# Annual Financial Report 2020

Raiffeisen CENTROBANK

# Annual Financial Report 2020: An Overview



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 | 2020 | 2019 | Change |
|---|---|---|---|
| **Key ratios** | | | |
| Operating income | 47,632 | 59,292 | (19.7)% |
| Operating expenses | (36,232) | (44,898) | (19.3)% |
| Result on ordinary activities | 11,396 | 14,546 | (21.7)% |
| Net income for the year | 8,597 | 11,573 | (25.7)% |
| Balance sheet total | 4,653,354 | 4,440,234 | 4.8% |
| Return-on-Equity before tax | 9.8% | 12.5% | (2.7) PP |
| Return-on-Equity after tax | 7.4% | 9.9% | (2.5) PP |
| Overall Return-on-Assets (after tax) | 0.2% | 0.3% | (0.1) PP |
| Cost/income ratio | 76.1% | 75.7% | 0.4 PP |
| **Bank-specific figures** | | | |
| Core capital | 108,969 | 108,094 | 0.8% |
| Total Risk-Weighted assets | 432,741 | 520,337 | (16.8)% |
| Excess own funds | 74,349 | 66,467 | 11.9% |
| Core capital ratio | 25.2% | 20.8% | 4.4 PP |
| Core capital ratio/credit risk | 76.7% | 73.1% | 3.6 PP |
| Own funds ratio | 25.2% | 20.8% | 4.4 PP |
| Liquidity coverage ratio (LCR) | 138.2% | 291.1% | (152.9) PP |
| **Non-financial performance indicators** | | | |
| Employees at year-end | 123 | 195 | (36.9)% |
| Average number of employees | 172 | 195 | (11.9)% |
| Stock exchange memberships | 10 | 10 | 0.0% |
| Number of newly issued warrants and certificates | 5,369 | 4,174 | 28.6% |

# Preface by the Chairman of the Supervisory Board

Dear Ladies and Gentlemen,

During the 2020 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 fulfil its duty to supervise and advise the Management Board.

2020 was a year of unprecedented personal and professional challenges and burdens for all of us. It asked a lot of flexibility and adjustments, both in our business and private environment. We had to cope with a completely new situation that taught us to deal with new challenges and make the best out of it. In this special year, let me first thank the entire Raiffeisen Centrobank AG team for their efforts and commitment to make 2020 a successful year.

The year 2020 was also a year of change for Raiffeisen Centrobank AG.

The Investment Services business of Raiffeisen Centrobank AG was transferred to Kathrein Privatbank Aktiengesellschaft at the end of Q1 2020 (retroactively as at 30 June 2019) thereby ensuring that the investment services product will only be offered within one unit and supporting the product focus of Raiffeisen Centrobank AG on certificates and trading.

Following a mutually agreed strategic decision, the integration of Raiffeisen Centrobank AG into Raiffeisen Bank International AG will be effected in two phases. In a first step, the equity business (Equity Value Chain) of Raiffeisen Centrobank AG was already demerged by absorption and transferred to Raiffeisen Bank International AG effective as at 1 December 2020 to bundle the full spectrum of equity capital market services under one roof. The full integration of the remaining business areas Certificates and Trading as well as of the related enabling units into Raiffeisen Bank International AG is planned to occur in a second step by the end of 2022. In order to get already closer at a very early stage, Raiffeisen Centrobank AG will move to Raiffeisen Bank International AG's business premises at Stadtpark in the first quarter of 2021.

As the new setup will allow us to offer the entire spectrum of services and products from one hand, I am very confident that this will bring us one step closer to our vision of becoming the most recommended financial services group.

Against the backdrop of the ongoing turbulent market environment in the wake of the Covid-19 pandemic, Raiffeisen Centrobank AG achieved a very favorable result in the 2020 financial year. The Structured Products segment issued a record number of 5,369 publicly offered investment and leverage products. New digital concepts were developed which achieved great attention and met with a very strong response on the part of the customers. Raiffeisen Centrobank AG actively assumes responsibility in shaping a sustainable future which is reflected both in the number of certificates with sustainable underlyings and the volume, which recorded a rise of 43 per cent. Raiffeisen Centrobank AG also remained the biggest player on the Austrian stock market with a market share of 9.5 per cent of the trading market volume on the Vienna Stock Exchange, where it consolidated its position with 19 specialist and 19 market making mandates.

Finally, I would like to thank all those who helped achieve the good results in the past year. I would also like to thank our clients and partners for their cooperation and the confidence they continue to place in Raiffeisen Centrobank AG's services and products.

Łukasz Januszewski

Chairman of the Supervisory Board

# CEO Editorial

Ladies and Gentlemen, dear Reader,

For Raiffeisen Centrobank AG the year 2020 was not only a year of change and a year shaped by the Covid-19 crisis but also a year guided and driven by further developing and enhancing our business range as well as our product and service quality to the benefit of our customers.

Following a comprehensive and in-depth analysis carried out together with Raiffeisen Bank International AG, the Supervisory Board of Raiffeisen Bank International AG approved the strategic decision of a full integration of Raiffeisen Centrobank AG into Raiffeisen Bank International AG in its meeting held on 17 June 2020. The integration will be effected in two phases and will be completed by the end of 2022. In a first step, the Equity Value Chain (EVC), comprising the business segments Equity Sales, Electronic Sales Trading, Equity Capital Markets and Company Research, was transferred into Raiffeisen Bank International AG as at 1 December 2020. The integration of the remaining business segments Certificates and Trading in tandem with the respective enabling units is scheduled to occur in 2022.

These fundamental changes are setting a new course for Raiffeisen Centrobank AG's future. The aim of this strategic decision is to bundle the huge potential for enabling growth, enhancing efficiency and fostering innovation in our product range and to further develop and promote the Certificates and Trading businesses jointly with and within Raiffeisen Bank International AG.

In the past financial year, Raiffeisen Centrobank AG received numerous national and international awards which honored the Bank's role as leading Austrian certificates provider and major product partner in the markets in Central and Eastern Europe (CEE) and emphasised the outstanding level we achieve in our work and services. As a key market maker Raiffeisen Centrobank AG makes a substantial contribution when it comes to providing liquidity for the shares listed on the stock exchanges in Austria and CEE. Our reputation in Austria and CEE is strongly linked to the brand name "Raiffeisen Centrobank". Therefore, we will retain this established brand name together with Raiffeisen Bank International AG yet after the integration.

We addressed the impact of the Covid-19 crisis and effects of the lockdowns by developing even more our customised product range and outstanding commitment to our customers.

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 Raiffeisen Centrobank AG

# Corporate Bodies

| | | |
|---|---|---|
| Management Board | Harald Kröger<br>Heike Arbter | Chief Executive Officer<br>Member of the Management Board |
| Supervisory Board | Łukasz Januszewski<br>Member of the Management Board,<br>Raiffeisen Bank International AG | Chairman |
| | Hannes Mösenbacher<br>Member of the Management Board,<br>Raiffeisen Bank International AG | Deputy Chairman |
| | Michael Höllerer<br>Chief Financial Officer,<br>Raiffeisen Bank International AG | Member |
| | Andrii Stepanenko<br>Member of the Management Board,<br>Raiffeisen Bank International AG | Member |
| | Christian Moucka<br>General Management,<br>Raiffeisenbank Region Baden | Member |
| | Matthias Zitzenbacher<br>General Management,<br>Raiffeisenbank Leoben-Bruck eGen (mbH) | Member |
| State Commissioners | Alfred Hacker (until 31 December 2020)<br>Johannes Pasquali (as from 01 January 2021)<br>Karl-Heinz Tscheppe | |

Vienna, 7 April 2021

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 a competence for certificates and equity trading in Austria and a strong regional focus on the CEE region, 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 2020).

## 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 & ICS (Internal Control System) assumes responsibility for monitoring the non-financial risks and governing the Internal Control System 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 compliance-related 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 & 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.

On 1 December 2020 Compliance & ICS was transferred to Raiffeisen Bank International AG (RBI) and set up as a separate department within RBI Group Compliance. Compliance & ICS is subordinate to the Chief Risk Officer within the Management Board but reports directly to the Management Board and the Supervisory Board of Raiffeisen Centrobank AG. 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 & 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 2020 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

Economic and financial market developments in 2020 were shaped by the global spread of Covid-19 and the associated restrictions to contain the pandemic. The sharply rising number of cases led to severe restrictions on business activities. These were accompanied by an unprecedented recession which affected all areas of the economy but particularly the service sector.

Following the severe slump of economic activity in the first half of 2020 and the pronounced sequential rebound during the summer months, the economic activity again tapered off towards the year-end in the wake of renewed restrictions. At large, against the backdrop of the pandemic and the restrictions, the economic performance in the Eurozone dwindled by roughly 6.8 per cent in the past year. The Austrian gross domestic product (GDP) decreased by minus 6.6 per cent. Government aid programs cushioned the negative effects; however, it is expected that most countries will not return to their pre-pandemic growth levels before the end of 2022. In all countries, comprehensive fiscal countermeasures resulted in a sharp rise of national debt.

The European Central Bank (ECB) responded to the Covid-19 crisis implementing a wide range of measures. In view of the continuous uncertainties and burdens the ECB signaled its willingness to extend and increase the established stimuli in 2021.

The US Federal Reserve completed its monetary policy evaluation by giving a forward guidance to keep key rates at almost zero for a longer period of time. A moderately overshooting inflation rate is explicitly tolerated aiming at achieving a medium-term average inflation rate of 2 per cent. Outside-the-box measures such as asset purchase programs are deemed an integral part of monetary policy in the future.

## Financial Markets

In the wake of the Covid-19 pandemic the stock markets saw severe slumps from the second half of February on reaching their peak in mid-March. The broadly-based STOXX Europe 600 index lost at its peak close to 33 per cent compared to its starting value at the beginning of the year. Whereas, central banks and governments launched unprecedented fiscal and monetary policy supporting measures to combat the record economic downturn, the stock markets started their rebound yet in the second half of March. Most indices stabilised until October at the levels reached at the beginning of June before the rise of global infection rates again translated into severe setbacks.

These were only short-lived and at the end of October the markets started to rebound. On average, the European standard indices posted a negative performance in the lower single digits, whereas the US exchanges (S&P 500 +16 per cent in 2020) reached new all-time highs over the course of the year.

The Austrian leading index ATX recorded a clear underperformance, with an above-average slump in March of almost 50 per cent. This can be put down to the sector weighting. The ATX is strongly dominated by financial titles and the oil and gas heavyweight OMV, a sector which made up the taillights throughout Europe, whereas the winners of the year such as retail, consumer goods, pharmaceuticals and technology are underrepresented. However, the Vienna Stock Exchange saw an above-average rebound at the end of the year.

In view of the market turbulences, gold accounted as a safe haven and posted substantial price gains. From roughly USD 1,520 per troy ounce the price soared to around USD 2,060 in August and marked a new all-time high.

# Development of Business and Earnings 2020

Demerger Investment Services department

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 department 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 department of Raiffeisen Centrobank AG to Kathrein Privatbank Aktiengesellschaft by decision dated 27 February 2020. Upon entry into the commercial register on 1 April 2020 the demerger by absorption became legally effective.

The demerger of the Investment Services department translated into a decrease of net assets in the amount of € 305 thousand (pre-tax result from July to December 2019).

Demerger Equity Value Chain (EVC)

On 9 September 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 Equity Value Chain to Raiffeisen Bank International AG 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 2020 (demerger date) and on the basis of the audited closing balance sheet of Raiffeisen Centrobank AG as at 30 June 2020. Raiffeisen Bank International AG shall not issue any new shares in the course of the demerger by absorption. In the General Assembly of Raiffeisen Bank International AG held on 20 October 2020 the demerger by absorption was approved.

The European Central Bank approved the demerger by absorption of the Equity Value Chain of Raiffeisen Centrobank AG to Raiffeisen Bank International AG by decision dated 19 November 2020. Upon entry into the commercial register on 1 December 2020 the demerger by absorption became legally effective.

The demerger of the Equity Value Chain (EVC) translated into a decrease of net assets in the amount of € 19 thousand.

The two demergers referred to before result in a limited comparability of the balance sheet and the profit and loss statement with the previous year's figures. Major deviations attributable to the demergers are described in detail in the development of earnings and the balance sheet development.

## Development of Earnings

With an operating income of € 47,632 thousand (2019: € 59,292 thousand) and operating expenses of € 36,232 thousand (2019: € 44,898 thousand) an operating result of € 11,399 thousand (2019: € 14,394 thousand) was generated in the 2020 financial year. Taking into consideration net valuations and net proceeds in the amount of € minus 4 thousand (2019: € 152 thousand) the result on ordinary activities came to € 11,396 thousand. The previous year's result on ordinary activities of € 14,546 thousand was undercut by € 3,150 thousand or 21.7 per cent.

| in € thousand | 2020 | 2019 | Change |
|---|---|---|---|
| Net interest result | (43,112) | (39,652) | 8.7% |
| Income from securities and financial investments | 5,230 | 13,305 | (60.7)% |
| Net fee and commission result | (4,981) | (1,731) | >100.0% |
| Net profit on financial trading activities | 86,861 | 86,471 | 0.5% |
| Other operating income | 3,634 | 898 | >100.0% |
| **Operating income** | **47,632** | **59,292** | **(19.7)%** |
| Staff expenses | (19,616) | (24,133) | (18.7)% |
| Other administrative expenses | (15,011) | (19,383) | (22.6)% |
| Depreciation | (1,246) | (1,040) | 19.9% |
| Other operating expenses | (359) | (341) | 5.1% |
| **Operating expenses** | **(36,232)** | **(44,898)** | **(19.3)%** |
| **Operating result** | **11,399** | **14,394** | **(20.8)%** |
| Net valuations and net proceeds | (4) | 152 | <(100.0)% |
| **Result on ordinary activities** | **11,396** | **14,546** | **(21.7)%** |
| Taxes | (2,799) | (2,973) | (5.9)% |
| **Net income for the year** | **8,597** | **11,573** | **(25.7)%** |

Compared to the previous year's result, operating income decreased by 19.7 per cent or € 11,660 thousand to € 47,632 thousand (2019: € 59,292 thousand). This decrease was in particular attributable to lower income from securities. In addition, net interest result and net fee and commission result were below the previous year's level.

The higher negative net interest result of € minus 43,112 thousand (2019: € minus 39,652 thousand) can be put down to the demerger of the Investment Services department which translated into a decrease of € 3,170 thousand. In addition, net coupon expenses for securitised liabilities (structured products) went up by € 504 thousand.

Depending on the hedge, coupon 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 2020, coupon expenses contained in the net interest result posted a rise compared to the previous year's result. In 2020, net valuations included in the net profit on financial trading activities increased accordingly.

Compared to 2019, interest income decreased by € 22,355 thousand to € 9,301 thousand. Thereof a decrease of € 12,346 thousand was due to lower coupon income from structured products and a decrease of € 9,403 thousand was attributable to the demerger of the Investment Services department.

Compared to the previous year, interest expenses went down by € 18,893 thousand to € 52,414 thousand. Thereof a drop of € 11,841 thousand was attributable to lower coupon expenses for securitized liabilities and a drop of € 6,233 thousand was due to the demerger of the Investment Services department.

Income from securities and financial investments dropped by € 8,075 thousand to € 5,230 thousand due to lower dividend income from domestic and foreign shares adding up to € 4,758 thousand and € 3,317 thousand in the wake of the Covid-19 pandemic.

Net fee and commission result was negative, both in 2020 and 2019. The decrease by € 3,250 thousand to € minus 4,981 thousand was due to the demerger of the Investment Services department (€ minus 1,190 thousand) and the demerger of the Equity Value Chain (€ minus 2,206 thousand).

Net profit on financial trading activities accounted for the main part of the operating income and went up slightly by € 390 thousand to € 86,861 thousand in 2020 compared to € 86,471 thousand in the previous year. This improvement was attributable to coupon payments for structured products as set forth under net interest result. In 2020, these payments were hedged primarily by tradable money market deposits without current coupons held in the trading book. The total result of tradable deposits including interest were contained in net profit on financial trading activities (trading profit).

The cutback or cancellation of dividend payments against the backdrop of the Covid-19 crisis translated into a decrease of income from securities and financial investments and, thus, a higher valuation result in the net profit on financial trading activities which was mostly offset by lower income achieved in the Structured Products segment and the demerger of the Equity Value Chain.

Other operating income posted a rise of € 2,736 thousand to € 3,634 thousand primarily caused by the effect of transfer of internal cost allocation to Raiffeisen Bank International AG and Kathrein Privatbank Aktiengesellschaft in relation to the demerger of the Equity Value Chain and the Investment Services department.

Operating expenses came to € 36,232 thousand and undercut the previous year's result (€ 44,898 thousand) by 19.3 per cent or € 8,666 thousand.

Compared to the previous year's period, staff expenses dropped by € 4,517 thousand to € 19,616 thousand (2019: € 24,133 thousand). € 2,454 thousand thereof were primarily attributable to the demerger of the Equity Value Chain; € 1,004 thousand can be put down to the demerger of the Investment Services department. In addition, expenses for severance payments and retirement benefits decreased by € 438 thousand.

Other administrative expenses included mainly expenses for information services in the amount of € 3,717 thousand (2019: € 4,670 thousand), IT expenses coming to € 3,166 thousand (2019: € 3,595 thousand) and contributions to associations, domestic and foreign supervisory authorities and payments to the resolution fund adding up to € 2,079 thousand (2019: € 2,260 thousand). The item strongly decreased by € 4,372 thousand to € 15,011 thousand. The drop was due to the demergers of the Equity Value Chain (€ 2,593 thousand) and the Investment Services department (€ 497 thousand). In addition, due to the Covid-19 crisis advertising and promotional expenses as well as travel expenses were below the previous year's level.

Depreciation came to € 1.246 thousand and went up by € 206 thousand compared to the previous year's level (€ 1,040 thousand). In the 2020 financial year special depreciation on furniture and equipment was carried out adding up to € 200 thousand further to the planned relocation of Raiffeisen Centrobank AG. The demergers of the Equity Value Chain and of the Investment Services department had only a minor impact (€43 thousand and € 11 thousand, respectively).

Other operating expenses came to € 359 thousand and remained almost unchanged to 2019 (€ 341 thousand).

The cost/income ratio which had been at 75.7 per cent in 2019 came to 76.1 per cent.

In 2020, net valuations and net proceeds were negative and came to € 4 thousand. In the reporting year the item contained solely the current adjustment of general impairment allowances calculated pursuant to the methodology laid down in IFRS 9. In the previous year net valuations and net proceeds were positive and added up to € 152 thousand.

In the reporting year, the result on ordinary activities came to € 11,396 thousand compared to € 14,546 thousand achieved in the previous year.

Current income taxes amounted to € 1,722 thousand (2019: € 2,095 thousand). The item contained expenses for group charges for the 2020 financial year adding up to € 1,005 thousand (2019: € 859 thousand) and for previous years in the amount of € 26 thousand (2019: € 49 thousand). Moreover, the item included withholding taxes on foreign dividend income in the amount of € 686 thousand (2019: € 1,182 thousand) and a provision for current corporate income taxes for the Slovak branch adding up to € 6 thousand (2019: € 6 thousand).

In 2020, expenses for deferred taxes amounted to € 6 thousand compared to an income from deferred taxes achieved in 2019 coming to € 52 thousand.

In the reporting year, other taxes including primarily statutory bank levies of Raiffeisen Centrobank AG and the Slovak branch added up to € 1,078 thousand (2019: € 919 thousand). The rise of tax

expenses can be put down to a rise in the bank levy caused by a rise in the business volume. In addition, the item included income from value-added taxes for previous years amounting to € 7 thousand (2019: expenses € 11 thousand).

Net income for the 2020 financial year came to € 8,597 thousand (2019: € 11,573 thousand).

Taking into account the decrease of net assets in the wake of the demerger of the Equity Value Chain including economic assets at the demerger date 30 June 2020 into Raiffeisen Bank International AG adding up to € 19 thousand and the decrease of net assets in the wake of the demerger of the Investment Services department at the demerger date 30 June 2019 into Kathrein Privatbank Aktiengesellschaft adding up to € 305 thousand, and considering also the profit carried forward in the amount of € 438 thousand (2019: € 0) the net profit as at 31 December 2020 available for the shareholders adds up to € 8,711 thousand (2019: € 11,573 thousand).

## Balance Sheet Development

Compared to 31 December 2019, the balance sheet total increased by 4.8 per cent from € 4,440,234 thousand to € 4,653,354 thousand.

On the asset side, "Deposits with central banks" (10.7 per cent of the balance sheet total on 31 December 2020 and 1.2 per cent on 31 December 2019) rose by € 446,750 thousand to € 497,843 thousand mainly due to liquidity management measures to comply with regulatory requirements.

"Loans and advances to credit institutions" (81.1 per cent of the balance sheet total on 31 December 2020 and 85.1 per cent on 31 December 2019 posted a decrease of € 2,976 thousand to € 3,773,880 thousand which was attributable to the drop of interbank deposits in the amount of € 136,475 thousand to € 350,568 thousand. Moreover, the item included tradable money market deposits (€ 3,124,245 thousand), unlisted bonds (€ 166,463 thousand) and collateral for the option business and securities lending (€ 105,199 thousand). Compared to the year-end 2019, tradable money market deposits and collateral gained € 190,669 thousand and € 41,526 thousand, respectively, whereas unlisted bonds dropped by € 72,224 thousand, primarily because of planned redemptions. As at 31 December 2019, the item "Loans and advances to credit institutions" contained interbank deposits adding up to € 334,929 thousand which were attributable to the Investment Services department.

"Loans and advances to customers" (0.2 per cent of the balance sheet total on 31 December 2020 and 1.0 per cent on 31 December 2019) decreased primarily further to the settlement of an outstanding liability (€ 34,992 thousand) and the demerger of the Investment Services department (€ 7,205 thousand) by € 37,875 thousand to € 8,391 thousand. Collateral for the option business to other financial institutions rose by € 4,420 thousand.

In annual comparison, "Bonds, notes and other fixed-interest securities" (0.2 per cent of the balance sheet total on 31 December 2020 and 0.4 per cent on 31 December 2019) fell by € 7,750 thousand to € 10,580 thousand.

"Shares and other variable-yield securities" (4.3 per cent of the balance sheet total on 31 December 2020 and 7.5 per cent on 31 December 2019) strongly decreased by € 135,947 thousand to € 199,213 thousand. € 104,901 thousand of the decrease related to foreign shares and was attributable to the Covid-19 crisis and the current adjustment of the hedging strategy to continuously changing market conditions and volatilities.

"Tangible fixed assets" (0.2 per cent of the balance sheet total on 31 December 2020 and 31 December 2019) recorded a drop of € 1,053 thousand to € 9,954 thousand. In the year 2020, a special deprecation on office furniture and equipment adding up to € 200 thousand further to the planned relocation of Raiffeisen Centrobank AG was carried out.

"Other assets" (3.1 per cent of the balance sheet total on 31 December 2020 and 4.4 per cent on 31 December 2019) which contained mainly positive fair values from trading in derivative financial instruments adding up to € 144,178 thousand (31 December 2019: € 191,192 thousand) fell by € 48,006 thousand to €145,657 thousand (31 December 2019: € 193,663 thousand).

On the equity and liabilities side, "Liabilities to credit institutions" (16.4 per cent of the balance sheet total on 31 December 2020 and 1.2 per cent on 31 December 2019) increased by € 710,390

thousand to € 762,368 thousand in particular due to a rise of deposit liabilities to domestic credit institutions for reasons of liquidity management.

"Liabilities to customers" (0.2 per cent of the balance sheet total on 31 December 2020 and 10.5 per cent on 31 December 2019) fell by € 459,291 thousand to € 7,198 thousand primarily due to the demerger of the Investment Services department. In addition, deposits from domestic customers not attributable to the Investment Services department (€ 74,751 thousand) as well as liabilities from the collateral for the option business to other financial institutions (€ 7,638 thousand) also recorded a decrease.

"Securitized liabilities" (73.5 per cent of the balance sheet total on 31 December 2020 and 78.7 per cent on 31 December 2019) dropped by € 72,269 thousand to € 3,422,287 thousand mainly because of a decrease of issued securitized liabilities. Therein, Reverse Convertible Bonds posted a decrease of € 194,620 thousand due to the expiry of the products at the end of the maturity date, whereas Capital Protection Certificates rose by € 56,465 thousand. Other securitized liabilities (certificates with option character and warrants) gained € 65,885 thousand.

Tradable money market deposits, unlisted options and zero bonds purchased from Raiffeisen Bank International AG for hedging purposes 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 € 3,124,510 thousand (31 December 2019: € 2,958,816 thousand).

"Other liabilities" (7.0 per cent of the balance sheet total on 31 December 2020 and 6.5 per cent on 31 December 2019) went up by € 38,901 thousand to € 326,657 thousand mainly due to the rise in negative fair values of derivative financial instruments (options, futures and forward exchange contracts) and the short-selling of trading assets of € 41,566 thousand and € 22,399 thousand, respectively.

Sundry other liabilities including settlement accounts on the equity and liabilities side posted a decrease in particular because of lower short-term charges from securities transactions not yet settled as at 31 December 2020 as well as the settlement of a liability regarding an equity capital market transaction adding up to € 25,064 thousand.

"Provisions" (0.2 per cent of the balance sheet total on 31 December 2020 and 0.3 per cent on 31 December 2019) dropped from € 11,183 thousand as at 31 December 2019 to € 9,470 thousand as at 31 December 2020. This resulted mainly from provisions for severance payments in the amount of € minus 1,305 thousand. A decrease in the amount of € 672 thousand was due to the demerger of the Equity Value Chain and a decrease adding up to € 317 thousand was attributable to the demerger of the Investment Services department. Other provisions fell by € 408 thousand.

"Retained earnings" (0.7 per cent of the balance sheet total on 31 December 2020 and 0.8 per cent on 31 December 2019) came to € 34,685 thousand and remained unchanged to the previous year.

The net profit (0.2 per cent of the balance sheet total on 31 December 2020 and 0.3 per cent on 31 December 2019) came to € 8,711 thousand and was comprised of the net income for the year in the amount of € 8,597 thousand, the decrease of net assets by demerger coming to € 324 thousand and the profit carried forward adding up to € 438 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 2020, the Slovak branch in Bratislava placed two issues with a total volume of roughly € 19 million (2019: roughly € 29 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.

**Structured Products**

The Structured Products business segment completed this extraordinary year 2020 on a successful note. The total sales volume (purchases and sales) came to € 1.8 billion and almost achieved the previous year's record level of € 1.9 billion. As at 31 December 2020, the open interest of Raiffeisen Centrobank AG's certificates amounted to € 4.2 billion (2019: € 4.6 billion). In the wake of the Covid-19 pandemic the issuance activity was increased coming to 5,369 publicly offered investment and leverage products (2019: 4,174), thereof 262 being subscription products and customized issues (2019: 254).

In the Austrian Raiffeisen sector, the open interest of Raiffeisen Centrobank AG's certificates came to € 2.1 billion in 2020 and achieved a new record high (2019: € 2.0 billion). The team held a very high number of education programs in a new setup with over 200 certificates' training sessions, two thirds of which were held as video conferences, and hence trained more advisors than ever before.

In the first quarter of 2020, the importance of digital communication channels became even more apparent and was underpinned by the substantial use of digital offers: in March 2020, the website www.rcb.at was visited by 33,000 users (plus 49 per cent compared to the average rate achieved in 2019), and Raiffeisen Centrobank AG's Certificates Finder was clicked 4,570 times (new record high). New digital concepts were developed which resulted in 3,000 additional visits focusing on communication via newsletter between March and May. At the end of 2020, the "RCB Monthly Magazine" had over 2,000 subscribers. Digital formats were refined, and new formats were established to meet the rising demand for information. 20 webinars (and a total of 11,935 visits) as part of the Raiffeisen Campus training platform contributed to maintaining a close contact with the advisors. In addition, short product and market outlook videos were produced for the website and information campaigns as well as the know how section on the website were substantially expanded.

In the CEE region, Raiffeisen Centrobank AG is active in ten countries focusing on the distribution of certificates via the local Raiffeisen network banks. At the end of 2020, the active distribution in Serbia was initiated. More than 70 customized products for local customers were successfully placed in six different currencies which emphasized 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 came to € 1.2 billion and remained constant compared to the previous year's period.

Raiffeisen Centrobank AG's Slovak branch in Bratislava distributes structured products on the Slovak market. In 2020, the branch placed two customized products with a total issue volume of € 19 million. The branch in Bratislava supports the Slovak market with issuing customized certificates and providing training.

In 2020, Raiffeisen Centrobank AG's Structured Products team won numerous awards. In the Structured Retail Products (SRP) EMEA Awards in London held on 29 January 2020 Raiffeisen Centrobank AG was awarded the prizes "Best Performance Austria" and "Best Distributor Slovakia". In the German Certificates Awards 2020/2021 held on 26 November 2020, Raiffeisen Centrobank AG won the third place with its "Sustainability Bond 90 % IV". At the Certificates Award Austria held on 22 September 2020, Raiffeisen Centrobank AG was elected overall winner for the 14th consecutive year, winning the innovation of the year prize with Europe's first savings plan bonus certificate "Europe Unlimited".

On the product side, the topic "sustainability" gained further importance. Both the number of issued certificates on sustainable underlyings and the open interest volume (plus 43 per cent) for this product category rose significantly.

For the Structured Products segment (including the branch in Slovakia) operating income excluding other operating income came to € 23.7 million and undercut the previous year's operating income adding up to € 31.9 million by 26 per cent. The decrease was mainly attributable to the lockdown measures taken to combat the Covid-19 crisis in Raiffeisen Centrobank AG's core markets which negatively impacted the sale of certificates via direct distribution channels. In addition, the rise of liquidity costs also translated into a decrease of the result.

**Trading & Treasury**

The year 2020, which was dominated by the Covid-19 pandemic, saw high volatilities and great uncertainty on the global stock markets. The spot market of the Vienna Stock Exchange, Raiffeisen Centrobank AG's home market, recorded an increase in sales volume of roughly 9.9 per cent to € 69.7 billion (2019: € 63.4 billion).

The leading European exchanges Frankfurt and Euronext also posted a rise of roughly 34.8 per cent and 28 per cent to € 1,812 and € 2,193 billion (2019: € 1,344 billion and € 1,713 billion, single counting). The sales volume on the exchange in Warsaw gained roughly 56 per cent and came to € 70.1 billion (2019: € 44.9 billion, single counting). The CEE exchanges Budapest, Bucharest and Prague posted sales volumes of € 9.5 billion (2019: € 7.9 billion), € 2.2 billion (2019: € 1.8 billion) and € 4.7 billion (2019: € 4.2 billion), respectively (single counting).

In market making on the Vienna Stock Exchange, Raiffeisen Centrobank AG recorded a volume of € 1.7 billion, which remained almost unchanged compared to the previous year's period. With a market share of 9.5 per cent, the Bank remained the largest domestic market maker (2019: 11.4 per cent).

At the year-end 2020, Raiffeisen Centrobank AG held 19 specialist and 19 market maker mandates and remained the sole market participant acting as full liquidity provider for the Austrian Prime Market. In 2020, the marking making mandate for Russian shares in the Global Market of the Vienna Stock Exchange was terminated.

On the exchange in Frankfurt, Raiffeisen Centrobank AG held 20 mandates for Austrian listed shares (2019: 25) and acted as market maker for 17 German shares (2019: 15).

On the EUREX Raiffeisen Centrobank AG expanded the market making for listed derivatives to 34 underlyings (2019: 26).

On the exchange in Warsaw, Raiffeisen Centrobank AG substantially expanded its mandates and provided market making for 69 shares (2019: 53 shares). The number of mandated underlyings for listed derivatives was also slightly increased and came to 44.

On the exchanges in Bucharest and Prague Raiffeisen Centrobank AG held 10 and 20 market maker mandates, respectively (2019: 10 and 19).

Operating income excluding other operating income for Trading & Treasury came to € 16.7 million and slightly surpassed the previous year's result of € 16.5 million by 1.1 per cent.

**Equity business**

Even in the crisis year 2020, Raiffeisen Centrobank AG's **Global Equity Sales** team further expanded its Execution and Equity Sales services. The Electronic Sales Trading team combined remote work and work in the back-up center to execute their customers' high trading volumes in a safe working environment in the usual professional way and was able to earn a record result. In addition, the demerger into Raiffeisen Bank International AG was prepared to enhance synergies and provide other customers and asset classes with Raiffeisen Centrobank AG's order routing technology. New pro-

ducts such as the "Best Execution Monitoring" tool were successfully rolled out within the Group. In the wake of the Covid-19 crisis, Equity Sales fully digitized its distribution and held 118 virtual roadshows, 7 virtual conferences and 18 virtual investors group meetings. This contributed substantially to fostering customer relationships and to acquire new customers. Several additional companies were also acquired for the "Sponsored Research" product. The demerger into Raiffeisen Bank International AG, which became effective retroactively as at 1 July 2020, contributed towards leveraging synergies with other product areas and to enhance cross-selling potentials. The profound cost reduction can be put down to the merger of Sales Trading with Electronic Sales Trading.

For the Global Equity Sales segment, which comprises Equity Sales and Electronic Sales Trading, operating income excluding other operating income amounted to € 3.9 million for the period January to June 2020 and undercut the previous year's level (January to December 2019) of € 6.3 million by roughly 38 per cent.

For the **Equity Capital Markets** business, the Covid-19 crisis also had a substantial negative impact on the equity markets and the issuance activity throughout Europe especially in the first half of 2020. The activity however picked up in the second half of 2020. Until the end of November, Europe saw a total of 44 IPOs (Initial Publich Offering) with an offering volume of over € 75 million each, as compared to 2019 with 40 comparable IPOs. In CEE, three IPOs with over € 75 million took place. The Vienna Stock Exchange re-corded no IPO in the regulated market in 2020.

Raiffeisen Centrobank AG led and participated in four ECM transactions in 2020 spread out through Austria, Central and Eastern Europe and Western Europe.

An important milestone was the more than € 2 billion IPO of Allegro.eu on the Warsaw Stock Exchange, which was among the largest European IPOs in 2020. Raiffeisen Centrobank AG acted as a Co-Lead Manager. Raiffeisen Centrobank AG executed its second ECM transaction on the Turkish capital market by selling a significant stake in a Turkish IT company via the market. Raiffeisen Centrobank AG also participated in the capital increase and issue of convertible bonds of Swiss Dufry as a Co-Lead Manager. On the Austrian market the team participated as a Co-Bookrunner in the capital increase and issue of convertible bonds of Immofinanz.

Raiffeisen Centrobank AG provided comprehensive advisory services and marketed its competencies in cooperation with the local Raiffeisen units and thus created a sound basis for the 2021 financial year. From 1 December 2020 the ECM team moved to Raiffeisen Bank International AG, where it will be responsible for the ECM products in the Group Investment Banking Division.

For the Equity Capital Markets segment, operating income excluding other operating income amounted to € 0.3 million for the period January to June 2020 and undercut the previous year's level (January to December 2019) of € 1.8 million by roughly 81 per cent.

The **Company Research** team with its analysts in the Vienna headquarters and in the Raiffeisen network banks in Moscow, Bucharest and Zagreb provides long-standing sector expertise in tandem with profound local market know how and a sectoral approach across the entire region. In the 2020 financial year, the team covered roughly 130 companies from Austria, the CEE region and Russia. In annual comparison, the number of coverages remained unchanged. To expand the regional approach, coverage of the Turkish market is provided in cooperation with the Turkish broker Global Securities. At the beginning of the year, the new Research product "Spotlight Research" was launched. The product is addressed as co-sponsored Research in particular to small and micro caps and was much appreciated by companies as well as by small and microcap investors.

In the challenging 2020 financial year, the Company Research team proactively addressed the increased demand for research and published roughly 900 reports in the period January to September 2020. The reports focused on the fallout of the Covid-19 pandemic, the imposed restrictions and economic ramifications for the respective companies. Moreover, the Company Research team published various special reports which met with great interest from investors. Particular emphasis was laid on sector reports and specials on market moving issues with comprehensive flagship reports.

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

# Performance Indicators

## Financial Performance Indicators

| in per cent | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Return-on-Equity before tax (Result on ordinary activities / Core capital before deductions) | 9.8 | 12.5 |
| Return-on-Equity after tax (Net income for the year / Core capital before deductions) | 7.4 | 9.9 |
| Cost/income ratio (operating expenses / operating income) | 76.1 | 75.7 |
| Own funds ratio (Own Funds / total Risk-Weighted assets) | 25.2 | 20.8 |
| Core capital ratio, total (Core capital / Total Risk-Weighted assets) | 25.2 | 20.8 |
| Overall Return-on-Assets (after tax) (NPAT / Total assets) | 0.2 | 0.3 |
| Liquidity Coverage Ratio (Liquid assets / Net outflows) | 138.2 | 291.1 |

Compared to the previous year, the result on ordinary activities decreased which translated into a drop of the Return-on-Equity before tax from 12.5 per cent to 9.8 per cent and the Return-on-Equity after tax from 9.9 per cent to 7.4 per cent.

The cost/income ratio, which had been at 75.7 per cent in 2019, deteriorated slightly to 76.1 per cent due to a relatively stronger decrease of operating income.

## Non-Financial Performance Indicators

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Employees at year-end | 123 | 195 |
| Average number of employees | 172 | 195 |
| Stock exchange memberships | 10 | 10 |
| Number of newly issued warrants and certificates | 5,369 | 4,174 |

As per the end of December 2020, the number of employees at Raiffeisen Centrobank AG amounted to 123, which, compared to 31 December 2019, represented decrease of 72 employees. This drop is mainly attributable to the demergers of the Equity Value Chain and the Investment Services department in the 2020 financial year. In annual comparison, the staff decreased on average by 23 to 172 employees.

The number of stock exchange memberships came to 10 and remained unchanged to the 2019 financial year (for details kindly see the website of Raiffeisen Centrobank AG: www.rcb.at/en/).

The number of newly issued warrants and certificates went up by 1,195 to 5,369. The rise was mainly attributable to extending the range of flow products. The number of subscription and tailor-made products, which are more relevant in terms of volumes, rose slightly and came to 262 (2019: 256).

# 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 Raiffeisen Bank International AG (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 and the Internal Control System and Compliance were bundled in one department. As from 1 December 2020 the operational risk tasks were transferred to the department Regulatory Affairs.

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 (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 Centrobank AG

Raiffeisen Centrobank 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 Centrobank 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 52f).

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

As a subordinate company of RBI, Raiffeisen Centrobank 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 Centrobank AG to support the Management Board in managing the overall banking risk.

3. Internal Control System

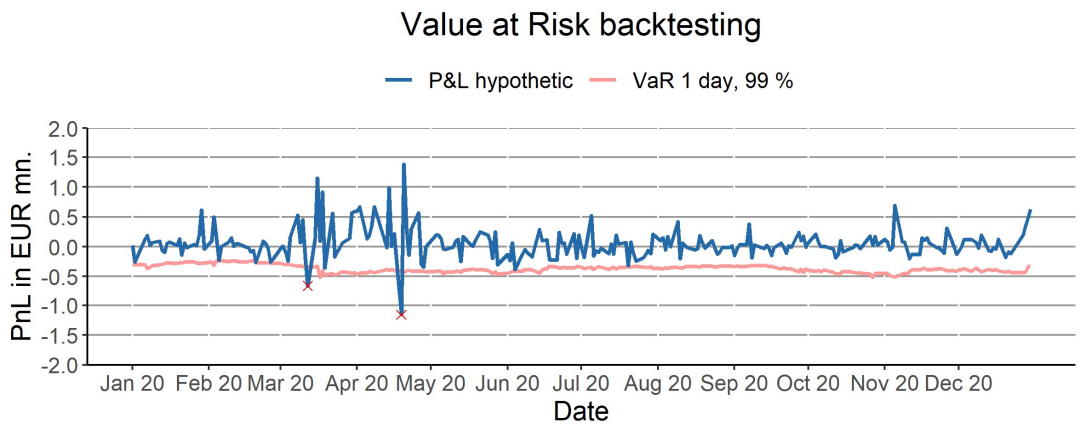
Raiffeisen Centrobank AG has implemented a company-wide modern Internal Control System that meets RBI Group standards. All key processes and immanent risks as well as other key risks of the Bank are documented and controls are set up and reviewed accordingly. Once a year, the controls are reviewed in 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 Centrobank AG is on securities trading and the issue of equity-index based derivatives and structured products, the top priority of Raiffeisen Centrobank AG is to counteract market risk. Raiffeisen Centrobank 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 2020, the VaR for equity and product-specific positions came to € 333 thousand (31 December 2019: € 288 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 2020 and 31 December 2020. In the period under review, backtesting

revealed two VaR exceedances. The exceedances were in line with expectations at a confidence level of 99 per cent.

In addition to the VaR, Raiffeisen Centrobank 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 Centrobank 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 (lombard lending) for private or corporate customers was transferred to Kathrein Privatbank Aktiengesellschaft effective as of 1 April 2020 in the course of the demerger of the Investment Services department, being effective retroactively 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 2020, the LCR came to 138.2 per cent (31 December 2019: 291.1 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 2020 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 2020 compared to 31 December 2019 as well as the respective minimum, maximum and average values for the 2020 financial year.

| | Key figure | Status | Limits | 12/2020 | 12/2019 | Change | Max[1] | Min[1] | Avg[1] |
|---|---|---|---|---|---|---|---|---|---|
| Pillar I | Total Capital Ratio | | 16% / 18% | 25.2% | 20.8% | +4.4 PP | 25.4% | 19.3% | 22.4% |
| | CET1 Ratio | | 16% / 18% | 25.2% | 20.8% | +4.4 PP | 25.4% | 19.3% | 22.4% |
| | LCR | | 110% / 117.5% | 138.2% | 291.1% | (152.9 PP) | 326.6% | 128.0% | 166.7% |
| Pillar II (Internal Capital) | Total Capital Ratio in Stress | | 13% / 15% | 24.7% | 20.8% | +3.9 PP | 25.0% | 19.3% | 22.9% |
| | Economic Capital Utilization | | 45% / 35% | 24.3% | 21.3% | +3.0 PP | 23.4% | 17.8% | 19.6% |
| | Net Leverage Ratio | | 7.5% / 8.5% | 10.2% | 12.9% | (2.8 PP) | 13.1% | 7.8% | 10.6% |
| | HQLA Buffer | | 60 mn / 120 mn | 241 mn | 125 mn | 116 mn | 430 mn | 164 mn | 278 mn |
| Risk-return figures | RORAC | | 25% / 30% | 32.5% | 44.2% | (11.7 PP) | 67.9% | 32.0% | 42.1% |
| | RORWA | | 1.55% / 2% | 1.7% | 2.4% | (0.7 PP) | 3.3% | 1.6% | 2.1% |

[1] during 2020

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).

$$\text{CET1 Ratio} = \frac{\text{Common Equity Tier 1}}{\text{Total Risk-Weighted Assets}}$$

$$\text{Total Capital Ratio} = \frac{\text{Eligible own funds}}{\text{Total Risk-Weighted Assets}}$$

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 HQLA (High-Quality Liquid Assets) 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.

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

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.

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

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

On overall bank level, most key figures were stable and were above the respective internal limits and warning levels. The Net Leverage Ratio breached the warning level on the due dates in March and April. This was due to the rise in liquidity demand during the Covid-19 crisis which translated into an increase of deposits on accounts held with OeNB. Moreover, the RORWA warning level was breached at the due dates in July, August, October, November and December which can be put down to the challenging income situation during the Covid-19 crisis.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 | 31/12/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Credit risk | 73,331 | 79,794 | (8.1)% |
| Market risk | 166,618 | 240,312 | (30.7)% |
| Operational risk | 123,821 | 132,191 | (6.3)% |
| Participation risk | 6,240 | 6,240 | 0.0% |
| CVA risk | 50,534 | 48,241 | 4.8% |
| Rest[1] | 12,196 | 13,558 | (10.0)% |
| RWAs total | 432,741 | 520,337 | (16.8)% |

[1] incl. settlement risk and owned property risk

In 2020, the major changes in the risk situation were as follows:

Credit risk decreased mainly due to demerger of the Investment Services department as at 1 April 2020 and the Equity Value Chain as at 1 December 2020. The latter translated into lower operational risk as at 31 December 2020. Market risk utilization was on a low level at the year-end, which was due to volatility levels and lower issuance volumes compared to the previous year's year-end. As at 31 December 2020, the CVA risk (Credit Value Adjustment) was on a medium level, changes compared to the previous year's year-end were within the normal fluctuation range.

# 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 Chief Financial Officer. 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. As at 1 December 2020 the department was outsourced to Raiffeisen Bank International AG.

"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 2020 Raiffeisen Centrobank AG had 123 employees which, compared to 31 December 2019, represented a decrease of 72 employees. In 2020, Raiffeisen Centrobank AG had on average 172 employees which represents a fluctuation range of 14.4 per cent without taking into account the demerger of two business segments.

The decrease of headcount was mainly due to the demergers in the 2020 financial year. The Investment Services department was demerged by absorption into Kathrein Privatbank Aktiengesellschaft as at 1 April 2020. The Equity Value Chain comprising Equity Sales, Electronic Sales Trading, Equity Capital Markets and Company Research and was demerged by absorption into Raiffeisen Bank International AG as at 1 December 2020. As at the same due date, the departments Compliance & ICS, Internal Audit, Security & BCM as well as Risk Controlling & Limit Management from the Risk Management department were outsourced to Raiffeisen Bank International AG.

### Teleworking

Pursuant to the guidelines of the Austrian federal government, to protect the employees' health and to maintain the business during the Covid-19 pandemic, teleworking agreements were concluded in March 2020 with almost all employees according to necessity and their areas of responsibility. It has to be pointed out that the transition to the new working mode was rapid and seamless.

### Recruiting & Onboarding

In the 2020 financial year, the recruiting process was successfully digitized. Interviews and simulations were held and handled online. The onboarding process for new employees was also carried out digitally if applicable.

### Employee surveys & pulse surveys

The newly implemented "Voice of Employee" tool enables fast and anonymous pulse surveys as well as larger scale employee surveys. In the period April to June 2020 six pulse surveys were made. The surveys focused on teleworking, information flow, work life balance etc. and were targeted towards accompanying employees during the challenging first lockdown. The results as well as questions and discussions were shared in bi-weekly Q&A calls with the Management Board and the staff. If applicable respective measures were deduced.

In October 2020, the bi-annual groupwide employee survey was carried out. The survey contained 55 questions broken down to 12 dimensions and was answered by 79 per cent of the employees. The generally positive results compared to the survey in 2018 were shared in an overview with the staff in December. Based thereon, the results were elaborated in more detail in the first quarter of 2021. This was done both in team workshops as well as in cross-divisional workshops. The main focus areas for measures to be taken are "health", "collaboration", "new ideas and "no blame culture".

## Outlook for 2021

The economic outlook is per se dependent on how the Covid-19 pandemic progresses. Renewed restrictions that were imposed to combat rising infection rates at the end of 2020 dampened the economic performance and translated into a deferral of the economic rebound. Nevertheless, we anticipate the economic dynamics to gain momentum over the course of 2021 which should create a favorable environment for the stock markets. Sustained expansive monetary policies and comprehensive fiscal measures are mutually supportive to this development. In the persistently low interest rate environment, the relative attractiveness of shares towards other asset classes remains unabated. The ECB has emphasised its stance to provide favorable financing terms for a longer period. Money market rates are therefore expected to remain in negative territory. Boosted by the strong rebound of the stock markets towards the end of 2020 most indices were valued at above-average levels which provoked the markets to correct downwards at the end of January. The current environment implies enduring volatilities. The Next Generation EU package comprises a comprehensive bunch of financial means which is particularly favorable for Eastern Europe as it fosters short-term economic recovery and enhances medium and long-term growth prospects. Due to the high turnover share of Austrian listed companies (mainly banks, insurance companies, construction, retail and telecom titles) we anticipate that to be also a stimulus for the Austrian stock market.

Following the first phase of Raiffeisen Centrobank AG's integration into Raiffeisen Bank International AG, which was finalised with the demerger of the Equity Value Chain as at 1 December 2020, the main priority is to further develop Raiffeisen Centrobank AG's business activities and to focus in particular on the digitization in the sales area.

Provided that the government's vaccination rollouts are successful and translate into a sustained containment of the infection and thus a largely normalised public life, we are optimistic for the 2021 financial year and expect to earn a favorable result at least equal to that we achieved in 2020.

## 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, 7 April 2021

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, 7 April 2021

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 2020 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.

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# Balance Sheet as at 31 December 2020

| Assets | 31/12/2020 EUR | 31/12/2020 EUR | 31/12/2019 in € thousand | 31/12/2019 in € thousand |
|---|---|---|---|---|
| 1. Deposits with central banks | | 497,843,272.19 | | 51,093 |
| 2. Loans and advances to credit institutions | | | | |
| a) repayable on demand | 132,604,142.97 | | 117,550 | |
| b) other loans and advances | 3,641,275,504.78 | 3,773,879,647.75 | 3,659,306 | 3,776,856 |
| 3. Loans and advances to customers | | 8,391,427.13 | | 46,266 |
| 4. Bonds, notes and other fixed-interest securities | | | | |
| a) issued by public bodies | 2,880,923.79 | | 3,120 | |
| b) issued by other borrowers | 7,699,192.93 | 10,580,116.72 | 15,210 | 18,330 |
| 5. Shares and other variable-yield securities | | 199,212,678.11 | | 335,160 |
| 6. Equity participations | | 5,140,014.88 | | 5,140 |
| 7. Shares in affiliated companies | | 1,100,000.00 | | 1,100 |
| 8. Intangible fixed assets | | 132,601.00 | | 137 |
| 9. Tangible fixed assets<br>thereof land and buildings used by the credit institution for own purposes: € 8,773,631.92; previous year: € 9,025 thousand | | 9,954,368.64 | | 11,008 |
| 10. Other assets | | 145,657,306.44 | | 193,663 |
| 11. Accruals and deferred income | | 1,248,288.63 | | 1,263 |
| 12. Deferred tax assets | | 213,837.00 | | 219 |
| **Total assets** | | **4,653,353,558.49** | | **4,440,234** |
| | | | | |
| **Off-balance sheet items** | | | | |
| 1. Foreign assets | | 388,676,654.81 | | 548,201 |

| Equity and liabilities | 31/12/2020 EUR | 31/12/2020 EUR | 31/12/2019 in € thousand | 31/12/2019 in € thousand |
|---|---|---|---|---|
| 1. Liabilities to credit institutions | | | | |
| a) repayable on demand | 1,118,615.17 | | 45,977 | |
| b) with agreed maturities or notice period | 761,249,412.58 | 762,368,027.75 | 6,001 | 51,978 |
| 2. Liabilities to customers | | | | |
| a) repayable on demand | 7,197,568.94 | | 210,861 | |
| b) with agreed maturities or notice period | 0.00 | 7,197,568.94 | 255,627 | 466,489 |
| 3. Securitized liabilities | | | | |
| a) issued securitized liabilities | 1,688,451,748.66 | | 1,826,606 | |
| b) other securitized liabilities | 1,733,835,412.12 | 3,422,287,160.78 | 1,667,950 | 3,494,556 |
| 4. Other liabilities | | 326,656,544.99 | | 287,755 |
| 5. Accruals and deferred items | | 188,893.11 | | 226 |
| 6. Provisions | | | | |
| a) Provisions for severance payments | 3,457,927.00 | | 4,763 | |
| b) tax provisions | 118,423.33 | | 119 | |
| c) other provisions | 5,893,828.98 | 9,470,179.31 | 6,302 | 11,183 |
| 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 reserves | 1,030,936.83 | | 1,031 | |
| b) other reserves | 33,653,910.14 | 34,684,846.97 | 33,654 | 34,685 |
| 10. Liability reserve pursuant to Article 57 para 5 Austrian Banking Act | | 13,538,860.00 | | 13,539 |
| 11. Net profit for the year | | 8,711,205.93 | | 11,573 |
| **Total equity and liabilities** | | **4,653,353,558.49** | | **4,440,234** |
| | | | | |
| **Off-balance sheet items** | | | | |
| 1. Contingent liabilities | | 0.00 | | 0 |
| 2. Commitments arising from fiduciary business transactions | | 7,091,124.47 | | 7,091 |
| 3. Eligible own funds pursuant to Part 2 of Regulation (EU) No 575/2013 | | 108,968,591.96 | | 108,094 |
| 4. Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013 (Total Risk-Weighted Assets) hereof: capital requirements pursuant to Article 92 para 1 | | 432,741,394.09 | | 520,337 |
| hereof: capital requirements pursuant to Article 92 para 1 lit (a) | | 25.18% | | 20.77% |
| hereof: capital requirements pursuant to Article 92 para 1 lit (b) | | 25.18% | | 20.77% |
| hereof: capital requirements pursuant to Article 92 para 1 lit (c) | | 25.18% | | 20.77% |
| 5. Foreign equity and liabilities | | 318,030,117.01 | | 689,550 |

# Income Statement for the 2020 Financial Year

| | 2020 EUR | 2020 EUR | 2019 in € thousand | 2019 in € thousand |
|---|---|---|---|---|
| 1. Interest and similar income | | 9,301,215.52 | | 31,656 |
| thereof from fixed-interest securities | 123,143.18 | | 267 | |
| 2. Interest and similar expenses | | (52,413,598.85) | | (71,307) |
| **I. NET INTEREST RESULT** | | **(43,112,383.33)** | | **(39,652)** |
| 3. Income from securities and financial investments | | 5,229,943.36 | | 13,305 |
| 4. Fee and commission income | | 5,473,127.26 | | 12,138 |
| 5. Fee and commission expenses | | (10,453,991.04) | | (13,869) |
| 6. Net profit on financial trading activities | | 86,861,035.38 | | 86,471 |
| 7. Other operating income | | 3,633,990.42 | | 898 |
| **II. OPERATING INCOME** | | **47,631,722.05** | | **59,292** |
| 8. General administrative expenses | | (34,627,251.11) | | (43,516) |
| a) staff expenses | | | | |
| aa) salaries | (15,354,727.26) | | (18,314) | |
| ab) expenses for statutory social security contributions and compulsory contributions related to wages and salaries | (3,321,725.88) | | (4,045) | |
| ac) other employee benefits | (207,583.02) | | (406) | |
| ad) expenses for retirement benefits | (357,499.00) | | (415) | |
| ae) provisions for severance payments and contributions to severance funds | (374,286.72) | | (953) | |
| | (19,615,821.88) | | (24,133) | |
| b) other administrative expenses | (15,011,429.23) | | (19,383) | |
| 9. Value adjustments on asset items 8 and 9 | | (1,246,476.49) | | (1,040) |
| 10. Other operating expenses | | (358,500.99) | | (341) |
| **III. OPERATING EXPENSES** | | **(36,232,228.59)** | | **(44,898)** |
| **IV. OPERATING RESULT** | | **11,399,493.46** | | **14,394** |
| 11. Loan loss provisions | | (65,997.74) | | 206 |
| 12. Income arising from the valuation of loans and advances | | 62,325.29 | | 15 |
| 13. Expenditures arising from the valuation of equity investments held as financial investments | | 0.00 | | (69) |
| **V. RESULT ON ORDINARY ACTIVITIES** | | **11,395,821.01** | | **14,546** |
| 14. Income taxes | | | | |
| a) current income taxes<br>thereof passed on from parent company for the year: € (1,004,641.00); previous year: € (859 thousand) | (1,722,272.10) | | (2,095) | |
| b) deferred taxes | (5,650.00) | (1,727,922.10) | 52 | (2,043) |
| 15. Other taxes unless included in item 14 | | (1,071,029.61) | | (930) |
| **VI. NET INCOME FOR THE YEAR** | | **8,596,869.30** | | **11,573** |
| 16. Decrease of net assets due to demerger | | (323,846.77) | | 0 |
| **VII. PROFIT FOR THE YEAR** | | **8,273,022.53** | | **11,573** |
| 17. Profit carried forward | | 438,183.40 | | 0 |
| **VIII. NET PROFIT FOR THE YEAR** | | **8,711,205.93** | | **11,573** |

# Development of Fixed Assets in the 2020 Financial Year

| Amounts in € | Cost of acquisition Balance as at 1/1/2020 | Cost of acquisition Additions | Cost of acquisition Disposals | Cost of acquisition Balance as at 31/12/2020 | Accumulated depreciation Balance as at 1/1/2020 |
|---|---|---|---|---|---|
| **I. Intangible assets** | | | | | |
| Software licenses | 1,675,128.85 | 106,325.66 | 4,717.77 | 1,776,736.74 | 1,538,329.84 |
| **II. Tangible fixed assets** | | | | | |
| 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 | 23,771.40 | 12,670,595.71 | 3,669,319.19 |
| 2. Office furniture and equipment | 14,501,645.68 | 140,158.27 | 304,526.67 | 14,337,277.28 | 12,518,940.97 |
| | **27,196,012.79** | **140,158.27** | **328,298.07** | **27,007,872.99** | **16,188,260.16** |
| **III. Financial investments** | | | | | |
| 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 | 5,140,450.88 | 0.00 | 0.00 | 5,140,450.88 | 436.00 |
| | **6,240,450.88** | **0.00** | **0.00** | **6,240,450.88** | **436.00** |
| | **35,111,592.52** | **246,483.93** | **333,015.84** | **35,025,060.61** | **17,727,026.00** |

| Accumulated depreciation Depreciation | Accumulated depreciation Write-up | Accumulated depreciation Disposals | Accumulated depreciation 31/12/2020 | Carrying amount 31/12/2020 | Carrying amount 31/12/2019 |
|---|---|---|---|---|---|
| | | | | | |
| 105,805.89 | 0.00 | 0.00 | 1,644,135.73 | 132,601.00 | 136,799.01 |
| | | | | | |
| 227,644.60 | 0.00 | 0.00 | 3,896,963.79 | 8,773,631.92 | 9,025,047.92 |
| 913,026.00 | 0.00 | 275,426.40 | 13,156,540.57 | 1,180,736.71 | 1,982,704.71 |
| **1,140,670.60** | **0.00** | **275,426.40** | **17,053,504.36** | **9,954,368.64** | **11,007,752.63** |
| | | | | | |
| 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 | 5,140,014.88 |
| **0.00** | **0.00** | **0.00** | **436.00** | **6,240,014.88** | **6,240,014.88** |
| **1,246,476.49** | **0.00** | **275,426.40** | **18,698,076.09** | **16,326,984.52** | **17,384,566.52** |

# Financial Statements as at 31 December 2020

## Notes

### A. Accounting Policies

#### General principles

The financial statements of Raiffeisen Centrobank AG for the 2020 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 2019, 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.

#### Demerger Investment Services department

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 department 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 department of Raiffeisen Centrobank AG to Kathrein Privatbank Aktiengesellschaft by decision dated 27 February 2020. Upon entry into the commercial register on 1 April 2020 the demerger by absorption became legally effective.

The demerger of the Investment Services department translated into a decrease of net assets in the amount of € 305 thousand (pre-tax result from July to December 2019).

#### Demerger Equity Value Chain

On 9 September 2002 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 Equity Value Chain to Raiffeisen Bank International AG 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 2020 (demerger date) and on the basis of the audited closing balance sheet of Raiffeisen Centrobank AG as at 30 June 2020. Raiffeisen Bank International AG shall not issue any new shares in the course of the demerger

by absorption. In the General Assembly of Raiffeisen Bank International AG held on 20 October 2020 the demerger by absorption was approved.

The European Central Bank approved the demerger by absorption of the Equity Value Chain of Raiffeisen Centrobank AG to Raiffeisen Bank International AG by decision dated 19 November 2020. Upon entry into the commercial register on 1 December 2020 the demerger by absorption became legally effective.

The demerger of the Equity Value Chain (EVC) translated into a decrease of net assets in the amount of € 19 thousand.

The demergers of the Investment Services department and the Equity Value Chain resulted in a demerger of assets and equity and liabilities as set forth below:

| **Assets**<br>**in € thousand** | **Investment Services**<br>**30/06/2019** | **Equity Value Chain**<br>**30/06/2020** |
|---|---|---|
| Deposits with central banks | 115,858 | 1,843 |
| Loans and advances to credit institutions | 230,863 | 18 |
| Loans and advances to customers | 19,029 | 0 |
| Tangible fixed assets | 0 | 14 |
| Other assets | 0 | 73 |
| Accruals and deferred income | 45 | 33 |
| **Total assets** | **365,795** | **1,982** |

| **Equity and liabilities**<br>**in € thousand** | **Investment Services**<br>**30/06/2019** | **Equity Value Chain**<br>**30/06/2020** |
|---|---|---|
| Liabilities to credit institutions | 70 | 17 |
| Liabilities to customers | 365,152 | 0 |
| Other liabilities | 74 | 320 |
| Accruals and deferred items | 26 | 143 |
| Provisions | 473 | 1,484 |
| Net profit for the year | 0 | 19 |
| **Total equity and liabilities** | **365,795** | **1,982** |

The two demergers referred to before result in a limited comparability of the balance sheet and the profit and loss statement with the previous year's figures. Major deviations attributable to the demergers are described in detail in the development of earnings and the balance sheet development.

### 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 Raiffeisen Bank International AG 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, Raiffeisen Bank International AG 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. In principle, for each instrument a respective pricing model is available in the trading book. The model calculates the theoretical price if no market price is available as well as the sensitivities (e.g. delta factor) applied to determine the capital requirements pursuant to the CRR. 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. Additional pricing models are available if required. All pricing models used to calculate synthetic values have been approved by Risk Management. All pricing models have been approved by the Austrian Financial Market Supervision (FMA) and the OeNB/ECB, respectively.

### 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 protected 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.

### 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 0.86 per cent (31/12/2019: 0.93 per cent), as well as an unchanged annual salary increase amounting to 3.7 per cent (31/12/2019: 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 91.2 per cent (31/12/2019: 89.9 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 0.86 per cent (31/12/2019: 0.93 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 € 497,843 thousand (31/12/2019: € 51,093 thousand). Prevailing regulations pertaining to liquidity and minimum reserves were observed.

## II. Loans and advances

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

| 31/12/2020<br>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 | 132,604 | 380,895 | 335,146 | 2,018,091 | 907,142 | 3,773,880 |
| Loans and advances to customers | 7,871 | 508 | 13 | 0 | 0 | 8,391 |
| Bonds, notes and other fixed-interest securities | 0 | 0 | 2,881 | 7,699 | 0 | 10,580 |
| Shares and other variable-yield securities | 199,213 | 0 | 0 | 0 | 0 | 199,213 |
| Other assets | 19,358 | 2,781 | 17,606 | 89,596 | 16,316 | 145,657 |
| | **359,046** | **384,184** | **355,646** | **2,115,387** | **923,458** | **4,137,721** |

| 31/12/2019<br>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 |
| | **486,623** | **385,962** | **419,284** | **2,353,383** | **725,023** | **4,370,274** |

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

| 31/12/2020<br>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 | 3,482,231 | 0 |
| Loans and advances to customers | 0 | 508 |
| Bonds, notes and other fixed-interest securities | 0 | 0 |
| Shares and other variable-yield securities | 108 | 0 |
| Other assets | 640 | 8 |
| | **3,482,979** | **516** |

| 31/12/2019<br>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 |
| | **3,498,649** | **514** |

"Loans and advances to credit institutions" included tradable money market deposits (only RBI) in the amount of € 3,124,245 thousand (31/12/2019: € 2,933,576 thousand) serving as hedges for certificates and warrants issued by Raiffeisen Centrobank AG.

## III. Securities

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

| 31/12/2020<br>in € thousand | Unlisted | Listed | Total | Valued at market price |
|---|---|---|---|---|
| Bonds, notes and other fixed-interest securities, A 4 | 0 | 10,580 | 10,580 | 10,580 |
| Shares and other variable-yield securities, A 5 | 53,452 | 145,760 | 199,213 | 199,213 |
| Equity participations, A 6 | 5,140 | 0 | 5,140 | x |
| Shares in affiliated companies, A 7 | 1,100 | 0 | 1,100 | x |

| 31/12/2019<br>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 |

As at 31/12/2020, balance sheet item A 4 included fixed-interest securities held for trading amounting to € 10,580 thousand (31/12/2019: € 18,330 thousand) of which € 2,881 thousand (31/12/2019: € 7,518 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 € 363 thousand as at 31/12/2020 (31/12/2019: € 267 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 31/12/2020:

| in € thousand<br>Name<br>Domicile | Ownership interest in % | Equity 31/12/2020 | Annual results 2020 |
|---|---|---|---|
| 1 Centrotrade Holding GmbH, Vienna | 100 | 1,077 | (43)[1] |
| 2 Syrena Immobilien Holding AG, Spittal/Drau | 21 | 26,804 | (516) |

[1] unaudited figures

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

| in € thousand<br>Name<br>Domicile | Ownership interest in % | Equity 31/12/2019 | Annual results 2019 |
|---|---|---|---|
| 1 Centrotrade Holding GmbH, Vienna | 100 | 1,119 | (12) |
| 2 Syrena Immobilien Holding AG, Spittal/Drau | 21 | 27,320 | (369) |

## 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 € 145,657 thousand (31/12/2019: € 193,663 thousand) referred primarily to purchase contracts from trading in derivative financial instruments reported at fair value as at 31/12/2020:

| in € thousand | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Positive fair values of derivative financial instruments** | | |
| from OTC options and forward exchange transactions | 126,264 | 162,650 |
| from trading in EUREX options and futures | 4,626 | 14,809 |
| from trading in other option and futures | 13,289 | 13,733 |
| | **144,178** | **191,192** |

In addition, loans and advances to foreign tax authorities in the amount of € 1,157 thousand (31/12/2019: € 1,040 thousand) were included.

## VII. Deferred tax assets

"Deferred tax assets" amounted to € 214 thousand (31/12/2019: € 219 thousand) as at 31/12/2020.

| 31/12/2020<br>in € thousand | Deferred tax assets | Deferred tax liabilities |
|---|---|---|
| Loans and advances to credit institutions | 33 | |
| Loans and advances to customers | 3 | |
| Shares and other variable-yield securities | 0 | (363) |
| Tangible fixed assets | 200 | |
| Accruals and deferred income | 3 | |
| Provisions for severance payments | 1,421 | |
| Other provisions | 413 | |
| **Total** | **2,073** | **(363)** |
| Balance | 1,710 | |
| Deferred tax assets as at 31/12/2020 (12.5%) | 214 | |

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

"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

| 31/12/2020<br>in € thousand | repayable on demand/without maturity | 0-3 months | 3-12 months | 1-5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| Liabilities to banks | 1,119 | 596,300 | 164,882 | 0 | 68 | 762,368 |
| Liabilities to customers | 7,198 | 0 | 0 | 0 | 0 | 7,198 |
| Debt securities issued | 0 | 49,075 | 293,395 | 1,991,243 | 1,088,574 | 3,422,287 |
| Other liabilities | 112,306 | 5,780 | 26,194 | 159,056 | 23,319 | 326,657 |
| | **120,622** | **651,155** | **484,471** | **2,150,300** | **1,111,961** | **4,518,509** |

| 31/12/2019<br>in € thousand | repayable on demand/without maturity | 0-3 months | 3-12 months | 1-5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| Liabilities to banks | 45,978 | 5,370 | 0 | 0 | 630 | 51,978 |
| Liabilities to customers | 210,861 | 4,129 | 6,631 | 244,867 | 0 | 466,489 |
| Debt securities issued | 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 |
| | **363,595** | **178,493** | **457,309** | **2,335,318** | **966,063** | **4,300,778** |

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

| 31/12/2020<br>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 banks | 684,985 | 0 |
| Other liabilities | 5,981 | 2 |
| | **690,967** | **2** |

| 31/12/2019<br>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 banks | 4,931 | 0 |
| Liabilities to customers | 1,131 | 0 |
| Other liabilities | 2,976 | 2 |
| | **9,038** | **2** |

### VIII.3. Securitized liabilities

The balance sheet item P 3 "Securitized liabilities" included issued and other securitized liabilities totaling € 3,422,287 thousand (31/12/2019: € 3,494,556 thousand), held for trading and allocated to the following product categories:

| in € thousand | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Issued securitized liabilities** | **1,688,452** | **1,826,606** |
| Capital Protection Certificates | 1,598,037 | 1,541,572 |
| Reverse Convertible Bonds | 90,414 | 285,034 |
| **Other securitized liabilities** | **1,733,835** | **1,667,950** |
| Certificates with option character | 1,717,892 | 1,654,733 |
| Warrants | 15,944 | 13,217 |
| | **3,422,287** | **3,494,556** |

"Securitized liabilities" in the amount of € 342,470 thousand (31/12/2019: € 546,468 thousand) will fall due in the next year.

## VIII.4. Other liabilities

The balance sheet item P 4 "Other liabilities" amounting to € 326,657 thousand (31/12/2019: € 287,755 thousand) referred primarily to liabilities reported at fair value as well as premiums received from trading in securities and derivative financial instruments.

| in € thousand | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Negative fair values of derivative financial instruments** | **227,192** | **185,626** |
| from OTC options and forward exchange transactions | 212,538 | 168,459 |
| from trading in EUREX options and futures | 9,622 | 5,364 |
| from trading in other option and futures | 5,032 | 11,803 |
| **Short-selling of trading assets** | **96,852** | **74,453** |
| | **324,044** | **260,079** |

"Other liabilities" as at 31/12/2020 included mainly foreign liabilities in relation to index fees adding up to € 1,541 thousand (31/12/2019: € 465 thousand), payroll obligations coming to € 371 thousand (31/12/2019: € 610 thousand), liabilities to domestic financial authorities in the amount of € 173 thousand (31/12/2019: € 787 thousand), as well as sundry liabilities with offsetting character amounting to € 265 thousand (31/12/2019: € 529 thousand) and group charges adding up to € 44 thousand (31/12/2019: € 44 thousand).

In addition, the item contained short-term charges derived from security trades not yet settled at 31/12/2019 coming to € 13,437 thousand and a liability relating to an equity capital market transaction totaling € 11,512 thousand.

## IX. Provisions

"Provisions" were as follows:

| in € thousand | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Provision for severance payments** | **3,458** | **4,763** |
| **Tax provisions** | **118** | **119** |
| **Other provisions** | **5,894** | **6,302** |
| Provisions for bonus payments | 2,130 | 2,449 |
| Provisions for overdue vacation | 914 | 1,293 |
| Provisions for legal, auditing and consulting expenses | 276 | 212 |
| Provisions for litigation risks | 0 | 233 |
| Provisions for outstanding invoices | 379 | 420[1] |
| Provisions for marketing costs | 381 | 209 |
| Provisions for charged Management Board expenses | 1,160 | 983 |
| Provisions for market data risks | 374 | 365 |
| Sundry | 280 | 138[2] |
| | **9,470** | **11,183** |

[1] Total provisions for outstanding invoices (others) and in the securities segment

[2] Including provisions for outstanding invoices in the Investment Services department

## 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:

| in € thousand | % | Number |
|---|---|---|
| RBI IB Beteiligungs GmbH, Vienna | 100 | 654,999 |
| Raiffeisen International Invest Holding GmbH, Vienna (vorm. Lexxus Services Holding GmbH, Vienna) | 0 | 1 |
| | **100** | **655,000** |

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 31/12/2020, remained unchanged to the previous year (31/12/2019: € 20,651 thousand) and contained 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 (31/12/2019: € 1,031 thousand) and other reserves totaling € 33,654 thousand (31/12/2019: € 33,654 thousand).

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 regocnized in the balance sheet

The rental and leasing expenses during the period under review amounted to € 374 thousand (2019: € 431 thousand), thereof € 46 thousand (2019: € 60 thousand) to affiliated companies. For the 2021 financial year, rental and leasing expenses are expected to total € 490 thousand and € 2,172 thousand for the 2021-2025 financial years, of which the rental and leasing expenses for affiliated companies will total € 400 thousand and € 2,172 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 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Assets | 851,727 | 1,415,100 |
| Equity and liabilities | 723,658 | 1,217,538 |

### 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 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Shares/mutual funds | 178,450 | 266,706 |
| Listed options | 3,693 | 11,508 |
| Futures | (13,323) | 10,667 |
| Warrants/certificates | (1,734,107) | (1,575,382) |
| OTC options | (87,307) | (2,622) |
| Purchased bonds/tradable money market deposits | 3,312,812 | 3,260,011 |
| Issued Capital Protection certificates and Reverse Convertible Bonds | (1,689,034) | (1,759,507) |

### 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 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Securities | 4,001,559 | 3,757,989 |
| Other financial instruments | 7,633,045 | 8,711,147 |
| | **11,634,604** | **12,469,136** |

### 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 Capital Protection 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 31/12/2020 were as follows:

| in € thousand | Notional amount | | | Fair value | |
|---|---|---|---|---|---|
| 31/12/2020 | Purchase | Sales | thereof Trading Book | Positive | Negative |
| **1. Interest rate contracts** | **0** | **13,323** | **13,323** | **0** | **(24)** |
| **1.1. OTC products** | **0** | **0** | **0** | **0** | **0** |
| Options on interest-rate instruments | 0 | 0 | 0 | 0 | 0 |
| **1.2. Products traded on stock exchange** | **0** | **13,323** | **13,323** | **0** | **(24)** |
| Interest rate futures | 0 | 13,323 | 13323 | 0 | (24) |
| **2. Foreign exchange contracts** | **155,488** | **935** | **69,023** | **6,080** | **0** |
| **2.1. OTC products** | **129,264** | **935** | **42,800** | **6,064** | **0** |
| Forward foreign exchange contracts | 87,399 | 0 | 0 | 373 | 0 |
| Currency options/gold contracts | 41,865 | 935 | 42,800 | 5,691 | 0 |
| **2.2. Products traded on stock exchange** | **26,223** | **0** | **26,223** | **16** | **0** |
| Future foreign exchange contracts | 26,223 | 0 | 26,223 | 16 | 0 |
| **3. Equity contracts** | **2,657,767** | **1,607,202** | **4,264,969** | **134,612** | **(227,128)** |
| **3.1. OTC products** | **2,189,912** | **1,269,172** | **3,459,084** | **119,420** | **(212,534)** |
| Equity/index-based options | 2,189,912 | 1,269,172 | 3,459,084 | 119,420 | (212,534) |
| **3.2. Products traded on stock exchange** | **467,855** | **338,030** | **805,885** | **15,192** | **(14,594)** |
| Shares and other equity/index-based options and future contracts | 167,573 | 61,364 | 228,937 | 12,973 | (6,872) |
| Equity/index-based options | 300,282 | 276,667 | 576,949 | 2,219 | (7,722) |
| **4. Commodities/precious metals** | **90,115** | **459** | **90,574** | **3,161** | **(40)** |
| **4.1. OTC products** | **27,075** | **81** | **27,156** | **454** | **(4)** |
| Commodity and precious metal options | 27,075 | 81 | 27,156 | 454 | (4) |
| **4.2. Products traded on stock exchange** | **63,040** | **377** | **63,417** | **2,706** | **(36)** |
| Other commodity and precious metal future contracts | 63,040 | 377 | 63,417 | 2,706 | (36) |
| **5. Other transactions** | **41,450** | **0** | **41,450** | **326** | **0** |
| **5.1. OTC products** | **41,450** | **0** | **41,450** | **326** | **0** |
| Other options | 41,450 | 0 | 41,450 | 326 | 0 |
| **Total OTC products** | **2,387,701** | **1,270,188** | **3,570,490** | **126,264** | **(212,538)** |
| **Total stock exchange traded products** | **557,118** | **351,731** | **908,849** | **17,914** | **(14,654)** |
| | **2,944,819** | **1,621,919** | **4,479,339** | **144,178** | **(227,192)** |

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

| in € thousand | Notional amount | | | Fair value | |
|---|---|---|---|---|---|
| 31/12/2019 | Purchase | Sales | thereof Trading Book | Positive | Negative |
| **1. Interest rate contracts** | **0** | **0** | **0** | **0** | **0** |
| **1.1. OTC products** | **0** | **0** | **0** | **0** | **0** |
| Options on interest-rate instruments | 0 | 0 | 0 | 0 | 0 |
| **1.2. Products traded on stock exchange** | **0** | **0** | **0** | **0** | **0** |
| Interest rate futures | 0 | 0 | 0 | 0 | 0 |
| **2. Foreign exchange contracts** | **71,982** | **117,361** | **73,008** | **5,018** | **(156)** |
| **2.1. OTC products** | **44,658** | **117,361** | **45,684** | **4,272** | **(156)** |
| Forward foreign exchange contracts | 0 | 116,335 | 0 | 0 | (156) |
| Currency options/gold contracts | 44,658 | 1,026 | 45,684 | 4,272 | 0 |
| **2.2. Products traded on stock exchange** | **27,324** | **0** | **27,324** | **747** | **0** |
| Future foreign exchange contracts | 27,324 | 0 | 27,324 | 747 | 0 |
| **3. Equity contracts** | **2,954,755** | **2,442,255** | **5,397,010** | **179,865** | **(185,401)** |
| **3.1. OTC products** | **2,029,634** | **1,817,926** | **3,847,559** | **154,968** | **(168,303)** |
| Equity/index-based options | 2,029,634 | 1,817,926 | 3,847,559 | 154,968 | (168,303) |
| **3.2. Products traded on stock exchange** | **925,121** | **624,330** | **1,549,451** | **24,897** | **(17,098)** |
| 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) |
| **4. Commodities/precious metals** | **98,744** | **6,000** | **104,744** | **5,142** | **(69)** |
| **4.1. OTC products** | **30,507** | **6,000** | **36,507** | **2,244** | **0** |
| Commodity and precious metal options | 30,507 | 6,000 | 36,507 | 2,244 | 0 |
| **4.2. Products traded on stock exchange** | **68,237** | **0** | **68,237** | **2,898** | **(69)** |
| Other commodity and precious metal future contracts | 68,237 | 0 | 68,237 | 2,898 | (69) |
| **5. Other transactions** | **41,450** | **0** | **41,450** | **1,167** | **0** |
| **5.1. OTC products** | **41,450** | **0** | **41,450** | **1,167** | **0** |
| Other options | 41,450 | 0 | 41,450 | 1,167 | 0 |
| **Total OTC products** | **2,146,249** | **1,941,287** | **3,971,201** | **162,650** | **(168,459)** |
| **Total stock exchange traded products** | **1,020,682** | **624,330** | **1,645,012** | **28,542** | **(17,167)** |
| | **3,166,931** | **2,565,617** | **5,616,213** | **191,193** | **(185,627)** |

## C. Notes to the Income Statement

### I. Interest and similar income

| in € thousand | 2020 | 2019 |
|---|---|---|
| from loans and advances to credit institutions | 2,713 | 12,228 |
| from loans and advances to customers | 36 | 386 |
| from fixed-interest securities | 123 | 267 |
| from structured products | 6,429 | 18,774 |
| | **9,301** | **31,656** |

II. Interest and similar expenses

| in € thousand | 2020 | 2019 |
|---|---|---|
| for liabilities to credit institutions | (5,533) | (6,474) |
| for liabilities to customers | (82) | (6,193) |
| for securitized liabilities | (46,799) | (58,640) |
| | **(52,414)** | **(71,307)** |

"Net interest result" in the amount of € 43,112 thousand was negative both in 2020 and 2019 (€ 39,652 thousand).

The higher negative "Net interest result" was mainly due the demerger of the Investment Services department which translated into a decrease of € 3,170 thousand. In addition, coupon payments for securitized liabilities (structured products) rose by € 504 thousand.

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 the 2020 financial year, coupon payments in the net interest result recorded a rise compared to the previous year. Net valuations included in the net profit on financial trading activities increased accordingly.

Compared to the previous year, interest income fell by € 22,355 thousand to € 9,301 thousand. € 12,345 can be put down to lower coupon payments from structured products, € 9,403 were attributable to the demerger of the Investment Services department.

Compared to the previous year, interest expenses decreased by € 18,893 thousand to € 52,514 thousand. An amount of € 11,841 was due to lower income from coupon payments for securitized liabilities; € 6,233 thousand were attributable to the demerger of the Investment Services department.

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" (trading profit).

Further to the low interest rate environment in 2020 and a rising liquidity demand in the wake of the Covid-19 crisis, the item "Net interest result" included expenses resulting from negative interest for loans and advances in the amount of € 3,571 thousand (2019: € 1,291 thousand). In contrast, the item included income derived from negative interest for liabilities in the amount of € 1,654 thousand (2019: € 238 thousand).

III. Income from securities and financial investments

In the 2020 financial year, "Income from securities and financial investments" included primarily income from domestic and foreign securities and decreased from € 13,305 thousand in 2019 to € 5,230 thousand in 2020 further to the Covid-19 crisis.

IV. Fee and commission income

| in € thousand | 2020 | 2019 |
|---|---|---|
| from securities business | 5,215 | 8,280 |
| from ECM transactions | 248 | 2,172 |
| from payment transactions | 10 | 1,686 |
| | **5,473** | **12,138** |

## V. Fee and income expenses

| in € thousand | 2020 | 2019 |
|---|---|---|
| from securities business | (10,368) | (12,141) |
| from payment transactions | (86) | (1,728) |
| | **(10,454)** | **(13,869)** |

"Net fee and commission result" in the amount of € minus 4,981 thousand (2019: € minus 1,731 thousand) was comprised of fee and commission income totaling € 5,473 thousand (2019: € 12,138 thousand) and fee and commission expenses in the amount of € 10,454 thousand (2019: € 13,869 thousand). In 2020, € 2,206 thousand of the decrease were attributable to the demerger of the Equity Value Chain and € 1,190 thousand of the decrease can be put down to the demerger of the Investment Services department.

## 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 slightly from € 86,471 thousand in 2019 to € 86,861 thousand in 2020. This development resulted from positive net valuations and net proceeds of derivatives held for hedging purposes and money market deposits adding up to € 143,431 thousand (2019: € 133,788 thousand). In contrast, there was a negative result from the valuation and disposal of certificates and shares in the amount of € minus 49,648 thousand (2019: € minus 50,590 thousand). The valuation of spot and futures positions came to € minus 6,922 thousand (2019: € 3,273 thousand).

The decrease of income from securities and financial investments triggered by the Covid-19 crisis translated into a higher valuation result in the net profit of financial trading activities compared to the previous year's period. This was mostly offset by lower income achieved by the Structured Products business and the demerger of the Equity Value Chain.

## VII. Other operating income

The item included mainly charges to Raiffeisen Bank International AG and Kathrein Privatbank Aktiengesellschaft related to the demerger of the Equity Value Chain and the Investment Services department adding up to € 2,696 thousand and € 333 thousand. In addition, the item included income from the release of provisions amounting to € 349 thousand (2019: € 466 thousand).

## VIII. Other administrative expenses

| in € thousand | 2020 | 2019 |
|---|---|---|
| Office space expenses (maintenance, operation, administration, insurance) | (881) | (1,175) |
| Office supplies, printed matter, literature | (262) | (332) |
| IT expenses | (3,166) | (3,595) |
| Communication expenses | (942) | (1,061) |
| Information services | (3,717) | (4,670) |
| Car expenses and travelling expenses | (186) | (640) |
| Advertising and promotional expenses | (975) | (1,721) |
| Legal, advisory and consultancy expenses | (1,295) | (1,972) |
| Contributions to associations | (992) | (1,287) |
| Resolution fund | (1,087) | (973) |
| Sundry | (1,508) | (1,956) |
| | **(15,011)** | **(19,383)** |

The decrease of "Other administrative expenses" was due on the one hand to the demerger of the Equity Value Chain amounting to € 2,593 thousand and the Investment Services department amounting to € 497 thousand and on the other hand to lower travelling and promotional expenses in the wake of the Covid-19 crisis.

### IX. Other operating expenses

The amount of € 359 thousand contained in "Other operating expenses" (2019: € 341 thousand) was mainly attributable to expenses charged by Raiffeisen Bank International AG in relation to the demerger of the Equity Value Chain adding up to € 227 thousand. In the previous year, the item contained mainly expenses charged coming to € 248 thousand.

### X. Net valuation and net proceeds

In the 2020 financial year, "Net valuations and net proceeds" amounted to € minus 4 thousand (2019: € 152 thousand). For 2020, the item contained exclusively the current adjustment of general impairment allowances calculated pursuant to the methodology laid down in IFRS 9.

### XI. Income taxes and other taxes

Income taxes were as follows:

| in € thousand | 2020 | 2019 |
|---|---|---|
| Group taxation | (1,005) | (859) |
| Corporate income tax/Slovak branch | (6) | (6) |
| Taxes for former periods (settlement of Group charge) | (26) | (49) |
| Not recognized as foreign withholding tax | (686) | (1,182) |
| **Current income taxes** | **(1,722)** | **(2,095)** |
| Deferred income taxes | (6) | 52 |
| | **(1,728)** | **(2,043)** |

In the 2020 financial year, "Other taxes" came to € 1,071 thousand (2019: € 930 thousand). The rise of tax expenses was primarily attributable to a rise of the bank levy resulting from a higher balance sheet total.

### XII. Deferred taxes

In 2020, expenses for deferred tax assets came to € 6 thousand (2019: € 52 thousand).

### XIII. Expenses for auditing the financial statements

"Expenses for auditing the financial statements" were contained in legal, advisory and consultancy services. Thereof € 97 thousand were attributable to the auditor (2019: € 183 thousand). In the previous year, the item also included the audit of the closing balance as at 30/06/2019 in relation to the demerger of the Investment Services department of Raiffeisen Centrobank AG. € 42 thousand were attributable to other consultancy services (2019: € 68 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. As at 31/12/2020 there were no contingent liabilities (2019: 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 31/12/2020:

Item A 2 Loans and advances to credit institutions

€ 580,760 thousand (31/12/2019: € 425,516 thousand)

Collateral deposited with banks for the securities and options business and securities lending

Item A 3 Loans and advances to customers

€ 7,871 thousand (31/12/2019: € 3.451thousand)

Collateral deposited with stock exchanges and other financial institutions for the securities and option business

Item A 4 Fixed-interest securities

€ 2,842 thousand (31/12/2019: € 3,078 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 31/12/2020 and 31/12/2019.

### Own funds

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

| in € thousand | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Capital paid-in | 47,599 | 47,599 |
| Earned capital | 68,875 | 68,875 |
| **Core capital (tier 1 capital) before deductions** | **116,474** | **116,474** |
| Intangible fixed assets | (133) | (137) |
| Prudent valuation | (1,647) | (1,252) |
| Holdings in non-significant investments in financial sector entities | (5,726) | (6,992) |
| **Core capital (tier 1 capital) after deductions** | **108,969** | **108,094** |
| Supplementary own funds | 0 | 0 |
| Core capital | 108,969 | 108,094 |
| Supplementary capital | 0 | 0 |
| Supplementary own funds (after deductions) | 0 | 0 |
| **Total own funds** | **108,969** | **108,094** |
| Total Risk-Weighted assets | 432,741 | 520,337 |
| Core capital ratio, credit risk (Core capital / Risk-Weighted Assets credit risk) | 76.7% | 73.1% |
| Core capital ratio, total (Core capital / Total Risk-Weighted assets) | 25.2% | 20.8% |
| Own funds ratio (Own Funds / Total Risk-Weighted assets) | 25.2% | 20.8% |

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

| in € thousand | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Risk-Weighted assets (credit risk) | 142,113 | 147,818 |
| Standardized approach | 91,579 | 99,577 |
| CVA (credit value adjustment) risk | 50,534 | 48,241 |
| Risk-Weighted assets (position risk in bonds, equities, commodities and foreign currencies) | 166,618 | 240,312 |
| Risk-Weighted assets (settlement and delivery risks) | 189 | 16 |
| Risk-Weighted assets (operational risk) | 123,821 | 132,191 |
| **Total Risk-Weighted assets** | **432,741** | **520,337** |

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

| in € thousand | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Risk-Weighted assets according to standardized approach** | **91,579** | **99,577** |
| Governments and central banks | 0 | 16 |
| Institutions | 69,585 | 50,978 |
| Company | 3,777 | 28,864 |
| Equity participations | 6,240 | 6,240 |
| Other items | 11,977 | 13,479 |
| **CVA risk** | **50,534** | **48,241** |
| **Total** | **142,113** | **147,818** |

### Number of staff

| | 31/12/2020 | Annual average | 31/12/2019 | Annual average |
|---|---|---|---|---|
| Salaried employees | 123 | 172 | 195 | 195 |
| of which part-time | 28 | 36 | 40 | 41 |

### Overall Return-on-Assets

| in € thousand or in per cent | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Result after tax | 8,597 | 11,573 |
| Total assets | 4,653,354 | 4,440,234 |
| **Overall Return-on-Assets (after tax)** | **0.2%** | **0.3%** |

### 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 € 735 thousand (2019: € 1,364 thousand). Payments to employee pension funds totaled € 177 thousand (2019: € 225 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 2020, attending fees in the amount of € 105 thousand were paid to members of the Supervisory Board (2019: € 95 thousand).

Remunerations and expenses on severance payments and retirement benefits for members of the Management Board were borne by Raiffeisen Bank International AG (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**

| | | |
|---|---|---|
| Management Board | Harald Kröger<br>Heike Arbter | Chief Executive Officer<br>Member of the Management Board |
| Supervisory Board | Łukasz Januszewski<br>Member of the Management Board,<br>Raiffeisen Bank International AG | Chairman |
| | Hannes Mösenbacher<br>Member of the Management Board,<br>Raiffeisen Bank International AG | Deputy Chairman |
| | Michael Höllerer<br>Chief Financial Officer,<br>Raiffeisen Bank International AG | Member |
| | Andrii Stepanenko<br>Member of the Management Board,<br>Raiffeisen Bank International AG | Member |
| | Christian Moucka<br>General Management,<br>Raiffeisenbank Region Baden | Member |
| | Matthias Zitzenbacher<br>General Management,<br>Raiffeisenbank Leoben-Bruck eGen (mbH) | Member |
| State Commissioners | Alfred Hacker (until 31 December 2020)<br>Johannes Pasquali (as from 1 January 2021)<br>Karl-Heinz Tscheppe | |

**Significant Events after the Balance Sheet Date**

There were no significant events after the balance sheet date.

Vienna, 7 April 2021

The Management Board

Harald Kröger
Chief Executive Officer

Heike Arbter
Member of the Management Board

**Distribution of the Profit 2020**

The 2020 financial year closed with a net profit of € 8,596,869.30. Including the decrease of net assets by demerger in the amount of € 323,846.77 and the profit carried forward in the amount of € 438,183.40, the net profit for the 2020 financial year comes to € 8,711,205.93.

The Management Board proposes to the Supervisory Board that no dividend be distributed from the net profit as at 31 December 2020 and to carry forward the total profit.

Vienna, 7 April 2021

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 2020, 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 2020, 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 up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

### 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 issued certificates, warrants and other financial instruments

The issuance of certificates and warrants and the ongoing adjustment of hedging positions (dynamic hedging) associated with this business represent the main business activities of Raiffeisen Centrobank AG ("RCB"). In the balance sheet as at 31 December 2020, these issues are valued at market value and have a book value of around EUR 3.4 billion, or 74 % of the balance sheet.

Raiffeisen Centrobank AG calculates prices for issued certificates, warrants and structured products based on internal valuation models. 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. This may result in potential valuation errors in relation to these instruments in the financial statements.

Our Response

— We have investigated the processes for valuing these financial instruments. We have evaluated essential key controls within these processes for their design and implementation.

— 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. Furthermore, in test cases we compared the parameters used with market data and examined whether they represent suitable input factors. In test cases, we verified whether the assumptions made in the calculation are conclusive and recalculated the fair values.

— Finally, we assessed whether the disclosures in the notes regarding the valuation methods were correct.

### 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.

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

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

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

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

### Auditor's Responsibilities

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

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

Moreover:

— We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

— We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

— We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— We conclude on the appropriateness of management's use of the going concern basis of accounting 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.

## Additional Information in accordance with Article 10 AP Regulation

At the Annual General Meeting dated 29 April 2019, we were elected as auditors. We were appointed by the supervisory board on 11 June 2019.

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. Bernhard Mechtler.

Vienna, 7 April 2021

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by

Bernhard Mechtler
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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