Market development

Significant economic recovery after historic recession

After the vaccination campaigns had gained momentum in the spring of 2021, and COVID-19 infection rates began to decline, the business restrictions, which were tightened again towards the end of 2020, could be eased. This was accompanied by an economic upturn in the summer months. Though, supply bottlenecks weighed heavily on the industrial sector over the course of the year. Inflation rates reached multi-year highs, largely due to increased energy prices and supply chain problems. However, there was a renewed sharp rise in infection rates towards the end of the year. The restrictions subsequently reintroduced in many countries weighed on the economy in the final quarter of the year, albeit probably not to the same extent as in the previous year.

The gross domestic product of the euro area increased by around 5 per cent in 2021. The strong growth was marked by large fluctuations during the year. At the beginning of the year, the economy was in recession. The rebound in the second and third quarters pushed quarter-on-quarter growth rates to above 2 per cent. In the final quarter of the year, however, momentum again slowed significantly. In contrast, the inflation rate showed a steady upward trend. While year-on-year inflation was still minus 0.3 per cent in December 2020, the consumer price index showed an increase of 5 per cent at the end of 2021.

The monetary policy of the European Central Bank (ECB) ensured that money market rates (Euribor) remained closely aligned with the ECB deposit rate of minus 0.5 per cent in 2021. In March, the ECB responded to an unwelcome rise in long-term interest rates by increasing the monthly volume of bond purchases. It reduced the volume again somewhat in the fourth quarter. Towards the end of the year, the previously increased expectations of interest rate hikes declined moderately in light of renewed uncertainty relating to the pandemic. The ECB continued its large-volume asset purchase program, mainly government bonds, consolidating the dampening effects on capital market interest rates in the euro area.

The Austrian economy continued to be affected by restrictions on account of the pandemic in the first quarter of 2021. However, following the lifting of restrictions, a visible economic upturn set in during the second and third quarters that was stronger than in the euro area. In contrast to Germany, the industrial sector supported the economy into the autumn despite supply bottlenecks. However, a new lockdown was imposed at the end of November in response to sharply rising infections, which weighed heavily on the economy in the final quarter. Nevertheless, GDP for the entire 2021 year recorded an increase of just under 5 per cent (2020: decrease 6.7 per cent).

CEE: Pressure on central banks to act due to inflation surge

The CEE region also saw a significant rise in inflation rates in 2021. This reflected not only rising energy prices but also supply chain issues and the accompanying effects of the economic recovery (pent-up consumer demand and high investment). Inflationary pressure was strongest in Central and Eastern Europe, where price increases averaged 4.5 and 7.0 per cent p.a., respectively. In contrast, the average inflation rate in Southeastern Europe was just 4.0 per cent p.a. Price pressures are expected to ease somewhat by the end of 2022, albeit depending more on the global rather than local conditions, including supply bottlenecks and energy prices. A substantial tightening of monetary policy was observed in Central and Eastern Europe over the course of 2021. This was against the backdrop of less well-anchored inflation expectations than in Western countries, traditionally stronger correlations between producer and consumer prices, and the devaluation of local currencies. Particularly strong interest rate hikes by individual central banks (such as in the Czech Republic, Hungary or Russia), placed increased pressure on other central banks in the region - with a comparable environment - to take similar action. Moreover, use of unconventional monetary policy instruments and asset purchases in the CEE region has been limited to immediate crisis situations or already scaled back. Capital market interest rates are therefore not dampened by long-running asset purchases such as in the euro area.

The economies in Central Europe (CE) posted a strong recovery in 2021. As a result, many countries had already returned to pre-pandemic GDP levels by the second half of 2021. The main drivers of the economic upturn proved to be foreign demand, private consumption as well as investment, with fiscal policy also having a supportive effect. However, due to manufacturing making up a large share of their economies, the countries of the CE region were particularly impacted by disruptions in global supply chains. Political disagreements delayed the disbursement of EU funds for Poland and Hungary; however, this is not expected to change the economic outlook for these countries.

With an increase of 6.5 per cent in 2021, the economy in Southeastern Europe (SEE), saw a major rebound from the pandemic-induced slump of the previous year. This was due not least to the recovery of private consumption, which was supported by the resurgence of remittances in many countries (e.g. Albania, Kosovo) and the stronger-than-expected tourist season (e.g. Albania, Croatia). Most countries in the region reached pre-pandemic GDP levels earlier than elsewhere. However, the economic recovery in Bulgaria was comparatively moderate, which is related to the greater impact of the pandemic.

Eastern Europe (EE) recorded only moderate GDP growth in 2021, compared to CE and SEE. However, this should also be seen in context of the less drastic economic slump in 2020. In Belarus, as the effects of the newly imposed sanctions had not yet fully materialized, they did not severely impact the economy in 2021 (GDP increase: 1.7 per cent). In Ukraine, cooperation with the IMF continued to be difficult, but support was ultimately secured through an agreement. Russia's economy was supported by fiscal policy, rising oil and gas prices, strong consumer demand as well as industrial production, while the agricultural sector had a dampening effect.

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

Region/country	2020	2021e	2022f	2023f
Czech Republic	(5.8)	3.3	4.1	3.7
Hungary	(5.2)	6.5	4.5	3.5
Poland	(2.7)	5.7	4.3	4.0
Slovakia	(4.4)	3.0	4.4	6.0
Slovenia	(4.2)	7.1	4.5	3.5
Central Europe	**(3.9)**	**5.1**	**4.3**	**4.0**
Albania	(4.0)	8.8	4.4	4.0
Bosnia and Herzegovina	(3.2)	6.8	3.6	3.5
Bulgaria	(4.2)	4.5	4.0	4.0
Croatia	(8.1)	9.2	4.4	4.1
Kosovo	(5.3)	10.4	4.7	4.0
Romania	(3.7)	6.2	4.7	4.5
Serbia	(0.9)	6.5	4.5	4.0
Southeastern Europe	**(4.0)**	**6.5**	**4.5**	**4.3**
Belarus	(0.9)	1.7	0.5	2.0
Russia	(3.0)	3.9	1.5	1.4
Ukraine	(3.8)	3.0	3.3	3.2
Eastern Europe	**(3.0)**	**3.8**	**1.7**	**1.6**
Austria	**(6.7)**	**4.9**	**4.5**	**2.2**
Euro area	**(6.5)**	**5.2**	**4.0**	**2.5**

Source: Raiffeisen Research, as of beginning of February 2022, (e: estimate, f: forecast); subsequent revisions are possible for years already completed

Banking sector in Austria

Austrian banks' return on assets recovered significantly in 2021, toward the pre-pandemic level of 0.7 per cent. This was the result of a decline in risk costs, an improvement in fee and commission income, and a recovery in the profitability of large CE/SEE subsidiaries. Despite expiring loan repayment moratoriums, credit risks in the banking system remained subdued and the NPL ratio fell to below 1.5 per cent (Austrian loan portfolio). This was supported by brisk lending in a favorable funding environment, including access to the euro system's TLTROs. The volume of both retail and corporate loans reached growth rates of around 5 per cent p.a. during 2021, with raised demand for housing loans and recovery in corporate investment being key drivers. Despite the observed balance sheet growth, regulatory oversight of the banks' capital allocation helped maintain the strong capital position of Austrian banks with a CET1 ratio of 16 per cent.

Development of the banking sector in CEE

In course of the general economic recovery, which aided a decline in risk costs and a normalization of lending, CEE banks had a strong recovery in 2021. Despite the renewed uptick in COVID-19 cases at the end of the year, the EE banks' return on equity was above 20 per cent and reached solid levels of between 10 to 13 per cent in CE/SEE. The revival of personal loans complemented the stable mortgage lending segment, while lending to businesses eventually also gained momentum as the investment cycle picked up steam. Government support measures kept NPL ratios low, though banks' Stage 2 loans still present some degree of unresolved credit risk. In some countries, Stage 2 loans remained particularly high at 15 to 20 per cent (Romania, Slovakia), while fluctuating around 10 per cent in many others. With inflationary pressures mounting, monetary tightening became one of the main issues, particularly in Russia, Ukraine, the Czech Republic, Hungary and Poland. The increase in interest rates has so far proved favorable for the banks' net interest margins, which showed signs of bottoming out in CE/SEE.

Regulatory environment

ECB supervisory priorities for banks under Single Supervisory Mechanism (SSM)

- Credit risk managment: The ECB expected the COVID-19 pandemic and the resulting deterioration of the macroeconomic environment to have a negative impact on banks' asset quality. Noting that support measures, including monetary actions, as well as fiscal, regulatory and supervisory measures, have managed to avert a new financial crisis as intended. The ECB focused its banking supervisory efforts on assessing the adequacy of banks' credit risk management, as well as of their operations, monitoring and reporting.
- Capital strength: Elevated credit risk combined with potential market adjustments may lead to the deterioration of banks' capital ratios. The ECB highlighted the necessity of sound capital planning that is based on capital projections and adaptable to a rapidly changing environment, especially during a crisis situation.
- Business model sustainability: Profitability and banks' business model sustainability remained a key concern. The supervisory authorities placed particular focus on banks' digital transformation processes.
- Governance: The ECB sees strong governance by management bodies as an essential driver in overcoming a crisis. Governance and crisis risk management frameworks were therefore closely monitored. Further focus areas included banks' risk data aggregation capabilities, IT and cyber risk management practices and governance, as well as on controlling risks arising from outsourcing services to third parties, money laundering and the financing of terrorism.

New regulations in 2021

Finalization of Basel III (CRR III / CRD VI)

The CRR III / CRD VI package (Basel IV) transposes the global standards bank capital (Basel III framework) into European law. It is based on the proposals of the Basel Committee for Banking Supervision. The chief focus is on the results of internal models, which had allowed for varying degrees of capital requirements in the past. This (heterogeneity) should no longer be possible.

RBI as a universal bank is affected by the framework in various respects, though sees the regulation as a big opportunity for itself and its customers. Aspects like the expansion of national legislative programs toward a European approach, the continuation of beneficial support for SMEs, or the application of the output floor at the highest level of consolidation, are seen as great opportunities to support its customers. The proposals are being continually evaluated and political discussions closely followed to be able to respond accordingly.

Digital Finance Package initiatives and focus on consumer protection

Following publication of the European Commission's Digital Finance Strategy in September 2020, diverse regulatory initiatives from the strategy were further pursued or launched in 2021. The European Commission put forward proposals on the regulation of Artificial Intelligence (AI) and Digital Identity. Further initiatives by the Commission included a review of the Consumer Credit Directive (CCD) in light of digitalization (Data Governance Act) and holding a consultation on the expected Data Act regulation.

The steady rise of European legislation focusing on digital services and new technologies will impact RBI in the coming years. The initiatives generally aim for an increased harmonization of the respective rules across the EU to achieve a Digital Single Market and simplification of cross-border business in the EU. Furthermore, the regulatory proposals would require/enable changes to existing processes, e.g. for digitally onboarding customers with regard to the EU-wide Digital Identity. RBI closely monitors these developments, is engaged in discussions between policy makers and banking associations and has actively participated in relevant consultations.

Austrian implementation of the Capital Requirements Regulation II as well as the Capital Requirements Directive V and Bank Recovery and Resolution Directive II

The revised Capital Requirements Regulation (EU Regulation 2019/876) and Capital Requirements Directive (EU Directive 2019/878), also known as CRR II and CRD V, included amendments in areas such as Pillar 2 capital requirements and remuneration, leverage ratio, liquidity, market risk, counterparty credit risk, as well as reporting and disclosure requirements. The Bank Recovery and Resolution Directive II (EU Directive 2019/879), also known as BRRD II, includes *inter alia* a new framework for minimum requirements for own funds and eligible liabilities (MREL).

The legislative package for the implementation of CRD V and BRRD II transposed certain European requirements into national law (Austrian Banking Act and Bank Recovery and Resolution Act). Thereby introducing, for example, the additivity of macroprudential buffers or extended rules to calculate MREL requirements.

National macroprudential requirements were adjusted to ensure that economically unwarranted changes to capital requirements were not triggered. Therefore, the implementation of the European framework into national legislation did not lead to increased capital requirements.

Minimum requirements for own funds and eligible liabilities (MREL)

The Single Resolution Board (SRB) published the updated MREL Policy on 26 May 2021. The multiple-point-of-entry (MPE) approach, which RBI 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 will be applicable from 1 January 2022. M-MDA allows the SRB to set restrictions on dividend 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 and its subsidiary banks in the EU. MREL levels are closely monitored. RBI 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 2021 through the issuance of green bonds.

Significant events in the reporting period

Re-contracting of ING's retail customers in the Czech Republic

In February 2021, RBI's Czech subsidiary bank, Raiffeisenbank a.s. (RBCZ), signed a referral agreement with ING Bank N.V. (ING) for the re-contracting of ING's Czech retail customers, which occurred in the second quarter following approval by the Czech Office for Protection of the Competition.

Acquisition and integration of Equa

The acquisition of 100 per cent of the shares of Equa (Equa bank a.s. and Equa Sales & Distribution s.r.o.) from AnaCap (AnaCap Financial Partners), through RBI's Czech subsidiary bank, Raiffeisenbank a.s., was closed on 1 July 2021. The consolidation of Equa into the balance sheet of RBI therefore occurred in the third quarter and had a negative impact of around 30 basis points on RBI's CET1 ratio.

Equa contributed € 33 million towards RBI's net interest income in the 2021 financial year. At the same time, this added € 40 million in general administrative expenses and € 15 million in impairment losses on financial assets (mostly Stage 1). The customer loans of Equa totaled € 2,107 million.

Equa bank a.s. was merged into Raiffeisenbank a.s., RBI's Czech subsidiary bank, on 1 January 2022.

Agreement on the acquisition of Crédit Agricole Srbija

On 5 August 2021, RBI announced that its Serbian subsidiary bank, Raiffeisen banka a.d., had signed an agreement to acquire 100 per cent of the shares of Crédit Agricole Srbija (Crédit Agricole Srbija a.d. Novi Sad and Crédit Agricole Leasing Srbija d.o.o.) from Crédit Agricole S.A. The closing of the transaction is subject to inter alia obtaining regulatory approvals.

The acquisition of Crédit Agricole Srbija is expected to have a negative impact of approximately 16 basis points on RBI's CET1 ratio. The final impact is dependent on the completion accounts at closing, which is expected by the end of the first quarter of 2022.

Crédit Agricole Srbija serves around 356,000 customers. The bank has a leading position in agricultural-business financing (over 20 per cent market share) and thus complements the business profile of Raiffeisen banka a.d. very well. At the end of the second quarter of 2021, Crédit Agricole Srbija had total assets of € 1.3 billion, while Raiffeisen banka a.d. reported total assets of € 3.4 billion.

Following the successful closing of the transaction, it is planned to merge Crédit Agricole Srbija with Raiffeisen banka a.d.

Agreement reached on the sale of Raiffeisenbank (Bulgaria) EAD

In November 2021, the Management Board of RBI resolved to sell the Bulgarian subsidiary bank and its participation to KBC Bank, a fully owned subsidiary of the Belgian KBC Group NV. The primary motivation for the decision was the possibility to reallocate capital in order to seize attractive growth opportunities and gain scale in RBI's key markets. This operation is disclosed separately in the balance sheet under other assets as a disposal group classified as held for sale. The sale proceeds should be significantly higher than the carrying amount of the net assets and so no impairment was recognized from the classification of the operation as a disposal group held for sale.

Additional dividend for 2020 of € 0.75 per share

Following the ECB decision not to extend its recommendation on the restriction of dividends, the Extraordinary General Meeting on 10 November 2021 approved the distribution of an additional dividend of € 0.75 per share for the 2020 financial year. This led to a positive impact of 9 basis points on RBI's CET1 ratio. Thus for the 2020 financial year, a total of € 1.23 per share in dividends was distributed.

Earnings and financial performance

Consolidated profit increased a substantial 71 per cent to € 1,372 million. After the pandemic-driven recession in the previous year, the financial year 2021 was certainly a year of economic recovery. Net interest income was up 7 per cent, notably benefiting from the high level of customer loan growth (up 11 per cent, or 15 per cent without consideration of IFRS 5), as well as rising interest rates in several countries across Central and Eastern Europe. The net fee and commission income, with an increase of 18 per cent to € 1,985 million, had reached an all time high. The increase in consolidated profit was also due to significantly lower loan loss provisions, which at € 295 million were 51 per cent down on the previous year's period. In addition to M&A activities, the rise in general administrative expenses was also due to digitalization initiatives in implementation of RBI's Vision to become the most recommended financial services group by 2025. Key projects include the development of a digital retail banking platform, the further development of the myRaiffeisen platform in Corporates, and the rollout of innovative trading solutions in Markets. The other result was impacted by the allocation of credit-linked and portfolio-based provisions for litigation, mainly in Poland.

Since the beginning of the year, supported by the economic upturn, total assets rose € 26,142 million or 16 per cent. From the second quarter particularly, almost all markets showed significant growth in demand for loans, which only starting to lose some momentum in the fourth quarter as the economy weakened again. Sustainable financing continued to grow in importance in this respect. In the reporting period, sustainable financing totaling € 4,335 million was granted.

In contrast to the beginning of the year, when the income statement was still being impacted by the low interest rate environment and the COVID-19 pandemic, both the interest rate environment and currency developments significantly recovered from the second quarter onwards. Nevertheless, the average exchange rates of the Russian ruble and Ukrainian hryvnia were both 5 per cent, the Belarusian ruble 7 per cent, and the US dollar 3 per cent, below the respective level of the previous year.

Comparison of results with the previous year

in € million	2021	2020[1]		Change
Net interest income	3,327	3,121	207	6.6%
Dividend income	42	21	21	104.2%
Current income from investments in associates	46	41	5	12.5%
Net fee and commission income	1,985	1,684	300	17.8%
Net trading income and fair value result	53	91	(38)	(41.8)%
Net gains/losses from hedge accounting	(2)	(1)	(2)	247.3%
Other net operating income	120	117	3	2.7%
Operating income	**5,570**	**5,073**	**497**	**9.8%**
Staff expenses	(1,579)	(1,521)	(58)	3.8%
Other administrative expenses	(992)	(927)	(65)	7.0%
Depreciation	(407)	(384)	(23)	6.0%
General administrative expenses	**(2,978)**	**(2,832)**	**(146)**	**5.2%**
Operating result	**2,592**	**2,241**	**351**	**15.7%**
Other result	(295)	(204)	(91)	44.9%
Governmental measures and compulsory contributions	(213)	(257)	44	(17.1)%
Impairment losses on financial assets	(295)	(598)	303	(50.7)%
Profit/loss before tax	**1,790**	**1,183**	**607**	**51.3%**
Income taxes	(368)	(321)	(47)	14.7%
Profit/loss after tax from continuing operations	**1,422**	**862**	**560**	**65.0%**
Gains/losses from discontinued operations	86	48	38	79.9%
Profit/loss after tax	**1,508**	**910**	**598**	**65.7%**
Profit attributable to non-controlling interests	(135)	(106)	(29)	27.9%
Consolidated profit/loss	**1,372**	**804**	**569**	**70.7%**

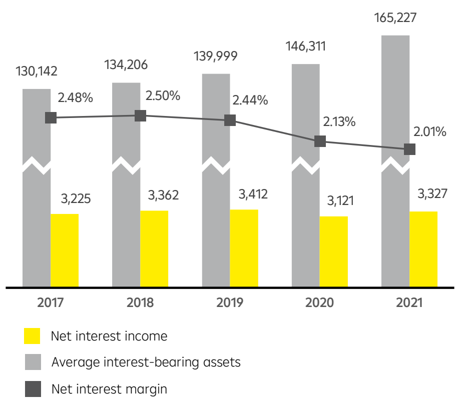
1 Previous-year figures adapted due to changed allocation (IFRS 5 discontinued operations as well as further adjustments in order to increase transparency). Further information can be found in the notes, chapter principles underlying the consolidated financial statements under changes to the income statement.

Operating income

Net interest income was up € 207 million to € 3,327 million. This development was mainly facilitated by rising interest rates of several Eastern European currencies and strong loan growth with only slight negative currency effects. The largest increase, of € 104 million, was recorded at head office, primarily due to € 50 million in COVID-19 bonus claims under the TLTRO III program, strong loan growth and lower financing costs from the deposit business and own issues. There was also a particularly strong increase in net interest income in the Czech Republic, where interest rate rises and the integration of Equa bank led to a € 54 million increase in net interest income. Net interest income in Hungary was up € 40 million, supported by positive developments in both the corporate and retail customer business, as well as higher market interest rates. In Ukraine, higher income from both the corporate and retail customer business, as well as lower interest expenses due to changes in the product mix and maturity split, also resulted in an increase in net interest income of € 18 million. In Slovakia, net interest income increased € 8 million, mainly due to the COVID-19 bonus claims under the TLTRO III program.

Net interest margin

in € million



Previous year's figures (2020) adapted due to changed allocation (IFRS 5)

The average interest-bearing assets for the Group rose 13 per cent year-on-year, mainly due to increases in short-term investments of excess liquidity. The net interest margin narrowed by 12 basis points to 2.01 per cent.

The rise in net fee and commission income was due to increased transactions by both retail and corporate customers in clearing, settlement and payment services – especially in payment services and credit card business – as well as in the foreign exchange business, mainly through forward foreign exchange contracts. Net fee income from asset management also rose, with the strongest increase – due to higher retail customer volumes – at Raiffeisen Kapitalanlage-Gesellschaft. Despite currency devaluations in Eastern Europe, net fee and commission income increased € 300 million to € 1,985 million. The largest increase was recorded at head office, with further increases on a currency-adjusted basis in Russia, Romania, Hungary and the Czech Republic.

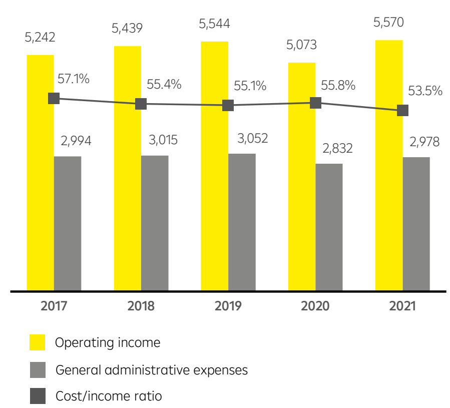
Net trading income and fair value result was down € 38 million to € 53 million. The decrease was mainly due to interest rate-related valuation losses on government bonds and from foreign exchange business in Russia, in the amount of € 57 million. There were also valuation losses at head office on foreign exchange derivatives and foreign currency exposures, which were partly offset by interest rate-related valuation gains on own issues measured at fair value.

General administrative expenses

General administrative expenses were up 5 per cent year-on-year, or € 146 million, to € 2,978 million despite currency devaluations. Despite this increase, significantly higher core revenues led to an improvement in the cost/income ratio from 55.8 per cent to 53.5 per cent. Currency movements in the reporting period led to a € 37 million reduction, primarily as a result of the 7 per cent depreciation of the Belarusian ruble, and 5 per cent depreciation of both the Russian ruble and Ukrainian hryvnia (based on the average rate for the period). Staff expenses rose € 58 million to € 1,579 million, mainly due to increases in the Czech Republic, Russia, at head office, and in Hungary. The increase at head office mainly resulted from higher current salary payments. In the Czech Republic from the integration of Equa bank, and in Russia from higher salaries and social security costs and staff-related taxes, and in Hungary from the lower staff expenses in the previous year's period due to short-time work schemes relating to the pandemic. Other administrative expenses increased € 65 million to € 992 million. This increase was mainly driven, besides higher advertising expenses (up € 28 million) primarily in Russia, by higher legal, advisory and consulting expenses (up € 26 million) at head office, in Poland and the Czech Republic. These expenses primarily related to consulting services relating to M&A activities and legal fees in connection with the Swiss franc loan portfolio in Poland. There were further increases in IT expenses (up € 24 million), mainly at head office due to higher expenses for external IT consulting services and in the Czech Republic due to several integration projects. RBI has invested heavily in digitalization for the implementation of its Vision to become the most

Cost/income ratio

in € million



Previous years' figures adapted due to changed allocation (transparency) and IFRS 5 (2020) recommended financial services group by 2025. Alongside numerous Group-wide digital solutions, this includes the development of a digital retail banking platform, the further development of the myRaiffeisen platform and of cash management and clearing, settlement and payment services systems in Corporates, and the rollout of innovative trading solutions in Markets. Further expenses were incurred for the introduction of cloud solutions, for process automation and for investing in a central security operations center. Currency effects in Eastern Europe reduced expenses. Depreciation and amortization of tangible and intangible fixed assets increased 6 per cent, or € 23 million, to € 407 million, mainly due to the recognition of software assets at head office and the integration of Equa bank in the Czech Republic.

The number of business outlets fell by 86 year-on-year to 1,771. The largest declines were in Romania (down 33), Belarus (down 14) and Slovakia (down 11). The average headcount decreased by 438 full-time equivalents year-on-year to 45,907, primarily in the Ukraine (down 525) due to branch closures in the previous year, and in Slovakia (down 185), Romania (down 179) and Bulgaria (down 128). Conversely, the integration of Equa bank resulted in an increase of 488.

Other result

The other result amounted to minus € 295 million in the reporting period, compared to minus € 204 million in the comparable period. The result was impacted by the allocation of credit-linked and portfolio-based provisions for litigation in the amount of € 326 million (up € 266 million) in Poland, Croatia and Romania. In Poland, provisions in connection with mortgage loans denominated in or indexed to a foreign currency were allocated in the amount of € 278 million (up € 235 million) as the result of changes in the parameters of the model calculation. Conversely, good business performance and rising stock market prices of listed equity investments resulted in reversals of impairment losses on investments in associates valued at equity in the reporting period in the amount of € 66 million (UNIQA Insurance Group AG and LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG). In the previous year's period, impairment losses of € 68 million were recognized on associates valued at equity due to the deteriorating economic outlook caused by the pandemic. In the previous year's period, a goodwill impairment of € 27 million relating to Raiffeisen Kapitalanlage-Gesellschaft was also recognized to reflect the revised medium-term plan due to the pandemic, and impairment losses on non-financial assets in the amount of € 20 million were recognized, mainly relating to real estate in Russia and Slovakia. Net modification losses of € 40 million were incurred in the previous year's period due to the introduction of loan repayment moratoriums; these losses amounted to € 14 million in the reporting period. The bulk of the moratoriums expired in the reporting period.

Governmental measures and compulsory contributions

Expenses from governmental measures and compulsory contributions decreased € 44 million to € 213 million. Bank levies declined € 64 million to € 39 million. This reduction mainly related to the discontinuation of the special bank levy in Austria (previous year's period: € 41 million), which was introduced in 2016 and totaled € 163 million, booked in four tranches from 2017 to 2020. In addition, the bank levy was abolished in Slovakia (previous year's period: € 26 million). Deposit insurance fees increased € 12 million – mainly in Russia, in Slovakia, and at Raiffeisen Bausparkasse Österreich Gesellschaft m.b.H. – to € 99 million.

Impairment losses on financial assets

The improved economic environment in the 2021 financial year was reflected in the significant decline in risk costs. Impairment losses on financial assets totaling € 295 million were recognized in the reporting period, compared to € 598 million in impairment losses in the previous year's period due to the substantial impact of the COVID-19 pandemic. The calculation of expected credit losses includes overlays (post-model adjustments and additional risk factors) totaling € 51 million in the reporting period (€ 62 million in net allocations of provisions relating to non-financial corporations and € 11 million in net releases of provisions relating to households), compared to mainly COVID-19-related post-model adjustments of € 282 million in the previous year's period (€ 236 million relating to non-financial corporations and € 46 million relating to households). In addition, impairment losses of € 28 million were recognized as a result of EU sanctions on Belarus, € 25 million due to geopolitical uncertainties in Ukraine, and € 20 million for the credit portfolio for potentially sanctioned Russian customers.

In Stage 1 and Stage 2, net impairments of € 102 million were recognized in the reporting period (previous year's period: € 315 million), including a net € 98 million relating to loans to non-financial corporations, mainly in Austria (€ 34 million), Ukraine (€ 27 million), Belarus (€ 20 million) and Romania (€ 10 million). For defaulted loans (Stage 3), net impairments of € 180 million were recognized in the reporting period (previous year's period: net € 302 million). Of this, € 123 million related to households, primarily in Russia (€ 52 million), Romania (€ 16 million), Bosnia and Herzegovina (€ 13 million) and Slovakia (€ 12 million), while € 43 million related to non-financial corporations, mainly in Austria (€ 24 million) and Russia (€ 12 million).

The NPE ratio was down 0.3 percentage points to 1.6 per cent due to higher lending volumes and an increase in deposits at central banks. The NPE coverage ratio rose by 1.0 percentage points to 62.5 per cent.

Income taxes

Income taxes increased € 47 million to € 368 million, whereas the tax rate fell 6.6 percentage points to 20.6 per cent. This was mainly due to an improved earnings contribution from head office and valuations of investments in associates valued at equity.

Comparison of results with the previous quarter

Quarterly results

in € million	Q4/2020[1]	Q1/2021[1]	Q2/2021[1]	Q3/2021[1]	Q4/2021
Net interest income	735	736	773	843	976
Dividend income	3	5	25	4	7
Current income from investments in associates	(3)	16	6	12	12
Net fee and commission income	452	420	483	521	561
Net trading income and fair value result	(3)	4	28	(4)	24
Net gains/losses from hedge accounting	(8)	6	(7)	(3)	1
Other net operating income	24	28	26	29	36
Operating income	**1,201**	**1,215**	**1,335**	**1,402**	**1,618**
Staff expenses	(380)	(370)	(383)	(401)	(425)
Other administrative expenses	(269)	(208)	(237)	(234)	(313)
Depreciation	(107)	(94)	(95)	(101)	(118)
General administrative expenses	**(756)**	**(672)**	**(714)**	**(736)**	**(856)**
Operating result	**446**	**543**	**620**	**666**	**763**
Other result	6	(38)	(37)	(46)	(175)
Governmental measures and compulsory contributions	(28)	(123)	(31)	(26)	(32)
Impairment losses on financial assets	(135)	(76)	(24)	(44)	(150)
Profit/loss before tax	**289**	**306**	**528**	**550**	**406**
Income taxes	(82)	(77)	(116)	(98)	(77)
Profit/loss after tax from continuing operations	**207**	**229**	**412**	**452**	**329**
Gains/losses from discontinued operations	23	14	19	29	24
Profit/loss after tax	**230**	**243**	**430**	**481**	**353**
Profit attributable to non-controlling interests	(25)	(28)	(34)	(38)	(36)
Consolidated profit/loss	**205**	**216**	**396**	**443**	**317**

1 Adaptation of prior quarters' figures due to changed allocation (IFRS 5 discontinued operations) and Q4/2020 adaptation (further adjustments in order to increase transparency). Further information can be found in the notes, chapter principles underlying the consolidated financial statements under changes to the income statement.

Development of fourth quarter of 2021 compared to third quarter of 2021

Net interest income was up € 132 million to € 976 million. The increase of € 52 million at head office and of € 23 million in Slovakia were mainly due to COVID-19 bonus claims under the TLTRO III program. Rising interest rates and strong performance in both the corporate and retail customer business led to an increase in net interest income in the Czech Republic (up € 23 million), Russia (up € 16 million), and Hungary (up € 11 million).

The net interest margin improved by 24 basis points to 2.22 per cent in the fourth quarter due to rising net interest income in numerous countries in the Group.

Net fee and commission income increased 8 per cent, or € 41 million, to € 561 million. This was mainly driven by higher income in the custody business at head office and by early repayments in the lending business in Russia. Foreign exchange business, particularly forward foreign exchange contracts in Russia, and the loan and guarantee business at head office, in the Czech Republic, Slovakia and Russia, also recorded volume-related increases.

The net trading income and fair value result increased € 28 million. The increase partly resulted from positive valuation effects from loans measured at fair value at head office. In addition, Raiffeisen Centrobank AG recorded positive valuation effects in the certificates business in the fourth quarter.

General administrative expenses increased € 119 million quarter-on-quarter to € 856 million. Staff expenses rose € 24 million to € 425 million, while other administrative expenses rose € 79 million to € 313 million and depreciation increased € 16 million to € 118 million. The main drivers of the increase in staff expenses were a higher headcount in Russia (up € 15 million) and the integration of Equa bank in the Czech Republic (up € 7 million). The increase in other administrative expenses primarily occurred in Russia (up € 46 million) due to higher advertising expenses, IT expenses, and legal and consulting expenses, and at head office (up € 21 million) due to increased external consulting services. Other administrative expenses also increased in Romania (up € 7 million) mainly due to higher advertising expenses and in Ukraine (up € 6 million).

The decline in the other result was mainly attributable to higher allocations to credit-linked and portfolio-based provisions for litigation (up € 100 million), predominantly in Poland. Furthermore, the valuation of shares in associates valued at equity resulted in an impairment loss of € 8 million in the fourth quarter, following a reversal of impairment losses of € 8 million in the previous quarter.

Impairment losses on financial assets increased € 106 million compared to the previous quarter, with increases in almost all countries. In the fourth quarter, in particular, impairment losses totaling € 25 million were recognized due to the geopolitical uncertainties in Ukraine, and € 20 million for the credit portfolio for potentially sanctioned Russian customers.

Statement of financial position

Since the beginning of the year, total assets rose € 26,142 million, or 16 per cent. Currency movements were attributable for 2 per cent of the increase, especially the US dollar appreciating 8 per cent and the Russian ruble appreciating 7 per cent. In the 2021 financial year, there was a significant upward trend in demand for loans – supported by the economic upturn –in almost all markets, especially from the second quarter onward. This trend lost some momentum in the fourth quarter as the economy began to weaken. The strategy of expanding market share in selected markets was successfully continued in the financial year through both acquisitions and organic growth.

RBI strives to offer its customers sustainable financial products and services as part of its sustainability strategy. Sustainable financing is increasingly in demand and harbors considerable growth potential. Sustainable financing totaling € 4,335 million were extended in the reporting period and now account for around 8 per cent of the credit portfolio of corporate customers and project finance. Two years ago, RBI launched a green bond program and is the largest Austrian provider of green bonds. A subordinated green bond, RBI's third green benchmark issue following bond issues in 2018 and 2019, was issued in June 2021 with a volume of € 500 million.

Assets

in € million	2021	2020	Change		Q3/2021	Q2/2021	Q1/2021
Loans to banks	16,630	11,952	4,678	39.1%	16,678	15,983	13,644
Loans to customers	100,832	90,671	10,161	11.2%	100,659	94,052	91,861
hereof non-financial corporations	50,156	44,951	5,205	11.6%	49,358	46,830	46,202
hereof households	38,078	34,367	3,711	10.8%	38,638	35,998	34,783
Securities	22,902	22,162	741	3.3%	22,901	23,155	23,015
Cash and other assets	51,736	41,174	10,562	25.7%	50,371	48,510	47,632
Total	**192,101**	**165,959**	**26,142**	**15.8%**	**190,610**	**181,700**	**176,152**

In 2021, the assets of Raiffeisenbank (Bulgaria) EAD and Raiffeisen Leasing Bulgaria EOOD are shown under cash and other assets, while in 2020 and in the 2021 quarterly reports, they are shown under the respective line items.

The increase in loans to banks mainly occurred in the Czech Republic (up € 3,863 million) due to a higher volume of repurchase agreements as well as in Hungary and Russia, largely attributable to short-term investments at the National Bank.

The growth in loans to customers is primarily driven by lending to non-financial corporations (corporate customers), both in the long-term credit business and in short-term loans, and to households (retail customers), mainly for mortgage and personal loans. The largest increases in customer loans occurred in the Czech Republic (up € 3,575 million), including € 2,509 million for retail customers (mainly mortgage loans), and at head office (up € 2,901 million), which mainly related to lending to corporate customers (up € 2,408 million), especially in the long-term credit business. There were also significant increases in Russia, Slovakia and Ukraine. Market shares of retail and corporate customers were expanded through the acquisition of Equa bank (customers loans totaling € 2,107 million) and organic growth in the Czech Republic, and in Slovakia primarily through organic growth. Due to the planned sale of the Bulgarian subsidiary bank and its participation, loans to customers in the amount of € 3,659 million were reclassified to other assets (IFRS 5) as of year-end 2021.

The increase in securities came primarily from investments in debt securities (up € 598 million net) at head office (in particular government and bank bonds) and in Romania, mainly in government bonds.

The significant increase in cash (up € 4,897 million) was attributable to the investment of liquidity – primarily deposits at national banks – in Slovakia, at head office and in Hungary. Other assets include non-current assets and disposal groups classified as held for sale totaling € 5,531 million, primarily due to the planned sale of Bulgarian subsidiary bank and its participation.

Equity and liabilities

in € million	2021	2020	Change		Q3/2021	Q2/2021	Q1/2021
Deposits from banks	34,607	29,121	5,487	18.8%	39,143	36,730	37,242
Deposits from customers	115,153	102,112	13,041	12.8%	114,651	108,808	104,211
hereof non-financial corporations	44,523	39,663	4,860	12.3%	42,808	41,164	41,174
hereof households	56,690	50,047	6,643	13.3%	58,353	55,184	52,007
Debt securities issued and other liabilities	26,865	20,438	6,427	31.4%	21,384	21,269	20,124
Equity	15,475	14,288	1,187	8.3%	15,432	14,892	14,576
Total	**192,101**	**165,959**	**26,142**	**15.8%**	**190,610**	**181,700**	**176,152**

In 2021, the liabilities of Raiffeisenbank (Bulgaria) EAD and Raiffeisen Leasing Bulgaria EOOD are shown under debt securities issued and other liabilities, while in 2020 and in the 2021 quarterly reports, they are shown under the respective line items.

The Group's funding from banks increased significantly with respect to short-term deposits and repo transactions and as a result of new borrowings under the TLTRO III program at head office and, in the latter case, also in Slovakia.

The increase in deposits from customers was mainly attributable to short-term deposits. The largest gains in deposits were reported in the Czech Republic (up € 6,892 million, including € 5,197 million from retail customers), Russia (up € 2,439 million), Hungary (up € 1,227 million), Slovakia (up € 1,208 million), and Romania (up € 1,076 million). Of the increase in the Czech Republic, € 2,594 million came from the integration of Equa bank and € 2,071 million from the acquisition of an ING portfolio. Due to the planned sale of the Bulgarian subsidiary bank and its participation, customer deposits in the amount of € 4,544 million were reclassified to other liabilities (IFRS 5) as of year-end 2021.

The € 1,141 million increase in debt securities came primarily from MREL bond issues in the Czech Republic, Romania and Slovakia. Other liabilities include € 4,829 million from liabilities held for sale in the disposal groups due to the planned sale of the Bulgarian subsidiary bank and its participation.

For information relating to funding, please refer to note (54) 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 € 1,187 million from the start of the year to € 15,475 million.

In April 2021, the Annual General Meeting approved a dividend payment of € 0.48 per share for 2020. An additional dividend of € 0.75 per share was approved at an Extraordinary General Meeting in November 2021. This amounted to a total dividend distribution of € 404 million. A dividend of € 92 million was distributed for additional tier 1 capital (AT1).

Total comprehensive income increased € 1,555 million to € 1,658 million and comprised profit after tax of € 1,508 million and other comprehensive income of € 150 million. Currency movements had a positive impact of € 284 million, following a negative impact of € 1,007 million in the previous year. The 7 per cent appreciation of the Russian ruble led to a positive contribution of € 135 million, the 5 per cent appreciation of the Czech koruna contributed € 107 million and the 11 per cent appreciation of the Ukrainian hryvnia resulted in income of € 52 million. This was partly offset by a valuation loss of € 64 million from the hedge of net investments, primarily in Russian rubles.

Capital attributable to non-controlling interests rose € 190 million. This was primarily due to the proportion of total comprehensive income attributable to non-controlling interests of € 164 million and a capital increase of € 49 million in the Czech Republic. Dividend payments, in contrast, reduced the amount by € 39 million – mainly in Ukraine and Slovakia.

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

Common equity tier 1 (CET1) after deductions amounted to € 11,812 million, representing an increase of € 1,051 million compared to the 2020 year-end figure. The main driver of the increase was the higher profit for 2021. A dividend of € 1.15 per share was deducted for the 2021 financial year. Tier 1 capital after deductions increased € 971 million to € 13,460 million. The increase was mainly due to the increase in CET1. Tier 2 capital rose € 246 million to € 2,347 million. The increase was driven by the issuance of a Tier 2 bond in June 2021, offset by regulatory amortization of outstanding issues. Total capital amounted to € 15,807 million, representing an increase of € 1,217 million compared to the 2020 year-end figure.

Total risk-weighted assets (RWA) increased € 11,063 million year-on-year to € 89,927 million. The major reason for the organic growth was new loan business. Inorganic growth was driven by both rating downgrades in the lending business as well as by increases in operational risk, largely attributable to the rise in internal and external loss data in the Advanced Measurement Approach (AMA model).

This resulted in a (fully loaded) CET1 ratio of 13.1 per cent (down 0.5 percentage points), a tier 1 ratio of 15.0 per cent (down 0.8 percentage points) and a total capital ratio of 17.6 per cent (down 0.8 percentage points). The consolidation of Equa had a negative effect of around 30 basis points on CET1.

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 44 per cent for RBI in 2020, it had reached 53 per cent by year-end 2021 (though this figure varies greatly between markets). The acceptance of online loans has remained high: In 2020, 48 per cent of loans were granted through digital channels and in 2021 this had increased slightly to 49 per cent.

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 these 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 (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 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 RBIs digital offering – around 53 per cent of new accounts at RBI in Austria were initiated digitally in 2021 (2020: 39 per cent), and 56 per cent of new customers were verified using the fully digitalized eKYC process (versus 42 per cent in 2020). Launched in the middle of 2021, ePIC has already been well adopted and was utilized in around 54 per cent of the payment questionnaires.

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 Group Financial Reporting & Steering as well as through audits by Group and local auditors.

The consolidated financial statements are prepared by Group Reporting & Consolidation, 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).

The COVID-19 pandemic and associated lockdowns and partial physical absence (home office) had no impact on the internal control system.

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 Group Reporting & 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 Group Business Performance Management, 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 2021, 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 2021, 322,204 (31 December 2020: 322,204) of those were own shares, and consequently 328,617,417 shares were outstanding at the reporting date. Please see note (32) 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) RLB NÖ-Wien Sektorbeteiligungs GmbH holds around 22.24 per cent of the share capital of the company. By virtue of the syndicate agreement regarding RBI AG, the directly or indirectly held voting rights attached to a total of 193,449,778 shares, corresponding to a voting interest of around 58.81 per cent, are mutually attributable to the regional Raiffeisen banks and their direct and indirect subsidiaries pursuant to §§ 130 and 133 7 of the Austrian Stock Exchange Act (BörseG) as parties acting in concert as defined in § 1 6 of the Austrian Takeover Act (ÜbG). The remaining shares of RBI AG are held in free float, with no other direct or indirect shareholdings amounting to 10 per cent or more known to the Management Board.

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

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

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

The Management Board was further authorized, pursuant to § 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad. Furthermore, shareholders' subscription rights may be excluded in the event that convertible bonds are issued in future, in order that (own) shares may be issued to such convertible bond creditors that have exercised their right of conversion into or subscription to shares in the company, and also in the event of a conversion obligation stipulated in the convertible bonds' issuance conditions in order to fulfil this conversion obligation. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary (§ 189a 7 UGB) or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 19 October 2025. This authorization replaces the authorization granted by the Annual General Meeting of 21 June 2018 pursuant to § 65 (1) 8 of the AktG to acquire and utilize own shares and refers also to the utilization of own shares already acquired by the company. Since that time, there were no own shares purchased on the basis of the lapsed authorization from June 2018 nor on the basis of the current authorization from October 2020.

The Annual General Meeting of 20 October 2020 also authorized the Management Board, under the provisions of § 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 19 April 2023), provided that the trading portfolio of shares purchased for this purpose does not at the end of any given day exceed 5 per cent of the company's respective share capital. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition. This authorization may be exercised in full or in part or also in several partial amounts by the company, by a subsidiary (§ 189a 7 UGB) or by third parties acting for the account of the company or a subsidiary.

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

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

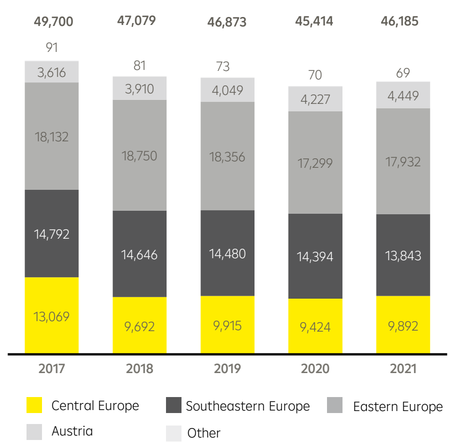
Pursuant to the Sustainability and Diversity Improvement Act (NaDiVeG), the consolidated non-financial statement, which has to be prepared in accordance with § 267a of the Austrian Commercial Code (UGB), is issued as an independent non-financial report (Sustainability Report). The report containing detailed 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 and Strategy Development. 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. Of particular note here would be the GO-IT Academy, which ensures the ongoing further development of IT skills across the Group. In October 2021, the payroll accounting unit was relocated from P&OI to the Finance division due to the proximity of the operational activities to parts of those of Finance, such as claims for travel expenses. Significant operational synergies are expected from the integration of these areas.

Number of staff by region



The handling of the ongoing COVID-19 pandemic was also a core issue in 2021. The already established options for mobile and hybrid working were further developed and defined, and the legal provisions relating to working from home (home office), were implemented by means of an appropriate directive. This directive defines the framework conditions for working from home as well as the financial and technical support available for employees working in home office. The issue of working from home from abroad was of particular importance to RBI as an international company. RBI was one of the first companies in Vienna to offer individual home office solutions for cross-border commuters from 2021. On the whole, 2021 has shown that significant progress could be made in the management of uncertainties arising from the pandemic. As a result of this experience and the knowledge gained, RBI will be able to respond in a very flexible manner to new changes in future.

Personnel development

As at 31 December 2021, RBI had 46,185 employees (full-time equivalents), which was 771 more than at the end of 2020. The largest increases occurred in the Czech Republic due to the integration of Equa bank and in Russia.

Outlook

Economic outlook

The restrictions that were reintroduced in several countries towards the end of 2021, in order to curb infection rates, turned out to be less stringent and more temporary than those in the winter of the previous year. The interplay between lockdowns and the easing of measures should not have the same economic impact in 2022, as was seen in 2020 and 2021, even if renewed restrictions in the winter of 2022/2023 cannot be ruled out. The supply bottlenecks impacting the industrial sector are expected to ease over the course of 2022. Monthly inflation rates are expected to have already peaked or to do so at the beginning of 2022, so long as the geopolitical risks in Eastern Europe do not materialize. In this case, inflation rates are expected to fall over the course of 2022, though to remain at levels that are sometimes noticeably higher than in prior years. In the event of a possible military escalation of the conflict between Russia and Ukraine, the imposition of sanctions poses the greatest short-term risk to the economy and inflation. In a worst-case scenario, extensive (financial) sanctions being imposed on Russia without a transition period, a global systemic impact on financial and commodity markets is to be expected with tangible effects in the euro area, in particular, and more so in Central and Eastern Europe. The non-delivery or curtailing of oil and gas deliveries from Russia could be difficult to compensate for in the short term. Resulting production losses and reductions in growth from yet another significant hike in price increases for energy products and/or industrial metals could bring Europe at least close to a stagflation scenario. Disruptions in the supply of important industrial metals would further exacerbate the global industrial supply chain problems. The impact on individual European countries will depend on the scope of their bilateral trade relations with Russia, especially the level of their dependence on Russian energy imports.

Central Europe

The economies of the Central Europe (CE) region are expected to continue expanding dynamically again in 2022. Among other things, strong wage growth is expected to support a further significant increase in private consumption. However, the tightening of monetary policy and the impact of inflation on private consumption harbor downside risks. The region as a whole is expected to see GDP growth of 4.3 per cent in 2022, with Hungary and Slovenia leading the way (in each case 4.5 per cent) and the Czech Republic bringing up the rear (4.1 per cent). The outcome of the Hungarian elections could overshadow the partnership with the EU in the coming years and further increase tensions. The vaccination cover in the region is at a lower level than in Western Europe and so pandemic risks are considered somewhat greater, even with a certain reluctance to impose restrictions. The economic impact of extensive (financial) sanctions would be more pronounced in CE than in the euro area due to its closer trade ties with Russia as well as greater reliance on Russian energy imports.

Southeastern Europe

The economic recovery in the Southeastern Europe (SEE) region is expected to continue at a solid pace in 2022. Key factors are private consumption, which should receive support from overseas remittances as well as from pent-up demand due to the pandemic. Investment (*inter alia* NGEU) is also expected to play a key role. The highest growth in 2022 is expected in Romania and Kosovo, both at 4.7 per cent. Vaccination coverage rates are again lower than in the CE region, resulting in higher pandemic risks, though governments have so far shown very little willingness to take restrictive measures. The economic impact of extensive (financial) sanctions would be more pronounced in SEE than in the euro area due to its closer trade ties with Russia as well as greater reliance on Russian energy imports.

Eastern Europe

Significantly lower GDP growth is forecasted for the Eastern Europe (EE) region in 2022, than the year prior, assuming the absence of an increase or escalation of geopolitical tensions, and partly reflects the lesser impact of the pandemic but also monetary policy measures in the region. In Russia, the slowdown in economic growth is also attributed to the substantial reduction in fiscal support. In Belarus, the sanctions imposed by the EU and the US are expected to have a greater impact on the economy in 2022 than in 2021. In Ukraine, on the other hand, growth is expected to accelerate due to the inflow of external funds from the IMF and the EU. Nevertheless, geopolitical tensions and potential losses from the Nord Stream 2 project pose risks to the Ukrainian economy. In view of the current potential escalation of the conflict between Russia and Ukraine, the effects on the economic outlook and financial system may be manifold and would largely depend on the future development of the conflict and scale of sanctions which could be imposed in such a risk scenario. Furthermore, the escalation of the conflict has the potential to pull Ukraine into a deep recession, while the Russian economy (despite being more resistant than in 2014 and certain relief provided by probable oil price increases in connection with exports possibly being redirected) would probably also fall into recession in face of extensive sanctions.

Austria

The back-and-forth between lockdowns and the easing of restrictions should no longer be an economic determinant in Austria from the second quarter. It is therefore assumed that economic trends will be less volatile in 2022, than was the case in the two years prior. Nevertheless, economic momentum is likely to remain above average. Considerable momentum is expected from the continuing decline in the savings rate, the good situation in the labor market, wage increases, as well as from private consumption. The encouraging investment trend is also expected to continue. GDP is expected to grow 4.5 per cent in 2022, though a military escalation of the conflict between Russia and Ukraine poses a downside risk to the economy.

Banking sector in Austria

The profitability of Austrian banks could weaken as government support measures expire amid the still persistent pressure from the low interest rate environment. Corporate lending could slow as corporate liquidity needs are declining, and banks are beginning to tighten their lending standards. In contrast, persistently favorable lending conditions should ensure continued strong demand for mortgage loans from private households, which may trigger action by regulators. The outlook for risk costs continues to be weighed down by the large inventory of Stage 2 loans (around 25 per cent for corporations). On a positive note, the solid capital position of Austrian banks provides an additional buffer, even for in the event of a stress scenario. The potential increase of pressures from sanctions on Russia bears risks to the profitability of Austrian banks through indirect economic effects, however also as a result of the profit contributions from CE/SEE subsidiaries (38 per cent of consolidated profit of Austrian banks in the first half of 2021). The Austrian banking sector belongs to the three EU banking sectors with the most ties to Russia.

CEE banking sector

Despite pandemic risks, the overall outlook for CEE banks in 2022 is positive, so long as there is no escalation of the sanctions against Russia issue. Although some moderation in bank profitability is warranted (slowdown in economic recovery, reduction in policy incentives), the trend towards normalization of economic activity should continue to support the banks' lending and transaction revenues. Higher interest rates are also positive for net interest margins in CE/SEE. At the same time, the expiration of loan repayment moratoriums could lead to insolvencies among borrowers, which would put moderate pressure on NPE ratios and risk costs. On a positive note, the capitalization ratios of banks in the region remain solid and the liquidity situation comfortable. Credit and economic cycles are expected to become more aligned in the medium term. Nevertheless, selected EU countries are expected to receive additional support for lending growth from the Next Generation EU program (especially Romania, Croatia, and Bulgaria). The potential escalation of the Russia-Ukraine conflict bears risk of new substantial sanctions against Russia, which – if imposed – could have a strong impact on both the Russian economy (directly) and on the broader CEE banking market (indirectly through economic developments). This therefore poses a downside risk to the performance of the CEE banking market in 2022. The Russian banking market remains the third largest banking market for Western banks in CEE (after Poland and the Czech Republic, and before Slovakia and Romania).

Outlook for RBI

2022 Guidance

In 2022, net interest income is expected to increase by high single digit per cent and net fee and commission income by mid-single per cent. We expect loan growth in the range of 7 to 9 per cent.

We expect general administrative expenses to grow in the high single digit percentage area plus an additional approx. € 100 million integration cost for acquisitions in the Czech Republic (Equa bank) and Serbia (Crédit Agricole Srbija).
The cost/income ratio is expected to be around 55 per cent excluding the one-off integration costs.

The provisioning ratio for 2022 is expected to be around 40 basis points.

Consolidated return on equity is expected to be above our 11 per cent medium-term target, reflecting the gain on the sale of the subsidiary bank in Bulgaria.

We expect a CET1 ratio of around 13 per cent by year end 2022.

Potential geopolitical risks, especially in Eastern Europe, are not included in this guidance.

Mid-term targets

We are committed to a cost/income ratio of around 55 per cent and aim to improve further in the medium term.

We target 11 per cent consolidated return on equity in the medium term.

We confirm our CET1 ratio target of around 13 per cent.

Based on the CET1 ratio target, we intend to distribute between 20 and 50 per cent of consolidated profit.

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	2021	2020[1]	Change	Q4/2021	Q3/2021	Change
Net interest income	886	787	12.6%	283	227	25.0%
Dividend income	11	5	133.2%	2	0	415.4%
Current income from investments in associates	5	3	58.7%	1	0	–
Net fee and commission income	477	410	16.3%	129	121	7.0%
Net trading income and fair value result	19	19	1.0%	8	7	15.6%
Net gains/losses from hedge accounting	5	0	>500.0%	5	1	>500.0%
Other net operating income	32	49	(33.5)%	9	12	(27.5)%
Operating income	**1,435**	**1,272**	**12.8%**	**438**	**367**	**19.1%**
General administrative expenses	(785)	(714)	9.9%	(227)	(210)	8.1%
Operating result	**649**	**558**	**16.4%**	**211**	**158**	**33.8%**
Other result	(284)	(62)	360.7%	(136)	(39)	250.2%
Governmental measures and compulsory contributions	(54)	(71)	(23.8)%	(3)	(2)	33.6%
Impairment losses on financial assets	(71)	(177)	(60.0)%	(54)	(18)	199.5%
Profit/loss before tax	**241**	**249**	**(3.1)%**	**18**	**99**	**(81.7)%**
Income taxes	(104)	(68)	51.4%	(34)	(23)	46.1%
Profit/loss after tax	**137**	**180**	**(23.8)%**	**(16)**	**76**	**–**
Return on equity before tax	6.8%	7.4%	(0.6) PP	2.1%	11.1%	(9.1) PP
Return on equity after tax	3.9%	5.4%	(1.5) PP	–	8.5%	–
Net interest margin (average interest-bearing assets)	1.70%	1.87%	(0.16) PP	2.01%	1.67%	0.34 PP
Cost/income ratio	54.8%	56.2%	(1.4) PP	51.8%	57.1%	(5.3) PP

1 Previous-year figures adapted due to changed allocation (adjustments in order to increase transparency). Further information can be found in the notes, chapter principles underlying the consolidated statements under changes to the income statement.

The main reason for the year-on-year decline in profit after tax was the negative development of the other result in Poland, where credit-linked and portfolio-based provisions for litigation had a negative impact of € 278 million (up € 235 million) on the other result. In contrast, net interest income rose € 99 million due mainly to higher income in the Czech Republic (up € 54 million as a result of interest rate increases and the integration of Equa bank) and Hungary (up € 40 million, reflecting higher market interest rates and the positive trend in both corporate and retail customer business). Net fee and commission income was up € 67 million, driven by higher income mainly in foreign exchange business and from clearing, settlement and payment services in the Czech Republic, Slovakia and Hungary. Other net operating income was down largely as a result of the release of a provision for litigation in Slovakia in the comparable period of the previous year (€ 18 million). General administrative expenses were up € 71 million, primarily in the Czech Republic (up € 54 million) due to the integration of Equa bank (€ 34 million). In addition, legal and advisory costs increased in Poland and the Czech Republic, while IT expenses were up above all in the Czech Republic. The decline in governmental measures and compulsory contributions was due to the abolition of the bank levy in Slovakia in July of the previous year. The decrease in risk costs (down € 106 million) in all countries was attributable to improved economic conditions and rating improvements.

in € million	Poland 2021	Poland 2020[1]	Slovakia 2021	Slovakia 2020[1]
Net interest income	13	16	300	292
Dividend income	0	0	0	0
Current income from investments in associates	0	0	5	3
Net fee and commission income	2	3	171	148
Net trading income and fair value result	2	1	6	15
Net gains/losses from hedge accounting	0	0	0	0
Other net operating income	(2)	(2)	1	20
Operating income	**14**	**18**	**482**	**478**
General administrative expenses	(30)	(21)	(228)	(230)
Operating result	**(15)**	**(3)**	**254**	**248**
Other result	(278)	(44)	(3)	(8)
Governmental measures and compulsory contributions	(5)	(5)	(10)	(31)
Impairment losses on financial assets	(12)	(14)	(27)	(66)
Profit/loss before tax	**(311)**	**(66)**	**213**	**144**
Income taxes	0	(1)	(47)	(34)
Profit/loss after tax	**(311)**	**(67)**	**165**	**110**

1 Previous-year figures adapted due to changed allocation (adjustments in order to increase transparency). Further information can be found in the notes, chapter principles underlying the consolidated statements under changes to the income statement.

in € million	Czech Republic 2021	Czech Republic 2020[1]	Hungary 2021	Hungary 2020[1]
Net interest income	385	330	189	149
Dividend income	5	3	7	2
Net fee and commission income	146	121	158	139
Net trading income and fair value result	13	(6)	(2)	8
Net gains/losses from hedge accounting	0	0	5	0
Other net operating income	24	20	6	5
Operating income	**573**	**468**	**362**	**303**
General administrative expenses	(320)	(265)	(207)	(197)
Operating result	**253**	**202**	**154**	**106**
Other result	2	(1)	(4)	(9)
Governmental measures and compulsory contributions	(16)	(14)	(22)	(20)
Impairment losses on financial assets	(16)	(75)	(16)	(23)
Profit/loss before tax	**224**	**112**	**112**	**53**
Income taxes	(45)	(21)	(11)	(12)
Profit/loss after tax	**179**	**91**	**101**	**41**

1 Previous-year figures adapted due to changed allocation (adjustments in order to increase transparency). Further information can be found in the notes, chapter principles underlying the consolidated statements under changes to the income statement.

Southeastern Europe

in € million	2021	2020[1]	Change	Q4/2021	Q3/2021[2]	Change
Net interest income	731	735	(0.6)%	190	183	3.7%
Dividend income	4	1	199.3%	0	1	(99.8)%
Net fee and commission income	388	327	18.7%	105	106	(0.8)%
Net trading income and fair value result	20	36	(44.2)%	2	5	(55.7)%
Net gains/losses from hedge accounting	0	0	320.8%	0	0	(25.1)%
Other net operating income	8	0	–	(1)	0	–
Operating income	**1,152**	**1,100**	**4.7%**	**296**	**295**	**0.2%**
General administrative expenses	(584)	(599)	(2.5)%	(161)	(140)	15.2%
Operating result	**568**	**501**	**13.3%**	**135**	**155**	**(13.3)%**
Other result	(57)	(25)	129.5%	(27)	(15)	79.9%
Governmental measures and compulsory contributions	(33)	(36)	(8.5)%	(5)	(5)	0.2%
Impairment losses on financial assets	(33)	(147)	(77.4)%	(16)	5	–
Profit/loss before tax	**445**	**294**	**51.5%**	**87**	**141**	**(38.2)%**
Income taxes	(73)	(50)	46.2%	(18)	(20)	(8.8)%
Profit/loss after tax from continuing operations	**372**	**244**	**52.6%**	**69**	**121**	**(43.0)%**
Gains/losses from discontinued operations	70	30	135.4%	18	25	(28.4)%
Profit/loss after tax	**442**	**273**	**61.6%**	**87**	**146**	**(40.5)%**
Return on equity before tax	13.2%	8.9%	4.4 PP	10.3%	16.2%	(5.8) PP
Return on equity after tax	13.2%	8.3%	4.9 PP	10.3%	16.8%	(6.5) PP
Net interest margin (average interest-bearing assets)	3.07%	3.43%	(0.36) PP	3.04%	3.03%	0.01 PP
Cost/income ratio	50.7%	54.4%	(3.8) PP	54.5%	47.4%	7.1 PP

1 Previous-year figures adapted due to changed allocation (IFRS 5 discontinued operations as well as further adjustments in order to increase transparency). Further information can be found in the notes, chapter principles underlying the consolidated statements under changes to the income statement.
2 Adaptation of prior quarter's figures (IFRS 5 discontinued operations).

The increase of € 128 million in profit after tax from continuing operations reflected the steep decline in risk costs combined with better economic conditions and rating improvements. At € 33 million, the risk costs were € 114 million lower than in the comparable period of the previous year, mainly as a result of developments in Romania, Croatia, Bosnia and Herzegovina, and Albania. The operating result also improved - driven mainly by the 19 per cent, or € 61 million, increase in net fee and commission income, in particular as a result of increased transactions in clearing, settlement and payment services and foreign exchange business - following COVID-19-related restrictions in the comparable prior-year period. General administrative expenses decreased primarily in Romania, especially due to lower staff expenses as a result of the decline in the number of staff following network optimization and various other administrative expenses. In contrast, the other result was impacted by higher allocations to credit-linked and portfolio-based provisions for litigation (up € 31 million) in Romania and Croatia.

The decision to sell the Bulgarian subsidiary bank and its participation was made in the reporting period. Under IFRS 5, discontinued operations are to be reported under the line item profit/loss from discontinuing operations, this amounted to € 70 million in the financial year.

in € million	Albania 2021	Albania 2020[1]	Bosnia and Herzegovina 2021	Bosnia and Herzegovina 2020[1]	Kosovo 2021	Kosovo 2020[1]	Croatia 2021	Croatia 2020[1]
Net interest income	55	53	60	63	48	47	110	115
Dividend income	2	0	1	1	0	0	0	0
Net fee and commission income	16	12	49	40	14	9	76	61
Net trading income and fair value result	2	5	2	2	0	0	4	3
Other net operating income	(1)	0	1	2	2	2	2	2
Operating income	**75**	**69**	**113**	**108**	**65**	**58**	**194**	**181**
General administrative expenses	(40)	(39)	(54)	(55)	(31)	(30)	(107)	(111)
Operating result	**35**	**30**	**59**	**54**	**34**	**28**	**86**	**69**
Other result	(1)	(1)	(7)	0	0	0	(21)	(13)
Governmental measures and compulsory contributions	(6)	(5)	(5)	(5)	(2)	(1)	(3)	(9)
Impairment losses on financial assets	6	(10)	(8)	(25)	(3)	(7)	(1)	(27)
Profit/loss before tax	**34**	**15**	**39**	**24**	**29**	**19**	**61**	**21**
Income taxes	(5)	(2)	(4)	(2)	(3)	(2)	(11)	(7)
Profit/loss after tax	**29**	**12**	**35**	**21**	**26**	**17**	**50**	**14**

1 Previous-year figures adapted due to changed allocation (adjustments in order to increase transparency). Further information can be found in the notes, chapter principles underlying the consolidated statements under changes to the income statement.

in € million	Romania 2021	Romania 2020[1]	Serbia 2021	Serbia 2020[1]	Bulgaria - discontinued operation 2021	Bulgaria - discontinued operation 2020[1]
Net interest income	370	372	86	85	119	114
Dividend income	0	0	0	0	2	2
Net fee and commission income	177	156	56	48	60	50
Net trading income and fair value result	7	20	5	7	3	3
Other net operating income	(4)	(12)	7	6	2	1
Operating income	**550**	**538**	**155**	**146**	**186**	**169**
General administrative expenses	(276)	(293)	(75)	(71)	(91)	(89)
Operating result	**274**	**245**	**80**	**75**	**95**	**81**
Other result	(28)	(9)	0	(2)	0	(1)
Governmental measures and compulsory contributions	(10)	(9)	(8)	(7)	(6)	(15)
Impairment losses on financial assets	(22)	(65)	(5)	(12)	(10)	(31)
Profit/loss before tax	**214**	**161**	**68**	**53**	**78**	**33**
Income taxes	(41)	(30)	(8)	(6)	(8)	(3)
Profit/loss after tax	**173**	**131**	**59**	**48**	**70**	**30**

1 Previous-year figures adapted due to changed allocation (adjustments in order to increase transparency). Further information can be found in the notes, chapter principles underlying the consolidated statements under changes to the income statement.

Eastern Europe

in € million	2021	2020[1]	Change	Q4/2021	Q3/2021	Change
Net interest income	1,080	1,060	1.9%	308	284	8.7%
Dividend income	1	2	(45.9)%	0	0	>500.0%
Current income from investments in associates	2	0	–	0	0	1.8%
Net fee and commission income	573	519	10.5%	182	150	21.5%
Net trading income and fair value result	(5)	56	–	(3)	2	–
Net gains/losses from hedge accounting	(1)	(1)	(40.9)%	(1)	(2)	(50.6)%
Other net operating income	(15)	(3)	417.5%	0	(7)	–
Operating income	**1,636**	**1,632**	**0.2%**	**487**	**427**	**14.0%**
General administrative expenses	(664)	(615)	7.9%	(223)	(153)	45.7%
Operating result	**972**	**1,017**	**(4.4)%**	**264**	**274**	**(3.7)%**
Other result	3	(25)	–	10	(1)	–
Governmental measures and compulsory contributions	(50)	(42)	18.1%	(14)	(14)	4.5%
Impairment losses on financial assets	(119)	(138)	(13.6)%	(55)	(16)	249.8%
Profit/loss before tax	**805**	**811**	**(0.7)%**	**205**	**243**	**(15.8)%**
Income taxes	(161)	(172)	(6.1)%	(28)	(51)	(44.5)%
Profit/loss after tax	**644**	**639**	**0.7%**	**177**	**192**	**(8.2)%**
Return on equity before tax	34.2%	30.5%	3.7 PP	34.8%	38.4%	(3.6) PP
Return on equity after tax	27.3%	24.0%	3.3 PP	30.0%	30.4%	(0.4) PP
Net interest margin (average interest-bearing assets)	5.23%	5.33%	(0.10) PP	5.53%	5.42%	0.11 PP
Cost/income ratio	40.6%	37.7%	2.9 PP	45.8%	35.9%	10.0 PP

1 Previous-year figures adapted due to changed allocation (adjustments in order to increase transparency). Further information can be found in the notes, chapter principles underlying the consolidated statements under changes to the income statement.

As in the previous year, profit after tax was affected by currency volatility (the Belarusian ruble depreciated by 7 per cent year-on-year, while the Russian ruble and Ukrainian hryvnia both fell 5 per cent). In Ukraine, higher income from corporate and retail customer business, as well as lower interest expenses due to changes in the product mix and maturity split, resulted in an increase of € 18 million in net interest income. Net fee and commission income also increased in Russia as a result of higher volumes, mainly in customer resources distributed but not managed and foreign exchange business, primarily in forward foreign exchange contracts. The net trading income and fair value result declined due to valuation effects relating to derivatives and debt securities, mostly in Russia. General administrative expenses were up as a result of higher advertising and IT expenses in Russia and Ukraine, as well as increases in salaries and social security costs and staff-related taxes. In the same period of the previous year, impairments on non-financial assets - mainly relating to real estate in Russia - totaling € 15 million were also recognized, the valuation thereof led to a reversal of € 12 million in the reporting period. Risks costs were down € 19 million due to improved economic conditions. In contrast, Belarus posted impairment losses of € 28 million as a result of EU sanctions. In addition, provisions of € 25 million were recognized to reflect geopolitical uncertainties in Ukraine and € 13 million for sanctions (credit portfolio for potentially sanctioned customers) in Russia.

	Belarus		Russia		Ukraine	
in € million	2021	2020[1]	2021	2020[1]	2021	2020[1]
Net interest income	82	83	744	741	254	236
Dividend income	0	0	0	2	1	0
Current income from investments in associates	0	0	2	0	0	0
Net fee and commission income	62	57	420	374	91	88
Net trading income and fair value result	8	11	(27)	30	14	15
Net gains/losses from hedge accounting	0	0	(1)	(1)	0	0
Other net operating income	2	(1)	(7)	(4)	(10)	2
Operating income	**155**	**150**	**1,131**	**1,141**	**350**	**341**
General administrative expenses	(63)	(64)	(435)	(402)	(166)	(149)
Operating result	**92**	**86**	**696**	**739**	**184**	**192**
Other result	0	(1)	5	(16)	(3)	(8)
Governmental measures and compulsory contributions	(3)	(4)	(39)	(32)	(8)	(7)
Impairment losses on financial assets	(25)	(15)	(72)	(110)	(23)	(14)
Profit/loss before tax	**64**	**66**	**591**	**581**	**150**	**163**
Income taxes	(16)	(19)	(117)	(122)	(28)	(30)
Profit/loss after tax	**49**	**47**	**474**	**459**	**122**	**133**

1 Previous-year figures adapted due to changed allocation (adjustments in order to increase transparency). Further information can be found in the notes, chapter principles underlying the consolidated statements under changes to the income statement.

Group Corporates & Markets

in € million	2021	2020[1]	Change	Q4/2021	Q3/2021	Change
Net interest income	607	582	4.2%	181	143	26.4%
Dividend income	5	8	(39.5)%	2	1	90.9%
Current income from investments in associates	4	2	129.3%	2	0	–
Net fee and commission income	536	417	28.4%	145	139	4.3%
Net trading income and fair value result	60	93	(35.0)%	17	0	–
Net gains/losses from hedge accounting	(1)	3	–	(1)	0	153.6%
Other net operating income	131	113	16.1%	39	28	40.9%
Operating income	**1,343**	**1,219**	**10.2%**	**385**	**310**	**24.0%**
General administrative expenses	(703)	(678)	3.7%	(193)	(172)	12.5%
Operating result	**640**	**541**	**18.3%**	**192**	**139**	**38.3%**
Other result	(5)	(8)	(38.4)%	(7)	1	–
Governmental measures and compulsory contributions	(41)	(35)	16.5%	(10)	(6)	58.9%
Impairment losses on financial assets	(79)	(134)	(41.4)%	(31)	(15)	108.0%
Profit/loss before tax	**516**	**365**	**41.6%**	**145**	**119**	**21.8%**
Income taxes	(110)	(76)	44.0%	(29)	(21)	42.0%
Profit/loss after tax	**406**	**288**	**41.0%**	**115**	**98**	**17.5%**
Return on equity before tax	14.4%	10.8%	3.7 PP	16.2%	15.2%	1.0 PP
Return on equity after tax	11.4%	8.5%	2.8 PP	12.9%	12.5%	0.4 PP
Net interest margin (average interest-bearing assets)	1.10%	1.07%	0.02 PP	1.26%	1.03%	0.23 PP
Cost/income ratio	52.3%	55.6%	(3.3) PP	50.2%	55.3%	(5.2) PP

1 Previous-year figures adapted due to changed allocation (adjustments in order to increase transparency). Further information can be found in the notes, chapter principles underlying the consolidated statements under changes to the income statement.

The year-on-year increase in profit after tax was mainly due to the € 124 million rise in operating income and the € 56 million decline in risk costs. The main driver of the improvement in operating income was a significant increase in net fee and commission income. This rise in income was predominantly generated in loan and guarantee business, clearing, settlement and payment services, investment banking at head office, as well as from higher income from investment fund management at Raiffeisen Kapitalanlage-Gesellschaft. The increase in net interest income mainly resulted from loan growth and COVID-19 bonus claims under the ECB's TLTRO III program. The decline in risk costs mainly reflected lower Stage 2 und Stage 3 loan loss provisions year-on-year at head office.

Corporate Center

in € million	2021	2020[1]	Change	Q4/2021	Q3/2021	Change
Net interest income	(10)	(77)	(87.2)%	11	(4)	–
Dividend income	1,000	650	54.0%	358	35	>500.0%
Current income from investments in associates	35	36	(2.7)%	8	12	(27.1)%
Net fee and commission income	22	20	8.9%	1	9	(83.3)%
Net trading income and fair value result	(32)	(78)	(58.9)%	(3)	(13)	(79.7)%
Net gains/losses from hedge accounting	(2)	4	–	(1)	1	–
Other net operating income	137	113	21.1%	54	35	55.4%
Operating income	**1,151**	**668**	**72.2%**	**429**	**75**	**474.9%**
General administrative expenses	(405)	(371)	9.1%	(113)	(98)	15.9%
Operating result	**746**	**297**	**151.0%**	**316**	**(23)**	**–**
Other result	67	(101)	–	4	8	(51.7)%
Governmental measures and compulsory contributions	(35)	(72)	(51.6)%	0	1	–
Impairment losses on financial assets	6	(2)	–	7	0	–
Profit/loss before tax	**784**	**122**	**>500.0%**	**326**	**(15)**	**–**
Income taxes	75	36	109.8%	32	18	80.1%
Profit/loss after tax	**859**	**157**	**446.1%**	**359**	**3**	**>500.0%**

1 Previous-year figures adapted due to changed allocation (adjustments in order to increase transparency). Further information can be found in the notes, chapter principles underlying the consolidated statements under changes to the income statement.

The year-on-year increase in profit after tax was driven primarily by a € 351 million rise in intra-Group dividend income. The other result improved due to reversals of impairment on investments in associates valued at equity totaling € 66 million, following an impairment on investments in associates valued at equity of € 74 million and a € 27 million goodwill impairment relating to Raiffeisen Kapitalanlage-Gesellschaft were recognized in the previous year. The reduction in expenses for governmental measures and compulsory contributions was largely due to the final payment of the special bank levy in Austria in the previous year (€ 41 million).