

# Annual Financial Report 2019

# Annual Financial Report 2019: An Overview

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This is a translation from German. In case of any discrepancies between the English and German version, the German text shall prevail and be binding.

# The Company

## Key Data of Raiffeisen Centrobank AG

in € thousand / in per cent	2019	2018	Change
<b>Key ratios</b>			
Operating income	59,292	59,759	(0.8%)
Operating expenses	(44,898)	(42,366)	6.0%
Result on ordinary activities	14,546	15,728	(7.5%)
Net profit for the year	11,573	13,004	(11.0%)
Balance sheet total	4,440,234	3,735,352	18.9%
Return-on-Equity before tax	12.5%	13.8%	-
Return-on-Equity after tax	9.9%	11.4%	-
Overall Return-on-Assets (after tax)	0.3%	0.3%	-
Cost/income ratio	75.7%	70.9%	-
<b>Bank-specific information</b>			
Core capital	108,094	112,343	(3.8%)
Total risk-weighted assets	520,337	475,262	9.5%
Surplus of own funds	66,467	74,322	(10.6%)
Core capital ratio	20.8%	23.6%	-
Core capital ratio/credit risk	73.1%	76.0%	-
Own funds ratio	20.8%	23.6%	-
Liquidity coverage ratio (LCR)	291.1%	219.6%	-
<b>Non-financial performance indicators</b>			
Employees at year-end	195	191	2.1%
Average number of employees	195	186	4.8%
Stock exchange memberships	10	10	-
Number of newly issued warrants and certificates	4,174	4,869	(14.3%)

## Preface by the Chairman of the Supervisory Board



### Dear Ladies and Gentlemen,

During the 2019 financial year, the members of the Supervisory Board and its Committees were informed in a timely and comprehensive manner by the Management Board about the different business areas, risk assessments and relevant business developments in Raiffeisen Centrobank AG. Information was provided verbally as well as in written form and enabled the Supervisory Board to fulfill its duty to supervise and advise the Management Board.

The year 2019 brought changes to Raiffeisen Centrobank AG: from a leadership point of view, the appointment of Harald Kröger as CEO and Heike Arbter as Member of the Management Board as of 1 May 2019 should be highlighted. They succeeded Wilhelm Celeda, who became CEO of Kathrein Privatbank Aktiengesellschaft (Kathrein), and Valerie Brunner, who returned to Raiffeisen Bank International AG (RBI). As CEO Mr. Kröger is responsible for the Legal & Participations, Human Resources, Risk, Compliance, Finance, Audit, IT as well as Operations divisions and, thus, also performs the functions of Chief Risk Officer and Chief Financial Officer. Ms Arbter is responsible for the core business areas of Structured Products, Global Equity Sales, Equity Capital Markets, Trading & Treasury and Investment Services, and brings her many years of experience in Raiffeisen Centrobank AG and excellent market background to the table.

From a business point of view, a strategic decision was taken regarding the Investment Services business of Raiffeisen Centrobank AG. Following a mutually agreed decision with RBI, the Investment Services division of Raiffeisen Centrobank AG and the customers served in this segment were transferred to Kathrein at the end of Q1 2020\*. Raiffeisen

Centrobank AG will focus on its strength in the securities business so that it can continue to successfully fulfil its role as a leading certificates and equities house. This decision supports the product focus of Raiffeisen Centrobank AG as the certificates and equities house of RBI, prevents overlaps in the private banking sector (a clear focus of Kathrein), and ensures that the investment services product will only be offered within one unit.

Against the backdrop of the changes within Raiffeisen Centrobank AG and the ongoing turbulent market environment, the performance of the employees during the past year was particularly positive. Raiffeisen Centrobank AG remained the biggest player on the Austrian stock market with a market share of 11.4 per cent of the trading market volume on the Vienna Stock Exchange, where it consolidated its position with 17 specialist and 39 market making mandates. The Structured Products division was able to close the year with an absolute record high open interest volume of EUR 4.6 billion. In the equity capital markets segment, Raiffeisen Centrobank AG was able to maintain its position on the Vienna Stock Exchange and concluded several equity transactions in Europe together with the RBI network banks.

As a final point, I would like to thank all those who helped achieve the good results in the previous year.

**Lukasz Januszewski**  
Chairman of the Supervisory Board

\* ) retroactively as at 30 June 2019

## CEO Editorial



**Ladies and Gentlemen,  
dear Reader,**

The year 2019 stood for both change and stability for Raiffeisen Centrobank AG. On 1 May 2019, Wilhelm Celeda and Valerie Brunner, who accounted for the Bank's development for many years, left the Management Board. Together with Heike Arbter, who has many years of experience in Raiffeisen Centrobank AG and is an outstanding securities expert, I took over the Management Board agendas in May 2019. We are committed to fulfilling these responsible tasks with professionalism, diligence and entrepreneurial vision.

The focus is on our core areas of business, Structured Products, Equity Trading and Sales, Equity Capital Markets and Company Research, which are the pillars for providing continuity and growth for Raiffeisen Centrobank AG. In the course of a strategic analysis in cooperation with RBI it was decided to demerge our Investment Services segment and to transfer it to Kathrein at the end of Q1 2020\*. Raiffeisen Centrobank AG is now focusing on the core equity business with its sound yield potential. As the competence center for certificates and equities in Austria and the CEE region we are confident to seize favorable business opportunities in these segments.

These changes within Raiffeisen Centrobank AG imply setting the course for the Bank's future and at the same time pursuing one major objective: to sharpen our profile based on our strengths, to motivate our employees and to win new talents for our teams, to service our customers with even greater product and service quality, to continuously expand our

market share, and to be well-prepared for the years to come. All Raiffeisen Centrobank AG employees are working jointly to achieve these goals with full dedication and commitment.

This is reflected in the 2019 annual result which yielded a record turnover in the Structured Products segment and a good contribution of the overall equity business against the backdrop of a persistently challenging business and stock exchange environment. Numerous national and international awards, which we won in the past year, underpin Raiffeisen Centrobank AG's outstanding achievements.

The impact of the Covid-19 crisis, which translated into negative economic effects and stock exchange slumps, poses considerable challenges for our business in the 2020 financial year, which we strive to contain by being all the more committed to providing our clients with customized products in this market phase.

I would like to express my thanks to our employees for their excellent work and commitment in the past year. Moreover, I would also like to thank our partners and customers for their good cooperation and confidence.

Best regards,

**Harald Kröger**  
CEO of Raiffeisen Centrobank AG

\*) retroactively as at 30 June 2019

**INNOVATION** Award winning

OUTSTANDING

COMPETENCE CENTER

# The year in review

## **8 January – Cross Sell Partner Award**

For the fourth time Tatra Banka acknowledges Raiffeisen Centrobank AG for its customized structured products, their performance and success rate.

## **17 – 18 January – First Turkish investor days in New York City**

For the first time Raiffeisen Centrobank AG 15 brings together Turkish listed companies and top US investors. The investor conference is met with interest by both companies and investors.

## **6 February – Raiffeisen Centrobank AG wins again Number One Awards by Börse Social Network**

Raiffeisen Centrobank AG receives the Number One Awards as largest certificates issuer and largest specialist/market maker for the fifth time in a row.

## **9 February – Stock exchange day in Vienna**

Raiffeisen Centrobank AG gives a market overview and shows which types of certificates provide attractive yields in the current market environment.

## **26 February – Raiffeisen Centrobank AG awarded Capital Market Leader by Warsaw Stock Exchange**

For the third time, Raiffeisen Centrobank AG is honored by the Warsaw Stock Exchange for its pioneering role in developing the Polish certificates market.

## **14 March – Raiffeisen Centrobank AG remains largest domestic specialist and market maker on the Vienna Stock Exchange**

In the annual specialist and market making tenders on the Vienna Stock Exchange, Raiffeisen Centrobank AG becomes again the largest domestic market participant in these segments.

## **1 – 3 April – Investor conference in Zürs**

More than 70 companies meet with 125 institutional investors such as pension funds, funds or insurance companies at the annual flagship conference in Zürs, which is organised by Raiffeisen Centrobank AG for the 18th time.

## **5 – 6 April – Invest Stuttgart**

The Structured Products team represents Raiffeisen Centrobank AG at the largest financial fair in German speaking countries and presents interesting investment opportunities with attractive yield potential in the current market environment.

## **1 May – Harald Kröger and Heike Arbter new members of Raiffeisen Centrobank AG's Management Board**

Harald Kröger becomes CEO and is responsible for the Bank's enabling functions. As member of the Management Board and long-standing structured products expert Heike Arbter oversees all business activities of Raiffeisen Centrobank AG. The two succeed Wilhelm Celeda and Valerie Brunner, who have assumed new management roles within the RBI Group.

#### **1 May – Raiffeisen Centrobank AG has a new setup in its markets area**

Philipp Arnold and Roman Bauer head the Structured Products area of the largest Austrian certificates provider. Ozgur Guyuldar heads the Equity Capital Markets (ECM) segment.

#### **10 May – Overall winner Certificate Award Austria 2019**

Raiffeisen Centrobank AG wins the award as best Austrian issuer in the 13th Certificate Award ceremony, the main award in the domestic certificates business. In the newly introduced category "Innovation of the Year", the Bank is honored for its online information and communication tool "Certificate Finder".

#### **15 May – Turkish day in Warsaw**

Raiffeisen Centrobank AG invites investors to meet the management and IR teams of top Turkish listed companies.

#### **18 – 19 September – Polish and Austrian days in Bucharest**

Two investor events of Raiffeisen Centrobank AG take place in Bucharest, bringing together Romanian investors with Polish and Austrian companies in numerous one-on-one meetings.

#### **30 September – Management Board dinner for potential issuers**

Together with RBI and the Vienna Stock Exchange, Raiffeisen Centrobank AG organizes a board dinner for 30 potential issuers and presents the benefits and challenges associated with a stock market listing.

#### **15 October – Raiffeisen Centrobank AG presse\_talk: focus on sustainable investments**

Heike Arbter (Member of the Management Board), Bernd Maurer (Head of Company Research) and Philipp Arnold (Head of Structured Products Sales) discuss current developments in investment strategies based on environmental, social and governance criteria.

#### **18 October – Romanian investors' day in Stockholm**

In cooperation with the Bucharest Stock Exchange, Raiffeisen Centrobank AG invites Romanian companies to meet with Scandinavian investors.

#### **17 – 18 October – GEWINN-fair**

At the summit of the Austrian economic and financial sector, Raiffeisen Centrobank AG presents its certificates and informs about investment opportunities for every market phase.

#### **21 November – Austrian day in Warsaw**

In cooperation with the Vienna Stock Exchange, Raiffeisen Centrobank AG invites Austrian companies to one-on-one meetings with Polish investors.

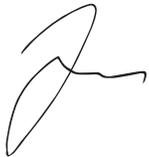
#### **18 December – Raiffeisen Centrobank AG celebrates 10th anniversary of cooperation with umbrella association for European certificates issuers**

In 2009, Zertifikate Forum Austria, chaired by Heike Arbter, and European partners founded the European Structured Investment Products Association (EUSIPA) in Brussels. Heike Arbter has been president of EUSIPA since 2016.

## Corporate Bodies

<b>Management Board</b>	<p>Wilhelm Celeda          Valerie Brunner          Harald Kröger          Heike Arbter</p>	<p>Chief Executive Officer until 30 April 2019          Member of the Management Board until 30 April 2019          Chief Executive Officer as from 01 May 2019          Member of the Management Board as from 01 May 2019</p>
<b>Supervisory Board</b>	<p>Łukasz Januszewski          Member of the Management Board,          Raiffeisen Bank International AG</p> <p>Hannes Mösenbacher          Member of the Management Board,          Raiffeisen Bank International AG</p> <p>Michael Höllerer          Chief Financial Officer,          Raiffeisen Bank International AG</p> <p>Andrii Stepanenko          Member of the Management Board,          Raiffeisen Bank International AG, Vienna</p> <p>Christian Moucka          General Management,          Raiffeisenbank Region Baden</p> <p>Matthias Zitzenbacher          General Management,          Raiffeisenbank Leoben-Bruck eGen (mbH)</p>	<p>Chairman</p> <p>Deputy Chairman</p> <p>Member</p> <p>Member</p> <p>Member as from 29 April 2019</p> <p>Member as from 29 April 2019</p>
<b>State Commissioners</b>	<p>Alfred Hacker          Karl-Heinz Tschepp</p>	

Vienna, 03 April 2020  
 The Management Board



**Harald Kröger**  
 Chief Executive Officer



**Heike Arbter**  
 Member of the Management Board

## Corporate Governance

Raiffeisen Centrobank AG's shares are not listed on a stock exchange. As leading Austrian issuer of structured products and as one of the most important securities brokers in Vienna and other financial centers, Raiffeisen Centrobank AG orients itself towards the rules and principles of good and responsible corporate governance as set forth in the Austrian Code of Corporate Governance to the extent that these rules and principles are applicable for Raiffeisen Centrobank AG. Raiffeisen Centrobank AG has not (yet) formally undertaken to comply with the Austrian Code of Corporate Governance.

Efficient collaboration between the various bodies of the Company based on a strong foundation of trust, protection of its shareholders' interests and open and transparent communication is a key element in Raiffeisen Centrobank AG's approach to good corporate governance. The following comments illustrate some aspects of Raiffeisen Centrobank AG's compliance with the Code in the reporting period (1 January to 31 December 2019).

### Management Board

The Management Board is made up of two people and has sole responsibility to manage the Company based on concrete goals, concepts and guidelines. The Management Board pursues a future-oriented approach taking into account standards of good corporate management and the interests of the public well-being.

The bylaws for the Management Board as adopted by the Supervisory Board stipulate that meetings of the Management Board shall be held at regular intervals. The Chairman of the Management Board shall convene and chair the meeting. The meetings of the Management Board focus on a mutual exchange of information and decision-making in all matters subject to approval by the Management Board. The Management Board conducts the business of the Company in accordance with the law, the Company bylaws and the bylaws for the Management Board. The bylaws for the Management Board contain stipulations regarding the disclosure and reporting obligations of the Management Board and formulate in concrete terms a list of business transactions that are subject to approval by the Supervisory Board.

### Rules for Proprietary Trading

The Management Board takes its decisions on the basis of the members' professional expertise and irrespective of any personal interests. Members of the Management Board disclose all material personal interests in transactions of Raiffeisen Centrobank AG to the Supervisory Board. Conflicts of interest have to be reported to Compliance and to the Supervisory Board. All transactions between Raiffeisen Centrobank AG and the members of the Management Board or parties related to them are conducted in accordance with generally accepted industry standards and are approved by the Supervisory Board in advance.

Members of the Management Board are not permitted to operate businesses or be officers in other business entities without the approval of the Supervisory Board unless these entities are in a group relationship with Raiffeisen Centrobank AG or unless Raiffeisen Centrobank AG holds an interest in these entities. Furthermore, members of the Management Board are not permitted to conduct business transactions on their own account or that of another party or to hold shares in another company as a personally liable partner in the areas in which Raiffeisen Centrobank AG is active without the approval of the Supervisory Board.

## Supervisory Board

The Supervisory Board monitors and assists the Management Board in the management of Raiffeisen Centrobank AG, in particular with regard to decisions of fundamental importance. The Supervisory Board has set up an Audit Committee.

The bylaws for the Supervisory Board and the Audit Committee formulate in concrete terms a list of business transactions that are subject to the approval of the Supervisory Board or the Audit Committee.

### Collaboration between the Supervisory Board and Management Board

A key principle of good corporate governance is the open discussion between the Management Board and the Supervisory Board or the Audit Committee and within these governing bodies.

The Management Board submits regular, timely and comprehensive reports to the Supervisory Board about all relevant aspects of the Bank's business development, including the risk situation and risk management measures at the Bank. The Management Board immediately reports all important events to the Chairman of the Supervisory Board and also all reports immediately on all circumstances that are of material relevance to the profitability or liquidity of the Company.

The Management Board coordinates the strategic orientation of the Company with the Supervisory Board and discusses the status of the implementation of the strategy at regular intervals with this Board. The Supervisory Board meets at least four times per financial year.

### Transparent Information Policy

Raiffeisen Centrobank AG attaches considerable importance to open and transparent communication with its shareholders and the interested public. Thus, Raiffeisen Centrobank AG provides on its website:

- Press releases, key data
- Shareholder structure
- Downloadable annual reports in PDF format
- Downloadable securities prospectuses in PDF format

### Criteria for the Independence of the Supervisory Board Members for the Purposes of the Austrian Code of Corporate Governance

A Supervisory Board member is considered to be independent when he or she is not in any business or personal relationship with the Company or its Management Board that could cause a material conflict of interest and that could therefore influence the behavior of the Board member.

**All members of the Supervisory Board of Raiffeisen Centrobank AG are independent according to the defined criteria for independence.**

**Moreover, two members of Raiffeisen Centrobank AG's Supervisory Board fulfil the criteria for the independence of Supervisory Board Members pursuant to § 28a para 5b of the Austrian Banking Act.**

## Compliance

The department Compliance, Operational Risk and ICS (Internal Control System) assumes responsibility for monitoring the non-financial risks within Raiffeisen Centrobank AG. These areas of responsibility have been bundled into one organizational unit which provides for the overall assessment and integrated control of non-financial risks, the rapid reaction to newly emerging or changing risks, and the safeguarding of the efficiency and efficacy of internal controls.

The internal control systems and the management of non-financial risks are based on three lines of defense. The first line of defense is formed by individual departments, where department heads are responsible for monitoring the processes and risks in their business areas. The second line of defense is provided by specialist areas focused on specific issues. These include in particular Compliance, Operational Risk and ICS. Their primary aim is to define standards for monitoring, measuring and managing risk, and to support the individual departments when carrying out control steps. Internal Audit acts as the third line of defense in the monitoring process, overseeing the first and second line of defense.

Compliance, Operational Risk and ICS is subordinate to the Chief Risk Officer (CRO) but reports directly to the entire Management Board and the Supervisory Board. Moreover, there is a continuous exchange of information with RBI's Group Compliance. These comprehensive measures provide for an effective implementation of the high standards required by statutory demands.

Raiffeisen Centrobank AG applies RBI's Group Compliance guidelines as the basis for its compliance guidelines, in addition to relevant legal and regulatory provisions. As a subsidiary of RBI the provisions contained in

RBI's Code of Conduct are binding for and shall be observed by all employees of Raiffeisen Centrobank AG. The provisions have been implemented within Raiffeisen Centrobank AG in a binding set of rules including e.g. the Compliance and Anti-Money-Laundering Manual and organizational instructions.

Core compliance-related issues in Raiffeisen Centrobank AG include procedures and measures to prevent insider trading and market manipulation, and periodic reviews of the adherence to the Execution Policy when executing customer orders. Moreover, major tasks include measures and procedures to prevent money laundering, terrorist financing, conflicts of interest, adherence to (financial) sanctions, implementation and monitoring of regulations for employee transactions and acceptance of gifts as well as training for employees. In addition, Compliance, Operational Risk and ICS is responsible for handling the complaint management at Raiffeisen Centrobank AG.

With MiFID II/MiFIR (Markets in Financial Instruments Directive II/Markets in Financial Instruments Regulation) which are based on MiFID I, the rules for equity trading and investment advisory services (e.g. stricter rules for OTC transactions, comprehensive customer information requirements etc.) have been amended and tightened.

The PRIIP regulations (Packaged Retail and Insurance-based Investment Products) extend customer information obligations for PRIIP issuers, such as Raiffeisen Centrobank AG. Retail investors must be provided with standardized information (key information documents) on the basic features and risks associated with a product.

# Management Report of Raiffeisen Centrobank AG for the 2019 Financial Year

The addition of rounded numbers using automated systems, as was done for this report, may result in minor differences in amounts. The changes indicated in per cent refer to the actual amounts and not the rounded amounts shown in this report.

All designations that are used to refer to persons in this report apply equally to both genders unless reference is being made to a specific individual.

## Economic Environment

In 2019, the Gross Domestic Product (GDP) in the Eurozone rose by 1.2 per cent and fell short of the previous year's growth rate of 1.8 per cent. The various industries displayed a very heterogeneous development. While the industrial sector faced a substantial decrease, the services and construction sector posted a continued robust development. In the course of the year, the unemployment rate dropped from 4.9 per cent in 2018 to 4.6 per cent. The inflation rate came to 1.2 per cent and clearly undercut the 2 per cent target rate of the European Central Bank (ECB).

Shored up by the favorable winter half-year of 2018/19, the Austrian real GDP growth rate 2019 came to 1.6 per cent (2018: 2.4 per cent) and surpassed the average Eurozone rate of 1.2 per cent. Nevertheless, the Austrian economy lost momentum over the course of the year. Since spring 2019, the domestic industrial production has dampened in the global context though up to then Austria had managed to remarkably decouple from the German industrial weakness. Foreign trade dynamics also wore off in view of the challenging external environment but showed positive stimuli. Companies noticeably cut back capital spending on plant and equipment. Private consumption proved to be a key pillar of the economy supported by the positive labor market situation and the increase of disposable income of households.

The economic performance of the Central and Eastern Europe (CEE) region, which is of particular importance for Raiffeisen Centrobank AG, remained robust and showed a substantial economic upswing for the sixth consecutive year, with the 2019 growth rate falling only marginally short of the previous year's level. The main drivers were once again domestic demand, particularly private consumption which was bolstered by sound salary increases and low unemployment rates.

## Financial Markets

Until summer 2019, the ECB left key rates unchanged, only principal payments of the bond portfolio were reinvested. At the meeting beginning of September, the ECB adopted a new set of monetary easing measures

to support the flagging economy. Measures included the reduction of the deposit rate for commercial banks from minus 0.4 per cent to minus 0.5 per cent and the relaunch of net bond purchases. The ECB's monetary policy caused money market rates and yields of German government bonds to drop to historical lows in the course of the year. Between August and mid-October, 30-year German government bonds recorded negative yields for the first time.

The stock exchanges can look back on an extremely pleasing year 2019. However, it was a rough road because of the trade dispute between the USA and China, Brexit uncertainties, recessionary fears in the industry, mainly the automotive industry, and tensions in the Near East. The ECB's and US Federal Reserve's monetary easing policy provided the stock markets with strong tailwind. The US stock market in terms of the S&P 500 gained 29 per cent and recorded all-time highs. The Eurozone benchmark Euro STOXX 50 went up by 25 per cent and the ATX rose by 16 per cent, and, under consideration of dividends, yielded 19 per cent.

## Development of Business and Earnings 2019

### Development of Earnings

With an operating income of € 59,292 thousand (2018: € 59,759 thousand) and operating expenses of € 44,898 thousand (2018: € 42,366 thousand) an operating result of € 14,394 thousand (2018: € 17,393 thousand) was generated in the 2019 financial year. Taking into consideration net valuations and net proceeds in the amount of € 152 thousand (2018: € minus 1,665 thousand) the result on ordinary activities came to € 14,546 thousand. The previous year's result on ordinary activities of € 15,728 thousand was undercut by € 1,182 thousand or 7.5 per cent.

in € thousand	2019	2018	Change
Net interest result	(39,652)	(19,398)	> 100
Income from securities and financial investments	13,305	11,427	16.4
Net fee and commission result	(1,731)	(935)	85.2
Net profit of financial trading activities	86,471	67,521	28.1
Other operating income	898	1,144	(21.5)
<b>Operating income</b>	<b>59,292</b>	<b>59,759</b>	<b>(0.8)</b>
Staff expenses	(24,133)	(23,907)	0.9
Other administrative expenses	(19,383)	(17,084)	13.5
Depreciation	(1,040)	(1,043)	(0.3)
Other operating expenses	(341)	(332)	2.7
<b>Operating expenses</b>	<b>(44,898)</b>	<b>(42,366)</b>	<b>6.0</b>
<b>Operating result</b>	<b>14,394</b>	<b>17,393</b>	<b>(17.2)</b>
Net valuations and net proceeds	152	(1,665)	>100
<b>Result on ordinary activities</b>	<b>14,546</b>	<b>15,728</b>	<b>(7.5)</b>
Taxes	(2,973)	(2,724)	9.1
<b>Net income for the year</b>	<b>11,573</b>	<b>13,004</b>	<b>(11.0)</b>

Compared to the previous year's result, operating income decreased slightly by 0.8 per cent or € 468 thousand to € 59,292 thousand (2018: € 59,759 thousand). This decrease was in particular attributable to lower net interest income and lower net fee and commission result.

Net interest result rose to € minus 39,652 thousand (2018: € minus 19,398 thousand). This was related to higher coupon expenses for securitized liabilities (structured products).

Depending on the hedge, these expenses were contrasted with interest income and - as described below in net profit on financial trading activities - with a positive valuation result from tradable money market deposits in the net profit on financial trading activities (trading profit). In 2019, coupon expenses contained in the net interest result posted a strong rise compared to the previous year's result, whereas coupon income rose only slightly. In 2019, net valuations included in the net profit on financial trading activities increased accordingly.

Compared to the previous year, interest expenses went up by € 22,699 thousand to € 71,307 thousand. In addition to the strong rise of coupon payments for securitized liabilities, interest expenses for liabilities to credit institutions posted a volume-related increase.

Due to higher interest income from loans and advances to credit institutions, interest income rose by € 2,445 thousand to € 31,656 thousand.

Net fee and commission result was negative both in 2019 and 2018. The decrease by € 796 thousand to € minus 1,731 thousand was due to higher expenses for sales fees and lower fee income from the Investment Services business which were only partly offset by higher income derived from equity capital market transactions.

Net profit on financial trading activities accounted for the main part of the operating income and went up substantially by € 18,950 thousand from € 67,521 thousand in 2018 to € 86,471 thousand in 2019. This improvement was attributable to higher coupon payments for structured products and the related hedging strategy. In 2019, these payments were hedged primarily by tradable money market deposits without current coupons held in the trading book. In the previous year, options which yielded current coupons and were contained in interest income were used more frequently as hedges. The total result of tradable deposits including interest were contained in net profit on financial trading activities (trading profit).

The rise of income from securities and financial investments by € 1,878 thousand to € 13,305 thousand was mainly due to higher dividend income from domestic shares.

Other operating income posted a decrease of € 246 thousand to € 898 thousand following lower income from the release of provisions and lower income from charging costs to third parties.

Operating expenses came to € 44,898 thousand and surpassed the previous year's result (€ 42,366 thousand) by 6.0 per cent or € 2,532 thousand.

The increase in headcount and collective adjustments translated into a rise of staff expenses by € 226 thousand to € 24,133 thousand.

Compared to the previous year's period, other administrative expenses went up by € 2,299 thousand to € 19,383 thousand. The item included mainly expenses for information services coming to € 4,670 thousand (2018: € 3,298 thousand), IT costs coming to € 3,595 thousand (2018: € 3,472 thousand) and contributions to associations, domestic and foreign

supervisory authorities and payments to the resolution fund adding up to € 2,260 thousand (2018: € 2,224 thousand).

Depreciations came to € 1,040 thousand and remained almost unchanged to 2018 (€ 1,043 thousand). Depreciations for hardware posted a rise, whereas depreciations for low-value assets decreased.

Other operating expenses, which primarily contained expenses charged to third parties, came to € 341 thousand and remained almost unchanged to 2018 (€ 332 thousand).

The cost/income ratio which had been at 70.9 per cent in 2018 increased to 75.7 per cent triggered by the rise in operating expenses and roughly unchanged operating income.

In 2019, net valuations and net proceeds were positive and came to € 152 thousand. The item contained mainly the current adjustment of general impairment allowances calculated pursuant to the methodology laid down in IFRS 9 and added up to € 206 thousand. Moreover, the item contained expenses for a liability of a subsidiary (€ 69 thousand). In the previous year, net valuations and net proceeds were negative (€ minus 1,665 thousand) mainly due to expenses not covered by provisions relating to a liability for a subsidiary.

In the reporting year, the result on ordinary activities came to € 14,546 thousand compared to € 15,728 thousand achieved in the previous year.

Current income taxes amounted to € 2,095 thousand (2018: € 2,397 thousand). The item contained expenses for group charges for the current business year adding up to € 859 thousand (2018: € 1,046 thousand) and for previous years in the amount of € 49 thousand (2018: € 216 thousand). Moreover, the item included withholding taxes on foreign dividend income in the amount of € 1,182 thousand (2018: € 1,059 thousand) and a provision for current corporate income taxes for the Slovak branch adding up to € 6 thousand (2018: € 77 thousand).

In 2019, income from deferred taxes rose to € 52 thousand compared to € 4 thousand in the previous year.

In the reporting year, other taxes included primarily statutory bank levies of Raiffeisen Centrobank AG and the Slovak branch summing up to € 930 thousand (2018: € 331 thousand). The rise of tax expenses can be put down to non-periodic tax income from value-added taxes in the previous year amounting to € 348 thousand. Statutory bank levies of Raiffeisen Centrobank AG and the Slovak branch amounted to € 919 thousand in 2019 and to € 689 thousand in 2018.

Net income for the 2019 financial year came to € 11,573 thousand (2018: € 13,004 thousand).

## Balance Sheet Development

Compared to 31 December 2018, the balance sheet total increased significantly by 18.9 per cent from € 3,735,352 thousand to € 4,440,234 thousand.

On the asset side, "Loans and advances to credit institutions" posted a rise by € 741,465 thousand to € 3,776,856 thousand. The increase was almost entirely attributable to the rise of tradable money market deposits of € 559,632 thousand to € 2,933,576 thousand. Moreover, the item included interbank deposits (€ 487,043 thousand), unlisted bonds (€ 238,687 thousand) and collateral for the option business and securities lending (€ 63,673 thousand). Compared to the year-end 2018, interbank depo-

sits and unlisted bonds went up by € 156,779 thousand and € 72,258 thousand, respectively, whereas collateral for the option business dropped by € 94,968 thousand. "Loans and advances to credit institutions" accounted for 81.3 per cent of the balance sheet total as at 31 December 2018 and rose to 85.1 per cent as at 31 December 2019.

"Shares and other variable-yield securities" (7.5 per cent of the balance sheet total on 31 December 2019 and 4.7 per cent on 31 December 2018) increased by € 158,018 thousand to € 335,160 thousand. Mainly foreign shares and other variable-yield securities (funds) posted a rise.

"Other assets" (4.4 per cent of the balance sheet total on 31 December 2019 and 3.4 per cent on 31 December 2018) contained mainly positive fair values from trading in derivative financial instruments adding up to € 191,192 thousand (31 December 2018: € 127,094 thousand) and went up by € 65,463 thousand to € 193,663 thousand (31 December 2018: € 128,200 thousand).

"Deposits with central banks" (1.2 per cent of the balance sheet total on 31 December 2019 and 6.3 per cent on 31 December 2018) decreased by € 183,812 thousand to € 51,093 thousand mainly due to higher deposits at credit institutions for reasons of liquidity management.

"Loans and advances to customers" (1.0 per cent of the balance sheet total on 31 December 2019 and 3.2 per cent on 31 December 2018) decreased primarily further to a drop of collateral for the option business to other financial institutions by € 73,947 thousand to € 46,266 thousand. Moreover, loans and advances to customers also recorded a decrease.

In annual comparison, "Bonds, notes and other fixed-interest securities" (0.4 per cent of the balance sheet total on 31 December 2019 and 0.5 per cent on 31 December 2018) fell by € 2,115 thousand to € 18,330 thousand.

"Prepayments and other deferrals" (0.0 per cent of the balance sheet total on 31 December 2019 and 0.0 per cent on 31 December 2018) decreased by € 312 thousand to € 1,263 thousand.

"Equity participations" posted a slight increase by € 616 due to the purchase of a participation in Raiffeisen-Digital GmbH. The participation in Österreichische Raiffeisen-Einlagensicherung eGen was sold (book value € 100).

On the equity and liabilities side "Securitized liabilities" (78.7 per cent of the balance sheet total on 31 December 2019 and 73.6 per cent on 31 December 2018) went up by € 745,281 thousand to € 3,494,556 thousand. This was attributable to a volume-related increase of issued bonds (guarantee certificates and reverse convertible bonds) by € 366,050 thousand as well as of other securitized liabilities (certificates with option character and warrants) by € 379,231 thousand.

The rise of "Liabilities to customers" (10.5 per cent of the balance sheet total on 31 December 2019 and 9.8 per cent on 31 December 2018) by € 101,514 thousand to € 466,489 thousand was primarily associated with rise in deposits from foreign customers as well as collateral for the option business to other financial institutions. Moreover short-term deposits from domestic customers also recorded an increase.

"Liabilities to credit institutions" (1.2 per cent of the balance sheet total on

31 December 2019 and 0.4 per cent on 31 December 2018) increased by € 37,625 thousand to € 51,978 thousand in particular due to a rise of collateral for the option business.

"Other liabilities" (6.5 per cent of the balance sheet total on 31 December 2019 and 12.5 per cent on 31 December 2018) dropped by € 179,782 thousand to € 287,755 thousand mainly because of a decrease of negative fair values of derivative financial instruments (options, futures and forward exchange contracts) by € 182,631 thousand. Short-selling of trading assets also decreased by € 14,923 thousand. Short-selling was effected in connection with the market making activities of Raiffeisen Centrobank AG and in connection with pension plans and represented offsetting items to equity and index futures as well as to cash positions on the asset side of the balance sheet.

Sundry other liabilities including settlement accounts on the equity and liabilities side posted a rise in particular because of higher short-term charges from securities transactions not yet settled as at 31 December 2019 as well as the liability regarding an equity capital market transaction adding up to € 17,772 thousand.

Tradable money market deposits, unlisted options and zero bonds purchased from RBI for hedging purchases were included in "Loans and advances to credit institutions", "Other assets" and "Bonds, notes and other fixed-interest securities" on the asset side and came to € 2,958,816 thousand (31 December 2018: € 2,393,967 thousand).

"Provisions" (0.3 per cent of the balance sheet total on 31 December 2019 and 0.3 per cent on 31 December 2018) dropped from € 12,153 thousand as at 31 December 2018 to € 11,183 thousand as at 31 December 2019. This resulted mainly from the drop of other provisions of € 1,226 thousand.

"Retained earnings" (0.8 per cent of the balance sheet total on 31 December 2019 and 0.9 per cent on 31 December 2018) rose from € 32,160 as at 31 December 2018 to € 34,685 as at 31 December 2019. The change related solely to other reserves and was attributable to the allocation from the 2018 net profit carried forward in the amount of € 2,524 thousand.

The net profit (0.3 per cent of the balance sheet total on 31 December 2019 and 0.3 per cent on 31 December 2018) was equal to the net income for the year and came to € 11,573 thousand.

## Financial Instruments

Please refer to the notes.

### Raiffeisen Centrobank AG Slovak Branch

The establishment of a branch in Bratislava (Raiffeisen Centrobank AG Slovak Branch, pobočka zahraničnej banky) was approved by the European Central Bank and was registered in the Company Register on 26 April 2017. The business purpose of the branch is to issue and distribute structured products on the Slovak market. The business volume as well as income and expenses attributable to the branch office are included in these financial statements.

In 2019, the Slovak branch placed a total issue volume of roughly € 29 million (2018: roughly € 45 million).

## Review of Business Segments

Raiffeisen Centrobank AG is one of the largest players in equities and structured products on the Vienna Stock Exchange and holds a key position in the markets in Central and Eastern Europe.

### Trading & Treasury

Compared to the 2018 financial year, the spot market of the Vienna Stock Exchange recorded a decrease in sales volume of 10.6 per cent to € 63.4 billion (2018: € 70.9 billion). The leading European exchanges Frankfurt and Euronext also posted a drop by 12.6 per cent and 8.1 per cent to € 1,344 billion (2018: € 1,538 billion) and € 1,713 billion (2018: € 1,864 billion). The sales volume on the spot market of the exchange in Warsaw came to € 44.9 billion and went down by 7 per cent (2018: € 48.3 billion). The CEE exchanges Budapest, Bucharest and Prague also saw diminished sales volumes reporting € 7.9 billion (2018: € 8.7 billion), € 1.8 billion (2018: € 2.1 billion) and € 4.2 billion (2018: € 5.5 billion), respectively.

In market making on the Vienna Stock Exchange, Raiffeisen Centrobank AG recorded a volume of € 1.7 billion, which corresponds to a decrease of 13 per cent compared to the previous year's period (€ 2 billion). In terms of sales volumes Raiffeisen Centrobank AG ranked 4th in market making on the Vienna Stock Exchange and, with a market share of 11.4 per cent, the Bank remains the largest domestic market maker (2018: 13 per cent). In the annual specialist and market making tender Raiffeisen Centrobank AG received 17 specialist and 39 market maker mandates and is thus the sole market maker to fully cover the Austrian Prime Market.

Moreover, Raiffeisen Centrobank AG took over mandates for 20 Russian titles and 4 additional stocks on the Vienna Stock Exchange (2018: 20 Russian titles and 2 stocks). On the exchange in Frankfurt, Raiffeisen Centrobank AG held 25 mandates for Austrian listed shares and acted as market maker for 15 German shares (2018: market making for 25 Austrian and 2 German shares).

On the exchange in Warsaw, Raiffeisen Centrobank AG substantially expanded its mandates and provided market making for 53 shares (2018: 25 shares), 6 equity indices, 42 underlyings, futures and WIG20 options. On the stock exchange in Bucharest Raiffeisen Centrobank AG provided liquidity for 10 shares and on the exchange in Prague market making was provided for 19 stocks (2018: 11 and 22 respectively). On the EUREX Raiffeisen Centrobank AG provided liquidity for listed derivatives on 26 underlyings.

Operating income excluding other operating income for Trading & Treasury came to € 16.5 million and surpassed the previous year's result of € 13.1 million by 26 per cent.

### Equity business

In 2019, Raiffeisen Centrobank AG focused on marketing Austrian and Eastern European listed companies within its equity and equity trading business. At the annual investor conference in Zürich, more than 70 leading listed companies presented themselves to 125 institutional investors. In addition, 11 conferences were successfully organised in Bucharest, London, New York, Stockholm and Warsaw. In the reporting year, Raiffeisen Centrobank AG again intensified its corporate access activities with 116 roadshow days in 17 destinations in the USA and Europe as well as 25 lunch presentations in Vienna.

In 2019, the team Execution & Electronic Trading was merged with Sales & Sales Trading to even better service customers, enhance efficiency and

reduce core costs. The new entity was named **Global Equity Sales** and comprised both the equity sales business (formerly Sales & Sales Trading) and the new Electronic Sales Trading team. Shored up by 22 sales roadshows, Electronic Sales Trading managed to further expand its customer base and to increase revenues. The result was further supported by implementing efficiency-enhancing measures to reduce transaction costs. The Best Execution Monitoring tool was successfully marketed and developed further. In this respect, Raiffeisen Centrobank AG has turned into a major MiFID II competence center within the Raiffeisen Group.

For the Global Equity Sales segment, operating income excluding other operating income amounted to € 8.2 million in the 2019 financial year and exceeded the previous year's level of € 6.6 million by roughly 23 per cent.

In 2019, Europe saw a total of 40 initial public offerings (IPOs) with an offering volume of over € 75 million each, which represents a decrease compared to 2018 with 82 IPOs. In Central and Eastern Europe (CEE), only one IPO worth more than € 75 million took place. The Vienna Stock Exchange recorded three IPOs in 2019, which was the most active IPO year for a long time.

Raiffeisen Centrobank AG participated in nine **Equity Capital Markets** (ECM) transactions which took place in Austria, Central and Eastern Europe and Western Europe.

An important milestone was the € 1 billion IPO of Verallia S.A. on the Euronext Paris, which was among the largest European IPOs in 2019. Furthermore, Raiffeisen Centrobank AG participated in the IPO of Aluflex-pack AG on the Swiss Exchange.

In CEE, Raiffeisen Centrobank AG executed its first ECM transaction on the Turkish capital market, i.e. the placement of a stake in a Turkish IT company.

Following the Purcari Wineries IPO on the Bucharest Stock Exchange in 2018, Raiffeisen Centrobank AG co-managed an accelerated bookbuilding of the wine exporter's shares on the Romanian market.

In Austria the IPO of Addiko Bank AG and the execution of the share buy-back of BAWAG Group AG, which was the largest in the history of the Vienna Stock Exchange, were notable ECM highlights.

Raiffeisen Centrobank AG provided comprehensive advisory services and marketed its competencies in cooperation with the national Raiffeisen units and thus created a sound basis for collaboration in the 2020 financial year. Against the backdrop of intensive talks with customers and preparations, Raiffeisen Centrobank AG's ECM team maintains a confident outlook regarding transactions in Austria and the CEE region in the 2020 financial year. Transactions are anticipated to take place mainly on the Austrian, Russian and Turkish markets.

For the Equity Capital Markets segment, operating income excluding other operating income amounted to € 1.8 million in the 2019 financial year and exceeded the previous year's level of € 1.4 million by 29 per cent.

The **Company Research** team covers roughly 125 companies from Austria, the CEE region and Russia. In annual comparison, the number of coverages slightly increased to 125 (from roughly 120 in 2018). To expand the regional approach, coverage of the Turkish market is provided in cooperation with the Turkish broker Global Securities. Raiffeisen Centrobank AG's Company Research team consists of 20 analysts both in the Vienna headquarters and several CEE countries. The analysts provide

long-standing sector expertise in tandem with profound local market know how and a sectoral approach across the entire region.

In the 2019 financial year, the Company Research team published roughly 1,000 research reports and marketed them to institutional investors in Western and Eastern Europe as well as in the USA. Analysts played a key role in the successful IPOs of Aluflexpack in Zurich, Verallia in Paris and Addiko on the Vienna Stock Exchange. The IPOs were supported by comprehensive transaction research and investor education provided by the analyst team. Moreover, "Spotlight Research", a new co-sponsored research product focusing on small & micro caps was launched.

Expenses of Company Research are included in the Trading & Treasury, Global Equity Sales, ECM und Structured Products segments.

### Structured Products

In the 2019 financial year, the Structured Products business segment again achieved a very favorable result. Sales volume and issuance activity were at or above the 2018 record level. In 2019, 10,369 products were publicly offered by Raiffeisen Centrobank AG (2018: 11,362) and 4,174 certificates were issued (2018: 4,869 certificates). In November 2019, the Austrian certificates market reached a new all-time high with € 15.1 billion and Raiffeisen Centrobank AG again underscored its market leadership. At the end of 2019, Raiffeisen Centrobank AG's open interest came to € 4.6 billion and achieved a roughly 7 per cent increase compared to the record level of € 4.3 billion generated in 2018. The sales volume also reached an all-time high and rose to over € 1.9 billion (2018: € 1.8 billion).

In the Austrian Raiffeisen sector all key data were again outperformed. The team held a record number of education programs with 170 certificates' training sessions and roughly 2,500 trained advisors. Compared to the previous year, the volume of placements was again increased (plus 10 per cent). Moreover, the total open interest of Raiffeisen customers in Austria reached a new record level gaining 38 per cent (2018: plus 23 per cent). In addition to standard seminars, the number of webinars and marketing services for Raiffeisen Landesbanken and local Raiffeisen banks was further expanded.

In the CEE region Raiffeisen Centrobank AG is active in nine countries and, compared to the previous year, further intensified the focus on customized products. More than 90 customized products for local customers were successfully placed in six different currencies which emphasizes Raiffeisen Centrobank AG's focus on top-level service quality and flexibility for different customer segments in the CEE region. The open interest in the Raiffeisen network banks rose by 7 per cent to € 1.1 billion.

Raiffeisen Centrobank AG's Slovak branch in Bratislava distributes structured products on the Slovak market. In 2019, the branch placed four customized products with a total issue volume of € 29 million. The branch in Bratislava supports the Slovak market with issuing customized certificates and providing training.

In January 2019, Raiffeisen Centrobank AG won the award "Best Cross Sell Partner" in the course of the "Tatra banka Private Banking Awards" for the fourth time. At the annual awards ceremony in February, Raiffeisen Centrobank AG received the award "Capital Market Leader" in the category "Certificates" from the Warsaw stock exchange. Both awards underpinned Raiffeisen Centobank AG's commitment to certificates in the CEE region.

At the Certificate Award Austria in May 2019, Raiffeisen Centrobank AG was elected best certificates issuer in Austria for the 13th consecutive year, winning the top rank in seven out of ten categories. The state-of-the-art Certificate Finder, which provides an easy-to-understand introduction into the world of certificates, was elected the innovation of the year. This underpins the intense commitment of the Structured Products segment to continuously expand the online and digitalisation product range of certificates.

On the product side, the topic "sustainability" reached a new dimension: both the number of issued sustainability products and the open interest volume (plus 117 per cent) for this product category rose significantly. For the first time, the Bonus Certificate "Europe Unlimited" with its well-proven payout profile was issued and rolled out as a savings plan for selected Raiffeisen Landesbanken and Raiffeisen banks, thus enabling investors to invest with certificates into one of the main pillars of the equity business.

For the Structured Products segment (including the branch in Slovakia) operating income excluding other operating income came to € 31.9 million and undercut the previous year's record operating income adding up to € 36.6 million by 13 per cent. The decrease was mainly attributable to lower income both in the primary and secondary market business which can be put down inter alia to the decrease of the interest rate level.

### Investment Services

The department services customers of Raiffeisen network banks in Central and Eastern Europe.

The deposit volume of Russian private customers in the Investment Services segment rose by 14.4 per cent from € 596 million as at 31 December 2018 to € 682 million as at 31 December 2019. Against the backdrop of portfolio adjustments on the part of Raiffeisenbank Russia, the number of clients decreased from 335 as at 31 December 2018 to 321.

As the Booking Platform business model was successfully implemented within the RBI Group in cooperation with Raiffeisenbank Romania in 2018, the deposit volume of Romanian private customers increased by 24 per cent to € 103 million. The number of clients went up from 246 as at 31 December 2018 to 273.

Following the strategic decision mutually agreed with RBI, the Investment Services business of Raiffeisen Centrobank AG and the customers serviced in this segment are demerged by absorption and are transferred to Kathrein at the end of Q1/2020 becoming effective retroactively as at 30 June 2019. This decision supports the product focus of Raiffeisen Centrobank AG as the certificates and equity house of RBI and prevents overlaps in the private banking business while ensuring at the same time that the Investment Services product is bundled within one unit.

In the past financial year, operating income excluding other operating income came to € 1.9 million and undercut the result achieved in 2018 adding up to € 2,4 million by roughly 21 per cent. Despite a rise in volumes, investments on the part of Russian private individuals fell short of expectations. This was due to the low risk appetite, the rising competition on the Russian market and intensive preparatory work associated with the transfer of the Investment Services business to Kathrein.

## Performance Indicators

### Financial Performance Indicators

in per cent	31/12/2019	31/12/2018
Return-on-Equity before tax	12.5	13.8
Return-on-Equity after tax	9.9	11.4
Cost/income ratio	75.7	70.9
Own funds ratio	20.8	23.6
Core capital ratio	20.8	23.6
Overall Return-on-Assets (after tax)	0.3	0.3
Liquidity Coverage Ratio (LCR)	291.1	219.6

Compared to the previous year, the result on ordinary activities decreased and, in tandem with higher equity, translated into a drop of the Return-on-Equity before tax from 13.8 per cent to 12.5 per cent and the Return-on-Equity after tax from 11.4 per cent to 9.9 per cent.

The cost/income ratio, which had been at 70.9 per cent in 2018, deteriorated to 75.7 per cent due to increased operating expenses and almost unchanged operating income.

In 2019, Overall Return-on-Assets was at 0.3 per cent and remained unchanged compared to 31 December 2018.

### Non-Financial Performance Indicators

	31/12/2019	31/12/2018
Employees at year-end	195	191
Average number of employees	195	186
Stock exchange memberships	10	10
Number of newly issued warrants and certificates	4,174	4,869

As per the end of December 2019, the number of employees at Raiffeisen Centrobank AG amounted to 195, which, compared to 31 December 2018, represented an increase of 4 employees. In annual comparison, the staff rose on average by 9 to 195 employees.

The number of stock exchange memberships came to 10 and remained unchanged to the 2018 financial year (for details kindly see the website of Raiffeisen Centrobank AG: [www.rcb.at/en/](http://www.rcb.at/en/)).

The number of newly issued warrants and certificates went down by 695 or 14 per cent to 4,174. The drop was mainly attributable to downsizing the range of flow products. The number of subscription and tailor-made products, which are more relevant in terms of volumes, remained stable and came to 256 (2018: 258).

## Risk Management

### Principles

Business opportunities and earnings potential are realized in Raiffeisen Centrobank AG based on active risk management by taking risk on in a targeted and controlled manner. In all relevant areas of risk, efficient monitoring and controlling instruments are available, enabling the relevant bodies to react to market opportunities and specific banking business risk. Active risk management resulted in a stable and little volatile trading result.

As a subsidiary of RBI, Raiffeisen Centrobank AG is integrated into the risk management process of the RBI Credit Institution Group, safeguarding that all major risks are identified, measured and controlled on Group-level and ensuring that transactions are concluded solely if particular risk/reward ratios are complied with.

### Risk Governance

The Management Board of Raiffeisen Centrobank AG is responsible for all risks on the part of the Bank as well as for developing and implementing a risk strategy. The Management Board is supported in implementing these tasks by an independent risk management unit separated clearly from the front offices. Operational Risk, the Internal Control System and Compliance are bundled in one department (Compliance, Operational Risk & ICS).

Risk management at Raiffeisen Centrobank AG is divided into two categories:

- Risk Management (inter alia market, credit, liquidity risks, overall bank risk management)
- Operational Risk & ICS (non-financial risks)

The central risk management bodies are the Risk Management Committee (RMK), the Internal Limit Committee (ILC), the Operational Risk Management and Control Committee (ORMCC) and the Asset and Liability Committee (ALCO).

The RMK, which meets weekly, addresses all issues and regulations related to the risk management of the Bank focusing in particular on credit risk, market risk and operational risk. Overdrafts, overdue loans and advances as well as necessary value adjustments are reported in due course and recommendations for the Management Board are developed. The RMK is a decision-taking body, authorized to approve risk-related principles, measures, processes and parameters.

The ILC, which meets every two weeks, decides within its competency (depending on the type and amount of the limit) on counterparty, country and market risk limits. Large exposures require the approval of the Supervisory Board. In addition, the aggregate of large exposures is reported to the Supervisory Board once a year.

The ORMCC, which meets once a quarter, establishes an appropriate framework for operational risk management, defines and approves an adequate risk strategy and monitors and assesses the adequacy of internal controls. Moreover, risk assessments, scenario analyses and risk indicators are discussed and approved, and material cases of default and the resulting measures to be taken are analyzed.

The ALCO, which meets once a month, continuously evaluates the macro-economic environment and controls and assesses interest rate risk, liquidity risk and balance sheet structural risk.

## Risk Management System at Raiffeisen Centробank AG

Raiffeisen Centробank AG employs a comprehensive risk management system taking into account all legal, business and regulatory requirements. The applied processes and models are subject to ongoing review and further development. The key components of the risk management systems are compliant with regulatory capital requirements, limiting specific banking risks and providing adequate risk coverage sums as well as permanent supervision and control of process risk within a comprehensive Internal Control System.

### 1. Capital requirements to limit market risk, credit risk and operational risk

To secure adequate capital for credit risk, market risk and operational risk, Raiffeisen Centробank AG applies the standard approach. To calculate option-related non-linear risks the scenario matrix method is employed.

For details on regulatory capital requirements please refer to the notes (page 42).

### 2. Identifying and limiting specific banking business risks (ICAAP)

As a subordinate company of RBI, Raiffeisen Centробank AG is integrated into the ICAAP of RBI on a consolidated basis. The risk-bearing capacity analysis is prepared by RBI on a monthly basis both for the going concern (Value-at-Risk (VaR) with a confidence interval of 95 per cent) and target rating perspective (VaR with a confidence interval of 99.92 per cent) and is provided to Raiffeisen Centробank AG to support the Management Board in managing the overall banking risk.

### 3. Internal Control System

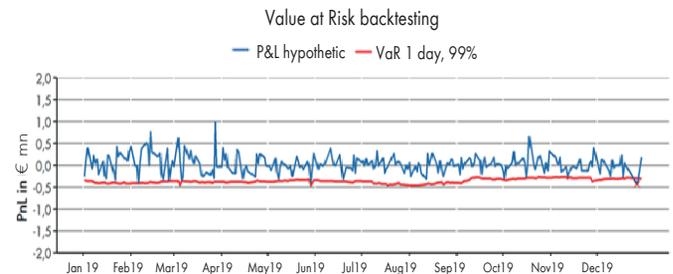
Raiffeisen Centробank AG has implemented a company-wide modern Internal Control System that meets RBI Group standards. All key processes and immanent risks as well as other key risks of the Bank are documented and controls are set up and reviewed accordingly. Once a year, the controls are reviewed in terms of implementation, efficiency and efficacy. The results are centrally monitored and are reported to the Management Board and the Supervisory Board.

## Major Risks

### Market risk

Market risk is defined as the risk of possible losses in on and off-balance sheet positions arising from changes in market prices (equity and commodity prices, interest rates or exchange rates). As the main focus of the business activities of Raiffeisen Centробank AG is on securities trading and the issue of equity-index based derivatives and structured products, the top priority of Raiffeisen Centробank AG is to counteract market risk. Raiffeisen Centробank AG measures, monitors and manages market risk by setting a variety of limits that are reviewed and approved on an annual basis. All market risk positions are compared with the respective limits in a mostly automated process. Limit overdrafts are handled in an escalation process. Currently, over 15,000 limits in roughly 25 categories are monitored. Limits for single shares account for the majority.

In market risk management, the VaR is employed, which provides forecasts on potential losses in adverse scenarios under normal market conditions and contrasts them with a particular limit. On the basis of the variance-covariance model, the VaR for equity and product-specific positions is calculated daily with a confidence interval of 99 per cent and a retention period of one day. As at 31 December 2019, the VaR for equity and product-specific positions came to € 288 thousand (31 December 2018: € 335 thousand).



The above chart depicts the performance of the VaR and hypothetical P&L (profit and loss that would have occurred in a constant portfolio as well as actually recorded market movements) in the period between 1 January 2019 and 31 December 2019. In the period under review, backtesting revealed one VaR exceedance. The VaR exceedance did not coincide with a particular market event but was attributable to daily movements in tandem with the daily portfolio. The exceedance was in line with expectations at a confidence level of 99 per cent.

In addition to the VaR, Raiffeisen Centробank AG uses regulatory and management-defined stress tests to evaluate market risk. The results are evaluated daily on operational level and are reported in the weekly Risk Management Committee. Stress tests simulate the performance of the portfolio under abnormal market situations and atypical price movements.

### Credit risk

Credit risk represents the default risk that arises from the inability of a counterparty to fulfil contractually agreed financial obligations, when services have been rendered (e.g. liquidity, securities) or when unrealized profits from pending business transactions can no longer be recovered (counterparty default risk).

Raiffeisen Centробank AG's major credit risks result from positions of purchased debt instruments, tradable money market deposits and OTC options serving primarily to hedge issued certificates and structured products as well as from margin positions relating to OTC and stock exchange transactions. This primarily affects members of the RBI Credit Institution Group and to a limited extent other financial institutions. The traditional credit and loan business is not of material significance for Raiffeisen Centробank AG due to the limited business volume and the Company's strategic orientation (lombard loans, other loans to private and corporate customers), in particular with regard to the retroactive transfer of the Investment Services business to Kathrein as at the demerger date 30 June 2019.

Credit risk management is based on counterparty-related nominal limits, which are comprehensively monitored by the internal limit system for credit risk. The limits are approved - depending on the type and size - by the relevant authority in the hierarchy. Credit decisions are taken depending on the assessment of the counterparty default risk, taking into account the rating and applicable credit risk mitigating measures like financial collateral (e.g. cash or securities collateral). In the Group-wide default and rating data base customers are registered and evaluated and cases of default are documented. The whole lending decision adheres to regulatory requirements and RBI Group Directives.

### Operational risk

Operational risk is defined as the risk of unexpected losses resulting from internal processes and systems which are inadequate or have failed, from human error or from external events. This definition includes legal risk but excludes strategic and reputational risk. Operational risk is managed on the basis of the results of regular Bank-wide risk assessments, standardized key risk indicators, scenario analyses and Group-internal historical data.

Cases of default in operational risk are registered in the Group-wide data basis ORCA (Operational Risk Controlling Application) and are grouped by business segment and type of event. Measures taken are also documented and linked with the case of default.

### Liquidity risk

Liquidity risk is calculated based on a liquidity model developed in cooperation with RBI. Daily balance sheet items of Raiffeisen Centrobank AG are split by maturity bands and currencies, their inflows and outflows are modeled based on pre-defined factors. The liquidity requirement in different maturity bands is limited by means of regulatory limits as well as by limits determined by RBI. Moreover, regular liquidity stress tests are carried out and the time-to-wall in the stress scenario is monitored in different currencies. Inflows need to exceed outflows for a particular period in a crisis scenario (market crisis, name crisis and scenario involving both).

The Liquidity Coverage Ratio (LCR) serves to measure the Bank's liquidity supply in a defined stress scenario (combination of market and name crisis). As at 31 December 2019, the LCR came to 291.1 per cent (31 December 2018: 219.6 per cent). Since January 2018, a minimum rate of 100 per cent has been mandatory on single-institution level. All key indicators confirmed the adequate liquidity supply of Raiffeisen Centrobank AG in the 2019 financial year.

### Risk Situation

The Risk Appetite Framework is an internal tool to define and communicate the risk appetite of Raiffeisen Centrobank AG. The management of risk is done according to a limit and monitoring system pursuant to particular warning levels and limits.

The following table depicts the bank-wide key figures as at 31 December 2019 compared to 31 December 2018 as well as the respective minimum, maximum and average values for the 2019 financial year.

		Key figure	Status	Limits	12/2019	12/2018	Change	Max <sup>1</sup>	Min <sup>1</sup>	Avg <sup>1</sup>
Pillar I	Total Capital Ratio		●	16% 18%	20.8%	23.6%	(2,9) PP	23.0%	20.4%	21.7%
	CET1 Ratio		●	16% 18%	20.8%	23.6%	(2,9) PP	23.0%	20.4%	21.7%
	LCR		●	110% 130%	291.1%	219.6%	71,5 PP	291.1%	158.8%	240.5%
Pillar II (Internal capital)	Total Capital Ratio in Stress		●	13.0% 15.0%	20.8%	23.6%	(2,9) PP	23.0%	20.4%	21.7%
	Economic Capital Utilization		●	45.0% 35.0%	21.3%	16.9%	4,4 PP	24.5%	18.8%	21.1%
	Net Leverage Ratio		●	7.5% 9.0%	12.9%	13.8%	(0,9) PP	13.9%	10.7%	11.8%
	LCR Cash Puffer		●	60 mn 120 mn	125 mn	137 mn	(12) mn	261 mn	124 mn	169 mn
Risk reward profile	RORAC		●	25.0% 30.0%	44.2%	46.4%	(2,1) PP	55.9%	42.5%	48.4%
	RORWA		●	1.55% 2.00%	2.4%	2.8%	(0,4) PP	2.9%	2.3%	2.6%

The above key figures are defined as follows:

Total Capital Ratio and CET1 Ratio serve as quantitative measure to determine the credit institution's own funds in relation to the Risk-Weighted Assets (RWAs).

$$\text{CET1 Ratio} = \frac{\text{Common Equity Tier 1}}{\text{Total Risk-Weighted Assets}} \qquad \text{Total Capital Ratio} = \frac{\text{Eligible own funds}}{\text{Total Risk-Weighted Assets}}$$

The LCR (Liquidity Coverage Ratio) measures the liquidity outflow in a 30-day stress scenario.

$$\text{LCR} = \frac{\text{Liquid assets}}{\text{Net outflows}}$$

The LCR Cash Buffer measures the liquidity surplus which exceeds regulatory requirements and serves to safeguard that the required LCR is met.

The Total Capital Ratio in stress measures the Total Capital Ratio in the going concern scenario (1 year horizon, 95 per cent confidence interval). Eligible own funds and expected profit are stressed at the VaR and contrasted with the Risk-Weighted Assets. The Total Capital Ratio acts as a floor.

$$\text{Total Capital Ratio in Stress} = \frac{\text{Eligible own funds} + \text{NPAT} - \text{VaR}}{\text{Total Risk-Weighted Assets}}$$

The Economic Capital (EC) Utilization depicts the utilization of the risk coverage sum in the target rating scenario (1 year horizon, 99.92 per cent confidence interval).

$$\text{Economic Capital Utilization} = \frac{\text{Economic Capital}}{\text{Risk-taking capacity}}$$

The Net Leverage Ratio limits the maximum business volume by the available core capital. The calculation of the Net Leverage Ratio excludes certain intragroup risk positions (e.g. funding passed on).

$$\text{Net Leverage Ratio} = \frac{\text{Core capital}}{\text{Balance sheet volume (excl. RBI)}}$$

The RORAC (Return on Risk-Adjusted Capital) and the RORWA (Return on Risk-Weighted Assets) are key figures of risk-adjusted return management. The net income is related to the allocated risk capital. Projects with higher risk profiles tie up more capital and should be more profitable.

$$\text{RORAC} = \frac{\text{NPAT}}{\text{Economic Capital (ytd avg)} + \text{prudent valuation (ytd avg)}}$$

$$\text{RORWA} = \frac{\text{NPAT}}{\text{Risk-Weighted Assets (ytd avg)}}$$

On overall bank level, all key figures were stable and were above the respective internal limits and warning levels. The internal warning levels and limits are defined conservatively, i.e. even if they are undercut, the regulatory levels are still complied with.

Risk-Weighted Assets by risk types are depicted in the below table:

RWAs acc. to type of risk (in € million)	31/12/2019	31/12/2018	Change
Credit risk non-retail	79.8	85.9	(7.1%)
Market risk	240.3	204.9	17.3%
Operational risk	132.2	121.8	8.5%
Equity participation risk	6.2	6.2	0.0%
CVA risk	48.2	42.3	13.9%
Other risks <sup>1</sup>	13.6	14.0	(3.5%)
<b>RWAs Total</b>	<b>520.3</b>	<b>475.3</b>	<b>9.5%</b>

<sup>1</sup> incl. settlement risk and owned property risk

In 2019, the major changes in the risk situation were as follows:

Credit risk decreased mainly due to a further reduction of the loan portfolio. In contrast, counterparty default risk rose due to the hedging for the increased certificates' volume. The rise associated with hedging requirements for certificates issued by Raiffeisen Centrobank AG was also reflected in the RWAs of the Credit Value Adjustments (CVA). Market risk utilization was on a medium level, changes compared to the previous year's year-end were within the normal fluctuation range. The rise of RWAs in operational risk was attributable to the increase of the average profit derived in the past three business years (pursuant to the CRR standard approach).

## The Internal Control System as Relevant for the Accounting System

Raiffeisen Centrobank AG and its governing bodies are committed to ensuring balanced and complete financial reporting. A fundamental requirement for this is compliance with all relevant legal regulations. In connection with the accounting process, the Management Board is responsible for designing and installing an internal control and risk management system that meets the requirements of the Company. The object of this internal control system is to support the management by making certain that effective internal controls are applied to the accounting process and that these controls are improved on whenever appropriate. The control system is designed to assure compliance with guidelines and regulations, as well as to create optimal conditions for specific control measures. An internal control system has already existed at Raiffeisen Centrobank AG for years in the form of directives and instructions for strategically important subject areas.

The financial statements are prepared on the basis of the pertinent Austrian laws, above all the Austrian Banking Act (BWG) in connection with EU Regulation 575/2013 (Capital Requirements Regulation "CRR") and the Austrian Commercial Code (UGB) as amended by the RÄG 2014.

The department "Finance" is responsible for the Bank's accounting system and is directly subordinated to the Management Board. The department is responsible for dealing with all accounting issues and has the authority to provide for the safeguarding of the application of uniform standards. Organizational instructions and guidelines, which are comprised in a manual, have been set up for support.

Accounting according to the Austrian Banking Act and Austrian Commercial Code is effected via a central IT system using PAGORO/400, which is protected by the restricted assignment of access authorizations. The table of accounts is tailored to the Bank's individual requirements. Transactions are registered both automatically and manually. Accounting vouchers are then filed systematically and chronologically.

Monthly balance sheets are created and passed on to the Management Board and the senior management by means of a standardized financial reporting system. At least once per quarter the Supervisory Board is informed in the course of the Supervisory Board meetings of the current course of business including the Bank's operative planning and medium-term strategy.

The Management Board evaluates and monitors material risks in connection with the accounting process. In this, the focus is placed on the risks that are typically found to be material. The annual evaluation of the internal control measures applied by each of the responsible units is based on a risk-oriented approach. The risk of incorrect financial reporting is assessed on the basis of a number of different criteria. For example, complex accounting principles can increase the risk of errors. Different principles for the measurement of assets and complex or changing business conditions can also lead to substantial errors in the financial reporting.

Estimates must regularly be made during the preparation of the financial statements. In all of these cases, there is an inherent risk that actual developments may deviate from these estimates. This especially applies to the parameters in valuation models that are used to determine the fair values of financial instruments for which there is no current price quotation as well as to social capital, the outcome of legal disputes, the collectability of loans and advances, and the impairment of equity participations. In some cases, external experts are involved or publicly available information sources are used to minimize the risk of incorrect estimates.

In addition to the Management Board, the general control framework also includes senior management (the department heads). All control measures are applied to the daily business processes to ensure that potential errors or deviations in the financial reporting are prevented or discovered and corrected. The control measures that are applied at regular intervals range from the review of the periodic results by the management to the specific reconciliation and coordination of accounts and the analysis and further optimization of accounting processes. The Internal Audit department is also involved in the monitoring process. Its activities are based on the Austrian Financial Market Authority's minimum standards for internal auditing and international best practice. The Internal Audit department reports directly to the Management Board.

"Controlling" (part of the "Finance" department) is responsible for preparing the notes to the annual financial statements drafted according to the Austrian Banking Act and the Austrian Commercial Code. In addition, a management report is drawn up which explains the results in line with statutory requirements. The annual financial statements and the management report are forwarded to and reviewed by the Audit Committee of the Supervisory Board and are then presented to the Supervisory Board for its approval. The annual financial statements are published on the Company's website, in the Official Gazette of the Wiener Zeitung, and are also filed with the Austrian Company Register. Key employees and the Management Board review the annual financial statements prior to their distribution to the Supervisory Board. Moreover, analyses of the annual financial statements are prepared specially for the management.

## Human Resources

As at 31 December 2019 Raiffeisen Centrobank AG had 195 employees which, compared to 31 December 2018, represented an increase of 4 employees. In 2019, Raiffeisen Centrobank AG had on average 195 employees which represents a fluctuation range of 10.53 per cent.

### Training

The positive trend of training and education courses successfully completed by employees continued in 2019 and was augmented by online training programs.

For the first time, an autogenic training course to learn relaxation techniques was held over a period of eight weeks. The course was very well attended and will therefore be offered again and be further expanded in the forthcoming business year.

The "Leadership Circle" has proven an efficient tool for best-practice-sharing and exchange among the management and department heads and will also be organised regularly in 2020.

### Work-Life Balance

The new "sabbatical" guidelines provide for flexible working time models. Employees can take insurance-protected extended time-off periods at pro-rated income. Sabbaticals offer an attractive and flexible opportunity to relax beyond the legal leave entitlement. Prerequisites and different sabbatical models were drawn up in autumn 2019. Raiffeisen Centrobank AG's employees have been informed respectively.

### Performance management & training guidelines

The revised performance management guideline governs the annual objective setting and performance process and provides for more flexibility with regard to individual prerequisites of departments and positions while observing regulatory requirements. The handling of reimbursement obligations for training costs as well as the approval process of training and education have been substantially revised and simplified. Human Resources is still in charge of evaluating training needs and taking care of the registration and organisational process of training measures.

## Outlook for 2020

A granular economic assessment of the consequences of the imposed restrictions to combat the Covid 19 virus is hardly possible and any figures are subject to high uncertainty. The current situation is an extraordinary event occurring in time of peace, marked by an almost complete reduction in economic activity imposed by governments and public institutions. On a positive note, of course, it should be noted that an end to the standstill imposed by governments could lead to a sharp rebound in economic activity - especially as massive monetary and fiscal support measures are emerging. The extent of the slump, the length of the economic contraction and the ultimate macroeconomic costs depend on several factors. Firstly, the length of the state of economic standstill in Europe is decisive. Secondly, the second-round effects are of great importance. Thirdly, it is currently impossible to assess the extent to which the current crisis will have a more lasting impact on consumer confidence and demand patterns. In our indications for GDP growth, we assume that economic policy will use all available means and that it will be possible to largely contain second round effects of the economic standstill at the end of the second quarter. For 2020, we expect the Eurozone to post a decrease of 4 per cent and a rebound of 3.2 per cent in 2021. In Austria, we anticipate a more pronounced economic development (2020: minus 4.5 per cent, 2021: plus 4 per cent).

The stock markets suffered a severe slump against the backdrop of the economic ramifications of the epidemic. If the containment measures against the virus prove successful and there are prospects of a slowdown of the pandemic, we expect the financial markets to stabilize and show an economic rebound thereafter. Despite the challenging market environment Raiffeisen Centrobank AG is well prepared to make the most of the opportunities in this extraordinary situation. The focus will be on the sustained development of existing business activities in tandem with strict cost discipline and further digitalization and efficiency enhancement. Given the currently volatile situation Raiffeisen Centrobank AG cannot give a reliable forecast for the 2020 financial year. For Raiffeisen Centrobank AG there is, amongst others, a risk of a business volume decrease.

## Research and Development

Raiffeisen Centrobank AG with its core area of business focusing on equities and structured products does not engage in research and development.

Vienna, 03 April 2020  
The Management Board



Harald Kröger  
Chief Executive Officer



Heike Arbter  
Member of the Management Board

## Statement of Legal Representatives pursuant to § 124 Stock Exchange Act

We confirm to the best of our knowledge that the annual financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of Raiffeisen Centrobank AG as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties the Company faces.

Vienna, 03 April 2020  
The Management Board



Harald Kröger  
Chief Executive Officer



Heike Arbter  
Member of the Management Board

# Financial Statements of Raiffeisen Centrobank AG as at 31 December 2019 according to the Austrian Banking Act

The addition of rounded numbers using automated systems, as was done for this report, may result in minor differences in amounts.

The changes indicated in per cent refer to the actual amounts and not the rounded amounts shown in this report.

## Balance Sheet as at 31 December 2019

Assets	31/12/2019 in €	31/12/2019 in €	31/12/2018 in € thousand	31/12/2018 in € thousand
1. Deposits with central banks		51,092,980.58		234,905
2. Loans and advances to credit institutions				
a) repayable on demand	117,549,886.36		164,754	
b) other loans and advances	3,659,305,876.28	3,776,855,762.64	2,870,636	3,035,390
3. Loans and advances to customers		46,266,073.13		120,213
4. Bonds, notes and other fixed-interest securities				
a) issued by public bodies	3,119,519.33		4,281	
b) issued by other borrowers	15,210,146.55	18,329,665.88	16,164	20,445
5. Shares and other variable-yield securities		335,159,990.55		177,142
6. Equity participations		5,140,014.88		5,139
7. Shares in affiliated companies		1,100,000.00		1,100
8. Intangible fixed assets		136,799.01		105
9. Tangible fixed assets thereof land and buildings used by the credit institution for own purposes: € 9,025,047.92 previous year: € 9,276 thousand		11,007,752.63		10,970
10. Other assets		193,662,975.13		128,200
11. Prepayments and other deferrals		1,262,993.23		1,575
12. Deferred tax assets		219,487.00		167
<b>Total assets</b>		<b>4,440,234,494.66</b>		<b>3,735,352</b>
<b>Off-balance sheet items</b>				
1. Foreign assets		548,201,032.74		488,584

<b>Equity and liabilities</b>	<b>31/12/2019</b> in €	<b>31/12/2019</b> in €	<b>31/12/2018</b> in € thousand	<b>31/12/2018</b> in € thousand
1. Liabilities to credit institutions				
a) repayable on demand	45,977,048.95		3,181	
b) with agreed maturity dates or periods of notice	6,000,630.78	51,977,679.73	11,172	14,353
2. Liabilities to customers				
a) repayable on demand	210,861,176.47		134,486	
b) with agreed maturity dates or periods of notice	255,627,414.06	466,488,590.53	230,489	364,975
3. Securitized liabilities				
a) issued securitized liabilities	1,826,605,898.26		1,460,556	
b) other securitized liabilities	1,667,950,141.86	3,494,556,040.12	1,288,719	2,749,275
4. Other liabilities		287,755,362.80		467,538
5. Accruals and deferred items		226,240.50		105
6. Provisions				
a) for severance payments	4,763,294.00		4,436	
b) tax provisions	118,544.33		190	
c) other provisions	6,301,581.57	11,183,419.90	7,527	12,153
7. Subscribed capital		47,598,850.00		47,599
8. Capital reserves				
a) committed	6,651,420.71		6,651	
b) uncommitted	14,000,000.00	20,651,420.71	14,000	20,651
9. Retained earnings				
a) legal reserve	1,030,936.83		1,031	
b) other reserves	33,653,910.14	34,684,846.97	31,129	32,160
10. Liability reserve pursuant to Article 57 para 5 Austrian Banking Act		13,538,860.00		13,539
11. Net profit for the year		11,573,183.40		13,004
<b>Total equity and liabilities</b>		<b>4.440.234.494,66</b>		<b>3,735,352</b>
<b>Off-balance sheet items</b>				
1. Contingent liabilities		0.07		0
2. Commitments arising from fiduciary business transactions		7,091,121.47		7,091
3. Eligible own funds pursuant to Part 2 of Regulation (EU) No 575/2013				
4. Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013 (Total Risk-Weighted Assets)		108,093,565.03		112,343
hereof: capital requirements pursuant to Article 92 para 1 lit (a) to (c) of Regulation (EU) No 575/2013		520,337,468.01		475,262
hereof: capital requirements pursuant to Article 92 para 1 lit (a)		20.77%		23.64%
hereof: capital requirements pursuant to Article 92 para 1 lit (b)		20.77%		23.64%
hereof: capital requirements pursuant to Article 92 para 1 lit (c)		20.77%		23.64%
5. Foreign equity and liabilities		689,549,522.55		696,107

# Income Statement for the 2019 Financial Year

	2019 in €	2019 in €	2018 in € thousand	2018 in € thousand
1. Interest and interest-like income thereof fixed-interest securities	266,917.39	31,655,771.38	99	29,211
2. Interest and interest-like expenses		(71,307,467.64)		(48,609)
<b>I. Net interest result</b>		<b>(39,651,696.26)</b>		<b>(19,398)</b>
3. Income from securities and financial investments		13,305,114.64		11,427
4. Fee and commission income		12,138,281.97		12,828
5. Fee and commission expenses		(13,869,387.21)		(13,763)
6. Net profit on financial trading activities		86,471,140.70		67,521
7. Other operating income		898,240.35		1,144
<b>II. Operating income</b>		<b>59,291,694.19</b>		<b>59,759</b>
8. General administrative expenses		(43,516,057.62)		(40,990)
a) staff expenses				
aa) salaries	(18,314,163.54)		(18,315)	
bb) expenses for statutory social contributions and compulsory contributions related to wages and salaries	(4,044,628.34)		(3,891)	
cc) other social expenses	(405,675.69)		(383)	
dd) expenses for pensions and assistance	(415,336.08)		(422)	
ee) provisions for severance payments and contributions to severance funds	(953,450.24)		(895)	
	(24,133,253.89)		(23,907)	
b) other administrative expenses	(19,382,803.73)		(17,084)	
9. Value adjustments on asset items 8 and 9		(1,040,378.84)		(1,043)
10. Other operating expenses		(341,390.60)		(332)
<b>III. Operating expenses</b>		<b>(44,897,827.06)</b>		<b>(42,366)</b>
<b>IV. Operating result</b>		<b>14,393,867.13</b>		<b>17,393</b>
11. Loan loss provisions		205,818.83		(238)
12. Income arising from the valuation of loans and advances		15,000.00		15
13. Expenditures arising from the valuation of equity investments held as financial investments		(68,692.78)		(1,442)
<b>V. Result on ordinary activities</b>		<b>14,545,993.18</b>		<b>15,728</b>
14. a) current income taxes thereof passed on from parent company for the year: € (859,116.05); previous year: € (1,046 thousand)	(2,095,423.81)		(2,397)	
b) deferred taxes	52,421.00	(2,043,002.81)	4	(2,393)
15. Other taxes unless included in item 14		(929,806.97)		(331)
<b>VI. Net income (=Net profit) for the year</b>		<b>11,573,183.40</b>		<b>13,004</b>

## Development of Fixed Assets in the 2019 Financial Year

Amounts in €	Cost of acquisition Balance as at 1/1/2019	Cost of acquisition Additions	Cost of acquisition Disposals	Cost of acquisition Balance as at 31/12/2019	Accumulated depr. Balance as at 1/1/2019
<b>I. Intangible fixed assets</b>					
Software licenses	1,571,985.66	103,143.19	0.00	1,675,128.85	1,466,967.65
<b>II. Tangible fixed assets</b>					
1. Land and buildings used by the credit institution for own purposes thereof value of property: € 2,637,765.92; previous year: € 2,638 thousand	12,694,367.11	0.00	0.00	12,694,367.11	3,417,903.19
2. Office furniture and equipment	14,227,926.84	1,092,976.65	819,257.81	14,501,645.68	12,534,508.13
	<b>26,922,293.95</b>	<b>1,092,976.65</b>	<b>819,257.81</b>	<b>27,196,012.79</b>	<b>15,952,411.32</b>
<b>III. Financial investments</b>					
1. Shares in affiliated companies thereof in credit institutions: € 0.00	1,100,000.00	0.00	0.00	1,100,000.00	0.00
2. Equity participations thereof credit institutions: € 0.00	5,139,934.88	616.00	100.00	5,140,450.88	436.00
	<b>6,239,934.88</b>	<b>616.00</b>	<b>100.00</b>	<b>6,240,450.88</b>	<b>436.00</b>
<b>Total</b>	<b>34,734,214.49</b>	<b>1,196,735.84</b>	<b>819,357.81</b>	<b>35,111,592.52</b>	<b>17,419,814.97</b>

Accumulated depr. Additions / Depreciation	Accumulated depr. Write-up	Accumulated depr. Disposals	Accumulated depr. 31/12/2019	Carrying amount 31/12/2019	Carrying amount 31/12/2018
71,362.19	0.00	0.00	1,538,329.84	136,799.01	105,018.01
251,416.00	0.00	0.00	3,669,319.19	9,025,047.92	9,276,463.92
717,600.65	0.00	733,167.81	12,518,940.97	1,982,704.71	1,693,418.71
<b>969,016.65</b>	<b>0.00</b>	<b>733,167.81</b>	<b>16,188,260.16</b>	<b>11,007,752.63</b>	<b>10,969,882.63</b>
0.00	0.00	0.00	0.00	1,100,000.00	1,100,000.00
0.00	0.00	0.00	436.00	5,140,014.88	5,139,498.88
<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>436.00</b>	<b>6,240,014.88</b>	<b>6,239,498.88</b>
<b>1,040,378.84</b>	<b>0.00</b>	<b>733,167.81</b>	<b>17,727,026.00</b>	<b>17,384,566.52</b>	<b>17,314,399.52</b>

# Financial Statements as at 31 December 2019

## Notes

### A. Accounting Policies

#### General principles

The financial statements of Raiffeisen Centrobank AG for the 2019 financial year have been prepared in accordance with the general accounting principles stipulated in the Austrian Commercial Code and the specific sectoral regulations as specified by the Austrian Banking Act. In accordance with the principles of proper accounting and taking into account standard practice as described in Article 222 section 2 of the Austrian Commercial Code, the annual financial statements give a true and fair view of the company's net assets, financial position and earnings.

The valuation of assets and equity and liabilities is based on the principle of individual valuation assuming a going concern perspective. The principle of prudence is applied, taking account of the specific characteristics of the banking business.

Compared to the financial statements as at 31 December 2018, no changes have been made in the accounting policies. The financial statements have been prepared in compliance with the consistency principle.

The balance sheet and the income statement have been structured according to Appendix 2 of the forms contained in Article 43 Austrian Banking Act.

Since 26 April 2017, Raiffeisen Centrobank AG has been operating a branch office in Bratislava (Raiffeisen Centrobank AG Slovak Branch *pobočka zahraničnej banky*). The business volume as well as income and expenses attributable to the branch office have been included in the financial statements.

#### Foreign currency translation

Assets and liabilities denominated in foreign currencies are reported at the rates of exchanges fixed by the ECB. During the year, amounts denominated in currencies, for which the ECB published no rates, are converted at the middle rates of exchange published by RBI on the balance sheet date. At year-end, foreign currency positions are converted at the rates published by the Vienna Stock Exchange on the last trading day. If no rate is available for a particular currency, rates published by the ECB, RBI or the respective market rates are used.

Forward foreign exchange contracts are capitalized at the forward exchange rates. Any differences in rates resulting from currency conversion are reported as profit or loss in the income statement.

#### Trading portfolio – valuation of securities, futures and options

In terms of securities held for trading purposes, the company's portfolio of shares in publicly listed companies as well as fixed-interest securities is reported at the share price prevailing at the balance sheet date. If no quotes or share prices are available, the value is determined by means of valuation models.

Bonds held by the company for trading purposes are valued at quotes provided by other credit institutions, brokers or at Reuters quotes, in case stock exchange quotes are not available or are not conclusive. If such quotes are not available, prices are calculated internally based on the net present value method. This method is based on an interest rate curve comprised of money market, futures and swap rates as well as spreads.

Certificates acquired based on an equity-based or index-based performance are valued with the share prices prevailing on the balance sheet date, and if no share prices are available, with the assistance of valuation models to illustrate stochastic development processes.

Derivatives are reported in the balance sheet at fair value, which equals the market price or a synthetic value. Adjustments in value are recognized through profit or loss in the income statement. The synthetic values are determined according to the Bank's own evaluation methods, which are examined and approved by risk management and which are based on recognized option-theoretical models.

Options on securities of publicly listed companies and options on security indices (i.e. purchased and sold calls and puts, primarily EUREX options) as well as futures held for trading purposes are valued according to the market prices prevailing on the balance sheet date. Value adjustments were made to take temporal differences into account.

OTC options are primarily valued at tradable prices quoted by the counterparty. Options for which no tradable prices are available are valued by adequate models. For plain vanilla options (American and European style), the Black-Scholes model and the binomial pricing model according to Cox-Ross-Rubinstein are applied. The Curran approximation is applied to Asian options, whereas barrier options use the Heynen-Kat model and spread options rely on the Kirk model.

#### Banking book – valuation of derivatives

The derivatives volume in the banking book relates exclusively to foreign exchange forward transactions to hedge foreign currency risks. They are valued at fair value relying on observable market parameters.

#### Loans and advances to credit institutions and customers

Loans and advances to credit institutions and customers are shown at their nominal value. Individual loan loss provisions are made in the case of an identifiable recognizable risk of default on the part of borrowers. In addition, general impairment allowances have been made from 2018 onwards for expected credit losses (ECL), whereby Raiffeisen Centrobank AG has taken the opportunity to apply the regulations of IFRS 9 to calculate general impairment allowances under company law.

The general impairment allowances pursuant to IFRS 9 have been implemented based on a two-stage procedure. If the credit default risk for current assets does not increase significantly since initial recognition, the impairment loss for each asset is measured at the present value of an expected twelve-month loss as at the reporting date (ECL Stage 1). In the case of assets whose credit risk does not increase significantly since initial recognition and which are not classified as transactions with a low credit risk at the reporting date, the expected credit loss is calculated over the asset's entire remaining term (ECL Stage 2). The expected losses for both stages are calculated on an individual transaction basis applying statistical risk parameters such as Probability of Default (PD), Exposure at Default (EAD) as well as Loss Given Default (LGD).

The estimation of risk parameters includes not only historical default information but also the current economic environment (point-in-time orientation) and forward-looking information.

### Equity participations and shares in affiliated companies

Equity participations and shares in affiliated companies are valued at cost unless permanent losses or decreased equity require a non-scheduled depreciation of the fair value (subjective or objectified company value). In case, reasons for impairment are no longer applicable, a write-up to the cost of acquisition is carried out.

### Intangible and tangible fixed assets

The valuation of intangible and tangible fixed assets (i.e. land and buildings, office furniture and equipment as well as other tangible fixed assets) is carried out at the cost of acquisition less their scheduled, linear depreciation.

Depreciation rates applied are 33.3 per cent p.a. for intangible fixed assets, 2.5 per cent and 10.0 per cent p.a. for immovable fixed assets, and 10.0 per cent - 33.0 per cent for movable fixed assets. A full year's depreciation is taken in the case of additions made during the first half of the financial year, whereas half-year depreciation applies to additions in the second half of the financial year. Low value assets (cost of acquisition per item less than € 0.4 thousand) are fully depreciated in the year of acquisition.

### Liabilities to credit institutions and customers

Liabilities to credit institutions and customers are reported at the amount of repayment, taking into consideration the principle of financial prudence.

### Securitized liabilities

Securitized liabilities are measured at fair value which equals the present value method, or the common option value methods for the option component. Securitized liabilities include capital guaranteed structured products, whose rate of interest depends on the equity price or equity index performance, reverse convertible bonds and certificates with option character (turbo, discount, open-end and bonus certificates) and warrants.

## II. Loans and advances

### II.1. Classification of loans and advances and securities positions according to their remaining term

31/12/2019 in € thousand	repayable on demand/without maturity	0-3 months	3-12 months	1-5 years	>5 years	Total
Loans and advances to credit institutions	117,550	347,883	406,571	2,215,654	689,199	3,776,856
Loans and advances to customers	3,680	35,506	0	6,991	90	46,266
Bonds, notes and other fixed-interest securities	0	0	7,518	10,811	0	18,330
Shares and other variable-yield securities	335,160	0	0	0	0	335,160
Other assets	30,234	2,573	5,194	119,927	35,734	193,663
	<b>486,623</b>	<b>385,962</b>	<b>419,284</b>	<b>2,353,383</b>	<b>725,023</b>	<b>4,370,274</b>

31/12/2018 in € thousand	repayable on demand/without maturity	0-3 months	3-12 months	1-5 years	>5 years	Total
Loans and advances to credit institutions	164,754	150,084	366,354	1,881,283	472,916	3,035,390
Loans and advances to customers	110,867	564	1,676	7,017	90	120,213
Bonds, notes and other fixed-interest securities	0	0	1,287	12,028	7,130	20,445
Shares and other variable-yield securities	177,142	0	0	0	0	177,142
Other assets	44,290 <sup>1</sup>	2,085 <sup>1</sup>	10,147	60,870	10,807	128,200
	<b>497,053</b>	<b>152,733</b>	<b>379,464</b>	<b>1,961,197</b>	<b>490,943</b>	<b>3,481,390</b>

<sup>1</sup> Adjustment of remaining term to maturity

### Provisions for severance payments

The provisions for severance payments are designed to fulfil legal demands, as well as those arising from individual or collective contractual agreements. Provisions are calculated in accordance with the guidelines specified by IAS 19, applying the Projected Unit Credit Method and assuming a calculatory interest rate of 0.9 per cent (31/12/2018: 1.8 per cent), as well as an unchanged annual salary increase amounting to 3.5 per cent (31/12/2018: 3.5 per cent). The AVÖ (Austrian actuaries' association) 2018-P-basis for calculating retirement pension insurances - Pagler & Pagler for salaried employees was taken as biometric basis for calculation.

The underlying presumption is a decreasing fluctuation rate in connection with the earliest possible retirement date, at the age of 60 for women and 65 for men, taking into account the changes to Austria's General Social Security Law in accordance to the Budgetary Amendment 2003. The premium reserve amounts to 89.9 per cent (31/12/2018: 77.5 per cent) of the statistical termination benefit obligations on the balance sheet date.

### Other provisions

Other provisions have been made according to expected demands. They comprise identifiable risks and liabilities, the extent of which has not yet been determined. Long-term provisions are discounted. The interest rate amounts to 0.9 per cent (31/12/2018: 1.8 per cent).

## B. Notes to Balance Sheet Items

### I. Deposits with central banks

The balance sheet item A 1, which encompasses deposits with the Austrian National Bank, amounted to € 51,093 thousand (31/12/2018: € 234,905 thousand). Prevailing regulations pertaining to liquidity and minimum reserves were observed.

## II.2. Loans and advances to affiliated companies and equity participations

31/12/2019 in € thousand	Loans and advances to affiliated companies (direct/indirect >50%)	Loans and advances to equity participations in which Raiffeisen Centrobank AG has a direct shareholding (<50%)
Loans and advances to credit institutions	3,490,332	0
Loans and advances to customers	0	506
Bonds, notes and other fixed-interest securities	7,518	0
Shares and other variable-yield securities	110	0
Other assets	688	8
	<b>3,498,649</b>	<b>514</b>

31/12/2018 in € thousand	Loans and advances to affiliated companies (direct/indirect >50%)	Loans and advances to equity participations in which Raiffeisen Centrobank AG has a direct shareholding (<50%)
Loans and advances to credit institutions	2,692,527	0
Loans and advances to customers	0	514
Bonds, notes and other fixed-interest securities	8,441	0
Shares and other variable-yield securities	105	0
Other assets	450	8
	<b>2,701,522</b>	<b>522</b>

“Loans and advances to credit institutions” included tradable money market deposits in the amount of € 2,933,576 thousand (31/12/2018: € 2,373,943 thousand) serving as hedges for certificates and warrants issued by Raiffeisen Centrobank AG. Thereof € 2,933,576 thousand were attributable to RBI (31/12/2018: € 2,369,340 thousand).

## III. Securities

### Figures supplied pursuant to Article 64 section 1 no 10 and 11 Austrian Banking Act

31/12/2019 in € thousand	Unlisted	Listed	Total	Valued at market price
Bonds, notes and other fixed-interest securities, A 4	0	18,330	18,330	18,330
Shares and other variable-yield securities, A 5	60,795	274,367	335,160	335,160
Equity participations, A 6	5,140	0	5,140	x
Shares in affiliated companies, A 7	1,100	0	1,100	x

31/12/2018 in € thousand	Unlisted	Listed	Total	Valued at market price
Bonds, notes and other fixed-interest securities, A 4	0	20,445	20,445	20,445
Shares and other variable-yield securities, A 5	42,119	135,023	177,142	177,142
Equity participations, A 6	5,139	0	5,139	x
Shares in affiliated companies, A 7	1,100	0	1,100	x

As at 31/12/2019, balance sheet item A 4 included fixed-interest securities held for trading amounting to € 18,330 thousand (31/12/2018: € 20,445 thousand) of which € 7,518 thousand (31/12/2018: € 1,287 thousand) would fall due in the forthcoming year.

The fair value of securities of the trading book (excluding hedge positions) exceeded the acquisition costs by € 267 thousand as at 31/12/2019 (31/12/2018: € 95 thousand).

#### IV. Equity participations and shares in affiliated companies

Unchanged to the previous year's period, the Bank directly held a minimum of 20 per cent of the shares in the subsequent companies as at 31/12/2019:

in € thousand			
Name Domicile	Shareholding in %	Equity 31/12/2019	Annual results 2019
1 Centrotrade Holding GmbH, Vienna	100	1,131	(12) <sup>1</sup>
2 Syrena Immobilien Holding AG, Spittal/Drau	21	27,320	(369) <sup>1</sup>

<sup>1</sup> unaudited figures

Further to the sale of the commodity trading subsidiaries, Centrotrade Holding GmbH did not perform any operational activities.

in € thousand			
Name Domicile	Shareholding in %	Equity 31/12/2018	Annual results 2018
1 Centrotrade Holding GmbH, Vienna	100	1,143	(12)
2 Syrena Immobilien Holding AG, Spittal/Drau	21	27,688	(567)

#### V. Fixed assets

The composition and development of fixed assets is contained in the table outlining the development of fixed assets.

#### VI. Other assets

Balance sheet item A 10 "Other assets" totaling € 193,663 thousand (31/12/2018: € 128,200 thousand) referred primarily to purchase contracts from trading in derivative financial instruments reported at fair value as at 31/12/2019:

in € thousand		
	31/12/2019	31/12/2018
<b>Positive fair values of derivative financial instruments</b>		
from OTC options	162,650	83,634
from trading in EUREX options and futures	14,809	39,034
from trading in other option and futures	13,733	4,425
	<b>191,192</b>	<b>127,094</b>

In addition, loans and advances to foreign tax authorities in the amount of € 1,040 thousand (31/12/2018: € 747 thousand) were included as well as the settlement of Group charges (including capital yields tax charged to the Group) in the amount of € 556 thousand (31/12/2018: liability from Group charges coming to € 938 thousand).

## VII. Deferred tax assets

"Deferred tax assets" amounted to € 219 thousand (31/12/2018: € 167 thousand) as at 31/12/2019.

31/12/2019 in € thousand	Deferred tax assets	Deferred tax liabilities
Loans and advances to credit institutions	8	0
Loans and advances to customers	25	0
Shares and other variable-yield securities	0	(267)
Prepayments and other deferrals	14	0
Provisions for severance payments	1,926	0
Other provisions	50	0
<b>Total</b>	<b>2,023</b>	<b>(267)</b>
<b>Balance</b>	<b>1,756</b>	<b>0</b>
Deferred tax assets as at 31/12/2019 (12.5%)	219	0

31/12/2018 in € thousand	Deferred tax assets	Deferred tax liabilities
Shares and other variable-yield securities	0	(95)
Shares in affiliated companies	3	0
Prepayments and other deferrals	14	0
Provisions for severance payments	1,390	0
Other provisions	25	0
<b>Total</b>	<b>1,432</b>	<b>(95)</b>
<b>Balance</b>	<b>1,337</b>	<b>0</b>
Deferred tax assets as at 31/12/2018 (12.5%)	167	0

"Deferred tax assets" were recognized at a tax rate of 12.5 per cent as, based on the prevailing group assessment agreement, this percentage provides for tax relief in the future. Any tax relief beyond this rate cannot be assessed by the Group member as no influence can be exerted on the amount of the untaxable portion of the taxable profit on Group level.

## VIII. Liabilities

### VIII.1. Classification of liabilities according to their remaining term

31/12/2019 in € thousand	repayable on demand/without maturity	0-3 months	3-12 months	1-5 years	>5 years	Total
Liabilities to credit institutions	45,978	5,370	0	0	630	51,978
Liabilities to customers	210,861	4,129	6,631	244,867	0	466,489
Securitized liabilities	0	129,343	417,125	1,984,660	963,427	3,494,556
Other liabilities	106,756	39,651	33,552	105,790	2,006	287,755
	<b>363,595</b>	<b>178,493</b>	<b>457,309</b>	<b>2,335,318</b>	<b>966,063</b>	<b>4,300,778</b>

31/12/2018 in € thousand	repayable on demand/without maturity	0-3 months	3-12 months	1-5 years	>5 years	Total
Liabilities to credit institutions	3,181	11,070	0	0	101	14,353
Liabilities to customers	134,486	575	11,557	218,357	0	364,975
Securitized liabilities	0	75,383	411,014	1,604,430	658,448	2,749,275
Other liabilities	132,557	8,130	89,830	226,074	10,946	467,538
	<b>270,225</b>	<b>95,158</b>	<b>512,401</b>	<b>2,048,861</b>	<b>669,496</b>	<b>3,596,140</b>

## VIII.2. Liabilities to affiliated companies and equity participations

31/12/2019 in € thousand	Liabilities to affiliated companies (direct/indirect >50%)	Liabilities to equity participations in which Raiffeisen Centrobank AG has a direct shareholding (<50%)
Liabilities to credit institutions	4,931	0
Liabilities to customers	1,131	0
Other liabilities	2,976	2
	<b>9,038</b>	<b>2</b>

31/12/2018 in € thousand	Liabilities to affiliated companies (direct/indirect >50%)	Liabilities to equity participations in which Raiffeisen Centrobank AG has a direct shareholding (<50%)
Liabilities to credit institutions	10,291	0
Liabilities to customers	1,139	0
Other liabilities	7,164	2
	<b>18,594</b>	<b>2</b>

## VIII.3. Securitized liabilities

The balance sheet item P 3 "Securitized liabilities" included issued and other securitized liabilities totaling € 3,494,556 thousand (31/12/2018: € 2,749,275 thousand), held for trading and allocated to the following product categories:

in € thousand	31/12/2019	31/12/2018
<b>Issued securitized liabilities</b>	<b>1,826,606</b>	<b>1,460,556</b>
Guarantee Certificates	1,541,572	1,094,088
Reverse Convertible Bonds	285,034	366,467
<b>Other securitized liabilities</b>	<b>1,667,950</b>	<b>1,288,719</b>
Certificates with option character	1,654,733	1,280,236
Warrants	13,217	8,483
	<b>3,494,556</b>	<b>2,749,275</b>

"Securitized liabilities" in the amount of € 546,468 thousand (31/12/2018: € 486,397 thousand) will fall due in the next year.

## VIII.4. Other liabilities

The balance sheet item P 4 "Other liabilities" amounting to € 287,755 thousand (31/12/2018: € 467,538 thousand) referred primarily to liabilities reported at fair value as well as premiums received from trading in securities and derivative financial instruments.

in € thousand	31/12/2019	31/12/2018
<b>Negative fair values of derivative financial instruments</b>	<b>185,626</b>	<b>368,257</b>
from OTC options and forward exchange transactions	168,459	332,173
from trading in EUREX options and futures	5,364	3,792
from trading in other options and futures	11,803	32,291
<b>Short-selling of trading assets</b>	<b>74,453</b>	<b>89,376</b>
	<b>260,079</b>	<b>457,633</b>

"Other liabilities" as at 31/12/2019 included in particular short-term charges derived from security trades not yet settled at 31/12/2019 coming to € 13,437 thousand (31/12/2018: € 5,003 thousand) and a liability relating to an equity capital market transaction totaling € 11,512 thousand (31/12/2018: € 1,461 thousand). In addition, the item included various liabilities in relation to costs charged coming to € 529 thousand (31/12/2018: € 447 thousand), group charges in the amount of € 44 thousand (31/12/2018: € 938 thousand), liabilities to domestic tax authorities adding up to € 787 thousand (31/12/2018: € 996 thousand) and liabilities related to payroll accounting in the amount of € 610 thousand (31/12/2018: € 573 thousand).

## IX. Provisions

"Provisions" were as follows:

in € thousand	31/12/2019	31/12/2018
<b>Provisions for severance payments</b>	<b>4,763</b>	<b>4,436</b>
<b>Provisions for taxes</b>	<b>119</b>	<b>190</b>
<b>Other provisions</b>	<b>6,302</b>	<b>7,527</b>
Provisions for bonus payments	2,449	3,016
Provisions for overdue vacation	1,293	1,308
Provisions for legal, auditing and consulting expenses	212	347
Provisions for litigation risks	233	0
Provisions for outstanding invoices in the securities segment	247	310
Provisions for outstanding invoices in the Investment Services segment	43	326
Provisions for outstanding invoices (others)	173	450
Provisions for securities supervision	0	350
Provisions for marketing costs	209	290
Provisions for charged Management Board expenses	983	1,043
Provisions for market data risks	365	0
Sundry	95	87
	<b>11,183</b>	<b>12,153</b>

## X. Share capital and reserves

The **share capital** remained unchanged and is comprised of 655,000 no-par-value shares.

The shares in Raiffeisen Centrobank AG are owned by the following companies:

	%	Shares
RBI IB Beteiligungs GmbH, Vienna	100.00	654,999
Raiffeisen International Invest Holding GmbH, Vienna (previously Lexxus Services Holding GmbH, Vienna)	0.00	1
	<b>100.00</b>	<b>655,000</b>

As of the merger contract dated 27/05/2019, Lexxus Services Holding GmbH, Vienna, as transferred company was merged with Raiffeisen International Invest Holding GmbH, Vienna as transferring company.

**Capital reserves** amounted to € 20,651 thousand as at 31/12/2019, remained unchanged to the previous year (31/12/2018: € 20,651 thousand) and contain committed and uncommitted capital reserves adding up to € 6,651 thousand and € 14,000 thousand, respectively.

**Retained earnings** included legal reserves in the amount of € 1,031 thousand (31/12/2018: € 1,031 thousand) and other reserves totaling € 33,654 thousand (31/12/2018: € 31,129 thousand). The increase of other reserves amounting to € 2,524 thousand is attributable to the allocation of the undistributed balance sheet profit for 2018 to other reserves.

**Liability reserve** pursuant to Article 57 section 5 Austrian Banking Act remained unchanged to the previous year, totaling € 13,539 thousand.

## XI. Obligations arising from the use of tangible fixed assets not recognized in the balance sheet

The rental and leasing expenses during the period under review amounted to € 431 thousand (2018: € 451 thousand), thereof € 60 thousand (2018: € 123 thousand) to affiliated companies. For the 2020 financial year, rental and leasing expenses are expected to total € 394 thousand and € 1,773 thousand for the 2020-2024 financial years, of which the rental and leasing expenses for affiliated companies will total € 36 thousand and € 186 thousand, respectively.

## XII. Supplementary data

### Assets and liabilities in foreign currencies

The following amounts were contained in the balance sheet total in foreign currencies:

in € thousand	31/12/2019	31/12/2018
Assets	1,415,100	1,179,190
Liabilities	1,217,538	1,127,785

### Trading book

A trading book is maintained. At the balance sheet date, the trading volume at fair values (positive and negative fair values offset) estimated pursuant to internal risk calculation amounted to:

in € thousand	31/12/2019	31/12/2018
Shares/mutual funds	266,706	41,151
Listed options	11,508	7,445
Futures	10,667	286
Warrants/certificates	(1,575,382)	(1,287,876)
OTC options	(2,622)	(249,464)
Purchased bonds/tradable money market deposits	3,260,011	2,583,238
Issued guarantee bonds and reverse convertible bonds	(1,759,507)	(1,461,113)

### Volume of the securities trading book

As at the balance sheet date the securities trading book (notional amount) was made up as follows:

in € thousand	31/12/2019	31/12/2018
Securities	3,757,989	3,554,790
Other financial instruments	8,711,147	6,909,103
	<b>12,469,136</b>	<b>10,463,893</b>

### Data on transactions with derivative financial instruments and unsettled forward transactions

Raiffeisen Centrobank AG's trading in derivative financial instruments focuses on options and forward transactions (mainly futures).

The financial instruments issued by Raiffeisen Centrobank AG can be classified as warrants, certificates mainly on equities and equity indices (turbo, discount, bonus and open-end certificates), and guarantee certificates and reverse convertible bonds with a payment structure related to equity or equity indices.

Equities held by Raiffeisen Centrobank AG represent, together with purchased options, tradable money market deposits and zero bonds depicted in other balance sheet items, the hedge positions to issued certificates and warrants, and are part of the Bank's market maker activities.

The volumes of derivative financial instruments and unsettled forward transactions as at 31/12/2019 were as follows:

in € thousand 31/12/2019	Notional amount		thereof Trading Book	Fair value	
	Purchase	Sale		Positive	Negative
<b>1. Foreign exchange contracts</b>	<b>71,982</b>	<b>117,361</b>	<b>73,008</b>	<b>5,018</b>	<b>(156)</b>
<b>1.1. OTC products</b>	<b>44,658</b>	<b>117,361</b>	<b>45,684</b>	<b>4,272</b>	<b>(156)</b>
Forward foreign exchange contracts	0	116,335	0	0	(156)
Currency options/gold contracts	44,658	1,026	45,684	4,272	0
<b>1.2. Products traded on stock exchange</b>	<b>27,324</b>	<b>0</b>	<b>27,324</b>	<b>747</b>	<b>0</b>
Future foreign exchange contracts	27,324	0	27,324	747	0
<b>2. Equity contracts</b>	<b>2,954,755</b>	<b>2,442,255</b>	<b>5,397,010</b>	<b>179,865</b>	<b>(185,401)</b>
<b>2.1. OTC products</b>	<b>2,029,634</b>	<b>1,817,926</b>	<b>3,847,559</b>	<b>154,968</b>	<b>(168,303)</b>
Equity/index-based options	2,029,634	1,817,926	3,847,559	154,968	(168,303)
<b>2.2. Products traded on stock exchange</b>	<b>925,121</b>	<b>624,330</b>	<b>1,549,451</b>	<b>24,897</b>	<b>(17,098)</b>
Shares and other equity/index-based options and future contracts	189,056	76,879	265,935	9,321	(2,258)
Equity/index-based options	736,065	547,451	1,283,516	15,576	(14,840)
<b>3. Commodities/precious metals</b>	<b>98,744</b>	<b>6,000</b>	<b>104,744</b>	<b>5,142</b>	<b>(69)</b>
<b>3.1. OTC products</b>	<b>30,507</b>	<b>6,000</b>	<b>36,507</b>	<b>2,244</b>	<b>0</b>
Commodity and precious metal options	30,507	6,000	36,507	2,244	0
<b>3.2. Products traded on stock exchange</b>	<b>68,237</b>	<b>0</b>	<b>68,237</b>	<b>2,898</b>	<b>(69)</b>
Other commodity and precious metal future contracts	68,237	0	68,237	2,898	(69)
<b>4. Other transactions</b>	<b>41,450</b>	<b>0</b>	<b>41,450</b>	<b>1,167</b>	<b>0</b>
<b>4.1. OTC products</b>	<b>41,450</b>	<b>0</b>	<b>41,450</b>	<b>1,167</b>	<b>0</b>
Other options	41,450	0	41,450	1,167	0
<b>Total OTC products</b>	<b>2,146,249</b>	<b>1,941,287</b>	<b>3,971,201</b>	<b>162,650</b>	<b>(168,459)</b>
<b>Total stock exchange traded products</b>	<b>1,020,682</b>	<b>624,330</b>	<b>1,645,012</b>	<b>28,542</b>	<b>(17,167)</b>
	<b>3,166,931</b>	<b>2,565,617</b>	<b>5,616,213</b>	<b>191,193</b>	<b>(185,627)</b>

The volumes of derivative financial instruments and unsettled forward transactions as at 31/12/2018 were as follows:

in € thousand 31/12/2018	Notional amount		thereof Trading Book	Fair value	
	Purchase	Sale		Positive	Negative
<b>1. Foreign exchange contracts</b>	<b>160,366</b>	<b>875</b>	<b>71,020</b>	<b>2,987</b>	<b>0</b>
<b>1.1. OTC products</b>	<b>136,059</b>	<b>875</b>	<b>46,713</b>	<b>1,844</b>	<b>0</b>
Forward foreign exchange contracts	90,221	0	0	293	0
Currency options/gold contracts	45,839	875	46,713	1,551	0
<b>1.2. Products traded on stock exchange</b>	<b>24,307</b>	<b>0</b>	<b>24,307</b>	<b>1,143</b>	<b>0</b>
Future foreign exchange contracts	24,307	0	24,307	1,143	0
<b>2. Equity contracts</b>	<b>2,100,476</b>	<b>2,165,382</b>	<b>4,265,858</b>	<b>121,157</b>	<b>(365,702)</b>
<b>2.1. OTC products</b>	<b>1,640,188</b>	<b>1,883,938</b>	<b>3,524,126</b>	<b>80,408</b>	<b>(331,712)</b>
Equity/index-based options <sup>1</sup>	1,640,188	1,883,938	3,524,126	80,408	(331,712)
<b>2.2. Products traded on stock exchange</b>	<b>460,288</b>	<b>281,444</b>	<b>741,732</b>	<b>40,750</b>	<b>(33,990)</b>
Shares and other equity/index-based options and future contracts	251,185	63,890	315,075	23,831	(24,163)
Equity/index-based options	209,103	217,554	426,657	16,919	(9,827)
<b>3. Commodities/precious metals</b>	<b>94,511</b>	<b>4,444</b>	<b>98,955</b>	<b>2,949</b>	<b>(2,555)</b>
<b>3.1. OTC products</b>	<b>43,163</b>	<b>4,444</b>	<b>47,607</b>	<b>1,382</b>	<b>(462)</b>
Commodity and precious metal options	43,163	4,444	47,607	1,382	(462)
<b>3.2. Products traded on stock exchange</b>	<b>51,348</b>	<b>0</b>	<b>51,348</b>	<b>1,568</b>	<b>(2,093)</b>
Other commodity and precious metal future contracts	51,348	0	51,348	1,568	(2,093)
<b>4. Other transactions</b>	<b>41,450</b>	<b>0</b>	<b>41,450</b>	<b>1,925</b>	<b>0</b>
<b>4.1. OTC products</b>	<b>41,450</b>	<b>0</b>	<b>41,450</b>	<b>1,925</b>	<b>0</b>
Other options <sup>1</sup>	41,450	0	41,450	1,925	0
<b>Total OTC products</b>	<b>1,819,410</b>	<b>1,889,256</b>	<b>3,618,446</b>	<b>83,633</b>	<b>(332,173)</b>
<b>Total stock exchange traded products</b>	<b>535,943</b>	<b>281,444</b>	<b>817,386</b>	<b>43,460</b>	<b>(36,083)</b>
	<b>2,355,353</b>	<b>2,170,700</b>	<b>4,435,833</b>	<b>127,094</b>	<b>(368,257)</b>

<sup>1</sup> Adjustment of previous year's data due to the implementation of the category "Other transactions".

## C. Notes to the Income Statement

### I. Interest and similar income

in € thousand	2019	2018
from loans and advances to credit institutions	12,228	10,351
from loans and advances to customers	386	549
from fixed-interest securities	267	99
from structured products	18,774	18,211
	<b>31,656</b>	<b>29,211</b>

### II. Interest and similar expenses

in € thousand	2019	2018
for liabilities to credit institutions	(6,474)	(4,668)
for liabilities to customers	(6,193)	(6,163)
for securitized liabilities	(58,640)	(37,778)
	<b>(71,307)</b>	<b>(48,609)</b>

“Net interest result” in the amount of € 39,652 thousand was negative both in 2019 and 2018 (€ 19,398 thousand).

The rise in “net interest result” from € minus 39,652 thousand (2018: € 19,398 thousand) was due to higher coupon payments for securitized liabilities (structured products).

Depending on the hedge, these expenses were contrasted with interest income and - as described below in net profit on financial trading activities - with a positive valuation result from tradable money market deposits in the net profit on financial trading activities (trading profit). In 2019, coupon expenses contained in the net interest result posted a strong rise compared to the previous year’s result, whereas coupon income rose only slightly. In 2019, net valuations included in the net profit on financial trading activities increased accordingly.

Compared to the previous year, interest expenses went up by € 22,699 thousand to € 71,307 thousand. In addition to the strong rise of coupon payments for securitized liabilities, interest expenses for liabilities to credit institutions posted a volume-related increase.

Due to higher interest income from loans and advances to credit institutions, interest income rose by € 2,445 thousand to € 31,656 thousand.

The liquidity derived from issues is primarily invested into tradable money market deposits without current coupons which are included in the trading book. The result from tradable money market deposits included in the trading book is shown in “Net profit on financial trading activities”.

Further to the low interest rate environment in 2019 item “Net interest result” included expenses resulting from negative interest for loans and advances in the amount of € 1,291 thousand (2018: € 1,169 thousand). In contrast, the item included income derived from negative interest for liabilities in the amount of € 238 thousand (2018: € 172 thousand).

### III. Income from securities and financial investments

In the 2019 financial year, “Income from securities and financial investments” coming to € 13,305 thousand (2018: € 11,427 thousand) included primarily income from domestic and foreign securities.

### IV. Fee and commission income

in € thousand	2019	2018
from securities business	8,280	9,782
from ECM transactions	2,172	1,706
from payment transactions	1,686	1,340
	<b>12,138</b>	<b>12,828</b>

## V. Fee and commission expenses

in € thousand	2019	2018
from securities business	(12,141)	(12,365)
from payment transactions	(1,728)	(1,398)
	<b>(13,869)</b>	<b>(13,763)</b>

"Net fee and commission result" in the amount of € minus 1,731 thousand (2018: € plus 935 thousand) was comprised of fee and commission income totaling € 12,138 thousand (2018: € 12,828 thousand) and fee and commission expenses in the amount of € 13,869 thousand (2018: € 13,763 thousand). In 2019, the decrease in net fee and commission result was mainly due to higher expenses for sales fees and lower fee income from the Investment Services business which were only partly offset by higher income derived from equity capital market transactions.

## VI. Net profit on financial trading activities

"Net profit on financial trading activities" accounted for the major part of the operating income and went up from € 67,521 thousand in 2018 to € 86,471 thousand in 2019. This development resulted from positive net valuations and net proceeds of derivatives held for hedging purposes and money market deposits adding up to € 133,788 thousand. In contrast, there was a negative result from the valuation and disposal of certificates and shares in the amount of € minus 50,590 thousand. The valuation of spot and futures positions came to € plus 3,273 thousand.

In the comparative period, "Net profit on financial trading activities" was comprised of positive net valuations and net proceeds of certificates and shares in the amount of € 154,362 thousand and negative net valuations and net proceeds of derivatives held for hedging purposes and money market deposits adding up to € minus 92,238 thousand. The valuation of spot and futures positions came to € plus 5,398 thousand.

## VII. Other operating income

The item included mainly income from the release of provisions in the amount of € 466 thousand (2018: € 658 thousand). In addition, the item included income from charges passed on to third parties in the amount of € 254 thousand (2018: € 315 thousand) as well as other income in the amount of € 161 thousand (2018: € 171 thousand). The decrease was mainly attributable to lower income from the release of provisions and lower charges passed on to third parties.

## VIII. Other administrative expenses

in € thousand	2019	2018
Office space expenses (maintenance, operation, administration, insurance)	(1,175)	(1,003)
Office supplies, printed matter, literature	(332)	(322)
IT costs	(3,595)	(3,472)
Communication costs	(1,061)	(1,063)
Information services	(4,670)	(3,298)
Car expenses and travelling expenses	(640)	(652)
Advertising and promotional expenses	(1,721)	(1,491)
Legal, advisory and consultancy services	(1,972)	(1,379)
Contributions to associations	(1,287)	(1,502)
Resolution fund	(973)	(723)
Sundry	(1,956)	(2,179)
	<b>(19,383)</b>	<b>(17,084)</b>

The rise in "Other administrative expenses" was mainly due to higher expenses for marketing and information services as well as for advisory and consultancy services. "Sundry" in the amount of € 1,956 thousand (2018: € 2,179 thousand) mainly included expenses charged for the Management Board.

## IX. Other operating expenses

"Other operating expenses" in the amount of € 341 thousand (2018: € 332 thousand) primarily related to expenses charged in the amount of € 248 thousand (2018: € 311 thousand).

## X. Net valuations and net proceeds

In the 2019 financial year, "Net valuations and net proceeds" amounted to € 152 thousand (2018: € minus 1,665 thousand). The item contained mainly the current adjustment of general impairment allowances calculated pursuant to the methodology laid down in IFRS 9. In the previous year, the item included mainly additional expenses not covered by provisions relating to a liability for a subsidiary amounting to € 1,442 thousand.

## XI. Income taxes and other taxes

Income taxes were as follows:

in € thousand	2019	2018
Group taxation	(859)	(1,046)
Corporate income tax/Slovak branch	(6)	(77)
Taxes for former periods (settlement of Group charge)	(49)	(216)
Not recognized as foreign withholding tax	(1,182)	(1,059)
<b>Current income taxes</b>	<b>(2,095)</b>	<b>(2,397)</b>
Deferred income taxes	52	4
	<b>(2,043)</b>	<b>(2,393)</b>

"Taxes for former periods" coming to € 49 thousand (2018: € 216 thousand) were attributable to the settlement of the Group charge from previous years at RBI. Due to a rise in foreign dividend income, higher foreign withholding tax expenses adding up to € 1,182 thousand (2018: € 1,059 thousand) were due in 2019.

In the 2019 financial year, "Other taxes" came to € 930 thousand (2018: € 331 thousand). The rise of tax expenses was attributable to non-periodic VAT tax income in the previous year following a tax audit in the amount of € 348 thousand. In addition, the item contained a rise in expenses for the bank levy of Raiffeisen Centrobank AG and the Slovak branch in the amount of € 753 thousand and € 166 thousand (2018: € 607 thousand and € 82 thousand).

## XII. Deferred taxes

In 2019, income from deferred tax assets came to € 52 thousand (2018: € 4 thousand)

## XIII. Expenses for auditing the financial statements

"Expenses for auditing the financial statements" were contained in legal, advisory and consultancy services. Thereof € 183 thousand were attributable to the auditor (2018: € 110 thousand) and also include the audit of the closing balance as at 30/06/2019 in relation to the demerger of the Investment Services segment of Raiffeisen Centrobank AG. € 68 thousand were attributable to other consultancy services (2018: € 23 thousand).

## D. Other Disclosures

### Contingent liabilities

In accordance with Article 93 of the Austrian Banking Act, the Bank is legally obliged to provide for proportionate deposit insurance as part of its membership in a professional association. Raiffeisen Centrobank AG is a member of Einlagensicherung AUSTRIA GesmbH. The contingent liabilities derived from theoretical claims were reported at a market value of € 0.07.

### Other contractual bank guarantee obligations

The following assets were pledged as security for obligations as at 31/12/2019:

#### Item A 2 Loans and advances to credit institutions

€ 425,516 thousand (31/12/2018: € 397,971 thousand)  
Collateral deposited with banks for the securities and options business and securities lending

#### Item A 3 Loans and advances to customers

€ 3,451 thousand (31/12/2018: € 98,432 thousand)  
Collateral deposited with stock exchanges and other financial institutions for the securities and option business

#### Item A 4 Fixed-interest securities

€ 3,078 thousand (31/12/2018: € 4,223 thousand)  
Collateral deposited with banks for the securities and options business

### Letters of comfort

As at the balance sheet date Raiffeisen Centrobank AG had not issued any letters of comfort.

### Commitments arising from fiduciary business

Commitments arising from fiduciary business transactions not included in the balance sheet referred to one equity participation held in trust in the amount of € 7,091 thousand on 31/12/2019 and 31/12/2018.

## Own funds

The own funds pursuant to part 2 CRR were as follows:

in € thousand	31/12/2019	31/12/2018
Capital paid-in	47,599	47,599
Earned capital	68,875	66,351
<b>Core capital (tier 1 capital) before deductions</b>	<b>116,474</b>	<b>113,950</b>
Intangible fixed assets	(137)	(105)
Prudent valuation	(1,252)	(917)
Holdings in non-significant investments in financial sector entities	(6,992)	(585)
<b>Core capital (tier 1 capital) after deductions</b>	<b>108,094</b>	<b>112,343</b>
Supplementary own funds	0	0
<b>Core capital</b>	<b>108,094</b>	<b>112,343</b>
<b>Supplementary capital</b>	<b>0</b>	<b>0</b>
<b>Supplementary own funds (after deductions)</b>	<b>0</b>	<b>0</b>
<b>Total own funds</b>	<b>108,094</b>	<b>112,343</b>
<b>Total risk-weighted assets</b>	<b>520,337</b>	<b>475,262</b>
Core capital ratio, credit risk	73.1%	76.0%
Core capital ratio, total	20.8%	23.6%
Own funds ratio	20.8%	23.6%

Own funds requirements pursuant to Article 92 of Regulation (EU) No 575/2013 (total risk-weighted assets) were as follows:

in € thousand	31/12/2019	31/12/2018
Risk-weighted assets (credit risk)	147,818	147,799
Standard approach	99,577	105,450
CVA (credit value adjustment) risk	48,241	42,349
Risk-weighted assets (position risk in bonds, equities, commodities and foreign currencies)	240,312	204,926
Risk-weighted assets (settlement and delivery risks)	16	696
Risk-weighted assets (operational risk)	132,191	121,842
<b>Total risk-weighted assets</b>	<b>520,337</b>	<b>475,262</b>

Risk-weighted assets for the credit risk according to asset classes were as follows:

in € thousand	31/12/2019	31/12/2018
<b>Risk-weighted assets according to standard approach</b>	<b>99,577</b>	<b>105,450</b>
Governments and central banks	16	0
Institutions	50,978	53,106
Corporates	28,864	32,898
Equity participations	6,240	6,240
Other positions	13,479	13,206
<b>CVA risk</b>	<b>48,241</b>	<b>42,349</b>
	<b>147,818</b>	<b>147,799</b>

### Number of staff

	31/12/2019	Annual average	31/12/2018	Annual average
Salaried employees	195	195	191	186
thereof part-time	40	41	40	41

### Overall Return-on-Assets

in € thousand or in per cent	31/12/2019	31/12/2018
Annual result after tax	11,573	13,004
Balance sheet total	4,440,234	3,735,352
<b>Overall Return-on-Assets</b>	<b>0.3%</b>	<b>0.3%</b>

### Advances and loans to members of the Management Board and Supervisory Board

At the balance sheet date no advances and loans had been granted to members of the Management Board. No advances, loans or guarantees had been granted to members of the Supervisory Board.

### Expenses for severance payments and retirement benefits

"Expenses for severance payments and retirement benefits" (including contributions to pension funds and staff retirement benefit plans, as well as provisions for severance payments) for the Management Board (included in "Other administrative expenses") and the staff amounted to € 1,364 thousand (2018: € 1,477 thousand). Payments to employee pension funds totaled € 225 thousand (2018: € 211 thousand).

No break-down pursuant to Article 239 section 1 no 3 according to Article 242 section 4 was provided.

### Remuneration for members of the Management Board and Supervisory Board

No break-down pursuant to Article 239 section 1 no 4 according to Article 242 section 4 was provided.

In 2019, attending fees in the amount of € 95 thousand were paid to members of the Supervisory Board (2018: € 70 thousand).

Remunerations and expenses on severance payments and retirement benefits for members of the Management Board were borne by RBI (an affiliated company) and were charged to Raiffeisen Centrobank AG (included in "Other administrative expenses").

### Group relations

The company is an affiliated company of Raiffeisen Bank International AG (ultimate holding company), Vienna, and is integrated in its consolidated financial statements. The consolidated financial statements are deposited with the Commercial Court in Vienna and are available at the respective parent company.

Since 17 December 2008, the company has been a member of the corporate group Raiffeisen Zentralbank Österreich Aktiengesellschaft (now Raiffeisen Bank International AG) pursuant to Article 9 Austrian Corporation Tax Act. The application submitted by the company to become a group member of the corporate group RZB as of the business year 2008 pursuant to Article 9 Austrian Corporation Tax Act was notified to the financial authorities on 19 December 2008 and was approved by notice on 22 April 2009.

The taxable results of the members of the group are attributed to the parent company. Any tax adjustments between the parent company and the individual members of the corporate group are regulated in the form of a tax allocation agreement.

## Members of the Management Board, the Supervisory Board and State Commissioners

<b>Management Board</b>	Wilhelm Celeda	Chief Executive Officer until 30 April 2019
	Valerie Brunner	Member of the Management Board until 30 April 2019
	Harald Kröger	Chief Executive Officer as from 01 May 2019
	Heike Arbter	Member of the Management Board as from 01 May 2019
<b>Supervisory Board</b>	Łukasz Januszewski	Chairman
	Member of the Management Board, Raiffeisen Bank International AG	
	Hannes Mösenbacher	Deputy Chairman
	Member of the Management Board, Raiffeisen Bank International AG	
	Michael Höllerer	Member
	Chief Financial Officer, Raiffeisen Bank International AG	
Andrii Stepanenko	Member	
Member of the Management Board, Raiffeisen Bank International AG, Vienna		
Christian Moucka	Member as from 29 April 2019	
General Management, Raiffeisenbank Region Baden		
Matthias Zitzenbacher	Member as from 29 April 2019	
General Management, Raiffeisenbank Leoben-Bruck eGen (mbH)		
<b>State Commissioners</b>	Alfred Hacker	
	Karl-Heinz Tscheppe	

### Significant Events after the Balance Sheet Date

On 13 January 2020 a demerger and absorption agreement was concluded in which Raiffeisen Centrobank AG as assigning company intends, in the form of a demerger by absorption, to transfer its Investment Services division to Kathrein Privatbank Aktiengesellschaft as acquiring company pursuant to § 1 para 2 Z 2 Demerger Act (Spaltungsgesetz) and Article VI Reorganization Tax Act (Umgründungssteuergesetz) by universal succession with the effective date as of 30 June 2019 (demerger date) and on the basis of the audited closing balance sheet of Raiffeisen Centrobank AG as at 30 June 2019 Kathrein Privatbank Aktiengesellschaft shall not issue any new shares in the course of the demerger by absorption. In the Extraordinary General Assembly of Raiffeisen Centrobank AG held on 13 January 2020 the demerger by absorption was approved.

The European Central Bank approved the demerger by absorption of the Investment Services division of Raiffeisen Centrobank AG to Kathrein Privatbank Aktiengesellschaft by decision dated 27 February 2020. Upon entry into the commercial register on 01 April 2020 the demerger by absorption became legally effective.

The pre-tax result of the Investment Services division from July to December 2019 came to € 305,089.54 and has been included in the 2019 annual financial report of Raiffeisen Centrobank AG. This amount is subject to a distribution prohibition.

The measures taken by the Austrian government to combat the Covid-19 virus have a substantial impact on the business of Raiffeisen Centrobank AG. The stock markets suffered a severe slump against the backdrop of the economic ramifications of the epidemic, translating into a noticeable rise in trading activities and volatility on the exchanges. Over 90 per cent of Raiffeisen Centrobank AG's employees are working remotely via teleworking solutions. Core staff in the Trading & Treasury and Electronic Sales Trading businesses are working on the Bank's premises or at the backup data center. The impact on Raiffeisen Centrobank AG's front offices hinges on the duration and intensity of the economic slowdown and potential second-round effects, and can currently not be assessed.

Vienna, 03 April 2020  
The Management Board



**Harald Kröger**  
Chief Executive Officer



**Heike Arbter**  
Member of the Management Board

### Distribution of the Profit 2019

The 2019 financial year closed with a net profit of € 11,573,183.40.

The Management Board proposes to the Supervisory Board that a dividend in the amount of € 17.00 per share be distributed from the net profit as at 31 December 2019. This corresponds to a total dividend amounting to € 11,135,000.00 for 655,000 shares. The Management Board further proposes to allocate an amount of € 438,183.40 to be carried forward.

Vienna, 03 April 2020  
The Management Board



**Harald Kröger**  
Chief Executive Officer



**Heike Arbter**  
Member of the Management Board

# Auditor's Report

## Report on the Financial Statements

### Audit Opinion

We have audited the financial statements of

Raiffeisen Centrobank AG,  
Vienna, Austria,

which comprise the Balance Sheet as at 31 December 2019, the Income Statement for the year then ended, and the Notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and other legal requirements (Austrian Banking Act).

### Basis for Our Opinion

We conducted our audit in accordance with the Regulation (EU) No 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the Company, in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, however, we do not provide a separate opinion thereon.

### Valuation of certificates, warrants and other financial instruments as well as dynamic hedging

The issuance of certificates and warrants with a total volume of roughly 3.5 billion EUR, ie roughly 78 per cent of the balance sheet total, as well as continual adjustments of hedging positions (dynamic hedging) connected to this activity represent the major business activities of Raiffeisen Centrobank AG. Raiffeisen Centrobank AG calculates prices for issued certificates, warrants and structured products based on internal valuation models. Market price risks and interest rate risks resulting from the issue of certificates are hedged dynamically. Structured products issued on the liabilities side are replicated by counter-positions on the assets side. Hedging positions are continually adjusted to market conditions. Financial products without tradable prices are reported in the balance sheet at fair value which is determined by valuation models or, in individual cases, by external (indicative) quotes of brokers or other credit institutions.

The Management Board describes the process of valuating assets-related and liabilities-related products under "Accounting Policies" within the notes.

### The Financial Statement Risk

The risk to the financial statements results from discretionary assumptions and parameters applied in the internal models and thus potential misjudgment for the valuation of financial instruments reported at fair value without tradable prices and observable market data. The same applies to the determination of the fair value based on external (indicative) pricing methods and value adjustments.

### Our Response

We have tested the processes for valuing these financial products, including depository reconciliation. We tested key controls within these processes for their design, implementation and operational effectiveness. Furthermore, we surveyed the implementation of risk management in the trading book, in particular for limit monitoring, market conformity checks and product launches. We have identified and tested the design and implementation of the related key controls.

We have involved our internal valuation specialists to assess the fair values. Further, we have reviewed the valuation models used and the underlying valuation parameters to ensure their appropriateness. In addition, we compared the parameters used with market data on a sample basis and examined whether they are suitable input factors. We also assessed whether the external (indicative) price quotations can be used as fair values by questioning the responsible employees and inspecting the documents provided by the Bank. We took random samples to check whether the assumptions made in the calculation were conclusive and recalculated the fair values.

Finally, we assessed whether the disclosures in the notes regarding the valuation methods were compliant with legal requirements.

### Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and other legal requirements (Austrian Banking Act) and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

### Auditors' Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

## Report on Other Legal Requirements

### Management Report

In accordance with Austrian Company law the management report is to be audited as to whether it is consistent with the financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the management report in accordance with Austrian company law and other legal requirements (Austrian Banking Act).

We have conducted our audit in accordance with generally accepted standards on the audit of management reports as applied in Austria.

### Opinion

In our opinion, the management report is consistent with the financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

### Statement

Based on our knowledge gained in the course of the audit of the financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the management report.

### Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the financial statements, the management report and the auditor's report.

Our opinion on the financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

### Additional information in accordance with Article 10 EU Regulation

At the Annual General Meeting dated 25 April 2018, we were elected as auditors. We were appointed by the supervisory board on 30 May 2018. We have been the Company's auditors for more than 20 years without interruption.

We declare that our opinion expressed in the "Report on the Financial Statements" section of our report is consistent with our additional report to the audit committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.

### Engagement Partner

The engagement partner is Mr Wilhelm Kovsca.

Vienna, 3 April 2020

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by  
**Wilhelm Kovsca**  
Wirtschaftsprüfer  
(Austrian Chartered Accountant)

**This report is a translation of the original report in German, which is solely valid.** The financial statements, together with our auditor's opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

# Publisher's Details

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