin requirements. Further details are provided in the notes under (35) Collateral and maximum credit risk.

A special case is the classification of land and buildings from bail-out purchases within the framework of collateral realization as such real estate or other assets have been primarily acquired to avoid losses from the lending business and are generally intended to be re-sold. In a first step, RBI assesses whether or not an asset that has been taken back can be used for its own business operations. Assets that are considered useful for own business operations are transferred to the bank's tangible fixed assets at the lower of the re-procurement value or the carrying amount of the originally collateralized asset. Assets which are planned to be sold are recognized in RBI's inventories at fair value less selling costs for non-financial assets at the time of repossession, in accordance with the bank's guidelines. When realizing collateral, however, RBI does not generally take physical possession of the assets but commissions external agents to obtain funds through auctions in order to settle outstanding debts of the customer. Any excess funds are returned to customers. Due to this practice, residential real estate is not reported in RBI's statement of financial position within the context of the realization of collateral.

Genuine sale and repurchase agreements

In a genuine sale and repurchase transaction, RBI sells assets to a third party and agrees at the same time to repurchase these assets at an agreed price and time. The assets remain on RBI's statement of financial position and are measured according to the standards applied to the item in the statement of financial position under which they are shown. The securities are not derecognized since all the risks and rewards of RBI associated with the ownership of the repurchased securities are retained. Cash inflows arising from a sale and repurchase transaction are recognized in the statement of financial position as financial liabilities – amortized cost.

Under reverse repurchase agreements, assets are acquired by RBI with the obligation to sell them in the future. The purchased securities on which the financial transaction is based are not reported in RBI's statement of financial position and accordingly not measured. Cash outflows arising from reverse repurchase agreements are recorded in the statement of financial position under the item financial assets – amortized cost.

Interest expense from sale and repurchase agreements and interest income from reverse sale and repurchase agreements is accrued in a straight line over their term to maturity and shown under RBI's net interest income.

Securities lending

RBI concludes securities lending transactions with banks or customers in order to meet delivery obligations or to conduct security sale and repurchase agreements. In RBI, securities lending transactions are shown in the same way as genuine sale and repurchase agreements. This means loaned securities continue to remain in the securities portfolio and are valued according to IFRS 9. Borrowed securities are not recognized and not valued in RBI. Cash collateral provided by RBI for securities lending transactions is shown as a claim under the item financial assets – amortized cost while collateral received is shown as financial liabilities – amortized cost in the statement of financial position.

Leasing

RBI has applied IFRS 16 using the modified retrospective approach and therefore the comparative information for 2018 has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impacts on the consolidated financial statements are disclosed in section application of new and revised standards.

Policy applicable before 1 January 2019

For contracts before 1 January 2019, RBI determined whether the arrangement was or contained a lease based on the assessment of whether

- fulfilment of the arrangement was dependent upon a specific asset; and
- the arrangement had conveyed the right to control the use of the underlying asset. This was the case if any of the following conditions was met:
 - The purchaser in the arrangement had the ability or right to operate the asset or direct others to operate the asset.
 - The purchaser had the ability or right to control physical access to the asset.
 - There was only a remote possibility that parties other than the purchaser took more than an insignificant amount of the output of the asset and the price that the purchaser would pay was neither fixed per unit of output nor equal to the current market price at the time of delivery.

Accounting policy applicable from 1 January 2019

At inception of a contract, RBI assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, RBI assesses whether:

- the contract involves the use of an identified asset - this is the case if either the asset is explicitly specified in the contract or the asset is implicitly specified at the time that it is made available for use by the customer that is capable of being used to meet the contract terms. If the supplier has a substantive substitution right, then the asset is not identified;
- RBI has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- RBI has the right to direct how and for what purpose the asset is used throughout the period of use or the relevant decisions about how and for what purpose the asset is used are predetermined.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

RBI as lessee

RBI recognizes a right-of-use asset and a lease liability at the lease commencement date which is the date on which a lessor (a supplier) makes an underlying asset available for use by RBI. The right-of-use asset is measured at cost at the commencement date. The cost of the right-of-use asset comprises the amount equal to the lease liability at its initial recognition adjusted for any lease payments made at or before the commencement of the lease plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, or to restore the underlying asset or the site on which it is located, less any lease incentives.

The right-of-use asset is subsequently depreciated using the straight-line method in accordance with IAS 16 from the commencement date to the earlier of the end of the useful life or the end of the lease term of the right-of-use asset. The right-of-use asset is reduced by impairments, if any, and adjusted for certain remeasurements of the lease liability.

At the commencement date, RBI measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise the following:

- fixed payments including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if RBI is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

The lease liability is measured on an ongoing basis similarly to other financial liabilities, using an effective interest method, so that the carrying amount of the lease liability is measured on an amortized cost basis and the interest expense is allocated over the lease term. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the RBI's estimate of the amount expected to be payable under a residual value guarantee, or if RBI changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

RBI has elected not to recognize right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term of twelve months or less and leases of low-value assets, including IT equipment. RBI recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

RBI as lessor

When RBI acts as lessor, it determines at lease inception whether the lease is accounted for as finance or operating lease. In RBI a lease is classified as a finance lease if substantially all the risks and rewards incidental to ownership are transferred. Typical factors that, individually or in combination, would normally lead to a lease being classified as a finance lease:

- Transfer of ownership of the asset by the end of the lease term;
- Option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain at the inception date that the option will be exercised;
- The lease term is for the major part of the economic life of the asset (even if the title is not transferred);
- At the inception date, the present value of the lease payments equals at least substantially the fair value of the asset;
- The asset is of such a specialized nature that only the lessee can use it without major modifications.

Sometimes RBI is an intermediate lessor which means that RBI acts as both the lessee and lessor of the same underlying asset and accounts for its interest in the main lease and the sublease separately. When the main lease is a short-term lease, the sublease is classified as an operating lease. Otherwise, RBI assesses the classification of a sublease by reference to the right-of-use asset in the main lease and not by reference to the underlying asset of the main lease.

RBI recognizes the lease payments associated with the operating lease as income on a straight-line basis over the lease term.

The accounting policies applied in 2018 as a lessor in the comparative period were not different from IFRS 16.

Consolidation principles

Subsidiaries

All material subsidiaries over which RBI AG directly or indirectly has control are fully consolidated. The Group has control over an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiaries which are not consolidated in the consolidated financial statements are measured at fair value. Investments in subsidiaries whose fair value differ insignificantly from the acquisition costs less impairment, are simply measured at the acquisition costs minus impairment. Investments in subsidiaries are shown under the item investments in subsidiaries and associates.

Structured entities are entities in which the voting or similar rights are not the dominant factor for determining control, e.g. if the voting rights are solely related to administration activities and the relevant activities are governed by contractual agreements.

Similar to subsidiaries, consolidation of structured entities is necessary, if the Group has control over the entity. In the Group, the need to consolidate structured entities is reviewed as part of the securitization transaction process, where the structured entity is either formed by the Group with or without participation of third parties, or, in which the Group with or without participation of third parties enters into contractual relationships with already existing structured entities. Whether an entity should be consolidated or not is reviewed at least quarterly or if an event occurs. All fully consolidated structured entities and investments in non-consolidated structured entities are to be found in the notes under (69) Group composition.

In order to determine when an entity has to be consolidated, a series of control factors have to be checked. These include an examination of

- the purpose and the constitution of the entity,
- the relevant activities and how they are determined,
- if the Group has the ability to determine the relevant activity through its rights,
- if the Group is exposed to risks of or has rights to variable returns,
- if the Group has the ability to use its power over the investee in order to affect the amount of variable returns.

If voting rights are relevant, the Group has control over an entity in which it directly or indirectly holds more than 50 per cent of the voting rights; except when there are indicators that another investee has the ability to determine unilaterally the relevant activities of the entity. One or more of the following points may be such an indicator:

- Another investor has control over more than half of the voting rights due to an agreement with the Group,
- Another investor has the ability to control financial policy and operational activities of the equity participation due to legal provisions or an agreement,
- Another investor has control over the equity participation due to its possibility to appoint and withdraw the majority of members of the Board or members of an equivalent governing body,
- Another investor has control over the entity due to its possibility to possess the majority of the delivered voting rights in a meeting of members of the Board or of members an equivalent governing body.

When judging control, also potential voting rights are considered as far as they are material.

The Group assesses evidence of control in cases in which it does not hold the majority of voting rights but has the ability to unilaterally govern the relevant activities of the entity. This ability may occur in cases in which the Group has the ability to control the relevant activities due to the extent and distribution of voting rights of the investees.

In principle, subsidiaries are initially integrated into the consolidated group on the date when the Group obtains control of the company and are excluded from the date on when it no longer has control of the company. The results from subsidiaries acquired or disposed of during the year are recorded in the consolidated income statement, either from the actual date of acquisition or up to the actual date of disposal. The Group reviews the adequacy of previous decisions on which companies to consolidate at least every quarter. Accordingly, any organizational changes are immediately taken into account. Apart from changes in ownership, these also include any changes to the Group's existing contractual arrangements or new contractual arrangements with a unit.

Non-controlling interests are shown in the consolidated statement of financial position as part of equity, but separately from RBI AG's equity. The profit attributable to non-controlling interests is shown separately in the consolidated income statement.

In debt consolidation, intra-group loans and liabilities are eliminated. Remaining temporary differences are recognized under the items other assets or other liabilities in the consolidated statement of financial position.

Intra-group income and expenses are also eliminated and temporary differences resulting from bank business transactions are included partly in net interest income and partly in net trading income. Other differences are shown in the item other net operating income.

Intra-group results are eliminated insofar as they have a material effect on the income statement items. Transactions between Group members are executed on an arm's length basis.

Changes in the Group's ownership interests in existing subsidiaries

If, in the case of existing control, further shares are acquired or sold without loss of control, in subsequent consolidation such transactions are recognized directly in equity. The carrying amount of the shares held by the Group and the non-controlling interests are adjusted in such a way as to reflect changes in existing shareholdings in subsidiaries. Any difference between the amount which is adjusted for the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and is assigned to the shareholders of the parent company.

If the company loses control over a subsidiary, the income/loss from disposal of group assets is shown in the income statement. This is calculated as the difference between

- the total amount of fair value of the received consideration and fair value of the shares retained and
- the carrying amount of assets (including goodwill), liabilities of the subsidiary and all non-controlling interests.

All amounts related to these subsidiaries and shown in other comprehensive income are recognized in the same way as would be the case for the sale of assets. This means the amounts are reclassified to the income statement or directly transferred to retained earnings.

Associated companies

An associated company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity in which shares are held. No control or joint management of decision-making processes exists. As a rule, significant influence is assumed if the Group holds 20 to 50 per cent of the voting rights. When judging whether the Group has the ability to exert a significant influence on another entity, the existence and the effect of potential voting rights which are actually exercisable or convertible are taken into account. Further parameters for judging significant influence are, for example, the representation in executive committees and supervisory boards (Supervisory Board in Austrian Joint Stock companies) of the entity and material business transactions with the entity. Investments in associated companies are valued at equity and shown in the statement of financial position under the item investments in subsidiaries and associates under the sub-item investments accounted for at equity.

The acquisition cost of these investments including goodwill is determined at the time of their initial consolidation, applying by analogy the same rules as for subsidiaries (offsetting acquisition costs against proportional fair net asset value). If associated companies are material, appropriate adjustments are made to the equity carrying amount, in accordance with developments in the company's equity. Profit or losses of companies valued at equity are netted and recognized in the item current income from investments in associates. Losses attributable to companies accounted for using the equity method are only recognized up to the level of the equity carrying amount. Losses in excess of this amount are not recognized, since there is no obligation to offset excess losses. Furthermore, any amounts recognized by the associate through other comprehensive income will be recognized in the other comprehensive income statement of RBL. This is especially relevant for valuation effects seen from financial assets at fair value through other comprehensive income (FVOCI). At each reporting date, the Group reviews to what extent there is objective evidence for impairment of an equity participation in an associated company. If there is objective evidence of impairment, an impairment test is carried out, in which the recoverable value of the participation – this is higher of the usable value and the fair value less selling costs – is compared to the carrying amount. An impairment made in previous periods is reversed only if the assumptions underlying the determination of the recoverable value have been changed since recognition of the last impairment. In this case the carrying amount is written up to the higher recoverable value.

Business combinations

The acquisition of business operations is recognized according to the acquisition method. The consideration transferred in a business combination is measured at fair value. This is calculated as the aggregate of the acquisition-date fair value of all assets transferred, liabilities assumed from former owners of the acquired business combination and equity instruments issued by the Group in exchange for control of the business combination. Transaction costs related to business combinations are recognized in the income statement when incurred.

Goodwill is measured as the excess of the aggregate of the value of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree (if any), and the net

of the acquisition-date amounts of the fair values of identifiable assets acquired and the liabilities assumed. In the event that the difference is negative after further review, the resulting gain is recognized immediately in the income statement.

Non-controlling interests which confer ownership rights and grant the right to the owner to receive a proportionate share of the net assets of the entity in the event of liquidation, are measured either at fair value or at the non-controlling interest's proportionate share of net assets of the acquiree at the acquisition date. This accounting policy option can be newly made for every business combination. Other components of non-controlling interests are measured at fair value or with measurement values derived from other standards.

If the consideration transferred includes a contingent consideration, this is measured at the acquisition-date fair value. If the contingent consideration is classified as equity, it is not re-measured on the following reporting date. Its settlement is recognized within equity. A contingent consideration classified as assets or liabilities is measured on the following reporting dates at fair value and a resulting profit or loss is recognized in the income statement.

Adjustments to the measurement or additional recognition of further assets and liabilities in order to reflect information about facts and circumstances which already existed at the time of acquisition are corrected retrospectively within the measurement period and posted accordingly against goodwill. The measurement period may not exceed one year from the date of acquisition.

Cash, cash balances at central banks and other demand deposits

This item on the statement of financial position includes cash in hand, balances at central banks that are due on call, and demand deposits at banks that are due on call.

Equity participations

Investments in subsidiaries not included in the consolidated financial statements because of their minor significance, and investments in associated companies that are not valued at equity are shown in investments in subsidiaries and associates.

Intangible fixed assets

Acquired intangible fixed assets

In RBI, separately acquired intangible fixed assets, i.e. those with a definite useful life not acquired in a business combination, are capitalized at acquisition cost less accumulated amortization and impairment. Amortization is accrued in a straight line over the expected useful life and reported as an expense in the income statement. The expected useful life and the depreciation method are reviewed at each reporting date and any possible changes in measurement taken into account prospectively. Separately acquired intangible fixed assets with an indefinite useful life are capitalized at acquisition cost less accumulated impairment. The normal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

Internally developed intangible fixed assets – research and development costs

Internally developed intangible assets comprise exclusively software and are capitalized if it is probable that the future economic benefits attributable to the asset will accrue to the Group and the cost of the asset can be measured reliably. Expenses for research are recognized as an expense when they are incurred.

An internally developed intangible fixed asset resulting from development activities or from the development stage of an internal project is capitalized when the following evidence is provided:

- The final completion of the intangible fixed asset is technically feasible so that it will be available for use or sale.
- It is intended to finally complete the intangible fixed asset and to use or to sell it.
- The ability exists to use or to sell the intangible fixed asset. The intangible fixed asset is likely to generate future economic benefit.
- The availability of adequate technical, financial and other resources required in order to complete development and to use or sell the intangible fixed asset is assured.
- The ability exists to reliably determine the expenditure incurred during the development of the intangible fixed asset.

The amount at which an internally developed intangible fixed asset is initially capitalized is the sum of all expenses incurred beginning from the day on which the aforementioned conditions are initially met. If an internally developed intangible fixed asset cannot be capitalized, or if there is as yet no intangible fixed asset, the development costs are reported in the income statement for the reporting period in which they are incurred.

Capitalized development costs are generally amortized in the Group in a straight line over a useful life of five years. The normal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

Intangible fixed assets acquired in a business combination

In RBI, intangible fixed assets acquired in a business combination are reported separately from goodwill and measured at fair value. Goodwill and other intangible fixed assets without definite useful lives are tested for impairment at each reporting date. Impairment tests are performed whenever certain events (trigger events) occur during the year. Whenever circumstances indicate that the expected benefit no longer exists, impairment must be recognized pursuant to IAS 36.

Intangible fixed assets with a definite useful life are amortized over the period during which the intangible fixed asset can be used. The useful life of the acquired customer base was set at 20 years in the retail business of Raiffeisen Bank Aval JSC.

Group companies use brands to differentiate their services from the competition. According to IFRS 3, brands of acquired companies are recognized separately under the item intangible fixed assets. Brands have an indeterminable useful life and are therefore not subject to scheduled amortization. Brands have to be tested annually for impairment and additionally whenever indications of impairment arise. Details on impairment testing can be found in the notes under (21) Tangible and intangible fixed assets.

Tangible fixed assets

Land and buildings as well as office furniture and equipment reported under tangible fixed assets are measured at cost of acquisition or conversion less depreciation. Depreciation is recorded under the item general administrative expenses.

The straight-line method is used for depreciation and is based on the following useful life figures:

Useful life	Years
Buildings	25 – 50
Office furniture and equipment	5 – 10
Hardware	3 – 7

Land is not subject to depreciation.

Expected useful lives, residual values and depreciation methods are reviewed annually. Any necessary future change of estimates is taken into account. Any anticipated permanent impairment is reported in the income statement and shown under the item impairment on non-financial assets. In the event that the reason for the impairment no longer exists, a write-up will take place up to a maximum of the amount of the amortized cost of the asset.

A tangible fixed asset is derecognized on disposal or when no future economic benefit can be expected from the continued use of the asset. The resulting gain or loss from the sale or retirement of any asset is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in other net operating income.

Investment property

This is property that is held to earn rental income and/or for capital appreciation. Investment property is reported at amortized cost using the cost model permitted by IAS 40 and is shown under tangible fixed assets because of minor importance. Straight line depreciation is applied on the basis of useful life. The normal useful life of investment property is identical to that of buildings

recognized under tangible fixed assets. Depreciation is recorded under the item general administrative expenses. Impairments that are expected to be permanent are recognized in profit or loss and shown in the item impairment on non-financial assets. If the reasons for the impairment cease to exist, a write-up is made up to the amortized acquisition costs.

Investment property is derecognized on disposal or when it is no longer to be used and no future economic benefit can be expected from disposal. The resulting gain or loss from the disposal is determined as the difference between the net proceeds from the disposal and the carrying amount of the asset and is recognized in other net operating income in the reporting period in which the asset was sold.

Impairment of non-financial assets

Impairment test for goodwill

On each reporting date, goodwill is examined with a view to its future economic utility on the basis of cash generating units (CGUs). A cash generating unit is defined by the management and represents the smallest identifiable group of assets of a company that generates cash inflows from operations. Within RBI, all segments according to segment reporting are determined as cash generating units. Legal entities within the segments form their own CGU for the purpose of impairment testing of goodwill. The carrying amount of the relevant entity (including any assigned goodwill) is compared with its recoverable amount. This is, as a general principle, defined as the higher of the fair value less selling costs and the amount resulting from its value in use. The value in use is based on expected potential dividends discounted using a rate of interest reflecting the risk involved. The estimation of the future results requires an assessment of previous as well as future performance. The latter must take into account the likely development of the relevant markets and the overall macroeconomic environment.

Impairment tests for goodwill based on cash-generating units use a multi-year plan drawn up by the relevant management team and approved by the bodies responsible. This covers the CGU's medium-term prospects for success taking into account its business strategy, overall macroeconomic conditions (gross domestic product, inflation expectations, etc.) and the specific market circumstances. The data is then used to capture the terminal value based on a going concern concept. Discounting of the earnings relevant for the measurement, i.e. potential dividends, is undertaken using risk-adapted and country-specific equity capital cost rates determined by means of the capital asset pricing model. The individual interest rate parameters (risk-free interest rate, inflation difference, market risk premium, country-specific risks and beta factors) were defined by using external information sources. The entire planning horizon is divided into three phases with phase I covering the management planning period of three years. Detailed planning, including macroeconomic planning data, is extrapolated in phase II, which lasts another two years. The terminal value is then calculated in phase III based on the assumption of a going concern. Details on impairment testing can be found in the notes under (21) Tangible and intangible fixed assets.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when the related carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is only considered met if the sale is highly probable and the asset (or disposal groups) is immediately available for sale and furthermore that the Management Board has committed itself to a sale. Moreover, the sale transaction must be due to be completed within twelve months.

Non-current assets and disposal groups classified as held for sale are valued at the lower amount of their original carrying amount or fair value less costs to sell and are reported under other assets. Income from non-current assets held for sale and discontinued operations is reported in the other result. If the impairment expense of the discontinued operations exceeds the carrying amount of the assets which fall under the scope of IFRS 5 (Measurement), there is no special provision in the IFRS on how to deal with this difference. This difference is recognized in the item provisions for onerous contracts in the statement of financial position.

In the event that the Group has committed to a sale involving the loss of control over a subsidiary, all assets and liabilities of the subsidiary concerned are classified as held for sale provided the aforementioned conditions for this are met. This applies irrespective of whether the Group retains a non-controlling interest in the former subsidiary after the sale or not.

Results from discontinued business operations are reported separately in the income statement as result from discontinued business operations.

Details on assets held for sale pursuant to IFRS 5 are included in the notes under (23) Other assets.

Provisions for liabilities and charges

Provisions are recognized when the Group has a present obligation from a past event, where it is likely that it will be obliged to settle, and a reliable estimate of the amount is possible. The level of provisions is the best possible estimate of expected outflow of economic benefits at the reporting date while taking into account the risks and uncertainties underlying the commitment to fulfill the obligation. If a provision is formed based on cash flows estimated to fulfill an obligation, the cash flows must be discounted if the interest effect is material.

These types of provision are reported in the statement of financial position under the item provisions for liabilities and charges. Allocation to the various types of provision is booked through different line items in the income statement depending on the nature of the provision. Allocation of loan loss provisions for contingent liabilities is recorded in the income statement under the line item impairment losses on financial assets. Restructuring provisioning and other employee benefits are recorded in general administrative expenses. Provision allocations that are not assigned to a corresponding general administrative expense are as a matter of principle booked against other net operating income.

Provisions for pensions and similar obligations

All defined benefit plans relating to so-called social capital (provisions for pensions, provisions for severance payments and provisions for service anniversary bonuses) are measured using the Projected Unit Credit Method in accordance with IAS 19 – Employee Benefits. The biometrical basis for the calculation of provisions for pensions, severance payments and service anniversary bonuses for Austrian companies is provided by AVÖ 2018-P-Rechnungsgrundlagen für die Pensionsversicherung (Computational Framework for Pension Insurance), using the relevant parameters for salaried employees. In other countries, comparable actuarial parameters are used for calculation.

Further details to provisions for pensions and similar obligations can be found in the notes under (28) Provisions for liabilities and charges.

Defined contribution plans

Under defined contribution plans, the company pays fixed contributions into a separate entity (a fund). These payments are recognized as staff expenses in the income statement.

Employee compensation plans

Variable remuneration – special remuneration policies

In the Group variable compensation is based on bonus pools on the bank or profit center level. Every variable remuneration system has fixed minimum and maximum levels and thus defines maximum payout values.

As of the financial year 2011, the following general and specific principles for the allocation, the claim and the payment of variable remuneration (including the payment of the deferred portion of the bonus) for board members of RBI AG and certain Group units and identified staff (risk personnel) are applied:

- 60 per cent for especially high amounts and 40 per cent of the annual bonus respectively will be paid out on a proportional basis as 50 per cent cash immediately (up-front), and 50 per cent through a phantom share plan (see details below), which will pay out after a holding period (retention period) of one year.
- 40 per cent and 60 per cent of the annual bonus respectively will be deferred according to local law over a minimum period of three (in Austria, five) years (deferral period). Payment will be made on a proportional basis, 50 per cent cash and 50 per cent based on the phantom share plan.

The specific structure of the above-mentioned principles results in deviations for individual group units in order to take into account the partly stricter national legal regulations.

Variable remuneration including a deferred portion is only allocated, paid or transferred if the following criteria are met:

- This is not prohibited at the level of RBI and/or RBI AG on the basis of a decision by the competent supervisory authority (e.g. by the European Central Bank for RBI).
- This is tenable overall based on the financial position of RBI and the financial position of RBI AG and is justified based on the performance of the Group, RBI AG, the business unit and the individual concerned.

- The minimum requirements applicable to RBI AG under local legislation for the allocation or payment of variable remuneration are fulfilled.
- The legally required CET 1 ratio of RBI is achieved, the capital and buffer requirements of the CRR and CRD IV for RBI are complied with in full and additionally neither the allocation, payment nor transfer of the variable remuneration is detrimental to the maintenance of a sound capital base for RBI.
- RBI has met the minimum requirements under applicable law for economic and regulatory capital and additionally neither the allocation, payment nor transfer of the variable remuneration is detrimental to the maintenance of a sound capital base for RBI.
- All additional criteria and prerequisites for the allocation and/or payment of variable remuneration, as defined from time to time by the Management Board or the Supervisory Board (REMCO) of RBI, are met.

The Group fulfills the obligation arising from Clause 11 of the Annex to Section 39b of the Austrian Banking Act (BWG) which stipulates that at least 50 per cent of the variable remuneration of risk personnel must be paid out in the form of shares or similar non-cash instruments by means of a phantom share plan as follows: 50 per cent of the up front and 50 per cent of the deferred portion of the bonus are divided by the average closing price of the RBI share on trading days of the Vienna Stock Exchange in the payment year serving as the basis for calculating the bonus. Thereby, a certain amount of phantom shares is determined. This amount is fixed for the entire duration of the deferral period. After the expiration of the respective retention period, the amount of specified phantom shares is multiplied by RBI's share price for the previous financial year, calculated as described above. The resulting cash amount is paid on the next available monthly salary payment date.

These rules are valid unless any applicable local laws prescribe a different procedure (e.g. Czech Republic, Poland).

All expenses associated with the variable remuneration were recognized in personnel expenses in accordance with IAS 19 and the expected discounted payment amount was set aside. They are shown in more detail in the notes under (28) provisions.

Share-based compensation

The Management Board, with approval of the Supervisory Board, of RBI AG has approved a share incentive program (SIP) for the years 2011, 2012 and 2013 which provides performance-based allotments of shares to eligible employees domestically and abroad for a given period. Eligible employees are current board members and selected executives of RBI AG, as well as executives of its affiliated bank subsidiaries and other affiliated companies. In 2014, it was already decided not to continue the program due to the complexity of the regulatory rules regarding variable compensation.

The number of ordinary shares of RBI AG which ultimately will be transferred depended on the achievement of two performance criteria: the targeted return on equity (ROE) and the performance of the shares of RBI AG compared to the total shareholder return of the shares of companies in the DJ EURO STOXX Banks index after a five-year holding period.

All expenses related to the share incentive program were recognized in staff expenses in accordance with IFRS 2 (share-based payment) and charged to equity. The final allocation under a SIP tranche was made in 2018.

Subordinated capital

Issued subordinated capital and supplementary capital are shown either in financial liabilities – amortized cost or financial liabilities – designated fair value through profit/loss. Assets are subordinated if, in the event of liquidation or bankruptcy, they can only be met after the claims of the other – not subordinated – creditors have been satisfied. Supplementary capital contains all paid-in capital provided by a third-party and available for the company for at least eight years, for which interest is paid only from profit and which can be repaid in the case of insolvency only after all other creditors are satisfied.

Net interest income

Interest and interest-like income mainly includes interest income on financial assets such as loans, fixed-interest securities, as well as interest and interest-like income from the trading portfolio. Interest expenses and interest-like expenses mainly include interest paid on deposits, debt securities issued and subordinated capital. Interest income and interest expenses are accrued in the reporting period. Negative interest from asset items is shown in interest income; negative interest from liability items is shown in interest expenses.

Dividend income

Dividends from equities, subsidiaries not fully consolidated, strategic investments and associates not valued at equity are recognized under dividend income. Dividends are recognized through profit/loss if RBI's legal entitlement to payment has materialized.

Net fee and commission income

Net fee and commission income item mainly includes income and expenses arising from payment transfer business, asset management, foreign exchange business and credit business. Fee and commission income and expenses are accrued in the reporting period.

Net trading income and fair value result

Net trading income comprises the trading margins resulting from the foreign exchange business, results due to foreign exchange revaluations and all realized and unrealized gains and losses from financial assets and liabilities at fair value.

General administrative expenses

General administrative expenses include staff and other administrative expenses as well as amortization/depreciation on tangible and intangible fixed assets.

Other net operating income

The other net operating income does not include any direct core income, but rather special earnings components that arise in connection with the operating business

Other result

The other result mainly includes impairments of equity instruments and non-financial assets as well as deconsolidation effects. This primarily includes impairment and reversal of impairment on investments in subsidiaries and associates, impairment of goodwill and other non-financial assets as well as the result from non-current assets and disposal groups held for sale. In addition, RBI shows the tax expenses not attributed to business activity (from corporate restructurings) as well as allocations to credit-linked and portfolio-based provisions for litigation.

Income taxes

RBI AG as group parent and 49 of its consolidated domestic subsidiaries are members of a tax group. Current taxes are calculated on the basis of taxable income for the current year taking into account the tax group (in terms of a tax group allocation). In the reporting year, a supplementary agreement was added to the current tax group allocation agreement. If RBI AG generates a negative taxable net income and these taxable losses are not usable in the group, then the group parent does not immediately pay a negative tax group allocation. Only and after withdrawal from the tax group at the latest, a final settlement is carried out. The taxable income deviates from the profit/loss before tax of the consolidated statement of comprehensive income due to expenses and income which are taxable or tax-deductible in the following years or which are never taxable or tax-deductible. The liability of the Group for current taxes is recognized on the basis of the actual tax rate or the expected applicable tax rate.

Deferred taxes are calculated and recognized in accordance with IAS 12 applying the liability method. Deferred taxes are based on all temporary differences that result from comparing the carrying amounts of assets and liabilities in the IFRS accounts with the tax bases of assets and liabilities, and which will reverse in the future. Deferred taxes are calculated by using tax rates applicable in the countries concerned. A deferred tax asset should also be recognized on tax loss carry-forwards if it is probable that sufficient taxable profit will be generated against which the tax loss carry-forwards can be utilized within the same entity. On each reporting date, the carrying amount of the deferred tax assets is reviewed and impaired if it is no longer probable that sufficient taxable income will become available in order to partly or fully realize the tax assets. Deferred tax assets are offset against deferred tax liabilities for each subsidiary to the extent that offsetting is permitted. Income tax credits and income tax obligations are recorded under the items current and deferred tax assets and current and deferred tax liabilities.

Current taxes and movements of deferred taxes are recognized in the income statement unless they are linked to items which are recognized in other comprehensive income, in which case the current and deferred taxes are also directly recognized in other comprehensive income.

IFRIC 23 Uncertainty over Income Tax Treatments was issued in June 2017 and is applied by RBI starting with the 2019 financial year. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12. RBI is required to use judgment to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. If RBI concludes that it is not probable that a particular tax treatment is accepted, it has to use the most likely amount or the expected value of the tax treatment. Otherwise, it uses the tax treatment that is consistent with its income tax filings. An entity has to reassess its judgments and estimates if facts and circumstances change.

Other comprehensive income

Other comprehensive income comprises all income and expenses directly recognized in equity according to IFRS standards. Income and expenses recognized directly in equity that are reclassified in the income statement are reported separately from income and expenses recognized directly in equity that are not reclassified in the income statement. Currency differences resulting from the translation of equity in subsidiaries held in foreign currency, changes resulting from the hedging of net investments in a foreign entity (capital hedge), the effective part of a cash flow hedge, changes resulting from valuation of financial assets (debt instruments) of the category FVOCI, proportionate other comprehensive income from associates accounted for at equity as well as deferred taxes on the mentioned items are recognized in other comprehensive income.

Revaluations of defined benefit plans, valuation changes of financial assets (equity instruments) of the category FVOCI, valuation changes on account of the change in the own default risk of financial liabilities at fair value, proportionate other comprehensive income from associates as well as deferred taxes on the mentioned items are reported in other comprehensive income and are not reclassified to the income statement.

Fiduciary business

Transactions arising from the holding and placing of assets on behalf of third parties are not shown in the statement of financial position. Fees arising from these transactions are shown under net fee and commission income.

Insurance contracts

Liabilities arising from insurance contracts change depending on changes in interest rates, income from investments and expenses for pension agreements for which future mortality rates cannot be reliably predicted. IFRS 4 must be applied to the reporting of liabilities resulting from the existence of mortality rate risks and discretionary participation features. All assets associated with pension products are reported in accordance with IFRS 9. Liabilities are recorded under other liabilities.

Own shares

Own shares of RBI AG at the reporting date are deducted directly from equity. Gains and losses on own shares have no impact on the income statement.

Statement of cash flows

The cash flow statement reports the change in the cash and cash equivalents of the Group through the net cash from operating activities, investing and financing activities. Cash flows for investing activities mainly include proceeds from the sale, or payments for the acquisition of, financial investments and tangible fixed assets. The net cash from financing activities shows all cash flows from equity capital and subordinated capital. All other cash flows are – according to international practices for financial institutions – assigned to operating activities.

Segment reporting

Notes on segment reporting are to be found in the section segment reporting.

Notes on the nature and extent of risks

Information about risks arising from financial instruments is disclosed in the explanatory notes. The risk report in particular contains detailed information on credit risk, country risk, concentration risk, market risk and liquidity risk.

Capital management

Information on capital management, regulatory capital and risk-weighted assets is disclosed in the notes under (71) Capital management and total capital according to CCR/CRD IV and Austrian Banking Act (BWG).

Standards and interpretations that are not yet applicable (already endorsed by the EU)

The following new or amended standards and interpretations, which have been adopted, but are not yet mandatory, have not been applied early.

Amendment to the IFRS Conceptual Framework for Financial Reporting (effective date: 1 January 2020)

The new Conceptual Framework contains revised definitions of assets and liabilities as well as new guidance on measurement and derecognition, presentation and disclosure. The Conceptual Framework was not substantially revised as was originally intended when the project was initiated in 2004. Instead, the IASB focused on topics that were not yet covered or that showed obvious shortcomings that needed to be dealt with. The revised Conceptual Framework is not subject to the endorsement process.

Amendments to IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform; effective date: 1 January 2020)

The amendments affect in particular certain simplifications with regard to the hedge accounting regulations and are mandatory for all hedging relationships that are affected by the reform of the reference interest rate. In addition, further information is provided on the extent to which the hedging relationships of the companies are affected by the amendments. The amendments are to be applied for reporting periods from 1 January 2020. Early application of the amendments is permitted but not applied by RBI. Application of the standard is not expected to materially impact the consolidated financial statements of RBI.

Amendments to IAS 1 and IAS 8 (Definition of Material; effective date: 1 January 2020)

The International Accounting Standards Board (IASB) has issued the Definition of Material (Amendments to IAS 1 and IAS 8) to align the definition of materiality used in the Conceptual Framework and the standards. Application of the revised standard is not expected to impact the consolidated financial statements of RBI.

Standards and interpretations not yet applicable (not yet endorsed by the EU)

Amendments to IFRS 3 (Definition of a Business; effective date: 1 January 2020)

The narrow-scope amendments to IFRS 3 aim to resolve the difficulties that arise when an entity is determining whether it has acquired a business or a group of assets. The difficulties result from the fact that the accounting requirements for goodwill, acquisition costs and deferred taxes differ on the acquisition of a business and on the acquisition of a group of assets. Application of the revised standard is not expected to impact the consolidated financial statements of RBI.

IFRS 17 (Insurance Contracts; effective date: 1 January 2021)

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that entities provide relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect of insurance contracts on an entity's financial position, financial performance and cash flows. IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. Application of the standard is not expected to materially impact the consolidated financial statements of RBI.

Key figures

Alternative Performance Measures (APM)

The Group uses alternative performance measures in its financial reporting, not defined by IFRS or CRR regulations, to describe RBI Group's financial position and performance. These should not be viewed in isolation, but treated as supplementary information.

For the purpose of the analysis and description of the performance and the financial position these ratios are commonly used within the financial industry. The special items used below to calculate some alternative performance measures arise from the nature of Group's business, i.e. that of a universal banking group. However, it is to mention that the definitions mostly vary between companies. Please find the definitions of these ratios below.

Consolidated return on equity – Consolidated profit less dividend on additional tier 1 capital in relation to average consolidated equity (i.e. the equity attributable to the shareholders of RBI). Average consolidated equity is based on month-end figures excluding non-controlling interests and does not include current year profit.

Cost/income ratio is an economic metric and shows the company's costs in relation to its income. The ratio gives a clear view of operational efficiency. Banks use the cost/income ratio as an efficiency measure for steering the bank and for easily comparing its efficiency with other financial institutions. General administrative expenses in relation to operating income are calculated for the cost/income ratio. General administrative expenses comprise staff expenses, other administrative expenses and depreciation/amortization of intangible and tangible fixed assets. Operating income comprises net interest income, dividend income, current income from investments in associates, net fee and commission income, net trading income and fair value result, net gains/losses from hedge accounting and other net operating income.

Effective tax rate (ETR) – Relation of income tax expense to profit before tax. The effective tax rate differs from the company's jurisdictional tax rate due to many accounting factors and enables a better comparison among companies. The effective tax rate of a company is the average rate at which its pre-tax profits are taxed. It is calculated by dividing total tax expense (income taxes) by profit before tax. Total tax expense includes current income taxes and deferred taxes.

Loan/deposit ratio indicates a bank's ability to refinance its loans by deposits rather than wholesale funding. It is calculated with loans to non-financial corporations and households in relation to deposits from non-financial corporations and households.

Net interest margin is used for external comparison with other banks as well as an internal profitability measurement of products and segments. It is calculated with net interest income set in relation to average interest-bearing assets (total assets less investments in subsidiaries and associates, tangible fixed assets, intangible fixed assets, tax assets and other assets).

NPE – Non-performing exposure. It contains all non-performing loans and debt securities according to the applicable definition of the EBA document Implementing Technical Standards (ITS) on Supervisory Reporting (Forbearance and non-performing exposures).

NPL – Non-performing loans. It contains all non-performing loans according to the applicable definition of the EBA document Implementing Technical Standards (ITS) on Supervisory Reporting (Forbearance and non-performing exposures).

NPE ratio is an economic ratio to demonstrate the proportion of non-performing loans and debt securities in relation to the entire loan portfolio of customers and banks, and debt securities. The ratio reflects the quality of the loan portfolio of the bank and provides an indicator for the performance of the bank's credit risk management.

NPL ratio is an economic ratio to demonstrate the proportion of non-performing loans in relation to the entire loan portfolio to customers and banks. The ratio reflects the quality of the loan portfolio of the bank and provides an indicator for the performance of the bank's credit risk management.

NPE coverage ratio describes to which extent, non-performing loans and debt securities have been covered by impairments (Stage 3) thus expressing also the ability of a bank to absorb losses from its NPE. It is calculated with impairment losses on loans to customers and banks and on debt securities set in relation to non-performing loans to customers and banks and debt securities.

NPL coverage ratio describes to which extent non-performing loans have been covered by impairments (Stage 3) thus expressing also the ability of a bank to absorb losses from its NPL. It is calculated with impairment losses on loans to customers and banks set in relation to non-performing loans to customers and banks.

Operating result is used to describe the operative performance of a bank for the reporting period. It consists of operating income less general administrative expenses.

Operating income - They are primarily income components of the ongoing business operations (before impairment). It comprises net interest income, dividend income, current income from investments in associates, net fee and commission income, net trading income and fair value result, net gains/losses from hedge accounting and other net operating income.

Provisioning ratio is an indicator for development of risk costs and provisioning policy of an enterprise. It is computed by dividing impairment or reversal of impairment on financial assets (customer loans) by average customer loans (categories: financial assets measured at amortized cost and financial assets at fair value through other comprehensive income).

Return on assets (ROA before/after tax) is a profitability ratio and measures how efficiently a company can manage its assets to produce profits during a period. It is computed by dividing profit before tax/after tax by average assets (based on total assets, average means the average of year-end figure and the relevant month's figures).

Return on equity (ROE before/after tax) provides a profitability measure for both management and investors by expressing the profit for the period as presented in the income statement as a percentage of the respective underlying (either equity related or asset related). Return on equity demonstrates the profitability of the bank on the capital invested by its shareholders and thus the success of their investment. Return on equity is a useful measure to easily compare the profitability of a bank with other financial institutions. Return on the total equity including non-controlling interests, i.e. profit before tax respectively after tax in relation to average equity on the statement of financial position. Average equity is calculated on month-end figures including non-controlling interests and does not include current year profit.

Return on risk-adjusted capital (RORAC) is a ratio of a risk-adjusted performance management and shows the yield on the risk-adjusted capital (economic capital). The return on risk-adjusted capital is computed by dividing consolidated profit by the risk-adjusted capital (i.e. average economic capital). This capital requirement is calculated within the economic capital model for credit, market and operational risk.

Total capital specific key figures

Common equity tier 1 ratio - Common equity tier 1 as a percentage of total risk-weighted assets (total RWA) according to CRR/CRD IV regulation.

Leverage ratio - The ratio of tier 1 capital to specific exposures on and off the statement of financial position calculated in accordance with the methodology set out in CRD IV.

Risk-weighted assets (RWA credit risk) - The sum of the weighted accounts receivable including receivables in the form of items on and off the statement of financial position and CVA (Credit Value Adjustment) risk.

Risk-weighted assets (total RWA) - Risk-weighted assets (credit risk, CVA risk) including market risk and operational risk.

Tier 1 ratio - Tier 1 capital to total risk-weighted assets (total RWA).

Total capital ratio - Total capital as a percentage of total risk-weighted assets (total RWA).

Events after the reporting date

There were no significant events after the reporting date.

Vienna, 28 February 2020

The Management Board



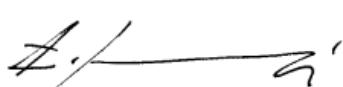
Johann Strobl



Martin Grüll



Andreas Gschwenter



Łukasz Januszewski



Peter Lennkh



Hannes Mösenbacher



Andrii Stepanenko

Auditor's report

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of

**Raiffeisen Bank International AG,
Vienna,**

and its subsidiaries ("the Group"), which comprise of the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Sections 245a UGB (Austrian Commercial Code) and 59a BWG (Austrian Banking Act).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 537/2014 (AP Regulation) and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian company and banking law as well as professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

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

In the following we present the key audit matters from our point of view:

- 1) Recoverability of loans and advances to non-financial corporations and households
- 2) Provision for legal risk regarding retail mortgages in the Warsaw branch of RBI AG
- 3) Valuation of financial liabilities at fair value through profit and loss

1) Recoverability of loans and advances to non-financial corporations and households

Risk for the Financial Statements

Loans and advances to non-financial corporations and households are reported under financial assets – amortized cost in the amount of EUR 79.9 billion in the statement of financial position. They comprise EUR 45.3 billion in loans and advances to non-financial corporations and EUR 34.6 billion in loans and advances to households.

As at the reporting date, impairments of EUR 2.3 billion were recognized for the above loans. They comprised EUR 1.2 billion for non-financial corporates and EUR 1.1 billion for households.

The Management Board describes the processes of monitoring credit risk and the procedures for determining impairments in note 36 Expected credit losses and the Risk Report and Recognition and Measurement Principles chapters in the notes of the Financial Statements. As part of the credit risk monitoring process, the bank checks whether there is an indication of default and therefore whether an individual impairment (stage 3) is required. The calculation of impairments for defaulted, individually significant customers is based on an analysis of the expected scenario-weighted future cash flows. This analysis is influenced by the assessment of the respective customer's economic situation and development, the estimate of collateral values and the estimated amount and timing of cash flows derived from the analysis. For defaulted, individually insignificant customers in the household segment, impairment is determined according to the so-called best estimate of expected loss model. This represents a best estimate of expected loss based on statistical evidence.

For non-defaulted loans, a collective impairment allowance is recognized for expected credit losses (ECL). In general, the twelve-month ECL is used (ECL stage 1). If credit risk has increased significantly (ECL stage 2), lifetime ECL is calculated.

The determination of ECL requires the use of estimates and assumptions. These cover rating-based probabilities of default and loss ratios, which take account of current and forward-looking information.

For the Financial Statements, this involves the risk that a transfer from one stage to the next and the determination of impairments are based to a significant extent on estimates and assumptions, which involves room for judgment and uncertainties regarding the amount of impairments, which may result in misstatements.

Our Response

We have evaluated the documentation that describes the process of loan issuance, loan monitoring and recognizing impairments and assessed whether the processes adequately identify an impending credit default and ensure that valuations of loans and advances to customers are recognized at their appropriate carrying value. In addition, we tested the processes and, with the assistance of IT specialists, essential key controls. We thereby tested their design, implementation and effectiveness.

With regard to defaulted loans to individual significant customers (ECL stage 3), we used a risk-oriented as well as a random sample based approach to determine whether there is an indication for a default. For defaults, we critically assessed the bank's estimates regarding the amount and timing of future cash flows, including those resulting from realization of collateral, and whether the bank's assessment was in line with the internal and external information available. With regard to the internal collateral valuation, we assessed on a sample basis, together with our valuation specialists, whether the estimates used in the models were adequate and in line with available market data.

In the case of defaulted individual insignificant customers, were the impairment is determined according to the so-called best estimate of expected loss and for non-defaulted loans (ECL stage 1 and stage 2), whose impairment was calculated on an ECL basis, we assessed the bank's internal validation models and their parameters to determine whether they provide a suitable basis for calculating reasonable impairments. We evaluated the reasonableness of the used probabilities of default also by performed backtestings. We also analyzed the selection and calculation of forward-looking estimates and scenarios and examined how they were taken into account in parameter estimates. In these audit procedures, we were supported by our financial mathematicians. In addition, we performed a control-based audit approach to assess the processes, systems and interfaces underlying the calculation models.

Finally we assessed whether the disclosures in the notes to the Financial Statements regarding the calculation of impairments on loans and advances to customers were appropriate.

2) Provision for legal risk regarding retail mortgages in the Warsaw branch of RBI AG

Risk for the Financial Statements

On the reporting date, the Warsaw branch of RBI AG had consumer mortgage loans denominated in or indexed to foreign currencies with a book value of EUR 2.9 billion.

In connection to these loans, customers filed civil lawsuits to certain contractual stipulations. The bank recognized a provision of EUR 49.34 million in this regard.

The Management Board describes the process for determining the provision in the notes to the financial statements in the Recognition and Measurement Principles chapters as well as in point 28 and 55.

The provision is based on a statistical approach with weighted scenario calculations. In these calculations, possible decision scenarios have been estimated together with the expected loss rates per scenario to determine the expected impact. In addition probabilities of occurrence of various claims were assessed and an expected value was calculated. Furthermore, the corresponding external legal costs were estimated and considered.

The bank's estimate regarding the parameters used and the expected probability of occurrence of the respective decision scenarios have a significant impact on the determination of the provision and therefore, due to uncertainties regarding the actual loss rates as well as potential upcoming legal regulations, leads to a risk of misstatement in the financial statements.

Our Response

We evaluated the general process of recording and measuring provisions for legal risks, analysed the internal controls and assessed the Bank's accounting treatment of this provision.

Further, we assessed the appropriateness of the expected scenarios and loss rates used as well as the allocated weighted probabilities. These are based on the legal and economic expert opinions of RBI as well as on the opinion of a legal advisor who is involved in the lawsuit. We also verified the arithmetical accuracy of the provision calculation.

Finally, we assessed whether the disclosures in the notes regarding the provision were appropriate and complete.

3) Valuation of financial Liabilities at fair value through profit and loss

Risk for the Financial Statements

As at the Balance Sheet date, financial liabilities measured at fair value amount to about EUR 1.8 billion, of which EUR 0.4 billion are subordinated. In addition to the general market risk factors, their fair value is significantly influenced by the own credit risk of the issuing entity (credit spread).

The Management Board describes the process of calculating the fair value of these financial liabilities that are measured at fair value within note 25 and the Recognition and Measurement Principles chapter in the notes of the Financial Statements.

The fair value calculation of debt securities issued and other financial liabilities for which no market price is available is based on an internal valuation model. The fair value is determined using a Discounted Cash Flow Model applying estimated credit spreads. The credit spreads used in the model are derived from available market data.

The determination of the credit spread curve is a significant input to the fair value calculation of financial liabilities and due to the partly indicative nature of the price quotations leads to a risk of misstatement in the Financial Statements.

Our Response

We have analyzed the process of issuance, valuation and risk-monitoring of liabilities measured at fair value. The design and implementation of key controls in the processes were critically assessed and the effectiveness of these controls was tested.

We involved valuation specialists to assess the fair value models used by the Group. Thereby, we compared the data inputs to this model to the available market data to determine whether the data input lies within a reasonable range in comparison to the available market data. Based on the documentation obtained, we assessed whether the derived credit spread curve was adequate for determining the fair value of the financial liabilities. We tested whether the fair values calculation was appropriate on a sample basis.

Finally, we assessed whether the disclosures in the notes regarding the financial liabilities at fair value were appropriate and complete.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Sections 245a UGB (Austrian Commercial Code) and 59a BWG and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility

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

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

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication

Report on Other Legal Requirements

Group Management Report

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

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

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

Opinion

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

Statement

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

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Additional information in accordance with Article 10 AP Regulation

At the Annual General Meeting dated 21 June 2018, we were elected as group auditors for the consolidated financial statements of the fiscal year ending 31 December 2019. We were appointed by the Supervisory Board on 26 June 2018.

At 13 June 2019, we were elected as group auditor for the consolidated financial statements of the fiscal year ending 31 December 2020 and were appointed by the Supervisory Board on 11 July 2019.

We have been the Group's auditors since the company's first listing on the stock exchange in 2005.

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

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

Engagement Partner

The engagement partner is Mr. Wilhelm Kovsca.

Vienna, 28 February 2020

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Wilhelm Kovsca

Wirtschaftsprüfer

(Austrian Chartered Accountant)

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

The financial statements, together with our auditor's opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 (1) of the Austrian Commercial Code (UGB) applies.

Group management report

Market development

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Banking sector in Austria

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

Development of the banking sector in CEE

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

Regulatory environment

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

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

Basel IV

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

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

BCBS 239

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

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

Bank recovery and bank resolution

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

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

Payment Services Directive 2

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

General Data Protection Regulation (GDPR)

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

Capital markets and sustainable financing

The year 2019 was marked by new developments in the field of sustainable financing. The European Commission's Green Deal aims to make Europe the first climate neutral continent by 2050. Various measures will be introduced, ranging from effective CO₂ pricing and mechanisms to adjust CO₂ limits for selected sectors, to cleaner energy and the mobilization of industry for a clean and circular economy. The financial sector has also been called upon to support these objectives. Sustainable financing is a central theme for 2020 and the coming years. The integration of climate and environmental risks into the EU supervisory framework will be a significant issue over the coming years in the financial sector, in addition to increased transparency and disclosure requirements for financial products.

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

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

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

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

Banking supervision

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

Significant events in the reporting period

Optimization program in Austria

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

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

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

IPO of SoftwareONE

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

Increase in bank levy in Slovakia

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

Early adoption of the EBA's new definition of default

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

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

Earnings and financial performance

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

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

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

Comparison of results with the previous year

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

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

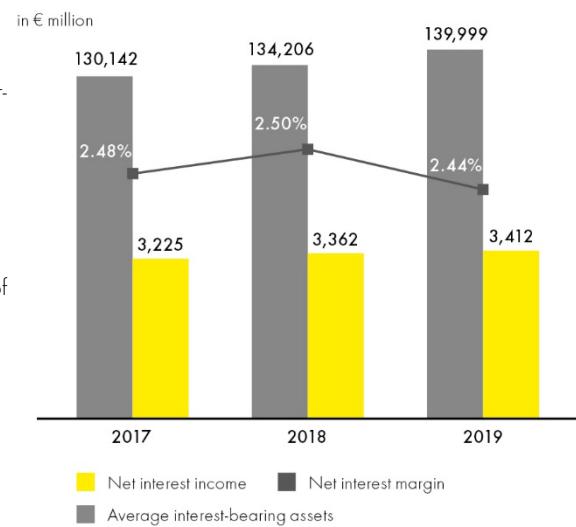
Operating income

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

General administrative expenses

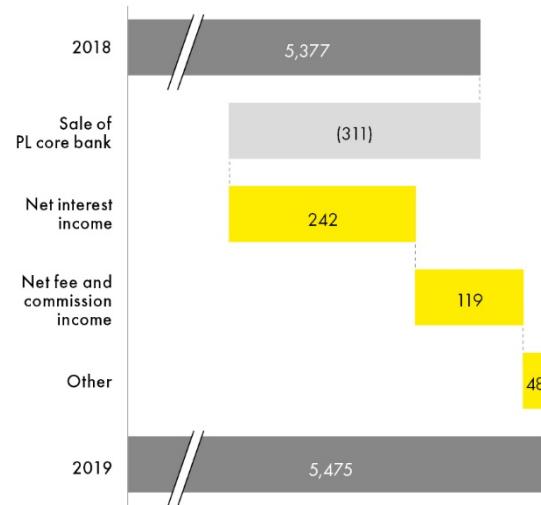
General administrative expenses increased € 45 million year-on-year to € 3,093 million. Comparability with the previous period is limited due to the sale of the Polish core banking operations and the first-time adoption of IFRS 16 with the corresponding effects on other administrative expenses and depreciation.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

Development of the net interest margin



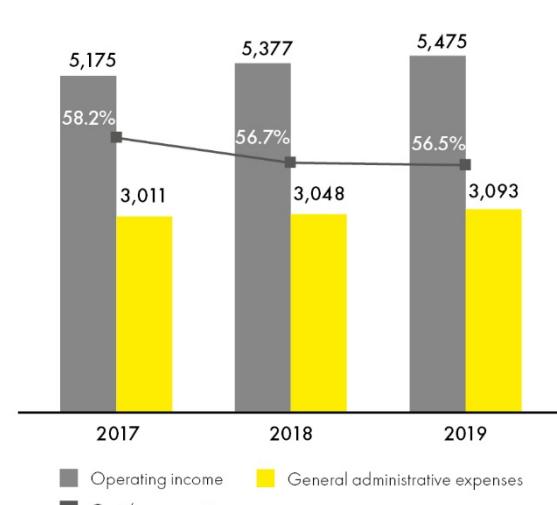
Development of operating income

in € million



Cost/income ratio performance

in € million



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

Other result

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

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

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

Levies and special governmental measures

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

Impairment losses on financial assets

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

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

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

Income taxes

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

Consolidated profit/loss

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

Comparison of results with the previous quarter

Quarterly results

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

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

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

Operating income

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

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

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

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

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

General administrative expenses

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

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

Other result

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

Levies and special governmental measures

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

Impairment losses on financial assets

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

Income taxes

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

Consolidated profit/loss

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

Statement of financial position

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

Assets

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

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

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

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

Equity and liabilities

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

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

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

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

Equity on the statement of financial position

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

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

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

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

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

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

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

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

Research and development

Product development

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

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

Digitalization

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

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

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

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

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

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

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

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

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

Internal control and risk management system in relation to the Group accounting process

Balanced and comprehensive financial reporting is a priority for RBI and its governing bodies. Compliance with all relevant statutory requirements is therefore a basic prerequisite. The Management Board is responsible for establishing and defining a suitable internal control and risk management system that encompasses the entire accounting process while adhering to company requirements. This is embedded in the company-wide framework for the internal control system (ICS).

The aim of the ICS is to provide the Management Board with the necessary means to ensure effective and continuously improving internal controls for accounting. The control system is designed to comply with all relevant guidelines and regulations and to optimize conditions for specific control measures in order to prevent any unintentional misstatements.

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

Control environment

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

- The hierarchical decision-making process for approving Group and company directives, as well as departmental and divisional instructions,
- process descriptions for the preparation, quality control, approval, publication, implementation and monitoring of directives, and instructions including related controls, as well as
- regulations for the revision and repeal of directives and instructions.

The senior management of each Group unit is responsible for implementing the Group-wide instructions. Compliance with Group rules is monitored by Group Accounting & Reporting and in the course of the audits performed by internal Group and local auditors.

The consolidated financial statements are prepared by Group Accounting & Reporting, which reports to the Chief Financial Officer. The associated responsibilities are defined for the Group within the framework of a dedicated Group function.

Risk assessment

Significant risks relating to the Group accounting process are evaluated and monitored by the Management Board. Complex accounting standards can increase the risk of errors, as can the use of differing valuation standards, particularly in relation to the Group's principal financial instruments. A difficult business environment can also increase the risk of significant financial reporting errors. For the purpose of preparing the consolidated financial statements, estimates have to be made for asset and liability items for which no market value can be reliably determined. This is particularly relevant for the lending business, equity participations and goodwill. Social capital, provisions for legal risks and the valuation of securities, are also based on estimates.

Control measures

The preparation of financial information on an individual Group unit level is decentralized and carried out by each Group unit in accordance with the RBI guidelines; the calculation of parts of the impairment charges under IFRS 9 is, however, carried out centrally. The Group unit employees and managers responsible for accounting are required to provide a full presentation and accurate valuation of all transactions. Differences in local accounting standards can result in inconsistencies between local individual financial statements and the financial information submitted to RBI. The local management is responsible for ensuring implementation of mandatory internal control measures, such as the separation of functions and the principle of dual control. The reconciliation and validation controls are embedded in the aggregation, calculation and accounting valuation activities for all financial reporting processes. Particular focus is placed on the controls for the core processes that play a fundamental role in the preparation of the financial statements. This primarily relates to processes which are relevant for valuations, the results of which have a significant impact on the financial statements (such as credit risk provisions, derivatives, equity participations, provisions for personnel expenses and market risk).

Group consolidation

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

The plausibility of each Group unit's financial statements is initially checked by the responsible key account manager within Group Accounting & Reporting. Group-level control activities comprise the analysis and, where necessary, modification of the financial statements submitted by Group units. In this process, the results of meetings with representatives of the individual companies, in which the financial statements are discussed, and comments from the audit of the financial statements are taken into account. The discussions cover the plausibility of the individual financial statements as well as critical matters pertaining to the Group unit.

The subsequent consolidation steps are then performed using the consolidation system, including capital consolidation, expense and income consolidation, and debt consolidation. Finally, intra-Group gains are eliminated where applicable. At the end of the consolidation process, the notes to the financial statements are prepared in accordance with IFRS and the BWG/UGB.

All control measures constitute part of the day-to-day business processes and are used to prevent, detect and correct any potential errors or inconsistencies in the financial reporting. Control measures range from managerial reviews of the results for the period, as well as the specific reconciliation of accounts, through to analyzing ongoing accounting processes.

The consolidated financial statements and management report are reviewed by the Audit Committee of the Supervisory Board and are also presented to the full Supervisory Board for information. The consolidated financial statements are published as part of the Annual Report on the company's website and in the Wiener Zeitung's official journal and are then filed in the commercial register.

Information and communication

The consolidated financial statements are prepared using Group-wide standardized forms. The accounting and valuation standards are defined and explained in the RBI Group Accounts Manual and must be applied when preparing the financial statements. Detailed instructions for the Group units on measuring credit risk and similar issues are provided in the Group directives. The relevant units are kept abreast of any changes to the instructions and standards through regular training courses.

Each year the Annual Report contains the consolidated results in the form of a complete set of consolidated financial statements. In addition, the Group management report contains comments on the consolidated results in accordance with the statutory requirements.

Throughout the year, consolidated monthly reports are produced for the Group's senior management. The statutory interim reports conform to the provisions of IAS 34 and are published quarterly in accordance with the Austrian Stock Exchange Act. Before publication, the consolidated financial statements are presented to senior managers and the Chief Financial Officer for final approval and then submitted to the Supervisory Board's Audit Committee. Analyses pertaining to the consolidated financial statements are also provided for management, as are forecast Group figures at regular intervals. The financial and capital planning process, undertaken by Group Planning & Finance, includes a three-year Group budget.

Monitoring

Financial reporting is a primary focus of the ICS framework, whereby financial reporting processes are subject to risk-based prioritization and control examinations with results regularly reported to the Management Board and the Supervisory Board for evaluation. Additionally, the Audit Committee is required to monitor the financial reporting process. The Management Board is responsible for ongoing company-wide monitoring. The internal control system is based on three lines of defense:

The first line of defense consists of individual departments, whereby department heads are responsible for monitoring their business areas and ensuring that an appropriate control environment is established. The departments conduct control activities and plausibility checks on a regular basis, in accordance with the documented processes.

The second line of defense is made up of specialist areas focused on specific topics. These include, for example, Compliance, Data Quality Governance, Operational Risk Controlling, and Security & Business Continuity Management. Their primary aim is to support specialist areas with their control processes, to validate the actual controls, and to introduce leading practices within the organization.

Internal audits are the third line of defense in the monitoring process. Responsibility for auditing lies with Group Internal Audit and the respective internal audit departments of the Group units. All internal auditing activities are subject to the Group Audit Standards, which are based on the Austrian Financial Market Authority's minimum internal auditing requirements and international best practices. Group Internal Audit's internal rules also apply (notably the Audit Charter). Group Audit regularly and independently verifies compliance with the internal rules within the RBI Group units. The head of Group Internal Audit reports directly to the Management Board, with additional reporting obligations to the Chairman of the Supervisory Board and members of the Audit Committee of the Supervisory Board.

Capital, share, voting, and control rights

The following disclosures satisfy the provisions of § 243a (1) of the Austrian Commercial Code (UGB):

- (1) As at 31 December 2019, the company's share capital amounted to € 1,003,265,844.05 and was divided into 328,939,621 voting common bearer shares. As at 31 December 2019, 322,204 (31 December 2018: 322,204) of those were own shares, and consequently 328,617,417 shares were outstanding at the reporting date. Please see note (31) equity for further disclosures.
- (2) The Articles of Association contain no restrictions concerning voting rights or the transfer of shares. The regional Raiffeisen banks and direct and indirect subsidiaries of the regional Raiffeisen banks are parties to a syndicate contract (syndicate agreement) regarding RBI AG. The terms of this syndicate agreement include not only a block voting agreement and preemption rights, but also a prohibition on sales of the RBI shares held by the regional Raiffeisen banks (with few exceptions) for a period of three years (lock-up period) from the effective date of the merger between RZB AG and RBI AG, i.e. from 18 March 2017, if the sale would reduce the regional Raiffeisen banks' aggregate shareholding in RBI AG (direct and/or indirect) to less than 50 per cent of the share capital plus one share. After the lock-up period expires, the shareholding threshold falls to 40 per cent of the share capital of RBI AG.
- (3) RLB NÖ-Wien Sektorbeteiligungs GmbH holds around 22.24 per cent of the share capital of the company according to the most recent notification of voting rights published on 20 August 2019. By virtue of the syndicate agreement regarding RBI AG, the directly or indirectly held voting rights attached to a total of 193,449,778 shares, corresponding to a voting interest of around 58.81 per cent, are mutually attributable to the regional Raiffeisen banks and their direct and indirect subsidiaries pursuant to §§ 130 and 133 7 of the Austrian Stock Exchange Act (BörseG) as parties acting in concert as defined in § 1 6 of the Austrian Takeover Act (ÜbG) (see the notification of voting rights published on 20 August 2019). The remaining shares of RBI AG are held in free float, with no other direct or indirect shareholdings amounting to 10 per cent or more known to the Management Board.
- (4) The Articles of Association do not contain any special rights of control associated with holding shares. According to the syndicate agreement for RBI AG, the regional Raiffeisen banks can nominate nine members of the RBI AG Supervisory Board. In addition to the members nominated by the regional Raiffeisen banks, the RBI AG Supervisory Board should also include three independent representatives of free-float shareholders who are not attributable to the Austrian Raiffeisen Banking Group.
- (5) There is no control of voting rights arising from interests held by employees in the share capital.
- (6) Pursuant to the Articles of Association, a person who is 68 years or older may not be appointed as a member of the Management Board or be reappointed for another term in office. The rule for the Supervisory Board is that a person who is aged 75 years or older may not be elected as a member of the Supervisory Board or be re-elected for another term in office. Moreover, no person who already holds eight supervisory board mandates in publicly traded companies may be a member of the Supervisory Board. Holding a position as chairman of the supervisory board of a publicly traded company would count twice for this purpose. The Annual General Meeting may choose to waive this restriction through a simple majority of votes if permitted by law. Any candidate who has more mandates for, or chairman positions on, supervisory boards in publicly traded companies must disclose this to the Annual General Meeting. There are no further regulations regarding the appointment or dismissal of members of the Management Board and the Supervisory Board beyond the provisions of the relevant laws. The Articles of Association stipulate that the resolutions of the Annual General Meeting are, provided that there are no mandatory statutory provisions to the contrary, adopted by a simple majority of the votes cast. Where the law requires a capital majority in addition to the voting majority, resolutions are adopted by a simple majority of the share capital represented in the votes. As a result of this provision, members of the Supervisory Board may be dismissed prematurely by a simple majority. The Supervisory Board is authorized to adopt amendments to the Articles of Association that only affect the respective wording. This right may be delegated to committees. Furthermore, there are no regulations regarding amendments to the company Articles of Association beyond the provisions of the relevant laws.
- (7) Pursuant to § 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 13 June 2019 to increase the share capital with the approval of the Supervisory Board – in one or more franchises – by up to € 501,632,920.50 through issuing up to 164,469,810 new voting common bearer shares in exchange for contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to § 153 (6) of the AktG) by 2 August 2024 at the latest and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Management Board is further authorized to exclude shareholders' subscription rights with the approval of the Supervisory Board (i) if the capital increase is carried out in exchange for contributions in kind, or (ii) if the capital increase is carried out in exchange for contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's share capital (exclusion of subscription rights).

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

The Annual General Meeting held on 21 June 2018 authorized the Management Board pursuant to § 65 (1) 8, § 65 (1a) and § 65 (1b) of the AktG to purchase own shares and to retire them if appropriate without requiring any further prior resolutions to be passed by the Annual General Meeting. Own shares, whether already purchased or to be purchased, may not collectively exceed 10 per cent of the company's share capital. The authorization to purchase own shares expires 30 months after the date of the Annual General Meeting resolution, i.e. until 20 December 2020. The acquisition price for repurchasing the shares may be no lower than € 1 per share and no higher than 10 per cent above the average unweighted closing price over the 10 trading days prior to exercising this authorization. The authorization may be exercised in full or in part or also in several partial amounts, for one or more purposes - with the exception of securities trading - by the company, by a subsidiary (§ 189a 7 of the UGB) or by third parties for the account of the company or a subsidiary.

The Management Board was further authorized, pursuant to § 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary (§ 189a 7 UGB) or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 20 June 2023.

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

The Annual General Meeting of 21 June 2018 also authorized the Management Board, under the provisions of § 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 20 December 2020), provided that the trading portfolio of shares purchased for this purpose does not at the end of any given day exceed 5 per cent of the company's respective share capital. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition. This authorization may be exercised in full or in part or also in several partial amounts by the company, by a subsidiary (§ 189a 7 UGB) or by third parties acting for the account of the company or a subsidiary.

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

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

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

Risk management

For information on risk management, please refer to the risk report in the consolidated financial statements.

Corporate Governance

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

Consolidated non-financial report

Pursuant to the Sustainability and Diversity Improvement Act (NaDiVeG), the consolidated non-financial statement, which has to be prepared in accordance with § 267a of the Austrian Commercial Code (UGB), is issued as an independent non-financial report (Sustainability Report). The report containing detailed information on sustainability management developments, will be published online – at www.rbinternational.com → About us → Sustainability Management – and also contains the disclosure for the parent company in accordance with § 243b of the UGB.

Human Resources

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

Personnel development

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

Number of staff at year-end



Outlook

Economic outlook

Central Europe

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

Southeastern Europe

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

Eastern Europe

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

Austria

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

Banking sector in Austria

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

CEE Banking Sector

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

Outlook for RBI

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

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

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

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

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

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

Events after the reporting date

There were no significant events after the reporting date.

Annual financial statements

Statement of financial position

ASSETS	31/12/2019 in €	31/12/2018 in € thousand
1. Cash in hand and balances with central banks	10,319,452,781.62	10,521,347
2. Treasury bills and other bills eligible for refinancing with central banks	3,976,382,092.42	5,317,410
3. Loans and advances to credit institutions	8,983,872,861.01	6,551,414
a) Repayable on demand	1,715,366,043.90	988,322
b) Other loans and advances	7,268,506,817.11	5,563,092
4. Loans and advances to customers	28,079,622,222.24	25,068,842
5. Debt securities and other fixed-income securities	3,472,073,041.43	2,936,978
a) Issued by public bodies	381,743,813.03	338,694
b) Issued by other borrowers	3,090,329,228.40	2,598,284
Hereof: own debt securities	1,528,138,893.90	751,989
6. Shares and other variable-yield securities	487,094,099.47	291,147
7. Participating interests	76,123,389.06	73,952
Hereof: in credit institutions	40,650,935.26	37,756
8. Shares in affiliated undertakings	10,821,361,613.03	10,632,210
Hereof: in credit institutions	2,067,359,970.34	1,916,464
9. Intangible assets	37,572,804.81	37,307
10. Tangible assets	12,668,178.89	10,600
11. Other assets	2,966,553,233.42	2,824,959
12. Accruals and deferred income	190,193,332.82	157,179
13. Deferred tax assets	440,517.18	26,110
Total	69,423,410,167.40	64,449,453

LIABILITIES	31/12/2019 in €	31/12/2018 in € thousand
1. Liabilities to credit institutions	27,902,476,736.92	26,598,261
a) Repayable on demand	3,671,502,137.71	3,457,347
b) With agreed maturity dates or periods of notice	24,230,974,599.21	23,140,913
2. Liabilities to customers	19,155,647,069.82	17,612,098
a) Savings deposits	0.00	0
b) Other liabilities	19,155,647,069.82	17,612,098
aa) Repayable on demand	5,331,725,601.76	6,172,538
bb) With agreed maturity dates or periods of notice	13,823,921,468.06	11,439,561
3. Securitised liabilities	7,039,845,049.82	5,122,475
a) Debt securities issued	6,113,826,815.24	4,037,849
b) Other securitised liabilities	926,018,234.58	1,084,626
4. Other liabilities	2,392,264,623.84	2,363,196
5. Accruals and deferred income	137,596,248.40	82,155
6. Provisions	408,725,668.20	309,394
a) Provisions for severance payments	92,364,207.39	65,720
b) Provisions for pensions	73,507,440.83	71,548
c) Provisions for taxation	5,891,845.67	297
d) Other	236,962,174.31	171,829
7. Supplementary capital pursuant to chapter 4 of title I of part 2 of regulation (EU) no 575/2013	2,628,760,109.40	2,737,494
8. Additional Tier 1 capital pursuant to chapter 3 of title I of part 2 of regulation (EU) no 575/2013	1,152,878,566.57	1,152,661
9. Subscribed capital	1,002,283,121.85	1,002,283
a) Share capital	1,003,265,844.05	1,003,266
b) Nominal value of own shares	(982,722.20)	(983)
10. Capital reserves	4,431,352,336.41	4,431,352
a) Committed	4,334,285,937.61	4,334,286
b) Uncommitted	97,066,398.80	97,066
c) Option reserve	0.00	0
11. Retained earnings	2,304,821,110.13	2,170,640
a) Legal reserve	5,500,000.00	5,500
b) Other reserves	2,299,321,110.13	2,165,140
12. Liability reserve pursuant to article 57 (5)	535,097,489.59	535,097
13. Net profit for the year	331,662,036.45	332,346
Total	69,423,410,167.40	64,449,453

Income statement

		2019 in €	2018 in € thousand
1.	Interest receivable and similar income	958,613,498.84	896,283
	hereof: from fixed-income securities	86,936,515.98	90,236
2.	Interest payable and similar expenses	(609,418,213.51)	(585,371)
I.	NET INTEREST INCOME	349,195,285.33	310,912
3.	Income from securities and participating interests	708,786,690.86	636,252
	a) Income from shares and other variable-yield securities	24,708,189.40	10,432
	b) Income from participating interests	6,389,017.72	6,759
	c) Income from shares in affiliated undertakings	677,689,483.74	619,061
4.	Commissions receivable	360,991,454.29	333,618
5.	Commissions payable	(133,326,066.63)	(131,495)
6.	Net profit or net loss on financial operations	(51,191,562.69)	39,885
7.	Other operating income	269,909,644.54	181,133
II.	OPERATING INCOME	1,504,365,445.70	1,370,304
8.	General administrative expenses	(786,307,294.70)	(736,597)
	a) Staff costs	(409,850,635.72)	(378,714)
	hereof: aa) Wages and salaries	(289,122,878.94)	(271,269)
	bb) Expenses for statutory social contributions and compulsory contributions related to wages	(61,275,496.14)	(55,792)
	cc) Other social expenses	(8,749,222.54)	(7,676)
	dd) Expenses for pensions and assistance	(11,056,391.24)	(9,812)
	ee) Allocation/Release of provision for pensions	(2,082,975.17)	(16,746)
	ff) Expenses for severance payments and contributions to severance funds	(37,563,671.69)	(17,419)
	b) Other administrative expenses	(376,456,658.98)	(357,883)
9.	Value adjustments in respect of asset items 9 and 10	(10,736,197.50)	(9,159)
10.	Other operating expenses	(305,378,222.10)	(104,888)
III.	OPERATING EXPENSES	(1,102,421,714.30)	(850,645)
IV.	OPERATING RESULT	401,943,731.40	519,659
11./12.	Net income/expenses from the disposal and valuation of loans and advances and securities classified as current assets	(105,908,678.38)	(31,566)
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	234,382,246.14	143,316
V.	PROFIT ON ORDINARY ACTIVITIES	530,417,299.16	631,409
15.	Tax on profit or loss	(28,803,483.75)	4,853
16.	Other taxes not reported under item 15	(62,501,954.69)	(53,414)
17.	Merger gain	0.00	442,359
VI.	PROFIT FOR THE YEAR AFTER TAX	439,111,860.72	1,025,208
18.	Changes in reserves	(134,181,212.59)	(694,376)
	hereof: allocation to liability reserve	0.00	0
VII.	NET INCOME FOR THE YEAR	304,930,648.13	330,832
19.	Profit/Loss brought forward	26,731,388.32	1,513
VIII.	Net profit for the year	331,662,036.45	332,346

Items off the statement of financial position

ASSETS	31/12/2019 in €	31/12/2018 in € thousand
1. Foreign assets	34,166,151,836.22	40,161,913
LIABILITIES	31/12/2019 in €	31/12/2018 in € thousand
1. Contingent liabilities	6,049,896,796.68	5,213,078
Guarantees and assets pledged as collateral security	6,049,896,796.68	5,213,078
2. Commitments	15,171,248,900.42	13,206,744
hereof: liabilities from repurchase agreements		
3. Commitments arising from agency services	440,203,434.38	231,259
4. Eligible own funds according to part 2 of regulation (EU) no 575/2013	10,851,123,643.79	11,221,044
hereof: supplementary capital pursuant to chapter 4 of title I of part 2 of regulation EU no 575/2013	1,833,643,130.35	2,304,718
5. Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013	40,101,278,536.41	39,299,297
hereof: capital requirements pursuant to article 92 (1) (a) to (c) of regulation (EU) no 575/2013		
a) hereof: capital requirements pursuant to Article 92 (a)	19.7%	19.8%
b) hereof: capital requirements pursuant to Article 92 (b)	22.5%	22.7%
c) hereof: capital requirements pursuant to Article 92 (c)	27.1%	28.6%
6. Foreign liabilities	16,555,567,972.19	13,052,535

Notes

General disclosures

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

The annual financial statements for the year ending 31 December 2019 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 (BVG) 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 (BVG) in conjunction with Section 189a of the Austrian Commercial Code.

The Raiffeisen Bank International Group (RBI) is a corporate and investment bank for the top 1,000 companies in Austria and for large corporate customers in Western Europe. Through its equity participations, RBI has one of the largest networks held by Western banking groups in Central and Eastern Europe (CEE). It transacts business in this region through a closely-knit network of subsidiary banks, leasing companies and numerous specialized financial service providers with more than 2,000 branches. In Austria, RBI holds stakes in companies specializing in housing finance, leasing, asset management, equities and certificates, pension funds, factoring and private banking. RBI's 16.7 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 (BVG).

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

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

As a credit institution within the meaning of Section 1 of the Austrian Banking Act (BVG), 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 22 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 banks website at investor.rbiinternational.com.

Federal IPS

Institutional protection schemes (IPS) approved by the Financial Market Authority have been established within the Raiffeisen Banking Group (RBG). Contractual or statutory liability arrangements were concluded in connection with the IPSs to protect the participating institutes and, in particular, ensure their liquidity and solvency where required. The IPS is based on uniform, joint risk monitoring pursuant to Article 49 CRR (Capital Requirements Regulation). The IPS was designed with two levels (federal and provincial IPS) to reflect RBG's organizational structure.

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

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

Recognition and measurement principles

General principles

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

The consolidated financial statements were prepared in compliance with the consistency principle. Due to the contribution of a Polish credit portfolio to the newly established branch office of RBI AG in Warsaw (Poland) in November 2018, comparison of the income statement with the previous year is possible to only a limited extent since, in the previous year, the income and expenses of the Polish branch office were only included in the income statement of RBI AG for two months.

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

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

Amounts in foreign currencies

Assets and liabilities in foreign currencies are converted at the ECB's reference exchange rates as at 31 December 2019 pursuant to Section 58 (1) of the Austrian Banking Act (BWG).

Financial instruments in the banking book

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

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

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

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

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

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

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

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

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

These derivatives were administrated in defined portfolios in order to guarantee a documented mapping to functional units. Within these functional units an impurity-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 impurity principle. In the case of negative market values a provision for impending loss will be allocated. The disclosure is shown in the income statement under position 11./12. net income/expenses from the disposal and valuation of loans and advances and securities held as current assets.

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

Financial instruments in the trading book

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

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

Derivative financial instruments

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

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

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

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

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

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

Loans and advances

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

Net provisioning for impairment losses

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

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

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

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

Individual loan loss provisions

As part of implementing individual loan loss provisions, provisions are recognized using standardized company-wide criteria to cover the expected default associated with the credit risks attributable to loans and advances to customers and banks. Loans are assumed to be at risk of default if the discounted projected repayment amounts and interest payments are less than the carrying amount of the loans, taking collateral into account. General individual loan loss provisions for retail lending in the Polish branch are recognized based on the best statistically derived estimate of the expected loss after adjusting for indirect costs.

Portfolio-based loan loss provisions

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

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

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

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

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

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

Investments and shares in affiliated companies

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

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

Fair value is calculated using a dividend discount model. The dividend discount model properly also accounts for the specific characteristics of the banking business, including the need to comply with capital adequacy regulations. The recoverable amount is considered to be the present value of the expected future dividends that may be distributed to the shareholders after meeting all appropriate capital adequacy regulations.

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

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

Tangible and intangible fixed assets

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

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

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

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

Deferred taxes

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

Issuance expenses

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

Pension and severance payment obligations

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

The actuarial calculation of pension obligations for active employees is based on an interest rate, as recommended by Mercer, of 1.0 per cent (31/12/2018: 1.9 per cent) p.a. and an effective salary increase of 3.5 per cent (31/12/2018: 3.5 per cent). The parameters for retired employees are calculated using a capitalization rate of 1.0 per cent (31/12/2018: 1.9 per cent) and an expected increase in retirement benefits of 2.0 per cent (31/12/2018: 2.0 per cent), and in the case of pension commitments with existing reinsurance policies of 0.5 per cent (31/12/2018: 0.5 per cent). The calculations are based on an assumed retirement age of 60 for women and 65 for men, subject to transitional statutory requirements and special arrangements contained in individual contracts.

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

The actuarial calculation of severance payment and long-service bonus obligations is based on an interest rate of 0.9 per cent p.a. and 1.0 per cent p.a., respectively, (31/12/2018: 1.8 per cent) and an average salary increase of 3.5 per cent p.a. (31/12/2018: 3.5 per cent).

Other provisions

Other provisions are recorded at the level at which they are likely to be required. They take into account all identifiable risks and liabilities, the level of which is not yet known. Long-term provisions were discounted at prevailing market interest rates in the reporting period. The interest rate applied for discounting is 0.6 per cent (31/12/2018: 0.9 per cent) due to the uniform residual term of the individual provisions for liabilities and charges. The rates used were the discount rates published by Deutsche Bundesbank pursuant to Section 253 (2) of the German Commercial Code (HGB).

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

Liabilities

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

Notes on the statement of financial position

Assets

Loans and advances

Breakdown of maturities

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

in € million	31/12/2019	31/12/2018
Loans and advances to credit institutions	8,983.9	6,551.4
Repayable on demand	1,715.4	988.3
Up to 3 months	4,244.7	2,652.5
More than 3 months, up to 1 year	724.9	580.2
More than 1 year, up to 5 years	959.8	1,039.3
More than 5 years	1,339.1	1,291.1
Loans and advances to customers	28,079.6	25,068.8
Repayable on demand	3,078.8	2,496.7
Up to 3 months	2,425.8	2,947.9
More than 3 months, up to 1 year	4,291.3	4,066.1
More than 1 year, up to 5 years	12,335.1	9,581.1
More than 5 years	5,948.6	5,977.0
Other assets	2,966.6	2,825.0
Up to 3 months	2,714.4	2,621.0
More than 3 months, up to 1 year	0.0	0.0
More than 1 year, up to 5 years	0.0	0.0
More than 5 years	252.2	204.0

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

Derivative financial instruments

Hedging relationships

Hedges with hedging periods up to 2048 existed as at 31 December 2019. On the basis of clean prices, the positive market values of the hedging derivatives amounted to € 303.5 million at the reporting date (31/12/2018: € 376.4 million). The negative market values of the derivatives amounted to € 23.0 million (31/12/2018: € 11.7 million) as at 31 December 2019.

Interest rate management derivatives

As at 31 December 2019, a provision for impending losses of € 30.6 million (31/12/2018: € 44.2 million) was recognized for derivatives in connection with functional units. In the 2019 financial year, in this context € 17.5 million (2018: € 18.6 million) was allocated to the provision and € 31.1 million (2018: € 2.9 million) was released due to changes in market value of the 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:

in € thousand	31/12/2019		31/12/2018		Valuation effect 31/12/2019
	Positive values	Negative values	Positive values	Negative values	
CZK	2,238	(73)	3,121	(141)	(815)
EUR	68,232	(28,330)	63,967	(44,047)	19,982
GBP	5	0	7	0	(2)
HUF	1,134	0	693	0	441
NOK	2	0	0	0	2
PILN	1	0	3	0	(2)
RON	21	0	24	0	(3)
RUB	33	0	22	0	11
USD	155	(2,225)	793	(43)	(2,820)
Total	71,821	(30,628)	68,630	(44,231)	16,794

The main factors driving the valuation result were the change in market value due to the change in the euro interest rate market and expanded netting volume.

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

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

31/12/2018 in € thousand	Nominal amount by maturity					Market value		
	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	positive	negative	
Total	78,098,769	90,546,910	54,510,306	223,155,985	165,812,108	2,321,824	(1,925,226)	
38,999,727				172,807,050	122,097,721	1,680,804	(1,222,817)	
a) Interest rate contracts								
OTC products								
Interest rate swaps	28,845,631	71,602,599	49,733,387	150,181,617	101,231,320	1,525,329	(1,120,568)	
Floating Interest rate swaps	0	0	0	0	0	0	0	
Interest rate futures	6,626,648	466,490	0	7,093,138	7,093,138	1,289	(1,264)	
Interest rate options - buy	1,591,842	4,231,252	1,813,821	7,636,915	7,027,883	154,186	0	
Interest rate options - sell	1,881,225	4,155,528	1,590,298	7,627,051	6,477,051	0	(100,907)	
Other similar interest rate contracts	0	0	0	0	0	0	0	
Exchange-traded products								
Interest rate futures	10,500	142,799	36,607	189,906	189,906	0	0	
Interest rate options	43,881	15,160	19,382	78,423	78,423	0	(78)	
b) Foreign exchange rate contracts	39,008,615	9,623,221	1,210,811	49,842,647	43,561,010	638,672	(698,704)	
OTC products								
Cross-currency interest rate swaps	4,883,508	8,550,781	1,210,811	14,645,100	10,256,781	310,264	(363,875)	
Forward foreign exchange contracts	30,593,247	920,497	0	31,513,744	29,705,426	312,246	(319,809)	
Currency options - purchased	1,757,344	73,910	0	1,831,254	1,746,254	16,162	0	
Currency options - sold	1,774,516	78,033	0	1,852,549	1,852,549	0	(15,020)	
Other similar interest rate contracts	0	0	0	0	0	0	0	
Exchange-traded products								
Currency contracts (futures)	0	0	0	0	0	0	0	
Currency options	0	0	0	0	0	0	0	
c) Securities-related transactions	90,427	178,660	22,200	291,287	22,176	830	(748)	
OTC products								
Securities-related forward transactions	0	0	0	0	0	0	0	
Equity/Index options -buy	82,339	175,660	22,200	280,199	11,088	830	0	
Equity/Index options -sell	8,088	3,000	0	11,088	11,088	0	(748)	
Exchange-traded products								
Equity/Index futures	0	0	0	0	0	0	0	
Equity/Index options	0	0	0	0	0	0	0	
d) Commodity contracts	0	0	0	0	0	0	0	
e) Credit derivative contracts	0	131,201	83,800	215,001	131,201	1,518	(2,957)	
OTC products								
Credit default swaps	0	131,201	83,800	215,001	131,201	1,518	(2,957)	

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

Derivatives in € million	Positive fair values		Negative fair values	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Derivatives in the trading book				
a) Interest rate contracts	1,240.6	1,125.9	1,065.2	886.9
b) Foreign exchange rate contracts	452.0	585.1	491.2	620.9
c) Share and index contracts	1.3	0.6	1.3	0.7
d) Credit derivatives	5.4	1.5	10.8	0.2

Securities

Due to a change in investment strategies, securities with a carrying amount of € 1,845.6 (31/12/2018: 145.1) million were reclassified from fixed assets to current assets at the end of the reporting year.

Debt securities and other fixed-income securities amounting to € 996.8 million (31/12/2018: € 228.9 million) 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 € million	Listed 31/12/2019	Unlisted 31/12/2019	Listed 31/12/2018	Unlisted 31/12/2018
	3,460.9	11.2	2,919.3	17.7
Shares and other variable-yield securities	33.2	0.0	33.6	0.0

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

Securities in € million	Fixed assets 31/12/2019	Current assets 31/12/2019	Fixed assets 31/12/2018	Current assets 31/12/2018
	766.6	2,705.5	1,401.8	1,535.1
Shares and other variable-yield securities	0.0	33.2	0.0	33.6

The table below shows the disposal of securities from fixed assets. Of this amount, € 1,283.5 million related to repayments (31/12/2018: € 1,600.4 million).

Balance sheet item in € million	Nominal amount 31/12/2019	Net result 31/12/2019	Nominal amount 31/12/2018	Net result 31/12/2018
Treasury bills and other bills eligible for refinancing with central banks	1,931.6	39.0	1,148.6	26.3
Loans and advances to credit institutions	0.0	0.0	32.7	0.0
Loans and advances to customers	128.5	0.1	369.8	0.0
Debt securities and other fixed-income securities	666.1	11.6	498.8	2.5
Shares and other variable-yield securities	0.0	0.0	20.0	0.0
Total	2,726.1	50.7	2,069.9	28.8

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 € 23.1 million (31/12/2018: € 62.5 million) to be recognized in the future as expenditure, and € 6.9 million (31/12/2018: € 11.5 million) 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 € 88.3 million (31/12/2018: € 12.2 million) pursuant to Section 56 (4) of the Austrian Banking Act (BWG) and € 4.3 million (31/12/2018: € 1.4 million) 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 € 20.9 million (31/12/2018: € 17.1 million).

Securities amounting to € 59.1 million (31/12/2018: € 264.4 million) 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 € 187,248.5 million (31/12/2018: € 171,191.3 million), with € 1,070.1 million (31/12/2018: € 961.6 million) accounted for by securities and € 186,178.4 million (31/12/2018: € 170,229.7 million) accounted for by other financial instruments.

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

Financial investments in € million	Carrying amount 31/12/2019	Fair value 31/12/2019	Carrying amount 31/12/2018	Fair value 31/12/2018
1. Treasury bills and other bills eligible for refinancing with central bank	178.8	174.4	117.9	117.3
2. Loans and advances to credit institutions	58.9	58.9	0.0	0.0
3. Loans and advances to customers	149.3	148.3	189.7	187.3
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	28.4	28.2	210.1	209.0
5. Shares and other variable-yield securities	0.0	0.0	175.1	167.3
Total	415.4	409.8	692.8	681.0

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 Raiffeisenlandesbank Karnten - Rechenzentrum und Revisionsverband, registrierte Genossenschaft mbH, UNIQA Insurance Group AG, Vienna, and Posojilnica Bank eGen, Klagenfurt. There are no profit and loss transfer agreements as at 31 December 2019.

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

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

Affiliated companies

Company, registered office (country)	Total nominal value in thousand	Exchange	Direct share of RBI	Equity in € thousand	Result in € thousand ¹	From annual financial statements ²
Angaga Handels- und Beteiligungs GmbH, Vienna	35	EUR	100%	32	(11)	31/12/2018
AO Raiffeisenbank, Moscow ³	36,711,260	RUB	100%	2,464,664	497,747	31/12/2019
BAILE Handels- und Beteiligungsgesellschaft m.b.H., Vienna ²	40	EUR	100%	249,162	(27)	31/12/2019
Centralised Raiffeisen International Services & Payments S.R.L., Bukarest	2,820	RON	100%	5,825	1,888	31/12/2018
Elevator Ventures Beteiligungs GmbH, Vienna	100	EUR	100%	197	(153)	31/12/2018
Extra Year Investments Limited, Tortola	50	USD	100%	52	(8)	31/12/2018
FARIO Handels- und Beteiligungsgesellschaft m.b.H., Vienna	40	EUR	100%	5,466	(1,657)	31/12/2018
Golden Rainbow International Limited, Tortola	<1	USD	100%	369	1,943	31/12/2018
Kathrein Privatbank Aktiengesellschaft, Vienna ²	20,000	EUR	0%	32,351	1,741	31/12/2019
KAURI Handels und Beteiligungs GmbH, Vienna ²	50	EUR	88%	7,454	451	31/12/2019
LOTA Handels- und Beteiligungs-GmbH, Vienna	35	EUR	100%	98	(17)	31/12/2018
NAURU Handels- und Beteiligungs GmbH, Vienna	35	EUR	100%	641	533	31/12/2018
R.B.T. Beteiligungsges.m.b.H., Vienna	36	EUR	100%	266	(14)	31/12/2018
R.I.H. Holding GmbH, Vienna	35	EUR	100%	5,150	1,391	31/12/2018
R.P.I. Handels- und Beteiligungsges.m.b.H., Vienna ²	36	EUR	100%	240	(19)	31/12/2018
Radwinter sp.z o.o., Warsaw ³	10	PLN	100%	2	- ⁴	31/12/2019
Raiffeisen Bank Aval JSC, Kiev ³	6,154,516	UAH	68%	482,995	164,050	31/12/2019
Raiffeisen Investment Advisory GmbH, Vienna	730	EUR	100%	974	386	31/12/2018
Raiffeisen RS Beteiligungs GmbH, Vienna ²	35	EUR	100%	5,083,044	486,733	31/12/2019
RBI Group IT GmbH, Vienna	100	EUR	100%	112	1	31/12/2018

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

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 Established in 2019

Company, registered office (country)	Total nominal value in thousand	Exchange	Direct share of RBI	Equity in € thousand	Result in € thousand ¹	From annual financial statements ²
RALT Raiffeisen Leasing Ges.m.b.H, Vienna ²	219	EUR	100%	42,763	4,270	31/12/2019
RALT Raiffeisen-Leasing GmbH & Co. KG, Vienna ²	20,348	EUR	97%	21,507	302	31/12/2019
RB International Finance (Hong Kong) Ltd., Hong Kong ³	10,000	HKD	100%	19,341	671	31/12/2018
RB International Investment Asia Limited, MY-Labuan ³	<1	EUR	100%	167	(247)	31/12/2018
RB International Markets (USA) LLC, New York ³	8,000	USD	100%	10,894	57	31/12/2019
RBI KI Beteiligungs GmbH, Vienna ²	48	EUR	100%	168	(39)	31/12/2019
RBI LEA Beteiligungs GmbH, Vienna ²	70	EUR	100%	207,441	146,294	31/12/2019
RBI PE Handels- und Beteiligungs GmbH, Vienna ²	150	EUR	100%	12,265	1,119	31/12/2019
	1,726,843					
REC Alpha LLC, Kiev ³	3	UAH	85%	17,211	2,432	31/12/2019
Regional Card Processing Center s.r.o., Bratislava ³	539	EUR	100%	16,512	1,141	31/12/2019
R-Insurance Services sp. z o.o., Ruda Śląska	5	PLN	100%	1	- ⁴	31/12/2019
RL Leasing Gesellschaft m.b.H., Eschborn ³	26	EUR	25%	2,595	166	31/12/2019
RSC Raiffeisen Daten Service Center GmbH, Vienna	2,000	EUR	50%	2,510	(179)	31/12/2018
RZB Finance (Jersey) III Ltd, JE-St. Helier ³	1	EUR	100%	68	(47)	31/12/2019
RBI IB Beteiligungs GmbH, Vienna ²	35	EUR	100%	52,571	12,539	31/12/2019
RZB-BLS Holding GmbH, Vienna ²	500	EUR	100%	430,436	23,669	31/12/2019
RBI-Invest Holding GmbH, Vienna ²	500	EUR	100%	852,638	10,043	31/12/2019
Salvelinus Handels- und Beteiligungsges.m.b.H., Vienna ²	40	EUR	100%	389,812	237	31/12/2018
Ukrainian Processing Center PJSC, Kiev ³	180	UAH	100%	18,022	7,093	31/12/2019
ZHS Office & Facilitymanagement GmbH, Vienna	36	EUR	1%	495	348	31/12/2019

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

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 Established in 2019

Fixed assets

The land value of developed land amounts to less than € 0.1 million (31/12/2018: less than € 0.1 million).

RBI AG was not directly involved in the leasing business as a lessor in 2019.

Obligations from the use of tangible fixed assets not reported on the statement of financial position amount to € 37.7 million (31/12/2018: € 32.3 million) for the following financial year, of which € 35.3 million were owed to affiliated companies (31/12/2018: € 30.6 million). The total amount of obligations for the following five years amounts to € 194.51 million (31/12/2018: € 167.9 million), of which € 182.2 million are owed to affiliated companies (31/12/2018: € 159.1 million).

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						As at 31/12/201 9 7
Item	Description of fixed assets	As at 1/1/2019 1	Additions due to merger 2	Exchange difference 3	Additions 4	Disposals 5	Reclassi- fication 6		
1.	Treasury bills and other bills eligible for refinancing with central banks	4,859,946	0	2,500	774,813	(3,506,540)	0	2,130,719	
2.	Loans and advances to credit institutions	73,121	0	609	10,000	0	0	83,730	
3.	Loans and advances to customers	647,054	0	2,416	52,803	(118,011)	0	584,262	
4.	Debt securities and other fixed-income securities	1,421,433	0	4,931	354,190	(995,860)	0	784,693	
a)	Issued by public bodies	0	0	0	0	0	0	0	
b)	Issued by other borrowers	1,421,433	0	4,931	354,190	(995,860)	0	784,693	
5.	Shares and other variable-yield securities	188,900	0	0	212,500	0	0	401,400	
6.	Participating interests	119,318	0	0	5	(125)	(1,000)	118,198	
7.	Shares in affiliated undertakings	12,870,329	0	0	18,640	(37,686)	1,000	12,852,283	
8.	Intangible fixed assets	203,868	0	50	8,957	(5,478)	0	207,397	
9.	Tangible assets	27,948	0	46	4,676	(774)	0	31,896	
10.	Other assets	116	0	0	0	0	0	116	
Total			20,412,033	0	10,553	1,436,584	(4,664,475)	0	17,194,695

in € thousand			Writing up/depreciation/revaluation						Carrying amount		
Item	Cumulative depreciation as of 1/1/2019 8	Additions due to merger 9	Exchange differences 10	Cumulative depreciation and amortization on disposal 11	Write-ups 12	Depreciation 13	Reclassification 14	Cumulative depreciation as of 31/12/2019 15	31/12/2019 16	31/12/2018 17	
1.	(112,461)	0	0	112,765	1,593	(29,858)	0	(27,961)	2,102,758	4,747,485	
2.	(19)	0	0	0	0	16	0	(3)	83,726	73,101	
3.	(4,055)	0	17	(153)	1,809	191	0	(2,190)	582,071	642,999	
4.	(22,877)	0	(39)	1,709	2,838	(1,820)	0	(20,188)	764,505	1,398,556	
a)	0	0	0	(2)	2	0	0	0	0.00	0	
b)	(22,877)	0	(39)	1,711	2,836	(1,820)	0	(20,188)	764,505	1,398,556	
5.	0	0	0	0	0	0	0	0	401,400	188,900	
6.	(45,366)	0	0	125	3,170	(4)	0	(42,075)	76,123	73,952	
7.	(2,238,119)	0	0	29,941	179,410	(2,154)	0	(2,030,922)	10,821,362	10,632,210	
8.	(166,561)	0	(16)	4,888	0	(8,135)	0	(169,825)	37,573	37,307	
9.	(17,349)	0	(20)	743	0	(2,602)	0	(19,228)	12,668	10,600	
10.	0	0	0	0	0	0	0	0	116	116	
	(2,606,806)	0	(59)	150,017	188,821	(44,364)	0	(2,312,391)	14,882,304	17,805,227	

Other assets

As at 31 December 2019, other assets totaled € 2,966.6 million (31/12/2018: € 2,825.0 million). This item also contains loans and advances from treasury transactions (positive market values arising from derivatives in the trading book, as well as accrued interest from derivatives in the banking book - for details, refer to the table on open forward transactions) in the amount of € 1,830.2 million (31/12/2018: € 1,857.5 million). This item also includes loans and advances (special fund) to the Austrian Raiffeisen Deposit Guarantee scheme (ÖRE) relating to the Federal IPS contribution of € 252.2 million (31/12/2018: € 204.0 million), loans and advances to the tax administration in the amount of € 18.7 million (31/12/2018: € 17.3 million), holdings of precious metals in coin and other forms in the amount of € 203.9 million (31/12/2018: € 102.0 million), loans and advances to Group members arising from tax transfers in the amount of € 22.4 million (31/12/2018: € 18.2 million) and dividends receivable totaling € 494.9 million (31/12/2018: € 460.5 million).

The other assets also contain income of € 625.8 million (31/12/2018: € 604.4 million) which is not payable until after the reporting date.

Deferred tax assets

The deferred tax assets of € 0.4 million (31/12/2018: € 26.1 million) shown in the statement of financial position result from tax loss carryforwards against American tax authorities of the subsidiary RB International Finance (USA), LLC, New York, which was liquidated in 2017. They are based on the planned future taxable profit of the subsidiary RB International Markets (USA) LLC, New York. No deferred tax assets were recognized for temporary differences of € 294.7 million (31/12/2018: € 285.0 million) and € 2,089.9 million (31/12/2018: EUR 1,801.5 million) from domestic tax loss carry forwards as it does not appear that they can be realized within a reasonable time from today's perspective. There were no liability-side temporary differences, which are generally set off up to the amount of the asset-side temporary differences, in the financial year.

Subordinated assets

Subordinated assets contained under assets:

in € million	31/12/2019	31/12/2018
Loans and advances to credit institutions	1,160.7	1,281.2
hereof to affiliated companies	1,155.0	1,275.6
hereof to companies linked by virtue of a participating interest	3.7	3.6
Loans and advances to customers	302.7	177.3
hereof to affiliated companies	56.4	56.6
hereof to companies linked by virtue of a participating interest	2.2	2.1
Debt securities and other fixed-income securities	49.2	30.1
hereof from affiliated companies	0.0	0.0
hereof from companies linked by virtue of a participating interest	2.0	0.0
Shares and other variable-yield securities	441.6	223.3
hereof from affiliated companies	417.0	197.3
hereof from companies linked by virtue of a participating interest	0.1	1.3

Restrictions related to asset availability

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

in € million	31/12/2019	31/12/2018
Indemnification for securities lending transactions	246.6	1,001.8
Loans assigned to Oestreichische Kontrollbank (OeKB)	2,077.9	1,774.9
Indemnification for OeNB tender	169.7	1,000.0
Loans assigned to European Investment Bank (EIB)	55.5	48.8
Loans assigned to Kreditanstalt für Wiederaufbau (KfW)	29.8	41.1
Loans assigned to Euler Hermes	0.8	0.9
Institutional Protection Scheme	252.2	204.0
Margin requirements	12.1	27.3
Treasury call deposits for contractual netting agreements	690.4	598.2
Total	3,535.0	4,697.0

In addition, assets with usage restrictions in an amount of € 1,668.5 million (31/12/2018: € 1,429.8 million) exist for covered bonds which have been established but not yet issued.

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

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

in € million	31/12/2019	31/12/2018
Loans and advances to credit institutions		
To affiliated companies	2,113.2	2,044.7
To companies linked by virtue of a participating interest	247.6	65.2
Loans and advances to customers		
To affiliated companies	2,152.1	2,295.0
To companies linked by virtue of a participating interest	111.8	116.3
Debt securities and other fixed-income securities		
From affiliated companies	122.1	120.5
From companies linked by virtue of a participating interest	6.5	44.0

Equity and liabilities

Liabilities

Breakdown of maturities

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

in € million	31/12/2019	31/12/2018
Liabilities to credit institutions	27,902.5	26,598.3
Repayable on demand	3,671.5	3,457.3
Up to 3 months	13,244.0	13,079.2
More than 3 months, up to 1 year	1,695.2	2,207.7
More than 1 year, up to 5 years	6,849.6	5,877.7
More than 5 years	2,442.4	1,976.3
Liabilities to customers	19,155.6	17,612.1
Repayable on demand	5,331.7	6,172.5
Up to 3 months	7,298.8	6,172.7
More than 3 months, up to 1 year	3,699.6	3,397.4
More than 1 year, up to 5 years	1,775.8	956.0
More than 5 years	1,049.8	913.6
Securitised liabilities	7,039.8	5,122.5
Up to 3 months	142.0	293.2
More than 3 months, up to 1 year	974.1	502.6
More than 1 year, up to 5 years	3,651.1	3,384.8
More than 5 years	2,272.6	941.8
Other liabilities	2,392.3	2,363.2
Up to 3 months	2,392.3	2,363.2
More than 3 months, up to 1 year	0.0	0.0
More than 1 year, up to 5 years	0.0	0.0
More than 5 years	0.0	0.0

Bonds and notes issued amounting to € 1.044,5 million (31/12/2018: € 572.3 million) will become due in next financial year.

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

in € million	31/12/2019	31/12/2018
Liabilities to credit institutions		
From affiliated companies	6,193.0	4,346.8
From companies linked by virtue of a participating interest	4,274.3	3,905.0
Liabilities to customers		
From affiliated companies	3,896.7	3,771.5
From companies linked by virtue of a participating interest	173.1	106.9

Other liabilities

As at 31 December 2019, other liabilities amounted to € 2,392.4 million (31/12/2018: € 2,363.2 million). This item also contains liabilities from treasury transactions (primarily negative market values arising from derivatives in the trading book, as well as accrued interest from derivatives in the banking book – for details, refer to the table on open forward transactions) in the amount of € 1,619.8 million (31/12/2018: € 1,580.5 million) and liabilities of € 185.9 million (31/12/2018: € 158.1 million) from short positions in bonds. The fair market value of the hedges for capital guarantees for funds is € 85.7 million (31/12/2018: € 91.5 million). The item also includes accrued interest for additional capital of € 286.9 million (31/12/2018: € 273.7 million), liabilities from tax transfers (corporate income tax) and liabilities from creditable capital yields and withholding tax toward Group members totaling € 20.2 million (31/12/2018: € 21.4 million).

The other liabilities also contain expenses in the amount of € 338.2 million (2018: € 345.4 million), for which payment is to be made after the reporting date.

Provisions

Provisions amount to € 92.4 million (31/12/2018: € 65.7 million) for severance payments, € 73.5 million (31/12/2018: € 71.5 million) for pensions, € 5.9 million (31/12/2018: € 0.3 million) for tax provisions, and € 237.0 million (31/12/2018: € 171.8 million) for other provisions. Reinsurance policies for pension provisions are in place in the amount of € 14.6 million (31/12/2018: € 12.5 million). In the financial year under review these were offset with claims of the same amount.

Out of the tax provisions of € 5.9 million, € 4.9 million relate to provisions for real estate transfer taxes owed to the German tax administration, while € 1.0 million relate to provisions for corporate income tax from 2016.

The increase in other provisions resulted mainly from guaranteed loans and litigation risks relating to litigation on foreign currency loans in Poland. A number of customer lawsuits were filed in Poland. The provision is based on a statistical approach that incorporates statistical data, where relevant, as well as expert opinions. Possible verdict scenarios and the expected loss rates per scenario were estimated. The expected loss is based on loans extended to customers who have filed or threatened to file a lawsuit against the bank. To calculate the financial impact of each scenario, the loan amount is multiplied by the estimated financial outflow in the scenario and the likelihood that the bank will ultimately have to pay compensation to the customer. A reasonable discount rate is applied to outflows when it is assumed that they will not take place within a year. The financial impacts of the individual scenarios are weighted based on expert opinions. The resulting amount of € 48.8 million, which includes estimated attorneys' fees, was recognized in a provision for 2019.

Other provisions

in € million	31/12/2019	31/12/2018
Losses on bankbook interest rate derivatives	30.6	44.2
Guarantee loans	39.2	18.5
Process risks	50.3	0.2
Bonus payments	42.4	44.3
Anniversary payments	27.4	23.8
Overdue vacation	22.0	20.2
Restructuring costs	1.2	1.4
Supervisory Board fees	1.1	1.1
Operational risk/losses/other	4.8	1.2
Audit costs	0.5	0.4
Other expenses/outstanding invoices	17.6	16.6
Total	237.0	171.8

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

As at 31 December 2019, tier 2 capital amounts to € 2,628.8 million (31/12/2018: € 2,737.5 million).

Company tier 2 capital according to CRR:

in € million	31/12/2019	31/12/2018
6.625% RBI bonds 2011-2021	12.3	9.4
6% RBI debt securities issued 2013-2023	2.4	2.4
var. RBI bonds 2014-2025	8.9	0.4
var. RBI bonds 2013-2024	0.0	6.5

In the reporting year issuances in the amount of € 314.2 million (2018: € 5.1 million) were redeemed. A loss of € 4.4 million (2018: < € 0.1 million) including the release of the corresponding hedging transaction was booked in the financial year.

Subordinated liabilities

List of subordinated loans (including tier 2 capital) that exceed 10 per cent of the total subordinated liabilities of € 2,628.8 million (i.e. that exceed € 262.9 million):

Name	Nominal value in € million	Maturity date	Interest rate
Subordinated Notes 2023 Serie 45	500	16/10/2023	6,000%
Subordinated Notes 2021 Serie 4	500	18/5/2021	6,625%

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

Expenses for subordinated liabilities

The expenses for subordinated liabilities in the financial year amount to € 128.4 million (2018: € 164.3 million).

Additional tier 1 capital

No additional tier 1 capital according to part two, title I, chapter 3 of regulation (EU) no 575/2013 was issued in the financial year. RBI completed its planned AT1 issuance program with a nominal issuance of € 1,150.0 million (€ 650.0 million in 2017 and € 500.0 million in 2018). As of 31 December 2019, the additional tier 1 capital, plus accrued interest, amounts to € 1,151.2 million (31/12/2018: € 1,152.7 million). The total discount of € 5.7 million is carried as a deferred expense until the first call date on 15 December 2022 and by 15 June 2025 respectively.

Assets and liabilities in foreign currency

in € million	31/12/2019	31/12/2018
Assets in foreign currency	8,456.3	9,703.4
Liabilities in foreign currency	7,976.0	6,424.5

Equity

Subscribed capital

As of 31 December 2019, the capital stock of RBI AG pursuant to its articles of association was unchanged at € 1,003.3 million. The nominal capital consists of 328,939,621 no-par-value shares (bearer shares). After deduction of 322,204 own shares, the stated subscribed capital totaled € 1,002.3 million (31/12/2018: € 1,002.3 million).

Own shares

The Annual General Meeting held on 21 June 2018 authorized the Management Board pursuant to Section 65 (1) (8), Section 65 (1a) and Section 65 (1b) of the AktG to purchase own shares and to retire them if appropriate without requiring any further resolutions to be passed by the General Meeting. Own shares, whether already purchased or to be purchased, may not collectively exceed 10 per cent of the company's share capital. The authorization to purchase own shares expires 30 months after the date of the General Meeting resolution, i.e. as of 20 December 2020. The acquisition price for repurchasing the shares may be no lower than € 1.00 per share and no higher than 10 per cent above the average unweighted closing price over the ten trading days prior to exercising this authorization.

The Management Board was further authorized, pursuant to Section 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, branches of activity or shares in one or several companies in Austria or abroad. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary pursuant to Section 189a (7) UGB or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 20 June 2023.

No own shares have been bought or sold since the authorization was issued in June 2018.

The Annual General Meeting of 21 June 2018 also authorized the Management Board, under the provisions of Section 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 20 December 2020), provided that the trading portfolio of shares purchased for this purpose does not exceed 5 per cent of the company's respective share capital at the end of any given day. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition.

Authorized capital

Pursuant to Section 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 13 June 2019 to increase the capital stock – in one or more tranches – by up to € 446.8 million subject to the approval of the Supervisory Board by issuing up to 164,469,810 new common bearer shares with voting rights against contributions in cash and/or in kind of up to € 501,632,920.50 (including by way of the right of indirect subscription by a bank pursuant to Section 153 (6) of the Austrian Stock Corporation Act (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 by contributions in kind or (ii) if the capital increase is carried out by contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's capital stock (exclusion of subscription rights).

No use has been made of the authorization issued in June 2019 to use the authorized capital.

Capital reserves

The committed capital reserves of € 4,334.3 million (31/12/2018: € 4,334.3 million) and the uncommitted capital reserves of € 97.1 million (31/12/2018: € 97.1 million) remained unchanged over the entire financial year.

Retained earnings

Retained earnings consist of legal reserves of € 5.5 million (31/12/2018: € 5.5 million) and other free reserves amounting to € 2,299.3 million (31/12/2018: € 2,165.1 million). Of the other free reserves, an amount of € 265.3 million (31/12/2018: € 217.1 million) is allocated to the federal IPS. An amount of € 48.2 million (31/12/2018: € 46.4 million) was allocated to

other reserves in the 2019 financial year as a reserve for the federal institutional protection scheme (Federal IPS) based on the agreement to establish an institutional protection scheme and a corresponding resolution by the Federal IPS Risk Council. The Federal IPS reserve is not eligible for inclusion in the calculation of own funds pursuant to CRR. An additional € 86.0 million (31/12/2018: € 648.0 million) was allocated to other free reserves from the profit for the year after tax.

Liability reserves

As at 31 December 2019, liability reserves stood at € 535.1 million (31/12/2018: € 535.1 million).

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 2019, the volume of these guarantees was € 973 million (31/12/2018: € 1,029 million).

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

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

As at 31 December 2019, soft letters of comfort in the amount of € 302.4 million (31/12/2018: € 382.8 million) had been issued.

The volume of liabilities to affiliated companies amounted to € 1,106.5 million as at 31 December 2019 (31/12/2018: € 648.3 million). The presentation as of 31/12/2018 has been changed so that all affiliated companies are included, not just those that are directly held.

Open capital commitments on share capital in the amount of € 5.6 million (31/12/2018: € 5.6 million) exist vis-à-vis European Investment Fund S.A., Luxembourg.

Contingent liabilities off the statement of financial position of RBI AG of € 6,049.9 million were reported as at 31 December 2019 (31/12/2018: € 5,213.1 million). Of that amount, € 5,070.1 million (31/12/2018: € 4,263.3 million) was attributable to guarantees and € 979.8 million (31/12/2018: € 949.8 million) to letters of credit.

As at 31 December 2019, € 15,171.2 million (31/12/2018: € 13,206.7 million) in credit risk was reported under liabilities off the statement of financial position. In the reporting year, this credit risk was fully attributable to unused, irrevocable credit lines.

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

Total capital according to CCR

in € million	31/12/2019	31/12/2018
Paid-in capital	1,002	1,002
Less obligation to purchase own shares	(19)	(19)
Capital reserves and premium to CET1 instruments	4,431	4,431
Retained earnings and other reserves ¹	2,577	2,515
Common equity tier 1 (before deductions)	7,992	7,929
Net loss for the year	0	0
Adjustment for Prudent Valuation	(27)	(29)
Intangible fixed assets/goodwill	(38)	(37)
Provision shortage for IRB-positions	(20)	(70)
Deduction deferred tax assets	0	(1)
Deduction securitizations	0	0
Transitional adaptions for common equity tier 1	0	0
Common equity tier 1 (after deductions)	7,907	7,792
Additional tier 1	1,145	1,144
Less own AT1 capital	(5)	(14)
Less obligation to purchase own AT1	(30)	(6)
Transitional adaptions for common equity tier 1	0	0
Tier 1	9,017	8,916
Supplementary capital	1,691	2,210
Less own supplementary capital	(24)	(18)
Less obligation to purchase own supplementary capital	(16)	(22)
Less own supplementary capital of substantial participations	(1)	(2)
Provision excess of internal rating approach positions	184	137
Transitional adaptions for supplementary capital	0	0
Tier 2 (after deductions)	1,834	2,305
Total capital	10,851	11,221
Common Equity Tier 1 ratio (transitional)	19.7%	19.8%
Common equity tier 1 capital ratio (fully loaded)	19.7%	19.8%
Tier 1 capital ratio	22.5%	22.7%
Total capital ratio (transitional)	27.1%	28.6%
Total capital ratio (fully loaded)	27.1%	28.6%

1 Minus Federal IPS reserve of € 265.3 million (31/12/2018: € 217.1 million)

in € million	31/12/2019	31/12/2018
Risk-weighted exposure amounts credit risk	34,599	33,863
Internal rating approach	30,462	29,238
Standardized approach	4,137	4,438
Total amount of risk positions for credit valuation adjustments	157	188
Risk exposure amount for settlement and delivery risk	46	0
Total risk exposure amount for position, foreign exchange and commodities risks	1,927	2,438
Total risk exposure amount for operational risk (OpR)	3,057	3,000
Other risk exposure amounts	314	0
TOTAL RISK EXPOSURE AMOUNT	40,101	39,300

Capital requirements

in € million	31/12/2019	31/12/2018 ¹
Risk-weighted calculation base according to standardized approach	4,137	4,432
Banks	21	10
Corporate customers	4	11
Retail exposures	153	137
Receivables secured by real estate	3,354	3,562
Defaulted positions	93	119
Equity exposures	178	177
Other positions	334	416
Risk-weighted calculation basis according to internal rating approach	30,462	29,238
Central governments and central banks	43	38
Banks	1,943	2,125
Corporate customers	14,063	12,550
Equity exposures	14,413	14,188
Securitization position	0	338
Risk-weighted calculation basis for credit risk	34,599	33,670

1 The assessment base and total amount at risk (total RWAs) were uniformly used as reference parameters for the total capital pursuant to the CRR as of the 2019 reporting date. The comparison figures for the 2018 reporting date were adjusted accordingly.

	31/12/2019	31/12/2018
Leverage ratio (fully loaded)	13.1%	13.0%
Risk weighted assets of total assets	57.8%	61.0%

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:

2019 in € million	Total	Austria	Europe	Asia
Interest receivable and similar income	958.6	914.9	42.3	1.3
hereof: from fixed-income securities	86.9	86.8	0.0	0.1
Income from variable-yield securities and participations	708.8	708.8	0.0	0.0
Commissions receivable	361.0	356.7	4.3	0.0
Net profit or net loss on financial operations	(51.2)	(51.1)	0.3	(0.5)
Other operating income	269.9	267.8	2.1	0.0

2018 in € million	Total	Austria	Europe	Asia
Interest receivable and similar income	896.3	887.7	6.9	1.7
hereof: from fixed-income securities	90.2	90.1	0.0	0.1
Income from variable-yield securities and participations	636.3	636.3	0.0	0.0
Commissions receivable	333.6	332.2	1.3	0.1
Net profit or net loss on financial operations	39.9	41.6	0.1	(1.8)
Other operating income	181.1	180.8	0.3	0.0

Negative interest rates

Due to the low interest rate situation prevailing in the financial year 2019 as well, an expense, resulting from negative interest for loans and advances, was shown in an amount of € 43.6 million (2018: € 45.1 million) in the item interest receivable and similar income. This contrasted with income of € 62.7 million (2018: € 57.2 million) resulting from negative interest for liabilities which was shown in the item interest payable and similar expenses. The larger volume is responsible for the increase in income resulting from negative interest.

Other operating income

Other operating income includes staff and administrative expenses passed on for services in the amount of € 86.8 million (2018: € 89.0 million), income from releases of provisions for impending losses from derivatives in the amount of € 33.1 million (2018: € 2.9 million), income from close-out fees for derivatives on the banking book in an amount of € 117.1 million (2018: € 25.8 million), as well as income from the release of other provisions in the amount of € 0.8 million (2018: € 43.5 million).

Staff expenses

Expenses for severance payments and benefits for occupational employee pension funds include € 37.6 million (2018: € 14.5 million) in expenses for severance payments. This includes reorganization expenses of € 18.2 million.

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 € 200.5 million to € 305.4 million in 2019. This includes allocations for provisions for pending losses for banking book derivatives in an amount of € 17.5 million (2018: € 19.8 million), allocations for other provisions for liabilities and charges of € 65.1 million (2018: € 22.1 million), expenses relating to the foreign branches in an amount of € 10.9 million (2018: € 13.7 million) as well as expenses deriving from close-out fees for banking book derivatives in an amount of € 196.6 million (2018: € 46.2 million).

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

Net income/expenses from the disposal and valuation of loans and advances and securities classed as current assets recorded a net expense - as in the previous year - of € 105.9 million (2018: minus € 31.6 million). This change derived, firstly, from a decrease in the net gain/loss on the valuation and disposal of marketable securities and banking book derivatives in the amount of € 3.5 million (2018: € 4.8 million) and, secondly, from a decrease in the net gain/loss on the valuation of loans and advances as well as guarantees to an amount of minus € 109.4 million (2018: minus € 36.4 million). The moderate year-on-year increase in the requirement for loan loss provisions derived mainly from releases of loan loss provisions in the 2018 financial year. RBI AG recognized net provisioning for individual loan loss provisions of € 98.2 million (2018: € 104.9 million). Net provisioning for portfolio-based loan loss provisions amounted to € 15.3 million (2018: € 38.6 million). The decline resulted from (i) a one-off effect caused by a change in method in the 2018 financial year in which the IFRS 9 calculation model used to determine portfolio-based loan loss provisions came into effect on 1 January 2018 under company law and (ii) the inclusion of expected credit risks relating to extraordinary events that the model cannot account for.

In the financial year under review, losses were realized on shares in investment funds in an amount of € 0.7 million (2018: € 0.4 million). As in the previous year, no income was generated from dividends.

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

The item net income/expenses from the disposal and valuation of securities valued as financial investments and from shares in affiliated companies and equity participations included a write-up for Raiffeisen Bank Aval JSC, Kiev, in an amount of € 150.8 million, RZB-BLS Holding GmbH, Vienna, in an amount of € 23.8 million, BALLE Handels- und Beteiligungsges. m.b.H., Vienna, in an amount of € 2.1 million, and Posojilnica Bank eGen, Klagenfurt, in an amount of € 2.9 million. Shares in affiliated companies and equity participations were written down by € 2.2 million in total. In total, gains of € 180.4 million (2018: gains of € 125.8 million) on the valuation of shares in affiliated companies and equity participations were reported.

Overall, the disposal of shares in affiliated companies and equity participations led to a break-even result of € 0.0 million (2018: loss of € 6.5 million).

Group taxation

RBI AG is the group parent of a corporate group pursuant to Section 9 of the Corporation Tax Act (KStG). As at 31 December 2019, 50 companies were members of the group of companies (31/12/2018: 50 companies) in accordance with Section 9 of the Corporation Tax Act (KStG).

Merger gain

The entire merger gain from the previous year related to the net gain/loss on the contribution of the remaining business of Raiffeisen Bank Polska S.A., Warsaw, following the sale of the core banking operations to Bank BGZ Paribas S.A.

Overall return on assets

The overall return on assets (net loss or profit after tax divided by the average total assets) in 2019 was 0.7 per cent (2018: 1.7 per cent).

Recommendation for the appropriation of profits

The Management Board of RBI AG will propose to the Annual General Meeting to pay a dividend of € 1.00 per share from the net profit shown in the 2019 annual financial statements. Based on the shares issued, this would result in a maximum amount of € 328,940 thousand.

Other

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

In the 2019 financial year the company had an average of 2,915 employees (2018: 2,533).

Expenses for severance payments and pensions

in € thousand	Pension expenditure		Severance payments	
	2019	2018	2019	2018
Members of the managing board and senior staff	2,505	3,340	3,162	1,738
Employees	10,635	22,563	34,402	15,680
Total	13,140	25,903	37,564	17,418

The increase in severance payments expenses was due to the restructuring expenses in the amount of € 18 million in the financial year. The decrease in pension expenditure was the result of changes to the mortality tables in the previous year.

Management Board

The Management Board was as follows:

Members of the Management Board	First assignment	End of period
Johann Strobl, Deputy Chairman	22 September 2010 ¹	28 February 2022
Martin Grüll	3 January 2005	28 February 2020 ²
Andreas Gschwenter	1 July 2015	30 June 2023
Lukasz Januszewski	1 March 2018	28 February 2021
Peter Lennkh	1 October 2004	31 December 2020
Hannes Mösenbacher	18 March 2017	28 February 2025
Andrii Stepanenko	1 March 2018	28 February 2021

¹ Effective as of 10 October 2010

² The number of members of RBI AG's Management Board will be reduced from seven to six when Martin Grüll's Management Board mandate expires at the end of February 2020. The Management Board areas of responsibility will be reorganized in a way that aims to exploit opportunities to streamline the organization.

Supervisory Board

The Supervisory Board as at 31 December 2019 was as follows:

Members of the Supervisory Board	First assignment	End of period
Erwin Hameseder, Chairman	8 July 2010 ¹	AGM 2020
Martin Schaller, 1st Deputy Chairman	4 June 2014	AGM 2024
Heinrich Schaller, 2nd Deputy Chairman	20 June 2012	AGM 2022
Klaus Buchleitner	26 June 2013	AGM 2020
Peter Gauper	22 June 2017	AGM 2022
Wilfried Hopfner	22 June 2017	AGM 2022
Rudolf Könighofer	22 June 2017	AGM 2022
Johannes Ortner	22 June 2017	AGM 2022
Günther Reibersdorfer	20 June 2012	AGM 2022
Eva Eberhartinger	22 June 2017	AGM 2022
Andrea Gaal	21 June 2018	AGM 2023
Birgit Noggler	22 June 2017	AGM 2022
Rudolf Kortenhofer ²	10 October 2010	Until further notice
Peter Anzeletti-Reikl ²	10 October 2010	Until further notice
Gebhard Muster ²	22 June 2017	Until further notice
Sigrid Netzker ²	1 January 2019	Until 31 December 2019
Helge Rechberger ²	10 October 2010	Until further notice
Susanne Unger ²	16 February 2012	Until further notice

¹ Effective as of 10 October 2010.

² Delegated by the Staff Council

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

State Commissioners

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

Remuneration of the Management Board

The following remuneration was paid to the Management Board:

in € thousand	2019	2018
Fixed remunerations	5,434	5,154
Bonus (performance-based)	3,196	2,493
Share-based remuneration (performance-based)	0	399
Payments to pension funds and reinsurance policies	432	355
Other remunerations	2,346	2,345
Total	11,408	10,746
hereof remuneration of affiliated companies	2,160	1,813

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

The performance-based components of the Management Board's remuneration cover bonus payments. The bonuses reported above are immediately payable bonus amounts for 2018 and deferred bonus amounts for previous years.

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

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

An amount of € 1,137 thousand (2018: € 1,142 thousand) was paid in pension benefits to former members of the Management Board and to their surviving dependents. In addition to these amounts, short-term benefits, deferred bonus components totaling € 1,346 thousand (2018: € 3,258 thousand) were paid to former members of the Management Board.

Remuneration of members of the Supervisory Board

in € thousand	2019	2018 ¹
Remuneration Supervisory Board	1,069	1,060

¹ Adjustment of the previous year's figure (€ 965 thousand) to the remuneration actually paid

The Annual General Meeting held on 21 June 2018 approved a new remuneration model for the Supervisory Board, beginning in the 2017 financial year. It was decided to distribute the remuneration as follows: Chairman € 120 thousand, Deputy Chairman € 90 thousand, members of the Supervisory Board € 60 thousand, plus attendance fees. In the 2019 financial year, no contracts subject to approval within the meaning of Section 95 (5) 12 of the Austrian Stock Corporation Act (AktG) were concluded with members of the Supervisory Board.

Remuneration of members of the Advisory Council

in € thousand	2019	2018 ¹
Remuneration Advisory Council	202	198

¹ Adjustment of the previous year's figure (€ 104 thousand) to the remuneration actually paid

The Annual General Meeting held on 21 June 2018 passed a resolution to grant remuneration to the Advisory Council members for their work. It was decided to distribute the remuneration as follows: Chairman € 25 thousand, Deputy Chairman € 20 thousand, each additional member € 15 thousand, plus attendance fees. A provision of € 202 thousand was recognized for the 2019 financial year.

Events after the reporting date

There were no significant events after the reporting date.

Vienna, 28 February 2020

The Management Board



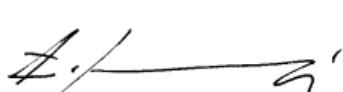
Johann Strobl



Martin Grüll



Andreas Gschwenter



Łukasz Januszewski



Peter Lennkh



Hannes Mösenbacher



Andrii Stepanenko

Management report

Market development

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

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

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

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

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

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

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

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

Economic growth in the CE region slowed comparatively moderately in 2019, reaching 3.6 per cent for the year compared to 4.5 per cent in the previous year. At 4.9 per cent, Hungary achieved the highest growth rate on an individual country level. Domestic demand, particularly consumer spending, supported by solid wage growth and a low unemployment rate, proved again to be the main driver of the CE economy in 2019. Despite the close trade links between industry in the CE region and Germany, the slowdown in industrial activity in CE was less pronounced than in Germany, especially in the automotive sector.

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

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

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

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

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

Banking sector in Austria

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

Development of the banking sector in CEE

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

Regulatory environment

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

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

Basel IV

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

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

BCBS 239

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

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

Bank recovery and bank resolution

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

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

Payment Services Directive 2

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

General Data Protection Regulation (GDPR)

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

Capital markets and sustainable financing

The year 2019 was marked by new developments in the field of sustainable financing. The European Commission's Green Deal aims to make Europe the first climate neutral continent by 2050. Various measures will be introduced, ranging from effective CO₂ pricing and mechanisms to adjust CO₂ limits for selected sectors, to cleaner energy and the mobilization of industry for a clean and circular economy. The financial sector has also been called upon to support these objectives. Sustainable financing is a central theme for 2020 and the coming years. The integration of climate and environmental risks into the EU supervisory framework will be a significant issue over the coming years in the financial sector, in addition to increased transparency and disclosure requirements for financial products.

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

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

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

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

Banking supervision

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

Business performance at Raiffeisen Bank International AG

Business development

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

Institutional Clients groups business with banks and institutional customers. It has developed out of Correspondent Banking in its original form and today stands for an integrated approach to doing business with banks, insurance companies and other institu

tional customers. Its extensive product and service range includes, among others, clearing, settlement and payment services, custody and depositary banking services, credit financing as well as capital market and securities transactions.

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

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

Corporates

The Corporates business serves Austrian and international corporate customers. In addition to Austria's largest companies, these also include Western European corporate customers with business activities in CEE, large corporate customers from Central and Eastern Europe and internationally-active commodities and trading companies.

In Austria, the strategic focus has been on structured customer acquisition and further exploitation of Group-wide earnings potential using strategic management tools and targeted sales initiatives. A core element is the Global Account Management System which offers international clients advisory services and support coordinated across the entire Group and enables a comprehensive product portfolio throughout the whole network. In order to further increase the customer support capabilities of our relationship managers and further enhance the benefit to our customers, the organizational structure of the Corporates business was completely restructured according to industry clusters in the financial year under review.

During the financial year under review, we also succeeded in significantly enhancing customer experience with our innovative digital solutions. We were the first bank in our region to digitize the KYC (know your customer) process, resulting in a reduction of up to 50 per cent in organizational and cost expenditure related to our corporate customers. Key efficiency drivers of this process include the pre-filling of form fields as well as the ability to upload documents and interact with RBI online. The second milestone was the introduction of eSpeedtrack, which enables customers to apply online for a subsidized export finance loan. The excellent customer feedback confirms our choice of priorities, and the next expansion stages of our digital customer platform are already in preparation.

Although the income side was impacted by the persistently low interest rate environment and pressure on loan margins in the corporate customers business, expansion of business volumes and strong cross-selling of bank products and services made it possible to achieve outstanding results. In addition to the traditional lending business, the bank's outstanding product expertise led to a significant contribution to the positive performance from structured project and acquisition financing, real estate financing, export and trade finance business and transaction banking.

In terms of product innovation, the Corporates business performed well again in 2019.

Ongoing positive developments in the Asset Based Finance and Factoring businesses should also be highlighted, where our strong reputation and high level of solutions-oriented expertise led to significant additional income growth. In the Debt Capital Markets business, RBI AG benefited considerably from positive market developments and consolidated its key position in promissory note and senior bond issuance.

The ongoing positive trends in loan quality and risk costs continue to make a significant contribution to the very good results in the Corporates business in 2019.

Institutional Clients

Notwithstanding the global growth slowdown affecting our Central and Eastern European core markets, business with institutional clients increased significantly in 2019, even compared to the very pleasing level of business activity in the previous year. This was reflected in an increasing number of transactions and higher volumes, as well as in the expansion of business relationships with existing customers and the acquisition of many new customers. RBI thus once again demonstrated its central role for business in and from Central and Eastern Europe.

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

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

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

Capital Markets

The 2019 financial year was marked by political issues such as Brexit and trade disputes between the USA, Asia and Europe. Central banks also largely stuck to their expansionary monetary policy.

In this environment, many equity market indices gained 20-30 per cent over the course of the year. Western bond markets also showed positive performance. Credit spreads narrowed by a further 45 basis points on average. In most foreign exchange markets, currency pairs traded in relatively narrow bands and traded volatilities fell to even lower levels.

Despite this historically low volatility, foreign currency trading delivered satisfactory performance for the year and further increased the proportion of business accounted for by electronic trading.

The Money Market and Securities Finance segment exceeded the previous year's result despite the ongoing excess liquidity and negative interest rate environment.

Bond trading generated a record result in 2019. This was due to increased Eurobond trading activity in Austria and Eastern Europe. Highly successful activities in Serbia, Romania, Russia and Ukraine likewise made substantial contributions, as did CEE local currency bonds as a niche product. Revenues from international customers increased significantly in these segments. The institutional clients business demonstrated very successful overall performance.

A capital markets highlight was the first "green" fixed-interest bonds issued in Austria, which attracted both institutional and retail customers.

Treasury

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

In 2019, RBI AG again increasingly used international large-volume bonds in various formats alongside long-term deposits in implementing its funding plan. A successful € 500 million subordinated issue in September accompanied by an offer to repurchase an existing capital-inefficient bond was followed by the issuance of a € 750 million senior green bond in September and a € 500 million covered bond in November. The covered bond is backed by mortgage loans and is the first such bond publicly issued by RBI AG. The remaining refinancing requirements of RBI AG were covered by small unsecured private placements.

The total volume of multi-year deposits and issuance taken up amounted to approximately € 4,518,837.25 and had a weighted maturity of approximately six years. At year-end 2019, the total volume of outstanding issued unsecured bonds excluding additional tier 1 (AT1) amounted to approximately € 7,103,873,203.

Group Participations

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

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

Governance and administration of all participations is directed by RBI Group Participations.

There were significant write-ups at Raiffeisen Bank Aval JSC, Kiev (€ 150.8 million) and RZB-BLS Holding GmbH (€ 23.8 million).

Raiffeisen Informatik GmbH & Co KG (R-IT), in which RBI AG indirectly holds just under 47 per cent, sold its 100 per cent shareholding in Comparex AG to SoftwareONE Holding AG (SWO), a Swiss software company, at the beginning of the year. In return, R-IT received, among other things, around 14.6 per cent of the share capital in SWO. In late October 2019, R-IT sold a portion of its share capital in SWO in an IPO on the Swiss Stock Exchange and reduced its shareholding to about 7.9 per cent.

Retail

The sale of the Polish core banking operations and the subsequent merger of the remaining operations of Raiffeisen Bank Polska S.A., Warsaw, with a newly established Polish branch of RBI AG in November 2018 gave RBI AG a portfolio of retail foreign currency mortgage loans. As at 31 December 2019, the net carrying amount of the loan exposures (less impairments) totaled approximately € 2.9 billion, consisting of € 2.1 billion (2018: € 2.3 billion) in Swiss franc loans, € 0.7 billion (2018: € 0.7 billion) in euro loans and € 0.1 billion (2018: € 0.1 billion) in Polish zloty loans.

The branch conducts neither deposit gathering nor 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. Beyond this, RBI AG has no further plans actively to expand its retail business in Poland.

In 2019, the business environment was notably marked by the legal dispute between customers with Swiss franc-denominated residential mortgage loans and banks. A provision was recognized in the amount of € 48.8 million on account of this pending legal issue.

Branches and representative offices

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

RBI AG has a branch in Poland following the sale of the core banking operations of the former Raiffeisen Bank Polska S.A. at the end of October 2018. As part of this transaction, the remaining portfolio of the former Raiffeisen Bank Polska S.A. was incorporated into RBI AG's newly established Warsaw branch. The portfolio's loan volume is around € 2.9 billion, mainly comprising retail customers' foreign-currency mortgage loans. The branch offers neither deposit business nor new customer business and focuses on administering the foreign currency loans taken over until their final maturity, and on providing services for borrowers. Additionally, the branch restructures and manages certain loans to corporate customers and serves a liquidator function for selected investment funds.

Through its extensive knowledge of the local markets in Southeast Asia and its contacts with companies, banks and authorities, the Singapore branch supports customers in sales activities, and also in establishing branches or partnerships with local companies. The free trade agreement between Singapore and the European Union that took effect in 2019 is expected to bolster trading activities.

Under the Belt-and-Road initiative in Central and Eastern Europe, the Peking branch supports a growing number of Chinese companies and financial institutions with their far-flung operations in this region by providing the full range of RBI banking services. The branch's tailored support for Chinese customers and the hosting of seminars and presentations in Peking has increased RBI's name

recognition among multinational Chinese companies. The Peking branch achieved a milestone in 2019 when it initiated RBI AG's involvement in a syndicated loan of EUR 3.5 billion to a major multinational company in Hong Kong.

The Frankfurt branch office further expanded its consulting and structuring services in various forms of receivables financing, as well as its local sales-support activities for RBI in its business with subsidiaries of German corporate customers, especially in CEE. In 2019, additional receivables financing mandates were won and implemented for customers in RBI AG's numerous focus markets, and business was further developed. In addition to winning new customers, another key task in the corporate customer business involves providing sales support for RBI AG's network. The increasing demand from German SME corporate customers for contact points in Germany reflects customers' centralization of administration functions and decision-making authorities. Establishing contacts with decision makers at customers' head offices strengthens customer relationships in CEE and opens up cross-selling potential.

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

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

Financial Performance Indicators

Statement of Financial Position

Raiffeisen Bank International AG's (RBI AG) total assets increased € 5.0 billion, or 7.7 per cent, to € 69.4 billion in the 2019 financial year. The growth in total assets resulted in particular from the increase of € 3.0 billion in loans and advances to customers and the increase of € 2.4 billion in loans and advances to banks.

On the asset side, the cash reserve and balances at central banks decreased € 0.2 billion to € 10.3 billion. This resulted from a moderate decline in deposits at the Austrian Central Bank. Loans and advances to banks increased 37.1 per cent, or € 2.4 billion, to € 9.0 billion. Loans and advances to banks were up 37.1 per cent, or € 2.4 billion, to € 9.0 billion. This growth mainly reflected an increase of € 1.6 billion in sale and repurchase transactions. In addition, giro and clearing business was up € 0.6 billion.

Loans and advances to customers increased 12.0 per cent, or € 3.0 billion, to € 28.0 billion. Lending was up € 1.9 billion as a result of increased business activity. Value adjustments to loans and advances to customers were unchanged at € 0.9 billion. Sale and purchase transactions with customers increased € 1.9 billion. In contrast, cash collateral from securities lending fell € 0.8 billion.

Bonds, notes and other fixed-interest securities were up 18.2 per cent, or € 0.5 billion, to € 3.5 billion. The increase was primarily due to the increase in repurchased own issues. The volume of shares and other variable-yield securities rose 67.3 per cent, or € 0.2 billion, to € 0.5 billion.

Shares in affiliated companies increased € 0.2 billion to € 10.8 billion, which mostly reflected the need to write up the value of an affiliated company.

Other assets were up € 0.1 billion, or 5.0 per cent, year-on-year to € 3.0 billion. The development was largely attributable to increased holdings of gold coins, which are not legal tender.

On the liability side, liabilities to credit institutions rose € 1.3 billion, or 5.0 per cent, to € 27.9 billion, largely due to a significant € 0.9 billion increase in money market transactions. Liabilities to credit institutions represent a significant source of funding for RBI AG at 40 per cent of total assets.

Liabilities to customers were up € 1.5 billion, or 8.8 per cent, to € 19.2 billion, largely due to a considerable € 1.6 billion increase in time deposits.

Securitized liabilities and additional capital according to CRR rose 23.0 per cent, or € 1.8 billion, year-on-year to € 9.7 billion. Funds raised through new issues amounted to € 2.9 billion (2018: € 3.3 billion) in 2019. In contrast, retirements of securitized liabilities from scheduled and early repayments amounted to € 1.1 billion in 2019 (2018: € 1.9 billion). Other liabilities were more or less unchanged year-on-year.

The provisions include provisions of € 92.4 million for severance payments (31/12/2018: € 65.7 million) provisions of € 73.5 million for pensions (31/12/2018: € 71.5 million), tax provisions of € 6.0 billion (31.12.2018: € 0.3 million), and other provisions of € 237.0 million (31/12/2018: € 171.8 million). The increase in provisions for severance payments included provisions of € 20 million for voluntary severance payments. The increase in tax provisions was based on an allocation to provisions for foreign real estate transfer tax resulting from mergers within the RBI Group. The increase in other provisions was mainly due to provisions of € 48.8 million for litigation risks as a result of legal disputes concerning foreign currency loans in Poland.

Total risk exposure at year-end 2019 was € 40.1 billion (2018: € 39.3 billion). Of that amount, credit risk accounted for € 34.8 billion (2018: € 33.9 billion), operational risk for € 3.1 billion (2018: € 3.0 billion), and market risk for € 1.9 billion (2018: € 2.4 billion). Total risk exposure was up around € 0.8 billion year-on-year, mainly due to new lending, which increased risk exposure for the credit risk.

Common equity tier 1 (CET1) capital was up to € 7.9 billion at year-end 2019 (2018: € 7.8 billion) mainly as a result of retained earnings of € 0.1 billion. Tier 1 capital amounted to € 9.0 billion (2018: € 8.9 billion). Tier 2 amounted to € 1.8 billion (2018: € 2.3 billion). The reduction was largely due to the repayment of issues and regulatory amortization in the last five years to maturity. All in all, total capital amounted to € 10.9 billion, a year-on-year rise of € 0.4 billion.

The CET1 ratio of 19.7 per cent was 0.1 per cent lower than in the previous year (19.8 per cent). The tier 1 ratio of 22.5 per cent was 0.2 per cent lower than in the previous year. The total capital ratio was 27.1 per cent (2018: 28.6 per cent). All capital ratios were sufficiently above the respective requirements (including all buffer and Pillar 2 requirements).

The committed capital reserves of € 4.3 million (31/12/2018: € 4.3 million) and uncommitted capital reserves of € 97.1 million (31/12/2018: € 97.1 million) were unchanged in the financial year.

The number of own shares related to the share incentive program (SIP) for key personnel in the company (Management Board and senior executives) and members of the management boards of associated bank subsidiaries and acquired in the years 2005 to 2009 amounted to 322,204 shares at year-end 2019. With a nominal value of € 1.0 million, this represented 0.1 per cent of share capital. The share incentive programs expired in 2018, ending commitments to allot further own shares under the programs. Retained earnings covered legal reserves of € 5.5 million (31/12/2018: € 5.5 million) and other free reserves of € 2.3 million (31/12/2018: € 2.2 million). Of the other free reserves, an amount of € 265.3 million (31/12/2018: € 217.1 million) was earmarked for the federal institutional protection scheme (Federal IPS). As a result of the agreement on the establishment of the institutional protection scheme and a corresponding decision of the Federal IPS Risk Council, a contribution of € 48.2 million (31/12/2018: € 46.4 million) was allocated to other reserves in 2019 as a reserve for the Federal IPS. The reserve for the Federal IPS is not eligible for inclusion in the calculation of own funds under the CRR. In addition, an amount of € 86.0 million (31/12/2018: € 648.0 million) was transferred to other free reserves. The liability reserve of € 535.1 million was unchanged at year-end 2019 (31.12.2018: € 535.1 million).

Earnings performance

In the 2019 financial year, Raiffeisen Bank International AG (RBI AG) reported an increase in net interest income of 12.3 per cent, or € 38.3 million, to € 349.2 million. This was driven mainly by loans and advances to customers of the Polish branch, as the corresponding interest income was included in the result of RBI AG in the previous year for only two months due to the merger at the end of October 2018. In addition, an increase in income from negative interest rates on deposits and lower funding costs in customer business contributed to the growth in net interest income.

Income from securities and participating interests increased € 72.5 million to € 708.8 million mainly due to the € 58.6 million increase in income from shares in affiliated companies resulting from higher dividend income from affiliated companies in 2019. Income from participating interests was mainly from RS Beteiligungs GmbH (€ 470.0 million), Raiffeisen Bank Aval (€ 81.0 million), and AO Raiffeisenbank (€ 91.8 million).

The net amount of commissions payable and commissions receivable was up € 25.5 million to € 227.7 million. The largest contribution to net fee and commission income was provided by clearing, settlement and payment services (33.0 per cent, or € 75.1 million), followed by the lending business (24.2 per cent, or € 55.0 million) and the securities business (22.6 per cent, or € 51.5 million).

The net profit on financial operations decreased € 91.1 million, to a loss of € 51.2 million (2018: profit of € 39.9 million). This mainly reflected the reduction of € 127.7 million in net trading income from currency-based derivative transactions, which fell to minus € 32.1 million (2018: € 95.6 million). In contrast, the profit contribution of interest-based derivative and securities transactions improved to minus € 17.0 million (2018: € minus 55.1 million).

Other operating income rose € 88.8 million to € 269.9 million. This item included income from services provided to network banks of € 86.8 million (2018: € 89.0 million), income of € 117.1 million from the early termination of hedges due to the sale of the securities portfolios underlying such hedges (2018: € 22.8 million), income from the release of other provisions amounting to € 0.8 million (2018: € 43.5 million), income from transitory items of € 26.1 million (2018: € 14.3 million), and income from the release of provisions for losses on banking book derivatives amounting to € 33.1 million (2018: € 2.9 million).

Operating income therefore amounted to € 1,504.4 million, a 9.8 per cent increase year-on-year.

Total operating expenses were up 29.6 per cent year-on-year, to € 1,102.4 million.

Staff costs increased € 31.1 million year-on-year, to € 409.9 million. Nearly one-third of the increase was attributable to the Polish branch, which, as a result of the merger with RBI AG at the end of October 2018, was included for only two months in income and expenses in the previous year. The rest of the increase was due in part to an increase in the average number of staff and in part to a provision for restructuring measures. Expenses for pension provisions developed positively. In the previous year, adjustments to mortality tables led to a negative one-off effect on expenses for pension provisions. Other administrative expenses increased € 18.6 million, or 5.2 per cent, to € 376.5 million. Other administrative expenses consisted mainly of IT expenses amounting to € 148.6 million (2018: € 151.3 million), rent of € 35.8 million (2018: € 30.0 million), and consulting and audit fees of € 49.7 million (2018: € 43.9 million). They also included the annual contribution to the bank resolution fund of € 19.5 million (2018: € 16.5 million). Depreciation of tangible assets and intangible fixed assets was up € 1.6 million to € 10.7 million (2018: € 9.2 million).

Other operating expenses of RBI AG increased € 202.5 million to € 305.4 million in 2019. Provisions for impending losses on derivatives declined € 2.3 million to € 17.5 million (2018: € 19.8 million). Expenses related to the early termination of hedges due to the sale of the securities portfolios underlying such hedges increased € 150.5 million to € 196.6 million. Other provisions decreased € 12.9 million to € 9.2 million. Expenses for transitory items rose € 4.5 million to € 10.4 million. In addition, other operating expenses included provisions of € 48.8 million as a result of litigation involving foreign currency loans in Poland.

After deducting operating expenses from operating income, RBI AG generated an operating result of € 401.9 million for the 2019 financial year. This represents a year-on-year decline of 22.7 per cent, or € 117.7 million.

As a consequence, the cost/income ratio (operating expenses divided by operating income) was 73.3 per cent (2018: 62.1 per cent).

Net income/expenses from the disposal and valuation of loans and advances and securities classed as current assets resulted in a net expense – as in the previous year – of minus € 105.9 million (2018: minus € 31.6 million). This development was due, firstly, to a moderate reduction in valuation results and proceeds from disposals of securities held as current assets and the banking book derivatives of € 3.5 million (2018: € 4.8 million) and, secondly, to a reduction in the valuation of loans and guarantees to minus € 109.4 million (2018: minus € 36.4 million). The provisioning requirement for loan losses remained low in 2019 due to the good macroeconomic environment. The moderate increase in the requirement compared to the previous year was based mainly on releases of provisions in the 2018 financial year. With regard to individual loan loss provisions, there was a net allocation to provisions in the amount of € 98.2 million, an improvement of € 104.9 million compared to the previous year. In the case of portfolio-based loan loss provisions, there was a net allocation of € 15.3 million, which represented a year-on-year increase of € 23.3 million. The decline resulted from (i) a one-off effect caused by a change in method in the 2018 financial year in which the IFRS 9 calculation model used to determine portfolio-based loan loss provisions came into effect on 1 January 2018 under company law and (ii) the inclusion of expected credit risks relating to extraordinary events that the model cannot account for.

Net income/expenses from the disposal and valuation of financial investments increased from € 143.3 million in 2018 to € 234.4 million in 2019, mainly due to an increase of € 16.4 million in write-ups and a decrease of € 38.3 million in impairments of affiliated companies. Net gains/losses on sale were up € 28.5 million, reflecting gains on the sale of securities held as fixed assets.

As a result, the profit on ordinary activities for the year under review amounted to € 530.4 million (2018: € 631.4 million).

The return on equity before tax (profit before tax divided by average equity in 2019) was 5.5 per cent (2018: 8.0 per cent) in the financial year.

Income taxes showed an expense of € 28.8 million in 2019 (2018: gain € 4.9 million), which was due to the write-off of deferred tax assets at the Polish branch. Expenses for other taxes amounted to € 62.5 million (2018: € 53.4 million), mainly reflecting € 61.7 million for the stability contribution for banks (2018: € 56.2 million).

In 2019, RBI AG did not report a profit from mergers. The entire merger gain in 2018 related to the net gain/loss on the contribution of the remaining business of Raiffeisen Bank Polska S.A., Warsaw, following the sale of the core banking operations to Bank BGZ Paribas S.A. (2018: € 442.4 million).

The return on equity after tax (net income after tax divided by average equity in 2019) was 4.5 per cent (2018: 4.2 per cent).

Profit after tax in 2019 was € 439.1 million (2018: € 1,025.2 million).

After movements in reserves of € 134.2 million and profit of € 26.7 million brought forward from the previous year, net profit in 2019 was € 331.7 million.

Capital, share, voting, and control rights

The following disclosures satisfy the provisions of § 243a (1) of the Austrian Commercial Code (UGB):

(1) As at 31 December 2019, the company's share capital amounted to € 1,003,265,844.05 and was divided into 328,939,621 voting common bearer shares. As at 31 December 2019, 322,204 (31 December 2018: 322,204) of those were own shares, and consequently 328,617,417 shares were outstanding at the reporting date.

(2) The Articles of Association contain no restrictions concerning voting rights or the transfer of shares. The regional Raiffeisen banks and direct and indirect subsidiaries of the regional Raiffeisen banks are parties to a syndicate contract (syndicate agreement) regarding RBI AG. The terms of this syndicate agreement include not only a block voting agreement and preemption rights, but also a prohibition on sales of the RBI shares held by the regional Raiffeisen banks (with few exceptions) for a period of three years (lock-up period) from the effective date of the merger between RZB AG and RBI AG, i.e. from 18 March 2017, if the sale would reduce the regional Raiffeisen banks' aggregate shareholding in RBI AG (direct and/or indirect) to less than 50 per cent of the share capital plus one share. After the lock-up period expires, the shareholding threshold falls to 40 per cent of the share capital of RBI AG.

(3) RLB NÖ-Wien Sektorbeteiligungs GmbH holds around 22.24 per cent of the share capital of the company according to the most recent notification of voting rights published on 20 August 2019. By virtue of the syndicate agreement regarding RBI AG, the directly or indirectly held voting rights attached to a total of 193,449,778 shares, corresponding to a voting interest of around 58.81 per cent, are mutually attributable to the regional Raiffeisen banks and their direct and indirect subsidiaries pursuant to §§ 130 and 133 7 of the Austrian Stock Exchange Act (BörseG) as parties acting in concert as defined in § 1 6 of the Austrian Takeover Act (ÜbG) (see the notification of voting rights published on 20 August 2019). The remaining shares of RBI AG are held in free float, with no other direct or indirect shareholdings amounting to 10 per cent or more known to the Management Board.

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

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

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

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

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

The Annual General Meeting held on 21 June 2018 authorized the Management Board pursuant to § 65 (1) 8, § 65 (1a) and § 65 (1b) of the AktG to purchase own shares and to retire them if appropriate without requiring any further prior resolutions to be passed by the Annual General Meeting. Own shares, whether already purchased or to be purchased, may not collectively exceed 10 per cent of the company's share capital. The authorization to purchase own shares expires 30 months after the date of the Annual General Meeting resolution, i.e. until 20 December 2020. The acquisition price for repurchasing the shares may be no lower than € 1 per share and no higher than 10 per cent above the average unweighted closing price over the 10 trading days prior to exercising this authorization. The authorization may be exercised in full or in part or also in several partial amounts, for one or more purposes - with the exception of securities trading - by the company, by a subsidiary (§ 189a 7 of the UGB) or by third parties for the account of the company or a subsidiary.

The Management Board was further authorized, pursuant to § 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary (§ 189a 7 UGB) or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 20 June 2023.

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

The Annual General Meeting of 21 June 2018 also authorized the Management Board, under the provisions of § 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 20 December 2020), provided that the trading portfolio of shares purchased for this purpose does not at the end of any given day exceed 5 per cent of the company's respective share capital. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition. This authorization may be exercised in full or in part or also in several partial amounts by the company, by a subsidiary (§ 189a 7 UGB) or by third parties acting for the account of the company or a subsidiary.

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

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

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

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

Corporate Governance

The Corporate Governance Report is available on RBI's website (www.rbinternational.com → Investor Relations → Corporate Governance).

Risk report

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

Risk management principles

RBI AG has a system of risk principles and procedures in place for measuring and monitoring risk, which is aimed at controlling and managing material risks at all banks and specialist companies owned by the bank. The risk policies and risk management principles are laid out by the Management Board of RBI AG. The bank's risk principles include the following:

- Integrated risk management
Credit, country, market, liquidity, participation and operational risks are managed as key risks on a bank-wide basis. For this purpose, these risks are measured, limited, aggregated, and compared to available risk coverage capital.
- Standardized methodologies
Risk measurement and risk limitation methods are standardized in order to ensure a consistent and coherent approach to risk management. This is efficient for the development of risk management methods and it forms the basis for consistent overall bank management across all countries and business lines in RBI AG.
- Continuous planning
Risk strategies and risk capital are reviewed and approved in the course of the annual budgeting and planning process, whereby special attention is also paid to preventing risk concentrations.
- Independent control
A clear personnel and organizational separation is maintained between business operations and all risk management or risk controlling activities.
- Ex ante and ex post control
Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. Thereby it is ensured that business in general is conducted only under risk-return considerations and that there are no incentives for taking high risks.

Organization of risk management

The Management Board of RBI AG ensures the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions according to the risk reports and analyses. The Management Board is supported in undertaking these tasks by independent risk management units and special committees.

RBI AG's risk management functions are performed on different levels. RBI AG develops and implements the relevant concepts as the parent credit institution and in cooperation with the subsidiaries of the Group. The central risk management units are responsible for the adequate and appropriate implementation of the risk management processes throughout the company. In addition, they implement the risk policy in the respective risk categories and manage RBI AG's activities within the approved risk budget.

The central and independent risk controlling function under the Austrian Banking Act is performed by the Group Risk Controlling organizational area. Its responsibilities include developing the company-wide framework for overall bank risk management (integrating all risk types) and preparing independent reports on the risk profile for the Supervisory Board's Risk Committee, the Management Board and the heads of individual business units.

Risk committees

The Group Risk Committee is the most senior decision-making body for all of the Group's risk-related topic areas. It decides on the risk management methods and on the control concepts used for the overall Group and for key subdivisions, and is responsible for ongoing development and implementation of methods and parameters for risk quantification and for refining steering instruments. This also includes setting the risk appetite and the various risk budgets and limits at overall bank level as well as monitoring the current risk situation with respect to internal capital adequacy and the corresponding risk limits. It approves risk management and controlling activities (such as the allocation of risk capital) and advises the Management Board on these matters.

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

The Market Risk Committee controls market risks arising from trading and banking book transactions and establishes corresponding limits and processes. In particular, it relies on profit and loss reports, the risks calculated and the limit utilization, as well as the results of scenario analyses and stress tests with respect to market risks.

The Credit Committees are staffed by front office and back office representatives, with the staff assignments depending on the type of customer (corporate customers, banks, sovereigns and retail). The committees decide upon the specific lending criteria for the different customer segments and countries and make all credit decisions concerning those segments and countries in connection with the credit approval process (depending on rating and exposure size).

The Problem Loan Committee is the most important committee in the evaluation and decision-making process concerning problem loans. 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 and Risk Controlling, under chairmanship of the CRO. This committee is responsible for managing operational risk (including conduct risk). It derives and sets the operational risk strategy based on the risk profile and the business strategy and also makes decisions regarding actions, controls and risk acceptance.

The Contingency/Recovery Committee is a decision-making body convened by the Management Board. The composition of the committee varies as circumstances require depending on the intensity and focus of the specific requirements pertaining to the situation (e.g. capital and/or liquidity). The core task of the committee is to maintain or recover financial stability in accordance with the Federal Act on the Recovery and Resolution of Banks (BaSAG) and the Banking Recovery and Resolution Directive (BRRD) in the event of a critical financial situation.

Quality assurance and internal audit

Quality assurance with respect to risk management refers to ensuring the integrity, soundness, and accuracy of processes, models, calculations, and data sources. This is to ensure that RBI AG adheres to all legal requirements and that it can achieve the highest standards in risk management operations.

All these aspects are coordinated by the Group Compliance division, which analyzes the internal control system on an ongoing basis and – if actions are necessary to address any deficiencies – is also responsible for tracking their implementation.

Two very important functions in assuring independent oversight are performed by the divisions Audit and Compliance. Independent internal auditing is a legal requirement and a central pillar of the internal control system. Internal Audit periodically assesses all business processes and contributes considerably to securing and improving them. It sends its reports directly to the Management Board of RBI AG, which discusses them on a regular basis in its board meetings.

The Compliance Office is responsible for all issues concerning compliance with legal requirements in addition to and as an integral part of the internal control system. Thus compliance with existing regulations in daily operations is monitored.

Moreover, an independent and objective audit, free of potential conflicts of interest, is carried out during the audit of the annual financial statements by the independent auditors.

Overall bank risk management

Maintaining an adequate level of capital is a core objective of the Company's risk management. Capital requirements are monitored regularly based on the risk level measured by internal models, and in choosing appropriate models the materiality of risks annually assessed is taken into account. This concept of overall bank risk management provides for meeting capital requirements from both a regulatory perspective (normative perspective) and from an economic point of view (economic capital, value-at-risk perspective). Thus it covers the quantitative aspects of the internal capital adequacy assessment process (ICAAP) as legally required and as described in the ICAAP Directive published by the European Central Bank. RBI AG's overall ICAAP process is audited during the supervisory review process for the RBI credit institution group (RBI Kreditinstitutsgruppe) on an annual basis.

The Risk Appetite Framework (RAF) limits the Group's overall risk in line with the strategic business objectives and allocates the risk capital calculated to the different risk categories and business areas. The primary aim of the RAF is to limit risk, particularly in adverse scenarios and for major singular risks in such a way as to ensure compliance with regulatory minimum ratios. The Risk Appetite Framework is therefore closely linked with the ICAAP and the ILAAP (Internal Liquidity Adequacy Assessment Process) and sets concentration limits for the risk types identified as significant in the risk assessment. There is also a connection to the recovery plan as the risk capacity and risk tolerance limits in the RAF are aligned with the corresponding trigger monitoring limits. In addition, the risk appetite decided by the Management Board and the Group's risk strategy and its implementation are reported regularly to the Supervisory Board's Risk Committee.

Approach	Description of risk	Measurement technique	Confidence level
Economic perspective			
Economic capital	Risk that unexpected losses exceed the internal capital from an economic perspective	The unexpected loss for the risk horizon of one year (economic capital) may not exceed the present level of the tier 1 capital]	99.90 per cent
Value-at-risk	The risk of falling below the capital requirements under the Basel III rules	Risk-taking capacity [projected earnings and capital in excess of the regulatory requirement] must exceed the company's value-at-risk [risk horizon: one-year]	95 per cent presuming the owners' willingness to inject additional own funds
Normative perspective			
Stress scenarios	Risk of falling below a sustainable tier 1 capital ratio over a full business cycle	Capital and earnings projection for a three-year planning period based on a severe macroeconomic downturn scenario	Around 95 per cent based on potential management decisions to reduce risk temporarily or raise additional equity capital

Economic perspective – economic capital approach

In this approach, risks are measured on the basis of economic capital, which represents a comparable riskwa 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 other risk types not explicitly quantified.

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

in € thousand	2019	Percentage	2018	Percentage
Participation risk	3,798,288	66.0%	1,957,305	62.2%
Credit risk corporate customers	611,625	10.6%	511,939	16.3%
Credit risk retail customers	419,895	7.3%	45,090	1.4%
Market risk	276,088	4.8%	119,952	3.8%
Operational risk	100,542	1.7%	102,268	3.2%
Credit risk banks	85,187	1.5%	74,081	2.4%
Macroeconomic risk	68,510	1.2%	33,301	1.1%
Owned property risk	66,163	1.1%	55,900	1.8%
Credit risk sovereigns	43,403	0.8%	83,282	2.6%
CVA risk	12,418	0.2%	14,691	0.5%
Risk buffer	274,106	4.8%	149,890	4.8%
Total	5,756,226	100.0%	3,147,698	100.0%

The economic capital increased € 2,608,528 thousand to € 5,756,226 thousand at the end of 2019. Although participation risk increased € 1,840,983 thousand to € 3,798,288 thousand as at 31 December 2019 due to an adjustment of the currently used model for other affiliated companies and equity participations, materially lower participation risks may be expected again in the course of 2020 as a result of the development of a comprehensive new model. The increase in credit risk retail customers of € 374,805 thousand to € 419,895 thousand was the result of the implementation of the regulatory capital already held in pillar I into the economic capital with regard to the foreign currency mortgage loans in Poland.

RBI AG uses a confidence level of 99.9 per cent (2018: 99.92 per cent) to calculate economic capital at the end of 2019. In compliance with the ICAAP Directive published by the European Central Bank, the tier 2 capital will no longer be used to calculate the internal capital as of the end of 2019.

Economic capital is an important instrument in overall bank risk management and is used in allocating risk budgets. Economic capital limits are allocated to individual business areas during the annual budgeting process and are supplemented in day-to-day management by volume, sensitivity, and value-at-risk limits. At RBI AG, this is planned on a revolving basis for the upcoming three years and incorporates the future development of economic capital as well as available internal capital. Economic capital thus substantially influences plans for future lending activities and the overall limit for taking market risk.

Risk-adjusted performance measurement is also based on the indicator for economic capital. The profitability of a business unit is examined in relation to the amount of economic capital attributed to the unit in question (risk-adjusted profit in relation to risk-adjusted capital, RORAC), which yields a comparable performance indicator for all business units in the bank. That indicator is used in turn as a key figure in overall bank management and for future capital allocations to business units, and influences the remuneration paid to the Bank's executive management.

Economic perspective – value-at-risk approach

Parallel to the economic capital approach, internal capital adequacy is assessed with a focus on risk taking capacity with regard to the regulatory capital and total capital requirements.

In pursuit of the hedging objective, expected profits, expected loan loss provisions and surplus capital (taking into account various limits on eligible capital) are counted towards risk-taking capacity. The figure for risk-taking capacity is compared to the overall value-at-risk (including expected losses), which is calculated using similar techniques as those used under the economic capital approach (albeit using a lower confidence level of 95 per cent). The bank takes this approach to ensure adequate regulatory capitalization (with the given probability).

Normative perspective – stress scenarios

The analysis of the stress scenarios in the normative perspective of the ICAAP is intended to ensure that RBI AG has a sufficiently high tier 1 ratio at the end of the multi-year planning period, even in a severe macroeconomic downturn scenario. The analysis is based on a multi-year macroeconomic stress test where hypothetical market developments in a severe but realistic economic downturn scenario are simulated. The risk parameters 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 tier 1 ratio at the end of the multi-year observation period. It should not fall below a sustainable level, meaning that it should not require the bank to substantially increase capital or to significantly reduce its business activities. The current minimum amount of tier 1 capital is therefore determined by the size of a potential economic downturn. The downturn scenario assumed incorporates recognition of the necessary loan loss provisions and potential pro-cyclical effects (which increase the minimum regulatory capital requirement) along with the impact of foreign exchange rate fluctuations and other valuation and earnings effects. Regulatory changes 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.

The following table shows total credit exposure by asset classes (rating models):

in € thousand	2019	Percentage	2018	Percentage
Corporate customers	38,680,405	48.2%	34,248,392	46.0%
Project finance	2,700,623	3.4%	2,285,772	3.1%
Retail customers	3,085,385	3.8%	3,231,751	4.4%
Banks	20,493,647	25.5%	16,405,224	22.5%
Sovereigns	15,266,165	19.0%	16,835,683	23.1%
Total	80,226,225	100.0%	73,006,822	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	2019	Percentage	2018	Percentage
1 Minimal risk	5,054,831	13.1%	4,669,102	13.6%
2 Excellent credit standing	9,091,087	23.5%	8,739,378	25.5%
3 Very good credit standing	8,899,440	23.0%	6,764,990	19.8%
4 Good credit standing	6,347,374	16.4%	4,976,510	14.5%
5 Sound credit standing	5,842,365	15.1%	5,787,680	16.9%
6 Acceptable credit standing	2,390,989	6.2%	1,832,702	5.4%
7 Marginal credit standing	132,822	0.3%	308,633	0.9%
8 Weak credit standing/sub-standard	61,625	0.2%	331,012	1.0%
9 Very weak credit standing/doubtful	77,948	0.2%	35,010	0.1%
10 Default	767,332	2.0%	791,786	2.3%
NR Not rated	14,591	0.0%	11,589	0.0%
Total	38,680,405	100.0%	34,248,392	100.0%

The total credit exposure for corporate customers increased € 4,432,013 thousand compared to year-end 2018 to € 38,680,405 thousand.

The increase of € 2,134,450 thousand in rating grade 3 to € 8,899,440 thousand was mainly attributable to a rise credit financing in Austria and Luxembourg. Repo and money market transactions in Great Britain and facility financing in Austria and Germany. This increase in facility financing in Austria was partially offset by a decline in Great Britain and Switzerland. Rating grade 4 reported an increase of € 1,370,864 thousand to € 6,347,374 thousand, which was attributable to credit financing in France and the Netherlands, to guarantees issued in Austria and Slovenia and to facility financing in Spain, Italy and Romania. Rating improvements at Swiss customers in rating grade 5 also had a positive impact. The increase of € 558,287 thousand in rating grade 6 to € 2,390,989 thousand resulted from new credit financing in Germany and Romania. There was also a rating downgrade of a Romanian customer to rating class 5.

The rating model for project finance has five grades and takes both individual probabilities of default and available collateral into account. The breakdown of the bank's project finance exposure is shown in the table below:

in € thousand	2019	Percentage	2018	Percentage
6.1 Excellent project risk profile - very low risk	2,204,156	81.6%	1,690,396	74.0%
6.2 Good project risk profile - low risk	272,336	10.1%	225,636	9.9%
6.3 Acceptable project risk profile - average risk	34,435	1.3%	2,164	0.1%
6.4 Poor project risk profile - high risk	51,707	1.9%	39,582	1.7%
6.5 Default	137,988	5.1%	154,513	6.8%
NR Not rated	0	0.0%	173,481	7.6%
Total	2,700,623	100.0%	2,285,772	100.0%

Credit exposure to loans reported under project financing showed an increase of € 414,851 thousand to € 2,700,623 thousand as at 31 December 2019. The increase of € 513,760 thousand in rating class 6.1 to € 2,204,156 thousand resulted from special financing in Austria, a new facility financing in Germany and rating improvements of Serbian customers. The assignment of Dutch and Austrian customers to rating class 6.1 and expired project financing in Serbia led to a reduction of € 173,481 thousand in customers not rated.

Credit portfolio – Retail customers

The following table shows the total credit exposure to retail customers by internal rating:

in € thousand	2019	Percentage	2018	Percentage
0.5 Minimal risk	1,987,319	64.4%	2,029,459	62.8%
1.0 Excellent credit standing	334,073	10.8%	346,466	10.7%
1.5 Very good credit standing	60,625	2.0%	83,580	2.6%
2.0 Good credit standing	91,101	3.0%	100,462	3.1%
2.5 Sound credit standing	71,236	2.3%	70,450	2.2%
3.0 Acceptable credit standing	80,258	2.6%	126,938	3.9%
3.5 Marginal credit standing	52,688	1.7%	33,980	1.1%
4.0 Weak credit standing/sub-standard	33,054	1.1%	53,444	1.7%
4.5 Very weak credit standing/doubtful	28,031	0.9%	10,909	0.3%
5.0 Default	229,002	7.4%	243,197	7.5%
NR Not rated	117,997	3.8%	132,867	4.1%
Total	3,085,385	100.0%	3,231,751	100.0%

Credit portfolio – Banks

The following table shows the total credit exposure by internal rating for banks (excluding central banks). Due to the small number of customers (or observable defaults), the default probabilities of individual rating grades in this asset class are calculated based on a combination of internal and external data.

in € thousand	2019	Percentage	2018	Percentage
1 Minimal risk	2,446,446	11.9%	2,561,163	15.6%
2 Excellent credit standing	8,732,473	42.6%	6,680,272	40.7%
3 Very good credit standing	6,526,657	31.8%	5,002,354	30.5%
4 Good credit standing	1,674,380	8.2%	1,030,192	6.3%
5 Sound credit standing	519,358	2.5%	669,620	4.1%
6 Acceptable credit standing	474,008	2.3%	266,501	1.6%
7 Marginal credit standing	101,149	0.5%	15,516	0.1%
8 Weak credit standing/sub-standard	6,080	0.0%	169,061	1.0%
9 Very weak credit standing/doubtful	1,625	0.0%	121	0.0%
10 Default	3,297	0.0%	8,288	0.1%
NR Not rated	8,174	0.0%	2,136	0.0%
Total	20,493,647	100.0%	16,405,224	100.0%

Total credit exposure amounted to € 20,493,647 thousand, an increase of € 4,088,423 thousand compared to year-end 2018. The increase of € 2,052,201 thousand to € 8,732,473 thousand in rating grade 2 was largely attributable to overdrafts, facility and credit financing as well as repo and swap transactions of Austrian customers. In addition to the improvement in the ratings of Russian banks from rating class 3 to rating class 2, the appreciation of the Russian ruble and swap transactions led to an increased exposure. Loans to banks in Great Britain and Croatia as well as facility financing in Poland and repo transactions in France and Great Britain also increased. The actual increase in rating class 3, which was due to repo transactions in Germany, Spain, Italy and the Netherlands, was partially offset by the improved ratings of the Russian banks. The increase in rating class 4 of € 644,188 thousand to € 1,674,380 thousand resulted from an increase in repo transactions in Great Britain and from rating downgrades of British customers from rating class 3.

Credit portfolio – Sovereigns

Another asset class is formed by central governments, central banks, and regional municipalities as well as other public sector entities. The table below provides a breakdown of the total credit exposure to sovereigns (including central banks) by internal rating:

in € thousand	2019	Percentage	2018	Percentage
A1 Minimal risk	799,917	5.2%	1,054,165	6.3%
A2 Excellent credit standing	12,313,328	80.7%	13,447,712	79.9%
A3 Very good credit standing	995,814	6.5%	930,867	5.5%
B1 Good credit standing	439,215	2.9%	693,841	4.1%
B2 Sound credit standing	601,338	3.9%	490,222	2.9%
B3 Acceptable credit standing	80,094	0.5%	169,494	1.0%
B4 Marginal credit standing	2,139	0.0%	19,057	0.1%
B5 Weak credit standing/sub-standard	31,498	0.2%	3,836	0.0%
C Very weak credit standing/doubtful	2,816	0.0%	26,488	0.2%
D Default	0	0.0%	0	0.0%
NR Not rated	6	0.0%	0	0.0%
Total	15,266,165	100.0%	16,835,683	100.0%

Credit exposure to sovereigns decreased € 1,569,518 thousand to € 15,266,165 thousand compared to year-end 2018. The largest decline was reported in rating grade A2 (minus € 1,134,384 thousand) due to lower deposits with the Austrian National Bank and the reduction of the bond portfolio of the Republic of Austria and France.

Credit portfolio management

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

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

in € thousand	2019	Percentage	2018	Percentage
Austria	31,511,680	39.3%	32,145,939	44.0%
Germany	9,199,917	11.5%	7,889,752	10.8%
Great Britain	7,720,265	9.6%	4,753,446	6.5%
Poland	4,336,679	5.4%	4,527,834	6.2%
France	3,578,953	4.5%	3,411,128	4.7%
Swiss	2,382,958	3.0%	2,090,161	2.9%
Luxembourg	2,258,681	2.8%	1,621,344	2.2%
Spain	1,818,209	2.3%	1,014,978	1.4%
Russia	1,806,941	2.3%	1,461,724	2.0%
USA	1,524,811	1.9%	1,431,375	2.0%
Czech Republic	1,458,982	1.8%	1,382,293	1.9%
Far East	1,361,744	1.7%	1,416,584	1.9%
Romania	1,197,562	1.5%	1,193,745	1.6%
Netherlands	1,136,170	1.4%	1,127,720	1.5%
Others	8,932,672	11.1%	7,538,798	10.3%
Total	80,226,225	100.0%	73,006,822	100.0%

RBI AG's loan portfolio grew € 7,219,403 thousand to € 80,226,225 thousand. Austria reported a decline of € 634,259 thousand to € 31,511,680 thousand, which was attributable to deposits at the Austrian National Bank, the reduction of the bond portfolio of the Republic of Austria, and to repo transactions. In Germany the increase of € 1,310,165 thousand to € 9,199,917 thousand was mainly attributable to facility and credit financing as well as repo transactions. Growth in the repo and swap business led to an increase of € 2,966,819 thousand to € 7,720,265 thousand in Great Britain. This was attributable to facility financing and repo transactions. The increase of € 637,337 thousand to € 2,258,681 thousand in Luxembourg was essentially attributable to credit financing. Spain reported an increase of € 803,231 thousand to € 1,818,09 thousand. The increase in other exposures of € 1,393,874 thousand to € 8,932,672 thousand was mainly attributable to Italy, Belgium, Hungary and Canada.

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.

The following table sets out the credit exposure broken down by original customer's industry classification:

in € thousand	2019	Percentage	2018 ¹	Percentage
Financial Intermediation	33,380,067	41.6%	27,210,155	37.3%
Real estate, renting and business activities	9,278,559	11.6%	8,682,556	11.9%
Public administration and defence, compulsory social security	5,477,586	6.8%	7,546,563	10.3%
Manufacturing	11,572,886	14.4%	9,770,091	13.4%
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	8,038,019	10.0%	7,526,255	10.3%
Agriculture, hunting and forestry; fishing; mining and quarrying	1,203,627	1.5%	1,783,486	2.4%
Construction	1,806,554	2.3%	1,452,684	2.0%
Transport, storage and communication	706,742	0.9%	273,949	0.4%
Education; health and social work; other community, social and personal service activities	951,200	1.2%	1,002,144	1.4%
Electricity, gas and water supply	1,573,852	2.0%	865,571	1.2%
Private households	2,945,901	3.7%	3,077,530	4.2%
Others	3,291,232	4.1%	3,815,839	5.2%
Total	80,226,225	100.0%	73,006,822	100.0%

¹ The previous year's figures were adjusted due to an optimized allocation of individual areas of activity of large companies and conglomerates.

A more detailed credit portfolio analysis is based on individual customer ratings. Customer ratings are tailor-made and are therefore carried out separately for different asset classes. Internal risk classification models (rating and scoring models), which are validated by a central organization unit, are used. The rating models in the main non-retail segments – corporates and financial institutions – provide for 27 rating grades, and in the public sector for ten rating grades. Rating and validation software tools are available for rating preparation and validation (e.g. business valuation, rating and default database).

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

Credit default and workout process

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

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

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

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

The following table shows non-performing exposures pursuant to the applicable definition contained in the Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures) issued by the EBA. It includes the defaulted exposures.

in € thousand	NPE		NPE ratio		NPE coverage ratio	
	2019	2018	2019	2018	2019	2018
Banks	3,289	7,757	0.0%	0.1%	86.9%	92.5%
Other financial corporations	54,564	52,100	0.6%	0.7%	43.9%	84.8%
Non-financial corporations	708,529	913,041	4.6%	6.4%	58.7%	50.9%
Households	185,495	203,359	6.1%	6.4%	60.9%	46.9%
Loans and advances	951,877	1,176,257	2.0%	2.9%	58.4%	51.9%
Bonds	11,340	8,952	0.2%	0.1%	-	-
Total	963,217	1,185,209	1.8%	2.5%	57.7%	51.6%

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 1/1/2019		Allocation	Release ¹	Usage ²	Reclassifications, exchange differences ³	As at 31/12/2019
Individual loan loss provisions	844,079	588,827	(490,578)	(112,157)		14,984	845,155
Banks	7,175	18	(1)	(4,506)		173	2,859
Corporate customers	738,156	490,940	(435,416)	(102,016)		12,025	703,689
Retail customers	95,302	40,143	(19,585)	(5,635)		2,745	112,970
Sovereigns	0	0	0	0		0	0
Off-balance sheet obligations	3,447	57,726	(35,576)	0		41	25,638
Portfolio-based loan loss provisions	106,848	130,616	(115,348)	0		1,617	123,733
Banks	941	800	(1,372)	0		41	410
Corporate customers	49,821	72,627	(60,242)	0		1,035	63,241
Retail customers	40,781	22,313	(17,896)	0		958	46,156
Sovereigns	280	1,400	(1,296)	0		(1)	383
Off-balance sheet obligations	15,025	33,476	(34,542)	0		(416)	13,543
Total	950,927	719,443	(605,926)	(112,157)		16,601	968,888

1 This contains changes in internal interest exemptions

2 This contains unwinding interest income from impaired customers and changes in internal interest exemptions as well as allocations of provisions for EWB.

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

RBI AG's active country-risk management is based on the country risk policy, which is set by the Management Board. This policy is part of the credit portfolio limit system and sets a strict limitation on cross-border risk exposure to individual countries. In day-to-day work, business units therefore have to submit limit applications for the respective countries for all cross-border transactions in addition to the limit applications for specific customers. A model which takes into account the internal rating for the sovereign, the size of the country, and RBI AG's own capitalization is applied to determine the absolute limit for individual countries.

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

Counterparty credit risk

The default of a counterparty in a derivative, repurchase, securities lending, or borrowing transaction can lead to losses from reestablishing an equivalent contract. At RBI AG this risk is measured by the mark-to-market approach where a predefined add-on is added to the current positive fair value of the contract in order to account for potential future changes. The total amount of the potential expected credit exposures from derivatives transactions determined in this way is set out in the tables of the individual customer segments. For internal management purposes potential price changes, which affect the fair value of an instrument, are calculated specifically for different contract types based on historical market price changes.

For derivative contracts the standard limit approval process applies, where the same risk classification, limitation, and monitoring process is used as for traditional lending. Credit risk mitigation instruments such as netting agreements and collateralization represent an important strategy for reducing counterparty credit risk. In general, RBI AG strives to establish standardized ISDA master agreements with all major counterparties for derivative transactions in order to be able to perform close-out netting and credit support annexes (CSA) for full risk coverage for positive fair values on a daily basis.

Participation risk

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

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

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

Market risk

RBI AG defines market risk as the risk of possible losses arising from changes in market prices of trading and banking book positions. Market risk estimates are based on changes in exchange rates, interest rates, credit spreads, equity and commodity prices and other relevant market parameters (e.g. implied volatilities).

Market risks from the customer divisions are transferred to the Treasury division using the transfer price method. Treasury is responsible for managing structural market risks and for complying with the bank's overall limit. The Capital Markets division is responsible for proprietary trading, market making, and customer business in money market and capital market products.

Organization of market risk management

RBI AG measures, monitors, and manages all market risks for the bank as a whole. The Market Risk Committee is responsible for strategic market risk management issues. It is responsible for managing and controlling all market risks. The bank's overall limit is set by the Management Board on the basis of the risk-taking capacity and income budget. This limit is apportioned to sub-limits in coordination with business divisions according to strategy, business model and risk appetite.

The Market Risk Management department ensures that the business volume and product range comply with the defined and agreed strategy and risk appetite. It is responsible for developing and enhancing risk management processes, manuals, measurement techniques, risk management infrastructure and systems for all market risk categories and credit risks arising from market price changes in derivative transactions. Furthermore, Market Risk Management independently measures and reports all market risks on a daily basis.

All products in which open positions can be held are listed in the product catalog. New products are added to this list only after successfully completing the *product approval process*. Product applications are investigated thoroughly for any risks. They are approved only if the new products can be implemented in the bank's front- and back-office and risk management systems.

Limit system

RBI AG uses a comprehensive risk management approach for both the trading and the banking books (total-return approach). Market risk is therefore managed consistently in all trading and banking books. The following indicators are measured and limited on a daily basis in the market risk management system:

- **Value-at-Risk (VaR) confidence level 99 per cent, horizon one day**
The VaR limit caps the maximum loss which is not exceeded with a confidence level of 99 per cent within one day. It is the main steering instrument in liquid markets and normal market situations. VaR is measured based on a hybrid simulation approach in which 5,000 scenarios are calculated for the regulatory trading book and 1,000 scenarios for the banking book. The approach combines the advantages of a historical simulation and a Monte Carlo simulation and derives market parameters from 500 days of historical data. Distribution assumptions include modern features such as volatility clustering and random time changes, which helps in accurately reproducing fat-tailed and asymmetric distributions. The Austrian Financial Market Authority has approved the VaR model for use in calculating the total capital requirements for market risks. Value-at-risk results are used not only for risk limitation but also for the allocation of economic capital, for which longer time series of 7 years are used for interest rate risk.
- **Sensitivities (to changes in exchange rates and interest rates, gamma, vega, equity and commodity prices)**
Sensitivity limits are to ensure that concentrations are avoided in normal market situations and are the main steering instrument under extreme market situations and in illiquid markets or in markets that are structurally difficult to measure.
- **Stop loss**
Stop loss limits serve to strengthens the discipline of traders such that they do not allow losses to accumulate on their own proprietary positions but strictly limit them instead.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio. The results on market risk concentrations shown by these stress tests are reported to the Market Risk Committee and taken into account when setting limits. Stress test reports for individual portfolios are included in daily market risk reporting.

Value-at-Risk (VaR)

The following tables show the VaR (VaR 99 per cent, one day) for the individual market risk categories in the trading book and the banking book. Structural interest rate risks and spread risks from bond books maintained as a liquidity buffer dominate RBI AG's VaR.

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

Trading book VaR 99% 1d in € thousand	VaR as of 31/12/2018	Average VaR	Maximum VaR	Minimum VaR
Currency risk	678	1,883	4,864	413
Interest rate risk	1,351	828	1,733	389
Credit spread risk	728	719	1,611	431
Vega risk	78	142	405	62
Basis risk	775	594	1,265	276
Total	1,262	2,299	4,979	1,200

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

Banking book VaR 99% 1d in € thousand	VaR as of 31/12/2018	Average VaR	Maximum VaR	Minimum VaR
Currency risk	0	0	72	0
Interest rate risk	1,803	2,710	5,815	700
Credit spread risk	3,745	3,436	6,447	2,282
Vega risk	86	197	664	82
Basis risk	1,541	1,534	2,432	1,032
Total	4,711	4,844	7,289	3,634

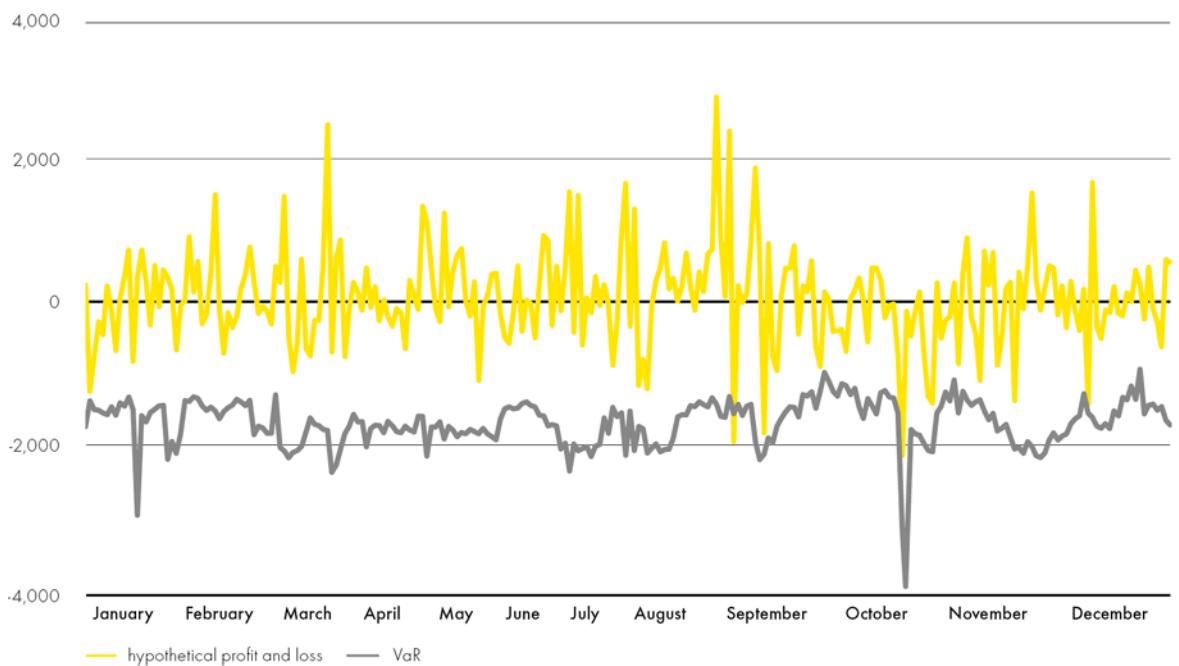
Total VaR 99% 1d in € thousand	VaR as of 31/12/2019	Average VaR	Maximum VaR	Minimum VaR
Currency risk	289	832	2,999	105
Interest rate risk	13,241	4,267	13,241	1,650
Credit spread risk	9,853	3,717	10,243	2,283
Vega risk	367	395	3,766	77
Basis risk	1,170	1,538	1,998	1,099
Total	14,550	6,416	14,550	4,105

Total VaR 99% 1d in € thousand	VaR as of 31/12/2018	Average VaR	Maximum VaR	Minimum VaR
Currency risk	678	1,883	4,864	413
Interest rate risk	2,322	2,741	5,981	682
Credit spread risk	3,842	3,466	5,946	2,260
Vega risk	100	257	694	98
Basis risk	1,841	1,763	2,754	1,219
Total	4,470	5,217	7,616	3,679

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

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

in € thousand



In March there was a strong positive change in hypothetical profit and loss against a stable VaR. This was due to daily market movements in long-term euro interest rates of up to minus 9 basis points. As in August, a portfolio of equity instruments was affected, which also explained the hypothetical profit in the event of falling interest rates. This portfolio was reduced towards the end of March, which was reflected in the volatility of the hypothetical profit and loss and a reduced VaR.

The main reason for the fluctuation in hypothetical profit and loss in August was the volatility of euro interest rates. In addition, a hypothetical backtesting exceeding was measured and reported to the regulator at the beginning of August. The background was strong daily market value fluctuations in long-term euro interest rates. A portfolio of equity instruments, measured in the internal model as perpetuities with a maturity of 2099, was the main driver.

Strategic hedge positions in head office led to a change in VaR and hypothetical profit and loss due to a forthcoming decision by the European Court of Justice regarding Swiss franc loans in Poland. These positions were closed within a few days.

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.

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

2018 in € thousand	Total	> 3 to 6 months									
		< 3 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	(1)	(10)	(2)	14	(2)	3	(3)	5	(6)	0	1
CNY	4	0	0	4	0	0	0	0	0	0	0
CZK	8	9	(9)	2	5	(2)	1	(1)	3	0	0
EUR	(207)	20	(18)	23	(38)	(29)	(8)	(59)	41	(30)	(87)
GBP	(1)	0	0	(1)	0	0	0	0	0	0	0
HRK	0	0	0	0	0	1	(2)	0	0	0	0
HUF	0	(6)	2	3	1	(4)	7	2	(4)	0	0
NOK	1	0	0	0	0	(2)	2	0	0	0	0
PLN	34	(3)	15	5	8	(8)	2	0	16	0	0
RON	(2)	(1)	1	0	4	6	0	(5)	(1)	(7)	0
RUB	(8)	1	(1)	3	(3)	(1)	(6)	0	0	0	0
USD	(12)	(6)	1	(5)	5	(13)	(12)	2	10	(10)	14
Others	(1)	0	0	0	0	0	(1)	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 not only 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.

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

2018 in € thousand	Total	> 3 to 6 months									
		< 3 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	(367)	48	1	(1)	(9)	(9)	(34)	(40)	(84)	(134)	(82)
CNY	(3)	0	(1)	(2)	0	0	0	0	0	0	0
CZK	23	1	0	(8)	13	5	13	0	1	(2)	0
EUR	629	(58)	(12)	453	(268)	62	21	89	276	145	(51)
GBP	3	(3)	9	0	0	0	(1)	(1)	0	0	0
HUF	2	0	0	0	(1)	0	2	0	0	0	0
PLN	8	2	0	1	2	7	5	(5)	(3)	(1)	0
SGD	0	0	0	1	0	0	0	0	0	0	0
USD	(140)	11	(24)	(1)	(14)	(11)	(18)	(6)	(13)	(40)	(24)
Others	(16)	0	0	1	1	(1)	(3)	(11)	(3)	0	0

Credit spread risk

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

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) by the Austrian regulatory authority.

The regulatory component is addressed by compliance with reporting requirements under Basel III (Liquidity Coverage Ratio, Net Stable Funding Ratio and Additional Liquidity Monitoring Metrics) as well as by complying with the regulatory limits.

Organization and responsibility

Responsibility for ensuring adequate levels of liquidity lies with the overall Management Board. The functionally responsible board members are the Chief Financial Officer (Treasury/ALM) and the Chief Risk Officer (Risk Controlling). Accordingly, the processes regarding liquidity risk are run essentially by two areas within the bank: On the one side the Treasury unit, which takes on liquidity risk positions within the strategy, guidelines and parameters set by the responsible decision-making bodies. On the other side they are monitored and supported by the independent Risk Controlling unit, which measures and models liquidity risk positions, sets limits and supervises the compliance with those.

Besides the responsible units in the line functions, the Group 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 ALCOs take decisions and provide standard reports on liquidity risk to the Board of Management at least on a monthly basis.

Liquidity strategy

Treasury units are committed to achieve KPIs and to comply to risk based principles. The current set of KPIs includes general targets (e.g. for return on risk-adjusted capital (RORAC) or coverage ratios), as well as specific Treasury targets for liquidity such as a minimum survival period in defined stress scenarios or diversification of the funding structure. While generating an adequate structural income from maturity transformation which reflects the liquidity and market risk positions taken by the bank, Treasury has to follow a prudent and sustainable risk policy when steering the balance sheet. Strategic goals comprise a reduction in parent funding within the group, the sustainable management of the depositor base and of credit growth as well as continuous compliance with regulatory requirements and the internal limit framework.

Liquidity Risk Framework

Regulatory and internal liquidity reports and ratios are generated and determined based on particular modelling assumptions. Whereas the regulatory reports are calculated on specifications given by authorities, the internal reports are modelled with assumptions from empirical observations.

RBI AG has a substantial database along with expertise in forecasting cash flows arising from all material on- and off-balance sheet positions. The modelling of liquidity in- and outflows is carried out on a sufficient granular level, differentiating between product and customer segments, and, where applicable, currencies as well. Modelling of retail and corporate customer deposits includes assumptions concerning the retention times for deposits after maturity. The model assumptions are quite prudent, e.g. there is a "no rollover" assumption on funding from banks and all funding channels and the liquidity buffer are stressed simultaneously without taking mitigating effects from diversification into account.

The cornerstones of the economic liquidity risk framework are the Going Concern (GC) and the Time to Wall (TTW) scenario. The Going Concern report shows the structural liquidity position. It covers all main risk drivers which could detrimentally affect the group in a business-as-usual scenario. The Going Concern Models are important input factor for the liquidity contribution to the internal Funds transfer pricing model. On the other hand, the Time to Wall report shows the survival horizon for defined adverse scenarios and stress models (market, reputational and combined crisis) and determines the minimum level of the liquidity buffer (and/or the counter-balancing capacity) for each Group unit.

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

The liquidity risk framework is continuously developed. The technical infrastructure is enhanced in numerous projects and data availability is improved in order to meet the new reporting and management requirements for this area of risk.

Risk appetite and liquidity limits

The liquidity position is monitored at the level of RBI AG and at the level of its branches and is restricted by means of a comprehensive limit system. Limits are defined both under a business as usual as well as under a stress perspective. In accordance with the defined risk appetite, each unit must demonstrate a survival horizon of several months (TTW) in a severe, combined stress scenario (reputational and market stress). This can be ensured either by a structurally positive liquidity profile or by a sufficiently high liquidity buffer. In a normal going concern environment (GC), maturity transformation must be fully covered by the available liquidity buffer in the medium term. This means that the cumulative liquidity position over a period of up to one year must be positive. In the long term (one year or more), maturity transformation is permitted up to a certain level. For internal models, these limits are supplemented by limits for compliance with regulatory liquidity ratios, such as the liquidity coverage ratio (LCR). All limits must be complied with on a daily basis.

Liquidity monitoring

The bank uses a range of customized measurement tools and early warning indicators that provide board members and senior management with timely and forward-looking information. The limit framework ensures that the bank can continue to operate in a period of severe stress.

Monitoring of limits and reporting limit compliance is performed regularly and effectively. Any breach by Group units is reported to the Group ALCO and escalated. In such cases, appropriate steps are undertaken in consultation with the relevant unit or contentious matters are escalated to the next highest responsible body.

Liquidity stress test

Stress tests are conducted for RBI AG on a daily basis and on Group level on a weekly basis. The tests cover three scenarios (market, reputational and combined crisis), consider the effects of the scenarios for a period of several months and demonstrate that stress events can simultaneously result in a time-critical liquidity requirement in several currencies. The stress scenarios include the principal funding and market liquidity risks, without considering beneficial diversification effects (i.e. all units of RBI AG are simultaneously subject to a severe combined crisis for all their major products). The results of the stress tests are reported to the Management Board and other members of management on a weekly basis; they also form a key component of the monthly ALCO meetings and are included in the bank's strategic planning and contingency planning.

A conservative approach is adopted when establishing outflow ratios based on historical data and expert opinions. The simulations assume a lack of access to the money or capital markets and simultaneously significant outflows of customer deposits. In this respect, the deposit concentration risk is considered by assigning higher outflow ratios to large customers. Furthermore, stress assumptions are formulated for the drawdown of guarantees and credit obligations. In addition, the liquidity buffer positions are adapted by haircuts in order to cover the risk of disadvantageous market movements, and the potential outflows resulting from collateralized derivative transactions are estimated. The bank continuously monitors whether the stress assumptions are still appropriate or whether new risks need to be considered.

The time to wall concept has established itself as the main control instrument for day-to-day liquidity management and is therefore a central component of funding planning and budgeting. It is also fundamental to determining performance ratios relating to liquidity.

Liquidity buffer

As shown by the daily liquidity risk reports, the main Group units actively maintain and manage liquidity buffers, including high-quality liquid assets (HQLA) which are always sufficient to cover the net outflows expected in crisis scenarios. RBI AG has sizeable, unencumbered and liquid securities portfolios and favors securities eligible for Central Bank tender transactions in order to ensure sufficient liquidity in various currencies. The main Group units ensure the availability of liquidity buffers, test their ability to utilize central bank funds, constantly evaluate their collateral positions as regards their market value and encumbrance and examines the remaining counterbalancing capacity, including the funding potential and the sale ability of the assets.

Generally, a haircut is applied to all liquidity buffer positions. These haircuts include a market-risk specific haircut and a central bank haircut. While the market risk haircut represents the potential price volatility of the securities held as assets as part of the liquidity buffer, the central bank haircut represents an additional haircut for each individual relevant security that may be offered as collateral.

Intraday liquidity management

In compliance with regulatory requirements for intraday liquidity risk management a daily stressed forecast of available intraday liquidity at defined critical times during a business day is calculated for RBI AG. This stressed forecast, which considers outflow assumptions analogous to the regular liquidity stress testing in the Group (see above), is quite conservative since inflows that are not final (revocable) are not considered at all. In case of limit breaches, the intraday contingency and escalation process is triggered.

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 designed so that the Group can retain a strong liquidity position even in serious crisis situations.

Liability structure and liquidity position

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

In the past year and to date, RBI AG's excess liquidity was significantly above all regulatory and internal limits. 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 Maturity	2019		2018	
	1 month	1 year	1 month	1 year
liquidity gap	4,250,532	4,562,591	2,871,841	3,318,873
liquidity ratio	110%	106%	108%	105%

Liquidity coverage ratio

The liquidity coverage ratio (LCR) requires the short-term resilience of banks by ensuring that they have an adequate stock of unencumbered high-quality liquid assets (HQLA) to meet potential liability run offs that might occur in a crisis, which can be converted into cash to meet the liquidity needs for a minimum of 30 calendar days in a liquidity stress scenario.

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

The regulatory limit for the LCR is 100 per cent.

in € thousand	31/12/2019	31/12/2018
Average liquid assets	16,163,381	17,042,412
Net outflows	12,372,628	14,030,981
Inflows	7,601,297	4,293,880
Outflows	19,973,925	18,324,861
Liquidity Coverage Ratio	131%	121%

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

Net Stable Funding Ratio (NSFR)

The NSFR is defined as the ratio of available stable funding to required stable funding. From 28.06.2021, the new regulatory requirements come into force and the regulatory limit of 100 percent must be complied with. Available stable funding is defined as that portion of equity and debt which is expected to be a reliable source of funds over the time horizon of one year covered by the NSFR. A bank's required stable funding depends on the liquidity characteristics and residual maturities of the various assets held and of off-balance sheet positions.

RBI AG targets a balanced funding position.

in € thousand	2019	2018
Required stable funding	38,336,772	33,901,396
Available stable funding	37,914,378	32,871,966
Net Stable Funding Ratio	99%	97%

Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In this risk category internal risk drivers such as unauthorized activities, fraud or theft, conduct-related losses, modelling errors, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or fraud are managed and controlled as well.

This risk category is analyzed and managed based on RBI AG's own historical loss data and the results of risk assessment.

As with other risk types the principle of firewalling of risk management and risk controlling is also applied to operational risk at RBI AG. To this end, individuals are designated and trained as Operational Risk Managers for each division. Operational Risk Managers provide central Operational Risk Controlling with reports on risk assessments, loss events, indicators and measures. They are supported in their work by Dedicated Operational Risk Specialists (DORS).

Operational risk controlling units are responsible for reporting, implementing the framework, developing control measures and monitoring compliance with requirements. Within the framework of the annual risk management cycle, they also coordinate the participation of the relevant second line of defense departments (Financial Crime Management, Compliance, Vendor Management, Outsourcing Management, Insurance Management, Information Security, Physical Security, BCM, Internal Control System, IT Risk Management) and all first line of defense contacts (Operational Risk Managers).

Risk identification

Identifying and evaluating risks that might endanger the bank's existence (but the occurrence of which is highly improbable) and areas where losses are more likely to arise more frequently (but have only limited impact) are important aspects of operational risk management.

Operational risk assessment is executed in a structured and Group-wide uniform manner according to risk categories such as business processes and event types. Moreover, risk assessment applies to new products as well. The impact of high probability/low impact events and low probability/high impact events is measured over a one-year and a ten-year horizon. Low probability/high impact events are quantified on the basis of scenarios. The internal risk profile, losses arising and external changes determine which cases are dealt with in detail.

Monitoring

In order to monitor operational risks, early warning indicators are used that allow prompt identification and minimization of losses.

Loss data is collected in a central database called ORCA (Operational Risk Controlling Application) in a structured manner and on a Group-wide basis according to the event type and the business line. In addition to the requirements for internal and external reporting, information on loss events is exchanged with international data pools to further develop operational risk management tools as well as to track measures and control effectiveness. Since 2010, The Group has been a participant in the ORX data pool (Operational Risk Data Exchange Association), whose data are currently used for internal benchmark purposes and analyses and as part of the operational risk model. The ORX data consortium is an association of banks and insurance groups for statistical purposes. The results of the analyses as well as events resulting from operational risks are reported in a comprehensive manner to the relevant Operational Risk Management Committee on a regular basis.

Quantification and mitigation

Since October 2016, RBI AG has calculated the equity requirement using the Advanced Measurement Approach (AMA).

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

To reduce operational risk, business managers decide on preventive risk reduction actions such as risk mitigation or risk transfer. The progress and effectiveness of these actions is monitored by risk control. The former also define contingency plans and nominate responsible persons or departments for initiating the defined actions if losses in fact occur. In addition, several dedicated

organizational units provide support to business units for reducing operational risks. An important role in connection with operational risk activities is taken on by Financial Crime Management. Financial Crime Management provides support for the prevention and identification of fraud. RBI AG also organizes regular extensive staff training programs and has a range of contingency plans and back-up systems in place.

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

Introduction

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

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

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

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

The accounting process can be described as follows:

- Day-to-day accounting

Day-to-day accounting records are mainly posted to the respective sub-ledgers (sub-systems). This accounting data is transferred to the general ledger (SAP) in aggregated form on a daily basis, using automated interfaces. In addition, individual postings are recorded directly in the SAP general ledger.

The general ledger in SAP has multi-GAAP functionality, which means two equivalent parallel general ledgers are maintained in SAP: one in accordance with UGB/BWG reporting standards and also a parallel ledger in accordance with IFRS. An operational chart of accounts exists for the two general ledgers; depending on the respective content, all postings are effected either simultaneously in both general ledgers or in only one of the two ledgers. The parallelism of the entries and the parallel existence of the two general ledgers remove the need for reconciliations from UGB/BWG to IFRS.

- Individual financial statements for RBI head office in accordance with UGB/BWG and IFRS
The SAP trial balance in accordance with UGB/BWG and/or IFRS results from the posting data of the respective sub-systems which is delivered via automated interfaces. In addition, a number of supplementary ledger-specific closing entries are made directly in SAP. These are independent of the respective sub-systems. The sum of all these entries gives the statement of financial position and the income statement pursuant to UGB/BWG or IFRS.
- Individual financial statements of RBI AG
In a final step, the financial statements of RBI AG in accordance with UGB/BWG are produced. These include head office and also the branches. Both the branch data and also the closing data of head office are conveyed by automated transfer from SAP or in some cases by direct input into the IBM Cognos Controller consolidation system. The data are consolidated in this system, on the basis of which RBI AG's overall individual financial statements are prepared.

Control environment

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

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

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

Risk assessment

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

Control measures

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

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

Information and communication

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

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

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

Monitoring

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

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

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

Internal audits are the third line of defense in the monitoring process. Responsibility for auditing lies with Group Internal Audit at RBI and also the respective internal audit departments of the Group units. All internal auditing activities are subject to the Group Audit standards, which are based on the Austrian Financial Market Authority's minimum internal auditing requirements and international best practices. Group Audit's internal rules are additionally applicable (notably the Audit Charter). Group Audit regularly and independently verifies compliance with the internal rules within the RBI Group units. The head of Group Internal Audit reports directly to the Management Boards.

Outlook

Economic outlook

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

Southeastern Europe

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

Eastern Europe

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

Austria

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

Banking sector in Austria

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

CEE Banking Sector

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

Outlook for RBI AG

Despite a slight weakening of the economic outlook for the coming 2020 financial year, we expect business volumes for RBI AG to remain stable in the coming years.

Accordingly, we expect that the effect of interest rates on income will remain slightly positive in the coming financial year, particularly as a result of more favorable refinancing. Moderate growth in service business volumes should also lead to a slight rise in fee and commission income. We also expect an increase in dividend income from affiliated companies in the 2020 financial year. These positive developments should result in a low single-digit percentage increase in operating income.

The first effects of the "TOM" project should be seen in general administrative expenses and lead to a noticeable reduction in the cost structure as early as 2020 as a result of efficiency gains and process improvements, supported by increasing digitization.

Net provisioning for impairment losses was low in 2019 (€ 109 million), mainly reflecting the good state of the economy and proceeds from the sale of non-performing loans. However, we expect a moderate increase in provisioning for impairment losses in 2020 as a result of the slight economic slowdown.

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

Auditor's Report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

**Raiffeisen Bank International AG,
Vienna,**

which comprise the Statement of financial position as of 31 December 2019, the income statement for the year then ended, and the notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2019, and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles, and other legal requirements (Austrian Banking Act).

Basis for our Opinion

We conducted our audit in accordance with EU Regulation 537/2014 ("AP Regulation") and the Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the Company, in accordance with Austrian company and banking law as well as professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Key Audit Matters

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

In the following we present the key audit matters from our point of view:

1. Recoverability of loans and advances to customers
2. Provision for legal risk regarding retail mortgages in the Warsaw branch of RBI AG
3. Recoverability of shares in affiliated companies

1. Recoverability of loans and advances to customers

The Financial Statement Risk

Loans and advances to customers are reported in the statement of financial position net of loan loss provisions (individual and portfolio-based loan loss provisions), in an amount of EUR 28.1 billion. They comprise predominantly loans and advances to Austrian and foreign corporate customers and about EUR 2.9 billion of mortgage loans to retail customers in the Warsaw branch of RBI AG.

The Management Board describes the composition of the loans and advances to customers, the process of monitoring the credit risk and the procedures for determining the loan loss provisions in the "Recognition and Measurement Principles" section in the notes to the Financial Statements and in the "Credit Risk" section of the Risk Report in the Management Report.

As part of the credit risk monitoring process the bank checks if there is a default and if individual loan loss provisions are therefore needed.

The impairment amount for individual significant customers (corporate customers, "Non-Retail") is determined individually by the projected timing and amount of future cashflows based on scenario-weighted forecast. The cashflows are significantly influenced by the estimate of the client's economic situation and the estimate of collateral values.

For defaulted, individually insignificant customers in the household segment (retail) as well as for non-defaulted loans, a collective impairment allowance is recognized for expected credit losses based on models with statistic assumptions on e.g. probabilities of default and loss-given-default. The bank has applied the IFRS 9 method to determine expected credit losses (twelve-month ECL is used (ECL stage 1) and lifetime-ECL (for stage 2 and 3)).

The calculation of loan loss provisions is significantly influenced by management's assumptions and estimates. These assumptions and estimate uncertainties lead to a risk of misstatement in the Financial Statements.

Our Audit Approaches

We have obtained the documentation that describes the processes of loan issuance, loan monitoring and determination of a loan provision for corporate and retail customer loans and assessed these documents to determine whether the processes adequately identify impairment indicators and ensure that the valuation of loans and advances to customers is appropriately reflected in the Financial Statements. In addition, we tested the essential key controls within these processes. As part of this work we checked the design, implementation and effectiveness of these key controls.

For individual loan loss provisions, we used a risk-oriented as well as a random sample based approach to determine whether there is an indication for a default and thus impairment indicators were identified and appropriate individual loan loss provisions were calculated. We assessed the bank's estimates regarding the amount and timing of future cash flows, including those resulting from realization of collateral, and whether the bank's assessment was appropriate and in line with the internal and external information available. With regard to the internal collateral valuation, we assessed on a sample basis, together with our valuation specialists, whether the estimates used in the models were adequate and in line with available market data.

In the case of defaulted individual insignificant customers and for portfolio-based loan loss provisions, we critically assessed whether the models and relevant parameters used were adequate for calculating loan loss provisions. On the basis of the bank's internal validations, we also assessed the models and their parameters to determine whether they provide a suitable basis for calculating reasonable impairments. We evaluated the reasonableness of the used probabilities of default also by performed backtestings. We also analyzed the selection and calculation of forward-looking estimates and scenarios and examined how they were taken into account in parameter estimates. In these audit procedures, we were supported by our financial mathematicians. In addition, we performed a control-based audit approach to assess the processes, systems and interfaces underlying the calculation models.

Finally, we assessed whether the disclosures in the notes to the Financial Statements and the Management Report regarding customer loan loss provisions were appropriate.

2. Provision for legal risk regarding retail mortgages in the Warsaw branch of RBI AG

Risk for the Financial Statements

On the reporting date, the Warsaw branch of RBI AG had consumer mortgage loans denominated in or indexed to foreign currencies with a book value of EUR 2.9 billion. In connection to these loans, customers filed civil lawsuits to certain contractual stipulations. The bank recognized a provision of EUR 49.34 million in this regard.

The Management Board describes the process for determining the provision in the notes to the financial statements in the Recognition and Measurement Principles and section Provision for liabilities and charges.

The provision is based on a statistical approach with weighted scenario calculations. In these calculations, possible decision scenarios have been estimated together with the expected loss rates per scenario to determine the expected impact. In addition probabilities of occurrence of various claims were assessed and an expected value was calculated. Furthermore, the corresponding external legal costs were estimated and considered.

The bank's estimate regarding the parameters used and the expected probability of occurrence of the respective decision scenarios have a significant impact on the determination of the provision and therefore, due to uncertainties regarding the actual loss rates as well as potential upcoming legal regulations, leads to a risk of misstatement in the financial statements.

Our Response

We evaluated the general process of recording and measuring provisions for legal risks, analysed the internal controls and assessed the Bank's accounting treatment of this provision.

Further, we assessed the appropriateness of the expected scenarios and loss rates used as well as the allocated weighted probabilities. These are based on the legal and economic expert opinions of RBI as well as on the opinion of a legal advisor who is involved in the lawsuit. We also verified the arithmetical accuracy of the provision calculation.

Finally, we assessed whether the disclosures in the notes regarding the provision were appropriate and complete.

3. Recoverability of shares in affiliated companies

The Financial Statement Risk

Shares in affiliated companies amount to around EUR 10.8 billion in total and represent a significant item on the balance sheet of Raiffeisen Bank International AG. In particular, the bank has shareholdings in domestic and foreign credit institutions and in finance and project companies.

The Management Board describes the process for managing the participation portfolio and the procedures for assessing impairment of shares in affiliated companies under "Recognition and measurement principles" in the notes to the Financial Statements and in the Participation risk section in the Risk Report in the Management Report.

The banks division Group Participations assesses whether, on the basis of the fair value of the individual equity participations, there are triggers for permanent impairment in any given case or whether a reversal of a previous impairment up to the amount of the acquisition cost is necessary.

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

As a consequence, valuations are by nature based on judgment within certain limits and are subject to estimation uncertainties. There is therefore a potential risk of misstatement in the Financial Statements.

Our Audit Approach

We have examined the key processes in the Group Participations division and examined the key controls on a test basis to assess whether the process structure and implementation are adequate to identify necessary impairments or potential impairment reversals on a timely basis.

Our valuation specialists have examined the valuation models, which in their design are based on the dividend discount approach, the main planning assumptions and the valuation parameters. The valuation models applied were analyzed to assess whether they formed an adequate basis for calculating the value of the companies in a correct manner. The planning and valuation parameters used in the models were evaluated. We assessed the reasonableness of interest rate parameters by comparing them to market- and industry-specific benchmarks. Backtesting was performed to assess the forecasting accuracy with respect to the main assumptions in the detailed planning phase. In this process, the cash flows used in the valuation model from the previous year were compared with and assessed in relation to the actual values and the current budgeted values regarding their appropriateness. The calculation of the company valuations was analyzed on a sampling basis. The material company valuations were compared with market data and publicly available information (in particular industry-specific market multiples).

Finally, we assessed whether the disclosures in the notes to the Financial Statements and in the Management Report regarding the recoverability of shares in affiliated companies are appropriate.

Responsibilities of Management and the Audit Committee for the Financial Statements

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

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

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

Auditor's Responsibilities

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

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

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast considerable doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Management Report

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

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

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

Opinion

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

Statement

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

Additional information under Article 10 AP Regulation

At the Annual General Meeting dated 21 June 2018, we were elected as auditors. We were appointed by the supervisory board on 26 July 2018.

At 13 June 2019, we were elected as group auditor for the consolidated financial statements of the fiscal year ending 31 December 2020 and were appointed by the Supervisory Board on 11 July 2019.

We have been the Company's auditors since the Company's first listing on the stock exchange in 2005.

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

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

Engagement Partner

The engagement partner is Mr. Mag. Wilhelm Kovsca.

Vienna, 28 February 2020

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Wilhelm Kovsca

Wirtschaftsprüfer

(Austrian Chartered Accountant)

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

The financial statements, together with our auditor's opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 (1) of the Austrian Commercial Code (UGB) applies.

Statement of all legal representatives

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

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

Vienna, 28 February 2020

The Management Board



Johann Strobl

Chief Executive Officer responsible for Group Marketing, Group Regulatory Affairs & Data Governance, Group Sustainability Management, Legal Services, Chairman's Office, Group Communications, Group Compliance, Group Executive Office, Group Human Resources, Group Internal Audit, Group Participations, Group Strategy & Innovation and International Banking Units



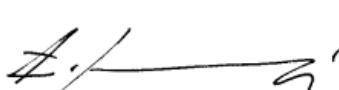
Martin Grüll

Member of the Management Board responsible for Active Credit Management, Group Investor Relations, Group Planning & Finance, Group Tax Management and Group Treasury



Andreas Gschwenter

Member of the Management Board responsible for Group Core IT, Group Data, Group Efficiency Management, Group IT Delivery, Group Procurement, Cost & Real Estate Management, Group Project Portfolio & Security and Head Office Operations



Łukasz Januszewski

Member of the Management Board responsible for Group Capital Markets Corporate & Retail Sales, Group Capital Markets Trading & Institutional Sales, Group Investment Banking, Group Investor Services, Group MIB Business Management & IC Experience, Institutional Clients and Raiffeisen Research



Peter Lennkh

Member of the Management Board responsible for Corporate Customers, Corporate Finance, Group Corporate Business Strategy & Steering, International Leasing Steering & Product Management and Trade Finance & Transaction Banking



Hannes Mösenbacher

Member of the Management Board responsible for Financial Institutions, Country & Portfolio Risk Management, Group Advanced Analytics, Group Corporate Credit Management, Group Risk Controlling, Group Special Exposures Management, International Retail Risk Management and Sector Risk Controlling Services



Andrii Stepanenko

Member of the Management Board responsible for Group Asset Management, International Retail Business Management & Steering, International Mass Banking, Sales & Distribution, International Premium & Private Banking, International Retail CRM, International Retail Lending, International Retail Online Banking and International Small Business Banking