Market development

Energy price shock ends COVID recovery

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

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

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

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

CEE: High inflation rates and significant interest rate hikes

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

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

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

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

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

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

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

Banking sector in Austria

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

Development of the banking sector in CEE

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

Regulatory environment

ECB supervisory priorities

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

Supervisory implications of the war in Ukraine

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

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

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

New regulation in 2022

Finalization of Basel III (CRR III/CRD VI)

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

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

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

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

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

Capital Buffer Regulation (2022 amendment)

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

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

Initiatives under the Digital Finance Package focused on consumer protection

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

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

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

Minimum requirement for own funds and eligible liabilities (MREL)

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

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

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

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

Corporate Sustainability Reporting Directive (CSRD)

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

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

Significant events in the reporting period

RBI assesses strategic options for the future of Raiffeisenbank in Russia and Priorbank in Belarus

The war in Ukraine due to Russia's invasion, together with the devastating human consequences, sanctions and uncertain prospects this entails, also has far-reaching implications for RBI due to its presence in Eastern Europe via the subsidiary banks it owns in Russia, Ukraine and Belarus. RBI's subsidiary banks are self-funded, well-capitalized and have insignificant cross-border exposure to Russia and Belarus. However, given the current situation and foreseeable changes, RBI feels compelled to review its position in Russia and in Belarus. All strategic options regarding the future of Raiffeisenbank in Russia and Priorbank in Belarus are therefore being assessed, including a carefully managed exit from these subsidiaries.

Immediately after the outbreak of the war, new business in Russia was largely suspended. This and other measures – disregarding currency effects – have already led to a significant decline in customer lending since the beginning of the year. The direct impacts of the sanctions against Russia and Belarus are in the low single-digit range relative to the total exposure and to the liabilities in the affected countries. At the same time, the Russian subsidiary bank has reported strengthened capital and liquidity figures. The accumulated loan loss provisions provide a solid basis for the difficult ongoing situation and also cover the consequences of the EU and US sanctions packages.

Meanwhile, it goes without saying that RBI and its subsidiaries are continuing to operate in compliance with the local and international sanction laws, changing financial market requirements, and in line with its Code of Conduct.

Completion of the sale of Raiffeisenbank (Bulgaria) EAD to KBC Bank

As all conditions for the closing of the transaction, including all requisite regulatory approvals, were met in June 2022, the deconsolidation of Raiffeisenbank (Bulgaria) EAD became effective as of 30 June 2022.

The additional capital from the sale strengthens RBI's solid capital base and supports growth in selected markets.

Based on the agreed selling price of € 1,009 million, equity of € 601 million and the deconsolidation of, in total, € 3.3 billion in risk-weighted assets, the sale has, as of the time of the closing, a positive effect of 75 basis points on RBI's CET1 ratio. The closing took place on 7 July 2022.

Acquisition of Crédit Agricole Srbija AD

On 1 April 2022, the closing took place for acquisition of a 100 per cent interest in Crédit Agricole Srbija AD, Novi Sad, and CA Leasing Srbija d.o.o. Beograd by Raiffeisen banka a.d., Belgrade. Crédit Agricole Srbija AD, Novi Sad, including CA Leasing Srbija d.o.o. Beograd, was therefore included in the consolidated financial statements as of 1 April 2022. Its total assets amounted to € 1,498 million at the time of initial consolidation.

The acquisition of Crédit Agricole Srbija AD is part of RBI's strategy to grow its presence in selected markets. Serbia is a market that has much growth potential. The acquisition of Crédit Agricole Srbija AD, with around 356,000 customers, complements the Serbian subsidiary bank's strategy and will support RBI's growth ambitions in this market. Crédit Agricole Srbija AD is expected to be merged with the Serbian subsidiary bank, Raiffeisen banka a.d., Belgrade, in April 2023. This will make it possible to exploit synergies and increase market share. CA Leasing Srbija d.o.o. Beograd was merged into Raiffeisen Leasing d.o.o., Belgrade, as of September 2022. The gross carrying amount of the acquired loans of Crédit Agricole Srbija AD and CA Leasing Srbija d.o.o. Beograd amounted to € 1,228 million at the time of initial consolidation.

Dividend

The Management Board will recommend a dividend of up to € 0.80 per share from the net profit for financial year 2022 although the timing of the decision is uncertain and unlikely to be made at the annual general meeting on 30 March 2023. The date of the decision and a resolution in an extraordinary general meeting will be chosen subject to capital ratios and ongoing strategic considerations.

Earnings and financial performance

Russia's military invasion of Ukraine in February 2022 and the ongoing war between the two countries, together with the numerous EU and US sanctions imposed on Russia in response, had a significant impact on money and capital markets in the reporting period. They also affected trade and the economy, – notably in the form of sharp rises in energy and commodity prices and supply chain disruptions. This meant that, in addition to currency effects due to appreciation of the Russian ruble (up 17 per cent) and of the US dollar (up 11 per cent), earnings performance in the reporting period was also influenced by high inflation rates. Increases in key interest rates had a positive impact on interest margins, while inflation resulted in a higher cost burden. For RBI, however, the cost/income ratio improved overall as a result of significantly higher core revenues. In contrast, risk costs showed strong year-on-year growth – from a very low base – mainly driven by higher provisioning in Russia and Ukraine due to the war and the resulting risk factors.

Western countries have imposed severe sanctions against Russian companies, the Russian Central Bank and the Russian government. At the same time, Russia has placed restrictions on capital flows to so-called unfriendly countries. Both of these restrict the servicing of international debt and of profit distributions, as well as the free allocation of investment capital. At present, earnings for 2022 in the amount of € 2,058 million in Russia, € 97 million in Belarus and € 65 million in Ukraine cannot be distributed in the form of dividends.

In total, consolidated profit increased a substantial 164 per cent year-on-year to € 3,627 million. The sale of the Bulgarian subsidiary bank contributed a total of € 453 million to earnings. Net interest income increased 52 per cent, mainly due to rising interest rates and strong loan growth in numerous Group countries. The increase in net interest income in Russia was due to interest rate and currency effects. Net fee and commission income (up a particularly large 95 per cent) showed a continuous volume-driven upward trend over the course of the year. However, it was also influenced by the current geopolitical situation, by interim measures on the part of the Russian Central Bank relating to foreign exchange controls and to the associated mandatory currency conversion, and also by the announcement of partial mobilization. The net trading income and fair value result of € 663 million mainly resulted from net foreign currency income in Russia, Ukraine and Belarus and from certificates business, partly driven by changes in the Group's own credit spreads. Risk costs amounted to € 949 million in the reporting period, of which Russia accounted for € 471 million and Ukraine for € 253 million.

Total assets, at € 207 billion, were around 8 per cent higher than in the previous year. Despite fluctuations during the year, particularly in the Russian ruble, currency effects were responsible here for an increase of only 1 per cent. Customer loans increased more than 2 per cent, with all countries in Central and Southeastern Europe recording significant increases. This contrasted with a decline in Eastern Europe and particularly in Russia by almost one-third due to the cessation of most new business, which was partly cushioned by the appreciation of the Russian ruble (up 9 per cent). Customer deposits rose just under 9 per cent, mainly due to short-term deposits.

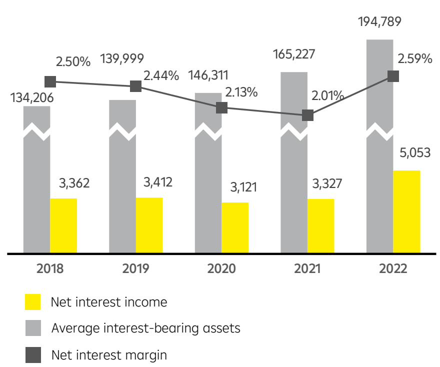
Comparison of results with the previous year

in € million	2022	2021	Change	
Net interest income	5,053	3,327	1,725	51.8%
Dividend income	64	42	22	53.6%
Current income from investments in associates	64	46	18	39.5%
Net fee and commission income	3,878	1,985	1,893	95.4%
Net trading income and fair value result	663	53	610	>500.0%
Net gains/losses from hedge accounting	(41)	(2)	(39)	>500.0%
Other net operating income	29	120	(91)	(75.8)%
Operating income	**9,710**	**5,570**	**4,140**	**74.3%**
Staff expenses	(2,010)	(1,579)	(431)	27.3%
Other administrative expenses	(1,081)	(992)	(89)	9.0%
Depreciation	(461)	(407)	(54)	13.3%
General administrative expenses	**(3,552)**	**(2,978)**	**(574)**	**19.3%**
Operating result	**6,158**	**2,592**	**3,565**	**137.5%**
Other result	(667)	(295)	(372)	126.2%
Governmental measures and compulsory contributions	(337)	(213)	(125)	58.6%
Impairment losses on financial assets	(949)	(295)	(655)	222.2%
Profit/loss before tax	**4,203**	**1,790**	**2,414**	**134.9%**
Income taxes	(859)	(368)	(491)	133.6%
Profit/loss after tax from continuing operations	**3,344**	**1,422**	**1,922**	**135.2%**
Gains/losses from discontinued operations	453	86	367	428.3%
Profit/loss after tax	**3,797**	**1,508**	**2,289**	**151.9%**
Profit attributable to non-controlling interests	(170)	(135)	(35)	26.0%
Consolidated profit/loss	**3,627**	**1,372**	**2,254**	**164.3%**

Operating income

Net interest margin

in € million



Net interest income was up € 1,725 million to € 5,053 million. This is mainly due to rising interest rates and strong loan growth in numerous Group countries. In the Czech Republic, in addition to the integration of Equa bank, higher interest income from repo, corporate and retail customer business resulted in a € 267 million increase in net interest income. The increases of € 167 million in Hungary, € 121 million in Ukraine, € 119 million in Romania, € 48 million at head office and € 40 million in Belarus were likewise primarily interest rate-related. In Serbia, net interest income increased € 60 million, primarily due to the integration of Crédit Agricole Srbija AD. The largest increase, of € 784 million, was recorded in Russia due to the appreciation of the Russian ruble and higher interest income from repo business, mainly due to the temporarily unusually high key interest rate for deposits with the Central Bank of Russia, which was doubled to 20 per cent for a short time immediately after the outbreak of war. Higher market interest rates also led to an increase in interest income from customer loans. In contrast, lending volumes in the customer business fell 30 per cent year-on-year in local currency. Group average interest-bearing assets rose 18 per cent year-on-year, mainly as a result of the strong loan growth in numerous countries. The net interest margin improved 58 basis points to 2.59 per cent, which in addition to Eastern Europe was attributable to a 140 basis point increase in Hungary and a 77 basis point increase in the Czech Republic.

The particularly strong rise in net fee and commission income was driven by the geopolitical situation, with upward spikes in March after the onset of war and in September after the partial mobilization in Russia. In addition, immediately after the start of the war, the Russian Central Bank introduced interim measures relating to foreign currency restrictions and associated mandatory currency conversion that led to a temporarily increased activity in the foreign exchange business on the part of both corporate and retail customers. As a result, net fee and commission income from foreign exchange business increased € 1,207 million Group-wide. Clearing, settlement and payment services also recorded growth of € 438 million due to increased transactions with both corporate and retail customers in Russia and at head office. However, this was also an effect of higher margins, mainly from increased fees in Russia to reduce foreign currency deposits. Securities business developed positively too, with the strongest growth of € 172 million in Russia. Supported by currency appreciations in Russia and Belarus, net fee and commission income consequently increased € 1,893 million to € 3,878 million. In addition to Russia, there was also strong growth at head office and on a currency-adjusted basis in the Czech Republic, Hungary and Belarus.

Net trading income and the fair value result increased € 610 million year-on-year to € 663 million. The strong year-on-year increase was mainly attributable to trading activities in Russia, as a result of which net trading income rose € 396 million to € 369 million. The high volatility of the Russian ruble in the first half of 2022 due to the sanctions in response to the war led to strong customer demand for foreign currency transactions. This was counteracted somewhat by higher losses from hedged interest rate risks. Positive net trading income from foreign currency valuation was also generated in Ukraine and Belarus, with gains resulting from exposures in US dollars and euros in conjunction with the devaluations of the local currencies. Head office made a positive contribution of € 92 million in the reporting period, mainly supported by strong net foreign exchange income primarily from market-making activities in relation to the currencies US dollar, Russian ruble and Hungarian forint. The certificates business, too, due among other things to the increase in the Group's own credit spread, recorded a year-on-year increase in valuation gains on certificate issues measured at fair value.

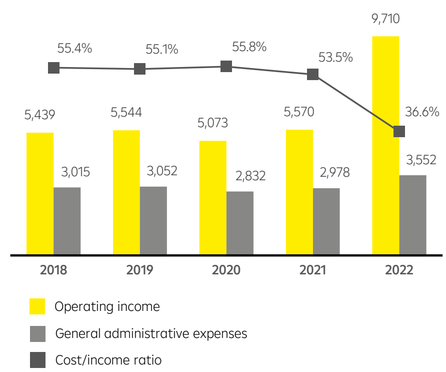
Other net operating income decreased € 91 million to € 29 million. This was mainly due to lower net income from the sale of debt securities (a loss of € 57 million, down € 58 million), mainly in Russia, in Belarus and at head office. Early derecognition of intangible fixed assets at head office resulted in a loss of € 29 million.

General administrative expenses

General administrative expenses increased 19 per cent year-on-year, or € 574 million, to € 3,552 million. Significantly higher core revenues (up 68 per cent) made for a significant year-on-year improvement in the cost/income ratio, from 53.5 per cent to 36.6 per cent. Staff expenses rose € 431 million to € 2,010 million, mainly due to increases in Russia, in Romania, at head office, in Serbia and in the Czech Republic. In addition to the increase in the average headcount, the increases in Russia mainly resulted from higher salaries, social security costs and provisions for one-off payments. Higher staff expenses mainly related in the Czech Republic to the integration of Equa bank and in Serbia to the integration of Crédit Agricole Srbija AD. The main drivers of the € 89 million rise in other administrative expenses were higher IT expenses (up € 32 million), particularly in the Czech Republic (integration of Equa bank) and Croatia (changeover to the euro). There were further increases in other expense items, primarily sundry administrative expenses (up € 21 million), office space expenses (up € 16 million), legal, advisory and consulting expenses (up € 12 million) and non-income-related taxes (up € 11 million). Depreciation and amortization of tangible and intangible fixed assets increased 13 per cent, or € 54 million, to € 461 million, mainly due to the integration of Equa bank in the Czech Republic and primarily as a result of currency effects in Russia.

Cost/income ratio

in € million



The number of business outlets fell 107 to 1,664 year-on-year. The largest decline resulted from the sale in Bulgaria (down 131), while Serbia (up 71) recorded an increase in the number of business outlets due to acquisitions. Average headcount decreased 1,713 full-time equivalents year-on-year to 44,194, mainly due to the sale of Raiffeisenbank (Bulgaria) EAD and its subsidiary Raiffeisen Leasing Bulgaria EOOD (down 2,474). The largest increases were in Serbia (up 862; integration of Crédit Agricole Srbija AD in the second quarter) and Russia (up 488; increase early in the year before the onset of war).

Other result

The other result came to minus € 667 million in the reporting period, compared to minus € 295 million in the previous year's period. Expenses for credit-linked, portfolio-based litigations and annulments of loan agreements in a total amount of € 510 million (previous year's period: € 326 million), mainly relating to mortgage loans in Poland denominated in or linked to foreign currencies, had a negative impact. In addition, valuation of investments in subsidiaries and associates resulted in a loss of € 67 million in the reporting period (previous year's period: gain of € 54 million). Within this, investments in associates valued at equity – with the largest individual impacts relating to investments in LEIPNIK-LUNDENBURGER Invest Beteiligungs AG (LLI) and UNIQA Insurance Group AG (UNIQA) – accounted for a net valuation loss of € 37 million (previous year's period: gain of € 66 million). The reasons for the valuation of the investments in LLI were the less favorable economic environment, the trend in the commodity prices and the negative impacts of the war in Ukraine on business in local markets. The main reason for the valuation of the investments in UNIQA was the lower valuation of available-for-sale financial instruments due to the increase in yields. Impairment losses on non-financial assets were also recognized in the reporting period in the amount of € 88 million (previous year's period: € 5 million in impairment reversals), primarily on goodwill at a Czech (€ 60 million) and a Serbian Group unit (€ 8 million).

Governmental measures and compulsory contributions

Governmental measures and compulsory contributions increased € 125 million to € 337 million. Bank levies increased € 48 million, mainly due to the introduction of a special bank levy in Hungary (€ 47 million). Contributions to the bank resolution fund increased € 14 million, mostly at head office and in the Czech Republic. The € 36 million increase in deposit insurance fees mainly related to Russia, Hungary, Romania, Croatia and Serbia. The € 26 million in other compulsory contributions primarily comprises contributions to the newly created state borrowers' support fund in Poland.

Impairment losses on financial assets

The impacts of the war between Russia and Ukraine were reflected in significantly higher risk costs in Eastern Europe. Impairment losses on financial assets in Eastern Europe amounted to € 743 million in the reporting period (previous year's period: € 119 million) due to the deteriorating economic environment, ratings downgrades on customers, countries and governments, and in Russia additionally due to the consequences of several EU and US sanctions packages. In the reporting period, impairment losses of € 471 million were recognized in Russia (previous year's period: € 72 million); impairment losses in Ukraine amounted to € 253 million, compared to € 23 million in the previous year. Group-wide, impairment losses on financial assets were recognized in the amount of € 949 million in the reporting period (previous year's period: € 295 million). This also included impairment losses due to macroeconomic effects, such as higher energy prices, increased inflation and rating downgrades on companies with revenue shortfalls and higher cost burdens due to strained energy supply.

In Stage 1 and Stage 2, net impairments of € 567 million were recognized in the reporting period (previous year's period: € 124 million). A net amount of € 248 million related to loans to non-financial corporations, a net € 100 million to loans to other financial corporations, a net € 82 million to loans to households and a net € 58 million to loans to governments. The amount recognized in Stage 1 and Stage 2 was € 298 million in Russia, € 87 million in Ukraine, € 47 million in Hungary, € 37 million in Slovakia and € 29 million in Austria. For defaulted loans (Stage 3), impairments were recognized in a net amount of € 382 million in the reporting period (previous year's period: net € 171 million), of which € 155 million related to households, primarily in Russia (€ 120 million) and Ukraine (€ 37 million), € 136 million to loans to non-financial corporations, primarily in Ukraine (€ 122 million) and € 81 million to loans to other financial corporations, mostly at head office.

The NPE ratio showed no change year-on-year, at 1.6 per cent. The NPE coverage ratio was 59.0 per cent at the reporting date, compared to 62.5 per cent in the previous year.

Income taxes

Income taxes increased € 491 million to € 859 million due to the level of profit. The tax rate of 20.4 per cent was slightly below the previous year's tax rate, but significantly below the current Austrian corporate income tax rate of 25 per cent. This was mainly due to the tax situation at head office (loss carry forwards) and a larger share of profit before tax accounted for by lower-tax countries.

Gains/losses from discontinued operations

The gains/losses from discontinued operations include the deconsolidation of the Bulgarian Group units.

Comparison of results with the previous quarter

Quarterly results

in € million	Q4/2021	Q1/2022	Q2/2022	Q3/2022	Q4/2022
Net interest income	976	986	1,214	1,392	1,462
Dividend income	7	5	24	11	24
Current income from investments in associates	12	18	16	21	8
Net fee and commission income	561	683	882	1,117	1,196
Net trading income and fair value result	24	184	132	155	192
Net gains/losses from hedge accounting	1	(20)	(16)	15	(20)
Other net operating income	36	27	15	(12)	(1)
Operating income	**1,618**	**1,881**	**2,269**	**2,700**	**2,861**
Staff expenses	(425)	(430)	(464)	(538)	(578)
Other administrative expenses	(313)	(254)	(277)	(273)	(278)
Depreciation	(118)	(109)	(116)	(114)	(123)
General administrative expenses	**(856)**	**(792)**	**(857)**	**(925)**	**(978)**
Operating result	**763**	**1,089**	**1,412**	**1,775**	**1,882**
Other result	(175)	(102)	(6)	(118)	(442)
Governmental measures and compulsory contributions	(32)	(159)	(82)	(44)	(52)
Impairment losses on financial assets	(150)	(319)	(242)	(160)	(228)
Profit/loss before tax	**406**	**508**	**1,082**	**1,453**	**1,160**
Income taxes	(77)	(69)	(223)	(297)	(270)
Profit/loss after tax from continuing operations	**329**	**440**	**859**	**1,156**	**890**
Gains/losses from discontinued operations	24	18	435	0	0
Profit/loss after tax	**353**	**458**	**1,294**	**1,156**	**890**
Profit attributable to non-controlling interests	(36)	(16)	(24)	(67)	(64)
Consolidated profit/loss	**317**	**442**	**1,270**	**1,089**	**826**

Development of fourth quarter 2022 compared to third quarter 2022

Net interest income was up € 70 million to € 1,462 million. Rising interest rates caused net interest income to increase € 49 million at head office, € 21 million in Hungary, € 13 million in Slovakia and € 11 million each in Romania and Serbia. In Ukraine, higher interest income from government certificates of deposit was responsible for the € 9 million increase in net interest income. The € 40 million decline in Russia was volume- and currency-related.

The rising interest rates in many of the Group's countries led to an increase in the net interest margin of 14 basis points to 2.85 per cent.

Net fee and commission income increased 7 per cent, or € 80 million, to € 1,196 million, mainly driven by extraordinarily high income from foreign currency transactions in Russia. This increase of € 42 million was due to higher volumes and margins. Likewise, net income from the securities business recorded a volume-related increase of € 40 million, particularly in Russia.

Net trading income and fair value result increased € 36 million to € 192 million. The increase resulted primarily from valuation gains on foreign currency positions of € 30 million, including hedging transactions in the Czech Republic, after the Czech koruna appreciated against the US dollar in particular in the fourth quarter. Interest rate-induced valuation effects increased € 32 million in total in Romania and Hungary as well. In Russia, the valuation result from foreign currency positions remained high but decreased € 58 million quarter-on-quarter to € 109 million. This was largely due to a decline in customer demand for foreign currency transactions. At head office, the valuation result from foreign currency positions increased € 34 million.

General administrative expenses increased € 54 million quarter-on-quarter to € 978 million. Staff expenses rose € 40 million to € 578 million, while other administrative expenses rose € 4 million to € 278 million and depreciation increased € 9 million to € 123 million. The main drivers of the increases were higher staff expenses, primarily in Romania, Hungary, Serbia and Slovakia, as well as increased other administrative expenses, mainly in Russia, Romania, Poland and Ukraine. These increases in other administrative expenses were offset by declines in IT expenses and in legal, advisory and consulting expenses at head office.

The other result decreased from minus € 118 million in the previous quarter to minus € 442 million. The decrease was primarily driven by expenses for credit-linked, portfolio-based litigations and annulments of loan agreements totaling € 323 million (previous quarter: € 83 million), of which € 319 million was attributable to the mortgage loan portfolio in Poland (previous quarter: € 83 million). The fourth quarter was additionally affected by impairment losses on non-financial assets of € 83 million (previous quarter: € 2 million), of which € 68 million related to impairment losses on goodwill for a Czech (€ 60 million) and Serbian Group unit (€ 8 million).

Impairment losses on financial assets were € 68 million higher in the fourth quarter at € 228 million, after impairment losses on financial assets of € 160 million were recognized in the third quarter. Impairment losses for the Eastern Europe region of € 174 million in the fourth quarter and € 80 million in the third quarter were caused by rating downgrades of customers, sovereigns and governments as well as macroeconomic parameters and, in Russia, by EU and US sanctions packages as well.

Statement of financial position

Total assets increased by around 8 per cent compared to the end of the year, with currency developments – after Russia's war with Ukraine caused currency turmoil during the year – ultimately responsible for an increase of only 1 per cent. The appreciation of the Russian ruble by 9 per cent and of the U.S. dollar by nearly 6 per cent stood against a depreciation of the Ukrainian hryvnia by 26 per cent and the Hungarian forint by 9 per cent. Customer loans experienced slight growth in the first quarter, which increased in the second quarter due in part to the appreciation of several currencies, particularly the Russian ruble and the US dollar. Additional growth in the third and fourth quarters in many of the Group's countries was offset by a significant decline in Russia – by almost one third in local currency– due to the almost complete cessation of new business.

Assets

in € million	31/12/2021	31/3/2022	30/6/2022	30/9/2022	31/12/2022	Change year-end		Change previous quarter	
Loans to banks	16,630	13,314	17,000	17,699	15,716	(914)	(5.5)%	(1,983)	(11.2)%
Loans to customers	100,832	101,966	107,700	109,066	103,230	2,398	2.4%	(5,836)	(5.4)%
hereof non-financial corporations	50,156	51,097	52,132	52,758	48,829	(1,326)	(2.6)%	(3,928)	(7.4)%
hereof households	38,078	38,348	41,541	42,010	40,867	2,789	7.3%	(1,143)	(2.7)%
Securities	22,902	22,831	23,520	23,882	23,711	809	3.5%	(171)	(0.7)%
Cash and other assets	51,736	54,513	65,979	69,188	64,401	12,665	24.5%	(4,787)	(6.9)%
Total	**192,101**	**192,624**	**214,200**	**219,834**	**207,057**	**14,957**	**7.8%**	**(12,776)**	**(5.8)%**

As of 31 December 2021, the assets of Raiffeisenbank (Bulgaria) EAD and Raiffeisen Leasing Bulgaria EOOD are shown under cash and other assets. As of 30 June 2022, these assets are no longer included due to the sale.

The decrease in loans to banks was mainly due to lower short-term deposits at the Hungarian National Bank and a lower volume of repo transactions in the Czech Republic. This was offset by increases in Russia due to higher volumes of repo transactions.

Customer loans increased from the end of the year in all Group countries except Eastern Europe, especially among loans to households. The largest increases overall occurred in the Czech Republic, where loan growth stood at € 2,162 million, or 14 per cent; in Romania, at € 1,378 million, or 21 per cent; and in Slovakia, at € 1,270 million, or 10 per cent. In Serbia, the loan volume increased € 1,309 million, or 67 per cent. This included € 1,043 million that was attributable to the acquisition of Crédit Agricole Srbija AD; the remaining growth was organic. Russia recorded a decline – particularly in loans to non-financial corporations – of € 2,656 million, or 23 per cent; the decline was much steeper in local currency terms but was moderated by the appreciation of the Russian ruble. New business in Russia was largely suspended due to the war.

The increase in cash (up € 15,126 million) was mainly attributable to other demand deposits at banks in Russia (up € 8,846 million) and cash balances at the central bank at head office (up € 6,085 million). The significantly higher positive fair values of interest rate and foreign exchange derivatives reported under other assets (up € 3,237 million), mainly at head office, resulted primarily from valuation effects and exchange rate fluctuations as well as a larger hedged volume. The sale of the Bulgarian Group units resulted in a disposal of assets reported under other assets (in accordance with IFRS 5) amounting to € 5,491 million.

Equity and liabilities

in € million	31/12/2021	31/3/2022	30/6/2022	30/9/2022	31/12/2022	Change year-end		Change previous quarter	
Deposits from banks	34,607	34,575	37,293	40,769	33,641	(967)	(2.8)%	(7,129)	(17.5)%
Deposits from customers	115,153	113,652	131,283	129,786	125,099	9,946	8.6%	(4,688)	(3.6)%
hereof non-financial corporations	44,523	44,311	54,019	53,502	50,042	5,519	12.4%	(3,459)	(6.5)%
hereof households	56,690	55,016	60,806	60,108	58,876	2,186	3.9%	(1,232)	(2.0)%
Debt securities issued and other liabilities	26,865	28,585	27,568	29,893	29,554	2,689	10.0%	(340)	(1.1)%
Equity	15,475	15,812	18,056	19,385	18,764	3,289	21.3%	(620)	(3.2)%
Total	**192,101**	**192,624**	**214,200**	**219,834**	**207,057**	**14,957**	**7.8%**	**(12,776)**	**(5.8)%**

As of 31 December 2021, the liabilities of Raiffeisenbank (Bulgaria) EAD and Raiffeisen Leasing Bulgaria EOOD are shown under debt securities issued and other liabilities. As of 30 June 2022, these liabilities are no longer included due to the sale.

The Group's funding from banks decreased compared to the end of the year with respect to short-term deposits, particularly at head office.

The large increase in deposits from customers stemmed mainly from short-term deposits, particularly in Russia (up € 5,355 million, including € 5,171 million for non-financial corporations); the increase was partially currency-driven. The € 1,968 million increase in Slovakia was mainly attributable to non-financial corporations (€ 1,202 million) and other financial corporations (€ 521 million), while the € 1,602 million increase in Serbia resulted from the acquisition of Crédit Agricole Srbija AD (€ 1,041 million).

Debt securities issued and other liabilities increased € 2,689 million. The negative fair values of derivatives included in this item increased € 3,453 million, especially for interest rate and foreign currency derivatives at head office due to valuation effects and exchange rate fluctuations as well as larger hedged amounts. The debt securities increased € 2,819 million net, mainly at head office (senior and covered bonds). The sale of the Bulgarian Group units resulted in a disposal of liabilities reported under other liabilities (in accordance with IFRS 5) amounting to € 4,829 million.

For information relating to funding, please refer to note (45) Liquidity management in the risk report section of the consolidated financial statements.

Equity on the statement of financial position

Equity including capital attributable to non-controlling interests rose € 3,289 million from the start of the year to € 18,764 million.

Total comprehensive income of € 3,441 million comprised profit after tax of € 3,797 million and other comprehensive income of minus € 356 million. In particular, other comprehensive income of companies valued at equity of minus € 177 million and changes in the fair value of financial assets of minus € 170 million had a negative impact on other comprehensive income.

Currency movements had a negative impact of € 45 million following a positive impact of € 284 million in the previous year. The 26 per cent depreciation of the Ukrainian hryvnia resulted in a negative contribution of € 111 million, while the 9 per cent depreciation of the Hungarian forint contributed € 66 million. This was offset by positive contributions from the Czech koruna (3 per cent appreciation) of € 75 million and the Russian ruble (9 per cent appreciation) of € 62 million. The hedge of net investments, primarily in the Russian ruble (minus € 66 million), the Czech koruna (minus € 14 million) and the Hungarian forint (€ 42 million), resulted in a negative valuation result of € 39 million.

Total capital pursuant to the CRR/Austrian Banking Act (BWG)

Common equity tier 1 (CET1) after deductions amounted to € 15,643 million, representing an increase of € 3,831 million compared to the 2021 year-end figure. The main drivers of the increase were the inclusion of the result for the period after deducting any dividends and positive foreign exchange effects. A dividend of € 0.80 per share was deducted for the 2022 financial year. Tier 1 capital after deductions increased € 3,859 million to € 17,319 million, primarily as a result of the effects in CET1. Tier 2 capital increased € 292 million to € 2,695 million due to a new issue of € 500 million. On the other hand, there was a reduction in the eligible IRB surplus and the regulatory maturing of outstanding tier 2 instruments. Total capital amounted to € 19,702 million, representing an increase of € 3,895 million compared to the 2021 year-end figure.

Total risk-weighted assets (RWA) increased € 7,752 million overall from the end of 2021 to € 97,680 million. This increase was mainly driven by foreign currency effects, organic growth and credit rating downgrades for Russia, Belarus and Ukraine. In contrast, the RWA decreased due to the sale of the Bulgarian Group units. Operational risk in the advanced measurement approach (AMA) saw increases of up to € 3,252 million in the course the year as a result of additional expenses for credit-linked, portfolio-based provisions for litigation and annulments in Poland. However, the AMA was retired as of 1 December 2022 which resulted in a RWA increase of € 1,500 million at Group level compared to the requirements under the standardized approach (STA). Market risk also increased € 1,936 million, mainly due to a new calculation methodology in the structural open foreign exchange position.

Including the annual results, this resulted in a (transitional) CET1 ratio of 16.0 per cent (up 2.9 percentage points), a (transitional) tier 1 ratio of 17.7 per cent (up 2.8 percentage points) and a (transitional) total capital ratio of 20.2 per cent (up 2.6 percentage points). The capital ratios based on the full application of all CRR criteria (fully loaded) are 15.6 per cent (CET1 ratio), 17.3 per cent (tier 1 ratio) and 20.0 per cent (total capital ratio).

Research and development

Digitalization

A central theme for banks in the advancement of digitalization is the growing relevance of mobile banking. While the penetration (rate of active mobile banking use) was at 53 per cent for RBI in 2021, it had reached 60 per cent by year-end 2022 (though this figure varies between markets). The acceptance of online loans has remained high: In 2021, 49 per cent of loans were granted through inititation in digital channels and in 2022 this had increased slightly to 56 per cent (44 per cent being fully end to end).

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

Furthermore, plans to develop more products and individual product components centrally and to make them available to all of the Group's banks started to be implemented. RBI also expects lower costs as a result of this initiative. Aside from the cost benefit, this should lead to a substantial reduction in the time required for the full digitalization of the five most important products across the entire Group (current accounts, credit cards, consumer loans as well as current accounts and loans for SMEs).

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

In 2021, eAccount opening was the first product to go live across the whole Group, which is an important milestone in achieving a harmonized digital offering and experience across the entire region for RBI's corporate and institutional clients. The latest figures in regards to usage demonstrate a broad acceptance and appreciation for RBI's digital offering – around 59 per cent of new accounts at RBI in Austria were initiated digitally in 2022 (2021: 53 per cent), and 82 per cent of new customers were verified using the fully digitalized eKYC process (versus 56 per cent in 2021). Launched in the middle of 2021, ePIC has been very well adopted by customers and is now being offered digitally only.

R-Flex, a customizable, digital in-house solution with its anchor product FX Spot targeting corporate and SME clients as well as private individuals marked its first profitable year in 2022. With approximately 4,500 clients currently using it in Romania and Croatia, the solution is planned to be rolled out to additional markets in the future.

IT

RBI increasingly relies on the usage of cloud technology in order to increase efficiency and resilience in operational processes, offer greater flexibility for developers and gain speed and agility in terms of time to market. In 2022, the cloud adoption rate (share of applications in the cloud) reached 42 per cent at Head Office level and 29 per cent on Network bank level, which marks a significant step upwards compared to 2021 (27 and 4 per cent, respectively). In order to foster the utilization of IT solutions across the Group, RBI successfully implemented more than 380 standard application programming interfaces (APIs) to date.

RBI aims to be amongst the top IT employers in the region and thus, actively supports and engages with its local ecosystem. With 42Vienna, an innovative coding school focusing on peer-to-peer and project-based learning, RBI deployed a unique program in Austria. From the start of this project, 132 IT talents were enabled to combine theory with practice within a three-year education programme.

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 ICS should 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.

Control environment

The Group has an internal control system pertaining to financial reporting, which includes directives and instructions on key issues as a central element. This includes:

- 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 the department Group Consolidation as well as through audits by Group and local auditors.

The consolidated financial statements are prepared by the department Group Consolidation (division Group Accounting), which belongs to the CFO area under the CEO. 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 the respective Group unit in accordance with RBI guidelines; the calculation of parts of the impairment charges under IFRS 9 is, however, carried out centrally. The Group unit employees and the managers responsible for accounting are required to provide a full presentation and accurate valuation of all transactions. 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 (e.g. valuation of credit risk provisions, derivatives, equity participations, provisions for personnel expenses and market risk).

Consolidation

The financial statement data are predominantly automatically transferred to the IBM Cognos Controller consolidation system in 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 in the department Group Consolidation. 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 external reviews of the financial statements are taken into account. The discussions cover the plausibility of the reporting package as well as critical matters pertaining to the Group unit.

The subsequent consolidation steps are 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, through to the reconciliation of accounts and analyzing 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 its information.

Information and communication

The consolidated financial statements are prepared using Group-wide standardized data requirements. 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 published statutory interim reports conform to the provisions of IAS 34 and are produced on a quarterly basis. Before publication, the consolidated financial statements are presented to senior managers and Management Board members 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 the department Group Planning, Reporting & Analysis, 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 plausibility checks and control activities 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 review the carrying out of 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 2022, the company's share capital amounted to € 1,003,265,844.05 and was divided into 328,939,621 voting common bearer shares. As at 31 December 2022, 510,450 (31 December 2021: 322,204) of those were own shares, and consequently 328,429,171 shares were outstanding at the reporting date. Please see note (30) 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) since the expiration of a period of three years (lock-up period) from the effective date of the merger between RZB AG and RBI AG, i.e. from 18 March 2020, if the sale would reduce the regional Raiffeisen banks' aggregate shareholding in RBI AG (direct and/or indirect) to less than 40 per cent (previously 50 per cent) of the share capital plus one share.

(3) Raiffeisenlandesbank Niederösterreich-Wien AG holds directly and indirectly total around 22.6 per cent of the share capital of the company. By virtue of the syndicate agreement regarding RBI AG, the directly or indirectly held voting rights attached to a total of 193,449,778 shares, corresponding to a voting interest of around 58.81 per cent, are mutually attributable to the regional Raiffeisen banks and their direct and indirect subsidiaries pursuant to §§ 130 and 133 7 of the Austrian Stock Exchange Act (BörseG) as parties acting in concert as defined in § 1 6 of the Austrian Takeover Act (ÜbG). The remaining shares of RBI AG are held in free float, with no other direct or indirect shareholdings amounting to 10 per cent or more known to the Management Board.

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

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

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

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

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

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

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

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

There have been no convertible bonds issued to date.

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

The Management Board was further authorized, pursuant to § 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad. Furthermore, shareholders' subscription rights may be excluded in the event that convertible bonds are issued in future, in order that (own) shares may be issued to such convertible bond creditors that have exercised their right of conversion into or subscription to shares in the company, and also in the event of a conversion obligation stipulated in the convertible bonds' issuance conditions in order to fulfil this conversion obligation. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary (§ 189a 7 UGB) or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 31 March 2027. This authorization replaces the authorization granted by the Annual General Meeting of 20 October 2020 pursuant to § 65 (1) 8 of the AktG to acquire and utilize own shares and refers also to the utilization of own shares already acquired by the company. Since that time, there were no own shares purchased on the basis of the replaced authorization from October 2020 nor on the basis of the current authorization from March 2022.

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

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

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

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

Risk management

For information on risk management, please refer to the risk report in the consolidated financial statements.

Corporate Governance

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

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

Human Resources

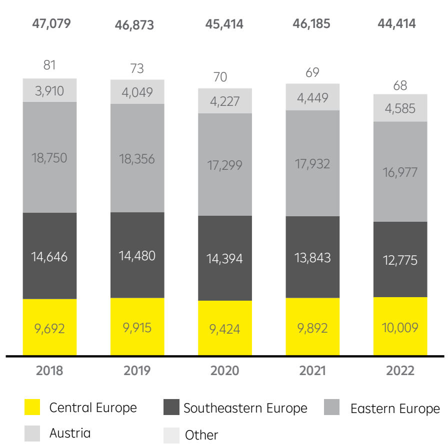
The Group People & Organisational Innovation division (P&OI) combines the areas of Human Resources (HR) and Organisational Development & Innovation. P&OI plays a central role in the implementation of RBI's strategy and corporate goals.

On the one hand, the focus is on the efficient execution of personnel processes such as data administration, contract preparation or recruitment, and on the other, the division is responsible for personnel development, career management, as well as professional education and training.

The attack on Ukraine had significant effects on P&OI's activities in 2022.

Immediately after the war broke out, RBI developed and implemented numerous programs to support Ukrainian refugees. The Business Continuity Management (BCM) team of Raiffeisen Bank JSC in Ukraine carried out evacuations with the assistance of the BCM team at head office. RBI quickly built a team consisting of the BCM and HR departments under the leadership of the local Chief Operations Officers of the neighboring countries (Poland, Romania, Slovakia and Hungary) in order to provide support to RBI employees and their families who were fleeing Ukraine. Support included first aid at the border, transport, shelter and meals.

Number of staff by region



In an effort to ensure a coordinated approach to the crisis and the many offers of help that were received, the group task force created a centralized steering and coordination unit. Raiffeisen Bank JSC in Ukraine provided its employees with support in the form of psychological counseling and lump-sum payments for financial assistance.

In all countries where Raiffeisen Bank operates, the group task force offered Ukrainian employees who fled the country urgent assistance to help them to gain a foothold in their new country. Thanks to RBI's fast and agile assistance programs, refugees were granted personal safety, necessary information and a protected space in which they could adjust and reorient their lives. Information packages covered crucial topics such as general information and legal formalities, how to access the medical system and psychological counseling, kindergarten/schools and school supplies, and the labor market for spouses. Furthermore, a 24/7 hotline was established. RBI's assistance program picked up employees and their families at the border where they were given emergency care kits as well as lodging and meals. Furthermore, assistance was provided in the search for housing, while the fund "Colleagues for Colleagues" supported smaller communal projects. Since 25 February, 2022, over 1,000 families (i.e. over 3,000 people) have been helped.

An additional focal point at head office in 2022 was employee and management development. Developments in the workplace resulting from digitalization and the pandemic have lead to a shift in employees' expectations. This shift in expectations is reflected in the emergence of new demands on how to run a company, encourage cooperation and create team spirit. Ultimately, these expectations affect employee retention and development as well as the attractiveness of RBI to potential job applicants.

Managers and their mindsets are an important lever for advancing an organization's cultural development and successful transformation. P&OI supports managers in creating a safe, appreciative and healthy working environment.

From this, the "Conscious Leadership" core strategic initiative was developed for the coming years in order to attain the following objectives:

- Promotion of self-confidence (becoming self-aware) for managers and teams in order to improve the awareness of the impact that one's management style has on a team, its success and its culture.
- Translation of a mindset, within the framework of this initiative, into concrete behaviors, tools and routines that reflect the normative corporate culture of RBI.

- Managers should be given the space to intensively probe their strengths and core values by learning to recognize and experience them in different situations. The objective is to lay the foundation for conscious and values-based behavior and to progressively inculcate the lived experience of corporate values at RBI.

The target groups took part in training sessions on the topics "Know Yourself", "Discover Your Individual Strengths", "Dealing with Difficult Conversations and Feedback", "Building Trust" and "Maintaining Energy for Resilience, Inclusion and Diversity".

Due to the strong growth of hybrid work forms during the last two years, the training program "Leadership Culture for a Hybrid Work Environment" was conceived in order to assess the most critical challenges stemming from the shift to hybrid work and to develop solutions to the challenges it presents. The workshops provided managers with an important platform for exchanging ideas about best practices in managing teams in a hybrid work environment.

RBI places considerable importance on the development of its employees, who are supported, encouraged and challenged in the process. As part of the annual leadership review (ALR) process, internal candidates for future leadership positions are identified through a well-structured approach. The success of this ongoing process is evidenced even in the appointments to leadership positions at subsidiaries in Central and Eastern Europe, whose management committees are around 75 per cent staffed by internal candidates.

Personnel development

As at 31 December 2022, RBI had 44,414 employees (full-time equivalents), which was 1,771 less than at the end of 2021. The largest decreases occurred in Bulgaria due to the sale of Raiffeisenbank (Bulgaria) EAD and its subsidiary Raiffeisen Leasing Bulgaria EOOD (minus 2,404) and in Ukraine (minus 1,178). The largest increases were recorded in Serbia (plus 860) from the acquisition of Crédit Agricole Srbija AD, in Romania (plus 298), in Russia (plus 210) and in head office (plus 206).

Outlook

Economic outlook

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

Central Europe

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

Southeastern Europe

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

Eastern Europe

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

Austria

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

Banking sector in Austria

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

CEE banking sector

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

Outlook for RBI - Guidance 2023

The following guidance assumes no changes to the existing footprint whereas the corresponding figures in brackets refer to RBI excluding Russia and Belarus. All strategic options relating to Russia and Belarus remain on the table.

In 2023, net interest income is expected between € 4.5 and € 4.7 billion (€ 3.2 and € 3.4 billion) and net fee and commission income between € 2.4 and € 2.5 billion (around € 1.6 billion).

We expect customer loan growth in the range of 2 to 4 per cent (3 to 5 per cent).

We expect general administrative expenses between € 3.6 and € 3.7 billion (€ 2.9 and € 3.0 billion), resulting in a cost/income ratio between 48 and 50 per cent (55 and 57 per cent).

The provisioning ratio – before use of overlays – is expected to be up to 90 basis points (up to 75 basis points).

The consolidated return on equity is expected to be around 10 per cent (around 7 per cent) in 2023.

At year-end 2023 we expect a CET1 ratio above 15 per cent (above 13.5 per cent*).

Any decision on dividends will be based on the capital position of the Group excluding Russia.

Medium term return on equity and payout ratio targets are suspended due to current uncertainties in Eastern Europe.

* In a 'P/B Zero' Russia deconsolidation scenario.

Segment and country analysis

Segment reporting at RBI is based on the current organizational structure pursuant to IFRS 8. A cash generating unit within the Group is a country. For further information on segmentation, please refer to the chapter segment reporting in the consolidated financial statements as well as the RBI website (www.rbinternational.com → Investors → Reports).

Central Europe

in € million	2022	2021	Change	Q4/2022	Q3/2022	Change
Net interest income	1,341	886	51.4%	356	361	(1.3)%
Dividend income	3	11	(77.7)%	0	0	(90.6)%
Current income from investments in associates	4	5	(21.3)%	0	1	–
Net fee and commission income	565	477	18.5%	151	136	10.8%
Net trading income and fair value result	0	19	–	31	(20)	–
Net gains/losses from hedge accounting	(5)	5	–	(11)	5	–
Other net operating income	39	32	20.7%	45	(14)	–
Operating income	**1,947**	**1,435**	**35.7%**	**572**	**469**	**21.8%**
General administrative expenses	(909)	(785)	15.8%	(250)	(223)	11.9%
Operating result	**1,037**	**649**	**59.8%**	**322**	**246**	**30.7%**
Other result	(512)	(284)	80.6%	(332)	(84)	296.7%
Governmental measures and compulsory contributions	(137)	(54)	155.4%	(21)	(12)	78.3%
Impairment losses on financial assets	(12)	(71)	(82.6)%	3	39	(92.2)%
Profit/loss before tax	**375**	**241**	**55.8%**	**(27)**	**190**	**–**
Income taxes	(153)	(104)	47.9%	(46)	(42)	8.6%
Profit/loss after tax	**222**	**137**	**61.8%**	**(73)**	**148**	**–**
Return on equity before tax	9.7%	6.8%	2.9 PP	–	19.7%	–
Return on equity after tax	5.8%	3.9%	1.9 PP	–	15.3%	–
Net interest margin (average interest-bearing assets)	2.29%	1.70%	0.59 PP	2.39%	2.49%	(0.10) PP
Cost/income ratio	46.7%	54.8%	(8.0) PP	43.7%	47.5%	(3.9) PP

The year-on-year rise in profit after tax was driven mainly by the positive trend in net interest income (up € 455 million) in the Czech Republic, Hungary and Slovakia resulting from higher market interest rates and loan volumes. In the Czech Republic, the integration of Equa bank also contributed to the increase. The net interest margin improved 59 basis points to 2.29 per cent. Net fee and commission income rose € 88 million, driven largely by higher income in foreign exchange business and clearing, settlement and payment services in the Czech Republic, Hungary and Slovakia. General administrative expenses were up € 124 million, notably in the Czech Republic (up: € 81 million) due to the integration of Equa bank. The expenses of € 505 million for credit-linked, portfolio-based litigation in Poland in the other result reflected parameter adjustments in the model calculation and expenses for loan agreement annulments. The increase in expenses relating to governmental measures and compulsory contributions reflected the introduction of a special bank levy in Hungary (€ 47 million) and the contributions to the newly created state borrowers' support fund of € 26 million in Poland for distressed borrowers. Parameter adjustments in the ECL calculation of mortgage loans in Poland were responsible for the lower risk costs.

in € million	Poland 2022	Poland 2021	Slovakia 2022	Slovakia 2021
Net interest income	12	13	322	300
Dividend income	0	0	0	0
Current income from investments in associates	0	0	4	5
Net fee and commission income	1	2	185	171
Net trading income and fair value result	2	2	11	6
Net gains/losses from hedge accounting	0	0	0	0
Other net operating income	(1)	(2)	13	1
Operating income	**15**	**14**	**534**	**482**
General administrative expenses	(43)	(30)	(242)	(228)
Operating result	**(28)**	**(15)**	**291**	**254**
Other result	(505)	(278)	0	(3)
Governmental measures and compulsory contributions	(31)	(5)	(11)	(10)
Impairment losses on financial assets	46	(12)	(44)	(27)
Profit/loss before tax	**(518)**	**(311)**	**235**	**213**
Income taxes	0	0	(45)	(47)
Profit/loss after tax	**(518)**	**(311)**	**191**	**165**

in € million	Czech Republic 2022	Czech Republic 2021	Hungary 2022	Hungary 2021
Net interest income	652	385	356	189
Dividend income	0	5	2	7
Net fee and commission income	197	146	183	158
Net trading income and fair value result	(10)	13	(3)	(2)
Net gains/losses from hedge accounting	(4)	0	0	5
Other net operating income	26	24	1	6
Operating income	**860**	**573**	**539**	**362**
General administrative expenses	(400)	(320)	(224)	(207)
Operating result	**460**	**253**	**315**	**154**
Other result	9	2	(16)	(4)
Governmental measures and compulsory contributions	(22)	(16)	(73)	(22)
Impairment losses on financial assets	6	(16)	(20)	(16)
Profit/loss before tax	**452**	**224**	**205**	**112**
Income taxes	(86)	(45)	(22)	(11)
Profit/loss after tax	**366**	**179**	**183**	**101**

Southeastern Europe

in € million	2022	2021	Change	Q4/2022	Q3/2022	Change
Net interest income	943	731	29.1%	279	248	12.6%
Dividend income	8	4	111.0%	2	2	6.5%
Net fee and commission income	449	388	15.8%	114	123	(7.8)%
Net trading income and fair value result	(1)	20	–	13	(5)	–
Net gains/losses from hedge accounting	0	0	1.1%	0	0	–
Other net operating income	10	8	14.1%	(19)	6	–
Operating income	**1,409**	**1,152**	**22.4%**	**390**	**375**	**3.9%**
General administrative expenses	(699)	(584)	19.7%	(218)	(170)	28.4%
Operating result	**711**	**568**	**25.1%**	**171**	**205**	**(16.4)%**
Other result	(13)	(57)	(78.0)%	(9)	(1)	>500.0%
Governmental measures and compulsory contributions	(42)	(33)	26.8%	(6)	(6)	3.9%
Impairment losses on financial assets	(70)	(33)	111.0%	(31)	(13)	141.2%
Profit/loss before tax	**586**	**445**	**31.8%**	**125**	**185**	**(32.5)%**
Income taxes	(83)	(73)	14.3%	(17)	(25)	(33.6)%
Profit/loss after tax from continuing operations	**503**	**372**	**35.2%**	**109**	**160**	**(32.3)%**
Gains/losses from discontinued operations	46	70	(34.9)%	0	0	–
Profit/loss after tax	**548**	**442**	**24.1%**	**109**	**160**	**(32.3)%**
Return on equity before tax	18.9%	13.2%	5.6 PP	16.1%	23.3%	(7.2) PP
Return on equity after tax	17.6%	13.2%	4.5 PP	14.0%	20.2%	(6.2) PP
Net interest margin (average interest-bearing assets)	3.46%	3.07%	0.39 PP	3.84%	3.54%	0.30 PP
Cost/income ratio	49.6%	50.7%	(1.1) PP	56.0%	45.3%	10.7 PP

As of 1 April 2022, Crédit Agricole Srbija AD was consolidated for the first time. The sale of the Bulgarian subsidiary bank was successfully closed and deconsolidation took effect as of 30 June 2022. As in the comparable period, current income in the first half of 2022 was recognized under gains/losses from discontinued operations. The result of deconsolidations of € 398 million was allocated to the Corporate Center segment in the reporting period.

The increase in profit after tax from continuing operations was driven by a significant improvement in core revenues (up € 274 million). Net interest income rose € 212 million, mostly in Romania (up € 119 million), as a result of higher market interest rates and loan volume growth, especially in corporate customer business, and in Serbia (up € 60 million), which reflected both organic (interest rate- and volume-induced) and acquisition-related growth. Increased transaction volumes in clearing, settlement and payment services and foreign exchange business were responsible for the increase of € 61 million in net fee and commission income, above all in Serbia, Romania and Croatia. In the reporting period, expenses for credit-linked, portfolio-based litigation in Croatia fell (down € 15 million) and were not required in Romania (previous year: € 27 million). These expenses result from proceedings with the respective consumer protection authorities regarding loan agreement clauses. In the case of general administrative expenses, all countries reported an increase both in staff and other administrative expenses. The principal drivers were regular salary increases as well as higher IT expenses, communication expenses, legal, advisory and consulting expenses, office space expenses and advertising expenses. Risk costs rose € 37 million, largely as a result of Stage 1 and 2 allocations. The allocations for Stage 3 (default) were much lower than in the previous year. The largest changes were reported in Serbia, Romania and Croatia.

in € million	Albania 2022	Albania 2021	Bosnia and Herzegovina 2022	Bosnia and Herzegovina 2021	Kosovo 2022	Kosovo 2021
Net interest income	72	55	64	60	55	48
Dividend income	1	2	6	1	0	0
Net fee and commission income	19	16	56	49	17	14
Net trading income and fair value result	0	2	3	2	0	0
Other net operating income	0	(1)	1	1	5	2
Operating income	**92**	**75**	**130**	**113**	**77**	**65**
General administrative expenses	(45)	(40)	(63)	(54)	(37)	(31)
Operating result	**47**	**35**	**67**	**59**	**40**	**34**
Other result	(2)	(1)	(1)	(7)	0	0
Governmental measures and compulsory contributions	(6)	(6)	(5)	(5)	(2)	(2)
Impairment losses on financial assets	(2)	6	(6)	(8)	(5)	(3)
Profit/loss before tax	**38**	**34**	**56**	**39**	**33**	**29**
Income taxes	(6)	(5)	(3)	(4)	(4)	(3)
Profit/loss after tax	**32**	**29**	**52**	**35**	**29**	**26**

in € million	Croatia 2022	Croatia 2021	Romania 2022	Romania 2021	Serbia 2022	Serbia 2021
Net interest income	116	110	489	370	147	86
Dividend income	0	0	0	0	0	0
Net fee and commission income	87	76	180	177	91	56
Net trading income and fair value result	(5)	4	(8)	7	8	5
Net gains/losses from hedge accounting	0	0	0	0	0	0
Other net operating income	(1)	2	(1)	(4)	6	7
Operating income	**197**	**194**	**661**	**550**	**252**	**155**
General administrative expenses	(127)	(107)	(310)	(276)	(117)	(75)
Operating result	**71**	**86**	**350**	**274**	**135**	**80**
Other result	(6)	(21)	(5)	(28)	1	0
Governmental measures and compulsory contributions	(4)	(3)	(14)	(10)	(10)	(8)
Impairment losses on financial assets	(9)	(1)	(30)	(22)	(19)	(5)
Profit/loss before tax	**52**	**61**	**301**	**214**	**107**	**68**
Income taxes	(9)	(11)	(47)	(41)	(15)	(8)
Profit/loss after tax	**43**	**50**	**254**	**173**	**92**	**59**

Eastern Europe

in € million	2022	2021	Change	Q4/2022	Q3/2022	Change
Net interest income	2,025	1,080	87.5%	578	609	(5.1)%
Dividend income	0	1	(86.0)%	0	0	(65.5)%
Current income from investments in associates	6	2	175.6%	0	4	(93.8)%
Net fee and commission income	2,207	573	285.0%	765	691	10.7%
Net trading income and fair value result	471	(5)	–	145	196	(26.2)%
Net gains/losses from hedge accounting	(29)	(1)	>500.0%	(6)	(5)	34.2%
Other net operating income	(56)	(15)	270.3%	(33)	(20)	64.1%
Operating income	**4,624**	**1,636**	**182.7%**	**1,449**	**1,475**	**(1.8)%**
General administrative expenses	(954)	(664)	43.7%	(290)	(276)	5.0%
Operating result	**3,670**	**972**	**277.6%**	**1,159**	**1,199**	**(3.4)%**
Other result	(6)	3	–	(2)	1	–
Governmental measures and compulsory contributions	(66)	(50)	32.7%	(17)	(18)	(5.8)%
Impairment losses on financial assets	(743)	(119)	>500.0%	(174)	(80)	117.5%
Profit/loss before tax	**2,855**	**805**	**254.6%**	**966**	**1,102**	**(12.4)%**
Income taxes	(619)	(161)	284.2%	(220)	(229)	(3.8)%
Profit/loss after tax	**2,236**	**644**	**247.2%**	**746**	**874**	**(14.6)%**
Return on equity before tax	88.1%	34.2%	54.0 PP	119.3%	131.8%	(12.5) PP
Return on equity after tax	69.0%	27.3%	41.7 PP	92.1%	104.5%	(12.4) PP
Net interest margin (average interest-bearing assets)	6.37%	5.23%	1.14 PP	6.87%	6.28%	0.59 PP
Cost/income ratio	20.6%	40.6%	(20.0) PP	20.0%	18.7%	1.3 PP

Net interest income was up € 945 million to € 2,025 million. In Russia, the appreciation of the Russian ruble together with a rise in interest income from repo business led to an increase, mainly as a result of the temporary hike in the key rate for deposits at the Russian central bank to an unusually high level. The rate was doubled briefly to 20 per cent immediately after the outbreak of the war. Higher market interest rates also resulted in a rise in interest income from customer loans. In contrast, loan volumes in customer business were down 30 per cent year-on-year in local currency. In Ukraine, higher income from sovereign deposit certificates and increased interest rates led to an improvement. Net fee and commission income rose supported by currency appreciation in Russia and Belarus. It was sharply higher in Russia as a result of temporary higher volumes in foreign exchange business, mainly in spot transactions. This was largely due to the geopolitical situation and thus the upturn in business in March after the start of the war and in September after the partial mobilization in Russia. In addition, immediately after the start of the war, the Central Bank of Russia introduced interim measures relating to foreign currency restrictions and associated mandatory currency conversion that led temporarily to increased activity in the foreign currency business on the part of both corporate and retail customers. As a result, net fee and commission income from foreign exchange business increased € 1,061 million. Income from clearing, settlement and payment services was also up, driven by increased transactions and higher margins, which were mostly due to increased fees in Russia aimed at reducing foreign exchange deposits. Net income from securities business also rose. Positive valuation effects from foreign exchange positions and strong customer demand for foreign exchange transactions resulted in a sharp rise in net trading income and fair value result, primarily in Russia.

General administrative expenses were up as a consequence of the rise in salaries and social security costs and provisions for one-off payments mainly in Russia. In contrast, advertising expenses fell in view of the circumstances, while depreciation of tangible and intangible fixed assets, which was mainly currency-related, increased in Russia. Risk costs rose € 624 million to € 743 million due to the war in Ukraine and the related worsening in the economic conditions and rating downgrades for customers, states and governments. In Russia, several EU and US sanction packages also contributed to the increase in risk costs. As a consequence, risk costs of € 471 million were recognized in Russia in the reporting period; in Ukraine and Belarus, these amounted to € 253 million and € 20 million respectively. The allocations for Stage 1 and Stage 2 totaled € 298 million in Russia and € 87 million in Ukraine.

in € million	Belarus 2022	Belarus 2021	Russia 2022	Russia 2021	Ukraine 2022	Ukraine 2021
Net interest income	123	82	1,527	744	375	254
Dividend income	0	0	0	0	0	1
Current income from investments in associates	0	0	6	2	0	0
Net fee and commission income	112	62	2,008	420	87	91
Net trading income and fair value result	37	8	369	(27)	65	14
Net gains/losses from hedge accounting	0	0	(29)	(1)	0	0
Other net operating income	(15)	2	(37)	(7)	(3)	(10)
Operating income	**257**	**155**	**3,844**	**1,131**	**524**	**350**
General administrative expenses	(76)	(63)	(696)	(435)	(182)	(166)
Operating result	**181**	**92**	**3,148**	**696**	**341**	**184**
Other result	(2)	0	(7)	5	4	(3)
Governmental measures and compulsory contributions	(3)	(3)	(54)	(39)	(10)	(8)
Impairment losses on financial assets	(20)	(25)	(471)	(72)	(253)	(23)
Profit/loss before tax	**156**	**64**	**2,616**	**591**	**82**	**150**
Income taxes	(43)	(16)	(559)	(117)	(17)	(28)
Profit/loss after tax	**113**	**49**	**2,058**	**474**	**65**	**122**

Group Corporates & Markets

in € million	2022	2021	Change	Q4/2022	Q3/2022	Change
Net interest income	733	607	20.7%	228	191	19.7%
Dividend income	12	5	140.4%	0	4	(95.3)%
Current income from investments in associates	6	4	63.4%	3	3	(10.8)%
Net fee and commission income	617	536	15.0%	166	146	13.3%
Net trading income and fair value result	141	60	133.6%	46	55	(16.2)%
Net gains/losses from hedge accounting	(17)	(1)	>500.0%	(5)	(11)	(50.0)%
Other net operating income	110	131	(16.2)%	27	29	(9.7)%
Operating income	**1,602**	**1,343**	**19.3%**	**464**	**418**	**11.1%**
General administrative expenses	(765)	(703)	8.9%	(207)	(189)	9.2%
Operating result	**837**	**640**	**30.7%**	**258**	**229**	**12.6%**
Other result	3	(5)	–	(1)	4	–
Governmental measures and compulsory contributions	(54)	(41)	32.0%	(13)	(13)	3.8%
Impairment losses on financial assets	(122)	(79)	55.2%	(26)	(106)	(74.9)%
Profit/loss before tax	**664**	**516**	**28.6%**	**216**	**114**	**89.8%**
Income taxes	(148)	(110)	34.2%	(55)	(15)	265.7%
Profit/loss after tax	**517**	**406**	**27.1%**	**162**	**99**	**63.2%**
Return on equity before tax	17.2%	14.4%	2.8 PP	22.4%	11.7%	10.7 PP
Return on equity after tax	13.4%	11.4%	2.0 PP	16.7%	10.2%	6.6 PP
Net interest margin (average interest-bearing assets)	1.19%	1.10%	0.09 PP	1.39%	1.15%	0.24 PP
Cost/income ratio	47.8%	52.3%	(4.6) PP	44.5%	45.3%	(0.8) PP

The year-on-year increase in profit after tax was primarily due to the rise of € 206 million in core revenues and an increase of € 81 million in net trading income and fair value result. Net interest income was up € 126 million, largely reflecting higher interest margins at head office. The significant increase in net fee and commission income (up € 81 million) was driven by foreign currency business, clearing, settlement and payment services, trade finance and investment banking at head office. Head office was responsible for the € 81 million improvement in net trading income and fair value result (from foreign exchange business due to higher spreads in the Russian ruble). In contrast, general administrative expenses were up, driven mainly by an increase in staff expenses and higher other administrative expenses at head office. The increase in impairments of financial assets, above all at head office, was largely attributable to Stage 3 allocations (default), especially for other financial corporations.

Corporate Center

in € million	2022	2021	Change	Q4/2022	Q3/2022	Change
Net interest income	(52)	(10)	427.9%	1	(32)	–
Dividend income	387	1,000	(61.3)%	168	37	352.8%
Current income from investments in associates	48	35	36.0%	6	13	(56.3)%
Net fee and commission income	51	22	126.7%	4	19	(77.3)%
Net trading income and fair value result	9	(32)	–	(65)	(57)	15.1%
Net gains/losses from hedge accounting	2	(2)	–	(1)	4	–
Other net operating income	103	137	(24.9)%	38	26	45.1%
Operating income	**547**	**1,151**	**(52.5)%**	**151**	**11**	**>500.0%**
General administrative expenses	(395)	(405)	(2.5)%	(73)	(104)	(29.9)%
Operating result	**152**	**746**	**(79.6)%**	**77**	**(94)**	**–**
Other result	(139)	67	–	(100)	(51)	94.2%
Governmental measures and compulsory contributions	(38)	(35)	7.8%	5	4	7.4%
Impairment losses on financial assets	(19)	6	–	(5)	3	–
Profit/loss before tax	**(43)**	**784**	**–**	**(23)**	**(138)**	**(83.2)%**
Income taxes	144	75	91.8%	66	11	480.2%
Profit/loss after tax from continuing operations	**101**	**859**	**(88.3)%**	**43**	**(127)**	**–**
Gains/losses from discontinued operations	398	0	–	0	0	–
Profit/loss after tax	**498**	**859**	**(42.0)%**	**43**	**(127)**	**–**

The year-on-year reduction in profit after tax was driven primarily by lower intra-group dividend income (down € 614 million) as a result of payout restrictions. The other result fell to minus € 139 million in the reporting period from plus € 67 million in the comparable period. This reflected the decrease in the net valuation of investments in associates valued at equity to minus € 37 million from plus € 66 million in the prior-year period – mainly due to the valuation of shares in LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG (LLI) and UNIQA Insurance Group AG (UNIQA). The reasons for the valuation of the investments in LLI were the deteriorating economic conditions, the trend of commodity prices and the negative impact of the war in Ukraine on business in the local markets. The main reason for the valuation of the investments in UNIQA was the lower valuation of available-for-sale financial instruments due to the increase in yields. In the reporting year, goodwill impairments affecting a Czech (€ 60 million) and Serbian group unit (€ 8 million) were recognized. Net interest income fell € 42 million primarily due to higher interest expenses for new Tier 2 issues and increased securitization costs at head office. The decrease of € 34 million in other net operating income mainly reflected the early derecognition of intangible assets at head office (loss of € 29 million). In contrast, the deconsolidation of the sold Bulgarian group units resulted in income of € 398 million, while net trading income and fair value result was up € 41 million. The increase was attributable to positive valuation effects of foreign exchange positions hedged by currency derivatives and valuation results from derivatives at head office.