GROUP MANAGEMENT REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2018

Raiffeisenlandesbank Niederösterreich-Wien

Contents

GROUP MANAGEMENT REPORT

Overview of the 2018 Financial Year

The economic environment was influenced by the following developments during the 2018 financial year:

- The key interest rates set by the European Central Bank (ECB) remained unchanged at a historically low level (refinancing rate: 0%, deposit rate: -0.4%). The repurchase programme for government and corporate bonds which began in March 2015 was terminated at the end of 2018. However, the entire amount of the funds from maturing bonds will be reinvested for an indeterminate period. The ECB also announced its intention to hold interest rates at the current level at least through summer 2019.
- Economic growth for the full 12 months of 2018 reached approximately 2.7% in Austria and approximately 1.8% in the Eurozone. The solid increase during the first half-year was followed by weakening momentum during the remaining six months. The third to fourth quarter GDP increase equalled only 0.2% in both the Eurozone and in Austria. For the Eurozone, that represented the slowest growth in four years.
- Developments on the international stock markets were volatile, chiefly as a result of US trade policies, uncertainties connected with the new Italian government and the still open issues related to Great Britain's upcoming exit from the European Union (EU). The major stock markets closed 2018 with clear negative performance compared with the beginning of the year, above all due to a sharp fourth quarter drop in share prices.
- Bond market yields remained low in historical comparison, with the above points also adding to the price volatility.

The following major events had a significant influence on RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG (RLB NÖ-Wien) during the 2018 financial year:

Sound growth in loans and advances to customers led to an improvement in interest result.

However, the interest result remained under pressure due to the ECB's policy. The development of the deposit business, in particular, was significantly slowed by the negative money market rates.

The liquidity position of RLB NÖ-Wien remains sound. The resulting surplus liquidity was invested over the short-term with Oesterreichische Nationalbank (OeNB), but had an adverse effect on the interest result due to the negative deposit rate of -0.4% per year.

The above-mentioned turbulence on the stock markets and the unexpected flattening of the interest curve had a negative impact on trading and valuation results.

Raiffeisen Bank International AG (RBI), a material investment held by RLB NÖ-Wien, recorded another substantial year-on-year improvement in earnings. The proportional share of earnings from this equity-accounted investment totalled EUR 287.7 million (2017: EUR 236.9 million). In contrast, an impairment loss of EUR 90.0 million was recognized to the carrying amount of the RBI investment. The net amount of the at-equity earnings contribution from RBI equalled EUR 197.7 million in 2018 (2017: EUR 542.2 million). In 2017, the carrying amount of the RBI investment was written up by EUR 305.3 million to reflect the reversal of impairment losses recognised in previous years.

The cost structure was influenced primarily by the decline in personnel expenses which followed a substantial workforce reduction, by increased IT expenses in connection with future-oriented digitalization investments and by special charges for the reorientation of the branch locations.

The new accounting standard for financial instruments (IFRS 9) took effect on 1 January 2018. The initial application as of that date led to an adjustment of EUR -59.4 million which was recorded in equity.

RLB NÖ-Wien changed the structure and presentation of its financial statements beginning with the 2018 financial year and now follows the disclosure requirements for financial information (FinRep) which were issued by the European Banking Authority (EBA). Detailed information is provided in the notes under "Changes in the presentation of the financial statements".

With a total Tier 1 ratio of 18.7% and a total capital ratio of 22.1%, RLB NÖ-Wien, significantly exceeded the minimum legal requirements for capital and also met the ECB's capital benchmarks in 2018.

The Economic Environment

The Global and European Economies

Global growth slowed during 2018 and mirrored the growing pessimism which resulted from the trade conflict between the USA and China. Other negative factors included the uncertainties connected with the “Brexit“ and the Italian budget dispute with the EU Commission. All these events were responsible for substantial turbulence on the financial markets during the fourth quarter of 2018.

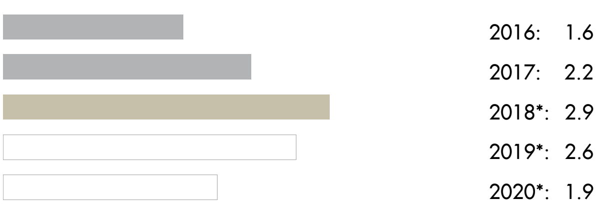
The Eurozone economy was also unable to disengage from these developments. The increase in the value of the Euro beginning at year-end 2017, the German auto industry’s difficulties with new emission testing procedures and weaker global demand (especially from China) had left significant scars by that time. The resulting complications were amplified by the uncertainty over the still unclear outcome of the “Brexit“ as well as “home-made“ problems: The Eurozone was faced with concerns over the yellow vest protests in France and the budget dispute in Italy. The growth rate for 2018 is estimated at 2.1% (EU Commission forecast, 8 November 2018), compared with 2.4% in the previous year.

In spite of the steady (although weaker) GDP growth, the price pressure remains relatively low: The inflation rate declined year-on-year to 1.6% in December, primarily due to the dramatic drop in energy prices (from the beginning of October to the end of the year, Brent oil fell by nearly 40%). The European monetary watchdogs are therefore proceeding at a very slow pace to end their extremely loose monetary policy. Key interest rates remained unchanged throughout 2018 (refinancing rate: 0.0%, deposit rate: -0.4%). A first small step towards normalization of the ECB’s monetary policy was the announcement on 13 December that the net asset purchase programme (APP) would be terminated at year-end 2018.

The unemployment rate fell to 7.9% in November (last available indicator), which marked a return to the level before the financial market crisis. Hourly labour costs (wages and salaries plus associated payroll costs) rose stronger during the third quarter than in any other period since 2011. The ratio of vacant positions also reached a multi-year high. Business owners in a growing number of countries are voicing their growing displeasure over the difficulties connected with finding qualified workers. The resulting intensified competition has also been reflected in wages, but the increases have been weaker than in comparable, past economic environments. One possible explanation could be globalization and the related expansion of digitalization.

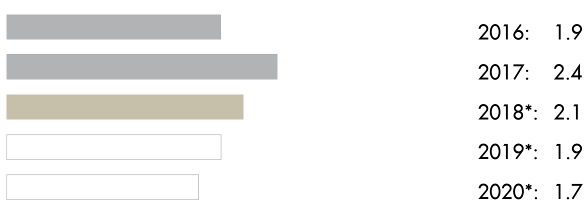
GDP Growth in the USA in % vs. prior year

*Forecasts for 2018-2020: EU Commission, Autumn Forecast for 2018



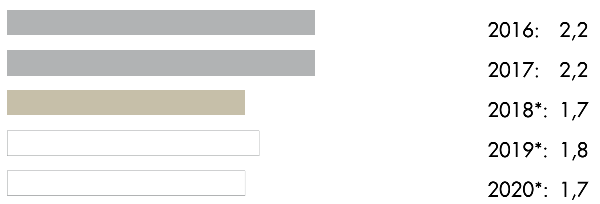
GDP Growth in the Eurozone in % vs. prior year

*Forecasts for 2018-2020: EU Commission, Autumn Forecast for 2018



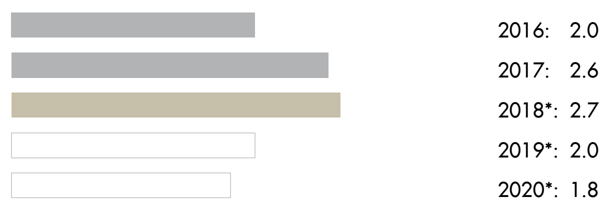
GDP Growth in Germany in % vs. prior year

*Forecasts for 2018-2020: EU Commission, Autumn Forecast for 2018



GDP Growth in Austria in % vs. prior year

*Forecasts for 2018-2020: WIFO forecast dated 20 December 2018



The Economy in Austria

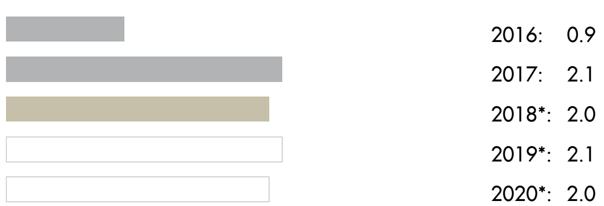
The Austrian economy remained in a boom phase during 2018: GDP growth equalled 2.7%, which represents the highest value since 2011. It also placed Austria well above the Eurozone average of 2.1%. This growth was supported by a broad base: The high GDP growth reflected the strong export demand and its positive influence on the industrial sector as well as sound private consumption.

Various sentiment indicators indicated a slowdown in growth during the course of the year: For example: the Purchasing Managers' Index fell from an all-time high in December 2017 to only 53.9 points in December 2018, and this downward trend was confirmed by the Economic Sentiment (a survey by the EU Commission). However, the declines in both surveys do not (yet) provide grounds for concern – both preliminary indicators signalize continued positive GDP growth.

The inflation rate rose slightly during the first half of 2018 due to an increase in raw material prices and is expected to average 2.1% for the year. The rosy economic climate also influenced the mood on the labour market: Job offers and employment expanded quickly, and unemployment declined substantially. The unemployment rate, calculated in accordance with Eurostat, fell from an average of 5.5% in 2017 to 4.8% in 2018. With regard to the growth in employment, an especially positive factor is that the increase not only covers the number of new jobs, but also involves a greater number of full-time positions (above all in the industrial sector). The Austrian Economic Chamber reports that 75% of all domestic companies have already started to suffer from a lack of specialists, and six of ten companies have lost revenues because they cannot accept orders due to a lack of skilled personnel.

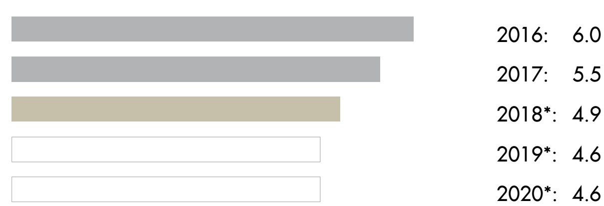
Inflation in Austria in %

*Forecasts for 2018-2010: WIFO forecast dated 20 December 2018



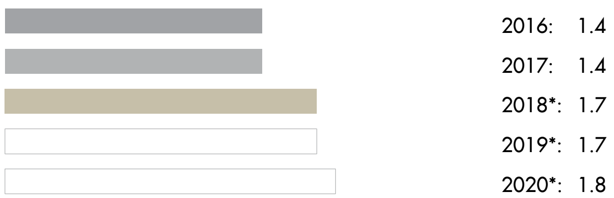
Unemployment in Austria in %

*Forecasts for 2018-2020: WIFO forecast dated 20 December 2018



Private Consumption in Austria in % vs. prior year

*Forecasts for 2018-2020: WIFO forecast dated 20 December 2018



Overview of the Financial Markets

- The key ECB interest rates remained unchanged in 2018: the main refinancing rate (“base rate“) at 0% and the deposit rate at -0.4%. For this reason and due to the constant high level of surplus liquidity during the entire year, money market rates (Eonia and Euribor) were negative throughout 2018.
- The bond market was characterised by contrasting developments in 2018: Italian yields rose substantially against the backdrop of the controversial populist government, while other peripheral states were affected to only a limited extent, or not at all, by the spread increase. German yields declined during the year, which is slightly surprising at first glance in view of the very good state of the economy in 2018.
- On the currency market, the strong position held by the Euro in 2017 (+14% versus the US Dollar) reversed during 2018: the EUR/USD started the year at roughly 1.20 and closed 4.4% lower at 1.1469. The Swiss Franc increased substantially in value beginning at mid-year, most likely due to the growing (geo)political risks.
- 2018 was a very volatile and, ultimately, unprofitable year for the international stock markets. Many of the indexes rose to new multi-year or all-time highs, but a strong correction in the fourth quarter of 2018 led to negative annual performance. The DAX lost 18.3% and the ATX 19.7%.

Interest Rates

The ECB’s bond purchases also played an important role in holding Eurozone interest rates at a low level in 2018. In fact, yields have disengaged more and more from the general economic trend since speculations over the possible start of government bond purchases by the ECB surfaced in early 2015 – economic growth in 2018 was, namely, very satisfactory.

The many geopolitical uncertainties which emerged, or worsened, in 2018 (“Brexit“, trade conflict, budget disputes between Italy and the EU Commission,…) led to continuing strong demand for German federal bonds as a safe harbour. The yields on 10-year German federal bonds equalled 0.42% at the beginning of the year and 0.25% at year-end.

The development of the yields for Italian government bonds followed a different trend: Risk premiums increased massively beginning in mid-May in reaction to the government formed at the end of May by the right-wing Lega Nord and the populist Five Star Movement, which was initially highly critical of EU and also refused to exclude an exit from the Eurozone. The yields on 10-year Italian government bonds equalled 3.78% in mid-October, as the government was in the midst of a conflict with the EU Commission over its budget plan. The agreement over a lower deficit was followed by a slight reduction in the risk premiums – at year-end 2018, yields were almost exactly 100 BP below the October high.

The spreads for other peripheral states increased slightly during May, but narrowed quickly after no contagion effects were noticed. The yields for 10-year Spanish and Portuguese government bonds were lower at year-end than at the beginning of the year.

Since yields remained relatively unchanged on the short end, the interest rate curve at the end of 2018 was slightly flatter than at the beginning of the year.

The constant high supply of surplus liquidity among the banks (which reached nearly EUR 1.8 trillion at the end of December 2018) held money market rates constant in the negative range. The 3-month Euribor listed at -0.329% on the first trading day of the year and at -0.309% on 31 December 2018.

Eurozone Interest rates in %

Source: Thomson Reuters Datastream

Currencies and Equity Markets

Different monetary policies (several interest rate hikes by the US Federal Reserve vs. a further extension of the bond purchase programme by the ECB) led to a steady increase in the strength of the US Dollar during 2018: the EUR/USD exchange rate fell by 4.4% from roughly 1.20 at the beginning of the year to 1.1469 at the end of December.

The EUR/CHF exchange rate reached 1.20 in April 2018 for the first time since the removal of the currency peg in January 2015. Over the following months, the series of new and/or intensifying risks led to a flight into safe harbours and a subsequent increase in the Swiss Franc. The closing price on the final trading day of 2018 equalled 1.1254 EUR/CHF, which represents a decline of 3.8% compared with the beginning of the year.

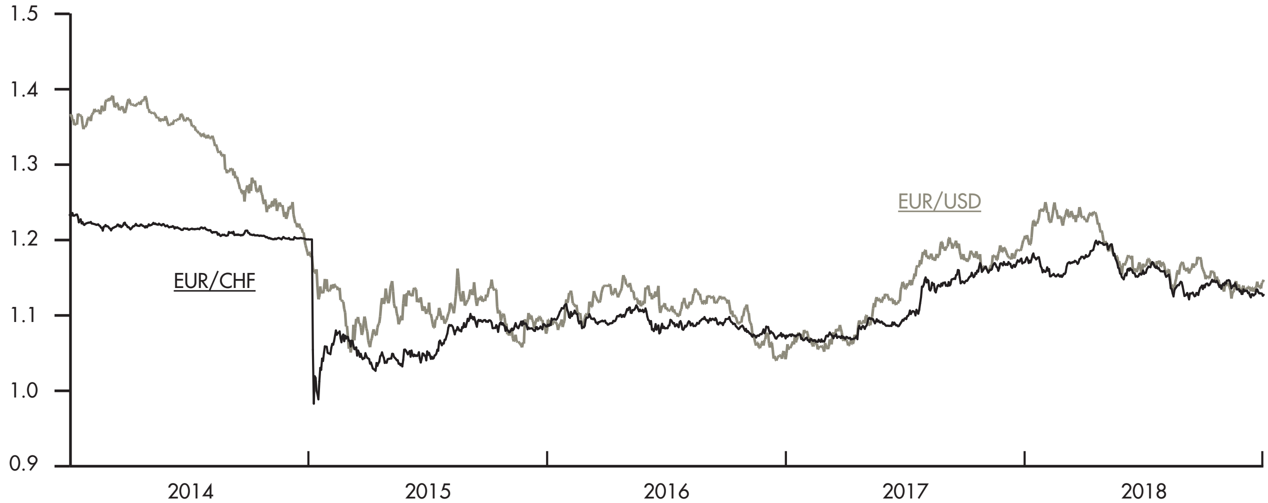
The British Pound was driven primarily by the news surrounding the “Brexit“ negotiations in 2018. The EUR/GBP exchange rate started the year at 0.8894 and closed slightly higher at 0.90045. The increase in interest rates by the Bank of England (which raised the key interest rate by 25 BP to 0.75% at the beginning of August) failed to make a significant impression on the current market.

Past events show that political turmoil has only a short-lived influence on the financial markets. However, 2018 brought an increasing number of high-risk political events at increasingly shorter intervals – and these events continue to hold the markets in check today. It is impossible to pinpoint a single trigger due to the combined effects of the USA/Chinese trade conflict, the Italian budget dispute and the “Brexit“. There are, instead, many different causes for the downward correction which began in early October. Apart from the political risks, fears of a slowdown in global economic momentum were responsible for the decline. The partial inversion of the US interest rate curve was frequently mentioned as an indicator for a coming bear market.

Numerous stock indexes rose to new multi-year, or all-time highs, during the year, but all major indexes were negative at year-end. The smallest losses were recorded in the USA (Dow Jones: only -5.6%), while all of the European indexes were negative in the double-digit range (EuroStoxx 50: -14.3%, DAX: -18.3%, ATX: -19.7%). The Shanghai Composite came in last with a loss of nearly 25%, which reflected the substantial economic weakness in China. After a very low volatility stock market year in 2017, there was significantly more fluctuation in 2018. The VIX volatility index (implicit volatility in the S&P 500) reached the highest level since August 2015 in both February and December.

Development of the EUR vs. USD and CHF EUR/CHF and EUR/USD

Source: Thomson Reuters Datastream



Development of the Austrian Banking Sector

The balance sheet total of the Austrian credit institutions declined further during the first two quarters of 2018, but to a significantly lesser extent than in many of the previous quarters. The downward trend which began in 2012 was halted in the third quarter of 2018 with a 1.0% year-on-year increase in the balance sheet total (data is not yet available on the final quarter of 2018).

The long hoped-for trend reversal in loans and advances to customers (non-bank) materialized in 2018: More loans were granted year-on-year in each quarter, including a third quarter increase of 4.3% over the third quarter in 2017. The negative development on the stock markets is reflected in in the position “shares and other variable-yield securities“: After seven consecutive quarters with growth of up to 10.6%, steady declines have been recorded since the closing quarter of 2017: The highest decline was recorded in the first quarter of 2018 with a minus of 10.9% when, for example, the German DAX fell from its mid-January high of nearly 13,600 points to under 12,000 points at the end of March.

Deposits from other banks declined during the first two quarters of 2018, but rose slightly in the fourth quarter. Deposits from customers (non-bank) continued to grow, but at a slower pace. The increase of 2.9% in the third quarter of 2018 was the highest since the second quarter of 2017, but still below the level recorded from the beginning of 2016 to mid-2017.

The earnings position of the Austrian banks weakened beginning with the second quarter of 2018, and operating income in the third quarter was 11.6% below the comparable prior year period. Net interest income rose by 4.6% year-on-year in the third quarter, but operating income fell by 2.3%, above all due to a substantial decline in the income from securities and investments compared with the previous year. Operating expenses increased continuously in 2018. However, profit on ordinary activities was 0.3% higher than the previous year in the third quarter because impairment losses were lower than in 2017.

Earnings, Financial and Asset Position

The following tables can include rounding differences.

The consolidated financial statements of RLB NÖ-Wien are prepared in accordance with EU Directive (EC) 1606/2002 issued by the Commission on 11 September 2002 in connection with § 245a of the Austrian Commercial Code ("Unternehmensgesetzbuch") and § 59a of the Austrian Banking Act ("Bankwesengesetz") on the basis of the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU. The consolidated financial statements reflect the legal regulations in effect and applicable as of 31 December 2018. RLB NÖ-Wien also prepares separate financial statements in accordance with the Austrian Banking Act and in connection with the Austrian Commercial Code. The consolidated management report agrees with the consolidated financial statements and presents a true and fair view of the financial position, financial performance and cash flows of RLB NÖ-Wien.

Consolidated operating profit 2018 vs. 2017

€'000	**2018**	2017*)	**Absolute +/(–) Change**	**Change in percent**
Net interest income	155,315	131,973	23,342	17.7
Net fee and commission income	61,963	54,397	7,566	13.9
Profit from equity-accounted investments**)	210,376	546,571	(336,195)	(61.5)
Profit/Loss from investments and non-financial assets and liabilities	(6,717)	26,179	(32,896)	-
Other operating profit/(loss)	19,034	17,112	1,922	11.2
Operating income	*439,971*	*776,232*	*(336,261)*	*(43.3)*
Staff costs	(109,461)	(110,493)	1,031	(0.9)
Other administrative expenses	(121,846)	(106,855)	(14,990)	14.0
Depreciation/amortization/write-offs	(5,146)	(4,652)	(494)	10.6
Depreciation, amortization, personnel and operating expenses	*(236,453)*	*(222,000)*	*(14,453)*	*6.5*
Group operating income	**203,518**	554,232	**(350,714)**	**(63.3)**

*) The comparative data reflect the changed presentation of the financial statements; measurement and classification are based on the rules defined by IAS 39 (see the section "Changes in the Presentation of the Financial Statements" in the Notes). **) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for error correction" in the Notes).

Net interest income rose by 17.7% to EUR 155.3 million in 2018. This substantial year-on-year increase was based, above all, on the following factors:

- The volume of loans and advances to customers rose noticeably in 2018 and led to an increase in interest income.

Net interest income in 2017 was negatively influenced by a one-off provision of EUR 12.9 million for interest rate agreements in credit contracts.

- Interest result remained under pressure due to the ECB's policy and the related negative interest rates. Deposit margins held steady at a low level due to the historically low interest rates.

- In addition, interest result was negatively influenced by costs for the short-term investment of liquid funds with Oesterreichische Nationalbank at an interest rate of -0.4%.

Net interest income in EUR million

Net fee and commission income was noticeably higher than the previous year at EUR 62.0 million (2017: EUR 54.4 million). The increase in payment transactions was contrasted by lower income from securities and brokerage transactions. Moreover, the share of earnings from the expansion in 2017 of the scope of companies included through full consolidation added EUR 9.2 million to income in 2018.

Profit/(loss) from investments accounted for at equity - which is influenced by the earnings contribution from RBI - totalled EUR 210.4 million in 2018 (2017: EUR 546.6 million). This position includes EUR 287.7 million for the proportional share of earnings from RBI as well as an impairment loss of EUR 90.0 million to the carrying amount of the RBI investment. In 2017, the proportional share of earnings from RBI amounted to EUR 236.9 million and earnings were increased by a reversal of EUR 305.3 million to impairment losses recognized in earlier years.

Profit/loss from investments and financial/non-financial assets and liabilities totalled EUR -6.7 million in 2018 (2017: EUR 26.2 million). The decline resulted from the unexpected flattening of the interest rate curve as well as market turbulence due to the uncertainties surrounding the upcoming “Brexit“, the political situation in Italy and the development of US trade policies.

Other operating profit/(loss) improved slightly by EUR 1.9 million year-on-year to EUR 19.0 million. This position includes, among others, the expenses for the stability levy (EUR 15.1 million) as well as the contribution to the European resolution fund and the deposit insurance fund (EUR 11.0 million).

Operating income in EUR million

Personnel expenses amounted to EUR 109.5 million in 2018 and were EUR 1.0 million lower than the previous year (2017: EUR 110.5 million). From an operational standpoint, the decline reflected a sizeable reduction in the number of employees compared with the previous year. This reduction was contrasted by additional expenses of EUR 7.6 million from the expansion of the scope of companies included through full consolidation as of 31 December 2017. Personnel expenses in 2017 were negatively influenced by an addition of EUR 9.4 million to a provision for restructuring

Operating expenses rose from EUR 106.9 million in the previous year to EUR 121.8 million in 2018. This increase resulted from additional costs of approximately EUR 1.9 million from the expansion of the scope of companies included through full consolidation as of 31 December 2017 as well as investments in digitalization projects and one-off special expenses for the reorientation of the branch locations.

General administrative expenses in EUR million

The RLB NÖ-Wien Group recorded a year-on-year decline of EUR 350.7 million in **consolidated operating profit** in 2018. It resulted primarily from valuation effects connected with the equity-accounted investment in RBI (2018: EUR 90.0 million impairment loss to the at-equity carrying amount of the RBI investment; 2017: EUR 305.3 million reversal of impairment losses from previous years). Excluding these two effects, **consolidated operating profit** was EUR 44.6 million higher than the previous year.

€'000	**2018**	2017*)	**Absolute +/(–) Change**	**Change in percent**
Group operating income	203,518	554,232	(350,714)	(63.3)
Net impairment loss/reversal of impairment to financial assets	(10,303)	(13,442)	3,139	(23.4)
Profit for the period before tax	193,215	540,790	(347,575)	(64.3)
Income tax	4,345	19,415	(15,070)	(77.6)
Net profit/loss for the period	**197,560**	560,205	**(362,645)**	**(64.7)**

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for error correction" in the Notes).

The **net impairment loss/reversal of impairment to financial assets** amounted to EUR -10.3 million in 2018 (2017: EUR -13.4 million). The valuation adjustments to loans and advances totalled EUR -13.4 million and the increase in the carrying amount of bonds totalled EUR 3.1 million.

Profit before tax totalled EUR 193.3 million in 2018 (2017: EUR 540.8 million). After the deduction of income tax expense, **after-tax profit for the reporting year** equalled EUR 197.6 million (2017: EUR 560.2 million).

Profit/(loss) for the year after tax in EUR Mio.

Other comprehensive income of EUR -43.2 million leads to total comprehensive income for the 2018 financial year. It includes, above all, the proportional share of negative effects (above all FX effects) from the at-equity consolidation of RBI.

Total comprehensive income for 2018 amounted to EUR 154.4 million (2017: EUR 561.9 million).

Segment Report

The basis for segment reporting in accordance with IFRS 8 is formed by the internal management reporting system of the RLB NÖ-Wien Group. Following a change in internal management during 2018, the segment presentation was adjusted as follows in accordance with IFRS 8:

- Retail/Raiffeisen Association Services
- Corporate Clients
- Financial Markets
- Raiffeisen Bank International
- Raiffeisen Association
- Other Investments
- Other

The segments include – as in the past – **Retail/Raiffeisen Association Services, Corporate Clients, Financial Markets** as well as three new segments: **RBI, Raiffeisen Association** and **Other Investments**. The new RBI Segment comprises the earnings contribution of RBI, including the allocated refinancing and administrative expenses. The Raiffeisen Association Segment covers the services provided by RLB NÖ-Wien AG to the Raiffeisen Association (Raiffeisen banks). The Other Segment now only includes a limited amount of expenses which cannot be allocated, e.g. the special payment for the bank levy which must be transferred for the next two years.

The compative prior year amounts are also presented in line with the new structure.

The **Retail/Raiffeisen Association Services Segment** covers the retail banking business in the Vienna branches, which service personal banking, trade and business and self-employed customers. This segment offers various banking products and services for these customer groups, in particular for investments and financing. The private banking teams provide professional advice to high net worth personal banking customers in Vienna, while small and medium-sized businesses are supported by the trade and business teams. This segment recorded a pre-tax loss of EUR -25.2 million in 2018, compared with EUR -28.5 million in the previous year. Net interest income rose by EUR 1.3 million year-on-year to EUR 55.4 million, among others due to the absence of an exceptional charge related to the recognition of a provision following Supreme Court decisions on the treatment of negative reference interest rates. Earnings were positively influenced by net fee and commission income, which rose from EUR 43.6 million in 2017 to EUR 50.1 million, chiefly due to the expansion of the scope of companies included through full consolidation and from an improvement in the payment transactions business. The increase in depreciation, amortization, personnel and operating expenses to EUR 146.0 million (versus EUR 128.7 million in 2017) resulted largely from the increase in the scope of consolidation, investments in digitalization projects and one-off special expenses for the reorientation of the branch locations.

The **Corporate Clients Segment** recorded pre-tax profit of EUR 73.3 million in 2018, compared with EUR 66.5 million in the previous year. Specially designed products and solutions as well as in-depth customer service are the decisive success factors for this segment. The volume of loans and advances rose substantially year-on-year in 2018 and led to an increase in interest income. Net interest income improved to EUR 118.0 million (2017: EUR 102.8 million). In 2017, net interest income was negatively influenced by the creation of a EUR 10.2 million provision related to the treatment of negative reference interest rates.

The **Financial Markets Segment** generated pre-tax profit of EUR 10.3 million in 2018 (2017: EUR 10.3 million). Net interest income rose by a significant EUR 18.5 million to EUR 32.1 million (2017: EUR 13.7 million) based on an improved financing structure as well as a change in the method for charging imputed refinancing costs (allocated liquidity costs and expenses for equity backing are now charged immediately) to the RBI Segment. The sizeable year-on-year decline of EUR -31.0 million to EUR -10.3 million (2017: EUR 20.7 million) in the profit/loss from financial assets and liabilities is attributable primarily to the following factors: an unexpected flattening of the yield curve as well as market turbulence related to the uncertainties surrounding the upcoming “Brexit“, the political situation in Italy and the development of US trade policies. Other operating income amounted to EUR -6.6 million and was EUR 6.4 million lower than in the previous year.

RBI, a material investment of RLB NÖ-Wien, recorded a sound year-on-year improvement in earnings: the proportional share of earnings in 2018 equalled EUR 287.7 million (2017: EUR 236.9 million). This income was contrasted by an impairment loss of EUR 90.0 million, which was recognized to the at-equity carrying amount of the RBI investment. Net profit before tax in the **RBI** Segment equalled EUR 146.4 million after the deduction of refinancing and administrative costs.

Profit before tax in the **Raiffeisen Association Segment** equalled EUR 2.8 million in 2018 (2017: EUR 1.3 million).

The **Other Investments Segment** reported profit before tax of EUR 0.5 million in 2018 (2017: EUR -0.4 million).

The **Other Segment** includes, above all, the special bank levy of EUR -10.6 million. Profit before tax in this segment equalled EUR -14.9 million (2017: EUR -11.4 million).

Consolidated Balance Sheet 2018

The balance sheet total of the RLB NÖ-Wien Group rose by EUR 1,252.6 million over the previous year to EUR 26,965.3 million in 2018. An increase in the volume of loans and advances was contrasted by higher refinancing for other banks and customers.

Assets

€m	31/12/2018	31/12/2017*)	Absolute +/(–) Change	Change in percent
Financial assets at amortized cost	19,188	15,324	3,864	25.2
Of which loans and advances to customers	12,618	11,366	1,252	11.0
Of which bonds	4,129	367	3,762	>100.0
Of which loans and advances to other banks	2,442	3,591	(1,150)	(32.0)
Financial assets designated at fair value through profit or loss	1,515	1,032	483	46.8
Of which trading portfolio	1,342	731	611	83.6
Of which investments, immaterial shares in subsidiaries and associates	13	0	13	-
Of which bonds not held for trading	1	302	(301)	(99.7)
Of which loans and advances to customers not held for trading	160	0	160	-
Financial assets at fair value through other comprehensive income	19	3,732	(3,713)	(99.5)
Interest in equity-accounted investments**)	2,356	2,286	70	3.1
Other assets	3,887	3,339	548	16.4
Consolidated assets	**26,965**	25,713	**1,253**	**4.9**

*) The comparative data reflect the changed presentation of the financial statements; measurement and classification are based on the rules defined by IAS 39 (see the section "Changes in the Presentation of the Financial Statements" in the Notes"). **) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for error correction" in the Notes).

In connection with the initial application of IFRS 9, most of the loans and advances to customers, bonds, and loans and advances to other banks were measured at cost. The following explanations of the above positions are limited to this valuation category.

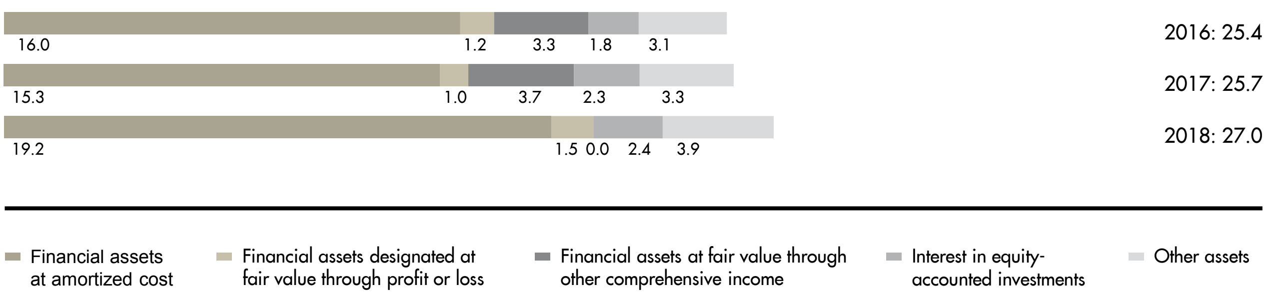
Loans and advances to customers showed sound development in comparison with the previous year and totalled EUR 12,617.9 million as of 31 December 2018. The year-on-year increase of EUR 1,252.1 million resulted primarily from corporate financing.

Loans and advances to other banks amounted to EUR 2,441.5 million as of 31 December 2018, compared with EUR 3,591.3 million at year-end 2017. A decline was recorded, above all, in loans and advances to member institutions of the Raiffeisen sector.

The total **interest in equity-accounted investments** rose slightly to EUR 2,355.9 million as of 31 December 2018.

Other assets totalled EUR 3,887.1 million, compared with EUR 3,338.7 million as of 31 December 2017. The year-on-year increase resulted from a higher volume of deposits with Oesterreichische Nationalbank (OeNB) and an increase in demand deposits at credit institutions.

Structure of assets on the consolidated balance sheet in EUR billion



Liabilities and Equity

€m	31/12/2018	31/12/2017*)	Absolute +/(–) Change	Change in percent
Financial liabilities measured at amortised cost	23,513	22,091	1,422	6.4
Of which deposits from other banks	8,752	7,819	934	11.9
Of which deposits from customers	8,182	7,768	415	5.3
Of which securitized liabilities (incl. Tier 2 capital)	6,579	6,505	73.6	1.1
Financial liabilities designated at fair value through profit or loss	585	695	(110)	(15.8)
Equity**)	2,257	2,239	18	0.8
Other liabilities	610	688	(77)	(11.3)
Consolidated equity and liabilities	**26,965**	25,713	**1,253**	**4.9**

*) The comparative data reflect the changed presentation of the financial statements; measurement and classification are based on the rules defined by IAS 39 (see the section "Changes in the Presentation of the Financial Statements" in the Notes"). **) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for error correction" in the Notes).

In connection with the initial application of IFRS 9, most of the deposits from other banks, deposits from customers and securitized liabilities were measured at cost. The following explanations of the above positions are limited to this valuation category.

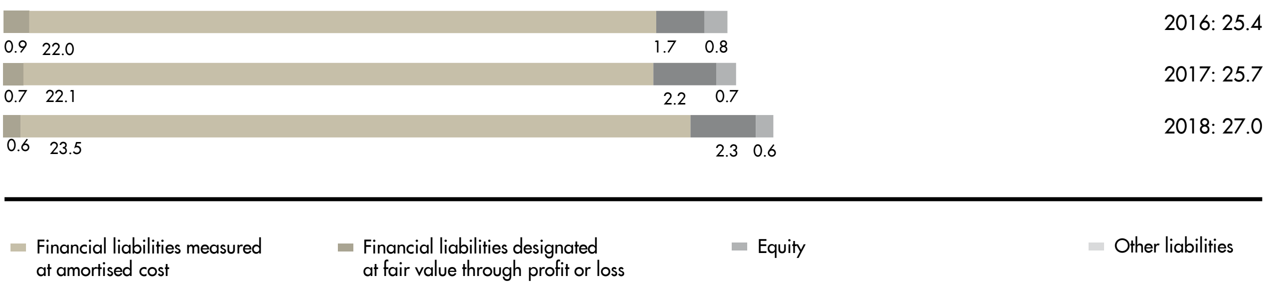
Deposits from other banks rose by EUR 933.5 million, or 11.9%, to EUR 8,752.1 million as of 31 December 2018, above all due to interbank deposits.

Deposits from customers, including savings deposits, rose by EUR 414.6 million to EUR 8,182.3 million.

The total volume of **securitized liabilities, incl. Tier 2 capital,** equalled EUR 6,578.7 million and was EUR 73.6 million higher than the previous year. Maturing securities were replaced, in particular, by covered bond issues (issue volume 2018: approx. EUR 1 billion).

Equity generally reflected the previous year and equalled EUR 2,256.7 million as of 31 December 2018. The new accounting standards for financial instruments (IFRS 9) took effect on 1 January 2018. The initial application led to an adjustment of EUR -59.4 million in equity as of the conversion date.

Structure of equity and liabilities on the consolidated balance sheet in EUR billion



Financial Performance Indicators

Performance Ratios

The **Group's cost/income ratio** – i.e. the ratio of operating expenses to operating income (incl. the profit (loss) from financial instrument and associates, and excl. impairment losses) – equalled 44.6% in 2018.

The **Group's return on equity after tax** – i.e. the return on equity based on average equity – equalled 8.8% in 2018.

Regulatory Capital

RLB NÖ-Wien does not represent a separate credit institution group in the sense of regulatory requirements and, as a group, is not subject to the regulatory requirements for banking groups because it is part of the Raiffeisen-Holding NÖ-Wien credit institution group. The following indicators were determined in accordance with the provisions of the Capital Requirements Regulation (CRR) and the Austrian Banking Act for the Raiffeisen-Holding NÖ-Wien credit institution group.

The consolidated regulatory equity of the Raiffeisen-Holding NÖ-Wien credit institution group is presented below:

Eligible capital as defined in Art. 72 in connection with Art. 18 of the CRR totalled EUR 3,078.9 million (2017: EUR 3,149.4 million). At 22.1% (2017: 24.3%), the Tier 1 ratio (for credit risk) substantially exceeded the total capital requirement, including the buffer, of 13.875% established by the Supervisory Review and Evaluation Process (SREP). It comprises the minimum capital requirement of 8% defined by Art. 92 of the CRR as well as an additional capital requirement of 3.00% which was established by the SREP. The capital buffer requirements consists of a system risk buffer of 1.00% and a capital conservation buffer of 1.875%.

Eligible capital comprises the following: The common equity Tier 1 ratio includes the superior credit institution's subscribed capital of EUR 116.2 million, appropriated capital reserves of EUR 373.7 million, retained earnings of EUR 1,722.5 million, non-controlling interests of EUR 262.8 million and various regulatory adjustments of EUR 16.0 million. After deductions of EUR -13.8 million, common equity Tier 1 capital equalled EUR 2,477.4 million. The additional Tier 1 capital comprises an additional Tier 1 capital instrument of EUR 95.0 million and non-controlling interests of EUR 36.7 million. Tier 1 capital, after deductions, therefore totalled EUR 2,609.1 million (2017: EUR 2,591.6 million).

Tier 2 capital of EUR 469.9 million (2017: EUR 557.8 million) comprises eligible Tier 2 instruments of EUR 407.0 million, and an addition of EUR 62.1 million for amounts guaranteed as well as participation capital of EUR 0.7 million which no longer qualifies as CET 1 capital.

Tier 1 capital as a per cent of eligible capital equalled 84.7% (2017: 82.3%).

The common equity Tier 1 ratio (CET1 ratio) equalled 17.8% as of 31 December 2018 (2017: 19.1%), and the Tier 1 ratio for the total risk of the Raiffeisen-Holding NÖ-Wien credit institution group equalled 18.7% (2017: 20.0%).

The Internal Control System for the Accounting Process

The Managing Board is responsible for the design, implementation and maintenance of an internal control system (ICS) which meets the company's requirements. The ICS must also be suitable for the corporate strategy and scope of business activities as well as various economic and organizational aspects. The ICS was installed by the Managing Board; its effectiveness is monitored by the Audit Committee of the Supervisory Board. It is adapted regularly to reflect changes in organizational circumstances.

Control Environment

The accounting-based internal control system covers all processes from the initiation of a business transaction up to the preparation of annual financial statements. It is based on defined principles and synchronized methods and measures which are designed to protect assets, to guarantee the correctness, exactness and reliability of accounting data and to support compliance with defined business policies. The goal of the accounting-based internal control system is – through the introduction of suitable processes and control measures – to manage risks with appropriate and sufficient certainty and thereby ensure compliance with the principles of correct bookkeeping and the presentation of a true and fair view of the company by the annual financial statements and the management report in agreement with legal regulations. The management of the respective corporate unit is responsible for the implementation of instructions and internal controls, while the Internal Audit Department is responsible for monitoring compliance with these rules.

The internal control system comprises guidelines and processes which:

- regulate the storage of documents and provide sufficient detailed, correct and appropriate information on the development of business and the use of assets;
- ensure that all transactions required for the truthful preparation of the annual financial statements are recorded and also ensure that any unauthorized purchase, use or sale of assets which could have a material effect on the annual financial statements is prevented or identified at an early time;
- guarantee compliance with all relevant legal regulations; and
- provide for sufficient reporting to management, the Supervisory Board and the Audit Committee.

Risk Assessment

The most important risks related to accounting process are evaluated and monitored by the Managing Board in order to prevent errors and fraud in the annual financial statements. Risks of errors arise, above all, in connection with complex valuation and accounting issues.

The accounting process is exposed to the risk of material errors, in particular from the following factors:

- Estimates required to determine the fair value of individual financial instruments in cases where reliable market values are not available;
- Estimates required to determine the accounting treatment of risk allowances for loans and provisions;
- Complex valuation principles applied within the framework of a challenging business environment.

Control Activities

The accounting process is accompanied by efficient, integrated controls up to and including the preparation of the annual financial statements. Numerous employees in the Accounting Department of RLB NÖ-Wien are involved in the operation of the accounting-based internal control system. The Risk/Data Service Department, as the ICS representative, is responsible for supporting activities. Accounting entries are controlled through automated IT functions as well as event-driven and regular checks by the assigning departments. The risks and controls are documented in the ICS tool (SAS EGRC) used by RLB NÖ-Wien.

Information and Communication

The process for the preparation of the annual financial statements is based on checklists which are controlled by and the responsibility of the Accounting Department of RLB NÖ-Wien. Employees can review the operational and organizational structure through various IT systems (Lotus Notes, POINT, SAS EGRC). This structure is subject to continuous evaluation. An information and documentation system was installed in Lotus Notes especially for the preparation of the annual financial statements.

The annual report and management report include an explanation of accounting results in accordance with legal regulations.

Financial reporting and the monitoring of the internal control system are guaranteed through monthly and quarterly reports to the Managing Board and Supervisory Board as well as semi-annual reports to the Audit Committee.

Monitoring

In addition to the overall responsibility of the Managing Board, the department heads are in charge of ongoing monitoring in their respective business areas.

The Internal Audit Department of RLB NÖ-Wien, as an integral element of the risk controlling and risk management system, is responsible for determining whether RLB NÖ-Wien has adequate internal control systems. The main responsibilities of this department in connection with the accounting-based internal control system include the review and evaluation of the effectiveness of working procedures, processes and internal controls. The Internal Audit Department carries out its activities independently under the authority of the Managing Board of RLB NÖ-Wien.

Risk Report

Detailed information on the financial risks to which the RLB NÖ-Wien Group is exposed and on the goals and methods for risk management is provided in the risk report, which represents an integral part of the notes to the consolidated financial statements (Note (32) Risks arising from financial instruments).

Branches and Offices

The branch structure was further optimized in 2018. The personal and business banking customers of RLB NÖ-Wien were serviced at 23 locations throughout Vienna as of 31 December 2018. Vienna's Loos Haus provides services for private banking customers, while the Raiffeisen Haus also offers services for the Raiffeisen organization and its employees. Five customer representative teams are available for business customers. The service centre for corporate clients is located in the Raiffeisen Haus on Friedrich-Wilhelm-Raiffeisen-Platz 1 in Vienna.

RLB NÖ-Wien has no branches or offices in foreign countries.

Research and Development

RLB NÖ-Wien has no material research or development activities due to the nature of its business.

Non-financial Performance Indicators

RLB NÖ-Wien is exempt from the requirement to prepare a consolidated non-financial statement pursuant to § 243b (7) of the Austrian Commercial Code because it was included in the consolidated management report of Raiffeisen-Holding NÖ-Wien reg. Gen.m.b.H. (Raiffeisen-Holding NÖ-Wien). This report was prepared and published in accordance with the requirements of the accounting guideline. The consolidated management report of Raiffeisen-Holding NÖ-Wien is available at the company headquarters as well as from the company register in Vienna.

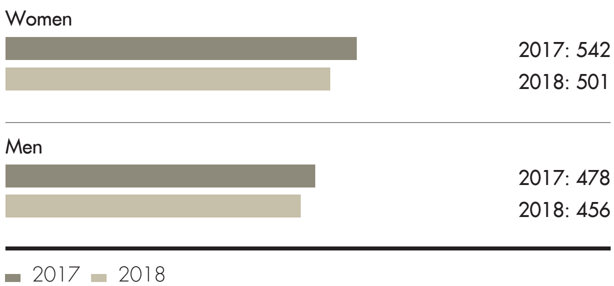
In the interest of consistency, the following section presents the major non-financial performance indicators and issues for RLB NÖ-Wien AG, the most important company in the subgroup as defined by § 267 (2) of the Austrian Commercial Code. A consolidated description of the subgroup's major non-financial issues and performance indicators is provided in the consolidated management report of Raiffeisen-Holding NÖ-Wien reg. Gen.m.b.H. under the banking section.

RLB NÖ-Wien is a regional bank that is active in the eastern area of Austria. Its business model is based on a universal bank which follows the principles of risk-conscious management and sustainable business policies. RLB NÖ-Wien supports the parent company, Raiffeisen-Holding NÖ-Wien, in meeting its cooperative mission and, in return, is supplied with infrastructure (buildings, motor vehicles etc.). Together with RLB NÖ-Wien, Raiffeisen-Holding NÖ-Wien provides various services to the member companies of the corporate group.

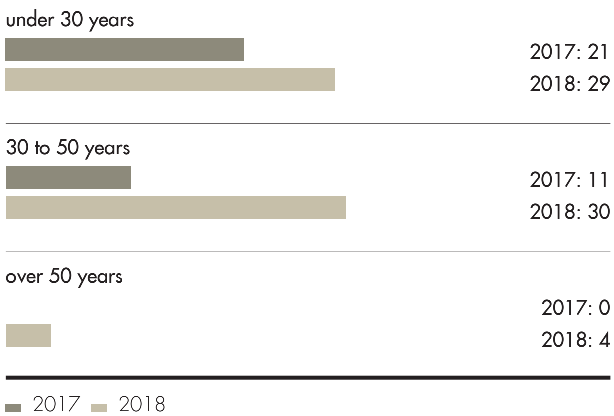
Employee issues

RLB NÖ-Wien had an average workforce (full-time equivalent) of 957 in 2018, which represents a year-on-year decrease of roughly 6% (2017: 1,020).

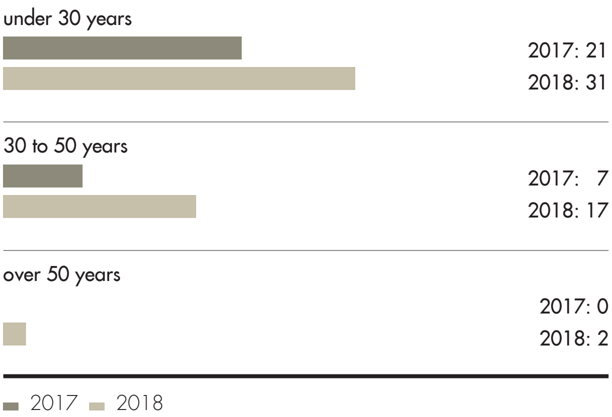
Average number of employees for the year (full-time equivalent) by gender



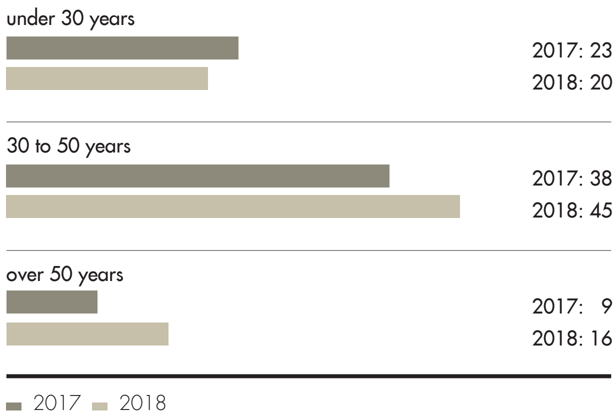
New hiring men by age group



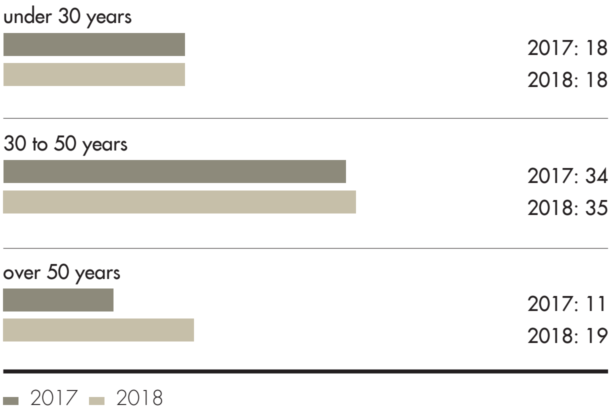
New hiring women by age group



Employee turnover women by age group



Employee turnover men by age group



The corporate culture of RLB NÖ-Wien is heavily influenced by cooperative values that are reflected in the following principles:

- Performance-based compensation
- Work-life balance
- Respect and support
- Health and well-being

Internal and external training and continuing education

RLB NÖ-Wien invests in the future-oriented training and continuing education of its employees and supports their personal development and commitment with the same programmes offered by Raiffeisen-Holding NÖ-Wien. This reduces the risks arising from inadequate qualifications and a lack of sufficient capacity. The development of and support for employees ranges from on-the-job training to seminars. Specific training and educational needs are identified through annual assessment meetings between each manager and his or her staff members.

Employees are supported by systematic training documentation which ensures that the required regulatory training requirements are met. RLB NÖ-Wien has created e-learning modules for its employees on the following subjects: general bank training, management, communications and sales training. In addition to internal training and educational programmes, RLB NÖ-Wien provides support for extra-occupational studies and courses.

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Average number of training hours per employee and year

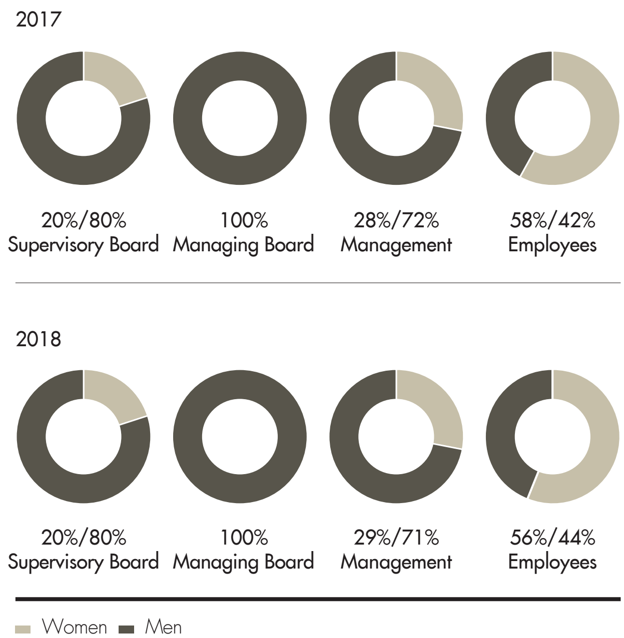
Apprentices

As a major regional training organization, RLB NÖ-Wien supports young men and women in starting their professional careers. RLB NÖ-Wien had a total of 23 apprentices in 2018 (2017: 23).

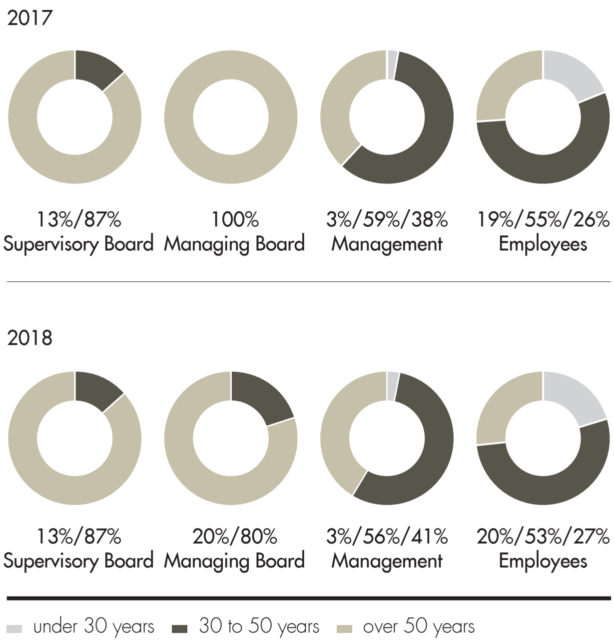
Diversity and equal opportunity

All RLB NÖ-Wien employees have the same opportunities for their professional development – independent of gender, age, political or religious conviction and origin.

Composition of control bodies and employees by category and gender in 2017/2018



Composition of control bodies and employees by category and age in 2017/2018



Health and safety

RLB NÖ-Wien and its parent company, Raiffeisen-Holding NÖ-Wien, view a successful work-life balance for all employees as a social commitment. The right work-life balance improves motivation and on-the-job performance. The protection of employees' health is a similarly important objective: RLB NÖ-Wien employees have been supported for many years with a wide range of measures to reduce health and safety risks. These measures include flexible working time models, an in-house day-care centre, preventive health checks, subsidies for supplementary health insurance and an extensive health and service offering. All services and benefits related to the work-life balance, physical and psychological health, wellness, sport and family are conveniently bundled in the LifeBalanceCenter.

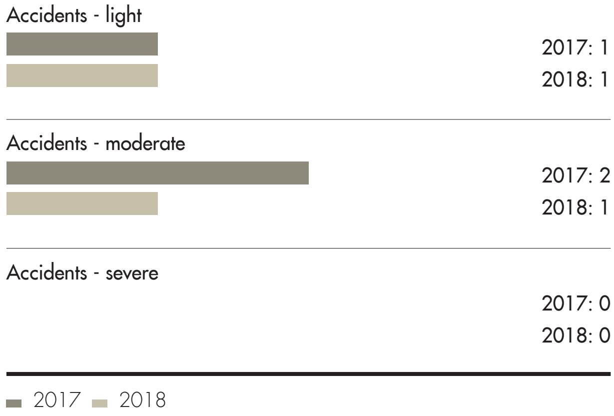
RLB NÖ-Wien has carried the state quality label for "berufundfamilie", which is presented by the Federal Ministry for Family and Youth, since 2010. The second recertification took place in autumn 2016 and covers the next three years.

Committees

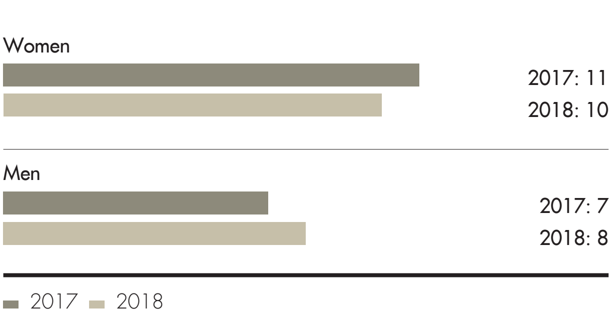
The health committee of RLB NÖ-Wien meets twice each year to discuss issues involving employees' physical and psychological health. The committee members include the staff council, occupational health physicians, staff psychologists, safety experts and representatives of the Human Resources and Sales Departments.

The industrial safety committee established by RLB NÖ-Wien meets twice each year and also carries out on-site inspections to evaluate workplace safety. Branches with more than ten employees are visited once each year, and all other locations are evaluated every second year. The results of the inspections and implemented measures are reported annually to the Managing Board.

Number of accidents in 2017/2018



Average number of sick days by gender



Other protective measures

A safety manual for the Raiffeisenhaus Wien 1 (RHW.1), which is used by RLB NÖ-Wien, is available to all employees in the Intranet. It covers the potential dangers connected with daily business operations and provides specific instructions for actions. All employees are instructed on the use of the available safety equipment and can operate this equipment as required.

Environmental issues

RLB NÖ-Wien works consistently to reduce the negative effects of its business activities on the environment and has implemented the following environmental measures:

Building management

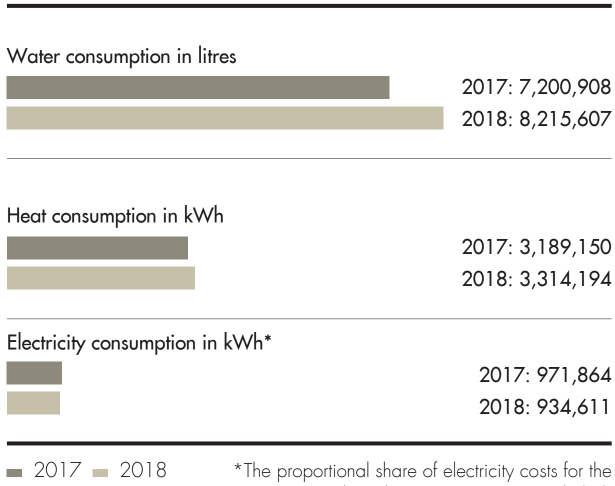
Raiffeisenhaus Wien 1 (RHW.1) is a 40 year-old building which is owned by Raiffeisen-Holding NÖ-Wien and used entirely by RLB NÖ-Wien. An external building management company which is certified under ISO 9001.2008 provides support for the development of energy concepts and other optimization measures. The resulting recommendations are included in the energy report prepared in accordance with the requirements of § 27 (3) of the Austrian Energy Efficiency Guideline and are also included in the catalogue of building management measures for the following year.

Energy management

Energy management at RLB NÖ-Wien is designed to minimise energy consumption in buildings and technical equipment and, in this way, reduce the resulting emissions and related energy costs.

In its headquarters, RLB NÖ-Wien has used electricity that is generated entirely from renewable sources (hydropower) since 2012. This sourcing is certified according to § 10 of the Austrian Eco-electricity Act of 2012. EAA-Energie Allianz Austria GmbH has guaranteed the delivery of electricity from renewable sources up to 31 December 2020 through a certificate issued to RLB NÖ-Wien.

Energy consumption in the organization at the RHW.1 and RHW.2 locations



*The proportional share of electricity costs for the technical equipment are not included.

Energy audits are carried out at selected branches to evaluate electricity and natural gas consumption. The specific electricity consumption in all branches is compared to identify opportunities for improvement in heating, air conditioning, warm water and lighting.

Resource consumption

RLB NÖ-Wien has launched numerous initiatives in the past to reduce the harmful impact of its business operations on the environment and to optimise resource consumption. These initiatives include the reduction of office supplies like paper and printer cartridges as well as the use of environmentally friendly, energy-efficient materials, products and equipment.

Mobility

RLB NÖ-Wien is well aware of the strong transformation in mobility. It supports alternative means of transportation and relies on environmentally friendly energies. With the support of Raiffeisen-Holding NÖ-Wien, a number of employee-related measures have already been introduced:

- An e-car is available at Raiffeisen-Holding NÖ-Wien for inner city business travel by management.
- Employees can also use an e-car for business trips.
- Company bicycles and e-bikes are available for short work trips.
- Employees can use the charging station operated by Raiffeisen-Holding NÖ-Wien in the courtyard of Raiffeisenhaus Wien for their personal e-bikes.

Separate rooms with modern technical equipment are available for telephone and video conferences, above all for internal country-wide meetings. The resulting decrease in business travel helps to reduce the ecological footprint of RLB NÖ-Wien.

Climate protection

RLB NÖ-Wien is a member of the Raiffeisen Sustainability Initiative, which was created ten years ago and has since continuously expanded the scope of its activities. In addition to environmental issues, activities in the future will focus increasingly on the economy and the core business as well as social responsibility and its interactions.

The following ecological measures implemented by RLB NÖ-Wien are intended to minimise CO_2 emissions – with the support of Raiffeisen-Holding NÖ-Wien:

- Electricity from renewable energies
- Availability of e-cars
- Availability of e-bikes
- Availability of monthly tickets for the public transportation network in Vienna
- Organization of video conferences
- Photovoltaic equipment on the roof of RHW.2, which is owned by Raiffeisen-Holding NÖ-Wien and can also be used by RLB NÖ-Wien
- Certified passive energy office building (RHW-2) owned by Raiffeisen-Holding NÖ-Wien

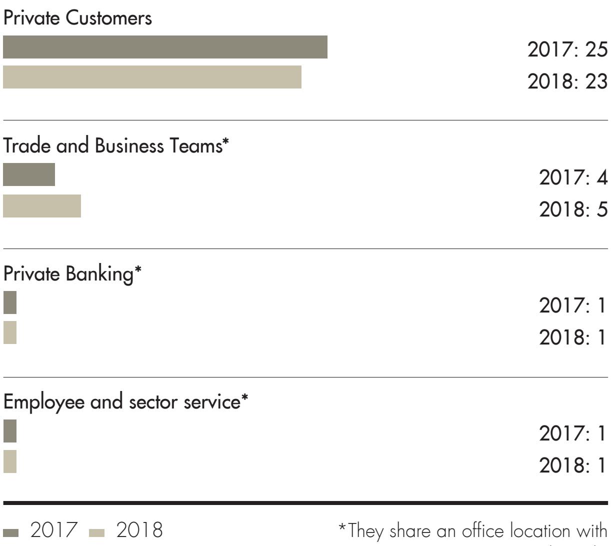
Social issues

In its function as a regional bank, RLB NÖ-Wien services approximately 270,000 customers with 957 employees at 23 locations in Vienna. Its activities as a commercial bank are focused on the eastern region of Austria. As a bank for the Raiffeisen association, RLB NÖ-Wien advises and supports the 56 independent Raiffeisen banks in Lower Austria.

The following target groups represent the focal points for RLB NÖ-Wien in Vienna: the private customer business, the commercial business for small and medium-sized companies, private banking and the commercial business for large corporate clients. The business model of RLB NÖ-Wien is based on a universal bank which follows the principles of risk-conscious management and sustainable business policies. RLB NÖ-Wien works to utilize synergies within the company and the entire sector. In particular, this applies to its role as a bank for the Raiffeisen association through the provision of support and services for the Raiffeisen banks in Lower Austria.

Number of ATM machines in Vienna

Number of branches in Vienna



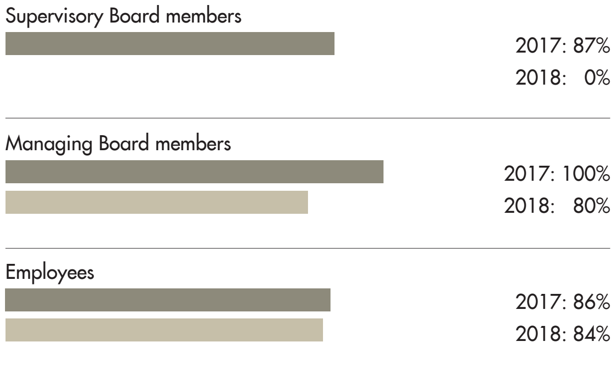
*They share an office location with a private customer branch.

Number of bank accounts opened by new customers

Compliance

There were no proceedings against RLB NÖ-Wien for violations of antitrust or competition law and no material fines or monetary penalties (administrative penalties) for the failure to observe compliance regulations in the 2017 or 2018 financial years.

Training (by employee category) on measures and processes to fight corruption / participation rate*



2017 2018 / *All employees and members of the corporate bodies of RLB NÖ-Wien have received training on measures and procedures for the prevention of corruption. Training courses are held annually for employees and regularly, but not annually for the members of the corporate bodies. The annual training ratio for persons belonging to this latter group is therefore not representative.

Sustainable investments

The interest in sustainable investments is growing steadily. Although the focus remains on performance, customers are placing increasing importance on ecological and ethical factors in the selection of products. RLB NÖ-Wien meets the demand for sustainable investments through specialised subsidiaries and affiliates.

RLB NÖ-Wien also offers sustainable investments through its affiliate Raiffeisen Capital Management (RCM), which has focused on this business area for over five years. A specialist team manages the sustainable investment fund and evaluates the individual companies. A diligent, multi-stage selection process – RCM works together with external research specialists and maintains direct contact with the companies – guarantees top quality for RLB NÖ-Wien's customers in the area of sustainable investments.

The basic account

In accordance with the Austrian Consumer Payment Account Act, every customer has been entitled to a basic bank account – the so-called "Jedermann-Konto" – since 18 September 2016. This account is a payment account with basic banking functions. RLB NÖ-Wien gives consumers the opportunity to open a basic account with the following functions: payment transactions, online banking, cash withdrawals at the counter or ATM (worldwide) and card-based payments.

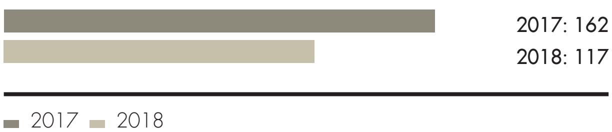
Lending

Through continuous investments in the local economy, RLB NÖ-Wien creates important economic impulses for the region. Financing offers for sustainable initiatives or renewable energies – RLB NÖ-Wien has been a financing partner for the development of windpower plants in Austria for many years – play an important role in these activities.

Information obligations to customers

RLB NÖ-Wien is subject to strict requirements for the provision of information to customers, including market announcements. RLB NÖ-Wien supplies customers with appropriate transparent information within the context of investor protection regulations to enable independent investment decisions on a sound basis.

Number of new basic accounts



Outlook on 2019

The Economic Environment

The International Monetary Fund (IMF) is projecting a slowdown in global growth. In view of the unsolved trade conflicts and the threat of a “hard Brexit“, the IMF issued a further downward correction to its economic forecast in January: global economic output is now projected to increase by only 3.5% in 2019 (October 2018 forecast: 3.7%). A global recession is not expected, but the risk of a stronger decline in worldwide growth has increased.

Estimates for the USA point to GDP growth of 2.5% in 2019 and only 1.8% in 2020. The expansion is continuing, but the forecast assumes weaker momentum will follow due to the expiration of fiscal incentives. The risks for the US economy include the trade conflict with China and a lengthy budget dispute which led to the longest government shutdown in US history. For China, the world’s second-largest economy, the IMF is forecasting a GDP increase of 6.2% each in 2019 and 2020 (after 6.6% in 2018). The slowdown in growth could become even more pronounced if trade tensions continue. However, the government has already announced steps to stimulate the economy through tax cuts and infrastructure investments: The central bank is also providing continued support with a loose monetary policy.

In Germany, the IMF is attributing the current state of the economy to reduced private consumption, weaker industrial production, especially in the automobile sector (due to problems surrounding the new emission test) and a decline in foreign demand. Growth in Italy was reduced by low domestic demand and high credit costs, while France has suffered for months from the effects of the ongoing street protests. In total, the IMF is forecasting a GDP increase of 1.6% for the Eurozone in 2019. This represents a further reduction of 0.3 percentage points in its expectations for 2019 since October.

The ECB believes its significant support through monetary policy must continue because inflation has still not reached the defined target and the economy is beginning to weaken. Consequently, the ECB’s key interest rates will remain “at the current level at least through summer 2019 and, in any event, as long as necessary to move inflation towards a sustainable level below, but close to 2% over the medium term“. Return flows from the bond purchase programme will still be reinvested in full and also for a longer period of time after the start of interest rate hikes.

WIFO is projecting weaker growth for Austria in 2019 due to the uncertainties connected with the worldwide economy. The optimistic investment sentiment among Austrian companies is slowly subsiding, and the effects of the 2016 tax reform on private household incomes are fading. However, the results of wage negotiations in autumn 2018 were slightly higher than expected. The introduction of a bonus for families should strengthen the development of incomes, and private consumption should therefore continue to serve as a key driver for growth. GDP forecasts for 2019, depending on the institution, range from a plus of 1.7% (IHS) to 2.0% (WIFO). The inflation rate should also hold steady at an annual average of 2.1%, which means the inflation differential to the Eurozone will remain intact: The ECB expects an average inflation rate of 1.6% for the Eurozone countries this year.

Outlook on the Group's Development

Activities in the coming year will focus, above all, on the implementation of the new branch concept in Vienna. The goal is to develop a modern, viable branch network which meets the changed expectations and needs of the bank’s customers. RLB NÖ-Wien AG plans to invest approximately EUR 20 million in its locations over the coming years.

The further development of digitalization represents an inseparable part of these plans, not only in the form of products for our customers, but also in transaction handling.

Further focal points for 2019 are:

- Continued growth in the high-quality corporate clients business

- Continuation of the cost reduction programme started in 2017
- Further intensification of the role as a synergy partner for the Lower Austrian Raiffeisen banks

Vienna, 28 March 2019

The Managing Board

Klaus BUCHLEITNER

CEO

Reinhard KARL

Deputy CEO

Andreas FLEISCHMANN

Member of the Managing Board

Martin HAUER

Member of the Managing Board

Michael RAB

Member of the Managing Board

CONSOLIDATED FINANCIAL STATEMENTS (IFRS) 2018

Consolidated Statement of Comprehensive Income

Consolidated Income Statement

€'000	Notes	01/01 - 31/12/2018	01/01 - 31/12/2017*
Net interest income	*(1)*	*155,315*	*131,973*
Interest income calculated according to the effective interest method		327,284	317,307
Interest income not calculated according to the effective interest method		292,167	223,051
Interest expense calculated according to the effective interest method		(221,736)	(232,238)
Interest expense not calculated according to the effective interest method		(242,400)	(176,147)
Net fee and commission income	*(2)*	*61,963*	*54,397*
Fee and commission income		87,454	76,655
Fee and commission expenses		(25,492)	(22,257)
Dividend income	(3)	2,879	836
Profit from equity-accounted investments	(4)	210,376	546,571
Depreciation, amortization, personnel and operating expenses	(5)	(236,453)	(222,000)
Profit/Loss from financial assets and liabilities	(6)	(7,223)	25,689
Profit/Loss from investments and non-financial assets	(7)	506	489
Net impairment loss/reversal of impairment to financial assets	(8)	(10,303)	(13,442)
Other operating profit/loss	(9)	16,155	16,277
Profit for the period before tax		**193,215**	540,790
Income tax	(10)	4,345	19,415
Profit for the period after tax		**197,560**	560,205
Of which attributable to non-controlling interests		33	67
Of which attributable to equity owners of the parent		197,527	560,138

*) The comparative data reflect the changed presentation of the financial statements; measurement and classification are based on the rules defined by IAS 39 (see the section "Changes in the Presentation of the Financial Statements" in the Notes).
**) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for error correction" in the Notes).

Reconciliation to Consolidated Comprehensive Income

€'000	**01/01 - 31/12/2018**	01/01 - 31/12/2017*
Profit for the period after tax	***197,560***	*560,205*
Items that will not be reclassified to profit or loss in later periods	***4,580***	*2,622*
Remeasurement of defined benefit pension plans	1,777	2,528
Fair value changes in equity instruments (through other comprehensive income)	(965)	0
Deferred taxes on items not reclassified to profit or loss	(215)	(632)
Proportional share of other comprehensive income from equity-accounted investments	3,983	726
Items that may be reclassified to profit or loss in later periods	***(47,782)***	*(1,235)*
Cash flow hedge reserve	(2,045)	(1,881)
Available-for-sale reserve	0	19,005
Deferred taxes on items that may be reclassified to profit or loss	531	(4,164)
Proportional share of other comprehensive income from equity-accounted investments	(46,268)	(14,196)
Other comprehensive income	***(43,202)***	*1,386*
Consolidated comprehensive income	**154,358**	561,591
Of which attributable to non-controlling interests	33	67
Of which attributable to equity owners of the parent	154,325	561,524

*) The comparative data reflect the changed presentation of the financial statements; measurement and classification are based on the rules defined by IAS 39 (see the section "Changes in the Presentation of the Financial Statements" in the Notes).
*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for error correction" in the Notes).

Consolidated Balance Sheet

€'000	Notes	31/12/2018	31/12/2017*	01/01/2017*
Cash, cash balances at central banks and other demand deposits	*(11)*	3,359,250	2,790,844	2,463,369
Financial assets held for trading	*(12)*	1,341,693	730,596	865,138
Derivatives		531,373	601,498	830,094
Other trading assets		810,320	129,098	35,044
Non-trading financial assets mandatorily at fair value through profit or loss	*(13)*	173,513	0	0
Financial assets designated at fair value through profit or loss	*(14)*	0	301,517	354,081
Financial assets at fair value through other comprehensive income	*(15)*	18,872	3,731,517	3,324,127
Financial assets at amortized cost	*(16) (17)*	19,188,168	15,324,298	15,970,164
Bonds		4,128,791	367,267	394,249
Loans and advances to other banks		2,441,505	3,591,251	4,071,499
Loans and advances to customers		12,617,872	11,365,780	11,504,416
Derivatives - hedge accounting	*(18)*	347,329	354,761	527,836
Interest in equity-accounted investments**	*(19)*	2,355,949	2,286,121	1,771,230
Property and equipment	*(20)*	14,940	14,361	15,603
Investment property		2,916	4,059	6,716
Intangible assets	*(21)*	8,936	8,032	5,627
Deferred tax assets	*(22)*	15,520	2,866	320
Tax assets		91	142	91
Deferred tax assets		15,429	2,724	229
Other assets	*(23)*	138,212	163,743	100,328
Balance sheet assets		**26,965,298**	**25,712,715**	**25,404,539**

*) The comparative data reflect the changed presentation of the financial statements; measurement and classification are based on the rules defined by IAS 39 (see the section "Changes in the Presentation of the Financial Statements" in the Notes); in accordance with IAS 1.41, the comparative amounts for the preceeding years are shown as of the beginning of the respective period.
**) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for error correction" in the Notes).

€'000	Notes	31/12/2018	31/12/2017*	01/01/2017*
Financial liabilities held for trading	(24)	585,386	654,336	886,709
Derivatives		585,386	654,336	886,709
Financial liabilities designated at fair value through profit or loss	(25)	0	40,768	50,908
Financial liabilities measured at amortised cost	(26)	23,513,145	22,091,492	21,955,567
Deposits from other banks		8,752,128	7,818,593	7,628,203
Deposits from customers		8,182,342	7,767,789	7,618,112
Securitized liabilities		6,578,675	6,505,109	6,709,252
Derivatives - hedge accounting	(27)	343,537	375,635	523,766
Provisions	(28)	142,711	135,779	129,780
Tax liabilities	(29)	3,431	2,833	11,183
Tax liabilities		2,970	2,298	11,183
Deferred tax liabilities		461	534	0
Other liabilities	(30)	120,418	173,349	150,164
Equity	(31)	2,256,670	2,238,523	1,696,462
Attributable to non-controlling interests		110	82	24
Attributable to equity owners of the parent		2,256,561	2,238,441	1,696,438
Balance sheet equity and liabilities		**26,965,298**	**25,712,715**	**25,404,539**

*) The comparative data reflect the changed presentation of the financial statements; measurement and classification are based on the rules defined by IAS 39 (see the section "Changes in the Presentation of the Financial Statements" in the Notes); in accordance with IAS 1.41, the comparative amounts for the preceeding years are shown as of the beginning of the respective period.

**) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for error correction" in the Notes).

Consolidated Statement of Changes in Equity

€'000	Sub-scribed capital	Capital reserves	Retained earnings	Other compre-hensive income	Profit or loss at-tributable to equity owners of the parent	Equity at-tributable to owners of the parent	Equity at-tributable to non-controlling interests	Total
	Attributable to equity holders of the parent							
Equity at 01/01/2017	**219,789**	**556,849**	**1,287,961**	**(303,446)**	**(64,471)**	**1,696,683**	**24**	**1,696,706**
Restatement	0	0	(245)	0	0	(245)	0	(245)
Equity at 01/01/2017	**219,789**	**556,849**	**1,287,716**	**(303,446)**	**(64,471)**	**1,696,438**	**24**	**1,696,462**
Consolidated comprehensive income	0	0	0	1,386	560,138	561,524	67	561,591
Net profit/loss for the period	0	0	0	0	560,138	560,138	67	560,205
Other comprehensive income	0	0	0	1,386	0	1,386	0	1,386
Use of retained earnings	**0**	**0**	**(64,471)**	**0**	**64,471**	**0**	**0**	**0**
Dividends paid	**0**	**0**	**0**	**0**	**0**	**0**	**(9)**	**(9)**
Enterprise's interest in other changes in equity of equity-accounted investments	0	0	(17,597)	0	0	(17,597)	0	(17,597)
Other changes	0	0	329	(155)	0	174	0	174
Changes in the scope of consolidation	0	0	(2,097)	0	0	(2,097)	0	(2,097)
Equity at 31/12/2017	**219,789**	**556,849**	**1,203,880**	**(302,215)**	**560,138**	**2,238,441**	**82**	**2,238,523**
Equity at 31/12/2017	**219,789**	**556,849**	**1,203,880**	**(302,215)**	**560,138**	**2,238,441**	**82**	**2,238,523**
Revaluations IFRS 9	0	0	10,405	(69,765)	0	(59,360)	0	(59,360)
Equity at 01/01/2018	**219,789**	**556,849**	**1,214,284**	**(371,980)**	**560,138**	**2,179,080**	**82**	**2,179,163**
Consolidated comprehensive income	0	0	0	(43,202)	197,527	154,325	33	154,358
Net profit/loss for the period	0	0	0	0	197,527	197,527	33	197,560
Other comprehensive income	0	0	0	(43,202)	0	(43,202)	0	(43,202)
Use of retained earnings	0	0	560,138	0	(560,138)	0	0	0
Dividends paid	0	0	(25,056)	0	0	(25,056)	(6)	(25,062)
Enterprise's interest in other changes in equity of equity-accounted investments	0	0	(52,007)	0	0	(52,007)	0	(52,007)
Other changes	0	0	219	0	0	219	0	219
Equity 31/12/2018	**219,789**	**556,849**	**1,697,577**	**(415,182)**	**197,527**	**2,256,561**	**110**	**2,256,670**

* The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for error correction" in the Notes).

**This position included the IFRS 9 transition effect of TEUR -36,785 from the material associate RBI.

Consolidated Cash Flow Statement

€'000	Notes	01/01 - 31/12/2018	01/01 - 31/12/2017*
Profit for the period after tax		*197,560*	*560,205*
Reconciliation to cash flow from operating activities			
Write-downs/(write-ups) of property and equipment and measurement of financial assets and equity investments		(6,989)	94,309
Profit from equity-accounted investments	(4)	(210,376)	(546,571)
Release of/addition to provisions and impairment allowances		42,937	27,651
(Gains)/losses on disposals of property and equipment and financial investments		(2,174)	(570)
Reclassification of net interest income, dividends and income taxes		(162,540)	(152,222)
Other adjustment (net)		(5,549)	(8,556)
Subtotal		*(147,130)*	*(25,754)*
Change in assets and liabilities arising from operating activities after corrections for non-cash items:			
Other demand deposits		(381,786)	331,899
Financial assets held for trading		(269,654)	252,215
Financial assets designated at fair value through profit or loss		227	45,555
Financial assets at amortized cost		(272,846)	612,420
Derivatives - hedge accounting		(8,513)	(28,195)
Other assets		25,531	(90,344)
Financial liabilities held for trading		(92,862)	(259,284)
Financial liabilities measured at amortized cost		1,420,979	240,195
Other provisions		(23,784)	(12,316)
Other liabilities		(52,931)	17,404
Interest received		631,385	539,572
Dividends received		49,046	13,742
Interest paid		(472,475)	(416,349)
Income taxes paid		5,247	3,048
Cash flow from operating activities		*410,434*	*1,223,808*
Cash receipts from sales of financial investments		293,081	172,952
Cash receipts from sales of equity investments		19	11,012
Property and equipment and intangible assets		1,853	2,637
Cash receipts from the sale of subsidiaries, less liquid funds		95	0
Cash paid for financial investments		(453,884)	(650,563)
Cash paid for equity investments		(1,206)	(16,820)
Property and equipment and intangible assets		(6,828)	(5,651)
Cash flow from investing activities		*(166,869)*	*(486,433)*
Cash inflows from Tier 2 capital		73	2,296
Cash outflows from Tier 2 capital		(32,301)	(80,302)
Dividends paid		(25,062)	(9)
Cash flow from financing activities		*(57,290)*	*(78,015)*

€'000	01/01 - 31/12/2018	01/01 - 31/12/2017
Cash and cash equivalents at end of previous year	*1,044,081*	*384,707*
Cash flow from operating activities	410,434	1,223,808
Cash flow from investing activities	(166,869)	(486,433)
Cash flow from financing activities	(57,290)	(78,015)
Effect of exchange rate changes	319	(58)
Changes resulting from the scope of consolidation	26	72
Cash and cash equivalents at end of year	**1,230,702**	1,044,081

The cash flow statement includes the reclassifications resulting from the initial application of IFRS 9 (see the overview of the reclassifications required by IFRS 9 in the Notes under "IFRS 9 Transition").

Cash and cash equivalents included the balance sheet item "cash reserve", which comprised cash on hand and demand deposits with central banks, up through the 2017 financial year. It did not include loans and advances to banks which were due on demand; these items were allocated to the operating business. Beginning with the 2018 financial year and in addition to the initial applicatin of IFRS 9, the presentation of the financial statements was changed to adapt selected positions on the balance sheet and income statement as well as the related information in the notes to reflect the disclosure requirements for financial information (FinRep) which were issued by the European Banking Authority (EBA). Detailed information is provided in the notes under "Changes in the presentation of the financial statements". The balance sheet position "cash reserve" was expanded to also cover demand deposits. Since the bank's liquidity model has not changed, the definition of cash and cash equivalents also remains unchanged and, consequently, excludes demand deposits from the banking business. Only the definition of cash and cash equivalents was adjusted beginning with the 2018 financial year to also include demand deposits from the non-banking business and an adjustment of TEUR 69 was made in the previous year. Details are provided in the following table.

€'000	31/12/2018	31/12/2017
Cash	42,775	43,866
Balances with central banks	1,187,794	1,000,146
Other sight deposits from customers	132	69
Cash and cash equivalents	*1,230,702*	*1,044,081*
Other sight deposits from other banks	2,128,549	1,746,763
Total cash, cash balances at central banks and other demand deposits (Notes 11)	**3,359,250**	2,790,844

The following transition calculation shows the development of Tier 2 capital (reported on the balance sheet under "financial liabilities at amortized cost") and its inclusion in the above cash flow statement.

€'000	**At 01/01/2018**	**Cash changes**	**Non-Cash changes**	**At 31/12/2018**
Tier 2 capital	834,162	(32,228)	(60,399)	741,535

€'000	**At 01/01/2017**	**Cash changes**	**Non-Cash changes**	**At 31/12/2017**
Tier 2 capital	932,776	(78,004)	(20,609)	834,162

Notes

The Company

RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG (RLB NÖ-Wien) is the regional central institution of Raiffeisen Bankengruppe (RBG) NÖ-Wien. It is recorded in the company register of the Vienna commercial court under FN 203160s. The company's address is Friedrich-Wilhelm-Raiffeisen-Platz 1, 1020 Vienna.

RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung (Raiffeisen-Holding NÖ-Wien) holds the majority stake of 79.09% (2017: 79.09%) in RLB NÖ-Wien. The remaining shares of RLB NÖ-Wien are held by the Raiffeisen banks in Lower Austria, which are provided with support and a complete range of banking services by RLB NÖ-Wien as the central institution. The consolidated financial statements of Raiffeisen-Holding NÖ-Wien are filed with the company register in accordance with Austrian disclosure regulations and also published in the Raiffeisen newspaper.

RLB NÖ-Wien is a regional bank whose core business covers professional advising and optimal banking products for its home market of eastern Austria. Through its investment in Raiffeisen Bank International AG (RBI), RLB NÖ-Wien also participates in the activities of RBG in Central and Eastern Europe.

The cornerstones of the RLB NÖ-Wien banking business are formed by personal, business and corporate banking as well as the proprietary business. Retail banking products and services are offered in the Vienna branches under the slogan "Raiffeisen in Wien. Meine BeraterBank". Participation in syndicated financing and equity investments in banks and other banking-related operations round out the core strategy of RLB NÖ-Wien.

Principles of Accounting under IFRS

Principles

The consolidated financial statements for the 2018 financial year, including the comparative data for 2017, were prepared in accordance with EU Directive (EC) No. 1606/2002 issued by the Commission on 11 September 2002 in connection with § 245a of the Austrian Commercial Code and § 59a of the Austrian Banking Act in the version applicable as of the respective balance sheet date. All International Financial Reporting Standards (IFRS) and IFRIC interpretations that were adopted by the EU and required mandatory application were applied in preparing the consolidated financial statements.

The consolidated financial statements are based on the separate financial statements of all fully consolidated companies (see the “Scope of consolidation” below), which were prepared in accordance with uniform Group-wide standards and the provisions of IFRSs. The criteria for inclusion in the consolidated financial statements reflect the definition in section QC11 of the IFRS Conceptual Framework, above all with regard to the materiality of the balance sheet total, the contribution to Group earnings and other qualitative criteria.

The effect of the unconsolidated subsidiaries on the Group’s assets, liabilities, financial position and profit or loss was immaterial.

The balance sheet date for the Group is 31 December. All amounts are stated in thousands of euros (TEUR), unless indicated otherwise under a specific position. The tables and charts may include rounding errors. The changes shown in the tables are based on underlying data that is not rounded.

Scope of consolidation

The scope of consolidation of the RLB NÖ-Wien Group includes all material subsidies over which RLB NÖ-Wien exercises direct or indirect control. Material investments in associates, i.e. entities over which RLB NÖ-Wien can directly or indirectly exercise significant influence control, are accounted for at equity.

As of 31 December 2018, the scope of consolidation, excluding RLB NÖ-Wien as the parent company, comprised 13 (2017: 13) fully consolidated companies. The registered headquarters of all Group companies are located in Austria.

The number of consolidated subsidiaries and equity-accounted entities changed as follows:

Number of Entities	2018	2017 Consolidated	2018	2017 Equity Method
At 1 January	13	10	2	2
Changes during the period	0	3	0	0
At 31 December	**13**	13	**2**	2

The scope of consolidation as of 31 December 2018 has remained unchanged since 31 December of the previous year.

The balance sheet date for all companies included in the consolidated financial statements through full consolidation or at equity is 31 December 2018, with the exception of the subsidiary NAWARO ENERGIE Betrieb GmbH. This company has a balance sheet date of 31 March and is consolidated as of 30 September. Major transactions and other events occurring between the subsidiary's balance sheet date and 31 December 2018 were included if they were material.

The scope of consolidation did not include any financial statements prepared in a foreign currency. A list of consolidated companies, equity-accounted entities and other equity investments is provided in the Overview of Equity Investments.

Basis of consolidation

In accordance with IFRS 3 Business Combinations, the acquisition method of accounting is used to eliminate the investment and equity in acquired companies.

Investments accounted for at equity

Material investments in associates and joint ventures are accounted for at equity and reported on the balance sheet under equity-accounted investments. The proportional share of annual results from these entities is included under "profit from equity-accounted investments". The proportional share of other comprehensive income from these entities is recorded under other comprehensive income at the Group level. Other changes in equity, e.g. the IFRS 9 transition effect, are reported on the consolidated statement of changes in equity under "enterprise's interest in other changes in equity of equity-accounted investments". Equity accounting is based on the consolidated financial statements of the respective entities. Appropriate adjustments are made for any material differences from Group accounting policies in the accounting treatment of business transactions and other events by equity-accounted investments.

Any impairment to equity-accounted investments is determined in accordance with IAS 36 and reported under "profit from equity-accounted investments". An impairment test is carried out if there are any signs of impairment. If a later reporting period brings indications that the reasons for impairment no longer exist, the investment is written up to the recoverable amount in accordance with IAS 36. This write-up is recognized up to the carrying amount that would have existed (i.e. less depreciation or amortization) if the impairment loss had not been recognized in the past.

Significant Accounting Policies

Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In accordance with IAS 39, all financial instruments must be recognized on the balance sheet and measured at their fair value as of the acquisition date. The fair value of financial instruments which are not classified at fair value through profit or loss also includes the transaction costs applicable to the purchase (addition) or issue (deduction). Fair value is "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (IFRS 13). It represents a market-based valuation; the fair value for listed financial instruments corresponds to the market price. In the absence of an active market, standard market valuation methods based on observable data are used for measurement. Market prices are used to determine the fair value of listed products, while near-market prices (Bloomberg, Reuters) are used for non-listed products. In cases where observable input factors are not available, fair value is based on the assumptions, including the assumptions for risks, which market participants would use in pricing the financial instrument. The determination of fair value also includes the future cash flows from a financial instrument, which are discounted by means of financial methods and the interest rate curve applicable to the valuation date. Additional details on the determination of fair value are provided in Note (34) Fair value of financial instruments.

A financial asset or financial liability is recognized on the balance sheet when a Group company becomes a party to the contractual provisions of the financial instrument and, consequently, holds the right to receive or the legal obligation to pay cash. The trade date represents the starting point for initial recognition on the balance sheet, measurement through profit or loss and derecognition of a financial instrument. Foreign exchange and money market transactions in the treasury department are recognized on the respective value or settlement date.

A financial asset is derecognized when control over or the contractual rights to the asset is/are lost.

Non-performing loans are reduced through impairment charges and derecognized in full or in part when insolvency proceedings have been concluded or waiver agreements become legally effective. Loans and advances to customers are also derecognized when there are no realistic expectations of repayment.

On initial recognition, RLB NÖ-Wien classifies financial instruments in accordance with the rules defined by IFRS 9. Financial assets are classified for subsequent measurement at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. Financial liabilities are assigned to the category "at amortized cost".

Financial assets are classified on the basis of the business model and the characteristics of the contractual payment flows. The following business models are available for the management of financial assets:

- "Hold to collect": the objective is to collect contractual cash flows over the term of the financial instrument.
- "Hold to collect and sell": the objective is to collect contractual cash flows and to sell the financial instrument (not used by RLB NÖ-Wien in the 2018 financial year).
- "Other": the objective is not to collect contractual cash flows, but to realize the fair value.

A financial assets is carried at amortized cost when it is assigned to the "hold" business model and its cash flows consist solely of interest and principal payments.

Any inconsistencies or accounting mismatches in the recognition or measurement of financial assets or liabilities resulting from different valuation bases can be eliminated on initial recognition by designation at fair value through profit or loss.

In keeping with these rules, the financial instruments classified according to IFRS 9 were aggregated under the following balance sheet positions based on their valuation categories (also see section on "Changes in the presentation of the financial statements" in the Notes):

Financial assets held for trading

Financial assets held for trading are equity or debt instruments which are held with the principal intention to sell in the near term or which are part of a portfolio of clearly identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. This balance sheet position also includes derivatives that are not part of designated hedges.

Initial recognition and subsequent measurement are based on fair value, with any changes in fair value reported on the income statement under item (6) “Profit/loss from financial assets and liabilities”. The interest result attributable to these financial instruments is reported under net interest income.

Financial assets not held for trading, mandatory measurement at fair value

This position comprises equity instruments for which an irrevocable election was not made at the time of initial recognition to record changes in fair value under other comprehensive income. It also includes bonds, loans and advances which do not meet the cash flow criterion, i.e. the cash flows do not consist solely of interest and principal components. These financial assets are initially recognized and subsequently measured at fair value, whereby changes in fair value are reported on the income statement under item (6) “Profit/loss from financial assets and liabilities”. The interest result attributable to these financial instruments is reported under net interest income.

Financial assets at fair value through profit or loss

In accordance with IFRS 9, assets should be allocated to this category when they are designated at fair value through profit or loss in order to prevent or significantly reduce an accounting mismatch.

RLB NÖ-Wien did not use this classification option in 2018.

Financial assets at fair value through other comprehensive income

IFRS 9 defines financial assets at fair value through other comprehensive income as debt instruments or loans and advances which are assigned to the “hold to collect and sell“ business model. Also included here are equity instruments which are irrevocably assigned to this category on initial recognition.

RLB NÖ-Wien did not use the “hold to collect and sell“ business model in 2018 and, therefore, only reports equity instruments under this balance sheet position. These assets are initially recognized and subsequently measured at fair value, whereby changes are recorded to other comprehensive income and not reclassified to the income statement.

Financial assets at amortized cost

This balance sheet position includes bonds issued by other banks and customers as well as loans and advances to customers and to other banks which are assigned to the “hold” business model and which meet the cash flow criterion. Any related impairment losses are also included here (see the following Note on the “Risk provisions“). The interest result attributable to these financial instruments is reported under net interest income.

Accrued interest is reported under the applicable asset items. Differences are accrued and distributed over the term of the instrument according to the effective interest method and reported under net interest income.

Risk provisions

Risks arising from the credit business are reflected in the recognition of individual allowances.

The identifiable credit risks associated with loans and advances to customers and other banks are reflected in the recognition of impairment allowances based on Group standards at the amount of the expected default. These impairment allowances are released when the credit risk ceases to exist or are used when the loan or advance is classified as uncollectible and derecognized.

In accordance with IFRS 9, Appendix A “Credit-impaired financial assets“, all loans and advances which have an effect on the expected future cash flows from the financial instrument are assessed quarterly for objective indications of impairment.

A financial asset or group of financial assets is considered impaired and an impairment loss is considered to have occurred when:

- There is objective evidence of impairment as the result of a loss event that occurred between the initial recognition of the financial instrument and the balance sheet date; and
- The loss event had an influence on the estimated future cash flows from the financial asset or group of financial assets.

RLB NÖ-Wien differentiates between significant and non-significant customers in determining impairment losses. The decision is based on the following criteria: Customers who are legally or economically interdependent are aggregated into a "group of associated customers". If the total gross liability in this group equals or exceeds EUR 1 million at the time the impairment allowance is calculated, each customer in the group is considered significant. Analogously, customers in a group with a total liability of less than EUR 1 million are classified as not significant.

The IFRS 9 requirements for the accounting treatment of impairment are reflected in internal processes and guidelines. The risk content of the commitment is entered in a comprehensive rating system which offers various models to meet the characteristics of the different customer segments. For the risk assessment process, customers are assigned to one of nine active credit classes based on these rating and scoring models. Default cases are assigned to one of three classes according to CRR definitions. Classification in one of the two last default classes leads to the recognition of an impairment loss. The rating systems include quantitative factors from the financial statements as well as qualitative factors (soft facts). A number of the rating/scoring systems also have an automated component that deals with performance patterns.

RLB NÖ-Wien has installed a database to handle the documentation and ongoing management of default cases. This database documents all default cases as well as the related costs and payments received.

In accordance with IFRS 9.5.2.2., an impairment allowance is calculated for all financial assets classified at amortized cost or at fair value through other comprehensive income. This applies to on-balance sheet as well as off-balance sheet items. The amount of the impairment allowance is calculated in accordance with IFRS 9.5.5.1. based on the expected credit loss (ECL) approach and, for credit-impaired positions (Stage 3) as defined in IFRS 9 B5.5.33, equals the difference between the carrying amount and the present value of the expected future cash flows. All credit-impaired loans and advances to significant customers are measured at the individual financial instrument level with a discounted cash flow method. Credit-impaired loans and advances to non-significant customers are measured on the basis of a model, whereby the amount of the loss allowance is determined by the unsecured exposure (EAD) and a loss ratio that is dependent on the default period (LGD, loss given default). Impairment losses for financial instruments which are not in default are calculated on the basis of the ECL for Stage 1 (no significant increase in the default risk since initial recognition) or on the basis of the lifetime ECL for Stage 2 (a significant increase in the default risk since initial recognition). The applied point-in-time (PiT) models use historical as well as future-oriented information. The initial application of the PiT parameter models as of 1 January 2018 was accompanied by the initial validation of all models. The ongoing validation of the IFRS 9 parameter models shows that they produce economically reasonable results. The existing model for unsecured LGDs in the Corporate Segment (companies) was adjusted during the year. All models are regularly monitored and analysed.

Derivatives are not included in the calculation of impairment in accordance with IFRS 9. The credit risk for these transactions is measured on the basis of the credit value adjustment (CVA).

The total amount of the impairment allowance for recognized loans and advances is allocated to the balance sheet position for the underlying financial instrument. The impairment allowance for off-balance sheet transactions is recognized as a provision. Direct write-offs are, as a rule, only recognized when a debt waiver has been agreed with a borrower or when an unexpected loss has occurred.

Derivatives and hedge accounting

Financial derivatives that are not part of a designated hedge relationship (hedge accounting) are carried on the balance sheet at fair value and reported under financial assets or financial liabilities held for trading. Changes in fair value are recorded under item (6) "Profit/loss from financial assets and liabilities".

RLB NÖ-Wien has applied the rules defined by IFRS 9 to derivatives held for hedging purposes since the 2018 financial year. These derivatives are carried at fair value and reported on the balance sheet as assets or liabilities under "derivatives - hedge accounting".

Derivatives are classified under the following categories in accordance with IFRS 9 due to the different characteristics of the relationship between the hedged item and the derivative:

- Fair value hedge:

The procedure applied to a fair value hedge used by RLB NÖ-Wien involves the measurement at amortized cost of an existing asset or obligation (the "underlying") classified under financial assets or liabilities and the hedging of the respective fair value against changes which could result from a specific risk and have an effect on profit or loss. The derivative used as the hedging instrument is measured at fair value, with any changes in this fair value recognized to profit or loss. The carrying amount of the underlying is adjusted through profit or loss based on the measurement results attributable to the hedged risk (basis adjustment). The hedge relationships are formally documented, assessed as of the balance sheet date and classified as highly effective. In other words, it can be assumed that – over the entire term of the hedge – changes in the fair value of a hedged underlying will be almost entirely offset by a change in the fair value of the hedging instrument.

Ineffectiveness is recorded to profit or loss and reported under position (6) Profit/loss from financial assets. Hedge accounting is only terminated prospectively when the requirements for the effectiveness of the hedge are no longer met, also not after a possible recalibration.

The Group uses micro-fair value hedges as protection against the risks arising from changes in market values or interest rates.

- Cash flow hedge:

Cash flow hedges are intended to cover the exposure to volatility in cash flows which are attributable to a recognized asset, liability or forecast transaction and could affect profit or loss. The Group previously used cash flow hedges to safeguard future interest rate flows. In these cases, future variable interest rate payments on variable rate receivables and liabilities were exchanged for fixed interest payments, generally through interest rate swaps.

The effective portion of the increase or decrease in the value of the derivatives used to hedge cash flows was recognized in other comprehensive income and reported in a separate position under equity (cash flow hedge reserve).

The Managing Board of RLB NÖ-Wien discontinued the use of the cash flow hedge designation as of 31 December 2013. The cash flow hedge reserve will be released through profit or loss over the remaining term of the previously hedged items, i.e. it is reversed to profit and loss in the periods in which the cash flows of the hedged item influence operating results.

The possibility of hedging a net investment in a foreign business operation has no relevance for RLB NÖ-Wien.

Additional details on the risk management strategy and hedge accounting are provided under Note (32) Risks arising from financial instruments (risk report) and Note (33) Hedge accounting.

Classes of financial instruments (IFRS 7)

In accordance with the requirement to aggregate financial instruments in classes (IFRS 7.6) and to provide appropriate information on the characteristics of these financial instruments, assets are combined under the following classes of financial instruments:

- Cash on hand, deposits with central banks and demand deposits
- Financial assets held for trading
    - o Derivatives
    - o Other trading assets – equity instruments
    - o Other trading assets – debt instruments (bonds)
- Financial assets not held for trading, mandatory measurement at fair value
- Financial assets at fair value through profit or loss (not used as of 31 December 2018)
- Financial assets at fair value through other comprehensive income
- Financial assets at amortized cost
    - o Debt instruments (bonds)
    - o Loans and advances
- Derivatives – hedge accounting

The classes of financial instruments listed under assets are carried at fair value – with the exception of cash on hand, deposits with central banks and demand deposits as well as financial assets carried at amortized cost.

Liabilities are grouped under the following classes:

- Financial liabilities held for trading
    - o Derivatives
    - o Other trading liabilities (not used as of 31 December 2018)
- Financial liabilities at fair value through profit or loss (not used as of 31 December 2018)
- Financial liabilities at amortized cost
    - o Deposits
    - o Securitized liabilities
- Derivatives - hedge accounting

The classes of financial instruments listed under liabilities were carried at amortized cost as of 31 December 2018, with the exception of derivatives.

Contingent liabilities and credit risks in the form of credit commitments are presented off-balance sheet.

Property and equipment and intangible assets

Property and equipment and acquired intangible assets with a finite useful life are measured at cost less ordinary straight-line depreciation or amortization.

In accordance with IAS 36, an impairment loss must be recognized when the carrying amount exceeds the recoverable amount as soon as there is evidence of impairment. If the reasons for impairment cease to exist in a later period, the carrying amount is increased to the recoverable amount in accordance with IAS 36. However, the amount of the increase is limited to depreciated or amortized cost.

The useful lives are as follows:

Useful life	**Years**	**in %**
Intangible assets	1 - 50	2,0 - 100,0
Buildings	25 - 50	2,0 - 4,0
Technical equipment and machinery	1 - 33	3,3 - 100,0
Office furniture and equipment	2 - 20	5,0 - 50,0
Investment property	33 - 50	2,0 - 3,0

Intangible assets consist primarily of software. The Group holds no goodwill and no internally generated intangible assets.

Investment property

Land and buildings held as investment property are carried at depreciated cost in accordance with the cost method defined in IAS 40 and reported separately under property and equipment since they are of minor significance. Borrowing costs are capitalized as part of the acquisition or production cost of qualified assets in accordance with IAS 23. Straight-line depreciation is based on the ordinary useful life of the asset (see "Property and equipment and intangible assets"). The results from investment property are reported on the income statement under other operating profit/(loss), while the related depreciation is shown separately under general administrative expenses.

Other assets

Other assets consist mainly of receivables not resulting from core banking relationships (primarily receivables from the provision of goods and services) and also include receivables from other taxes and duties, coins and inventories.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is defined as the estimated proceeds from the sale of the inventories during the ordinary course of business less the expected costs to sell.

Financial liabilities

Financial liabilities are carried at amortized cost – with the exception of items classified as financial liabilities held for trading. The financial liabilities classified as held for trading as of 31 December 2018 consisted entirely of negative fair values from derivatives outside of hedges. Accrued interest is allocated to the respective liability item. Differences are accrued and distributed over the term of the instrument according to the effective interest method and reported under net interest income.

In cases where the interest rate risk on a liability is covered by a fair value hedge, the carrying amount is adjusted to reflect the changes in value arising from the interest rate risk.

Securitized liabilities are presented after the deduction of securities previously issued by the company and subsequently repurchased. In cases where the interest rate risk on a securities issue is covered by a fair value hedge, the carrying amount is adjusted to reflect the changes in value arising from the interest rate risk. Details are provided in the Notes under "Derivatives and hedge accounting".

Tier 2 capital as defined in Part 2 Section I Article 4 of Regulation (EU) No. 575/2013 concerning prudential requirements for credit institutions and investment firms (Capital Requirements Regulation (CRR)) as well as Tier 2 capital and subordinated bonds that do not meet the CRR requirements for Tier 2 capital are reported under financial liabilities at amortized cost. The recognized amount reflects the deduction of securities previously issued and subsequently repurchased by the company. In cases where the interest rate risk on an issue is covered by a fair value hedge, the carrying amount is adjusted by the change in value resulting from the interest rate risk (basis adjustment). The related accrued interest is also reported under this position.

RLB NÖ-Wien did not utilize the option to classify financial liabilities at fair value through profit or loss in 2018.

Other liabilities

Other liabilities consist primarily of liabilities that do not result from a core banking relationship, i.e. primarily accounts payable, other taxes and duties payable and miscellaneous liabilities.

Provisions

Provisions are created when there is a legal or constructive obligation to a third party arising from past events whose settlement is expected to result in a future outflow of resources. In addition, it must be possible to reliably estimate the amount of the obligation. A provision is not created if a reliable estimate is not possible. The amount of the recognized obligation is based on the best possible estimate of the future outflow of resources, which is derived from a range of possible outcomes for the fulfilment of the obligation under the best possible objective viewpoint. The obligation must be considered highly probable (i.e. more likely than not) to permit the recognition of a provision. Since the preparation of **financial statements** involves the use of estimates – above all with respect to the evaluation of provisions – provisions are generally connected with a high degree of uncertainty. Consequently, the actual expenses can deviate from the amount of the recognized provisions. Non-current provisions are only discounted when the present value differs materially from the nominal value and when the estimate of the factors required for the calculation is reliable.

All employee-related provisions (post-employment, termination and jubilee benefits as well as part-time work by older staff) are calculated in accordance with IAS 19 – Employee Benefits – based on the projected unit credit method.

In connection with post-employment benefits, a distinction is made between two types of plans:

- Defined contribution plans:

Contributions are made to a pension fund on behalf of a group of employees. The fund administers the contributions and distributes the pensions. There are no further obligations for the company, and a provision is therefore not recognized. The employees carry the risk associated with the pension fund's investments. The company only commits to making a certain contribution to the fund and not to paying a specific pension in the future. Payments to the pension fund under such plans are recognized as current expenses.

- Defined benefit plans:

The RLB NÖ-Wien Group has legally and irrevocably committed to providing a group of employees with defined benefit plans (pension statute, special agreements) that specify the amount of the future pension. These plans are partly unfunded, i.e. the funds required to cover the obligations remain in the company, and partly funded, i.e. the funds are accumulated through a pension fund or insurance. Statutory pension commitments were last made to employees of the former RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung on 30 June 1990 and to employees of the former RAIFFEISENBANK WIEN AG on 31 January 1996. The benefit entitlements under the pension statues that are financed by the pension fund are established at retirement and then transferred to a defined contribution plan. No further contributions are required for these beneficiaries. This elimination from the actuarial calculations is reported separately. The company has an unlimited contribution obligation for the remaining employees with pension fund commitments, i.e. additional contributions must be made during the benefit phase if the payments are not covered.

The calculation of the pension provision does not include a factor for employee turnover because the agreements are based on individual contracts and irrevocable commitments with respect to the post-employment benefits.

The company is required to pay termination benefits to employees who joined the company up to and including 2002. In addition, the company is required to pay termination benefits in accordance with the collective agreement for salaried employees in the Raiffeisen organization's auditing associations and provincial banks and in accordance with individual contractual commitments. The termination benefit obligations for employees who joined the company after 1 January 2003 are transferred to an employee benefit fund based on a defined contribution system. The company makes contributions to the employee benefit fund based on legal requirements, and the obligation ends with these contributions.

In addition to invalidity rates, mortality rates and factors arising in connection with the termination of employment at retirement, the risk that the company would be required to pay premature termination benefits is reflected in annual turnover rates based on the length of service. These rates are derived from internal statistics for the early end of the employment relationship. The latest actuarial parameters are used to counter the longevity risk for the pension fund and the calculation of the related provisions.

The same applies analogously to the jubilee provision. Under the collective agreement for the salaried employees of the

Raiffeisen organization's auditing associations and regional banks and by company agreement, employees are entitled to jubilee benefits when they reach 25 and 35 years of service.

Individual agreements were concluded for part-time work by older staff, which provide for regulated part-time work within the framework of § 27 of the Austrian Unemployment Insurance Act ("Arbeitslosenversicherungsgesetz"). The amount of compensation during part-time work by older staff equals a percentage of the gross monthly salary for full-time employment. In accordance with legal regulations, the employer also commits to making compensatory salary payments and social insurance contributions based on the monthly salary for full-time employment. The provision for part-time work by older staff is calculated according to the length of each commitment. Turnover rates are not included.

Actuarial gains and losses – with the exception of the provisions for jubilee payments and part-time work by older staff – are recorded under other comprehensive income. The net interest cost and service cost are reported on the income statement under general administrative expenses.

The biometric parameters defined by “AVÖ 2018-P-Rechnungsgrundlagen für die Pensionsversicherung“ for salaried employees (2017: “AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler“) were used as the calculation basis for all employee-related provisions. The calculations reflected the earliest possible retirement age for men and women. In calculating the provision for part-time work by older staff, the financing period was defined as the time between the commitment and actual retirement.

The actuarial parameters used to calculate provisions for termination and post-employment benefits are described in detail under note (28) Provisions.

Income tax

Income tax is calculated and recognized according to the balance sheet liability method in agreement with IAS 12. Deferred taxes are recorded for temporary differences between the recognized carrying amounts and the respective tax bases which will reverse in subsequent periods. Deferred tax assets and deferred tax liabilities are offset for each taxable unit. Deferred taxes are recognized on tax loss carryforwards and other deferred tax assets when it is probable that the respective tax unit will generate sufficient taxable income in the future.

Deferred taxes are calculated at the current corporate tax rate of 25%. The valuation reserves included under equity (cash flow hedge reserve, fair value OCI reserve, revaluation reserve for actuarial gains and losses on employee-related provisions and IAS 19 reserve) are also adjusted to reflect the proportional share of deferred taxes (also see Note (31) Equity).

Income tax assets and liabilities are recorded on the balance sheet under other tax assets or tax liabilities. Deferred tax assets and deferred tax liabilities are recorded under deferred tax assets or deferred tax liabilities. Current and deferred income-based taxes are reported on the income statement under income tax, while non-income-based taxes are reported under other operating profit/(loss). Deferred taxes are not discounted.

Repo transactions

Under "genuine" repurchase transactions (repo transactions), the RLB NÖ-Wien Group sells assets to a contract partner and, at the same time, agrees to repurchase these assets on a specific date at a specific price. The assets remain on the Group's balance sheet and are generally measured according to the rules for the respective valuation category. An obligation equal to the amount of the payments received is recognized as a liability at the same time.

A reverse repo transaction involves the purchase of an asset with a parallel commitment to sell the asset at a future date in return for payment. These types of transactions are reported on the balance sheet under loans and advances to other banks or loans and advances to customers. Interest expense on repo transactions and interest income from reverse repo transactions are accrued over the applicable term and recorded under net interest income.

Under "non-genuine" or "pseudo" repo transactions, the seller is required to repurchase the asset, but does not have the right to demand its return. The buyer has the sole right to decide over the return transfer of the asset. This right to retransfer the asset represents a put option for the buyer, in which the seller acts as the writer of the option. If the put option is deeply in the money, the seller does not derecognize the securities because the related opportunities and risks are retained. If the put option is deeply out of the money, repurchase is highly unlikely and the security must be derecognized. If the put option is neither deeply in nor out of the money, an assessment must be made as to whether the transferring company (seller) continues to retain control over the asset. If the security is traded on an active market, the transfer of control can be assumed and the security is derecognized. Financial assets that are not traded on an active market remain on the seller's balance sheet.

Securities lending

This type of transaction involves the transfer of securities by a lender to a borrower with the obligation to retransfer the same type, quality and volume of securities at the end of the agreed term or on termination of the agreement. The principles for genuine repo transactions apply analogously to securities lending transactions. The loaned securities remain on the lender's balance sheet and are measured in accordance with IFRS 9. Borrowed securities are neither recognized nor measured.

Trust activities

Transactions involving the management or placement of assets for third party accounts are not recognized on the balance sheet. Commission payments arising from such transactions are recognized under net fee and commission income.

Leasing

RLB NÖ-Wien is not active in the leasing business as a lessor and only holds leases in which the Group acts as the lessee. The relevant leases for the Group, namely motor vehicle and real estate leasing, are recognized and measured as operating leases in accordance with IAS 17. The resulting lease payments are recorded on the income statement under general administrative expenses. Additional details and analyses on the accounting treatment of leases in connection with the mandatory application of IFRS 16 as of 1 January 2019 are provided in the Notes under “New standards and interpretations“.

Cash flow statement

RLB NÖ-Wien is the regional central institution for the Raiffeisen banking group (RBG). Therefore, cash flow from operating activities includes the cash inflows and outflows from the following positions:

- Other demand deposits
- Financial assets and liabilities held for trading
- Loans and advances classified as “financial assets at amortized cost“ and “non-trading financial assets mandatorily at fair value through profit or loss“
- Deposits classified as “financial liabilities at amortized cost“ (excluding Tier 2 capital)
- Other assets
- Other liabilities
- Derivatives – hedge accounting

Cash flow from operating activities also includes the interest and dividend payments as well as the income tax payments resulting from the operating business.

Cash flow from investing activities shows the cash outflows and inflows resulting from the purchase and sale of financial assets (primarily bonds classified as “financial assets at amortized cost“) and from investments in other companies. It also includes the cash inflows and outflows for property and equipment, investment property and intangible assets.

Cash flow from financing activities comprises the incoming and outgoing payments related to capital injections, from additional equity instruments, participation capital and Tier 2 capital as well as payments made for distributions.

Foreign currency translation

Foreign currency translation is based on the rules defined by IAS 21. Accordingly, non-euro monetary assets and liabilities are translated at the applicable market exchange rates (generally, the ECB reference rate) as of the balance sheet date. Non-monetary assets and liabilities that are not measured at fair value are translated at the rates in effect on the acquisition date. Non-monetary assets and liabilities measured at fair value are translated at the market rates (generally, the ECB reference rate) in effect on the balance sheet date.

Income statement positions are translated immediately into the functional currency at the exchange rate in effect on the date the items arise.

Judgments and estimates

The preparation of the consolidated financial statements involves the exercise and appropriate use of judgments in the application of accounting policies. Moreover, assumptions are made that influence the recognition of assets and liabilities, the disclosure of contingent liabilities as of the balance sheet date and the presentation of income and expenses during the reporting period.

The exercise of judgment by management in applying the various accounting policies is also based on the goal defined for the consolidated financial statements, which is to provide meaningful information on the company's asset, financial and earnings positions as well as changes in the asset and financial positions.

Judgments and estimates are used primarily in the determination of the fair value of selected financial instruments, the recognition of impairment allowances for future credit default cases and interest rebates, and the creation of provisions for pensions, termination benefits and similar obligations. They are also used in the recognition and measurement of deferred tax assets, the determination of discounted cash flows in connection with impairment testing and the determination of the useful life of non-current assets. The actual recognized amounts may differ from these estimates.

Fair value of financial instruments

The fair value of financial instruments that are not traded on an active market is established with a valuation method or pricing model. In general, valuation methods and models involve estimates that are dependent on the instrument's complexity and the availability of market-based data. The valuation categories and valuation models are described in the section on financial instruments. Additional information is provided in Note (34) Fair value of financial instruments.

Risk allowances for credit default cases and interest rebates

Financial assets measured at amortized cost are tested for impairment as of each balance sheet date to determine whether the recognition of an impairment loss through profit or loss is required. In particular, this testing is intended to determine whether there is objective evidence of impairment due to loss events that occurred after initial recognition. The determination of the amount of the risk allowance also requires estimates for the amount and timing of future cash flows. A more detailed description and presentation of the risk allowances is included in the following Notes (8) Net impairment loss/reversal of impairment to financial assets, (17) Risk provisions and (32) Risks arising from financial instruments.

Provisions for pensions, termination benefits and similar obligations

The costs of defined benefit plans are determined by actuarial methods. The actuarial valuation is based on assumptions for the discount rates, the future level of salaries, the theoretical retirement age, life expectancy and future increases in pensions. The assumptions and estimates used to calculate the long-term employee benefit obligations are explained in the section on provisions. Quantitative information is provided in Note (28) Provisions.

Non-financial assets

Non-financial assets such as equity-accounted investments, property and equipment and intangible assets with finite useful lives are tested for impairment when there is evidence of a loss in value. This is the case, above all, when events or a change in general conditions – for example, the deterioration of the economic climate – point to a possible decline in the value of assets. The determination of the recoverable amount in connection with impairment testing requires judgements and estimates by management. Changes in the underlying conditions and assumptions can lead to significant differences in the carrying amounts.

The RLB NÖ-Wien-Group has no goodwill or intangible assets with an indefinite useful life that are subject to annual impairment testing.

Deferred tax assets

Deferred tax assets are recognized when it is probable that sufficient taxable profit will be available in the future to utilize the tax loss carryforwards or deductible temporary differences. When the generation of sufficient future taxable profit is unlikely, deferred taxes are not recognized. The related assessments require significant judgements and estimates by management.

The reportable amounts of deferred tax assets in the RLB NÖ-Wien Group are based on approved business plans and the related forecasts for business results and on historical data for taxes and profitability.

Deferred taxes are not shown separately on the income statement. Details are provided in the following Notes: (10) Income taxes, (22) Tax assets and (29) Tax liabilities and also on the consolidated statement of changes in equity.

Restatement for the correction of errors

The annual financial statements of the equity-accounted investment in Raiffeisen Informatik GmbH include a restatement to reflect the reallocation of income from 2018 to the period from 2014 to 2017 and a resulting adjustment to equity and profit reported for 2017. For RLB AG, this led to a change of TEUR 2,744 in prior year amounts. It also resulted in an adjustment of TEUR -1,669 to tax expense and, therefore, to a total effect of TEUR 1,074 on the equity of RLB NÖ-Wien.

The effects on the balance sheet, income statement and statement of comprehensive income are shown below:

Assets, €´000	31/12/2017	Restatement	Restatement 31/12/2017	31/12/2016	Restatement	Restatement 31/12/2016
Interest in equity-accounted investments	2,285,047	1,074	2,286,121	1,771,475	(245)	1,771,230
Balance sheet assets	**25,711,641**	**1,074**	**25,712,715**	**25,404,784**	**(245)**	**25,404,539**

Equity and Liabilities, €´000	31/12/2017	Restatement	Restatement 31/12/2017	31/12/2016	Restatement	Restatement 31/12/2016
Equity	2,237,450	1,074	2,238,523	1,696,707	(245)	1,696,462
Balance sheet equity and liabilities	**25,711,641**	**1,074**	**25,712,715**	**25,404,784**	**(245)**	**25,404,539**

Consolidated comprehensive income, €´000	01/01 - 31/12/2017	Restatement	Restatement 01/01 - 31/12/2017
Profit from equity-accounted investments	**545,251**	**1,320**	**546,571**
Profit for the period before tax	539,470	1,320	540,790
Profit for the period after tax	558,885	1,320	560,205
Consolidated comprehensive income	**560,271**	**1,320**	**561,591**

New standards and interpretations

The following new or revised standards and interpretations are effective for financial years beginning on or after 1 January 2018 and were applied for the first time in preparing these consolidated financial statements:

New Provisions		**Effective for Financial Years Beginning on or After**
New Standards		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01/01/2018
IFRS 9	Financial Instruments – Classification and Measurement	01/01/2018
IFRS 9	Financial Instruments - accounting treatment of financial liabilities and derecognition	01/01/2018
IFRS 15	Income from contracts with customers	01/01/2018
Amendments to Standards		
IAS 40	Investment Property – Transfers	01/01/2018
IFRS 2	Share-based Payment – Classification and measurement of business transactions with share-based repayment commitments	01/01/2018
IFRS 4	Insurance Contracts – Application of IFRS 9 together with IFRS 4	01/01/2018
Various	Improvements to International Financial Reporting Standards, Cycle 2014(2016) (IFRS 1, IAS 28)	01/01/2018

IFRS 9

The effects of the initial application of IFRS 9 on the consolidated financial statements of RLB NÖ-Wien are discussed in detail in the notes under “IFRS 9 Transition“.

IFRS 9 – Clarification, modifications

The basis for conclusions on IFRS 9 clarifies that adjustments to amortized cost in connection with modifications to financial liabilities that do not result in derecognition must be recorded to profit or loss as of the modification date (IFRS 9.BC4.253).

The procedure defined by IFRS 9.B5.4.6 is applied when the modification or exchange of a financial liability carried at amortized cost does not result in derecognition. The amortized cost of the financial liability must then be adjusted through profit or loss, based on the original effective interest rate, to reflect the present value of the revised estimated contractual cash flows.

The RLB NÖ-Wien group currently has no such application cases. Moreover, there were no modifications as defined in IAS 39 “Financial Instruments: Recognition and Measurement“ to financial liabilities carried at amortized cost which did not lead to derecognition in the past.

IFRS 15

IFRS 15 “Revenue from Contracts with Customers” regulates when and at what amount revenue is to be recognized and replaces IAS 11 “Construction Contracts“, IAS 18 “Revenue“, SIC 31 “Revenue – Barter Transactions involving Advertising Services“, IFRIC 13 “Customer Loyalty Programmes“, IFRIC 15 “Agreements for the Construction of Real Estate“ and IFRIC 18 “Transfer of Assets from Customers“. The goal is to regulate the type, amount, timing and uncertainty of revenue recognition and the resulting payment flows from a contract with a customer. In accordance with IFRS 15, revenue is recognised when the customer obtains control over the agreed goods or services and can obtain benefits from these goods or services. In general, only the duties and fees which are not part of the effective interest – and therefore not directly related to the origination of a financial instrument – fall under the scope of application of IFRS 15. These items are recognized to profit or loss when the performance is provided, i.e. at a point in time or over time.

The new standard provides a five-step model for determining the revenue to be recognized. IFRS 15 also requires disclosures on the type, amount, incidence and uncertainty of revenues as well as the payment flows resulting from contracts with customers. The IASB issued a subsequent clarification to IFRS 15 Revenue from Contracts with Customers, which also requires mandatory application as of 1 January 2018. The changes in the clarification address three issues (identification of performance obligations, principal/agent considerations and licenses) and include transitional relief for modified contracts and previously concluded contracts. The initial application of IFRS 15 had no material effects on and led to no material changes to the consolidated financial statements of RLB NÖ-Wien.

The changes to the other standards and interpretations listed in the above table had no material effect on the presentation of the asset, financial or earnings position of the RLB NÖ-Wien Group.

The following new or revised standards and interpretations had been issued by the IASB or IFRIC, but are not yet fully effective in the EU and were not applied prematurely by the Group:

New Provisions New standards and interpretations		According to IASB, mandatory application for financial years beginning on or after*	EU Endorsement	Material effects on the consolidated financial statements
IFRIC 23	Uncertainty over income tax treatments	1 January 2019	23 October 2018	No
IFRS 16	Leases	1 January 2019	31 October 2017	Yes
IFRS 17	Insurance Contracts	1 January 2021	Open	No
Amendments to Standards				
IAS 19	Employee Benefits – Accounting for a plan amendment, curtailment or settlement	1 January 2019	Q1/2019	No
IAS 28	Investments in Associates and Joint Ventures - Sale or contribution of assets between an investor and an associate or joint ventures (changes in IFRS 10 and IAS 28)	Postponed for an indefinite period	Postponed	No
IAS 28	Investments in Associates and Joint Ventures – Long-term investments in associates and joint ventures	1 January 2019	8 February 2019	No
IFRS 3	Business combinations	1 January 2020	Open	No
IFRS 9	Financial Instruments – Prepayment Features with Negative Compensation	1 January 2019	3 March 2018	No
IFRS 10	Consolidated financial statements - sale or contribution of assets between an investor and an associate or joint venture (changes to IFRS 10 and IAS 28)	Postponed for an indefinite period	Postponed	No
Various	Improvements to International Financial Reporting Standards, Cycle 2015(2017) (IFRS 3, IFRS 11, IAS 12, IAS 23)	1 January 2019	Q1/2019	No
Framework concept	Framework concept - extensive IASB project	1 January 2020	Open	No
IAS 1/IAS 8	Definition of materiality	1 January 2020	Open	No

* This can change as a result of the EU's endorsement process.

The following section covers only the standards which have been identified as material for the RLB NÖ-Wien Group:

IFRS 16

IFRS 16 regulates the accounting treatment of leases and will replace the previous IAS 17 as well as three leasing-related interpretations. The application of IFRS 16 is mandatory for all financial years beginning on or after 1 January 2019 and generally covers all leases. IFRS 16 introduces a new rule for lease accounting, which requires the lessee to recognize leases on the balance sheet in the form of a right of use, which represents the right to use the underlying asset, and a liability arising from the lease, which represents the obligation to make lease payments. IFRS 16 provides exemptions for the recognition of short-term and low-value leases, which will be applied by the RLB NÖ-Wien Group.

At the time of transition to IFRS 16, companies can decide whether to apply the IFRS 16 definition of a lease to all such contracts or to utilize the exemption and not reassess whether a contract represents or contains a lease. The RLB NÖ-Wien Group will use the exemption to retain the definition of a lease and apply IFRS 16 to all contracts which were concluded prior to 1 January 2019 and were identified as leases under IAS 17 and IFRIC 4.

Companies can choose between a full retrospective approach or a modified retrospective approach at the time IFRS 16 is initially applied.

The RLB NÖ-Wien Group will apply the modified retrospective approach to all leases. Therefore, the opening balance sheet as of 1 January 2019 will not include an equity effect from the initial application.

For each lease classified as an operating lease under IAS 17, a lessee can choose from among the following options:

- Recognition of the applicable right of use at an amount equal to the lease liability which, as of the initial application date, represents the present value of future lease payments based on the lessee's incremental borrowing rate as of that date. An adjustment of the opening balance sheet amount for retained earnings equal to the cumulative effect from the initial application of IFRS 16 will therefore not be required for the RLB NÖ-Wien Group.

- The use of a uniform discount rate for portfolios of leases which have generally similar characteristics. This practical expedient was applied to leases for moveable goods with shorter terms and to rental contracts with longer terms.

- Rights of use will not be tested for impairment on initial recognition when IFRS 16 is initially applied. The RLB NÖ-Wien Group will instead evaluate provisions, contingent liabilities and contingent obligations in accordance with IAS 37 immediately before the initial application date to determine whether any of the leases are onerous. In the RLB NÖ-Wien Group, rights of use will be adjusted as of the initial application date on 1 January 2019 by an amount equal to the provision for onerous leases recognized on the balance sheet immediately before the initial application date.

The RLB NÖ-Wien Group has concluded leases, above all, for real estate and, to a lesser extent, for motor vehicles and other low-value assets. The main real estate leases cover the Raiffeisen headquarters at Friedrich-Wilhelm-Raiffeisen-Platz 1 in Vienna and the branch locations, which consist primarily of personal customer branch offices and a private banking centre in Vienna's Looshaus. Most of these properties are leased from Raiffeisen-Holding NÖ-Wien, in which RLB NÖ-Wien holds a majority investment of 79.09% (2017: 79.09%). These leases are classified as operating leases under IAS 17 at the present time, and the related lease payments are currently reported on the income statement under administrative expenses.

The recognition of rights of use for these leases will increase the balance sheet total of the RLB NÖ-Wien Group by approximately EUR 105 million. In relation to the balance sheet total of approximately EUR 27.0 billion, this will not have a material influence on the financial indicators. IFRS 16 will have an effect on the income statement in the future through the amortization of rights of use and interest expense for the lease liabilities instead of the previously reported operating lease expenses. IFRS 16 has no effect on future cash flows.

IFRS 9 – Prepayment penalties

A debt instrument is only measured at amortized cost or at fair value through other comprehensive income when the contractual terms of the financial asset lead to cash flows at specified dates which consist solely of principal and interest on the principal amount outstanding.

A contract term which permits the borrower to repay an instrument prematurely or gives the lender the right to demand premature repayment of an instrument does not violate the SPPI criterion when the amount of the prepayment primarily represents outstanding principal and interest payments on the remaining principal amount. The prepayment can also include reasonable compensation for the early termination of the contract without having a negative effect on the SPPI criterion (IFRS 9.B4.1.11(b)).

Under an additional point (B4.1.12A and explanations), the change to IFRS 9 clarifies that all instruments with a prepayment penalty – whether the terminating party receives or pays the penalty – must be treated identically.

The RLB NÖ-Wien Group has no application cases of this type at the present time which would lead to the reclassification of a financial instrument under the retrospective application of IFRS 9.B4.1.12A.

Changes in the presentation of the financial statements

In addition to the initial application of IFRS 9, the RLB NÖ-Wien Group also made changes to the presentation of the financial statements in 2018. Selected positions on the balance sheet and the statement of comprehensive income, together the related disclosures in the notes, were adjusted to improve comparability and transparency and to conform to the reporting requirements for financial information (FinRep) which were issued by the European Banking Authority. These changes are related primarily to the presentation of financial instruments. The positions on the consolidated balance sheet and consolidated income statement, as well as the related positions in the notes, reflect the new balance sheet categories defined by IFRS 9. This conversion led to the adjustment of data for the comparative period and the related closing date, as is shown in the following tables. The amounts presented for 1 January 2017 were derived accordingly.

€'000 Structure of the income statement up to 31/12/2017		Reclassifications Dividends	Impairment allowance balance	Trading results (excl. derivatives)	Derivatives	Profit or loss from equity investments	Profit or loss from financial assets	Profit or loss from non-financial assets	Service income and expenses	Reclassification of property and equipment/other expenses	Structure of the income statement as of 01/01/2018	
Net interest income	132,808	(836)									Net interest income	131,973
Impairment allowance balance	(8,851)		8,850									0
Net fee and commission income	54,397										Net fee and commission income	54,397
		836									Dividend income	836
Net trading income	12,763			(7,529)	(5,234)							0
Profit/(loss) from financial investments	9,066					551	(9,617)					0
Profit/loss from companies accounted for at equity	546,571										Profit from equity-accounted investments	546,571
Depreciation, amortization, personnel and operating expenses	(221,841)									(160)	Depreciation, amortization, personnel and operating expenses	(222,000)
				7,529	8,545		9,617				Profit/Loss from financial assets and liabilities	25,689
						(551)		1,041			Profit/Loss from investments and non-financial assets	489
			(13,441)								Net impairment loss/reversal of impairment to financial assets	(13,442)
Other operating profit/loss	15,876		4,590		(3,310)			(1,041)	0	160	Other operating profit/loss	16,277
Profit for the period before tax	***540,789***										***Profit for the period before tax***	***540,789***
Income tax	19,415										Income tax	19,415
Profit for the period after tax	***560,205***										***Net profit/loss for the period***	***560,205***
Share of profit attributable to non-controlling interests	67										Of which attributable to non-controlling interests	67

€'000		Reclassifications										
Assets - previous balance sheet items		Debt instruments	Investments	Trading assets	Sight deposits	Loans	Derivatives	Impairment allowance	Fixed assets	Tax assets		Assets - new balance sheet structure
Cash and balances with the central bank	1,044,012				1,746,832						2,790,844	Cash, cash balances at central banks and other demand deposits
				506,213			224,384				730,596	Financial assets held for trading
		301,517									301,517	Financial assets designated at fair value through profit or loss
		3,700,294	31,223								3,731,517	Financial assets at fair value through other comprehensive income
		367,267				14,957,032					15,324,298	Financial assets at amortized cost
Loans and advances to other banks	5,443,424	(100,039)			(1,746,832)	(3,591,251)		(5,302)				
Loans and advances to customers	11,613,792	(65,714)				(11,365,780)		(182,297)				
Impairment allowance balance	(187,599)							187,599				
Trading assets	506,213			(506,213)								
Securities and equity investments	4,234,547	(4,203,324)	(31,223)									
							354,761				354,761	Derivatives - hedge accounting
Interest in equity-accounted investments	2,286,121										2,286,121	Interest in equity-accounted investments
Property and equipment	18,420								(4,059)		14,361	Property and equipment
									4,059		4,059	Investment property
Intangible assets	8,032										8,032	Intangible assets
										2,866	2,866	Deferred tax assets
Other assets	745,754						(579,145)			(2,866)	163,743	Other assets
Total assets	**25,712,715**										**25,712,715**	**Total assets**

€'000 Equity and liabilities - previous balance sheet items		Reclassifications: Balance sheet structure	Tier 2 capital	Derivatives	Tax liabilities	Deposits	Securitized liabilities	Equity and liabilities - new balance sheet structure	
				654,336				654,336	Financial liabilities held for trading
			40,768					40,768	Financial liabilities designated at fair value through profit or loss
			793,393			15,586,382	5,711,716	22,091,492	Financial liabilities measured at amortized cost
Deposits from other banks	7,818,593					(7,818,593)			
Deposits from customers	7,767,789					(7,767,789)			
Securitized liabilities	5,711,716						(5,711,716)		
Trading liabilities	398,720			(398,720)					
				375,635				375,635	Derivatives - hedge accounting
Other liabilities	806,898	(173,349)		(631,251)	(2,298)			0	
Provisions	136,314				(534)			135,779	Provisions
					2,833			2,833	Tax liabilities
Tier 2 capital	834,161		(834,161)						
		173,349						173,349	Other liabilities
Equity	2,238,523							2,238,523	Equity
Non-controlling interests	82							82	Attributable to non-controlling interests
Attributable to equity holders of the parent	2,238,441							2,238,441	Attributable to equity owners of the parent
Total equity and liabilities	**25,712,715**							**25,712,715**	**Total equity and liabilities**

IFRS 9 Transition

IFRS 9 “Financial Instruments“ was published in July 2014 and replaces IAS 39 “Financial Instruments: Recognition and Measurement“. It covers three main phases:

1. Classification and measurement
2. Impairment methodology based on the application of an expected credit loss model
3. Hedge accounting

RLB NÖ-Wien has implemented the new provisions of IFRS 9 since 1 January 2018, including the exemption not to adjust the comparative information for earlier reporting periods. The effects of the initial application are recorded in equity. The applied accounting and valuation methods include the adjustments required by IFRS 9. The following assessments and determinations reflect the facts as of the initial application date (also see the section on “Significant accounting policies“ in the Notes):

- Determination of the business model
- Reclassification of financial assets with regard to the business model and cash flow criteria
- Designation of certain strategic investments which cannot be measured at fair value through profit or loss at fair value through other comprehensive income (also see Note (15) Financial assets at fair value through other comprehensive income)
- Application of the IFRS 9 requirements for hedge accounting

The application of IFRS 9 leads to fundamental changes in the evaluation of impairment and the recognition of expected credit losses. Detailed information is provided under “Significant accounting policies“ in the Notes and under Note (17) Risk provisions.

The following tables provide a detailed analysis of the transition from the financial information reported as of 31 December 2017 to the financial information reported following the initial application of IFRS 9 as of 1 January 2018. The transition guidance does not require retrospective application to earlier reporting periods. The recognized conversion effect for RLB NÖ-Wien is recorded in equity and totals TEUR -59,360. In addition, the reserves include IFRS 9 transition effects of TEUR -36,785 from the material associate RBI.

Overview of the reclassification and remeasurement of financial assets resulting from the application of IFRS 9:

Balance sheet assets **€'000**		**Reclassifications**				**Revaluation**				
	Carrying amount IAS 39 31/12/2017	**Other assets, tax assets**	**Securities and equity investments FV - OCI**	**Loans AC - FV**	**Bonds, Securities**	**Impairment allowance**	**FV - AC**	**AC - FV**	**Other**	**Carrying amount IFRS 9 01/01/2018**
Cash and cash balances	2,790,844									2,790,844
Financial assets held for trading	730,596		1,906		373,577			535		1,106,615
Non-trading financial assets mandatorily at fair value through profit or loss	0		9,951	143,256	935			16,682		170,824
Financial assets designated at fair value through profit or loss	301,517				(301,517)					0
Financial assets at fair value through other comprehensive income	3,731,517		(11,858)		(3,700,294)					19,365
Financial assets at amortized cost	15,324,298			(143,256)	3,627,299	(7,734)	(2,983)		(82,380)	18,715,245
Derivatives - hedge accounting	354,761									354,761
Interest in equity-accounted investments	2,286,121									2,286,121
Property and equipment	14,361									14,361
Investment property	4,059									4,059
Intangible assets	8,032									8,032
Deferred tax assets	2,866								12,644	15,510
Other assets	163,743									163,743
Total assets	**25,712,715**					**(7,734)**	**(2,983)**	**17,217**	**(69,735)**	**25,649,479**

Overview of the reclassification and remeasurement of liabilities and equity resulting from the application of IFRS 9:

Balance sheet equity and liabilities €'000	Carrying amount IAS 39 31/12/2017	Reclassifications Tier 2 capital	Revaluation Impairment allowance	FV - AC	AC - FV	Other	Carrying amount IFRS 9 01/01/2018
Financial liabilities held for trading	654,336						654,336
Financial liabilities designated at fair value through profit or loss	40,768	(40,768)					0
Financial liabilities measured at amortized cost	22,091,492	40,768		(3,494)			22,128,766
Other liabilities	0						0
Derivatives - hedge accounting	375,635						375,635
Provisions	135,779		(382)				135,398
Tax liabilities	2,833						2,833
Other liabilities	173,349						173,349
Equity	2,238,523		(7,353)	511	17,217	(69,735)	2,179,163
Attributable to equity owners of the parent	2,238,441		(7,353)	511	17,217	(69,735)	2,179,080
Attributable to non-controlling interests	82						82
Total equity and liabilities	**25,712,715**	0	(7,735)	(2,983)	17,217	(69,735)	**25,649,479**

The following section provides a detailed transition from the carrying amounts of financial assets and liabilities under IAS 39 to IFRS 9. In accordance with IFRS 7.42I, the transition is structured by classes of financial instrument with separation of the effects on retained earnings and on other results for the period:

Transition: financial assets at amortized cost

The reclassification of TEUR 143,256 involves transfers from loans and advances to customers which have contractual cash flows that do not consist entirely of interest and principal payments and must therefore be measured at fair value.

In addition, items were transferred to debt instruments from financial assets at fair value through other comprehensive income and, to a lesser extent, also from financial assets at fair value in cases where the underlying business model and the design of the debt instrument required classification at amortized cost. A total of TEUR 74,587 of LAR and HTM balances were reclassified to the trading portfolio based on the business model.

€'000	Carrying amount IAS 39 at 31/12/2017	Reclassi-fications	Revaluation	Carrying amount IFRS 9 at 01/01/2018	Retained earnings at 01/01/2018	Other comprehen-sive income 01/01/2018
Debt instruments	*367,267*	*3,627,299*	*(90,084)*	*3,904,481*	*(7,708)*	*(82,376)*
Additions to financial assets - designated at fair value		87,729	(2,983)		(2,983)	
Additions to financial assets - measured at fair value through other comprehensive income		3,614,158	(82,376)			(82,376)
Disposals of financial assets - designated at fair value through profit or loss		(74,587)				
Adjustment of impairment allowance balances			(4,725)		(4,725)	
Other loans and advances	*14,957,032*	*(143,256)*	*(3,013)*	*14,810,763*	*(3,013)*	*0*
Disposals of non-trading financial assets, mandatorily at fair value		(143,256)				
Adjustment of impairment allowance balances			(3,009)		(3,009)	
Other			(3)		(3)	
Total	15,324,298	3,484,044	(93,097)	18,715,245	(10,721)	(82,376)

Financial assets with a fair value of TEUR 1,860,379 as of 31 December 2018, which were previously classified at fair value through other comprehensive income under IAS 39, were reclassified to amortized cost in connection with the initial application of IFRS 9. The equity effect which would have been recorded in other comprehensive income from the change in fair value without the reclassification of these assets amounts to TEUR -17,079 for the reporting year. The carrying amount of these reclassified financial instruments as of 31 December 2018 is included under the balance sheet position "financial assets at amortized cost".

Financial assets with a fair value of TEUR 19,005 as of 31 December 2018, which were previously classified at fair value through profit or loss under IAS 39 (designated at fair value), were reclassified to amortized cost in connection with the initial application of IFRS 9. The earnings effect which would have been recorded on the income statement during the reporting year totals TEUR -417. The carrying amount of these reclassified financial instruments as of 31 December 2018 is included under the balance sheet position "financial assets at amortized cost". The interest income from these financial instruments in 2018 totalled TEUR 445, and the average effective interest rate equalled 2.2%.

Transition: financial assets at fair value through other comprehensive income

A financial asset is classified at fair value through other comprehensive income (FVOCI) when it is held within a business model whose goal is to collect contractual cash flows or to sell the financial asset. RLB does not use this type of business model. The entire available-for-sale portfolio was reclassified to financial assets at amortized cost in cases where the requirements were met.

Equity instruments (equity investments in other companies which are classified as available for sale) totalling TEUR 9,951 were reclassified to financial assets at fair value through profit or loss. Other equity instruments (securities) with a value of TEUR 1,905 were reclassified to financial assets held for trading due to the different strategic focus of these investments. Additional details are provided in Note (15) Financial assets at fair value through other comprehensive income.

€'000	Carrying amount IAS 39 at 31/12/2017	Reclassi-fications	Revaluation	Carrying amount IFRS 9 at 01/01/2018	Retained earnings at 01/01/2018	Other comprehen-sive income 01/01/2018
Equity instruments	*31,223*	*(11,858)*	*0*	*19,365*	*0*	*0*
Disposals of financial assets - designated at fair value through profit or loss		(11,858)				
Debt instruments	*3,700,294*	*(3,700,294)*	*0*	*0*	*0*	*0*
Disposals of financial assets - designated at fair value through profit or loss		(86,137)				
Disposals of financial assets - at amortized cost		(3,614,158)			0	
Total	3,731,517	(3,712,152)	0	19,365	0	0

Transition: financial assets not held for trading, mandatory recognition at fair value

Financial assets are classified at fair value through profit or loss when they are not held for trading and do not meet the classification criteria for subsequent measurement at cost or at fair value through other comprehensive income. The additions to this valuation category generally represent loans and advances to customers which have contractual cash flows that do not consist solely of interest and principal payments and must therefore be measured at fair value (TEUR 143,256). This classification relates primarily to loans and other debt instruments which are equipped with incongruent interest components and did not meet the required quantitative test.

All resulting reclassifications in the form of additions to and deductions from the former IAS 39 valuation categories are shown in the following table.

€'000	Carrying amount IAS 39 at 31/12/2017	Reclassi-fications	Revaluation	Carrying amount IFRS 9 at 01/01/2018	Retained earnings at 01/01/2018	Other comprehen-sive income 01/01/2018
Equity instruments	*0*	*9,951*	*0*	*9,951*	*1,387*	*(1,387)*
Additions to financial assets - measured at fair value through other comprehensive income		9,951			1,387	(1,387)
Debt instruments	*0*	*935*	*0*	*935*	*0*	*0*
Additions to financial assets - measured at fair value through other comprehensive income		935				
Other loans and advances	*0*	*143,256*	*16,682*	*159,937*	*16,682*	*0*
Additions to financial assets - loans and advances		143,256	16,682		16,682	
Total	0	**154,142**	**16,682**	**170,824**	**18,069**	**(1,387)**

Transition: financial assets designated at fair value through profit or loss

The financial assets designated at fair value through profit or loss (fair value option) were reclassified to other valuation categories following voluntary disposals or required disposals in accordance with IFRS 9. The balance of TEUR 301,517 reported as of 31 December 2017 was reclassified as follows: TEUR 87,729 to financial assets at amortized cost and TEUR 213,788 to financial assets held for trading.

€'000	**Carrying amount IAS 39 at 31/12/2017**	**Reclassi-fications**	**Revaluation**	**Carrying amount IFRS 9 at 01/01/2018**	**Retained earnings at 01/01/2018**	**Other comprehen-sive income 01/01/2018**
Debt instruments	***301,517***	***(301,517)***	***0***	***0***	***0***	***0***
Disposals of financial assets - at amortized cost		(87,729)				
Disposals of financial assets - held for trading		(213,788)				
Total	301,517	(301,517)	0	0	0	0

Transition: financial assets held for trading

The major additions of TEUR 213,788 to financial assets held for trading resulted from financial assets which were designated at fair value in accordance with IAS 39. In addition, debt instruments of TEUR 8,985 from the held-for-trading portfolio, TEUR 85,202 from the available-for-sale portfolio and TEUR 65,602 of loans and receivables were reclassified as held for trading. Available-for-sale equity instruments (shares and variable-yield securities) of TEUR 1,906 were reclassified as held for trading. This reclassification was made in agreement with the determination of the business model for financial instruments as described under "Significant accounting policies".

€'000	Carrying amount IAS 39 at 31/12/2017	Reclassi-fications	Revaluation	Carrying amount IFRS 9 at 01/01/2018	Retained earnings at 01/01/2018	Other comprehen-sive income 01/01/2018
Derivatives	***601,498***	***0***	***0***	***601,498***	***0***	***0***
Equity instruments	***0***	***1,906***	***0***	***1,906***	***(155)***	***155***
Additions to financial assets - measured at fair value through other comprehensive income		1,906			(155)	155
Debt instruments	***129,098***	***373,577***	***535***	***503,210***	***2,141***	***(1,607)***
Additions to financial assets - AFS		85,202			1,607	(1,607)
Additions to financial assets - L&R		65,602	(328)		(328)	
Additions to financial assets - HTM		8,985	863		863	
Additions to financial assets - designated at fair value		213,788				
Total	**730,596**	**375,483**	**535**	**1,106,614**	**1,986**	**(1,452)**

Transition: financial liabilities designated at fair value through profit or loss

A financial liability can be irrevocably designated at fair value through profit or loss when an accounting mismatch can be prevented or materially reduced. Reclassifications of TEUR -40,768 from financial liabilities at fair value through profit or loss to financial liabilities at amortized cost were reversed due to the termination of previous fair value designations. The main component of this reclassification is a bond, which currently serves as the underlying transaction for a hedge.

€'000	Carrying amount IAS 39 at 31/12/2017	Reclassi-fications	Revaluation	Carrying amount IFRS 9 at 01/01/2018	Retained earnings at 01/01/2018	Other comprehen-sive income 01/01/2018
Securitized liabilities	*40,768*	*(40,768)*	*0*	*0*	*0*	*0*
Disposals of financial liabilities - mandatorily at fair value		(40,768)	0		0	0
Total	40,768	(40,768)	0	0	0	0

Financial liabilities previously carried at fair value through profit or loss under IAS 39 (designated at fair value) were reclassified to fair value at amortized cost in connection with the initial application of IFRS 9. These financial liabilities had a fair value of EUR 42,754 as of 31 December 2018. The earnings effect which would have been recorded on the income statement during the reporting year amounted to TEUR -1,985.

Transition: financial liabilities at amortized cost

€'000	Carrying amount IAS 39 at 31/12/2017	Reclassi-fications	Revaluation	Carrying amount IFRS 9 at 01/01/2018	Retained earnings at 01/01/2018	Other comprehen-sive income 01/01/2018
Securitized liabilities	*6,505,109*	*40,768*	*(3,494)*	*6,542,384*	*3,494*	*0*
Additions to financial liabilities measured at fair value		40,768	(3,494)		3,494	0
Total	6,505,109	40,768	(3,494)	6,542,384	3,494	0

Transition: impairment losses

€'000	Collective impairment allowances to the portfolio STAGE 1	Collective impairment allowances to the portfolio STAGE 2	Individual impairment allowances STAGE 3	Total
Impairment allowance balances IAS 39 as of 31/12/2017	*(13,718)*		*(173,881)*	*(187,599)*
Change in risk provisions - financial assets AC				
Disposal through fair value measurement			7,245	7,245
New calculation of risk provisions (IFRS 9)	(5,441)	(3,103)		(8,545)
Impairment allowance balances as of 01/01/2018 due to the application of IFRS 9	*(19,159)*	*(3,103)*	*(166,636)*	*(188,899)*

Transition of provisions for liabilities, guarantees and credit commitments:

€'000	Provisions STAGE 1	Provisions STAGE 2	Provisions STAGE 3	Total
Provisions IAS 39 as of 31/12/2017	*(2,623)*		*(7,224)*	*(9,847)*
Change in provisions - sureties/guarantees/credit commitments				
New calculation of provisions (IFRS 9)	931	(549)		382
Provisions as of 01/01/2018 due to the application of IFRS 9	(1,692)	(549)	(7,224)	(9,465)

IFRS 9 Total effect on equity

The following table provides a summarized transition from equity as of 31 December 2017 under IAS 39 for each valuation category and equity component to the opening balance sheet under IFRS 9 as of 1 January 2018.

€'000	disclosure		Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income	Profit or loss attributable to equity owners of the parent	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total
Equity at 31/12/2017	*IAS 39*	*IFRS 9*	*219,789*	*556,849*	*1,203,880*	*(302,215)*	*560,138*	*2,238,441*	*82*	*2,238,523*
Revaluations/reclassifications					*10,405*	*(69,765)*		*(59,360)*		*(59,360)*
Of which financial assets										
Loans and advances - SPPI at risk	LAR	FVTPL			16,682					
Impairment allowance balance (loans and advances)	LAR	AC			(2,638)					
Consolidation risk provisions/other	LAR	AC			6					
Bonds - BM "Sell"	HTM	FVTPL			535					
Bonds - BM "HtC"	AfS	AC				(82,376)				
Risk provisions bonds	-	AC			(4,725)					
Bonds - BM "Sell"	AfS	FVTPL			1,607	(1,607)				
Bonds - BM "HtC"	FVO	AC			(2,983)					
Other equity investments	AfS	FVTPL			4,214	(4,214)				
Other equity investments, reclassification of impairment	AfS	FVOCI			4,980	(4,980)				
Other equity instruments (securities)	AfS	FVTPL			(155)	155				
Of which from financial liabilities										
Other securitized liabilities	FVO	AC			3,494					
Of which from deferred tax assets/liabilities										
Deferred taxes OCI						23,256				
Deferred taxes retained earnings					(10,612)					
Equity at 01/01/2018			219,789	556,849	1,214,284	(371,980)	560,138	2,179,080	82	2,179,163

Segment Reporting

Segment reporting is based on internal management performance calculations in the form of a multi-level contribution margin income statement. Income and expenses are allocated on the basis of origin. Income includes net interest income, net fee and commission income, net trading income and other operating profit/(loss). Net interest income is calculated on a market interest rate basis. The interest income from equity is determined on the basis of a theoretical interest rate, allocated to the segments in accordance with regulatory capital requirements and presented under net interest income. The impairment allowances in the credit business include the net new creation of impairment allowances for credit risks and direct write-offs as well as the income from loans and advances previously written off. General administrative expenses include direct and indirect costs. Direct costs (staff costs and other administrative expenses) are the responsibility of the individual business segments, while indirect costs are assigned according to predefined allocation keys.

The segments are presented as independent companies with a separate capital base and profit responsibility.

The basis for the definition of the individual segments is their responsibility for servicing the various customer groups of RLB NÖ-Wien.

A change in internal management during 2018 led to the adjustment of the segment presentation as follows in accordance with IFRS 8:

• ´The Retail/Raiffeisen Association Segment includes the retail business in Vienna.

This target group covers private individuals, small and medium-sized businesses and self-employed persons.

The offering for personal and business banking customers consists primarily of standardized products like passbook accounts, savings deposits, time deposits, current and salary accounts, personal loans, overdrafts, mortgages and other special purpose loans.

• The Corporate Clients Segment covers business with corporate customers in the Centrope region, the public sector, institutional clients and international operations.

This segment provides traditional credit services for corporate customers, corporate finance (project and investment financing, acquisition financing and property financing), trade and export financing, documentation services and financing for local authorities and financial institutions.

Traditional credit services include working capital, investment and trade financing with a wide variety of financing instruments (e.g. current account loans, cash advances, direct loans, factoring, venture capital).

Transaction Banking and Sales Management is responsible for processing export loans and foreign investments (e.g. export loans from export funds and Oesterreichische Kontrollbank as well as OeKB equity loans) as well as the structuring and settlement of letters of credit, collections and guarantees for Austrian and international clients. In addition, this department handles relations with correspondent banks (financial institutions) and international corporate customers.

The activities of the Corporate Finance Department cover project and investment financing (specially tailored financing for specific business projects) in the Group's core market and a full range of subsidized credit products. Transactions are also carried out jointly with the European Investment Bank (EIB) and Kreditanstalt für Wiederaufbau (KfW).

• The Financial Markets and Organization Segment is responsible for the Group's treasury activities, above all earnings from the management of the banking book (profit from maturity transformation) and trading book as well as the results of liquidity management.

The Treasury Department manages the Group's positions in on-balance sheet (e.g. money market deposits) and off-balance sheet interest rate- and currency-based products (forwards, futures and options). Included here are interest rate and foreign currency contracts, liquidity management and asset/liability management (maturity transformation). This department is also responsible for managing the RLB NÖ-Wien portfolios of bonds, funds and short-term and long-term alternative investments (combinations of securities products and derivatives).

Financial instrument trading is organized centrally and subject to strictly controlled limits. All proprietary trading is reported in this segment, while profit contributions from treasury transactions for customers are allocated to the other segments. The portion of the earnings contribution that exceeds the market price is allocated to the customer segments.

• The Raiffeisen Bank International Segment comprises the earnings contribution from RBI, incl. allocated refinancing and administrative costs. It also includes the investment in the RBI Group, which is carried at equity, with its related activities in Central and Eastern Europe.

• The Raiffeisen Association Segment includes the services provided by RLB NÖ-Wien AG for the Raiffeisen Association (Raiffeisen banks).

• The Other Investments Segment includes a portfolio of equity investments in banks and other financial institutions. The respective dividend income, refinancing costs and a proportional share of administrative expenses are allocated to this segment.

• The Other Segment only includes the limited expenses which cannot be allocated to one of the other segments, e.g. the special payment for the bank levy which is also due in the next two years.

The RLB NÖ-Wien Group uses two central management benchmarks:

Return on equity represents the ratio of profit before tax to the average capital employed and shows the return on the capital used by the respective segment.

The cost/income ratio shows the cost efficiency of the individual segments. It is calculated by dividing general administrative expenses by operating profit/(loss) (incl. profit/(loss) from financial investments and associates and excl. impairment losses and impairment allowances).

01/01 - 31/12/2018, €'000	Personal and Business Banking Customers	Corporate Customers	Financial Markets	RBI	Raiffeisen Association	Other equity investments	Other	Total
Net interest income	55,386	117,973	32,149	(49,851)	0	(342)	0	155,315
Net fee and commission income	50,115	15,214	(8,390)	0	5,024	0	0	61,963
Dividend income	107	2,207	0	0	0	565	0	2,879
Profit from equity-accounted investments	0	0	12,639	197,737	0	0	0	210,376
Depreciation, amortization, personnel and operating expenses	(146,001)	(48,982)	(17,137)	(1,355)	(22,739)	(239)	0	(236,453)
Profit/Loss from financial assets and liabilities	1,169	1,367	(10,312)	0	553	0	0	(7,223)
Profit/Loss from investments and non-financial assets	0	43	0	0	0	463	0	506
Net impairment loss/reversal of impairment to financial assets	(1,476)	(16,742)	7,915	0	0	0	0	(10,303)
Other operating profit/loss	15,459	2,265	(6,591)	(150)	19,986	91	(14,905)	16,155
Profit before tax from continuing operations	**(25,241)**	**73,345**	**10,273**	**146,381**	**2,824**	**538**	**(14,905)**	**193,215**
Income tax	(660)	(375)	0	0	0	(67)	5,447	4,345
Net profit/loss for the period	**(25,901)**	**72,970**	**10,273**	**146,381**	**2,824**	**471**	**(9,458)**	**197,560**
Av. allocated capital (in EUR mill.)	253	709	764	471	0	52	0	2,249
Return on equity before tax	(9.98)%	10.34%	1.35%	31.07%	0.00%	1.03%	0.00%	8.59%
Cost/Income Ratio (incl. at equity)	> 100%	35.2%	87.9%	0.9%	89.0%	30.8%	0.0%	53.7%

The comparative information from the previous financial year is as follows:

01/01 - 31/12/2017, €'000	Personal and Business Banking Cus-tomers	Cor-porate Cus-tomers	Financial Markets	RBI	Raiffeisen Associati on	Other equity invest-ments	Other	Total
Net interest income	54,135	102,798	13,697	(37,521)	0	(1,136)	0	131,973
Net fee and commission income	43,555	14,146	(8,113)	0	4,809	0	0	54,397
Dividend income	691	800	0	0	0	(655)	0	836
Profit from equity-accounted investments	0	0	4,332	542,239	0	0	0	546,571
Depreciation, amortization, personnel and operating expenses	(128,658)	(51,564)	(18,435)	(1,403)	(21,784)	(156)	0	(222,000)
Profit/Loss from financial assets and liabilities	1,405	2,991	20,650	0	643	0	0	25,689
Profit/Loss from investments and non-financial assets	0	(10)	0	0	0	499	0	489
Net impairment loss/reversal of impairment to financial assets	(5,574)	(6,936)	(1,692)	0	0	760	0	(13,442)
Other operating profit/loss	5,974	4,253	(181)	(213)	17,607	285	(11,449)	16,277
Profit before tax from continuing operations	(28,472)	66,478	10,259	503,101	1,276	(402)	(11,449)	540,790
Income tax	(240)	(296)	0	0	0	(74)	20,025	19,415
Net profit/loss for the period	(28,712)	66,182	10,259	503,101	1,276	(476)	8,576	560,205
Av. allocated capital (in EUR mill.)	234	662	605	419	0	47	0	1,967
Return on equity before tax	(12.15)%	10.04%	1.69%	120.09%	0.00%	(0.86)%	0.00%	27.49%
Cost/Income Ratio (incl. at equity)	> 100%	41.3%	60.7%	0.7%	94.5%	(15.5)%	0.0%	47.1%

Details on the Consolidated Income Statement

(1) Net interest income

€'000	01/01 - 31/12/2018	01/01 - 31/12/2017
Interest income		
Financial assets held for trading	195,411	108,516
Non-trading financial assets mandatorily at fair value through profit or loss	3,771	0
Financial assets designated at fair value through profit or loss	0	2,896
Financial assets at fair value through other comprehensive income	0	68,568
Financial assets at amortized cost	312,156	240,362
Bonds	69,652	5,331
Other loans and advances	242,504	235,031
Derivatives - hedge accounting, interest rate risks	92,985	111,639
Other assets	3	1,673
Negative interest from liabilities	15,125	6,704
Total interest income	***619,451***	***540,358***
Interest expenses		
Financial liabilities held for trading	(177,185)	(101,434)
Financial liabilities measured at amortized cost	(193,599)	(208,191)
Deposits	(71,019)	(69,101)
Securitized liabilities	(85,709)	(96,425)
Tier 2 capital	(36,871)	(42,666)
Derivatives - hedge accounting, interest rate risks	(65,215)	(74,713)
Other liabilities	(13,620)	(13,123)
Negative interest from financial assets	(14,517)	(10,924)
Total interest expenses	***(464,136)***	***(408,385)***
Net interest income	**155,315**	**131,973**

Net interest income includes interest income and expenses as well as all similar recurring and non-recurring income and expenses. Interest and similar income, respectively expenses, are calculated according to the effective interest method and accrued accordingly. Negative interest on loans and advances to customers and other banks are included under interest and similar expenses, while positive interest on non-derivative financial liabilities from the banking business are included under interest and similar income and reported under net interest income.

Interest income includes interest income (unwinding) of TEUR 2,698 (2017: 2,629) from impairment-adjusted loans and advances to customers and other banks.

(2) Net fee and commission income

€'000	01/01 - 31/12/2018	01/01 - 31/12/2017
Securities	16,572	20,157
Foreign exchange, notes-and-coin and precious-metals business	5,016	4,969
Services for payment transactions	29,598	27,676
Credit business	8,025	7,682
Brokerage commissions and other fee and commission income	28,243	16,171
Fee and commission income	***87,454***	***76,655***
Securities	(3,599)	(3,887)
Services for payment transactions	(5,660)	(5,376)
Credit business	(9,934)	(10,124)
Other fee and commission expenses	(6,298)	(2,871)
Fee and commission expenses	***(25,492)***	***(22,257)***
Net fee and commission income	**61,963**	54,397

Net fee and commission income covers the income and expenses to which the company is legally entitled for the provision of services. Fee and commission income from the credit business consists primarily of liability remuneration, commission income from securities and custodial and brokerage fees. Fee and commission expenses from the credit business consist chiefly of liability remuneration in connection with cover pool collateral. The fees arising from financial instruments which are carried at amortized cost and are part of effective interest are recognized to net interest income over the respective term.

(3) Dividend income

€'000	01/01 - 31/12/2018	01/01 - 31/12/2017
Financial assets held for trading	33	147
Non-trading financial assets designated at fair value through profit or loss	2,229	0
Financial assets at fair value through other comprehensive income	617	689
Dividend income	**2,879**	836

This position includes the dividend income from securities and the income from unconsolidated company shares and investments. In accordance with IFRS 9.5.7.1A, dividends are recognized to profit or loss when there is a legal entitlement to receive payment.

(4) Profit from equity-accounted investments

€'000	01/01 - 31/12/2018	01/01 - 31/12/2017
Profit/loss from companies accounted for at equity	300,376	241,236
Revaluation gains/(losses) on equity-accounted investments	(90,000)	305,335
Profit from equity-accounted investments	**210,376**	546,571

*The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for error correction" in the Notes).

The negative revaluation results of TEUR 90,000 resulted from an impairment loss recognized to the investment in RBI.

Fair value for the impairment test as of the balance sheet date on 31 December 2017 was based on the RBI market price. This led to a reversal of previously recognized impairment losses. An overall assessment of events as of 31 December 2018 provided objective indications of impairment as defined in IAS 28.41A – 28.41C in connection with IAS 36.12 which led to signs of a lower fair value. The equity-accounted investment in RBI was therefore tested for impairment as of 31 December 2018. In accordance with IAS 36.114 in connection with IAS 36.18, the determining factor for impairment was the recoverable amount on the closing date; this amount was compared with the at-equity carrying amount of the RBI investment. The recoverable amount was determined as a value in use based on the present value of the expected future cash flows (discounted cash flow method) and was lower than the applicable market price on the closing date. The cash flows were derived from five-year forecasts which were approved by management and valid at the time the impairment test was carried out. The cash flows realizable from the RBI investment were discounted with an average, risk-adjusted capitalization rate of 10.74%. A comparison of the resulting value in use with the carrying amount led to the recognition of an impairment loss of TEUR 90,000 to the equity-accounted investment in RBI. Potential valuation uncertainties related to key forecast assumptions – e.g. the development of foreign exchange rates, risk costs, the cost-income ratio, sustainable earnings expectations and the valuation parameters for the discount rate – were evaluated as best as possible by management on the basis of sensitivity analyses and compared with externally available market data for plausibility where possible.

The IFRS 9 transition effect of TEUR -36,785 for the material associate RBI is reported on the consolidated statement of changes in equity under changes in retained earnings, respectively the enterprise's interest in other changes in equity of equity-accounted investments.

(5) Depreciation, amortization, personnel and operating expenses

€'000	01/01 - 31/12/2018	01/01 - 31/12/2017
Write-downs of property, equipment and intangible assets	*(5,146)*	*(4,652)*
Land, equipment and buildings	(3,136)	(2,864)
Investment property	(49)	(75)
Other intangible assets	(1,961)	(1,713)
Staff costs	*(109,461)*	*(110,493)*
Current remuneration	(76,675)	(72,809)
Mandatory social security contributions	(19,153)	(18,932)
Other employee-benefits	(1,935)	(1,708)
Non-current employee-related obligations	(11,698)	(17,044)
Other administrative expenses	*(121,846)*	*(106,855)*
Employee-related operating expenses	(469)	(186)
Office space expenses	(24,181)	(17,897)
Expenses for office operations	(4,982)	(5,559)
IT expenses	(39,866)	(30,201)
Advertising, marketing, events	(7,929)	(6,816)
Legal and consulting fees	(23,765)	(23,880)
Other administrative expenses	(20,654)	(22,316)
Total	**(236,453)**	(222,000)

Administrative expenses include rental and leasing expenses of TEUR 10,090 (2017: TEUR 14,604).

The expected future minimum lease payments from uncancellable operating leases are distributed as follows:

- Up to one year: TEUR 1,532 (2017: TEUR 1,548)
- Over one year and up to five years: TEUR 3,998 (2017: TEUR 4,529)
- Over five years: TEUR 5,868 (2017: TEUR 6,651)

Administrative expenses include the following fees for the auditors of the Group companies:

2018 €'000	KPMG Austria GmbH	Österreichischer Raiffeisenverband
Audit of the Annual Financial Statements and Consolidated Financial Statements	254	639
Other auditing services	12	7
Other services	430	85
Total	**696**	**731**

2017 €'000	KPMG Austria GmbH	Österreichischer Raiffeisenverband
Audit of the Annual Financial Statements and Consolidated Financial Statements	247	697
Other auditing services	17	183
Other services	266	55
Total	530	935

(6) Profit/loss from financial assets and liabilities

€'000	01/01 - 31/12/2018	01/01 - 31/12/2017
Profit/loss from financial assets and liabilities not carried at fair value through profit or loss	*5,142*	*6,187*
Financial assets at fair value through other comprehensive income	0	3,635
Equity instruments	0	3,635
Financial assets at amortized cost	5,142	6
Bonds	5,142	(1)
Other loans and advances	0	7
Financial liabilities measured at amortised cost	0	2,546
Profit/loss from financial assets and liabilities held for trading	*(14,519)*	*13,412*
Derivatives	(4,911)	9,629
Equity instruments	(318)	214
Bonds	(9,290)	2,723
Other liabilities	0	846
Profit / loss from financial assets not held for trading, mandatorily at fair value	*(2,988)*	*(4)*
Equity instruments	2,295	(4)
Bonds	(26)	0
Other loans and advances	(5,257)	0
Profit / loss from financial assets and liabilities designated at fair value through profit or loss	*0*	*3,434*
Bonds	0	3,434
Profit / loss from hedge accounting	*509*	*(1,086)*
Foreign exchange transactions	*4,633*	*3,746*
Profit/Loss from financial assets and liabilities	**(7,223)**	**25,689**

Profit/loss from financial assets and liabilities includes all realized profits and losses as well as the results from the valuation of financial instruments. The profit/loss from financial assets and liabilities carried at amortized cost include realized gains and losses of TEUR 5,142 (2017: TEUR 6) from securities. Sales from the “hold“ business model (see the definition in the notes on "Financial instruments" under Significant accounting policies) are monitored with regard to frequency and on the basis of internally defined eligibility limits for the individual portfolio volumes and the realized results. Positive and negative results are not offset, but evaluated on a transaction by transaction basis.

Changes in the contractual payment flows of financial instruments were analysed extensively during the reporting year and did not result in any material modifications or results. The changes are reported under this position on the income statement.

The profit/loss from financial assets and liabilities carried at fair value through profit or loss was under massive pressure during the 2018 financial year. This pressure was caused by a flattening of the yield curve and an increase in credit and funding spreads due to the uncertainties connected with the upcoming “Brexit“, the political situation in Italy and the development of US trade policies. These factors, in combination, led in 2018 to negative valuation results for interest rate derivatives (TEUR -4,911), loans and advances (TEUR -5,257) and bonds (TEUR -9,316). Additional details on the calculation of these valuation results are provided under Note (34) Market value of financial instruments.

The profit/loss from hedge accounting shows ineffectiveness in the hedges recognized by RLB NÖ-Wien and includes TEUR 2,978 (2017: -10,560) from the measurement of hedging derivatives and TEUR -2,469 (2017: TEUR 9,475) from changes in the carrying amounts of the underlying transactions within the framework of hedge accounting. Additional details on hedge accounting are provided in the notes under “Derivatives und hedge accounting“.

(7) Profit/loss from investments and non-financial assets

€'000	01/01 - 31/12/2018	01/01 - 31/12/2017
Profit / loss from the derecognition of subsidiaries and associates	0	(2)
Profit / loss from the derecognition of non-financial assets, net	506	1,041
Profit / loss from intangible assets	(5)	2
Profit / loss from investment property	508	1,039
Profit / loss from other assets	3	0
Impairment losses or reversals of impairment losses to subsidiaries and associates	0	(550)
Profit / loss from investments and non-financial assets	**506**	489

(8) Net impairment loss / reversal of impairment to financial assets

This position covers all income and expenses arising from valuation adjustments to financial instruments carried at amortized cost. The income and expenses related to other credit risks which were accounted for through provisions are included under other operating profit/loss. Additional details on the risk provisions are provided under Note (17).

€'000	01/01 - 31/12/2018	01/01 - 31/12/2017
Net impairment loss/reversal of impairment to financial assets at amortized cost	(10,303)	(13,442)
Bonds	3,124	0
Loans and advances	(13,427)	(13,442)
Net impairment loss/reversal of impairment to financial assets	**(10,303)**	(13,442)

(9) Other operating profit/loss

Other operating profit/(loss) includes the results from the service and real estate subsidiaries and, among others, the income and expenses from non-banking activities. It also includes the expenses arising from damages as well as the actual and uncertain obligations arising from compensation for damages related to potential customer complaints.

€'000	01/01 - 31/12/2018	01/01 - 31/12/2017
Other operating income	*55,252*	*51,640*
Revenue from service and real estate subsidiaries	28,398	31,376
Revenues from services provided to Raiffeisen banks	15,770	15,132
Other income	11,084	5,132
Other operating expenses	*(45,537)*	*(43,192)*
Sector facilities	(2,808)	(2,877)
Bank levy	(15,075)	(15,202)
Resolution fund	(8,220)	(7,888)
Cost of materials and purchased services from service and real estate subsidiaries	(11,390)	(11,273)
Other expenses	(8,044)	(5,952)
Addition to or release of provisions	*6,439*	*7,829*
Other operating profit/loss	**16,155**	**16,277**

Other operating expenses include costs of TEUR 404 (2017: TEUR 399) for motor vehicle leasing.

(10) Income tax

RLB NÖ-Wien has been a member of a corporate tax group established in accordance with § 9 of the Austrian Income Tax Act ("Körperschaftsteuergesetz") with Raiffeisen-Holding NÖ-Wien as the head of the group since the 2005 assessment year. A tax contribution agreement was concluded between RLB NÖ-Wien and the head of the group. The corporate tax group with Raiffeisen-Holding NÖ-Wien as the head of the group comprised RLB NÖ-Wien and 44 (2017: 49) other group members during the 2018 assessment year. The tax base for the entire group equals the total income of the head of the group plus the allocated taxable income of the group members after the maximum allowable deduction of the tax loss carryforwards held by the head of the group. RLB NÖ-Wien is charged a proportional share of group corporate income tax, which is assessed at the level of the head of the group, Raiffeisen-Holding NÖ-Wien. A loss recorded by RLB NÖ-Wien for the year results in a negative tax charge.

€'000	01/01 - 31/12/2018	01/01 - 31/12/2017
Current taxes	4,509	12,851
Current taxes	(4)	0
Current tax charges to/from the head of the group	4,513	12,851
Deferred tax	(164)	6,564
Income tax	**4,345**	19,415

The deferred tax expense of TEUR 164 reported on the income statement for 2018 (2017: deferred tax income of TEUR 6,564) comprises the total changes in deferred tax assets and deferred tax liabilities. It consists of deferred tax expenses totalling TEUR 6,171 (2017: TEUR 7,663) from the change in deferred taxes on temporary differences and deferred tax income of TEUR 6,007 (2017: TEUR 14,227) from the measurement of deferred tax assets.

Detailed information on deferred taxes is presented under Note (22) Deferred tax assets. The following transition calculation shows the relationship between profit for the year and the effective tax burden:

€'000	01/01 - 31/12/2018	01/01 - 31/12/2017
Profit for the period before tax	***193,216***	*540,790*
Theoretical income tax expense for financial year at Austrian corporate income tax rate of 25%	(48,304)	(135,197)
Effect of the lower tax contribution rate	(4,560)	(3,184)
Tax reduction based on tax-exempt income from equity investments and other tax-exempt income	53,312	123,027
Effects of different foreign tax rates		0
Increase in taxes based on non-tax deductible expenses	(1,297)	(2,974)
Remeasurement of deferred tax items	6,007	31,445
Other	(812)	6,298
Actual tax burden	**4,345**	19,415

* The tax charges levied in connection with group taxation are based on rates which are lower than the Austrian corporate tax rate. This line shows the resulting effect on actual and deferred income taxes.

Details on the Consolidated Balance Sheet

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

€'000	31/12/2018	31/12/2017
Cash	42,775	43,866
Balances with central banks	1,187,794	1,000,146
Other demand deposits	2,128,681	1,746,832
Total	**3,359,250**	2,790,844

The cash balances at central banks include the legally required minimum reserve of TEUR 257,896 (2017: TEUR 243,711).

(12) Financial assets held for trading

Derivatives that do not serve as hedging instruments in hedge relationships are assigned to this balance sheet position. Also included here are equity instruments (shares and variable-yield securities) and bonds which are held not to collect contractual cash flows, but to realize fair value in accordance with the underlying business model.

€'000	31/12/2018	31/12/2017
Derivatives	531,373	601,498
Equity instruments	1,905	0
Bonds	808,415	129,098
Debt instruments from credit institutions	386,517	128,309
Debt instruments from customers	421,898	789
Total	**1,341,693**	730,596

(13) Non-trading financial assets mandatorily at fair value through profit or loss

The equity instruments assigned to this valuation category consist entirely of investments which, according to their strategic focus, were not assigned to the category FVOCI (also see Note (15) Financial assets at fair value through other comprehensive income). The bonds, loans and advances to customers in this valuation category have contractual cash flows that do not consist entirely of interest and principal payments and must therefore be measured at fair value. Most of the equity instruments in this category are financial instruments with incongruent interest components.

€'000	**31/12/2018**	31/12/2017
Equity instruments	*12,883*	*0*
Bonds	*920*	*0*
Other loans and advances	*159,710*	*0*
Loans and advances from customers	159,710	0
Total	**173,513**	0

(14) Financial assets designated at fair value through profit or loss

€'000	**31/12/2018**	31/12/2017
Bonds	*0*	*301,517*
Debt instruments from customers	0	301,517
Total	**0**	301,517

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

€'000	**31/12/2018**	31/12/2017
Equity instruments	*18,872*	*31,223*
Bonds	*0*	*3,700,294*
Total	**18,872**	3,731,517

The equity instruments in the above table consist primarily of investments in companies which provide ancillary services for banking operations or represent financial institutions. The optional presentation of the fair value changes in these instruments reflects the strategic focus. The equity instruments in this portfolio are not intended for sale over the long-term. Dividends of TEUR 617 from these equity instruments were recorded in 2018 (2017: There were no material sales from this asset category in 2018.

(16) Financial assets at amortized cost

This balance sheet position comprises the debt instruments in the "hold to collect" business model which meet the cash flow criterion as well as the related risk provisions. Additional details are provided under the following Note (17) Risk provisions.

€'000	31/12/2018	31/12/2017
Bonds	*4,128,792*	*367,266*
Debt instruments from credit institutions	1,007,801	163,330
Debt instruments from customers	3,120,991	203,937
Other loans and advances	*15,059,376*	*14,957,032*
Loans and advances to other banks	2,441,505	3,591,251
Loans and advances to customers	12,617,871	11,365,781
Total	**19,188,168**	15,324,298

(17) Risk provisions

Impairment allowances for loans and advances to other banks, at amortized cost:

€'000	Stage 1 Performing	Stage 2 Under Performing	Stage 3 Credit impaired significant	Stage 3 Credit impaired not significant	POCI significant	Total
Opening balance sheet 1 January	*7,282*	*3*	*2,336*	*0*	*0*	*9,621*
Increase due to new additions	8,463	4	0	0	0	8,467
Decreases due to disposals	(8,796)	(1)	0	0	0	(8,797)
Changes based on changes in credit risk	(4,349)	(6)	0	0	0	(4,355)
Of which increases	967	0	0	0	0	967
Of which decreases	(5,316)	(6)	0	0	0	(5,322)
Decreases due to use of impairment losses	0	0	(1,666)	0	0	(1,666)
Other adjustments	0	0	0	0	0	0
Of which foreign currency effects	0	0	0	0	0	0
Closing balance sheet 31 December	**2,600**	**0**	**670**	**0**	**0**	**3,270**
Income from amounts previously written off, recognized directly to profit or loss	0	0	0	0	0	0
Impairment losses recognized directly to profit or loss	0	0	0	0	0	0

Impairment allowances for loans and advances to customers, at amortized cost:

€'000	Stage 1 Performing	Stage 2 Under Performing	Stage 3 Credit impaired significant	Stage 3 Credit impaired not significant	POCI significant	Total
Opening balance sheet 1 January	*7,963*	*2,289*	*78,836*	*80,601*	*4,864*	*174,553*
Increase due to new additions	4,336	744	0	0	318	5,398
Decreases due to disposals	(1,388)	(700)	0	(11,508)	0	(13,596)
Changes resulting from reclassification between stages	(389)	788	4,246	33,578	0	38,223
Transfers to Stage 1	302	0	0	0	0	302
Transfers to Stage 2	(691)	2,505	(20,682)	(835)	0	(19,703)
Transfers to Stage 3	0	(1,717)	24,928	34,413	0	57,624
Changes based on changes in credit risk	(3,847)	(477)	9,711	(18,778)	(1,443)	(14,834)
Of which increases	2,246	786	47,426	20,271	417	71,146
Of which decreases	(6,093)	(1,263)	(36,450)	(37,395)	(1,860)	(83,061)
Of which net interest income (unwinding)	0	0	(1,265)	(1,654)	0	(2,919)
Decreases due to use of impairment losses	0	0	(12,554)	(15,205)	0	(27,759)
Other adjustments	0	0	0	250	0	250
Of which foreign currency effects	0	0	0	250	0	250
Closing balance sheet 31 December	**6,675**	**2,644**	**80,239**	**68,938**	**3,739**	**162,235**
Income from amounts previously written off, recognized directly to profit or loss	0	0	1,240	0	0	1,240
Impairment losses recognized directly to profit or loss	0	0	908	0	0	908

Impairment allowances for debt instruments issued by other banks, at amortized cost:

€'000	**Stage 1 Performing**	**Stage 2 Under Performing**	**Stage 3 Credit impaired significant**	**not significant**	**POCI significant**	**Total**
Opening balance sheet 1 January	***1,275***	***0***	***0***	***0***	***0***	***1,275***
Increase due to new additions	125	0	0	0	0	125
Decreases due to disposals	(2)	0	0	0	0	(2)
Changes based on changes in credit risk	(790)	0	0	0	0	(790)
Of which increases	9	0	0	0	0	9
Of which decreases	(799)	0	0	0	0	(799)
Closing balance sheet 31 December	**608**	**0**	**0**	**0**	**0**	**608**
Income from amounts previously written off, recognized directly to profit or loss		0	0	0	0	0
Impairment losses recognized directly to profit or loss	0	0	0	0	0	0

Impairment allowances for debt instruments issued by customers, at amortized cost:

€'000	Stage 1 Performing	Stage 2 Under Performing	Stage 3 Credit impaired significant	Stage 3 Credit impaired not significant	POCI significant	Total
Opening balance sheet 1 January	***2,639***	***811***	***0***	***0***	***0***	***3,450***
Increase due to new additions	83	0	0	0	0	83
Decreases due to disposals	(94)	0	0	0	0	(94)
Changes resulting from reclassification between stages	811	(811)	0	0	0	0
Transfers to Stage 1	811	(811)	0	0	0	0
Changes based on changes in credit risk	(2,447)	0	0	0	0	(2,447)
Of which increases	91	0	0	0	0	91
Of which decreases	(2,538)	0	0	0	0	(2,538)
Closing balance sheet 31 December	**992**	**0**	**0**	**0**	**0**	**992**
Income from amounts previously written off, recognized directly to profit or loss	0	0	0	0	0	0
Impairment losses recognized directly to profit or loss	0	0	0	0	0	0

The position “changes based on changes in credit risk“ shows the differences resulting from the updating of input data in the calculation models. The positive changes in 2018 reflect the favourable outlook for the coming years. The negative development under individual valuation allowances is attributable to a slowdown in the upward trend for collateral prices (above all, real estate prices) and the related effect, above all, on loans and advances for real estate financing. Additional information is provided in Note (32) Risks associated with financial instruments (concentration risk – collateral).

Provision for granted commitments and financial guarantees:

€'000	**Stage 1 Performing**	**Stage 2 Under Performing**	**Stage 3 Credit impaired significant**	**Stage 3 Credit impaired not significant**	**POCI significant**	**Total**
Opening balance sheet 1 January	***1,692***	***549***	***6,007***	***1,217***	***0***	***9,465***
Increase due to new additions	834	175	0	0	0	1,009
Decreases due to disposals	(341)	(130)	0	(3)	0	(474)
Changes resulting from reclassification between stages	(116)	181	680	329	0	1,074
Transfers to Stage 1	56	(302)	0	0	0	(246)
Transfers to Stage 2	(172)	483	(4,103)	(2,106)	0	(5,898)
Transfers to Stage 3	0	0	4,783	2,435	0	7,218
Changes based on changes in credit risk	(647)	(226)	1,435	1,086	0	1,648
Of which increases	503	106	5,423	5,916	0	11,948
Of which decreases	(1,150)	(332)	(3,906)	(4,807)	0	(10,195)
Of which net interest income (unwinding)	0	0	(82)	(23)	0	(105)
Other adjustments	0	0	2	0	0	2
Of which foreign currency effects	0	0	2	0	0	2
Closing balance sheet 31 December	**1,422**	**549**	**8,124**	**2,629**	**0**	**12,724**
Income from amounts previously written off, recognized directly to profit or loss	0	0	0	0	0	0
Impairment losses recognized directly to profit or loss	0	0	0	0	0	0

Calculation logic: 12-month ECL and lifetime ECL (expected credit loss, "ECL")

RLB NÖ-Wien recognizes impairment losses for financial assets arising from debt instruments, with the exception of assets carried at fair value. Impairment losses are also recognized for off-balance sheet credit risks arising from financial guarantees and unused credit lines. These impairment losses are based on the expected credit losses which reflect the following:

- An undistorted and probability-weighted amount that is based on various scenarios,
- the time value of money and
- plausible and comprehensible information on past events and current conditions as well as forecasts for future economic development which are available as of the valuation date.

An impairment allowance must be recognized for financial instruments which are classified under IFRS 9 at amortized cost (AC) or at fair value through other comprehensive income (FVOCI). This applies to loans and securities from the on-balance segment of the balance sheet as well as contingent liabilities and open credit commitments from the off-balance segment.

In accordance with the requirements of IFRS 9, financial instruments are measured according to the stage concept (Stages 1-3). The ECL for Stage 1 (good credit quality) and the lifetime ECL for Stage 2 (reduced credit quality) are calculated with complex models. These models utilize both historical and future-oriented information, in general based on the following formula: PD (probability of default) x LGD (loss given default) x EAD (exposure at default). The resulting expected credit losses are discounted back to the reporting date based on the effective interest rate.

Segmentation

The credit risk-relevant assets held by RLB NÖ-Wien are allocated to appropriate portfolios. The parameters for the "high-default" portfolios are calculated at the portfolio level, while a more granular approach is applied to the "low-default" portfolios. This involves the estimation of different parameters or the projection of a separate probability of default for each customer. All portfolios have different PD curves to reflect the various rating levels.

The LGD of the portfolios is estimated with the help of a component model, whereby a differentiation is made between the value of the underlying collateral and the LGD for the unsecured part. The CCF (credit conversion factor) model not only differentiates between the various customer groups, but also reflects the type of product.

Modelling

The multi-year PDs for the high-default portfolios were calculated with a continuous time Markov chain. Migration matrices were developed on the basis of rating information from the regulatory rating models and then used to determine the multi-year, through-the-cycle (TTC) default probabilities. These TTC-PD curves, together with future-oriented macro-economic information, formed the basis for deriving the required point-in-time, future-oriented default probability.

The approaches applied to the low-default portfolios were based on external migration matrices with a subsequent PiT-adjustment or a direct PiT-adjustment to the parameters relevant for rating.

All point-in-time adjustments to the risk parameters (PD, LGD, CCF) were individually selected for the respective portfolio. A large number of different models were tested for this purpose, and the final model was selected from the best alternatives.

The exposure at default represents the amount expected to be outstanding at the time of default during the next 12 months (Stage 1) or over the remaining lifetime (Stage 2).

The calculation of this amount is based on the payment profile for the contractually agreed repayments. Early repayments which were not defined by the respective contract are included, if necessary, with a prepayment model. For open credit commitments, the exposure at default is calculated with a credit conversion factor (CCF) in order to develop the expected drawdown at the time of default.

Scenarios and macroeconomic, future-oriented information

All risk parameters were calculated for three different scenarios:

- “baseline“ scenario – the expected economic development
- “optimistic“ scenario – somewhat better than the expected economic development
- “pessimistic“ scenario – somewhat more negative than the expected economic development

The ECL is calculated separately for each scenario. The final ECL represents a probability-weighted average of the individual scenario ECLs. The probabilities of occurrence for the scenarios and the macroeconomic forecasts were supplied and quality-assured by Moody’s Analytics.

Significant increase in credit risk (“staging”)

IFRS 9 provides a three stage approach for developing the risk provision:

Stage 1: Transactions with no significant increase in the credit risk since inception. The risk provision is based on the one-year ECL.

Stage 2: Transactions with a provable, significant increase in the credit risk since inception. The ECL is based on the remaining term.

Stage 3: Transactions in default or impaired. The risk provision is based on the remaining term of the transaction.

Determination of a "significant increase in the credit risk“

A "significant increase in the credit risk“ is based on several criteria, whereby a differentiation is made between qualitative and quantitative indicators.

Qualitative criteria

- 30 days overdue: A significant increase in the credit risk is assumed when customers have a material payment which is more than 30 days overdue.
- Forbearance: Customers designated as "forbearance“ (deferral, etc.) are considered to have a significant increase in credit risk.
- Watch list: The customer has appeared in the early warning process. This represents an indicator for a significant increase in the credit risk.

Quantitative criteria

- The current, PiT-adjusted, annualized PD has doubled in comparison with the PiT-adjusted, annualized PD on the lending date.
- The current, PiT-adjusted, annualized PD has increased by more than 0.5 percentage points in comparison with the PiT-adjusted, annualized PD on the lending date.

The staging model used by RLB NÖ-W designates an increase in the credit risk of a transaction as significant when either one (or more) of the qualitative criteria or both quantitative criteria have been met. The "low credit risk“ exemption in the form of an absolute threshold of 0.5 percentage points was applied: an increase in the credit risk of a transaction is not considered significant if the PD has doubled, but the increase in the absolute default probability is less than 0.5 percentage points.

Sensitivity analysis risk provision

The risk provision for Stage 1 and 2 financial assets (active portfolio) is calculated for three scenarios (optimistic-baseline – pessimistic) based on the expected credit loss (ECL) method and weighted at a ratio of 30%-40%-30%. In order to illustrate the sensitivity of the risk provision, the following table shows the effect on each of the three scenarios at a weighting of 100%.

€m	31/12/2018	100% optimistic	100% baseline	100% pessimistic
Risk provisions Stage 1&2	15.5	14.3	14.6	18.6

The risk provision is calculated over a one-year ECL (Stage 1) or the lifetime ECL (Stage 2) depending on the stage of the financial asset. Historical data for stage transfers is not available, and it is therefore not possible to estimate an appropriate migration to one of the two stage classes at the present time. For the purpose of the sensitivity analysis, the following table shows the effect on the amount of the risk provision which would occur if 100% of the active portfolio were transferred to Stage 1 or to Stage 2. However, the probability that one of these two scenarios would actually occur is extremely unlikely.

€m	31/12/2018	100% in Stage 1	100% in Stage 2
Risk provisions Stage 1&2	15.5	14.2	73.4

Change in estimates as of 1 January 2018

The threshold for classification as a non-significant loan or advance was raised as of 1 January 2018. This adjustment was made after a detailed analysis of the portfolio and in line with changes in operational credit management. A change was also made in the estimate for the LGDs used to determine the expected credit losses for non-significant loans and advances to reflect the implementation of loss rates which increase over time. These changes in estimates led, in total, to a reduction of EUR -5.4 million in the impairment allowances for non-significant loans and advances.

(18) Derivatives – hedge accounting

€'000	31/12/2018	31/12/2017
Fair value hedges	347,329	354,761
Cash flow hedges	0	0
Fair value hedges	**347,329**	354,761

Derivative financial instruments are reported as hedging instruments when the conditions for hedge accounting under IFRS 9 are met. In the future, RLB NÖ-Wien will no longer hedge any payment flows through cash flow hedges. The cash flow hedge reserve is therefore being released through profit or loss over the remaining term of the variable-yield loans, advances and deposits during the period in which the cash flows from the underlying transactions influence the respective period results. Details on the recognized fair value hedges, underlying transactions, hedging instruments and hedged risks is provided in Note (33) Hedge accounting.

(19) Interest in equity-accounted investments

€'000	31/12/2018	31/12/2017
Interest in equity-accounted investments	**2,355,949**	2,286,121

*The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for error correction" in the Notes).

Details on the companies included in the consolidated financial statements at equity, including extensive financial information, can be found in Note (55) and on the income statement under Note (4) Profit from equity-accounted investments.

(20) Property and equipment

€'000	31/12/2018	31/12/2017
Land and buildings - own use	2,798	3,000
Other property and equipment	12,125	11,339
IT hardware	17	22
Total	**14,940**	14,361

Investment property:

€'000	31/12/2018	31/12/2017
Investment property	**2,916**	4,059

The following table shows the development of the gross carrying amounts of property and equipment and investment property as well as the accumulated depreciation and transition to the net carrying amounts:

€'000	2018	2017
Acquisition costs at 1 January	***51,858***	*52,360*
Changes in the scope of consolidation	0	1,293
Additions	3,904	1,438
Disposals	(3,508)	(5,587)
Reclassifications	0	2,354
Acquisition costs at 31 December	***52,254***	*51,858*
Amortization at 1 January	***(33,437)***	*(30,042)*
Changes in the scope of consolidation	0	(1,059)
Additions to current amortization	(3,191)	(2,939)
Disposals	2,229	2,957
Reclassifications	0	(2,354)
Amortization at 31 December	***(34,398)***	*(33,437)*
Carrying amounts at 1 January	***18,420***	*22,317*
Carrying amounts at 31 December	**17,856**	18,420

A book value disposal of TEUR 1,094 was recognized to the investment property shown in the above table during 2018 (2017: TEUR 2,581). Scheduled depreciation equalled TEUR 49 for the reporting year (2017: TEUR 75).

(21) Intangible assets

€'000	31/12/2018	31/12/2017
Goodwill	0	2
Purchased software	97	163
Other (licenses etc.)	8,839	7,867
Total	**8,936**	8,032

The following table shows the development of the gross carrying amounts of intangible assets as well as the accumulated amortization and transition to the net carrying amounts:

€'000	2018	2017
Acquisition costs at 1 January	***59,654***	*55,224*
Changes in the scope of consolidation	0	483
Subsequent adjustment of purchase cost	0	(170)
Additions	2,924	4,213
Disposals	(350)	(96)
Acquisition costs at 31 December	***62,228***	*59,654*
Amortization at 1 January	***(51,622)***	*(49,597)*
Changes in the scope of consolidation	0	(402)
Additions to current amortization	(1,956)	(1,714)
Additions	5	0
Disposals	281	91
Amortization at 31 December	***(53,292)***	*(51,622)*
Carrying amounts at 1 January	***8,032***	*5,628*
Carrying amounts at 31 December	**8,936**	8,032

(22) Tax assets

Tax assets include the following:

€'000	31/12/2018	31/12/2017
Tax assets	91	142
Deferred tax assets	15,429	2,724
Total	**15,520**	2,866

The net total of deferred taxes is as follows and results from the following balance sheet positions:

€'000	2018	2017
Deferred tax assets	15,429	2,724
Deferred tax liabilities	461	534
Net deferred tax assets	**14,968**	2,190

€'000	2018	2017*
Financial liabilities held for trading	43,367	48,633
Financial liabilities measured at amortized cost	63,733	63,836
Derivatives - hedge accounting (liabilities)	80,675	93,909
Provisions	12,938	13,928
Partial write-downs of investments to be distributed for tax purposes	992	2,760
Other	1,450	1,198
Deferred tax assets	***203,155***	*224,264*
Financial assets held for trading	24,696	26,492
Non-trading financial assets mandatorily at fair value through profit or loss	6,589	534
Financial assets at fair value through other comprehensive income	1,312	1,340
Financial assets at amortized cost	64,354	99,667
Derivatives - hedge accounting (assets)	68,867	88,690
Other assets	14,975	4,564
Other liabilities	7,394	787
Deferred tax liabilities	***188,187***	*222,074*
Net deferred tax assets	**14,968**	2,190

*) The comparative data reflect the changed presentation of the financial statements; measurement and classification are based on the rules defined by IAS 39 (see the section "Changes in the Presentation of the Financial Statements" in the Notes).

Based on the generally stable regulatory framework conditions and the first successful steps towards a sustainable improvement in earnings which have resulted from the measures now in implementation, the Managing Board believes current forecasts provide substantial indications – despite previously recorded tax losses – that sufficient taxable profit will be available to justify the recognition of deferred tax assets by RLB NÖ-Wien AG.

Deferred taxes of TEUR 7,395 (2017: TEUR 7,980) were not recognized in the consolidated financial statements for unused tax loss carryforwards and deductible temporary differences because their realization does not appear possible within a reasonable period. In addition, deferred taxes were not recognised on temporary differences of EUR 1,102 million (2017: EUR 1,044 million) in accordance with IAS 12.39.

(23) Other assets

€'000	**31/12/2018**	31/12/2017
Prepayments made and accrued income	148	80
Work in process / unfinished goods / inventories	1,427	1,685
Trade receivables (non-bank)	6,060	6,813
Receivables from other taxes and duties	32,187	32,204
Miscellaneous other assets	98,390	122,961
Total	**138,212**	163,743

Other assets include trust receivables in connection with the federal and provincial IPS (Institutional Protection Scheme; also see Note (31) Equity) as well as receivables from the group tax charge and deposits.

(24) Financial liabilities held for trading

This balance sheet position consists entirely of derivatives which do not serve as hedging instruments in hedge relationships.

€'000	**31/12/2018**	31/12/2017
Derivatives	585,386	654,336
Total	**585,386**	654,336

(25) Financial liabilities at fair value through profit or loss

€'000	**31/12/2018**	31/12/2017
Securitized liabilities	0	40,768
Total	**0**	40,768

A financial liability can be irrevocably designated at fair value through profit or loss when it prevents or substantially reduces an accounting mismatch. RLB NÖ-Wien did not utilize this possibility in 2018.

(26) Financial liabilities at amortized cost

€'000	**31/12/2018**	31/12/2017
Deposits from other banks	8,752,129	7,818,593
Demand deposits	3,749,315	3,664,306
Time deposits	5,002,814	3,141,647
Borrowed funds	0	1,012,640
Deposits from customers	8,182,341	7,767,789
Sight deposits	5,845,867	5,252,601
Time deposits	869,714	1,039,654
Savings deposits	1,466,760	1,475,534
Securitized liabilities	6,578,675	6,505,110
Issued bonds	5,837,140	5,711,717
Tier 2 capital	741,535	793,393
Total	**23,513,145**	22,091,492

Descriptions of the Tier 2 capital reported under this balance sheet position and the financial instruments shown in the above table are provided under financial liabilities in the section on “Significant accounting policies“.

(27) Derivatives – hedge accounting

€'000	31/12/2018	31/12/2017
Fair value hedges	343,537	375,635
Cash flow hedges	0	0
Total	**343,537**	375,635

Derivative financial instruments are reported as hedging instruments when the conditions for hedge accounting under IFRS 9 are met. In the future, RLB NÖ-Wien will no longer hedge any payment flows through cash flow hedges. The cash flow hedge reserve is therefore being released through profit or loss over the remaining term of the variable-yield loans, advances and deposits during the period in which the cash flows from the underlying transactions influence the respective period results. Details on the recognized fair value hedges, underlying transactions, hedging instruments and hedged risks is provided in Note (33) Hedge accounting.

(28) Provisions

€'000	31/12/2018	31/12/2017
Post-employment benefits	31,241	29,568
Termination benefits	32,605	32,583
Long-service bonuses	4,831	5,237
Restructuring	13,900	10,080
Pending legal and tax proceedings	15,588	19,438
Obligations and issued guarantees	12.724	9,847
Other provisions	31,822	29,026
Total	**142.711**	135,779

Other provisions include TEUR 11,700 (2017: TEUR 0) for portfolio commissions not yet forwarded, whereby TEUR 2,700 are attributable to portfolio commissions which must be paid to customers in accordance with MIFID II. This position also contains provisions of TEUR 3,312 (2017: TEUR 4,486) for procedural costs and attorneys' fees.

The development of the provisions for obligations and issued guarantees is shown under Note (17) Risk provisions.

Employee-related provisions

The following table shows the individual parameters for the calculation of the employee-related provisions:

€'000	2018	2017
Interest rate		
Entitlement phase	**1.60%**	1.51%
Entitlement phase for beneficiaries with STATUT or KV6 commitments	**1.60%**	1.51%
Service phase	**1.60%**	1.51%
Service phase for beneficiaries with STATUT or KV6 commitments	**4.00%**	4.00%
Termination benefits	**1.20%**	0.87%
Part-time work for older staff	**1.20%**	0.87%
Salary increases	**1,5% - 4,5%**	*2.0% - 4.5%*
Pension increases	**0,5% - 2,0%**	***1,0% - 2,0%***
Pension increases for beneficiaries with STATUT or KV6 commitments	***0.0%***	*0.0%*
Biometric basis	AVÖ 2018-P calculation parameters for pension insurance (salaried employees)	

The calculation is based on the earliest possible statutory retirement age for men and women. With respect to the provision for part-time work by older staff, the financing period represents the time from the actual commitment to the start of the retirement phase.

Estimates based on the preliminary investment results for 2018 show that a subsequent contribution of TEUR 790 (2017: TEUR 0) will most likely be required. A provision was recognized for this expense in 2018.

The development of the termination benefit and post-employment benefit obligations is as follows:

€'000	Gross obligation termination payments 2018	2017	Gross obligation post-employment payments 2018	2017	Plan assets pensions 2018	2017
At 1 January	32,583	28,118	62,432	62,607	32,864	31,485
Service cost	6,219	1,192	1,068	1,101	0	0
Interest cost	211	289	922	992	0	0
Expected return on the plan assets	0	0	0	0	477	498
Payments	(2,555)	(2,200)	(2,576)	(2,585)	0	0
Contributions to plan assets	0	0	0	0	1,195	1,043
Post-employment payments from plan assets	0	0	0	0	(998)	(991)
Net amount transferred	0	(57)	(3,241)	(691)	(4,049)	(837)
Actuarial (gain)/loss for the financial year	(3,853)	(1,833)	519	1,009	(1,556)	1,704
Due to experience-based adjustments	(3,290)	(2,299)	(65)	265	(1,556)	1,704
Due to change in demographic assumptions	(11)	11	2,106	0	0	0
Due to Change in Financial Assumptions	(552)	455	(1,522)	744	0	0
Other changes and adjustments	0	5,843	0	(1)	(50)	(38)
Changes in the scope of consolidation	0	1,231	0	0	0	0
At 31 December	**32,605**	32,583	**59,124**	62,432	**27,883**	32,864
Fair value plan assets	**0**	0	**(27,883)**	(32,864)	**0**	0
Net obligation as of 31 December	**32,605**	32,583	**31,241**	29,568	**0**	0

Classification of the post-employment obligations by category of beneficiary:

€'000	2018	2017
Present value of post-employment benefits (DBO) at 31 December	59,124	62,432
Of which obligations to active eligible employees	18,711	21,359
Of which obligations to former eligible employees	0	0
Of which obligations to retirees	40,413	41,072

The structure of the plan assets is as follows:

€'000	2018	2017
Bonds and other fixed-interest securities	15,134	17,884
Shares and other variable-yield securities	9,490	12,110
Property	1,008	1,284
Other	2,251	1,586
Total	**27,883**	32,864

The plan assets for the 2018 financial year so not include any financial instruments issued by RLB NÖ-Wien.

The following sensitivity analysis for the post-employment and termination benefit obligations shows the effect on the present value of the defined benefit obligation (DBO) caused by a change in the major actuarial assumptions. For these calculations, one major measurement parameter was changed at a time while the other parameters were left unchanged. Correlations between the parameters were not taken into account.

	Change in the parameter	2018 Increase	2018 Decrease	2017 Increase	2017 Decrease
Provisions for post-employment benefits					
Discount rate	0.75%	(9.38)%	11.03%	(9.76)%	11.55%
Retirement age	1 year	(0.84)%	1.01%	(0.79)%	0.73%
Assumption for increase in the entitlement phase	0.25%	0.56%	(0.55)%	0.64%	(0.62)%
Assumption for increase in current benefits	0.25%	2.92%	(2.80)%	2.98%	(2.86)%
Remaining life expectancy	1 year	5.31%	(5.61)%	3.96%	(4.13)%
Provisions for termination benefits					
Discount rate	0.75%	(5.76)%	6.35%	(6.21)%	6.89%
Retirement age	1 year	(1.36)%	1.68%	(0.34)%	0.34%
Assumption for increase in the entitlement phase	0.25%	2.02%	(1.97)%	2.15%	(2.09)%
Turnover	1.00%	(3.61)%	0.57%	(4.33)%	1.26%

The weighted remaining term of the obligations is as follows:

in years	2018	2017
Termination benefits	8.1	8.6
Post-employment benefits	11.1	12.1

The expenses for defined contribution plans are classified as follows:

€'000	2018	2017
Expenditure on defined contribution plans	***1,588***	***1,697***
Of which on defined contribution plans (pension fund)	1,014	1,055
Of which on staff benefit fund ("Mitarbeitervorsorgekasse")	574	642

The development of the provisions for restructuring, pending legal and tax proceedings and other provisions is shown below:

€'000	Restructuring	Legal and tax proceedings	Other
At 1 January	10,080	19,438	29,025
Added	10,700	950	23,468
Released	(4,482)	(1,773)	(5,697)
Used	(2,398)	(3,027)	(14,974)
At 31 December	**13,900**	**15,588**	**31,822**

(29) Tax liabilities

€'000	**31/12/2018**	31/12/2017
Tax liabilities	2,970	2,298
Deferred tax liabilities	461	535
Total	**3,431**	2,833

(30) Other liabilities

€'000	**31/12/2018**	31/12/2017
Prepayments received and accrued expenses	338	102
Trade payables (non-bank)	1,529	1,681
Miscellaneous other liabilities	110,423	156,811
Liabilities from other taxes and duties	8,128	14,755
Total	**120,418**	173,349

Miscellaneous other liabilities consist primarily of outstanding invoices from the operating business, which were paid after the closing date.

(31) Equity

€'000	31/12/2018	31/12/2017
Attributable to non-controlling interests	*110*	*82*
Attributable to equity owners of the parent	*2,256,561*	*2,238,441*
Share capital, paid in	219,789	219,789
Capital reserves	556,849	556,849
Other comprehensive income for the period (OCI)	(415,182)	(302,215)
Other comprehensive income for the period (OCI) - not recyclable	(6,084)	(11,567)
IAS 19 reserve (revaluation of net liability from defined benefit plans)	(13,617)	(14,950)
Share of other comprehensive income from associates, at equity	7,366	3,383
Financial assets - equity instruments at fair value through other comprehensive income	167	0
Other comprehensive income for the period (OCI) - recyclable	(409,097)	(290,648)
Cash flow hedge reserve	2,369	3,883
Available-for-sale reserve (from equity and debt instruments at fair value through other comprehensive income)	0	70,667
Share of other comprehensive income from associates and joint ventures, at equity	(411,466)	(365,198)
Retained earnings	1,697,577	1,203,880
Revaluations IFRS 9	10,406	0
Share of profit from associates, other changes in equity	(149,567)	(97,560)
Other retained earnings	1,836,738	1,301,440
Profit or loss attributable to equity owners of the parent	197,527	560,138
Equity	**2,256,670**	2,238,523

The share capital of RLB NÖ-Wien totals TEUR 219,789 (2017: TEUR 219,789). Subscribed capital comprises 2,197,892 (2017: 2,197,892) registered shares.

A total of 52,691 registered shares with a nominal value of EUR 5,269,000.00 were issued as of 15 September 2016. Of these shares, 52,511 were subscribed by Raiffeisen-Holding NÖ-Wien, which subsequently increased its investment in RLB NÖ-Wien from 78.58% to 79.09%. A further 180 shares were subscribed by Raiffeisenkasse Retz-Pulkautal registrierte Genossenschaft mit beschränkter Haftung. This issue was based on a resolution of the Annual General Meeting on 12 August 2016, which authorised the Managing Board to increase share capital by 3 May 2018, with the consent of the Supervisory Board, by up to EUR 25,000,000.00 through the issue of up to 250,000 new registered shares in exchange for cash or contributions in kind.

A resolution passed by the Annual General Meeting on 8 May 2015 authorized the Managing Board, with the consent of the Supervisory Board, to issue special dividend rights as defined in § 174 (3) of the Austrian Stock Corporation Act through the issue of CET1 instruments in accordance with Art. 28 of the CRR. This authorization is valid for five years beginning on the date the resolution was passed and covers a total volume of up to EUR 30 million in one or more tranches. This authorization has not been utilized to date.

The Annual General Meeting on 12 May 2017 authorized the Managing Board, with the consent of the Supervisory Board, to increase share capital by 12 May 2022 by up to TEUR 40,023 in one or more tranches through the issue of up to 400,226 new registered shares, with or without voting rights, in exchange for cash and/or contributions in kind.

The following table shows the effects on other comprehensive income which are recorded under reserves and the amount of deferred taxes recognized under other comprehensive income:

€'000	IAS 19 reserve	Cash flow hedge reserve	Available-for-sale reserve	Fair value OCI reserve	Total
At 01/01/2017	***(16,846)***	***5,281***	***56,309***	***0***	***44,744***
Unrealized gains/(losses) in the period	0	0	21,049	0	21,049
Gains/(losses) reclassified to profit or loss	0	(1,881)	(2,044)	0	(3,925)
Actuarial gains and losses	2,528	0	0	0	2,528
Tax effects	(632)	483	(4,647)	0	(4,796)
At 31/12/2017	***(14,950)***	***3,883***	***70,667***	***0***	***59,600***
Revaluations IFRS 9			(70,667)	903	(69,765)
At 01/01/2018	***(14,950)***	***3,883***	***0***	***903***	***(10,165)***
Unrealized gains/(losses) in the period	0	0	0	(965)	(965)
Gains/(losses) reclassified to profit or loss	0	(2,045)	0	0	(2,045)
Actuarial gains and losses	1,777	0	0	0	1,777
Tax effects	(444)	531	0	229	316
At 31/12/2018	***(13,617)***	***2,369***	***0***	***167***	***(11,082)***

The derecognitions through profit or loss of items from the cash flow hedge reserve were recorded under net interest income. In accordance with the accounting guidelines defined by IFRS 9, the available-for-sale reserve was dissolved. This represents the major part of the IFRS 9 revaluation effects under equity, as can be seen in the above table. The fair value OCI reserve contains the measurement results from investments which are assigned to this category because of their strategic focus (also see Note (15) Financial assets at fair value through other comprehensive income).

Capital management

The capital management of the RLB NÖ-Wien Group represents an important part of medium-term planning, which is regularly reviewed and updated. Its goal is to ensure compliance with legal and regulatory requirements at all times in line with the development of business and the protection of an appropriate buffer. The definition of capital is based on the applicable regulatory requirements. In accordance with § 39a of the Austrian Banking Act, the legal due diligence obligations of financial institutions include maintaining a capital base that guarantees protection for all major banking transactions and banking risks (also see the comments on overall bank management – risk capacity in note (32) Risks arising from financial instruments (Risk Report)). The capital indicators of RBG NÖ-Wien were optimized by the IPS (Institutional Protection Scheme) in the sense of Art. 49 (3) and 113 (7) of the CRR. The legal minimum requirements for capital defined by the Austrian Banking Act were met by Raiffeisen-Holding

NÖ-Wien at all times during the 2018 financial year at both the bank level and the credit institution group level of Raiffeisen-Holding NÖ-Wien.

RLB NÖ-Wien is part of the credit institution group of Raiffeisen-Holding NÖ-Wien which, as the ultimate parent company, is responsible for compliance with regulatory requirements at the credit institution group level. The central management of the regulatory capital requirements for the credit institution group therefore takes place primarily at the level of the credit institution group, i.e. in Raiffeisen-Holding NÖ-Wien. RLB NÖ-Wien defines the requirements for its capital management based on the management circumstances of the credit institution group.

Risk report and notes on financial instruments

(32) Risks arising from financial instruments (Risk Report)

The disclosures on the nature and extent of risks arising from financial instruments as required by IFRS 7.B6 are provided in the following section:

Risk policy

The volatile economic environment in recent years has increased the importance of overall bank risk management, above all the capability of a credit institution to identify, measure, monitor and manage all material risks on a timely basis. RLB NÖ-Wien therefore views risk management as an active corporate function and an integral part of overall bank management. The focus lies primarily on the optimization of risks and earnings (returns) to manage opportunities and risks.

Risk management at RLB NÖ-Wien and Raiffeisen-Holding NÖ-Wien is based on the Group's perspective. It is guaranteed by connecting the risk management lines in both institutions into a single integrated Group risk management framework.

This integrated risk management organisation is characterized by the assignment of the related responsibilities to a single Managing Board member and director for both companies and by the creation of departments that service both companies. Accordingly, RLB NÖ-Wien and Raiffeisen-Holding NÖ-Wien each has an Overall Bank/Group Risk Management Department as well as a subordinate Models & Analytics/Overall Group Risk Department. These merged committee structures also ensure the consistency of risk management.

The risk management units and the Managing Board level are separated organizationally from the front office units to ensure independent, effective risk management. The basis for the integrated risk management of the financial institution group, and therefore also for the individual institutions, is formed by the risk policy defined by the management of Raiffeisen-Holding NÖ-Wien and the Managing Board of RLB NÖ-Wien together with the accompanying strategies.

This risk policy includes, among others, the following elements:

- Principles of risk management, risk strategy and risk appetite
- Risk systems and models to identify, record and quantify risks
- Limits for all relevant risks
- Procedures to monitor risks

Disclosure

The disclosures required by Art. 431ff. of the CRR are provided on the homepage of Raiffeisen-Holding NÖ-Wien (www.rhnoew.at/eBusiness).

Risk management

RLB NÖ-Wien uses conventional risk management and controlling methods to safeguard the bank's profitability and security in the interest of its customers and owners. The Managing Board of RLB NÖ-Wien and the management of Raiffeisen-Holding NÖ-Wien are supported in performing their risk-related duties by the independent Risk Management Overall Bank/Group Department and by various committees.

The goal of the Overall Bank Management Committee of the Raiffeisen-Holding financial institution group is to ensure the optimal management of the Group as well as RLB NÖ-Wien and Raiffeisen-Holding NÖ-Wien as individual institutions and RBG NÖ-Wien (with respect to liquidity). This goal is met through the regular, institutionalized, systematic and measure-oriented analysis of profitability, capital, liquidity and risk. This cross-institutional committee includes the management of Raiffeisen-Holding NÖ-Wien and the Managing Board of RLB NÖ-Wien. The heads of the Risk Management Overall Bank/Group, Accounting and Treasury

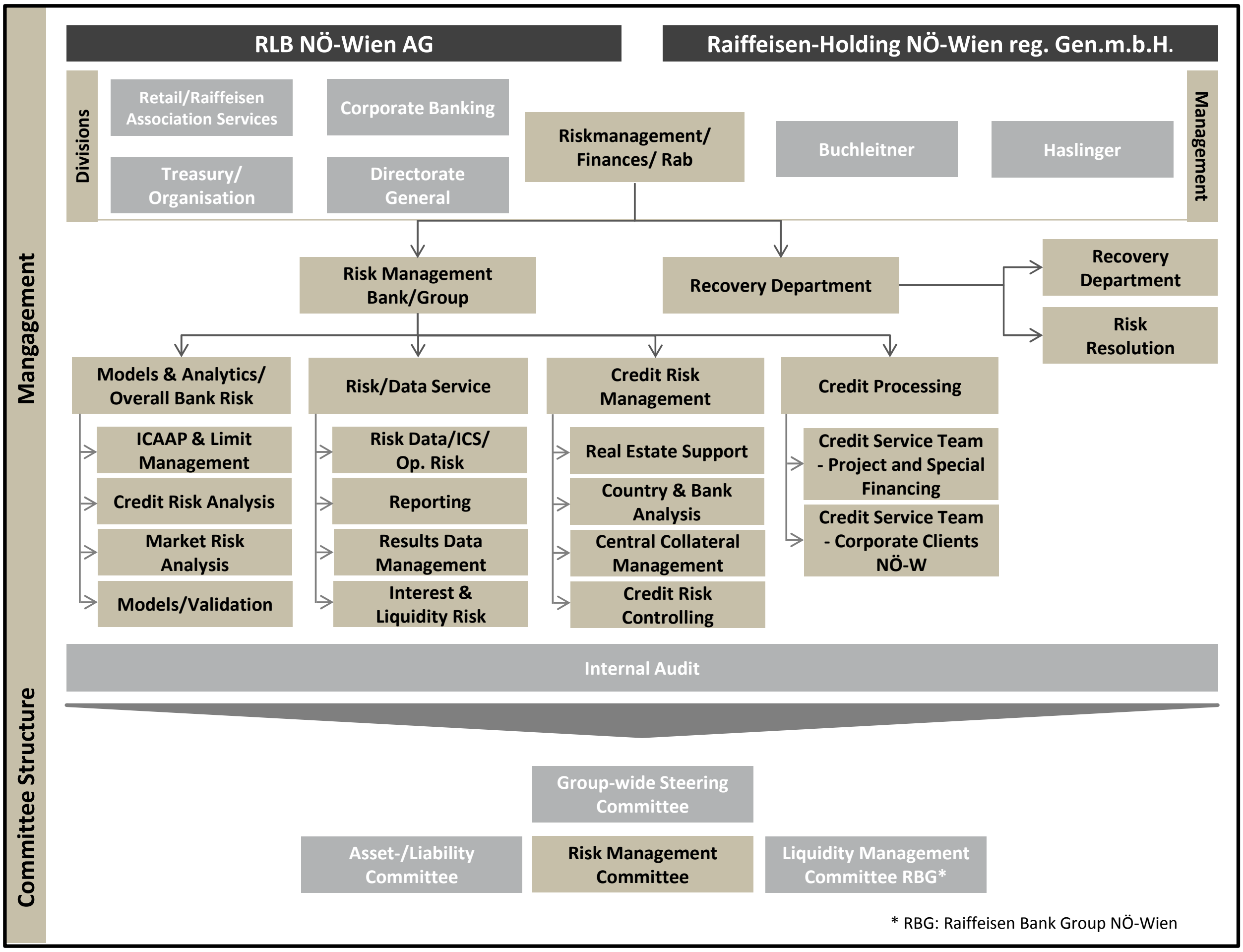
Departments are also involved as required. The Overall Bank Management Committee meets once each quarter.

A Group-wide Risk Committee was installed by the Raiffeisen-Holding financial institution group as an addition to the Overall Bank Management Committee. This Risk Committee communicates the risk situation and the decisions taken by the Overall Bank Management Committee to the heads of the Front Office, Recovery and Risk Resolution, and Internal and Group Audit Departments. In addition, the Risk Committee is responsible for risk management. The committee therefore represents a key element of the bank's overall management and control. Market, liquidity and credit spread risks are reported to and managed by a separate committee in the Raiffeisen Holding financial institution group, the Asset/Liability Committee.

In accordance with the legal requirements of the Austrian Banking Act and CRR regulations as well as the Credit Institution Risk Management Directive issued by the Austrian Financial Market Authority ("Kreditinstitut-riskmanagement Verordnung", KI-RMV), the financial institution group – and therefore also both institutions – has set a goal to safeguard the bank's profitability and security in the interest of its customers and owners through the use of efficient risk management and controlling methods.

Risk management in the Raiffeisen-Holding NÖ-Wien Group relies on the regular analysis of risk capacity as the basis for integrated management (in the sense of linking the management of earnings and risk in all business segments). All relevant risks are strategically optimized and quantified in line with capital and the use of appropriate limit systems. The financial institution group has oriented its organization and processes on the requirements of the Internal Capital Adequacy Assessment Process (ICAAP).

The organizational structure of the risk management units in the Risk Management/Finance Division is shown below:



The Risk Management Overall Bank/Group Department and its supporting units (see the above graph) are integrated in the Risk Management/Accounting Group and report directly to the responsible member of the Managing Board. This structure ensures that the Risk Management Overall Bank/Group Department remains independent of the front office units.

Risk analyses are prepared by the responsible departments in this area in accordance with the internal risk controlling process. The Models & Analytics/Overall Group Risk Department is responsible for aggregated risk analyses in the following areas: credit, country, CVA, market, credit spread, liquidity and investment risk as well as operational, macroeconomic and other risks The second organizational level in the risk process is formed by the Recovery and Risk Resolution Department, which reports to the Managing

Board member who is responsible for risk management and accounting.

The bank's risk appetite is defined by the overall bank risk limits set by the Managing Board. The Models & Analytics/Overall Risk Department continuously monitors risks and adherence to limits at the overall bank level on the basis of the risk capacity analysis.

The ICAAP Manual (Internal Capital Adequacy Assessment Process) of the Raiffeisen-Holding NÖ-Wien Group defines and describes the duties, organizational units, committees, reports, procedures and methods used for the identification, recording, quantification, monitoring and limitation of the relevant risks in the risk management process. This information is updated annually by the Models & Analytics/Overall Group Risk Department and approved by the Managing Board of RLB NÖ-Wien and the management of Raiffeisen-Holding NÖ-Wien. All risks to which the credit institution group is exposed are analysed and assessed for their relevance as part of a risk assessment-process and transferred to a Group-wide risk map. The resulting risk map is part of the ICAAP Manual. This procedure guarantees a coordinated process for identifying, measuring, limiting, reporting and documenting risks and creates a uniform understanding of the risk situation in the Raiffeisen-Holding NÖ-Wien Group.

The Internal Audit Department of RLB NÖ-Wien and the Internal and Group Audit Department of Raiffeisen-Holding NÖ-Wien review the effectiveness of the internal control system and working procedures, processes and the related internal controls at RLB NÖ-Wien as an integral part of the risk controlling and risk management system.

Management of overall bank risk – risk capacity

The central analysis of the bank's overall risk situation, including all relevant risks, takes place in the form of a risk capacity analysis that is the responsibility of the Models & Analytics/Overall Group Risk Department. The coverage potential and risks are presented in two scenarios: a going concern scenario (extreme case: confidence interval of 95%) which is based on the assumption that the company's continued existence is guaranteed; and a gone concern scenario (liquidation) based on regulatory requirements which has a confidence level of 99.9% and guarantees that sufficient capital would be available to protect creditors after the deduction of all risks. This scenario also represents the management scenario for RLB NÖ-Wien. The risk capacity analysis is based on IFRS values.

In keeping with the business strategy of RLB NÖ-Wien, the following risks are defined as material:

- Credit risk
- Country risk
- CVA risk
- Investment risk
- Market risk
- Credit spread risk
- Liquidity risk
- Operational risk
- Macroeconomic risk
- Other risks

The risk analysis and the usage analysis of the related limit system (risk appetite) also represent an information and decision tool for the Managing Board on issues involving the management of risk activities to protect the going concern status and to optimally utilize earnings potential. In this way the risk analysis creates a quantitative summary of the risk appetite, which is derived from risk policy by limiting risk activities to an appropriate level for the bank.

The central activities of overall risk management include risk capacity analyses as well as stress tests, scenario analyses and capital planning and allocation.

RLB NÖ-Wien carries out the following stress tests as part of its stress evaluation programme:

- Integrated overall bank stress test
- Credit risk stress test
- Market risk stress test

- Liquidity risk stress test
- Reverse stress test

The goal of stress tests is to develop a forward-looking view of risk management, strategic planning and capital planning. Stress tests quantify the effects of possible future shocks and extreme events, and thereby analyse the institution's vulnerability. Through its forward-looking perspective, the stress test serves as an early warning indicator and is therefore suitable for the proactive management of risks.

The Austrian Act on the Reorganization and Resolution of Banks (“Bundesgesetz über die Sanierung und Abwicklung von Banken“, BaSAG) requires financial institutions to prepare and regularly update a recovery plan. The Raiffeisen-Holding NÖ-Wien Group met this requirement by preparing an extensive recovery plan, which forms the basis for decisions by management and provides fast access to an action plan in the event of a crisis. The plan covers the Raiffeisen-Holding NÖ-Wien Group in total as well as RLB NÖ-Wien as the most important sub-institution.

In agreement with the EBA Guideline (EBA GL) 2014-06 on the range of scenarios to be used in recovery plans, the preparation of this plan also involved a macroeconomic stress test that covered the entire bank. This stress test evaluated the effectiveness and feasibility of the various restructuring options and the appropriateness of the early warning and recovery indicator sets. Four stress scenarios were defined for 2018 as part of a sector-wide coordination: all four scenarios apply to ECB-supervised banks, while only three are applicable to nationally supervised institutions. The Raiffeisen-Holding NÖ-Wien Group has therefore selected three of these stress scenarios to form a set which covers two speeds and three forms (fast/slow and idiosyncratic/systemic/combined).

The early warning and recovery indicators included in the recovery plan are designed to identify a potential crisis at an early point in time and allow for the implementation of appropriate measures (see EBA GL 2015-02 “Guidelines on the minimum list of qualitative and quantitative recovery plan indicators”). The recovery plan developed by the financial institution group includes an extensive set of measures which could be implemented to restore financial stability.

The Group-wide Risk Committee is responsible for monitoring the early warning and recovery indicators.

The adjusted “Common Equity Tier 1“ (CET1) ratio defined for the Raiffeisen-Holding NÖ-Wien Group through an official notice on 8 December 2017 is still valid. The Raiffeisen-Holding NÖ-Wien Group, as a supervised entity, and RLB NÖ-Wien, as a subsidiary of the supervised entity, no longer met the requirements for a significant supervised entity and are now classified as less significant. The responsibility for direct supervision was therefore transferred to the national level, i.e. to the Austrian Financial Market Authority, as of 1 January 2018, and this federal agency was again responsible for the regulatory audit in 2018.

The risk management described above represents the process for the Raiffeisen-Holding credit institution group (i.e. RLB NÖ-Wien incl. its parent company Raiffeisen-Holding NÖ-Wien). The process is carried out consistently for both companies.

Credit risk

RLB NÖ-Wien defines credit risk as the risk that a borrower may make contractually required payments only in part or not at all.

The largest risk category for RLB NÖ-Wien is formed by the credit risks arising from loans and advances to other banks, corporate customers, government bodies and personal and business banking customers. Credit risk covers the results of traditional lending operations (losses through loan defaults and the resulting loan management due to a decline in creditworthiness) as well as the risks arising from trading in and acquiring market risk instruments (counterparty default risk on derivatives).

Credit risk also includes the country or transfer risk caused by distressed sovereign states and the counterparty risk arising from derivative transactions. Country and transfer risks involve the inability of a debtor to discharge an obligation because of a country's sovereign actions. Transfer risk also includes the risk that a distressed country's debt might be rescheduled under an intergovernmental agreement. This risk is limited separately.

RLB NÖ-Wien controls counterparty risk through individual limits and incorporates these risks in credit risk measurement and management. The risk arising from these transactions is minimized with offsetting procedures (offsetting of receivables and liabilities) and collateral agreements (exchange of collateral).

In keeping with the risk policy, risk strategy and risk capacity of RLB NÖ-Wien (including all related risks), economic capital is allocated to the individual types of risk. Economic capital therefore represents the capital required to cover the respective risks based on the defined risk appetite of RLB NÖ-Wien. Economic capital is restricted to the risk category level, while credit risk involves limits and management at the business segment level. Concentration risks in the credit business are minimized by a detailed line and limit system.

The strategic credit management process covers the formulation and implementation of appropriate risk-related strategic goals and measures by the Managing Board. This represents an integral part of the company and segment strategies and is integrated with all (sub-) strategies. The process also defines which segments are authorized to make loans and which products can be used for this purpose.

Credit risk is the most important risk category for RLB NÖ-Wien. The risk management process includes accompanying support during the approval procedure and the term of the loan by the Models & Analytics/Overall Group Risk Department (Credit Risk Analysis Group), the Credit Risk Management Department and, for customer commitments requiring special assistance, by the Recovery Department through its Recovery and Risk Resolution Departments. The primary responsibilities of the Risk Management Department include support and control during the initial evaluation, the assessment and management of credit risk as well as the reorganization and restructuring and, under certain circumstances, the liquidation of problem loans.

The credit risk to which RLB NÖ-Wien is exposed is monitored and analysed at both the individual customer loan and the portfolio level. Credit risk management and credit decisions are based on the strategic principles approved by the Managing Board of RLB NÖ-Wien, which cover credit checks, the evaluation of sub-risks (including country risk and the special consideration of banking risk), collateral and risk/return requirements.

The counterparty default risks arising from derivative transactions are accounted for through a credit value adjustment (CVA), which is calculated by an internal model that estimates the costs for hedging this risk on the market.

RLB NÖ-Wien has installed an extensive credit limit system at the overall bank level and at the individual bank, country and corporate customer levels. The evaluation of individual commitments is also designed to ensure that the bank's approval ceilings remain below regulatory limits. This means commitments equal to or greater than 7.5% of total capital must be submitted to the Supervisory Board for approval, even though this is not required by law.

The risk content of a commitment is recorded in an extensive rating system which includes various models for the different customer segments. For the risk assessment process, customers are assigned to nine active credit classes based on these rating and scoring models. Default cases are classified in accordance with CRR/CRD IV and assigned to default class "D". All rating systems used by RLB NÖ-Wien are validated at least once each year and performance improvement measures are implemented where necessary. New rating systems are developed by means of statistical methods and only used after extensive initial validation. The rating systems include quantitative factors from financial statements as well as qualitative factors (soft facts). A number of the rating/scoring systems also have automated components that deal with performance patterns. The rating systems classify customers in nine active credit classes (0.5 risk-free – 4.5 high risk of non-performance). The default probabilities for the individual customers are mapped onto the nine steps of each rating model. Consequently, the ratings of the various customer groups are not comparable with regard to their risk content. In addition to the nine rating classes for active customers, there is one default class (D). Rating class D includes default cases that are 90 days overdue as well as customer loans which have been adjusted through individual allowances and insolvency cases. The recognition of an individual allowance leads to immediate assignment to a default class. In accordance with IFRS 9 5.2.2, risk provisions are calculated for all financial assets carried at amortised cost (AC) or at fair value through other comprehensive income (FVTOCI) based on the expected credit loss (ECL) approach.

The credit process and the involvement of experts from the Risk Management Overall Bank/Group cover all necessary monitoring measures that are directly or indirectly integrated in the related work processes. As part of the credit risk management process, the analysis of risky loans includes the pre-approval involvement of the Credit Risk Management Department. Special reviews of banks and exposures involving country risk are also carried out by the Country and Bank Analysis Unit, which is integrated in the Credit Risk Management Department.

In addition to the determination of internal ratings during the loan approval process, all collateral received is appraised and checked according to a special assessment catalogue that includes defined risk discounts. This catalogue is regularly reviewed and updated. Collateral is recorded in a separate data management system and reassessed on a regular basis. A central collateral management group, which was established within the Credit Risk Management Department, is responsible for preparing and monitoring valuation guidelines and processes. Mortgage-backed collateral is appraised by specially trained staff members or certified external appraisers. Collateral management in connection with derivative transactions is carried out on a daily basis by the Treasury Services Department.

RLB NÖ-Wien uses an early warning system which defines the criteria for placing a commitment under detailed supervision because of its risk content. Early warning in connection with loans is understood, above all, to mean the handling and special monitoring of credit transactions with a negative change in the risk assessment as the result of specific circumstances, but does not include classification as non-performing. The goal is to quickly identify problem exposures in order to introduce suitable measures as early as possible. The Managing Board receives a quarterly report on the loan portfolio that is under detailed management and any changes in its composition.

The periodic updating of ratings and the evaluation of collateral also include the regular recognition of any necessary risk provisions. Impairment losses are recognized to loans that are expected to become uncollectible, taking any collateral received into account, while risk provisions are recognized for off-balance sheet exposures. In identifying and calculating the risk provisions, RLB NÖ-Wien follows the requirements defined by IFRS 9. A discounted cash flow (DCF) method is applied to all impaired loans due from significant customers, whereby the amount of the adjustment equals the difference between the carrying amount and the present value of the expected future cash flows. The loans not reduced through impairment losses are included in the calculation of the portfolio allowances. The risk parameters used for the calculation are validated at least once each year. Impaired loans due from non-significant customers are valued with models which determine the necessary adjustment based on the unsecured exposure (EAD) and a duration-dependent loss rate (LGD). The risk parameters used in the calculation are validated at least once each year.

RLB NÖ-Wien uses a default database to identify default cases and to manage loans. All default cases are documented in this database, which also records the related costs and incoming payments. RLB NÖ-Wien applies the CRR definition of default in full, which includes all loans and advances to the customer in each business segment (customer point of view). The information in this database represents an important factor for the calculation and validation of risk parameters (PDs, LGDs and CCF factors). Special crisis cases are handled and settled as required by designated problem loan committees.

The Models & Analytics Department (Credit Risk Analysis Group) is responsible for credit risk controlling and prepares regular reports and ad-hoc analyses for this purpose. These reports present different scenarios for the transactions exposed to credit risk. In addition to the portfolio data, the credit risk reports also show the changes in the portfolio and, together with the results of the risk capacity analysis, form the basis for appropriate management impulses and measures.

The measurement of credit risk includes both expected and unexpected losses. The expected loss is calculated with validated risk parameters and forms the basis for the standard risk costs used in pre-calculations and follow-up calculations (management performance calculations). This procedure ensures that pricing is in line with the respective risks.

The unexpected loss (economic capital) arising from credit risk is measured and managed at the overall portfolio level using an internal portfolio model. RLB NÖ-Wien calculates its credit value at risk with a market valuation model which generates the distribution of losses with a Monte Carlo simulation. The applied risk parameters are consistent with the calculation of the expected losses. Economic capital – as the difference between the credit value at risk and the expected loss – flows into the bank's risk capacity analysis for the extreme case and liquidation scenarios (95% and 99.9% confidence level, respectively). RLB NÖ-Wien bases its calculations of economic capital for the risk capacity analysis on a one-year horizon. Country risk is explicitly quantified based on the country rating and managed separately within the framework of the risk capacity analysis. The standard calculations for unexpected losses are supplemented by the calculation and review of sensitivity analyses and stress scenarios. The Raiffeisen-Holding NÖ-Wien Group uses its own, annually validated institutional risk parameters for the credit portfolio model. Internal models are used to analyse and simulate changes in macroeconomic factors with respect to their influence on the risk parameters.

The credit exposure presented below was derived from the following balance sheet items which are exposed to risk:

- Cash, cash balances at central banks and demand deposits
- Financial assets held for trading
- Non-trading financial assets mandatorily at fair value through profit or loss
- Financial assets at fair value through profit or loss
- Financial assets at fair value through other comprehensive income
- Financial assets at amortized cost
- Derivatives – hedge accounting
- Contingent liabilities
- Credit commitments

The credit exposure represents the gross amount, excluding risk provisions or collateral, and therefore represents the maximum value of receivables. It includes both on-balance sheet and off-balance sheet credit exposures before the application of weighting factors. This definition also forms the basis for the following tables in the risk report – unless expressly indicated otherwise.

The following table reconciles the balance sheet positions to the credit exposure. In contrast to the balance sheet positions, the credit exposure is presented on a gross basis (without the deduction of risk provisions and collateral). The comparative prior year data were adjusted to reflect the change in the balance sheet structure.

€´000 Balance sheet items	Notes	2018 Balance sheet items	2018 Credit exposure	2017 Balance sheet items	2017 Credit exposure
Cash, cash balances at central banks and other demand deposits	*(11)*	*3,359,250*	*3,317,562*	*2,790,844*	*2,746,978*
Financial assets held for trading	*(12)*	*1,341,693*	*1,339,789*	*730,596*	*730,596*
Derivatives	(12)	531,373	531,373	601,498	601,498
Equity instruments	(12)	1,905	0	0	0
Bonds	(12)	808,415	808,415	129,098	129,098
Loans and advances to other banks	(12)	386,517	386,517	128,309	128,309
Loans and advances to customers	(12)	421,898	421,898	789	789
Non-trading financial assets mandatorily at fair value through profit or loss	*(13)*	*173,513*	*160,630*	*0*	*0*
Equity instruments	(13)	12,883	0	0	0
Bonds	(13)	919	919	0	0
Loans and advances to other banks	(13)	919	919	0	0
Loans and advances	(13)	159,711	159,711	0	0
Loans and advances to customers	(13)	159,711	159,711	0	0
Financial assets designated at fair value through profit or loss	*(14)*	*0*	*0*	*301,517*	*301,517*
Bonds	(14)	0	0	301,517	301,517
Loans and advances to customers	(14)	0	0	301,517	301,517
Financial assets at fair value through other comprehensive income	*(15)*	*18,872*	*0*	*3,731,517*	*3,700,294*
Equity instruments	(15)	18,872	0	31,223	0
Bonds	(15)	0	0	3,700,294	3,700,294
Loans and advances to other banks	(15)	0	0	581,396	581,396
Loans and advances to customers	(15)	0	0	3,118,899	3,118,899
Financial assets at amortized cost	*(16)*	*19,188,168*	*19,354,187*	*15,324,298*	*15,513,184*
Bonds	(16)	4,128,791	4,130,391	367,267	368,553
Loans and advances to other banks	(16)	1,007,799	1,008,407	163,330	163,902
Loans and advances to customers	(16)	3,120,992	3,121,984	203,937	204,651
Loans and advances	(16)	15,059,377	15,223,796	14,957,032	15,144,631
Loans and advances to other banks	(16)	2,441,505	2,443,689	3,591,251	3,596,553
Loans and advances to customers	(16)	12,617,872	12,780,107	11,365,780	11,548,078
Derivatives - hedge accounting	*(18)*	*347,329*	*347,329*	*354,761*	*354,761*
Contingent liabilities	*(40)*	*811,227*	*819,757*	*778,863*	*787,788*
Credit commitments	*(40)*	*4,480,535*	*4,484,729*	*4,909,319*	*4,910,242*
Total		29,720,588	29,823,983	28,921,716	29,045,359

The detailed analysis of the credit portfolio takes place through a classification in rating levels, whereby a separate customer rating is prepared for each class of loans and advances. Centrally validated, internal risk classification processes (rating and scoring models) are used to determine the credit rating. The default probability for the various rating levels is determined separately for each business segment. Therefore, the probabilities assigned to the same rating classification in the various business segments (retail customers, businesses and financial institutions) and the public sector (countries, provinces and municipalities) are not directly comparable.

The following table shows the concentration of default risk in the credit portfolio and its influence on the expected credit loss calculation (in accordance with IFRS 7.35M).

€´000		2018							2017
		Exposure	Of which Stage 1 Performing	Of which Stage 2 Under Performing	Of which Stage 3 Credit Impaired		Of which POCI	Collateral	Exposure
Internal Rating					significant	not significant			
0.5	Minimal Risk	5,112,930	5,109,857	3,073	0	0	0	521,297	4,987,561
1	Excellent credit standing	4,839,707	4,823,296	16,411	0	0	0	1,082,967	4,360,956
1.5	Very good credit standing	9,195,457	9,138,627	56,830	0	0	0	1,947,146	3,351,048
2	Good credit standing	6,770,032	6,656,133	113,899	0	0	0	2,819,466	11,155,831
2.5	Very good credit standing	2,440,434	2,376,605	63,829	0	0	0	974,803	3,047,503
3	Mediocre credit standing	708,133	626,545	81,588	0	0	0	405,866	1,281,970
3.5	Weak credit standing	269,270	202,491	66,779	0	0	0	189,316	344,279
4	Good credit standing	83,090	42,347	40,743	0	0	0	49,451	86,947
4.5	Doubtful/high default risk	38,608	4,938	33,670	0	0	0	26,472	50,560
D	Default	320,117	1,698	248	198,020	110,479	9,672	118,628	351,674
	Unrated	46,205	6,638	39,567	0	0	0	13,036	27,030
Gross carrying amount		***29,823,983***	***28,989,175***	***516,636***	***198,020***	***110,479***	***9,672***	***8,148,448***	***29,045,359***
Impairment allowance balance		179,829	12,292	3,200	89,035	71,563	3,740	0	197,446
Net carrying amount		**29,644,153**	**28,976,883**	**513,437**	**108,986**	**38,916**	**5,932**	**8,148,448**	**28,847,914**

The assignment of the loans and advances in the following tables is based on Art. 112 of the CRR and leads to classification in the following groups: Corporates (corporate customers), Retail (personal banking customers and small and medium-sized businesses), Banks and Sovereigns (states and public sector institutions).

Credit portfolio – Corporates

The Corporates portfolio is rated by means of a corporate customer rating model which includes both quantitative and qualitative factors. This rating model has a statistical base and is validated at least once each year. Project financing is also integrated in the corporate customer segment. Separate project rating is applied to these customers, but the ratings are also mapped to the default probability of the corporate customers.

The following table shows the credit exposure for corporate customers according to the nine performing rating classes 0.5 - 4.5, respectively the default class D. Collateral is presented after internal haircuts:

€´000		2018							2017
		Exposure	Of which Stage 1 Performing	Of which Stage 2 Under Performing	Of which Stage 3 Credit Impaired		Of which POCI	Collateral	Exposure
Internal Rating					significant	not significant			
0.5	Minimal Risk	166,415	166,415	0	0	0	0	47,524	167,725
1	Excellent credit standing	2,252,847	2,241,840	11,006	0	0	0	803,107	1,780,056
1.5	Very good credit standing	3,272,481	3,221,400	51,081	0	0	0	1,719,379	2,593,724
2	Good credit standing	5,643,529	5,540,522	103,007	0	0	0	2,594,752	4,321,184
2.5	Very good credit standing	1,434,419	1,390,512	43,906	0	0	0	744,432	2,310,708
3	Mediocre credit standing	441,290	379,874	61,415	0	0	0	304,129	937,611
3.5	Weak credit standing	171,091	120,888	50,203	0	0	0	138,547	216,390
4	Good credit standing	30,281	9,953	20,328	0	0	0	17,106	31,464
4.5	Doubtful/high default risk	10,315	325	9,990	0	0	0	6,022	21,515
D	Default	199,144	1,201	0	188,586	1,600	7,757	91,322	223,305
	Unrated	38,759	656	38,103	0	0	0	11,809	24,034
Gross carrying amount		***13,660,571***	***13,073,587***	***389,040***	***188,586***	***1,600***	***7,757***	***6,478,129***	***12,627,715***
Impairment allowance balance		96,248	5,773	1,674	85,528	676	2,596	0	104,043
Net carrying amount		**13,564,323**	**13,067,814**	**387,366**	**103,058**	**924**	**5,161**	**6,478,129**	**12,523,672**

In the Corporates portfolio, 93% of the credit exposure is within the investment grade range (credit rating: 0.5 – 2.5).

The following table shows the classification of the Corporates portfolio by branch:

€´000 Branch	2018	PER CENT	2017	PER CENT
Real estate and housing	4,328,333	31.7	4,193,414	33.2
Manufacturing	2,426,141	17.8	2,076,249	16.4
Finance and insurance	1,103,926	8.1	879,522	7.0
Retail	1,031,135	7.5	1,096,094	8.7
Construction	975,621	7.1	898,444	7.1
Freelance professionals/techn. services	661,279	4.8	405,069	3.2
Public administration	530,793	3.9	558,488	4.4
Energy supply	484,802	3.5	527,171	4.2
Other business services	453,805	3.3	548,600	4.3
Hotel trade and gastronomy	265,747	1.9	258,287	2.0
Transportation	263,570	1.9	167,795	1.3
Other services	203,512	1.5	166,732	1.3
Healthcare and social services	197,019	1.4	168,472	1.3
Information and communication	177,507	1.3	142,775	1.1
Water supply and waste disposal	157,035	1.1	176,621	1.4
Other	400,348	2.9	363,982	2.9
Total	**13,660,571**	**100.0**	12,627,715	100.0

Most of the loans in the real estate and housing category were used for residential construction (subsidized and privately financed). RLB NÖ-Wien has adapted its internal organization (incl. risk management) to this area of business through a focus on real estate financing and also monitors this concentration separately.

The following table shows the classification of the Corporates portfolio by region:

€´000 Country/Region	2018	PER CENT	2017	PER CENT
Austria	11,591,085	84.9	10,908,114	86.4
EU-remainder	1,831,321	13.4	1,619,217	12.8
Non-EU	238,165	1.7	100,384	0.8
Total	**13,660,571**	**100.0**	12,627,715	100.0

Most of the exposure in the Corporates portfolio is generated with corporate customers in Austria. This portfolio is supplemented by foreign commitments, primarily in the EU (above all in Germany, the Czech Republic and Great Britain).

Credit portfolio – Retail

The retail portfolio covers personal banking customers as well as small- and medium-sized businesses. Small- and medium-sized businesses are ranked by way of a business customer rating system. Personal banking customers are rated with a statistical scoring process that includes both an application and a performance component. All rating models have a statistical base and are validated at least once each year.

The following table shows the credit exposure for the Retail portfolio according to the individual rating classes. Collateral is presented after internal haircuts:

€´000								2018	2017
		Exposure	Of which Stage 1 Performing	Of which Stage 2 Under Performing	Of which Stage 3 Credit Impaired		Of which POCI	Collateral	Exposure
Internal Rating					significant	not significant			
0.5	Minimal Risk	424,425	421,352	3,073	0	0	0	243,123	409,259
1	Excellent credit standing	238,825	233,421	5,404	0	0	0	144,014	176,247
1.5	Very good credit standing	280,945	275,197	5,749	0	0	0	161,248	231,830
2	Good credit standing	378,083	368,215	9,867	0	0	0	224,714	351,697
2.5	Very good credit standing	396,598	382,208	14,390	0	0	0	230,046	353,993
3	Mediocre credit standing	202,573	186,768	15,806	0	0	0	101,730	288,006
3.5	Weak credit standing	98,097	81,521	16,575	0	0	0	50,769	127,837
4	Good credit standing	52,807	32,393	20,415	0	0	0	32,345	55,483
4.5	Doubtful/high default risk	28,293	4,613	23,680	0	0	0	20,450	28,898
D	Default	114,540	497	248	3,001	108,879	1,915	27,306	122,064
	Unrated	2,263	800	1,464	0	0	0	1,227	2,994
Gross carrying amount		*2,217,449*	*1,986,985*	*116,670*	*3,001*	*108,879*	*1,915*	*1,236,973*	*2,148,308*
Impairment allowance balance		78,079	2,047	1,165	2,836	70,886	1,144	0	87,064
Net carrying amount		**2,139,371**	**1,984,938**	**115,505**	**164**	**37,993**	**771**	**1,236,973**	2,061,244

The Retail portfolio is classified according to small- and medium-sized businesses and personal banking customers as follows:

€´000 Segment	2018	PER CENT	2017	PER CENT
Personal banking customers	1,279,439	57.7	1,197,616	55.7
Small- and medium-sized businesses	938,011	42.3	950,692	44.3
Total	**2,217,449**	**100.0**	2,148,308	100.0

The share of foreign currency financing in the retail customer group is shown below:

€´000 Currency	2018	PER CENT	2017	PER CENT
Euro	2,080,307	93.8	1,992,224	92.7
Swiss franc	128,133	5.8	147,872	6.9
Japanese yen	5,381	0.2	5,615	0.3
US dollar	2,008	0.1	1,543	0.1
Czech krone	1,374	0.1	565	0.0
Other currencies	247	0.0	490	0.0
Total	**2,217,449**	**100.0**	2,148,308	100.0

Foreign currency credits in Swiss francs declined by a further TEUR 19,739 in 2018. New foreign currency credits to consumers are generally not granted. RLB NÖ-Wien monitors the foreign exchange risk and the risk arising from repayment vehicles very closely.

Credit portfolio – Banks

The credit portfolio for banks has been measured with a separate rating system since January 2018. These ratings are managed and reviewed by a separate group in the Credit Risk Management Department (country and bank analysis group).

The following table shows the credit exposure for the Bank portfolio based on the individual rating classes. Collateral is presented after internal haircuts:

€´000								2018	2017
		Exposure	Of which Stage 1 Performing	Of which Stage 2 Under Performing	Of which Stage 3 Credit Impaired		Of which POCI	Collateral	Exposure
Internal Rating					significant	not significant			
0.5	Minimal Risk	375,978	375,978	0	0	0	0	230,650	267,410
1	Excellent credit standing	383,656	383,656	0	0	0	0	54,397	531,729
1.5	Very good credit standing	5,601,045	5,601,045	0	0	0	0	66,519	524,452
2	Good credit standing	629,616	629,616	0	0	0	0	0	6,405,014
2.5	Very good credit standing	332,554	331,774	780	0	0	0	320	115,746
3	Mediocre credit standing	13,614	9,248	4,367	0	0	0	0	1,903
3.5	Weak credit standing	82	82	0	0	0	0	0	52
4	Good credit standing	0	0	0	0	0	0	0	0
4.5	Doubtful/high default risk	0	0	0	0	0	0	0	146
D	Default	6,434	0	0	6,434	0	0	0	6,305
	Unrated	5,180	5,180	0	0	0	0	0	0
Gross carrying amount		*7,348,159*	*7,336,578*	*5,147*	*6,434*	*0*	*0*	*351,885*	*7,852,757*
Impairment allowance balance		4,076	3,346	60	670	0	0	0	6,285
Net carrying amount		**7,344,083**	**7,333,232**	**5,087**	**5,764**	**0**	**0**	**351,885**	7,846,472

The substantial concentration in credit rating class 1.5 is caused primarily by the three-level organization of the Raiffeisen sector and the related liquidity drawdown. The shift in the concentration from 2 to 1.5 resulted in an improvement in the rating of the Raiffeisen sector institutions (RBI, Raiffeisen banks etc.). This rating class consists primarily of RBI and loans to Raiffeisen banks in Lower Austria.

The following table shows the distribution of the credit exposure arising from banks by country:

€'000 Top 5 Countries	2018	PER CENT	2017	PER CENT
Austria	5,668,131	77.1	6,453,682	82.2
Germany	504,780	6.9	437,956	5.6
Great Britain	464,986	6.3	361,279	4.6
France	334,493	4.6	283,703	3.6
Australia	46,422	0.6	50,807	0.6
EU-remainder	259,290	3.5	197,552	2.5
Non-EU, other	70,056	1.0	67,778	0.9
Total	**7,348,159**	**100.0**	7,852,757	100.0

Additional information on the country exposure is provided in the section on "Country risk“.

Credit portfolio – Sovereigns

The credit portfolio for countries and public sector entities is rated in line with a standard sector-wide measurement and rating procedure for sovereigns which is based on the RBI model. In RLB NÖ-Wien, these ratings are managed and reviewed by a separate group in the Credit Risk Management Department (country and bank analysis group).

The Austrian provinces and municipalities are also rated by the Credit Risk Management Department.

Municipalities are rated with an expert system which includes information on the respective annual financial statements as well as qualitative factors. The ratings are mapped onto the default probabilities of the sovereign ratings to ensure comparability.

The following table shows the credit exposure for the Sovereigns portfolio according to the individual rating classes. Collateral is presented after internal haircuts:

€´000								2018	2017
		Exposure	Of which Stage 1 Performing	Of which Stage 2 Under Performing	Of which Stage 3 Credit Impaired		Of which POCI	Collateral	Exposure
Internal Rating					significant	not significant			
0.5	Minimal Risk	4,146,112	4,146,112	0	0	0	0	0	4,143,167
1	Excellent credit standing	1,964,379	1,964,379	0	0	0	0	81,449	1,872,925
1.5	Very good credit standing	40,986	40,986	0	0	0	0	0	1,042
2	Good credit standing	118,805	117,780	1,025	0	0	0	0	77,936
2.5	Very good credit standing	276,864	272,110	4,754	0	0	0	5	267,057
3	Mediocre credit standing	50,655	50,655	0	0	0	0	7	54,450
3.5	Weak credit standing	0	0	0	0	0	0	0	0
4	Good credit standing	1	1	0	0	0	0	0	0
4.5	Doubtful/high default risk	0	0	0	0	0	0	0	0
D	Default	0	0	0	0	0	0	0	0
	Unrated	3	2	0	0	0	0	0	2
Gross carrying amount		***6,597,804***	***6,592,025***	***5,779***	***0***	***0***	***0***	***81,461***	*6,416,579*
Impairment allowance balance		1,427	1,127	300	0	0	0	0	54
Net carrying amount		**6,596,377**	**6,590,898**	**5,478**	**0**	**0**	**0**	**81,461**	6,416,525

The major part of the exposure arising from the Sovereigns portfolio is held within a liquidity buffer in Austrian and German government bonds (rating: 0.5).

Additional information on the country exposure is provided in the section on "Country risk“.

€'000 Top 5 Countries	2018	PER CENT	2017	PER CENT
Austria	3,948,784	59.8	3,786,994	59.0
Germany	587,292	8.9	615,318	9.6
Luxembourg	487,702	7.4	539,089	8.4
Finland	265,056	4.0	268,690	4.2
France	238,213	3.6	219,405	3.4
EU-remainder	948,325	14.4	871,283	13.6
Non-EU	122,432	1.9	115,799	1.8
Total	**6,597,804**	**100.0**	6,416,579	100.0

Problem loans

The problem loan portfolio is continuously monitored and managed by the Recovery Department, which is part of the Risk Management/Accounting Group. This department distinguishes between reorganization cases and settlement cases and is supported on legal issues internally by the Legal Department and by external experts. The recovery and resolution staff are specially trained and experienced in the restructuring or settlement of problem loan commitments. They make an important contribution to the presentation and analysis as well as the recognition of any required risk provisions (write-offs, impairment charges or provisions) and can generally reduce the losses on problem loans through their early involvement.

The length of the payment delay is an important factor for estimating the collectability of receivables. The following table shows the volume of overdue receivables in each customer group for various time periods:

2018 €'000 Receivables categories	Not overdue					Overdue	Total
		Up to 31 days	31 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	
Other banks	7,348,159	0	0	0	0	0	7,348,159
Corporate customers	13,452,277	154,063	11,553	4,544	5,772	32,363	13,660,571
Retail exposures	2,074,975	56,772	11,137	6,604	9,522	58,439	2,217,449
Public sector exposures	6,597,804	0	0	0	0	0	6,597,804
Total	**29,473,215**	**210,834**	**22,689**	**11,148**	**15,294**	**90,802**	**29,823,983**

2017 €'000 Receivables categories	Not overdue					Overdue	Total
		Up to 31 days	31 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	
Other banks	7,852,757	0	0	0	0	0	7,852,757
Corporate customers	12,459,594	104,872	9,271	23,341	7,699	22,938	12,627,715
Retail exposures	1,993,347	61,131	11,352	6,645	7,930	67,902	2,148,308
Public sector exposures	6,416,568	11	0	0	0	0	6,416,579
Total	28,722,266	166,014	20,623	29,987	15,630	90,840	29,045,359

The following table shows the receivables that are overdue at least one day, but do not carry a Stage 3 risk provision. According to the regulatory default criteria, classification as overdue begins on the 91st day.

A total exposure of EUR 198.1 million is overdue up to and including 90 days, but is not in default and is therefore assigned to Stage 1 or Stage 2. A credit exposure of EUR 4.8 million is overdue more than 90 days (and therefore classified as in default and Stage 3), but has not been reduced through the recognition of an impairment allowance (2017: EUR 16.7 million).

€´000 Receivables categories	Up to 90 days 2018	2017	91 to 180 days 2018	2017	181 to 360 days 2018	2017	Over 360 days 2018	2017
Other banks	0	0	0	0	0	0	0	0
Corporate customers	135,210	97,568	0	8,311	0	1,967	2,019	0
Retail exposures	62,913	67,802	502	1,831	276	1,208	1,965	3,384
Public sector exposures	0	11	0	0	0	0	0	0
Total	**198,122**	165,381	**502**	10,141	**276**	3,175	**3,984**	3,384

The following table shows the non-performing exposure based on the definition of the EBA Technical Standard "On Supervisory reporting on forbearance and non-performing exposures under Article 99(4) of Regulation (EU) No. 575/2013“. It covers both non-performing and performing exposure. Based on the definition change in the EBA Technical Standard which resulted from IFRS 9 (FINREP ANNEX III REV1/FINREP ANNEX V), deposits with central banks and demand deposits must be included in the calculation of the NPE ratio and the NPL ratio. The comparable data for 2017 were adjusted accordingly.

2018 €'000 Receivables categories	Credit exposure	Amount	Risk provision	Collateral	NPE Ratio in %	Coverage Ratio I in %	Non-performing Coverage Ratio II in %
Other banks	5,581,687	670	670	0	0.0	100.0	100.0
Corporate customers	9,749,742	179,223	82,591	84,032	1.8	46.1	93.0
Retail exposures	1,889,904	113,041	72,450	28,703	6.0	64.1	89.5
Public sector exposures	5,611,046	0	0	0	0.0	0.0	0.0
Total	**22,832,379**	**292,934**	**155,711**	**112,735**	**1.3**	**53.2**	**91.6**

2017 €'000 Receivables categories	Credit exposure	Amount	Risk provision	Collateral	NPE Ratio in %	Coverage Ratio I in %	Non-performing Coverage Ratio II in %
Other banks	6,314,671	2,366	2,336	0	0.0	98.7	98.7
Corporate customers	8,963,143	206,174	90,456	83,123	2.3	43.9	84.2
Retail exposures	1,820,821	124,094	81,090	34,929	6.8	65.3	93.5
Public sector exposures	5,163,338	0	0	0	0.0	0.0	0.0
Total	22,261,973	332,634	173,881	118,051	1.5	52.3	87.8

The non-performing exposure (NPE) ratio, which is calculated similar to the EBA Risk Indicator AQT_3.1, equalled 1.3% as of 31 December 2018 (2017: 1.5%). Coverage Ratio I is defined as the Stage 3 risk provision for non-performing credit exposures in relation to the total non-performing credit exposures, and Coverage Ratio II as the Stage 3 risk provision plus collateral (after haircuts) for non-performing credit exposures in relation to the total non-performing credit exposures. Coverage Ratio I equals 53.2% (2017: 52.3%) and Coverage Ratio II 91.6% (2017: 87.8%).

The NPL ratio, which is calculated similar to EBA Risk Indicator AQT_3.2 equalled 1.6% as of 31 December 2018 (2017: 1.9%).

€´000	Credit exposure 2018	Credit exposure 2017	NPL 2018	NPL 2017	NPL Ratio in % 2018	NPL Ratio in % 2017
Total	18,701,068	17,891,609	292,934	332,634	1.6	1.9

RLB NÖ-Wien has implemented processes to identify customers with payment problems at an early point in time and to restructure loans with a positive outlook. Restructured loans are classified as “performing“ as long as the restructuring is not carried out because of the customer's credit standing. Contract amendments not related to the credit standing are not designated as forbearance. Borrowers are classified as non-performing if restructuring measures lead to a debt reduction or if an economic loss is expected. All restructuring measures recognized for solvency reasons are classified as such in the system. These loans are marked with a forbearance flag and monitored constantly.

The following tables show the share of solvency-related restructuring (forborne portfolio) by customer group and within the performing and non-performing exposures as well as the related risk provisions.

2018 €'000 Receivables categories	Total exposure	Performing			Non-performing			Total foreborne
		Exposure	Of which foreborne	Impairment allowance balance Stage 1 / 2	Exposure	Of which foreborne	Impairment allowance balance Stage 3	
Other banks	7,348,159	7,341,725	0	3,406	6,434	0	670	0
Corporate customers	13,660,571	13,460,928	69,183	7,447	199,642	89,595	88,801	158,778
Retail exposures	2,217,449	2,100,183	43,990	3,212	117,266	31,494	74,866	75,485
Public sector exposures	6,597,804	6,597,804	0	1,427	0	0	0	0
Total	**29,823,983**	**29,500,640**	**113,174**	**15,492**	**323,343**	**121,089**	**164,337**	**234,263**

2017 €'000 Receivables categories	Total exposure	Performing			Non-performing			Total foreborne
		Exposure	Of which foreborne	Impairment allowance balance Stage 1 / 2	Exposure	Of which foreborne	Impairment allowance balance Stage 3	
Other banks	7,852,757	7,846,452	0	3,151	6,305	0	3,134	0
Corporate customers	12,627,715	12,392,315	105,531	8,445	235,401	90,952	95,598	196,483
Retail exposures	2,148,308	2,020,632	38,244	4,691	127,676	37,596	82,373	75,840
Public sector exposures	6,416,579	6,416,579	0	54	0	0	0	0
Total	29,045,359	28,675,978	143,775	16,341	369,382	128,548	181,106	272,324

Country risk

Country risk covers transfer and convertibility risk as well as political risk. RLB NÖ-Wien actively manages country risk by means of an extensive country limit system which assigns total limits for individual countries and sub-limits for various types of transactions based on country analyses. The monitoring of the country limits is the responsibility of a separate unit (country and bank analysis) in the Credit Risk Management Department.

The following graph shows the distribution of exposure by internal country rating for the 2018 and 2017 financial years:

Exposure by internal rating in TEUR		2018	PER CENT	2017	PER CENT
0.5	Minimal Risk	26,328,475	88.3	26,031,529	89.6
1	Excellent credit standing	2,189,471	7.3	1,696,463	5.8
1.5	Very good credit standing	466,736	1.6	524,079	1.8
2	Good credit standing	230,860	0.8	182,519	0.6
2.5	Average credit standing	404,273	1.4	398,349	1.4
3	Mediocre credit standing	172,676	0.6	177,982	0.6
3.5	Weak credit standing	8,225	0.0	14,750	0.1
4	Very weak credit standing	21,364	0.1	15,702	0.1
4.5	Doubtful/high default risk	849	0.0	178	0.0
D	Default	0	0.0	0	0.0
	Unrated	1,055	0.0	3,808	0.0
Total		**29,823,983**	**100.0**	29,045,359	100.0

The risk concentration at RLB NÖ-Wien is also monitored in connection with country risk and controlled by separate country limits. At year-end 2018, 95.8% (2017: 94.5%) of the approved country limits were within the investment grade range and 83.2% (2017: 81.2%) within the three best rating classes of 0.5 to 1.5. The assignment of country limits by rating class remained generally stable in year-on-year comparison during 2018.

The following table shows the distribution of credit exposure by country for 2018 and 2017. The position "Top rated non-EU countries" includes countries like the USA, Japan and Singapore.

Exposure by region in TEUR	2018	PER CENT	2017	PER CENT
Austria	23,380,625	78.4	23,257,575	80.1
EU	5,950,105	20.0	5,435,451	18.7
Germany	1,653,973	5.5	668,367	2.3
Great Britain	719,115	2.4	595,810	2.1
France	601,563	2.0	503,416	1.7
Luxembourg	508,187	1.7	668,367	2.3
EU-remainder	2,467,266	8.3	2,999,492	10.3
Non-EU	493,253	1.7	352,333	1.2
Total	**29,823,983**	**100.0**	29,045,359	100.0

RLB NÖ-Wien includes country risk in the evaluation of credit risk for individual customers. The country risk at the overall bank level is managed and controlled by a country limit system that is based on internal country ratings. As part of its sector cooperation, RLB NÖ-Wien also draws, among others, on the following resources of RBI for the analysis of the country risks covered by the credit risk assessment:

- the Analysis FI & Countries Department
- access to the country and bank rating pool database

Collateral management

In order to minimize credit risk, the risk strategy for loans and advances to customers includes collateral as an important element. Real collateral (property, cash, securities etc.) and personal collateral in the form of guarantees are used to reduce risk. The value of the collateral represents an important part of the credit decision as well as the ongoing credit management. The assets acceptable as collateral are listed in a separate Group catalogue and related valuation guidelines. Standardized methods defined centrally by the Risk Management Department are used to calculate the value of the collateral. This value includes internal haircuts for the type, quality and liquidity of the collateral as well as the realization period and related costs. The haircuts are reviewed regularly and adjusted if necessary. The operations of the Risk Management Department are supported by a central Collateral Management Department.

The following table shows the collateral received from customers at the respective internal values (after haircuts):

€´000 Collateral category	2018	PER CENT	2017	PER CENT
Land register	4,615,623	56.6	4,424,624	59.7
Securities	113,435	1.4	151,888	2.0
Savings/current/deposit accounts	244,096	3.0	130,159	1.8
Insurance	104,210	1.3	124,128	1.7
Other rights and claims	585,243	7.2	571,167	7.7
Guarantees	2,485,840	30.5	2,009,660	27.1
Total	**8,148,448**	**100.0**	7,411,627	100.0

Most of the collateral represents mortgages on property, which consist primarily of buildings used for residential or commercial purposes. These assets are appraised regularly by the risk management staff or external experts. Most of the properties are located in the core market of Vienna and Lower Austria. RLB NÖ-Wien does not directly purchase any collateral provided by customers. In cases where collateral cannot be realized immediately, the bank has holdings that can carry out these types of transactions. Any proceeds from the realization of collateral are offset against the outstanding loan balance. These loan segments are treated as secured before realization. No credit losses were recognized for financial assets at amortized cost with a carrying amount of TEUR 974,670 because the collateral covers the carrying amount of these financial instruments in full. The general exclusion of collateral in the ECL calculation leads to an increase of TEUR 106,153 in the risk provisions for financial assets.

Information on expected credit losses

The estimates of economic trends which are required for the calculation of period-based expected credit losses are subject to uncertainty concerning the occurrence – or non-occurrence – of the related events. RLB NÖ-Wien views the following assumptions as the best possible estimates. The forecasts were developed by Moody's Analytics, which provides macroeconomic forecast values for various possible economic scenarios. The individual scenarios are weighted according to recommendations made by Moody's Analytics and show the following distribution as of 31 December 2018: 30% optimistic/ 40% baseline/ 30% pessimistic for all transactions. The forecast values for the various indicators as of 31 December 2018 are shown in the following table.

Variable	Scenario	2019 (in %)	2020 (in %)	2021 (in %)
GDP - annual growth	baseline	2.37	1.79	1.60
	optimistic	3.35	2.45	2.05
	pessimistic	(3.09)	(0.92)	2.25
Unemployment rate	baseline	4.99	5.02	5.08
	optimistic	4.88	4.81	4.86
	pessimistic	6.05	7.22	7.44
Inflation	baseline	1.72	1.68	1.68
	optimistic	2.76	2.14	1.80
	pessimistic	0.42	(0.36)	1.05
Long-term yield (10-year interest rate)	baseline	0.71	1.36	1.74
	optimistic	1.05	2.29	2.76
	pessimistic	(0.21)	0.28	0.63
Short-term yield (3M Euribor)	baseline	(0.14)	0.17	0.48
	optimistic	0.36	0.92	1.42
	pessimistic	(0.19)	(0.33)	(0.33)
Residential property prices - annual growth rate	baseline	1.54	0.03	(0.44)
	optimistic	2.78	2.42	0.22
	pessimistic	(1.75)	(3.86)	(2.38)

Variable	Scenario	2019 (in %)	2020 (in %)	2021 (in %)
Private consumption - annual growth rate	baseline	2.13	1.44	1.01
	optimistic	2.81	1.71	1.49
	pessimistic	(1.71)	0.92	1.09
Export rate	baseline	57.88	58.00	58.01
	optimistic	59.45	60.81	60.99
	pessimistic	54.89	54.30	55.43
Import rate	baseline	53.61	53.68	53.56
	optimistic	54.85	55.66	55.55
	pessimistic	51.03	51.19	51.97
Government spending - as a % of GDP	baseline	19.07	19.00	18.96
	optimistic	18.99	18.84	18.74
	pessimistic	19.28	19.33	19.03

Variable	Scenario	2019	2020	2021
Stock index (Euro Stoxx)	baseline	150.10	144.22	150.95
	optimistic	158.70	163.12	165.98
	pessimistic	118.21	109.07	121.93

Market risk

Market risk represents the threat of a loss caused by fluctuations in market prices and the related parameters. RLB NÖ-Wien differentiates between the following sub-risks:

- Interest rate risks
- Foreign currency risks
- Price risks
- Credit spread risks

Volatility risks have not been reported as a separate sub-risk since spring 2018, but are included in the above sub-risks. The Treasury Department of RLB NÖ-Wien maintains a trading book that is used to record stock, interest rate and foreign currency transactions. Transactions in the medium- to long-term range are settled through the banking book. The market risk arising from customer transactions is transferred to and managed centrally by the Interest Rate and Capital Markets Departments of the corporate Treasury Department.

The market risk arising from the trading and banking books is determined by the value at risk (VaR – the potential loss at a given probability over a specified holding period) and by a number of sensitivity indicators, e.g. changes in foreign exchange and interest rates (delta, gamma, theta, vega).

The VaR is calculated by the "SAS Risk Management for Banking" system based on historical simulation. Daily management (limitation) for the Raiffeisen-Holding NÖ-Wien Group is based on the going concern scenario defined by IFRS, with a one-sided confidence level of 99%. Trading book portfolios are calculated for a holding period of one day and banking book portfolios for a holding period of one year (250 trading days).

Monthly management (limitation) is also based on the going concern scenario with a one-sided confidence interval of 99.9% and a general holding period of one year (250 trading days). Market risk under the gone concern scenarios is broken down into the four sub-risks (interest rate, foreign currency, price and credit spread risk) and each sub-risk is limited separately. These sub-limits are established in the APK meetings. Risk calculation and management also includes the risks arising from hedging transactions and from standalone transactions.

The following table shows the VaR calculated for the risk capacity analysis over the entire gone concern market risk of RLB NÖ-Wien, classified by the type of risk (excl. credit spread risk):

€'000	VaR at 31/12/2018	Average-VaR	VaR at 31/12/2017*
Currency risk	3,084	3,049	3,506
Interst rate risk	117,811	83,001	59,954
Price risk	5,160	6,588	4,935
Total	**117,324**	**81,747**	61,350

*The volatility risk which was reported separately as of 31 December.2017 was distributed among the other sub-risks.

Market values are used to calculate the gone concern VaR (99.9% VaR 250 days) for the entire market risk of RLB NÖ-Wien. The interest rate gaps are based on nominal volumes.

The VaR analysis includes the following assumptions and limits:

- The VaR calculation uses historical data to simulate future changes in market conditions. Consequently, it cannot simulate events that are possible but were not observed during the designated period.

- The VaR allows for correlations between individual risk factors, but these risk factors can be negatively affected by difficult market conditions.
- The VaR does not provide any information on the possible amount of a loss outside the applied confidence interval.
- The VaR is estimated for longer holding periods on the basis of daily observations. The underlying assumptions are that the composition of the portfolio will remain constant and there will be no autocorrelation in the risk factors.
- The VaR is calculated on the basis of positions at the end of the day and does not take any positions during the day into account.

The reliability of the VaR approach, which is based on historical data, is verified by daily backtesting and supplemented and continuously refined by daily stress tests.

Since the VaR only quantifies the maximum possible loss of a portfolio under normal market conditions, stress tests are used to examine the effects of extreme market fluctuations that cannot be covered by the VaR methodology.

The stress tests serve as a supplement to the VaR calculations and expose the portfolio to unlikely but plausible events. These types of events can be expressed by a series of strong fluctuations on the financial markets. The scenarios reflect assumptions by RLB NÖ-Wien and include the following:

- Interest rate movements (reversals, shifts and combinations of reversals and shifts)
- Price movements (shares, FX)
- Changes in credit spreads
- Interest rate and price volatilities

RLB NÖ-Wien follows a comprehensive risk management approach for the entire trading and banking book. Market risks are managed consistently across all trading and banking books.

The market risk for the individual portfolios and for the entire bank is subject to the following limits:

- VaR limits
- Sensitivity limits
- Stop/loss and reporting limits

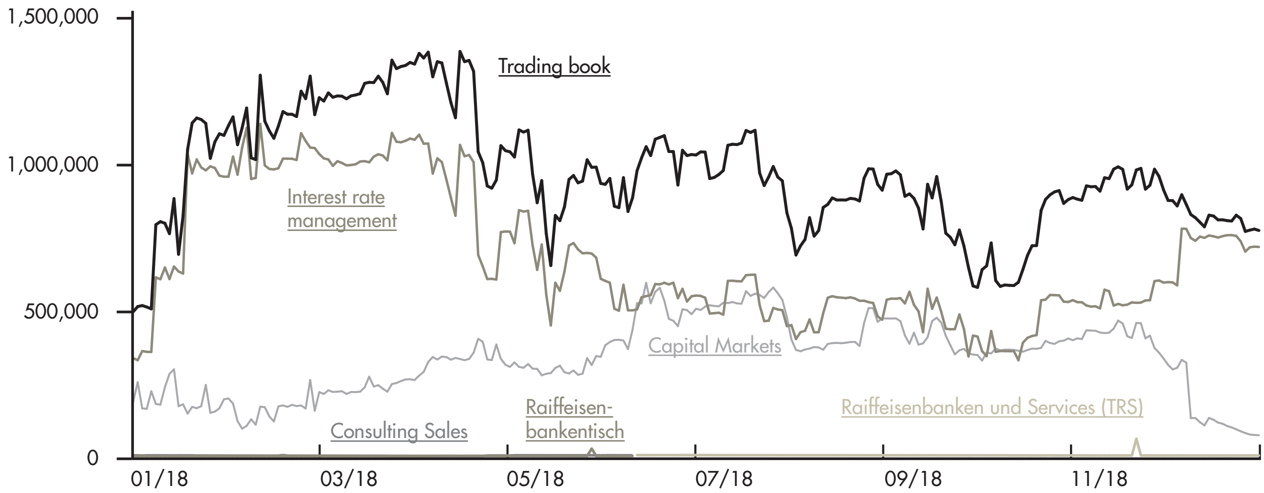
The market risk limit structure is recommended by the Models & Analytics/Overall Group Risk Department (Market Risk Analysis Group) and approved by the Managing Board.

In addition to the market risk limit structure, risks arising from treasury transactions are regulated by an extensive system of position, product and counterparty limits. Compliance with these limits is monitored by the Models & Analytics/Overall Group Risk Department (Market Risk Analysis Group; ICAAP & Limit Management Group). The Models & Analytics Department (Market Risk Analysis Group) is also responsible for the daily evaluation of the positions managed by the Kondor+ front office system and for analyses and reporting for the trading and bank book.

Market risk in the trading book

The Managing Board of RLB NÖ-Wien and the portfolio managers receive a daily VaR and profit & loss report that shows the utilization of limits in the trading book as a whole and for the included sub-portfolios.

Value at Risk in the Trading Book in 2018 in EUR



Market values are used to calculate the VaR (99% VaR, 1 day) for the market risk in the trading book.

The above graph shows the daily risk of the trading book and the sub-portfolios for interest rate management, capital markets, consulting sales and the "Raiffeisenbankentisch". The calculation is based on a VaR of 99% and a holding period of one day.

The VaR for the trading book is managed primarily by the Treasury/Interest Rate Management und Capital Markets Departments (foreign exchange, securities and share trading). The Treasury Raiffeisen Banks and Services Department – with the consulting sales and "Raiffeisenbankentisch" sub-portfolios, respectively (since June 2018) with the sub-portfolio Raiffeisen banks and services – concentrates on intermediary transactions and therefore does not contribute to risk.

As shown on the above graph, the VaR for the trading book remained within the defined limit throughout the 2018 financial year. The average VaR utilization of the trading book limit remained low during the entire year with a maximum utilization of 46.1%. An analysis by quarter shows the maximum utilization at an average of 36.4% in the first quarter and the minimum utilization at an average of 27.6% in the fourth quarter.

The following table shows the VaR (99% VaR, 1 day) for the market risk in the trading book, classified by the type of risk:

€'000	VaR at 31/12/2018	Average-VaR	VaR at 31/12/2017*
Currency risk	94	68	42
Interst rate risk	345	392	290
Price risk	94	84	94
Credit spread risk	469	675	379
Total	**774**	**938**	503

*The volatility risk which was reported separately as of 31 December.2017 was distributed among the other sub-risks.

Market values are used to calculate the VaR (99% VaR, 1 day) for the market risk in the trading book.

Market risk in the banking book

The Managing Board of RLB NÖ-Wien and the portfolio managers receive a daily VaR report that shows the utilization of the going concern limits in the banking book portfolios managed by the Treasury Department. Interest rate risk is managed centrally by the Interest Rate Management Department, which is part of the Treasury Department. For the gone concern scenario, the management of the banking book is based on a monthly GAP analysis. The results of this analysis flow into the VaR and scenario analyses prepared by the Models & Analytics Department (Market Risk Analysis Group) The VaR calculation for the entire banking book reflects a gone concern scenario and, consequently, a one-sided confidence level of 99.9%. The market risks in the banking book are reported at the monthly meetings of the Asset/Liability Committee, which establishes the bank's interest rate projections and interest rate positioning. The following interest rate gaps reflect the structure of the bank's interest-dependent operations and, therefore, the Asset/Liability Committee's interest rate projections. The interest rate gaps form the basis for determining the interest rate sensitivity of a portfolio. Interest-sensitive transactions are assigned to ranges based on their nominal volume in accordance with their correlation to interest rate changes. Transactions recorded under assets (incl. derivatives) carry a positive sign, while transactions recorded under liabilities (incl. derivatives) carry a negative sign. The difference between the total amounts in each range represents the respective interest rate gap. As viewed from an isolated standpoint, positive interest rate gaps lead to a negative interest rate risk when interest rates increase, and negative interest rate gaps lead to a positive interest rate risk when interest rates increase.

The following table shows the interest rate gaps on the commitments held by RLB NÖ-Wien as of 31 December 2018 in TEUR:

Interest rate gap	> 6 to 12 months	1 to 2 years	2 to 5 years	> 5 years
€	654,694	(932,435)	48,611	585,209
US$	(133,541)	133,382	178,109	(34,061)
¥	(28,261)	(75)	72	0
SFr	24,821	(553)	1,124	2,027
Other	(978)	5,577	0	(9)

The interest rate gaps are based on nominal volumes.

The following table shows the interest rate gaps on the commitments held by RLB NÖ-Wien as of 31 December 2017 in TEUR:

Interest rate gap	> 6 to 12 months	1 to 2 years	2 to 5 years	> 5 years
€	537,062	195,567	(1,233,494)	347,470
US$	(85,867)	(1,711)	269,647	(37,586)
¥	(48,278)	44	(7)	7
SFr	48,974	2,387	494	3,856
Other	3,295	5,482	4,695	421

The interest rate gaps are based on nominal volumes.

Risk is managed in accordance with interest rate projections. The performance and risk analysis of the banking book is based on total return, which means the results from maturity transformation and the present value of the change in the RLB NÖ-Wien banking book are monitored to ensure the long-term flexibility and profitability of maturity transformation activities. For the presentation of the present value risk, gaps like fixed interest bonds and fixed-interest refinancing are handled and measured. Positive values are viewed as bonds and negative values as refinancing. A VaR calculation shows the present value of the banking book. Non-linear products like interest rate options are also taken into account at the individual position level.

The following table shows the gone concern VaR (99.9% VaR, 250 days) for the market risk in the banking book, classified by the type of risk (excl. credit spread risk):

€'000	VaR at 31/12/2018	Average-VaR	VaR at 31/12/2017*
Currency risk	432	1,254	2,707
Interst rate risk	126,145	91,984	64,207
Price risk	5,296	8,232	5,067
Total	**126,307**	**91,715**	65,182

*The volatility risk which was reported separately as of 31 December.2017 was distributed among the other sub-risks.

Market values are used to calculate the gone concern VaR (99.9% VaR, 250 days) for the market risk in the banking book maintained by RLB NÖ-Wien. The interest rate gaps are based on nominal volumes.

The following table shows the change (in TEUR) in the present value of the banking book of RLB NÖ-Wien as of 31 December 2018 that would have resulted from a parallel increase of one basis point in the interest rate (a positive sign signifies a present value gain from the interest rate increase, while a negative sign represents the theoretical loss). The change in present value corresponds to the basis point value:

Interest rate gap	> 6 to 12 months	1 to 2 years	2 to 5 years	> 5 years
€	(50.98)	133.72	(36.56)	(470.76)
US$	11.81	(16.71)	(53.03)	40.32
¥	1.76	0.01	(0.02)	0.00
SFr	(1.34)	0.16	(0.40)	(3.94)
Other	0.07	(0.68)	0.01	0.11

The change (in TEUR) in the present value of the banking book of RLB NÖ-Wien in TEUR as of 31 December 2017 that would have resulted from a parallel increase of one basis point in the interest rate is shown below:

Interest rate gap	> 6 to 12 months	1 to 2 years	2 to 5 years	> 5 years
€	(41.63)	(43.56)	368.68	(368.69)
US$	5.38	0.22	(91.83)	38.65
¥	3.53	0.00	(0.01)	0.00
SFr	(3.18)	(0.20)	(0.25)	(3.03)
Other	(0.29)	(0.93)	(1.21)	(0.44)

Regulatory standards require the monthly simulation of the effects of interest rate shocks on the economic capital requirements for the banking book and trading book. The stress test is based on a sudden and unexpected parallel shift of +200 basis points in interest rates.

The derivatives used to manage interest rate risk in the banking book are aggregated in functional units. The risk content of these units is calculated on a daily basis and is part of the daily reporting to the Managing Board. A detailed overview of the structure of these transactions is provided in Note (44) Derivative financial instruments.

Foreign currency risk

The foreign currency risk of RLB NÖ-Wien is managed centrally by the Treasury Department. It is minimized by a detailed limit system included in the market risk limit structure (VaR limit, sensitivity limits and stop-loss limit). The volume of reportable open currency positions is also monitored. Consequently, all foreign currency positions are continuously monitored, controlled and managed.

Credit spread risk

Credit spread risks can result from the credit standing as well as the risk premium. The part related to the customer's credit standing is reflected in credit risk through inclusion in the credit value at risk (CVaR) calculation. The component related to the risk premium is determined by the Models & Analytics Department (Market Risk Analysis Group).

In accordance with the requirements of the supplement to the ICAAP guideline, the risk modelling for securities in the banking book generally excludes the traditional lending business. The relevant risk factors for the calculation of the credit spread risk are as follows:

- Rating
- Currency
- Issuer's sector
- Guarantees
- Collateral
- Subordination level
- Remaining term of the product
- Issuer's country

The credit spread VaR calculation is based on a historical simulation with equally weighted time series and includes daily changes in value. The credit spread risk is calculated on a monthly basis according to a gone concern scenario for a holding period of one year. Most of the credit spread risk is related to investments in Austrian government bonds and bonds issued by European banks and other European governments. In line with the conservative approach, securities issued by RLB NÖ-Wien are not included in the credit spread risk calculation. The credit spread risk in the gone concern scenario is calculated and limited independent of other market risks, and correlation effects are therefore not taken into account.

Stress tests are also carried out as a supplement to the VaR model.

€'000	VaR at 31/12/2018	Average-VaR	VaR at 31/12/2017
Credit spread risk	246,876	261,932	265,753

Market values are used to calculate the credit spread risks for the gone concern scenario.

Liquidity risk

Liquidity risk represents the risk that the bank may not be able to meet its current and/or future financial obligations in full and/or on time and, in the event of insufficient market liquidity, transactions may not be possible or may only be possible on less favourable terms.

Liquidity risk comprises the following sub-risks:

- Insolvency risk (liquidity risk in the narrow sense of the term)
- Liquidity maturity transformation risk (liquidity risk in the broader sense of the term)

Insolvency risk includes maturity risk (an unplanned extension of the capital commitment period for loans and advances) and withdrawal risk (the premature withdrawal of deposits, unexpected drawdowns on committed credit lines). Liquidity maturity transformation risk comprises market liquidity risk (assets cannot be sold at all or only on less favourable terms) and refinancing risk (follow-up funding is impossible or only possible on less favourable terms).

The central focus of RLB NÖ-Wien is to ensure financial solvency at all times. In order to meet this goal, RLB NÖ-Wien together with Raiffeisen-Holding NÖ-Wien and the Raiffeisen banks in Lower Austria rely on an appropriate limit system.

Compliance with limits at the credit institution group level is reported to and monitored by the Asset/Liability Committee on a monthly basis. This committee deals with the issue of liquidity risk as reflected in the following content:

- Funding strategy
- Liquidity costs
- Liquidity returns
- Liquidity report and its results
- Recommendations to the Managing Board
- Cooperation with the LIMA committee

The Liquidity Management Committee (LIMA Committee) serves as the central management committee for RBG NÖ-Wien (Raiffeisen-Holding NÖ-Wien, RLB NÖ-Wien and the Lower Austrian Raiffeisen banks). RLB NÖ-Wien has taken over liquidity management for RBG NÖ-Wien and prepares regular liquidity profiles. The measurement procedures for liquidity risk are based on the aggregated data for RBG NÖ-Wien, and the appropriate amounts are included in the risk capacity analysis for the Raiffeisen-Holding NÖ-Wien Group and RLB NÖ-Wien. RBG NÖ-Wien has concluded a liquidity management agreement that meets legal requirements and uses a liquidity risk model which reflects this agreement. The risk calculation meets the terms of the Capital Requirements Regulation and Directive (CRR/CRD IV), the Implementing Technical Standards of the EBA and the Credit Instituting Risk Management Directive, which implements the CRD IV in Austrian law.

The present value of refinancing costs over a period of 12 months – under both the going concern and gone concern scenarios – is used to quantify liquidity risk for the risk capacity analysis (refinancing risk).

Liquidity management, including funds planning and issuing activities, takes place centrally in the Treasury Department for the entire RBG NÖ-Wien. Liquidity risk is calculated by the Risk/ Data Service Department based on a scenario analysis that covers the following situations:

- Normal case
- Reputation case
- System crisis
- Combined crisis

Under the normal case, the capital maturity statement is presented within the current market environment (going concern approach). This presentation is changed in crisis cases through different assumption for the market environment and the resulting effects on the capital maturity statement (on- and off-balance sheet positions). The assumption under the reputation crises is that the Raiffeisen name would be damaged (e.g. through negative media reporting). A system crisis represents a general crisis without the direct involvement of Raiffeisen in a particular emergency situation. The combined crisis is a combination of the reputation and system crises. The underlying assumption for all scenarios is that no new business will be carried out due to the current situation.

In general, a strong focus is placed on safeguarding liquidity over a defined survival period. This period must be covered by the available liquidity buffer of RLB NÖ-Wien and is derived from the existing limit system. The minimum survival period under the GEBS Guidelines equals one month (CEBS Guidelines on Liquidity Buffers & Survival Periods, Guideline 3). RLB NÖ-Wien has set a limit of three months as part of the operational liquidity maturity transformation (O-LFT).

The measurement model is regularly revised and adapted to reflect changing circumstances. An extensive catalogue of daily early warning indicators for liquidity is also used.

RLB NÖ-Wien has installed a detailed limit system to manage liquidity risk. In line with EBA requirements, it distinguishes between three liquidity ratios:

- Operational liquidity maturity transformation (O-LFT)
- Structural liquidity maturity transformation (S-LFT)
- Gap over assets (GBS)

The operational liquidity maturity transformation (O-LFT) describes operational liquidity up to 18 months. It represents the ratio of assets to liabilities in the aggregated maturity bands within this period and shows whether a bank will be able to meet its short-term payment obligations without new business (refinancing rollovers).

The structural liquidity maturity transformation (S-LFT), represents the long-term liquidity position for maturities of 18 months and longer. It equals the ratio of assets to liabilities for maturity bands over 18 months. This indicator compares refinancing to the maturity of the related long-term assets.

The third indicator used to monitor liquidity risk is the GBS ratio, which represents the gap over assets. It compares the net positions in each maturity band to balance sheet assets and shows the potential refinancing risk within a specific maturity band.

RLB NÖ-Wien also requires liquidity during the course of business days to meet its payment obligations. In this sense, liquidity primarily signifies the funds required to cover payment obligations which arise in connection with daily business activities by RLB NÖ-Wien.

Intraday liquidity risk (ILR) represents the risk that payment obligations arising during the day cannot be met at all times. Accordingly, the core elements of intraday liquidity management (ILM) are the effective management of intraday liquidity as well as the monitoring and management of the ILR, in particular through the creation of a suitable liquidity buffer to cover upcoming cash outflows during the day under normal and stressed conditions. The ILR is calculated on a daily basis and reported weekly by the Risk/Data Service Department (interest rate & liquidity risk group).

An appropriate emergency plan was also prepared to deal with potential crises and will implemented by the LIMA Committee if necessary.

The following table shows the structural liquidity of RLB NÖ-Wien as of 31 December 2018:

€'000 Maturity band	Gap (absolute)	GoA	GoA limit	Accumulated from behind	S-LFT	S-LFT limit
18 months	(1,133,904)	3.5%	(10.0)%	(298,496)	112.0%	> 80%
2 years	(861,188)	(2.8)%	(10.0)%	835,409		
3 years	(1,600,426)	(0.5)%	(10.0)%	1,696,597	112.7%	> 70%
5 years	122,735	6.3%	(10.0)%	3,297,023	102.8%	> 60%
7 years	234,592	1.0%	(10.0)%	3,174,288		
10 years	(468,702)	-	-	2,939,696	87.6%	> 50%
15 years	919,864	-	-	3,408,398		
20 years	638,321	-	-	2,488,533		
30 years	1,507,740	-	-	1,850,212		
> 30 years	342,472	-	-	342,472		

The following table shows the structural liquidity of RLB NÖ-Wien as of 31 December 2017:

€'000 Maturity band	Gap (absolute)	GoA	GoA limit	Accumulated from behind	S-LFT	S-LFT limit
18 months	(1,239,797)	1.2%	(10.0)%	358,119	115.5%	> 80%
2 years	712,349	2.9%	(10.0)%	1,597,915		
3 years	(1,281,232)	(6.2)%	(10.0)%	885,566	127.2%	> 70%
5 years	1,404,266	4.4%	(10.0)%	2,166,798	117.8%	> 60%
7 years	(134,396)	(2.1)%	(10.0)%	762,532		
10 years	(1,778,404)	-	-	896,928	150.0%	> 50%
15 years	867,361	-	-	2,675,332		
20 years	490,316	-	-	1,807,971		
30 years	1,360,084	-	-	1,317,656		
> 30 years	(42,428)	-	-	(42,428)		

The liquidity coverage ratio (LCR) of RLB NÖ-Wien equalled 126.82% as of 31 December 2018. The legal requirement of 100% defined by Article 460 of Regulation (EU) No. 575/2013 was therefore met.

The following table shows the quantitative data as of 31 December 2018 and 31 December 2017:

		All currencies 31/12/2018	31/12/2017
Liquidity buffer		6,043,248,419	5,992,200,736
Net liquidity outflow		4,765,189,578	5,185,766,605
MINIMUM LIQUIDITY RATIO (LIQUIDITY COVERAGE RATIO LCR)		**126.82%**	115.55%
	Total unweighted amount	***Total weighted amount***	*Total weighted amount*
HIGH-QUALITY LIQUID ASSETS			
Level 1 - assets excl. extremely high quality covered bonds	8,423,241,806	5,963,138,433	5,879,532,878
Level 1 - extremely high quality covered bonds	34,974,655	32,526,429	49,022,514
Level 2A - assets	0	0	6,190,762
Level 2B - assets	95,167,113	47,583,557	57,454,581
LIQUIDITY BUFFER	**8,553,383,574**	**6,043,248,419**	5,992,200,736
CASH OUTFLOWS			
Outflows from unsecured transactions/deposits	13,748,748,693	5,835,560,249	5,976,681,277
1.1 Personal banking customer deposits	4,098,903,114	334,577,313	328,070,328
1.2 Operational deposits	3,390,541,578	2,692,712,924	2,585,404,505
1.3 Non-operational deposits	3,971,200,095	2,087,339,140	2,407,988,963
1.4 Additional outflows (i.a. outflows from derivatives)	571,095,581	571,095,581	470,727,398
1.5 Committed facilities	850,235,208	83,501,241	165,467,979
1.6 Other products and services	809,990,287	9,551,221	11,590,280
1.7 Other liabilities	56,782,829	56,782,829	7,431,824
Outflows from secured lending and capital market-driven transactions	0	0	0
TOTAL OUTFLOWS	**13,748,748,693**	**5,835,560,249**	5,976,681,277

		All currencies 31/12/2018	31/12/2017
CASH INFLOWS			
Inflows from unsecured transactions/deposits	1,588,101,502	1,070,370,671	790,914,671
1.1 monies due from non-financial customers (except for central banks)	774,818,228	390,353,588	254,860,919
1.2 monies due from central banks and financial customers	290,814,204	157,548,013	132,894,074
1.3 inflows corresponding to outflows in accordance with promotional loan commitments	0	0	0
1.4 monies due from trade financing transactions	0	0	0
1.5 monies due from securities maturing within 30 days	1,820,153	1,820,153	381,890
1.6 assets with an undefined contractual end date	0	0	1,751
1.7 monies due from positions in major index equity instruments provided that there is no double counting with liquid assets	0	0	1,666,202
1.8 inflows from undrawn credit or liquidity facilities and any other commitments provided by central banks provided that there is no double counting with liquid assets	0	0	0
1.9 inflows from the release of balances held in segregated accounts in accordance with regulatory requirements for the protection of customer trading assets	0	0	0
1.10 inflows from derivatives	520,648,917	520,648,917	401,109,835
1.11 inflows from undrawn credit or liquidity facilities provided by members of a group or an institutional protection scheme where the competent authorities have granted permission to apply a higher inflow rate	0	0	0
1.12 Other inflows	0	0	0
Inflows from secured lending and capital market-driven transactions	0	0	0
TOTAL INFLOWS	**1,588,101,502**	**1,070,370,671**	790,914,671
Inflows subject to 75% Cap		1,070,370,671	790,914,671
Fully exempt inflows		0	0
NET LIQUIDITY OUTFLOW		**4,765,189,578**	5,185,766,605

The following tables provide detailed information on the payment obligations arising from the derivative financial products whose netted undiscounted payment flows will lead to an outflows of funds (net balances of outgoing and incoming payments). The classification is based on the remaining terms of the contractual payment flows.

The following table shows the undiscounted cash flows from the derivatives held by RLB NÖ-Wien as of 31 December 2018:

€'000	Carrying amount	Contractual cash flows	< 3 months	3 to 12 months	1 to 5 years	> 5 years
Derivative liabilities	*918,518*	*957,938*	*54,589*	*157,411*	*448,415*	*297,523*
Derivatives - held for trading	574,982	595,071	40,052	115,943	289,191	149,885
Derivatives - hedge accounting	343,536	362,867	14,537	41,468	159,224	147,638

The following table shows the undiscounted cash flows from the derivatives held by RLB NÖ-Wien as of 31 December 2017:

€'000	Carrying amount	Contractual cash flows	< 3 months	3 to 12 months	1 to 5 years	> 5 years
Derivative liabilities	*1,024,590*	*1,070,084*	*63,155*	*168,052*	*489,512*	*349,363*
Derivatives - held for trading	648,978	670,950	46,566	124,243	325,318	174,822
Derivatives - hedge accounting	375,612	399,134	16,589	43,809	164,194	174,541

RLB NÖ-Wien adopted a new definition and, subsequently, a new structure for the balance sheet positions in 2018 (also see "Changes in the presentation of the financial statements"). In order to permit a comparison of the tables on the "undiscounted cash flows from derivatives" in 2017 with the analysis for 2018, the comparative data for 2017 are also presented in line with the new balance sheet structure.

Since the classification of liabilities is no longer based on instruments, but on the accounting method (amortized cost, held for trading, fair value, etc.), the per cent distribution of refinancing sources is not provided.

Equity investment risk

In line with its focus as a full-service bank, RLB NÖ-Wien only holds strategic equity investments within the Raiffeisen sector and other equity investments that support banking operations.

The largest equity investment is the shareholding in RBI, the leading institution in the Raiffeisen sector, whereby RLB NÖ-Wien holds shares directly as well as indirectly.

The management and control of equity investments and the related risks are carried out by Raiffeisen-Holding NÖ-Wien. The management of equity investment risks begins with the acquisition of a new investment, generally in the form of due diligence work that is supported by external experts (business consultants, auditors, attorneys). For larger projects and equity investments with a weaker credit rating, the Models & Analytics/Overall Group Risk Department (ICAAP & Limit Management Group) issues a risk assessment based on the opinions of the market departments.

RLB NÖ-Wien exercises significant influence over the operating activities of the equity investments by appointing officers to serve in management and on the supervisory and advisory boards.

The analysis and auditing of the financial statements and forecasts and the assessment of strategic positioning through SWOT (Strengths, Weaknesses, Opportunities and Threats) analyses represent important measures and methods for the bank's routine equity investment and risk controlling activities.

Equity investment risks can have the following effect on RLB NÖ-Wien:

- Reduction of undisclosed reserves
- Loss of dividends
- Write-downs/write-offs of book values
- Loss on sale, assumption of losses

The risk potential and risk coverage assets for the equity investments are calculated each quarter based on expert estimates – for an extreme scenario (95.0%) and a liquidation scenario (99.9%) – and included in the regular risk capacity analysis prepared at the overall bank level.

The following table shows the carrying amounts of the equity investments held by RLB NÖ-Wien together with the weighted and cumulative rating as of 31 December 2018 and 31 December 2017:

€ '000	Carrying amount 31/12/2018	Percentage held	Rating	Carrying amount 31/12/2017	Percentage held	Rating
Investments in other banks	2,378,048	99.6%	2.0	2,303,529	99.6%	2.0
Investments in banking-related fields	9,347	0.4%	2.0	8,373	0.4%	2.0
Total equity investments	**2,387,395**	**100.0%**	**2.0**	2,311,902	100.0%	2.0

The increase in the carrying amount of the equity investments resulted, above all, from the proportional share of earnings from RBI AG (after the deduction of the impairment loss recognized in 2018) and the proportional share of earnings from R-IT.

Operational risks

RLB NÖ-Wien defines operational risks as the potential losses arising from

- System failures
- Process failures
- Errors caused by employees
- External risks

This definition also includes legal risks.

Operational risks also include IT risks, which are generally understood to mean the risks related to the use, ownership, operation, development and adaptation of information technology by the company. The identification, valuation, management, control and monitoring of IT risks in the Raiffeisen-Holding financial institutions group is the responsibility of the Information Technology Department in RLB NÖ-Wien. The Raiffeisen-Holding financial institutions group has defined developed an information security governance framework to provide detailed, written information on information security.

RLB NÖ-Wien regularly monitors operational risks and implements appropriate measures to ensure their reduction. This process is supported by ongoing staff training, emergency plans, backup systems and continuous process improvements. Procedural rules were implemented and instructions were issued to minimize these risks. Cost-benefit considerations are taken into account in connection with all of these measures.

RLB NÖ-Wien maintains an extensive loss database, and the Managing Board is provided with quarterly information on the development of recorded loss events. In order to further develop its risk management system, RLB NÖ-Wien takes part in projects carried out by the Austrian Raiffeisen organization.

In order to identify potentially significant risks with a low probability of occurrence, RLB NÖ-Wien carries out extensive risk assessments at the divisional, department and process levels in moderated workshops.

The classification of operational risks for the risk assessment and the loss database also reflects the legal regulations defined by the CRR (Art. 312 to 324).

RLB NÖ-Wien uses the SAS EGRC (Enterprise Governance Risk Compliance) system to support the integrated management of operational risk and the internal control system.

Operational risk is calculated according to the basic indicator approach and included in the risk capacity analysis.

In order to ensure protection against operational risk as defined in Art. 312ff of the CRR ("Own funds requirements for operational risk"), RLB NÖ-Wien also uses the basic indicator approach described in Art. 315f of the CRR to calculate the minimum capital requirements and to disclose this information to the regulatory authority. The basic indicator approach does not create any further obligations for the bank to quantify operational risks.

Internal control system (ICS)

RLB NÖ-Wien has implemented an internal control system (ICS) which includes a detailed description of ICS procedures as the basis for the ongoing documentation of the bank's risk-relevant processes and the related control measures. Responsibilities and roles in the ICS and the related control activities are clearly defined. Regular reports are issued on the design and development of the ICS in the Raiffeisen-Holding NÖ-Wien Group. Details on the ICS for the accounting process are provided in the next section.

Macroeconomic risks

Macroeconomic risks are included in the analysis of credit risk and quantified with a statistical, model-based approach. The macroeconomic effects of equity investment risk are addressed during the quantification of this latter risk and evaluated together with the other investment risks.

Risks arising from the macroeconomic environment are incorporated quarterly in the risk capacity analysis as a separate category.

Other risks

In conjunction with the risk capacity analysis, RLB NÖ-Wien incorporates other risks – both in the extreme case and liquidation case – as an approximation through an increase of 5% in the quantified risks. Investment risk is not part of this calculation because it is already included in the risk assessment through the expert opinions on possible other risks.

Institutional protection scheme

In accordance with the requirements of Art. 49 (3) and 113 (7) of the CRR, RLB NÖ-Wien together with RBI, the other Raiffeisen regional banks, Raiffeisen-Holding NÖ-Wien and several other RBG institutions concluded a contract for the development of an institutional protection scheme (IPS) at the federal level in 2013. A similar contract was concluded at the provincial level by RLB NÖ-Wien together with Raiffeisen-Holding NÖ-Wien and the 54 Lower Austrian Raiffeisen banks.

These contracts are designed to ensure that the parties have sufficient liquidity and solvency to prevent bankruptcy. Accordingly, the institutions are not required to deduct holdings in the capital instruments of the other contract parties from their own funds (Article 49 (3) of the CRR) and can exclude the risk exposure of the other contract parties from their own calculations of risk-weighted exposure (Art. 113 (7) of the CRR).

The IPS contracts call for the implementation of clear monitoring and risk measures. Therefore, the IPS has suitable and uniformly regulated systems for the assessment and management of risks which provide a complete overview of the risk situations of the individual members and the IPS in total. These contracts also define the required committees and approval levels.

An extensive reporting system (balance sheet, income statement and risk report) supports the management of the IPS. The information from this system flows into the decisions on further management measures.

These responsibilities are met by a separate Raiffeisen sector unit, Österreichische Raiffeisen-Einlagensicherung eGen. In order to perform the necessary tasks as efficiently as possible, an early warning system was installed in accordance with the contracts. This system is designed to ensure the timely identification and prevention of problem cases among the individual members and in the IPS as a whole.

Both institutional protection schemes were officially approved by the FMA in 2014.

European Resolution Fund

The guideline for the reorganization and resolution of banks is designed to ensure that – in the event of a crisis – the involved bank's owners and creditors carry the costs of reorganization or resolution. It is intended to prevent the use of tax revenues for bank rescues in the future.

Credit institutions are required to prepare reorganization and resolution plans. The regulatory authority can exercise its intervention rights at an early point in time if an institution is in difficulty. The resolution authority, which was established on 1 January 2015, is also entitled to introduce specific resolution measures if it believes a credit institution is no longer viable.

A resolution fund was established at the European level to prevent the use of public revenues for expenses, whereby all banks are required to make risk-weighted, ex ante contributions.

The fund will be built up over eight years beginning on 1 January 2016, whereby the target is to reach a level of EUR 55.0 billion by the end of this development phase.

The contribution by RLB NÖ-Wien in 2018 amounted to EUR 8.2 million.

Customer deposit protection association for the Raiffeisen sector

In addition to internal measures for the identification, measurement and management of risk, RLB NÖ-Wien is a member of the Raiffeisen customer deposit protection association. This organization of Raiffeisen banks, Raiffeisen regional banks and RBI mutually guarantees 100% of all customer deposits and securities issued by the association members. The customer deposit protection association has a two-tier organisation: at the regional level where, for example, Raiffeisen banks in Lower Austria provide reciprocal guarantees for customer deposits; and the federal customer deposit protection association ("Bundeskundengarantiegemeinschaft") which takes over when the respective regional protection scheme is insufficient. In this way, the customer deposit protection association of the Raiffeisen banks, Raiffeisen regional banks and RBI creates a twofold safety net for customer deposits.

Solidarity association of Raiffeisen-Bankengruppe NÖ-Wien

RLB NÖ-Wien and the Lower Austrian Raiffeisen banks have established a solidarity association, which provides assistance for members with financial difficulties. This solidarity association represents a further security institution in addition to the Austrian and Lower Austrian Raiffeisen deposit protection schemes described below.

Statutory deposit protection schemes

The enactment of the Austrian Deposit Protection and Investor Compensation Act ("Einlagesicherungs- und Anlegerentschädigungsgesetz", ESAEG) on 14 August 2015 implemented EU Regulation 2014/49/EU concerning deposit protection schemes. Its goal is to provide protection for customer deposits.

This protection covers all deposits and credit balances, including interest, on accounts and savings books with credit institutions licensed in Austria (e.g. current accounts, salary and pension accounts, fixed-term deposit accounts and savings books up to a maximum of TEUR 100 per financial institution and depositor, with the exception of financial institutions and government agencies). The coverage applies to natural persons as well as legal entities (e.g. limited liability companies, apartment owners' associations).

The Austrian deposit protection scheme does not cover deposits and credit balances with branch offices of credit institutions which are located in Austria but licensed in other countries. However, these deposits are protected by the respective schemes in the branch office's home country due to the harmonization of deposit protection at the European level.

The enactment of the Austrian Deposit Protection and Investor Compensation Act also expanded the disclosure requirements for credit institutions towards their depositors. In addition, the pay-out periods in the event of insolvency will be reduced over the coming years.

The deposit protection scheme system will be restructured as of 1 January 2019 to meet the substantial increase in the demands on the management of these schemes and the designation of the Austrian Financial Market Authority as the responsible regulatory body. In order to ensure sufficient funds in the event of an insolvency case, a fund will be created for the deposit protection schemes. The credit institutions are required to make contributions to this fund beginning in 2015.

The member institutions of the Raiffeisen NÖ-Wien banking group will join the deposit protection scheme "Einlagensicherung Austria" (ESA) as of 1 January 2019. The early-warning system used to protect deposits in the Raiffeisen sector provides a high level of safety for depositors and investors that goes far beyond legal requirements. This early-warning system is based on an extensive performance and risk reporting mechanism that is used by all Raiffeisen regional bank headquarters (including all Raiffeisen banks in the respective provinces) to submit information to Österreichische Raiffeisen-Einlagensicherung eGen and for analysis and monitoring.

(33) Hedge accounting

The following section provides detailed information on the accounting treatment of hedges, the underlying transactions, hedging instruments and hedged risks in the form of tables. Additional information on the risk management strategy can be found under Note (32) Risks arising from financial instruments.

The following table shows the time profile of the nominal amount of the hedging instruments as well as the average hedged fixed interest rates.

2018 €'000	**To 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**Over 5 years**
Interest rate swaps - fair value hedge asset transactions					
Nominal value	0	6,140	5,310	1,470,017	1,553,939
Average fixed interest rate	0.00	2.08	1.74	1.65	2.15
Interest rate swaps - fair value hedge own issues					
Nominal value	68,000	202,268	160,590	1,647,051	2,222,323
Average fixed interest rate	3.95	3.55	2.90	1.95	2.24

The following table shows the nominal volumes, carrying amounts and fair value changes of the interest rate swaps used as hedging instruments. The changes in fair value are reported on the income statement under "profit/loss from financial assets and liabilities. Additional details can be found under Note (6). The carrying amounts of these interest rate hedges are reported on the balance sheet as assets or liabilities under "Derivatives – hedge accounting".

2018 €'000	Nominal value	Carrying amount Asset positions	 Liability positions	Change in fair value	Income statement presenta-tion - fair value change	Income statement effect – ineffective-ness	Income statement presenta-tion – ineffective-ness
Interest rate risk							
Interest Rate Swaps - Bonds	2,416,700	(901)	296,179	13,866	Profit or loss from hedge accounting	(1,394)	Profit or loss from hedge accounting
Interest Rate Swaps - Loans and advances	618,707	(7,433)	45,664	4,802	Profit or loss from hedge accounting	(88)	Profit or loss from hedge accounting
Interest Rate Swaps - Deposits	949,762	(120,085)	64	(15,603)	Profit or loss from hedge accounting	31	Profit or loss from hedge accounting
Interest Rate Swaps - Securitized liabilities	3,350,470	(218,911)	1,630	(88)	Profit or loss from hedge accounting	1,961	Profit or loss from hedge accounting

The following table provides details on the underlying transactions for recognized hedges. It shows the carrying amounts determined on the basis of hedge accounting as well as the changes in the carrying amounts of the hedged assets and liabilities. The changes in fair value are reported on the income statement under profit/loss from financial assets and liabilities on the line "profit/loss from hedge accounting". Further details can be found under Note (6) Profit/loss from financial assets and liabilities.

2018 €'000	**Carrying amount**		**Value of cumulative basis adjustments for hedged items**			
	Asset positions	**Liability positions**	**Asset positions**	**Liability positions**	**Changes in hedged fair value**	**Cumulative basis adjustments for designated hedged items**
Interest rate risk						
Financial assets at amortized cost						
Bonds	(2,764,677)		(268,869)		(15,261)	
Other loans and advances	(668,184)		(36,944)		(4,890)	3,495
Financial liabilities measured at amortised cost						
Deposits		1,076,024		104,621	15,634	
Securitized liabilities		4,617,133		155,380	2,049	

(34) Fair value of financial instruments

Fair value of financial instruments carried at fair value

Fair value measurement is based on a hierarchy (fair value hierarchy) of different levels. **Level I** valuations are based on available market prices (generally for securities and derivatives traded on exchanges and in functioning markets). All other financial instruments are measured with valuation models, above all present value or generally accepted option pricing models. Valuations for **Level II** use input factors that are directly or indirectly based on observable market data. **Level III** valuations use models that calculate fair value based on the bank's own internal assumptions or external valuation sources.

An active market is a market in which asset or liability transactions take place with sufficient frequency and volume to provide continuous pricing information. The indicators for an active market can also include the number, update frequency and/or the quality of quotes (e.g. by banks or stock exchanges). In addition, narrow bid/ask spreads and quotes by market participants within a certain corridor can also be signs of an active market.

- **Derivatives (incl. hedge accounting)**

RLB NÖ-Wien uses generally accepted, well-known valuation models to measure derivatives. Over-the-counter (OTC) derivatives such as interest rate swaps, cross currency swaps and forward rate agreements are measured using the discounted cash flow model (DCF) that is generally applied to these products. OTC options such as foreign exchange options or interest rate are measured on the basis of standard market valuation models, e.g. the Garman-Kohlhagen model, Bachelier or Black ‘76.

All parameters that flow into the valuation (e.g. interest rates, volatilities) are regularly evaluated and determined on the basis of independent market data information systems.

The counterparty default risk for OTC derivatives is included through a credit value adjustment (CVA) which represents the costs of hedging this risk on the market. The CVA is calculated by multiplying the expected positive exposure of the derivative (EPE), the counterparty’s probability of default (PD) and the loss given default (LGD). The EPE is determined by simulation, while the LGD and PD are based on market data. The debt value adjustment (DVA) represents an adjustment for the company's own default probability. The calculation method is similar to the CVA, but the expected negative fair value (ENE or expected negative exposure) is used instead of the expected positive exposure.

- **Bonds**

The bonds held by RLB NÖ-Wien are principally valued on the basis of tradable market prices. In cases where quoted prices are not available, the securities are measured by means of a DCF model. The parameters used in this model include the yield curve and an appropriate risk premium. The risk premium is determined on the basis of comparable financial instruments currently on the market. A more conservative approach is applied to a small part of the portfolio and default risk premiums are used for valuation.

External valuations by third parties are also taken into account and have an indicative character in all cases.

- **Loans and advances**

RLB NÖ-Wien values loans and advances based on a DCF method, whereby the input parameters include a yield curve as well as an appropriate credit risk and funding premium. The determination of the funding premium is based on spread curves which are observable on the market. The credit risk premium corresponds to a CDS spread which is observable on the market, a weighted sector CDS spread or a credit spread calculated on the basis of the IFRS 9 risk parameters – independent of the counterparty. In cases where a day-one gain or loss was not recognized, a residual spread for the transaction is also calculated at the beginning of the term and held constant over the full term. This spread reflects the requirement that the amount of the discounted cash flows – including the residual spread – must equal the recognized carrying amount on the origination date of the loan or advance. Termination rights and interest options are measured with the Bachelier model. In addition, prepayment models are used to include premature repayments that are not defined by the respective contract in the measurement of the loan. This involves the evaluation of past experience with premature repayments based on a regression analysis and the development of a model to allocate the expected prepayment rate to the operating level. This model is subject to an annual review.

- **Equity instruments**

The valuation of equity instruments, which consist primarily of investments, is based on internal forecasts (DCF models).

The assignment to or reclassification of the financial instruments between levels takes place each quarter at the end of the reporting period.

The following table shows the classification of the financial instruments carried at fair value based on the IFRS 13 valuation hierarchy (classified by the fair value level):

€'000	31/12/2018 Level I	Level II	Level III	31/12/2017 Level I	Level II	Level III
Balance sheet assets						
Financial assets held for trading	***601,254***	***677,534***	***62,904***	*54,132*	*676,464*	*0*
Derivatives	0	531,373	0	0	601,500	0
Equity instruments	0	79	1,825	0	0	0
Bonds	601,254	146,082	61,079	54,132	74,964	0
Non-trading financial assets mandatorily at fair value through profit or loss	***0***	***919***	***172,594***	*0*	*0*	*0*
Equity instruments	0	0	12,883	0	0	0
Bonds	0	919	0	0	0	0
Other loans and advances	0	0	159,711	0	0	0
Financial assets designated at fair value through profit or loss	***0***	***0***	***0***	*213,856*	*77,891*	*9,770*
Bonds	0	0	0	213,856	77,891	9,770
Financial assets at fair value through other comprehensive income	***0***	***0***	***18,872***	*3,491,687*	*207,069*	*32,761*
Equity instruments	0	0	18,872	0	0	31,223
Bonds	0	0	0	3,491,687	207,069	1,538
Derivatives - hedge accounting	***0***	***347,329***	***0***	*0*	*354,761*	*0*

€'000	31/12/2018 Level I	Level II	Level III	31/12/2017 Level I	Level II	Level III
Balance sheet equity and liabilities						
Financial liabilities held for trading	***0***	***585,386***	***0***	*0*	*654,336*	*0*
Derivatives	0	585,386	0	0	654,336	0
Financial liabilities designated at fair value through profit or loss	***0***	***0***	***0***	*0*	*0*	*40,768*
Securitized liabilities	0	0	0	0	0	40,768
Derivatives - hedge accounting	***0***	***343,537***	***0***	*0*	*375,635*	*0*

Every financial instrument is evaluated to determine whether quoted market prices are available on an active market (Level I). In 2018 securities with a fair value of TEUR 15 were reclassified from Level I to Level II because of a decrease in the number of market quotations. There were no reclassifications from Level II to Level I during the reporting year.

The following table shows a transition calculation from IAS 39 to IFRS 9 for the financial assets carried at fair value which are classified under Level III:

€'000	31/12/2017	Reclassi-fications IFRS 9	31/12/2017 after Reclassi-fications	Revaluations IFRS 9	01/01/2018
Balance sheet assets					
Financial assets held for trading	***0***	***68,017***	***68,017***	***0***	***68,017***
Equity instruments	0	1,757	1,757	0	1,757
Bonds	0	66,260	66,260	0	66,260
Non-trading financial assets mandatorily at fair value through profit or loss	***0***	***153,207***	***153,207***	***16,682***	***169,889***
Equity instruments	0	9,951	9,951	0	9,951
Other loans and advances	0	143,256	143,256	16,682	159,938
Financial assets designated at fair value through profit or loss	***9,769***	***(9,769)***	***0***	***0***	***0***
Bonds	9,769	(9,769)	0	0	0
Financial assets at fair value through other comprehensive income	***32,761***	***(13,396)***	***19,365***	***0***	***19,365***
Equity instruments	31,223	(11,858)	19,365	0	19,365
Bonds	1,538	(1,538)	0	0	0

The financial assets carried at fair value which are assigned to Level III developed as follows from 1 January 2018 to 31 December 2018:

€'000	01/01/2018	Additions	Disposals	Profit, income statement	Profit, other comprehensiv e income	31/12/2018
Balance sheet assets						
Financial assets held for trading	***68,017***	***91***	***(5,874)***	***670***	***0***	***62,904***
Equity instruments	1,757	40	0	28	0	1,825
Bonds	66,260	51	(5,874)	642	0	61,079
Non-trading financial assets mandatorily at fair value through profit or loss	***169,889***	***12,280***	***(6,613)***	***(2.963)***	***0***	***172,594***
Equity instruments	9,951	637	0	2,295	0	12,883
Other loans and advances	159,938	11,643	(6,613)	(5,257)	0	159,711
Financial assets at fair value through other comprehensive income	***19,365***	***1,019***	***(547)***	***0***	***(965)***	***18,872***
Equity instruments	19,365	1,019	(547)	0	(965)	18,872

The following table shows a transition calculation from IAS 39 to IFRS 9 for the financial liabilities carried at fair value which are classified under Level III. No liabilities assigned to Level III have been carried at fair value since the beginning of the 2018 financial year.

€'000	31/12/2017	Reclassi-fications IFRS 9	31/12/2017 after Reclassi-fications	Revaluation IFRS 9	01/01/2018
Balance sheet equity and liabilities					
Financial liabilities designated at fair value through profit or loss	*40,768*	*(40,768)*	*0*	*0*	*0*
Securitized liabilities	40,768	(40,768)	0	0	0

The financial assets carried at fair value which are assigned to Level III under IAS 39 developed as follows from 1 January 2017 to 31 December 2017:

€'000	01/01/2017	Additions	Disposals	Profit, income statement	Profit, other comprehen-sive income	31/12/2017
Balance sheet assets						
Financial assets designated at fair value through profit or loss	*11,396*	*174*	*(1,767)*	*(33)*	*0*	*9,770*
Bonds	11,396	174	(1,767)	(33)	0	9,770
Financial assets at fair value through other comprehensive income	*3,267*	*22,739*	*(623)*	*(292)*	*7,670*	*32,761*
Equity instruments	2,456	22,036	0	0	8,158	32,650
Bonds	811	703	(623)	(292)	(488)	111

€'000	01/01/2017	Additions	Disposals	Profit, income statement	Profit, other comprehensive income	Reclassification to Level III	Reclassification from Level III	31/12/2017
Balance sheet equity and liabilities								
Other liabilities								0
Financial liabilities designated at fair value through profit or loss	*50,908*	*0*	*(10,742)*	*602*	*0*	*0*	*0*	*40,768*
Securitized liabilities	50,908	0	(10,742)	602	0	0	0	40,768

As in the previous financial year, there were no reclassifications of derivatives or securities to or from Level III since the last reporting period. The changeover to IFRS 9 for the classification of financial instruments led to a significant increase in the loans and advances carried at fair value. All of these instruments were assigned to Level 3 in the fair value hierarchy as of 1 January 2018 and 31 December 2018.

Qualitative and quantitative information on the valuation of Level III financial instruments is provided below:

31/12/2018 €'000	Type	Market value in €m	Valuation method	Major unobservable input factors	Scope of unobservable input factors
Balance sheet assets					
Financial assets held for trading					
Derivatives					
Equity instruments	Shares and funds	1.8	External valuation	Discounts	5-10%
Bonds	Fixed-interest bonds	0.4	DCF method	Credit margin	15-50%
Bonds	Non-fixed-interest bonds	60.7	DCF method	Credit margin	2-10%
Non-trading financial assets mandatorily at fair value through profit or loss					
Equity instruments	Equity investments	12.9	DCF method	Internal forecasts	-
Other loans and advances	Other loans and advances	159.7	DCF method	Credit risk premiums	0,003% - 12,46%
Financial assets at fair value through other comprehensive income					
Equity instruments	Equity investments	19	DCF method	Internal forecasts	-

The comparative information for 2017 is as follows:

31/12/2017 €'000	Type	Market value in €m	Valuation method	Major unobservable input factors	Scope of unobservable input factors
Balance sheet assets					
Equity instruments	Shares and funds	1.8	External valuation	Discounts	5-10%
Bonds	Fixed-interest bonds, credit-linked notes, non-fixed-interest bonds	10.6	DCF method, external valuation	Credit margin	0-50%
Balance sheet equity and liabilities					
Securitized liabilities	Index-linked notes	(40.8)	External valuation	Credit margin	5-15%

Valuation guidelines

The methods used for the fair value measurement of securities are selected by the Valuation Department (Market Risk Management Department) and approved by the Managing Board. These valuation guidelines are designed to ensure accurate measurement results and the use of consistent methods.

Automated controls ensure that the quality of the applied models and input parameters meets the defined standards.

The acquisition of new financial instruments is accompanied by the examination and validation of all possible pricing sources. A source is then selected in agreement with the valuation guidelines and current legal requirements. Priority is given to generally accepted valuation parameters that can be obtained from recognized data providers.

The methods used to determine the fair value of loans and advances were determined by the responsible internal valuation department (Credit Risk Management).

Sensitivity analysis of the non-observable parameters for financial instruments carried at fair value (Level III)

A range of alternative parameters is available for selection and application in cases where the value of a financial instrument is dependent on non-observable data. A shift in the parameters at the ends of these ranges would lead to an increase of EUR 1.4 million or a decrease of EUR 5.9 million in the fair value of securities (assets) as of 31 December 2018. This calculation reflects the applicable market conditions and internal valuation requirements.

The probability of a simultaneous shift in all non-observable parameters (e.g. discounts and credit spreads) to the ends of the ranges is extremely low. Consequently, these results do not support any conclusions concerning actual future changes in market values.

A range of alternative parameters is available for selection and application in cases where the value of a loan or an advance is dependent on non-observable parameters (Level 3). A shift in the parameters at the ends of these ranges (+/- 100 bps with a floor at 0) would lead to an increase of EUR 0.2 million or a decrease of EUR 0.4 million in the fair value of loans and advances as of 31 December 2018. This calculation reflects the applicable market conditions and internal valuation requirements.

2018 €m	Type	Reduction due to change in parameter	Increase due to change in parameter	Increase due to change in parameter
Financial assets held for trading				
Equity instruments	Shares and funds	(1.8)	0.0	Default scenario
Bonds	Fixed-interest bonds	(0.4)	0.0	Default scenario
Bonds	Non-fixed-interest bonds	(3.6)	1.4	Creditspread shift

2017 €m	Type	Reduction due to change in parameter	Increase due to change in parameter	Increase due to change in parameter
Balance sheet assets				
Equity instruments	Shares and funds	(1.8)	0	Default scenario
Bonds	Fixed-interest bonds, credit-linked notes, non-fixed-interest bonds	(4.0)	0.3	Credit spread risk, default scenario
Balance sheet equity and liabilities				
Securitized liabilities	Index-linked notes	(1.6)	4.8	Credit spread shift of (112)bp and +388bp

Fair value of financial instruments not carried at fair value

The following table shows the fair values and carrying amounts of financial instruments which are carried at amortized cost in accordance with the respective business model.

The financial instruments listed below are not managed on the basis of fair value and, consequently, are not carried at fair value on the balance sheet.

In these cases, fair value has no direct influence on the consolidated balance sheet or consolidated income statement.

Classification is based on the classes of financial instruments defined by RLB NÖ-Wien. Additional details are provided in Note (32) “Risks arising from financial instruments“.

2018 €'000	Fair value	Carrying amount	Difference
Financial assets at amortized cost	***19,435,033***	***19,188,168***	***246,865***
Bonds	4,157,444	4,128,791	28,653
Other loans and advances	15,277,589	15,059,377	218,212
Financial liabilities measured at amortized cost	***23,703,305***	***23,513,145***	***190,160***
Deposits	17,065,167	16,934,470	130,697
Securitized liabilities	6,638,138	6,578,675	59,463

2017 €'000	Fair value	Carrying amount	Difference
Financial assets at amortized cost	*15,398,806*	*15,324,298*	*74,508*
Bonds	378,377	367,267	11,110
Other loans and advances	15,020,429	14,957,031	63,398
Financial liabilities measured at amortized cost	*22,154,190*	*22,091,491*	*62,699*
Deposits	15,643,305	15,586,382	56,923
Securitized liabilities	6,510,885	6,505,109	5,776

The classification of balance sheet positions according to the fair value hierarchy is as follows:

2018 €'000	Fair Value Level I	Fair Value Level II	Fair Value Level III
Balance sheet assets			
Bonds	3,791,805	356,093	9,546
Other loans and advances	0	0	15,277,589
Balance sheet equity and liabilities			
Deposits	0	17,065,167	0
Securitized liabilities	0	5,894,778	743,360

2017 €'000	Fair Value Level I	Fair Value Level II	Fair Value Level III
Balance sheet assets			
Bonds	328,116	50,261	
Other loans and advances			15,020,429
Balance sheet equity and liabilities			
Deposits		15,643,305	
Securitized liabilities		5,711,716	799,169

Additional Information

(35) Classification of remaining terms to maturity

Classification of remaining terms to maturity as of 31 December 2018:

€'000	Demand deposits	To 3 month	From 3 months to 1 year	From 1 to 5 years	Over 5 years or of unspecified maturity	Total
Balance sheet assets						
Financial assets held for trading	1,905	9,159	34,041	646,471	650,118	1,341,693
Non-trading financial assets mandatorily at fair value through profit or loss	8,022	3,519	9,088	9,563	143,321	173,513
Financial assets designated at fair value through profit or loss	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income	0	0	0	0	18,872	18,872
Financial assets at amortized cost	2,618,754	1,288,949	799,801	5,273,226	9,207,438	19,188,168
Derivatives - hedge accounting	0	2,869	9,811	124,738	209,911	347,329
Balance sheet equity and liabilities						
Financial liabilities held for trading	0	11,258	27,145	217,701	329,283	585,386
Financial liabilities designated at fair value through profit or loss	0	0	0	0	0	0
Financial liabilities measured at amortized cost	16,640,849	312,036	480,453	2,968,050	3,111,757	23,513,145
Derivatives - hedge accounting	0	0	52	80,924	262,560	343,537

Classification of remaining terms to maturity as of 31 December 2017:

€'000	Demand deposits	To 3 month	From 3 months to 1 year	From 1 to 5 years	Over 5 years or of unspecified maturity	Total
Balance sheet assets						
Financial assets held for trading	285	14,821	22,810	239,217	453,462	730,596
Financial assets designated at fair value through profit or loss	9	64,165	24,830	164,662	47,850	301,517
Financial assets at fair value through other comprehensive income	1,231	93,773	39,141	1,336,434	2,260,936	3,731,517
Financial assets at amortized cost	3,036,727	707,417	1,082,186	3,941,788	6,556,180	15,324,298
Derivatives - hedge accounting	0	3,987	3,615	98,101	249,058	354,761
Balance sheet equity and liabilities						
Financial liabilities held for trading	2,424	4,824	14,700	280,671	351,718	654,336
Financial liabilities designated at fair value through profit or loss	0	0	0	40,768	0	40,768
Financial liabilities measured at amortized cost	14,509,717	1,490,483	475,362	2,915,103	2,700,827	22,091,492
Derivatives - hedge accounting	0	947	1,449	66,568	306,672	375,635

(36) Related party disclosures

€'000	31/12/2018	31/12/2017
Cash, cash balances at central banks and other demand deposits	***1,852,636***	*1,481,859*
Associates	1,852,636	1,481,859
Financial assets held for trading	***118,590***	*75,667*
Parent	42,297	47,923
Associates	75,157	27,700
Entities accounted for using the equity method via the parent	1,136	44
Non-trading financial assets mandatorily at fair value through profit or loss	***10,081***	*0*
Subsidiary / subsidiaries	7,440	0
Associates	2,014	0
Joint ventures	627	0
Financial assets at fair value through other comprehensive income	***5,780***	*19,251*
Parent	0	277
Subsidiary / subsidiaries	1,406	8,792
Associates	831	9,118
Joint ventures	3,543	1,064
Financial assets at amortized cost	***2,337,683***	*3,311,379*
Parent	1,182,256	1,183,000
Subsidiary / subsidiaries	53,437	4,606
Entities related via the parent	369,795	341,486
Associates	524,595	1,514,769
Entities accounted for using the equity method via the parent	200,103	255,172
Joint ventures	7,497	12,346
Derivatives - hedge accounting	***40,310***	*53,982*
Associates	40,310	53,982
Other assets	***47,656***	*28,977*
Parent	39,740	28,977
Subsidiary / subsidiaries	7,916	0

€'000	**31/12/2018**	**31/12/2017**
Financial liabilities held for trading	***21,594***	*26,566*
Associates	21,593	26,566
Financial liabilities measured at amortised cost	***815,878***	*1,147,353*
Parent	199,745	199,841
Subsidiary / subsidiaries	57,484	65,342
Entities related via the parent	13,216	169,963
Associates	488,064	697,664
Entities accounted for using the equity method via the parent	45,827	8,465
Joint ventures	11,542	6,078
Other liabilities	***704***	*0*
Parent	703	0
Subsidiary / subsidiaries	1	0

€'000	**31/12/2018**	**31/12/2017**
Contingent liabilities	***290,774***	*315,102*
Parent	962	7,142
Subsidiary / subsidiaries	1,625	2,612
Entities related via the parent	22,894	1,891
Associates	205,654	232,294
Entities accounted for using the equity method via the parent	59,639	14,348

The business relationships with related entities in 2018 are reported below:

01/01 - 31/12/2018 €'000	Interest income	Interest expenses	Purchased services and merchandise and other expenses	Services provided, sale of merchandise and fixed assets and other income
Parent	22,093	13,074	17,998	1,618
Subsidiary / subsidiaries	748	0	4,146	340
Entities related via the parent	108	0	7	0
Associates	9,244	258	32,887	3,497
Entities accounted for using the equity method via the parent	3,343	5	1,542	32
Joint ventures	235	0	33,216	39

The comparative data for 2017 are as follows:

01/01 - 31/12/2017 €'000	Interest income	Interest expenses	Purchased services and merchandise and other expenses	Services provided, sale of merchandise and fixed assets and other income
Parent	15,511	12,932	16,488	2,059
Subsidiary / subsidiaries	124	0	4,581	384
Entities related via the parent	7,693	0	1	15
Associates	11,315	292	46,594	3,940
Entities accounted for using the equity method via the parent	86	0	0	154
Joint ventures	257	0	20	493

The following legal and business relations exist with related companies:

- The parent company of RLB NÖ-Wien is Raiffeisen-Holding NÖ-Wien. The business relationships between RLB NÖ-Wien and Raiffeisen-Holding NÖ-Wien consist primarily of refinancing for Raiffeisen-Holding NÖ-Wien and transactions with derivative financial instruments.

- Raiffeisenlandesbank Niederösterreich-Wien reg. Gen.m.b.H. transferred its banking-related business operations and banking-related equity investments to

RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG (formerly PRAELUSIO Beteiligungs AG) as a contribution in kind retroactively as of 31 December 2000 in accordance with § 92 of the Austrian Banking Act and Art. III of the Austrian Reorganization Tax Act ("Umgründungssteuergesetz"). The transferring company changed its name to RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN reg. Gen.m.b.H. The concessions and authorizations for the banking-related business operations were transferred from Raiffeisen-Holding NÖ-Wien to RLB NÖ-Wien in accordance with § 92 (6) of the Austrian Banking Act. The banking-related business operations were accepted by RLB NÖ-Wien as the universal legal successor in accordance with § 92 (4) of the Austrian Banking Act. In accordance with § 92 (9) of the Austrian Banking Act, Raiffeisen-Holding NÖ-Wien is liable with its entire assets for all current and future liabilities of RLB NÖ-Wien in the event this latter institution should become insolvent.

- RLB NÖ-Wien has been a member of a corporate tax group created in accordance with § 9 of the Austrian Corporate Income Tax Act since the 2005 assessment year. The head of the tax group is RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung (Raiffeisen-Holding NÖ-Wien), with which RLB NÖ-Wien has concluded a tax contribution agreement.

- In the 2018 assessment year, the corporate tax group with Raiffeisen-Holding NÖ-Wien as its head included RLB NÖ-Wien as well as 44 (2017: 49) other members. The tax base for the entire group equals the total income of the head of the group plus the allocated taxable income of the group members after the maximum allowable deduction of the tax loss carryforwards held by the head of the group. RLB NÖ-Wien is charged a proportional share of group corporate income tax, which is assessed at the level of the head of the group, Raiffeisen-Holding NÖ-Wien. A tax charge based on the contractually agreed rate is payable to the head of the group, Raiffeisen-Holding NÖ-Wien, on the untaxed portion of the taxable income recorded by RLB NÖ-Wien. A loss recorded by RLB NÖ-Wien for the year results in a negative tax contribution.

- The liquidity management agreement concluded between RLB NÖ-Wien and Raiffeisen-Holding NÖ-Wien regulates the relationship between these two parties with respect to liquidity provision, measurement and monitoring as well as the related measures. This agreement was concluded for an indefinite period of time and can be cancelled by both parties.

- RLB NÖ-Wien and Raiffeisen-Holding NÖ-Wien have concluded a management service agreement that regulates the details of mutually provided services in order to reduce redundancy and improve cost efficiency.

- RLB NÖ-Wien and the following companies have established tax groups for VAT purposes:

    - RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung
    - "AKTUELL" Raiffeisen Versicherungs-Maklerdienst Gesellschaft m.b.H.
    - MODAL-Gesellschaft für betriebsorientierte Bildung und Management GmbH
    - Raiffeisen Beratung direkt GmbH
    - RBE Raiffeisen Beratungs- und Entwicklungs GmbH
    - Raiffeisen Versicherungs- und Bauspar-Agentur GmbH
    - Veritas Treuhandgesellschaft für Versicherungsüberprüfung und -vermittlung m.b.H.
    - Raiffeisen Analytik GmbH

- RLB NÖ-Wien has arranged for Directors and Officers (D&O) insurance and fidelity insurance to cover its corporate bodies and key managers as well as the corporate bodies and key managers of its subsidiaries and carries the cost for this insurance.

- The following companies have concluded an agreement (federal IPS agreement) for the establishment of an institutional protection scheme in accordance with the version incorporating the changes from 18 March 2017: RLB NÖ-Wien, Raiffeisen-Holding NÖ-Wien, Raiffeisen Bank International AG (RBI), all other Raiffeisen regional banks, Posojilnica Bank, Raiffeisen Bausparkasse GmbH, Raiffeisen Wohnbaubank AG and Österreichische Raiffeisen-Einlagensicherung eGen (ÖRE). This federal IPS agreement establishes an institution-based protection scheme (federal IPS) under which the contract parties assume the rights and obligations defined in the respective legal provisions of the IPS framework agreement and consent to their implementation as regulated by the federal IPS agreement. The parties to the federal IPS agreement have also concluded a trust agreement under which ÖRE serves as the trustee for payments made in connection with the federal IPS.

- The following companies have concluded an agreement (regional IPS agreement) for the establishment of an institutional protection scheme in accordance with the version implementing the supplement/clarification from May/June 2017: RLB NÖ-Wien, Raiffeisen-Holding NÖ-Wien, the solidarity association of Raiffeisen-Bankengruppe NÖ-Wien, 54 (2017: 54) Lower Austrian Raiffeisen banks (the regional IPS agreement was originally signed by 63 Lower Austrian Raiffeisen banks; the number subsequently declined to 54 as of 31 December 2018 due to mergers between the Lower Austrian Raiffeisen banks, but was increased by the addition of Raiffeisenbank Region St. Pölten eGen in 2018) and Raiffeisen-Einlagensicherung NÖ-Wien reg.Gen.m.b.H. (LASE). This regional IPS agreement establishes an institution-based protection scheme (regional IPS) under which the contract parties assume the rights and obligations defined in the respective legal provisions of the IPS framework agreement and consent to their implementation as regulated by the regional IPS agreement. The parties to the regional IPS agreement have also concluded a trust agreement under which LASE serves as the trustee for payments made in connection with the regional IPS.

An associate and one of its subsidiaries have concluded a limited settlement agreement to offset the loans and advances to and deposits from other banks.

The business transactions and relations with related companies reflect arm's length terms and conditions.

Key management includes the members of the Managing Board and Supervisory Board of RLB NÖ-Wien as well as the members of management, the managing board and supervisory board of Raiffeisen-Holding NÖ-Wien.

The relationships between key management and RLB NÖ-Wien are as follows:

€'000	31/12/2018	31/12/2017
Sight deposits	4,499	3,930
Bonds	73	203
Savings deposits	690	642
Other receivables	48	82
Total	**5,310**	4,857
Current accounts	1	0
Loans	914	1,138
Other deposits	58	71
Total	**974**	1,209

The relationships of persons closely related to the key management of RLB NÖ-Wien are shown below:

€'000	31/12/2018	31/12/2017
Sight deposits	216	245
Bonds	0	10
Savings deposits	15	10
Other receivables	1	0
Total	**232**	265
Current accounts	0	6
Loans	45	48
Total	**46**	54

(37) Remuneration of the Managing and Supervisory Boards

The remuneration paid by the company to the members of key management totalled TEUR 5,121 in 2018 (2017: TEUR 3,373). This amount includes TEUR 4,022 (2017: TEUR 2,282) of short-term benefits, TEUR 1,099 (2017: TEUR 1,089) of post-employment benefits (pensions and termination benefits) including additions to and reversals of provisions, and TEUR 3 (2017: TEUR 3) of other long-term benefits. The total remuneration (including additions to/reversals of provisions) for former managing directors and their surviving dependants as well as former members of the Managing Board of RLB NÖ-Wien AG amounted to TEUR 814 (2017: TEUR 879).

In accordance with IAS 24.18A, the amounts recorded for key management services provided by Raiffeisen Holding to RLB AG totalled TEUR 451 (2017: TEUR 938).

Additional disclosures in accordance with § 239 (1) no. 4 a) of the Austrian Commercial Code in connection with § 266 (2) of the Austrian Commercial Code:

The following table shows the remuneration for the active members of the Managing Board and Supervisory Board, classified by corporate body:

	Total remuneration for activities in reporting year	
Managing Board		
Current year in TEUR	3,900	*)
Prior year in TEUR	2,169	*)
Supervisory Board		
Current year in TEUR	119	
Prior year in TEUR	113	

* Information on the remuneration of related entities is not provided in accordance with the protective clause defined by § 64 (6) of the Austrian Banking Act in connection with § 242 (4) of the Austrian Commercial Code.

(38) Disclosure of loans and advances to members of the Managing and Supervisory Board pursuant to § 266 No. 5 of the Austrian Commercial Code

As of the balance sheet date on 31 December 2018, loans and advances outstanding to the members of the Managing Board and Supervisory Board totalled TEUR 808 (2017: TEUR 1,007) and TEUR 50 (2017: TEUR 53), respectively. No guarantees were issued on behalf of these persons. The loans and advances to the members of the Supervisory Board consist solely of loans and advances to the employees appointed to this corporate body by the Staff Council and carry standard bank terms and interest rates. Repayments during the reporting year amounted to TEUR 49 (2017: TEUR 338) by the Managing Board members and TEUR 10 (2017: TEUR 59) by the Supervisory Board members.

(39) Foreign currency balances

The consolidated financial statements include the following foreign currency asset and liability balances:

€'000	2018	2017
Balance sheet assets	1,095,397	1,043,638
Balance sheet equity and liabilities	988,493	563,582

(40) Contingent liabilities and other off-balance sheet obligations

RLB NÖ-Wien held the following off-balance sheet obligations at year-end 2018 and 2017:

€'000	2018	2017
Contingent liabilities	***811,227***	***778,863***
Of which arising from other guarantees	769,209	753,486
Of which arising from letters of credit	36,141	22,125
Of which other contingent liabilities	5,877	3,252
Commitments	***4,480,535***	***4,909,319***
Of which arising from revocable loan commitments	2,134,589	2,030,796
Of which arising from irrevocable loan commitments	2,345,946	2,878,523
To 1 year	757,858	699,124
More than 1 year	1,588,088	2,179,399

The additional guarantees for cooperatives totalled TEUR 5,877 (2017: TEUR 3,252) and include TEUR 41 (2017: TEUR 41) related to subsidiaries. Additional funding commitments amount to TEUR 841 (2017: TEUR 841), whereby TEUR 150 (2017: 150) are related to subsidiaries. Outstanding contributions remained unchanged in comparison with the previous year at TEUR 21 (2017: TEUR 21) and include TEUR 18 (2017: TEUR 18) related to subsidiaries.

Moreover, there are obligations arising from the mandatory membership in the protection facility to be maintained by the Raiffeisen bank organization (§§ 8 (1) and 45 (1) in connection with § 59 of the Austrian Deposit Protection and Investor Compensation Act).

RLB NÖ-Wien is required to make an annual ex ante contribution (§ 21 of the Austrian Deposit Protection and Investor Compensation Act) to finance the statutory deposit insurance through the creation of a fund. The contribution for 2018 equalled TEUR 2,808 (2017: TEUR 2,877) and is reported under other operating expenses. The protection facility can also collect special contributions each calendar year up to a maximum of 0.5% of the covered deposits in member institutions (the Financial Market Authority can, in individual cases, approve a higher amount). The amount of the special contributions is based on the ratio of the last annual contribution payable by RLB NÖ-Wien to the total amount of the last annual contribution payable by all members to the protection facility (§ 22 of the Austrian Deposit Protection and Investor Compensation Act).

In the event compensation payments are made for insured securities services (investor compensation), the annual contribution for each individual institution will equal up to 1.5% of the assessment base as defined by Art. 92 (3) letter a of the CRR plus 12.5-times the capital requirements for position risk as defined in Part 3 Title IV Chapter 2 of the CRR, i.e. TEUR 158,558 (2017: TEUR 148,607) for RLB NÖ-Wien.

RLB NÖ-Wien is a member of Raiffeisen Kundengarantiegemeinschaft NÖ-Wien, the Raiffeisen customer deposit protection association for Lower Austria and Vienna. The association's statutes guarantee joint responsibility for the fulfilment of obligations to customers (deposits from customers as defined under Pos. 2., Liabilities), deposits from other banks (as defined in Pos. 2., Liabilities) and the securities issued by every insolvent association member up to a limit that equals the total individual capacities of the other association members. The individual capacity of an association member is based on free cash reserves as calculated in accordance with the relevant provisions of the Austrian Banking Act.

Raiffeisen-Kundengarantiegemeinschaft NÖ-Wien, in turn, is a member of the association “Raiffeisen Kundengarantiegemeinschaft Österreich”, whose members are RBI and other Raiffeisen regional customer guarantee collectives. The objective of the association is the same as Raiffeisen-Kundengarantiegemeinschaft NÖ-Wien based on RZB, RBI and the members of the Raiffeisen regional customer deposit protection association (also see note (32) Risk report).

In accordance with § 125 (1) of the Austrian Act on the Reorganization and Resolution of Banks (“Bundesgesetz über die Sanierung und Abwicklung von Banken“, BaSAG), institutions are required to make contributions and the Financial Market Authority is required to ensure that the funds available through the resolution financing mechanism equal at least 0.1% of the insured deposits of all institutions licensed in Austria by 31 December 2018. The goal is to reach 1.0% of the insured deposits by 2023. The contribution by RLB NÖ-Wien in 2018 equalled TEUR 8,220 (2017: TEUR 7,888) and is reported under other operating expenses. In addition, § 127 of the Austrian Act on the Reorganization and Resolution of Banks authorizes the resolution authority to call for extraordinary subsequent contributions if required. The calculation of these contributions is based on the rules for ordinary contributions as defined in § 126 of the Austrian Act on the Reorganization and Resolution of Banks, whereby they may not exceed three-times the annual ordinary contributions.

In the sense of Art. 49 (3) and 113 (7) of the CRR, RLB NÖ-Wien concluded a contract for the establishment of an institutional protection scheme (federal IPS) at the federal level with the following companies: RBI, the other Raiffeisen regional banks, Raiffeisen-Holding NÖ-Wien and a number of other institutions in the Raiffeisen-Banking Group. RLB NÖ-Wien also concluded a similar agreement with Raiffeisen-Holding NÖ-Wien and 54 Lower Austrian Raiffeisen banks (regional IPS).

In addition, a trust agreement was concluded between the parties to the federal and regional IPS agreements under which ÖRE or LASE, respectively, is designated to serve as the trustee for payments made within the scope of the federal or regional institutional protection scheme.

These agreements are intended to ensure sufficient liquidity and solvency in order to prevent the bankruptcy of the contract parties. The guarantee agreements make it possible for the institutions not to deduct the other contract parties' holdings in equity instruments from their own capital (Art. 49 (3) of the CRR). Moreover, the institutions are permitted to exclude risk positions against the other contract parties from the calculation of their own risk-weighted positions (Art. 113 (7) of the CRR). Both institutional protection schemes were officially approved by the FMA in 2014.

For the federal IPS, an ex-ante special fund for possible support actions must be accumulated within an appropriate period, but no later than 31 December 2022. The contribution by RLB NÖ-Wien equalled EUR 5.4 million in

2018 (2017: EUR 5.0 million) and is reported as a reserve. In 2018, EUR 1.0 million of the reserve created in the previous year was used for support payments (2017: EUR 0.4 million).

An ex-ante special fund for possible support actions must also be accumulated for the regional IPS by 31 December 2022. RLB NÖ-Wien contributed TEUR 4,707 in 2018 (2017: TEUR 876).

(41) Repurchase agreements, securities lending and offsetting agreements

As of 31 December, the repurchase and resale obligations arising from repo agreements were as follows:

€'000	**2018**	**2017**
Genuine repurchase agreements as the pension provider		
Deposits from other banks	120,446	0
Deposits from customers	0	0
Total	**0**	0

The carrying amount of the securities sold under sale and repurchase agreements totalled TEUR 122,400 in 2018 (2017: TEUR 0). No securities were purchased under sale and repurchase agreements.

Securities lending transactions involved borrowed securities totalling TEUR 302,549 (2017: TEUR 203,942) and no loaned securities. In connection with these transactions, no cash was received as collateral.

The following tables show the fair value of derivatives for which collateral was received or provided in accordance with the respective agreement as well as the receivables and liabilities with existing offset agreements and repos. These items are only offset and presented as a net amount in agreement with IAS 32 when there is a legal right to offsetting on a net basis which is enforceable during the conduct of ordinary business activities and also in the event of insolvency or bankruptcy.

Assets			**Related amounts not offset on the balance sheet**		
2018 €'000	**Gross amount**	**Offset on the balance sheet**	**Financial instruments**	**Cash collateral received**	**Net amount**
Sight deposits	1,851,677	1,851,677	(208,888)	0	1,642,789
Derivatives	757,486	757,486	(633,712)	(118,844)	4,930
Of which from financial assets held for trading	410,157	410,157			
Of which from derivatives - hedge accounting	347,329	347,329			
Total	**2,609,164**	**2,609,164**	**(842,600)**	**(118,844)**	**1,647,719**

Liabilities 2018 €'000	Gross amount	Offset on the balance sheet	Related amounts not offset on the balance sheet Financial instruments	Cash collateral given	Net amount
Deposits from other banks	208,888	208,888	(208,888)	0	0
Derivatives	925,367	925,367	(633,712)	(301,973)	(10,318)
Of which from financial liabilities held for trading	581,830	581,830			
Of which from derivatives - hedge accounting	343,537	343,537			
Repurchase agreements issued	120,446	120,446	120,446	0	0
Total	**1,254,701**	**1,254,701**	**(722,154)**	**(301,973)**	**(10,318)**

The comparative prior year data is shown below:

Assets 2017 €'000	Gross amount	Offset on the balance sheet	Related amounts not offset on the balance sheet Financial instruments	Cash collateral received	Net amount
Sight deposits	2,387,276	2,387,276	(373,349)	0	2,013,927
Derivatives	762,724	762,724	(663,469)	(100,250)	(995)
Of which from financial assets held for trading	407,662	407,662			
Of which from derivatives - hedge accounting	355,061	355,061			
Total	3,150,000	3,150,000	(1,036,818)	(100,250)	2,012,932

Liabilities 2017 €'000	Gross amount	Offset on the balance sheet	Related amounts not offset on the balance sheet Financial instruments	Cash collateral given	Net amount
Deposits from other banks	373,349	373,349	(373,349)	0	0
Derivatives	983,102	983,102	(663,469)	(324,197)	(4,564)
Of which from financial liabilities held for trading	603,372	603,372			
Of which from derivatives - hedge accounting	379,730	379,730			
Total	1,356,451	1,356,451	(1,036,818)	(324,197)	(4,564)

In order to determine capital requirements, RLB NÖ-Wien offsets the corresponding receivables from derivatives (positive and negative fair values) resulting from individual transactions executed under a framework agreement (for financial forwards and futures) or an ISDA master agreement with the respective counterparty. Raiffeisenlandesbank NÖ-Wien AG has concluded these types of netting agreements with numerous banks and other financial institutions. The legal enforceability of these netting agreements is evaluated on the basis of legal expert opinions. Netting agreements are not used in the customer business. In the event of default by a counterparty, these contracts allow for net settlement which covers all individual transactions. Cash collateral is generally exchanged in EUR.

The cash collateral received (see the above tables) includes TEUR 81,353 (2017: TEUR 58,550) which is reported on the balance sheet under deposits from other banks and TEUR 37,490 (2017: TEUR 41,700) under deposits from customers. Cash collateral given is reported on the balance sheet under demand deposits. The conclusion of OTC derivatives with a central counterparty also includes initial margin deposits in the form of securities with a nominal value of EUR 27 million, which are carried at amortized cost. The cash collateral for derivatives with a central counterparty is provided in the currency of the respective derivative.

Refinancing funds from repos totalling TEUR 120,446 as of 31 December 2018 (2017: 0) are included under financial liabilities at amortized cost. The securities transferred as collateral are reported under the category “at amortized cost”.

An agreement was also concluded with an associate and one of its subsidiaries to offset receivables and liabilities. These receivables and liabilities are reported under demand deposits, respectively deposits from other banks, and are carried at amortized cost. The agreements described are conditional and only permit netting in the event of payment default or insolvency.

(42) Assets pledged as collateral

The following assets reported on the balance sheet were pledged as collateral for the liabilities listed below:

€'000	2018	2017
Receivables in the mortgage cover pool	2,629,006	2,099,438
Receivables used as collateral for bonds issued by the bank	1,694,278	702,637
Collateral for derivative contracts	360,436	385,193
Receivables assigned to OeKB	718,166	426,142
Receivables assigned to the EIB	242,164	260,003
Receivables assigned to OeNB (credit claims)	564,635	1,970,037
Cover pool for issued covered partial debentures	59,493	59,492
Bonds deposited with OeKB in connection with EIB loans	103,721	127,330
Receivables in the RZB cover pool (public finance)	19,836	21,662
Receivables assigned to KfW (Kreditanstalt für Wiederaufbau, Frankfurt/Main)	14,045	19,748
Cover pool for fiduciary savings deposit balances	27,645	20,060
Other receivables assigned	11,162	11,448
Securities deposited in connection with ECB tenders	2,363,905	1,993,165
Total	**8,808,492**	8,096,355

In accordance with an Austrian law governing covered bonds that was enacted on 27 December 1905 ("§ 1 (6) Fundierte Bankschuldverschreibungsgesetz", Austrian Federal Gazette BGBl 1905/213 in the current version), loans and advances to other banks of EUR 135.6 million (2017: EUR 133.9 million) and mortgage-backed loans and advances to other banks of EUR 1,790.4 million (2017: EUR 1,661.4 million)) were also included in the mortgage coverage pool of RLB NÖ-Wien to secure obligations under the covered bonds.

The following liabilities are covered by recognized assets:

€'000	2018	2017
Deposits from other banks	2,569,977	1,930,103
Deposits from customers	18,577	20,060
Securitized liabilities	3,759,227	2,158,930
Derivatives	360,436	385,193
Total	**6.708.217**	4,494,286

(43) Fiduciary transactions

RLB NÖ-Wien held the following off-balance sheet fiduciary items on the balance sheet date:

€'000	2018	2017
Loans and advances to customers	12,375	13,200
Fiduciary assets	***12,375***	*13,200*
Deposits from customers	12,375	13,200
Fiduciary liabilities	***12,375***	*13,200*

Disclosures pursuant to Austrian law

(44) Derivative financial instruments pursuant to § 64 (1) No. 3 of the Austrian Banking Act

The following tables show the derivative financial products outstanding as of the balance sheet date, classified by the respective term to maturity.

The following table shows the derivative financial products which are not assigned to the trading book and are reported on the balance sheet under other financial assets/liabilities or derivatives – hedge accounting:

2018 **€'000**	**Nominal amounts** **Term to maturity**				**Fair values**	
	To 1 year	**From 1 to 5 years**	**Over 5 years**	**Total**	**Positive**	**Negative**
Total	*1,810,610*	*7,462,266*	*5,288,357*	*14,561,233*	*527,865*	*(569,283)*
a) Interest rate contracts	*1,022,179*	*7,017,781*	*5,288,357*	*13,328,317*	*522,509*	*(568,070)*
Interest rate swaps	922,179	7,011,977	5,288,357	13,222,513	522,509	(557,848)
Interest rate options – calls	0	5,804	0	5,804	0	0
Interest rate options – puts	100,000	0	0	100,000	0	(10,222)
b) Exchange rate contracts	*788,431*	*0*	*0*	*788,431*	*5,356*	*(1,213)*
Currency forwards	0	0	0	0	0	0
Cross currency and cross currency interest rate swaps	788,431	0	0	788,431	5,356	(1,213)
c) Securities contracts	*0*	*444,485*	*0*	*444,485*	*0*	*0*
Equity and index options – calls	0	222,035	0	222,035	0	0
Equity and index options – puts	0	222,450	0	222,450	0	0

2017 **€'000**	**Nominal amounts** **Term to maturity** **To 1 year**	 **From 1 to 5 years**	 **Over 5 years**	 **Total**	**Fair values** **Positive**	 **Negative**
Total	*3,969,292*	*7,486,297*	*5,672,162*	*17,127,751*	*579,221*	*(631,251)*
a) Interest rate contracts	*3,232,480*	*7,142,612*	*5,672,162*	*16,047,254*	*578,225*	*(631,159)*
Interest rate futures	7,000	0	0	7,000	77	0
Interest rate swaps	3,225,480	7,034,747	5,672,162	15,932,389	578,147	(623,395)
Interest rate options – calls	0	7,865	0	7,865	1	0
Interest rate options – puts	0	100,000	0	100,000	0	(7,764)
b) Exchange rate contracts	*736,812*	*0*	*0*	*736,812*	*996*	*(92)*
Currency forwards	9,149	0	0	9,149	87	(89)
Cross currency and cross currency interest rate swaps	727,663	0	0	727,663	909	(3)
c) Securities contracts	*0*	*343,685*	*0*	*343,685*	*0*	*0*
Equity and index options – calls	0	165,635	0	165,635	0	0
Equity and index options – puts	0	178,050	0	178,050	0	0

The following table shows the derivative financial products that are held for trading and recorded on the balance sheet under financial asets or liabilities held for trading:

2018 **€'000**	**Nominal amounts** **Term to maturity** **To 1 year**	 **From 1 to 5 years**	 **Over 5 years**	 **Total**	**Fair values** **Positive**	 **Negative**
Total	***2,015,323***	***5,861,406***	***4,974,719***	***12,851,448***	***350,838***	***(360,024)***
a) Interest rate contracts	***1,870,186***	***5,859,892***	***4,974,719***	***12,704,797***	***349,685***	***(358,939)***
Interest rate futures	63,881	0	0	63,881	0	(383)
Interest rate swaps	1,672,315	5,344,998	4,191,976	11,209,289	339,785	(352,617)
Interest rate options – calls	89,966	289,771	502,842	882,579	9,900	0
Interest rate options – puts	44,024	225,123	279,901	549,048	0	(5,939)
b) Exchange rate contracts	***145,137***	***1,514***	***0***	***146,651***	***1,153***	***(1,085)***
Currency forwards	138,261	1,514	0	139,775	1,150	(1,082)
Currency options – calls	3,438	0	0	3,438	3	0
Currency options – puts	3,438	0	0	3,438	0	(3)

2017 **€'000**	**Nominal amounts** **Term to maturity** **To 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**	**Fair values** **Positive**	**Negative**
Total	*1,006,593*	*6,815,049*	*6,211,051*	*14,032,693*	*377,389*	*(398,721)*
a) Interest rate contracts	*891,984*	*6,809,049*	*6,211,051*	*13,912,084*	*376,458*	*(397,818)*
Interest rate futures	27,300	0	0	27,300	275	0
Interest rate swaps	824,663	6,087,993	5,448,409	12,361,065	365,506	(390,262)
Interest rate options – calls	17,900	388,782	496,938	903,620	10,677	0
Interest rate options – puts	22,121	332,274	265,704	620,099	0	(7,556)
b) Exchange rate contracts	*114,609*	*6,000*	*0*	*120,609*	*931*	*(903)*
Currency forwards	104,609	0	0	104,609	227	(198)
Currency options – calls	5,000	3,000	0	8,000	704	0
Currency options – puts	5,000	3,000	0	8,000	0	(705)

The nominal and fair values are derived from the separate totals of all calls and puts. The fair values here represent dirty prices (fair value incl. accrued interest) after taking the counterparty default risk into consideration.

Derivative interest rate contracts and derivative securities transactions are used primarily for proprietary trading. Derivative foreign exchange contracts are used for both proprietary and customer business, while credit derivatives are only used for proprietary trading.

(45) Disclosure of bonds, other fixed-interest securities and issued bonds pursuant to § 64 (1) No. 7 of the Austrian Banking Ac

The following bonds and other fixed-interest securities as well as bonds issued by the Group are due and payable in the year following the balance sheet date:

€'000		2018	2017
a)	Receivables arising from bonds and other fixed-interest securities	38,754	177,804
b)	Payables arising from bonds issued by the Group	(396,624)	(901,249)

(46) Disclosure of securities admitted for exchange trading pursuant to § 64 (1) No. 10 of the Austrian Banking Act

€'000	2018 Listed	2018 Unlisted	2017 Listed	2017 Unlisted
Bonds and other fixed-interest securities	1,888,139	0	1,612,408	0
Shares and other variable-yield securities	79	0	0	0

(47) Disclosure of financial assets pursuant to § 64 (1) No. 11 of the Austrian Banking Act

€'000	2018	2017
Bonds and other fixed-interest securities	1,312,165	1,370,007
Shares and other variable-yield securities	0	0
Total	**1,312,165**	1,370,007

The classification as non-current or current financial assets - in accordance with legal requirements - was based on the investment strategy determined by the Managing Board or a committee delegated by the Managing Board.

(48) (Nominal)volume of the securities trading book pursuant to § 64 (1) No. 15 of the Austrian Banking Act

€'000	2018	2017
Fixed-interest securities, nominal values	127,285	117,276
Other financial instruments (derivatives, face values)	12,851,448	14,032,693
Total	**12,978,733**	14,149,969

(49) Regulatory capital

RLB NÖ-Wien is part of the Raiffeisen-Holding NÖ-Wien financial institution group and is therefore not subject to the regulations governing financial institution groups or requirements on a consolidated basis. Raiffeisen-Holding NÖ-Wien, the parent company, is responsible for compliance with these regulatory requirements at the financial institution group level. Accordingly, the regulatory capital requirements for the financial institution group are reported below and in the consolidated financial statements of Raiffeisen-Holding NÖ-Wien.

€'000	31/12/2018	31/12/2017
Paid-in capital	489,641	489,766
Retained earnings	2,218,426	2,051,896
Accumulated other comprehensive income and other equity	(233,108)	(88,014)
Common equity Tier 1 before deductions	***2,474,960***	***2,453,648***
Intangible assets incl. goodwill	(13,539)	(10,131)
Corrections in respect of cash flow hedge reserves	21,656	34,496
Corrections for credit standing related to changes in values of own liabilities	0	0
Corrections for credit standing related to changes in values of derivatives	(1,989)	(1,870)
Value adjustment based on the prudent valuation requirement	(3,697)	(4,635)
Common equity Tier 1 capital after deductions (CET1)	***2,477,392***	***2,471,508***
Additional core capital after deductions	131,660	120,114
Additional own funds	***2,609,052***	***2,591,622***
Eligible supplementary capital	469,887	557,818
Supplementary capital after deductions	***469,887***	***557,818***
Total qualifying capital	***3,078,939***	***3,149,440***
Total capital requirement	**1,115,992**	**1,034,872**
Common equity Tier 1 ratio (CET1 ratio), %	17.76	19.11
Tier 1 ratio (T1 ratio), %	18.70	20.03
Total capital ratio, %	22.07	24.35
Surplus capital ratio in %	175.89	204.33

Under a fully loaded analysis, the Common Equity Tier 1 Ratio equalled 17.61% (2017: 18.62%) and the Total Capital Ratio 21.45% (2017: 22.71%).

The initial application of IFRS 9 led to a reduction of 0.42% and 0.38%, respectively, in the common equity Tier 1 ratio and the total capital ratio as of 1 January 2018. The transition rules defined by Art. 473a of the CRR were not applied.

Total capital requirements comprise the following:

€'000	**31/12/2018**	**31/12/2017**
Capital requirements for credit risk	1,008,807	945,320
Capital requirements for position risk in debt instruments and assets	34,723	37,810
Capital requirement CVA	4,957	5,997
Capital requirements for operational risk	41,976	45,744
Capital requirements qualitative investments	25,529	0
Total capital requirement (total risk	**1,115,992**	1,034,872
Assessment base for credit risk	***12,929,193***	*11,816,505*
Total basis of assessment (total risk)	***13,949,899***	*12,935,897*

(50) Disclosure of the total return on capital pursuant to § 64 (1) No. 19 of the Austrian Banking Act

The total return on capital as defined in § 64 (1) No. 19 of the Austrian Banking Act equalled 0.73% as of 31 December 2018 (2017: 2.18%; adjusted in accordance with IAS 8; see "Restatement for error correction").

(51) Average number of employees

The average workforce (full-time equivalents) employed during the 2018 and 2017 financial years is as follows:

	2018	**2017**
Salaried employees	1,119	1,180
Wage employees	22	22
Total	**1,141**	1,202

(52) Events after the balance sheet date and approval of the consolidated financial statements

There are no transactions or other events which would be of particular public interest or which would have a material effect on the consolidated financial statements for 2018.

(53) Non-financial statement

RLB NÖ-Wien is exempt from the requirement to prepare a consolidated non-financial statement pursuant to § 267a (7) of the Austrian Commercial Code because it and its subsidiaries are included in the consolidated management report prepared by Raiffeisen-Holding NÖ-Wien reg. Gen.m.b.H. That report was prepared and published in accordance with the applicable accounting regulations. The consolidated management report of Raiffeisen-Holding NÖ-Wien is available at the company's headquarters and from the company register in Vienna.

Overview of Equity Investments (pursuant to § 265 (2) of the Austrian Commercial Code)

The following tables show the equity investments held by the RLB NÖ-Wien Group.

(54) Subsidiaries included in the consolidated financial statements

Entity, Registered office (country)	Subscribed capital	Currency	31/12/2018 Share in %*	31/12/2017 Share in %*	Type
"AKTUELL" Raiffeisen Versicherungs-Maklerdienst Gesellschaft m.b.H., Vienna (A)	73,000	EUR	100.00	100.00	OT
"BARIBAL" Holding GmbH, Vienna (A)	105,000	EUR	100.00	100.00	OT
"PRUBOS" Beteiligungs GmbH, Vienna (A)	35,000	EUR	100.00	100.00	OT
NAWARO ENERGIE Betrieb GmbH, Zwettl (A)	36,000	EUR	100.00	100.00	OT
RAIFFEISEN IMMOBILIEN VERMITTLUNG GES.M.B.H., Vienna (A)	622,000	EUR	98.75	98.75	OT
Raiffeisen Liegenschafts- und Projektentwicklungs GmbH, Vienna (A)	35,000	EUR	100.00	100.00	OT
Raiffeisen Versicherungs- und Bauspar-Agentur GmbH (vormals: RVB Raiffeisen Versicherungs Agentur GmbH), Vienna (A)	70,000	EUR	100.00	100.00	OT
Raiffeisen Vorsorge Wohnung GmbH (previously: Raiffeisen Vorsorgewohnungserrichtungs GmbH), Vienna (A)	100,000	EUR	100.00	100.00	OT
RBE Raiffeisen Beratungs- und Entwicklungs GmbH, Vienna (A)	35,000	EUR	95.00	95.00	OT
RLB Businessconsulting GmbH, Vienna (A)	35,000	EUR	100.00	100.00	OT
RLB NÖ-Wien Holding GmbH, Vienna (A)	70,000	EUR	100.00	100.00	FI
RLB NÖ-Wien Sektorbeteiligungs GmbH, Vienna	35,000	EUR	100.00	100.00	FI
Veritas Treuhandgesellschaft für Versicherungsüberprüfung und -vermittlung m.b.H., Vienna (A)	50,000	EUR	100.00	100.00	OT

* The information on shares represents the direct investment held by the Group.

Key:
Type of company
KI Credi tinstitution
FI Financial institution
NDL Ancillary service provider
OT Other

(55) Companies included in the consolidated financial statements at equity

Entity, Registered office (country)	Subscribed capital	Currency	31/12/2018 Share	31/12/2017 Share	Type
Raiffeisen Bank International AG, Vienna (A)	1,003,265,844	EUR	22.66	22.66	CI
Raiffeisen Informatik GmbH, Vienna (A)	1,460,000	EUR	47.35	47.35	OT

RBI is designated as a material associate by management:

RLB NÖ-Wien holds 22.66% of the shares in RBI and is therefore its primary owner. RBI is the leading institution in the Austrian Raiffeisen banking group and provides services for its members. It also holds and coordinates the individual member institution's minimum reserve and statutory liquidity reserve and provides support for liquidity management.

RBI had a listed market price of EUR 22.2 per share as of 31 December 2018 (31 December 2017: EUR 30.2 per share).

Financial information on RBI, the material associate, is provided in the following table; the data is based on that company's IFRS consolidated financial statements:

Associates €'000	Raiffeisen Bank International AG 2018	 2017
Interest income	4,788,520	4,256,985
Net profit	1,397,954	1,246,009
Other comprehensive income	(180,563)	(197,007)
Total comprehensive income	***1,217,391***	***1,049,002***
Attributable to equity holders of the parent	1,083,462	917,549
Attributable to non-controlling interest	133,929	131,453
Assets	140,115,155	135,146,339
Liabilities	127,701,798	123,904,990
Net assets	***12,413,358***	***11,241,349***
Attributable to equity holders of the parent	10,587,140	9,937,003
Attributable to non-controlling interest	700,807	1,304,347
Of which AT1 capital	1,125,411	0
Proportional share of net assets held by Raiffeisen-Holding NÖ-Wien	2,398,976	2,254,207
Goodwill/impairment	(92,891)	(5,439)
Carrying amount on the consolidated balance sheet as of 31 December	**2,306,085**	**2,248,768**
Carrying amount on the consolidated balance sheet as of 1 January	2,248,768	1,731,663
Reclassification	0	5,255
Merger	0	16,321
Initial application of IFRS 9	(36,785)	0
Proportional share of other changes in equity	(15,236)	(17,376)
Consolidated comprehensive income	245,505	207,570
Impairment	(90,000)	0
Reversal of impairment	0	305,335
Dividends received	(46,167)	0
Carrying amount on the consolidated balance sheet as of 31 December	**2,306,085**	**2,248,768**

The following table shows the aggregated carrying amount, share of profit or loss and share of other comprehensive income for Raiffeisen Informatik GmbH, which is considered immaterial for the consolidated financial statements of RLB NÖ-Wien:

€'000	2018	2017
Share of profit/(loss) after tax	12,639	4,333
Share of other comprehensive income	(53)	(169)
Share of total comprehensive income	12,586	4,164
Carrying amount on the consolidated balance sheet as of 31 December	**49,864**	37,353

(56) Subsidiaries not included through full consolidation

Entity, Registered office (country)	Subscribed capital	Currency	31/12/2018 Share	31/12/2017 Share	Type
"RUFUS" Beteiligungs GmbH, Vienna (A)	146,000	EUR	100.00	100.00	OT
Immonow Services GmbH, Vienna (A)	35,000	EUR	100.00	0.00	OT
MODAL-Gesellschaft für betriebsorientierte Bildung und Management GmbH, Vienna (A)	400,000	EUR	75.00	75.00	OT
NÖ Raiffeisen Kommunalservice Holding GmbH, Vienna (A)	35,000	EUR	100.00	100.00	FI
Raiffeisen Analytik GmbH, Vienna (A)	100,000	EUR	99.60	99.60	NDL
Raiffeisen Beratung direkt GmbH, Vienna (A)	37,000	EUR	100.00	100.00	NDL
Raiffeisen-Einlagensicherung Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, Vienna (A)	47,768	EUR	98.70	98.70	OT
RLB NÖ-Wien Leasingbeteiligungs GmbH, Vienna (A)	35,000	EUR	100.00	100.00	FI
TIONE Altbau-Entwicklung GmbH, Vienna (A)	37,000	EUR	100.00	100.00	OT
Waldviertel Immobilien-Vermittlung GmbH, Zwettl (A)	35,000	EUR	100.00	100.00	OT

(57) Other equity investments

Associates which are not accounted for at equity due to materiality reasons:

Entity, Registered office (country)	Subscribed capital	Currency	31/12/2018 Share	31/12/2017 Share	Type
Central Danube Region Marketing & Development GmbH, Vienna (A)	200,000	EUR	50.00	50.00	OT
Die Niederösterreichische Leasing Gesellschaft m.b.H., Vienna (A)	36,400	EUR	40.00	40.00	FI
Die Niederösterreichische Leasing Gesellschaft m.b.H. & CO KG, Vienna (A)	---	---	---	---	FI
ecoplus International GmbH, Vienna (A)	35,000	EUR	30.00	30.00	OT
NÖ Bürgschaften und Beteiligungen GmbH, Vienna (A)	5,316,414	EUR	20.14	20.14	FI
NÖ Raiffeisen Kommunalprojekte Service Gesellschaft m.b.H., Vienna (A)	50,000	EUR	74.00	74.00	FI
Raiffeisen Software GmbH, Linz (A)	150,000	EUR	25.50	25.50	OT
Raiffeisen-Leasing Managment GmbH, Vienna (A)	300,000	EUR	21.56	21.56	FI
Raiffeisen-Leasing Österreich GmbH, Vienna (A)	100,000	EUR	32.34	32.34	FI
RSC Raiffeisen Service Center GmbH, Vienna (A)	2,000,000	EUR	46.30	46.30	OT

The following companies were identified as joint ventures in accordance with IFRS 11 – Joint Arrangements – because they are under common mangement: Niederösterreichische Leasing Gesellschaft m.b.H., Niederösterreichische Leasing Gesellschaft m.b.H. & CO KG, NÖ Raiffeisen Kommunalprojekte Service Gesellschaft m.b.H. and RSC Raiffeisen Service Center GmbH.

(58) Companies related through the parent, Raiffeisen-Holding NÖ-Wien

The following companies are included in the scope of consolidation of Raiffeisen-Holding NÖ-Wien through full consolidation:

"ALMARA" Holding GmbH, Vienna (A)
"ARANJA" Beteiligungs GmbH, Vienna (A)
"GULBIS" Beteiligungs GmbH, Vienna (A)
"HELANE" Beteiligungs GmbH, Vienna (A)
"LAREDO" Beteiligungs GmbH, Vienna (A)
"LOMBA" Beteiligungs GmbH, Vienna (A)
"RASKIA" Beteiligungs GmbH, Vienna (A)
"RUMOR" Holding GmbH, Vienna (A)
"SEPTO" Beteiligungs GmbH, Vienna (A)
"URUBU" Holding GmbH, Vienna (A)
AURORA MÜHLEN GMBH, (subgroup LLI), Hamburg (D)
BLR-Baubeteiligungs GmbH., Vienna (A)
Botrus Beteiligungs GmbH, Vienna (A)
cafe+co Delikomat Sp. z o.o., (subgroup LLI), Bielsko-Biala (PL)
cafe+co Deutschland GmbH, (subgroup LLI), Wenzenbach (D)
cafe+co International Holding GmbH, (subgroup LLI), Vienna (A)
cafe+co ltal - és Ételautomata Kft., (subgroup LLI), Alsónémedi (H)
café+co Österreich Automaten-Catering und Betriebsverpflegung Ges.m.b.H., (subgroup LLI), Vienna (A)
DELIKOMAT d.o.o., (subgroup LLI), Belgrade (SRB)
DELIKOMAT d.o.o., (subgroup LLI), Marburg (SLO)
Delikomat Slovensko spol. s r.o., (subgroup LLI), Bratislava (SK)
Delikomat s.r.o., (subgroup LLI), Brünn (CZ)
DZR Immobilien und Beteiligungs GmbH, Vienna (A)
Estezet Beteiligungsgesellschaft m.b.H., Vienna (A)
FIDEVENTURA Beteiligungs GmbH, Vienna (A)
Frischlogistik und Handel GmbH, (subgroup NÖM), Baden bei Vienna (A)
GoodMills Bulgaria EOOD, (subgroup LLI), Sofia (BG)
GoodMills Česko s.r.o. (subgroup LLI), Prague (CZ)
GoodMills Deutschland GmbH, (subgroup LLI), Hamburg (D)
GoodMills Group GmbH, (subgroup LLI), Vienna (A)
GoodMills Innovation GmbH, (subgroup LLI), Hamburg (D)
GoodMills Magyarország Kft., (subgroup LLI), Komárom (H)
GoodMills Österreich GmbH, (subgroup LLI), Schwechat (A)
GoodMills Polska Kutno Sp. z o.o., (subgroup LLI), Kutno (PL)
GoodMills Polska Sp. z o.o., (subgroup LLI), Pozna (PL)
GoodMills Romania S.A., (subgroup LLI), Pantelimon (RO)
Haas Lebensmittel GmbH, (subgroup NÖM), Baden bei Vienna (A)
Kampffmeyer Mühlen GmbH, (subgroup LLI), Hamburg (D)
KURIER Beteiligungs-Aktiengesellschaft, Vienna (A)
La Cultura del Caffe Gesellschaft m.b.H., (subgroup LLI), Krems a. d. Donau (A)
Latteria NÖM s.r.l., (subgroup NÖM), Milan (I)
"LEIPNIK-LUNDENBURGER INVEST
Beteiligungs Aktiengesellschaft, Vienna (A)"
Liegenschaftsbesitz Obere Donaustraße 91-95 GmbH, Vienna (A)
"Marchfelder Zuckerfabriken Gesellschaft m.b.H.,
(subgroup LLI), Vienna (A) "
Medicur - Holding Gesellschaft m.b.H., Vienna (A)
Medicur Sendeanlagen GmbH, Vienna (A)

Müller's Mühle GmbH, (subgroup LLI), Gelsenkirchen (D)
Naber Kaffee Manufaktur GmbH, (subgroup LLI), Vienna (A)
Niederösterreichische Milch Holding GmbH, Vienna (A)
NÖM AG, (subgroup NÖM), Baden bei Vienna (A)
Printmedien Beteiligungsgesellschaft m.b.H., Vienna (A)
Raiffeisen Agrar Holding GmbH, (subgroup LLI), Vienna (A)
RAIFFEISEN-HOLDING NÖ-Wien Beteiligungs GmbH, Vienna (A)
RH Finanzberatung und Treuhandverwaltung Gesellschaft m.b.H., Vienna (A)
RH Finanzbeteiligungs GmbH, Vienna (A)
RHG Holding GmbH, Vienna (A)
"St. Leopold Liegenschaftsverwaltungs- und
Beteiligungsgesellschaft m.b.H., Vienna (A)"
VK Grundbesitz GmbH, (subgroup LLI), Hamburg (D)
VÖS167 Liegenschaft GmbH (formerly: A. Sochor & Co International GmbH), (subgroup NÖM), Baden bei Vienna (A)
WALDSANATORIUM PERCHTOLDSDORF GmbH, Salzburg (A)
Zucker Invest GmbH, Vienna (A)
Zucker Vermögensverwaltungs GmbH, Vienna (A)
Zucker-Beteiligungsgesellschaft m.b.H., Vienna (A)
Zuckermarkt - Studiengesellschaft m.b.H., Vienna (A)

Unconsolidated companies included in the Raiffeisen-Holding NÖ-Wien Group:

"BANUS" Beteiligungs GmbH, (subgroup LLI), Vienna (A)
"BENEFICIO" Holding GmbH, Vienna (A)
"CLEMENTIA" Holding GmbH, Vienna (A)
"RUFUS" Beteiligungs GmbH, (subgroup RLB AG), Vienna (A)
"SERET" Beteiligungs GmbH, Vienna (A)
"SEVERUS" Beteiligungs GmbH in Liqu., Vienna (A)
"TOJON" Beteiligungs GmbH, Vienna (A)
BENIGNITAS GmbH, Vienna (A)
Beteiligungsgesellschaft Diamant Mühle Hamburg GmbH in Liqu.(formerly: Beteiligungsgesellschaft Diamant Mühle Hamburg GmbH), (subgroup LLI), Hamburg (D)
C - Holding s.r.o., (subgroup LLI), Modrice (CZ)
Kaffemeister Gastronomie-Coffee-Service Vertriebsgesellschaft m.b.H. (formerly: cafe+co Cafe GmbH), (subgroup LLI), Vienna (A)
Café+Co Rus, OOO (formerly: Café+Co Rus, ZAO), (subgroup LLI), Moscow (RU)
CAFE+CO Timisoara S.R.L., (subgroup LLI), Timisoara (RO)
Farina Marketing d.o.o., (subgroup LLI), Laibach (SLO)
Holz- und Energiepark Vitis GmbH, Vienna (A)
GoodMills Innovation Polska Sp.z.o.o. (formerly: Kampffmeyer Food Innovation Polska Sp. z o.o.), (subgroup LLI), Poznan (PL)
Immonow Services GmbH, (subgroup RLB AG), Vienna (A)
KASERNEN Projektentwicklungs- und Beteiligungs GmbH, Vienna (A)
MODAL-Gesellschaft für betriebsorientierte Bildung und Management GmbH, (subgroup RLB AG), Vienna (A)
Müfa Mehl und Backbedarf Handelsgesellschaft mbH,
(subgroup LLI), Hamburg (D)
Neuß & Wilke GmbH, (subgroup LLI), Gelsenkirchen (D)
NÖ Raiffeisen Kommunalservice Holding GmbH, (subgroup RLB AG), Vienna (A)
PBS Immobilienprojektentwicklungs GmbH, Vienna (A)
Raiffeisen Analytik GmbH, (subgroup RLB AG), Vienna (A)
Raiffeisen Beratung direkt GmbH, (subgroup RLB AG), Vienna (A)
Raiffeisen-Einlagensicherung Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, (subgroup RLB AG), Vienna (A)
RHU Beteiligungsverwaltung GmbH & Co OG, Vienna (A)*
RLB NÖ-Wien Leasingbeteiligungs GmbH, (subgroup RLB AG), Vienna (A)
ROLLEGG Liegenschaftsverwaltungs GmbH, Vienna (A)
Rosenmühle GmbH, (subgroup LLI), Hamburg (D)
Schilling GmbH, Mannheim (D)
Techno-Park Tulln GmbH, Wiener Neudorf (A)
THE AUTHENTIC ETHNIC FOOD COMPANY GmbH, (subgroup LLI), Gelsenkirchen (D)
Theranda Entwicklungsgenossenschaft für den Kosovo registrierte Genossenschaft mit beschränkter Haftung, Vienna (A)
TIONE Altbau-Entwicklung GmbH, (subgroup RLB AG), Vienna (A)
Waldviertel Immobilien-Vermittlung GmbH, (subgroup RLB AG), Zwettl (A)
ZEG Immobilien- und Beteiligungs registrierte Genossenschaft mit beschränkter Haftung, Vienna (A)

* Shareholder with unlimited liability

Boards and Officers

Managing Board:

Chairman:
Klaus BUCHLEITNER

Deputy Chairman:
Reinhard KARL

Members:
Andreas FLEISCHMANN
Martin HAUER
Michael RAB

Supervisory Board:

Chairman:
Erwin HAMESEDER

Deputy Chairman:
Alfons NEUMAYER

Members:
Anton BODENSTEIN
Reinhard KERBL
Veronika MICKEL-GÖTTFERT
Johann POLLAK
Gerhard PREISS
Christian RESCH
Brigitte SOMMERBAUER
Johann VIEGHOFER

Delegated by the Staff Council:
Wolfgang EINSPIELER
Anton HECHTL
Michael HOFER
Christian JENKNER
Eva TATSCHL

State Commissioners:
Tomas BLAZEK
Alfred LEJSEK

The Managing Board of RLB NÖ-Wien issued these consolidated financial statements on 28 March 2019. They were prepared in accordance with the provisions of International Financial Reporting Standards, as adopted by the European Union, as well as the supplementary provisions of Austrian corporate law as defined in § 245a of the Austrian Commercial Code in conjunction with § 59a of the Austrian Banking Act, each in the version applicable as of the balance sheet date. The Group management report was prepared in accordance with the provisions of Austrian corporate law and is consistent with the consolidated financial statements.

The Managing Board

Klaus BUCHLEITNER
Chairman

Reinhard KARL
Deputy Chairman

Andreas FLEISCHMANN
Member

Martin HAUER
Member

Michael RAB
Member

The Managing Board released the consolidated financial statements on 28 March 2019 for distribution to the Supervisory Board.

Statement by the Managing Board

"We confirm to the best of our knowledge that the consolidated financial statements provide a true and fair view of the assets, liabilities, financial position and profit or loss of the RLB NÖ-Wien Group in accordance with the applicable accounting standards; that the Group management report presents the development and performance of the business and the position of the Group so as to provide a true and fair view of the assets, liabilities, financial position and profit or loss; and that the Group management report describes the principal risks and uncertainties to which the Group is exposed. We note that IFRS accounting - for systemic reasons - is becoming increasingly future-oriented. Accordingly, IFRS financial statements include a growing number of planning elements and uncertainty factors."

The Managing Board

Klaus BUCHLEITNER
Chairman, responsible for
the Directorate General

Reinhard KARL
Deputy Chairman, responsible for
the Corporate Clients Segment

Andreas FLEISCHMANN
Member, responsible for
the Financial Markets/Organisation Segment

Martin HAUER
Member, responsible for
the Retail/Raiffeisen Association Services Segment

Michael RAB
Member, responsible for
Risk Management/Accounting Segment

Auditor's Report

Report on the Consolidated Financial Statements

Audit Opinion

I have audited the consolidated financial statements of

RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG, Vienna,

and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements.

In my opinion, the consolidated financial statements comply with legal requirements and provide a true and fair view of the consolidated financial position of the Group as of 31 December 2018 as well as its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU, and the additional requirements defined by Section 245a of the Austrian Commercial Code ("Unternehmensgesetzbuch") and the Austrian Banking Act.

Basis for Opinion

I conducted my audit in accordance with EU Regulation No. 537/2014 (hereafter EU-Regulation) and Austrian Generally Accepted Auditing Standards, which require the application of International Standards on Auditing (ISA). My responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of this report. I am independent of the audited entity within the meaning of Austrian commercial law and professional regulations, and have fulfilled my other responsibilities under these requirements. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Key Audit Matters

Key audit matters represent the matters which, in my professional judgment, were of the greatest significance for my audit of the consolidated financial statements for the financial year. These matters were addressed during my audit of and the formation of an opinion on the consolidated financial statements as a whole, and I did not issued a separate opinion on these matters.

My audit identified three key audit matters, which are described below:

1. Valuation of the equity-accounted investment in Raiffeisen Bank International AG

Relevant facts and risk for the financial statements

The investment in Raiffeisen Bank International AG (RBI), which also represents the central institution for RLB NÖ-W AG, is reported under "interest in equity-accounted investments" at an amount of TEUR 2,306,085 in the consolidated financial statements of RLB NÖ-W AG as of 31 December 2018.

The Company describes the procedure for the valuation of equity-accounted investments in the consolidated financial statements as of 31 December 2018 in the notes under “Principles of Accounting under IFRS” and in note 4 “Profit from equity-accounted investments”.

The recoverability of the carrying amount of the equity-accounted investment in RBI must be tested if there are any objective evidence of impairment. Impairments or revaluations must be recognized up to the recoverable amount. The recoverable amount represents the higher of fair value less selling costs and the value in use.

Objective evidence of impairment to the RBI investment was identified as of 31 December 2018.

In evaluating the recoverability of the investment, the carrying amount of the shares was compared with the recoverable amount. The value in use was determined in accordance with a discounted cash flow method and exceeded the fair value. An impairment loss was recognized to reflect the fact that the net carrying amount exceeded the recoverable amount as of 31 December 2018.

The risk for the financial statements arises from the significant dependence of the value in use calculation on management's estimates of future cash flows and the significant dependence of the valuation results on the applied discount rate. Consequently, this valuation is connected with a high degree of estimation uncertainty.

Audit procedures
I evaluated the processes used to identify the objective evidence for impairment and/or revaluation and tested the installed controls to determine whether they are suitable to identify objective evidence of impairment or the possible need for revaluation on a timely basis.

Moreover, I evaluated management‘s estimates for objective evidence of impairment.

I verified the correct calculation of the recoverable amount by comparing the fair value (market price) and the value in use as determined by an external valuation opinion.

My evaluation also covered the basis for this external opinion, in particular the appropriateness of the valuation model. I verified the input parameters, such as the discount rate, through a comparison with capital market data as well as Company-specific information and market expectations.

I compared the future cash flows used in the external valuation opinion with the Group's planning and also analysed and evaluated the quality of this planning, in particular based on the Company's documentation.

The mathematical accuracy of the impairment calculation was verified.

I also evaluated the appropriateness of the notes disclosures on the impairment of the RBI investment.

2. Valuation of loans and advances to customers

Relevant facts and risk for the financial statements
In the consolidated financial statements of RLB NÖ-W AG as of 31 December 2018, the balance sheet position "financial assets at amortized cost" includes loans and advances to customers totalling TEUR 12,617,872. The risk provisions for these receivables amount to TEUR 162,235 as of 31 December 2018.

The Bank applied the new accounting standard "IFRS 9 Financial Instruments" as of 1 January 2018 for the classification of loans and advances to customers and for the determination of the risk provisions.

The Company describes the procedure for determining the risk provisions in the notes under "Significant accounting and valuation policies", in Note 17 "Risk provisions" and Note 32 "Risk report and notes on financial instruments". The effects from the transition to the accounting rules defined by IFRS 9 are explained under "Significant accounting and valuation policies" in the section on the "IFRS 9 Transition".

As part of loan monitoring procedures, the Bank evaluates whether there is any objective evidence of impairment which would require the recognition of an individual risk provision. This evaluation also includes an assessment of whether the customers can repay the full contractually agreed amount.

The calculation of the risk provision for individually material customers which are defaultet is based on an analysis of the expected future cash inflows. This analysis is influenced by estimates of the respective customer's economic position and development, the valuation of collateral and estimates for the amount and timing of the related cash inflows.

The risk provision for individual customers who are not material but defaulted is calculated with a statistical valuation model.

The Bank uses statistical valuation models to calculate the loss allowances for loans that do not carry any objective evidence of impairment.

The loss allowance for receivables whose default risk has not increased significantly since initial recognition is based on the 12-month expected credit loss. For receivables whose default risk has increased significantly since initial recognition, the loss allowance is based on the lifetime expected credit loss.

The valuation model includes the outstanding customer balances, collateral and macroeconomic factors. Parameters which are based on statistical assumptions include, in particular, the default probability based on the individual customer's credit rating and the loss rate before and after collateral.

For the financial statements this involves the risk that the identification of objective evidence of impairment and the determination of a significant increase in default risk since initial recognition are based on assumptions and estimates. Since the determination of the credit risk provisions is influenced by the above assumptions and estimates, it is also connected with discretionary judgment and estimation uncertainty concerning the amount of these provisions.

Audit procedures
I analysed the existing documentation and processes for granting, classifying and monitoring loans and advances to customers as well as the creation of the related risk provisions. My work also included an evaluation of whether these processes are appropriate to identify objective evidence of impairment and a significant increase in default risk since initial recognition and, consequently, are suitable to ensure the correct valuation of the loans and advances to customers. I identified the related process workflows and material controls and tested the design and implementation of key controls for their effectiveness, also through sampling procedures.

I evaluated, through sampling, the correct classification of loans and advances to customers in connection with the business model and the characteristics of the contractual cash flows based on the Company's documentation and processes.

For individually significant customers, I used sampling procedures to test the loans and advances for the existence of objective evidence of impairment and to determine whether the amount of the risk provisions was appropriate. The samples were selected on the basis of risk-oriented criteria with a particular focus on rating levels with a higher risk of default. In cases where objective evidence of impairment was identified, I reviewed the assumptions made by the Bank for the timing and amount of expected cash inflows. I also tested, through sampling, the internal valuation of collateral to determine whether the assumptions underlying the models were adequate.

I verified the models and related parameters applied to individual customers who are not material but in default and to customers for which there is no objective evidence of impairment, also taking into consideration the validations carried out by the Bank. These models and parameters were evaluated with regard to their appropriateness for the determination of adequate risk provisions.

I verified the calculation of the risk provisions.

Due to the initial application of the new accounting standard IFRS 9, I evaluated the effects and the influence on equity as of 1 January 2018 based on the Company's documentation.

In addition, I assessed whether the disclosures in the notes to the financial statements regarding the valuation of loans and advances to customers are appropriate, including the transition effect.

3. Valuation of securities and derivative financial instruments

Relevant facts and risk for the financial statements
The fair values of the securities and derivative financial instruments in the consolidated financial statements of RLB NÖ-W AG are based on observable market prices or determined with valuation models. Derivative financial instruments aremostly used for the creation of hedging instruments or for trading purposes.

The Bank initially applied the new accounting standard IFRS 9 and the related valuation principles to the classification of securities and derivative financial instruments as of 1 January 2018.

The Company describes the procedures for the valuation of securities and derivative financial instruments, the creation of hedging relationships and the valuation of derivative financial instruments and securities in the notes to the consolidated financial statements under "Significant accounting and valuation policies" and in Note 34 "Fair value of financial instruments". The effects of the transition to IFRS 9 are described under "Significant accounting and valuation policies" in the section on the "IFRS 9 Transition".

The fair value measurement of securities and derivative financial instruments for which market prices and sufficient observable market data are not available is connected with discretionary judgment due to the use of internal valuation models and the included assumptions and parameters.

Additionally, the creation of hedging relationships requires compliance with documentation requirements for the hedge and its effectiveness.

The risk for the consolidated financial statements is based on the high degree of judgment connected with the assumptions and parameters used in the models to determine fair value. A further risk involves compliance with the formal and material requirements on hedging relationships.

Audit procedures

I reviewed the guidelines issued by the Bank and the documentation of the installed processes for the classification and measurement of securities and derivative financial instruments and carried out sampling procedures to test the effectiveness of the internal controls.

I reviewed the valuation models and the underlying valuation parameters used to determine fair value for their appropriateness and consistent application. This process also included, a sample-based comparison of the material applied parameters with external data and the verification of fair value calculations.

Hedging relationships were evaluated, in particular, to determine whether documentation requirements and internal guidelines were met and the effectiveness of the hedge was given. I also reviewed the effectiveness tests carried out by the Bank for their appropriateness

Due to the initial application of the new accounting standard IFRS 9, I evaluated the effects and the influence on equity as of 1 January 2018 based on the Company's documentation.

I also assessed the appropriateness and completeness of the disclosures in the notes to the consolidated financial statements on the valuation methods and the creation of hedging relationships.

Management's Responsibility and Responsibility of the Audit Committee for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU, and the additional requirements pursuant to Section 245a of the Austrian Commercial Code ("Unternehmensgesetzbuch") and Austrian Banking Act. Furthermore, the Company's management is responsible for such internal controls considered necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the EU-Regulation and with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will always detect a material misstatement if any. Misstatements may result from fraud or error and are considered material if they could, individually or in total, reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU-Regulation and with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, I exercise professional judgment and retain professional scepticism throughout the audit.

Moreover:

- I identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; I plan and perform procedures to address these risks; and I obtain sufficient and appropriate audit evidence to serve as a basis for my audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or the override of internal controls.
- I obtain an understanding of the internal controls relevant for the audit in order to design audit procedures that are appropriate under the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.
- I evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.
- I conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists I am required to draw attention in my auditor's report to the respective note in the financial statements or, if such disclosures are not appropriate, to modify my audit opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as going concern.
- I evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit, and I remain solely responsible for my audit opinion.

I communicate with the audit committee, among others, regarding the planned scope and timing of my audit as well as significant findings, including any significant deficiencies in the internal control system that I identify during my audit.

Furthermore, I report to the audit committee that I have complied with the relevant professional requirements regarding my independence and report any relationships and other circumstances that could reasonably affect my independence and, where appropriate, on related measures taken to ensure my independence.

Of the matters communicated with the audit committee, I determine the matters that wereof most significance in the audit of the consolidated financial statements of the respective financial year and are therefore designated as key audit matters. I describe these key audit matters in my auditor's report, unless laws or other legal regulations preclude public disclosure of such matters, or in very rare cases, I determine that a matter should not be included in my auditor's report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Group Management Report

Austrian commercial law requires the group management report to be audited to determine whether it is consistent with the consolidated financial statements and whether it was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian commercial law and banking regulations.

I conducted my audit in accordance with generally accepted standards on the audit of group management reports.

Opinion

In my opinion, the group management report was prepared in accordance with the applicable legal requirements, includes the disclosures required by Section 243a of the Austrian Commercial Code ("Unternehmensgesetzbuch") and is consistent with the consolidated financial statements.

Statement

Based on the knowledge gained in the course of my audit of the consolidated financial statements and my understanding of the Group and its environment, I did not note any material misstatements in the group management report.

Additional Information pursuant to Article 10 of the EU Regulation

I was appointed as the auditor for the 2018 financial year by Österreichische Raiffeisenverband, the auditing association responsible for the statutory audit of the consolidated financial statements in the sense of the Austrian Banking Act ("Bankwesengesetz"). I have been responsible for the audit of the consolidated financial statements of the Company without interruption since 2016.

I hereby confirm that the audit opinion in the section "Report on the Consolidated Financial Statements" is in agreement with the additional report to the audit committee made in accordance with Article 11 of the EU-Regulation.

Furthermore, I confirm that I have not performed any prohibited non-audit services (Article 5 Para. 1 of the EU-Regulation) and that I maintained my independence from the Group during the entire audit performance.

Auditor in Charge

The auditor in charge is Ms. Alexandra Tychi.

Vienna, 28 March 2019

Signed by the auditor commissioned by Österreichische Raiffeisenverband:

Alexandra Tychi

Austrian Chartered Accountant

The publication or distribution of the consolidated financial statements together with my opinion may only take place in the approved version. This opinion is based solely on the complete German-language version of the consolidated financial statements, including the group management report. The provisions of § 281 Para. 2 of the Austrian Commercial Code apply to any different versions.

This report is a translation of the original report in German, which is solely valid.

Report by the Independent Auditor

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG, Vienna,

and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements comply with legal requirements and present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements pursuant to Section 245a of the Austrian Commercial Code ("Unternehmensgesetzbuch") and Austrian banking regulations.

Basis for our Opinion

We were engaged by the Company's legal representatives as a further (voluntary) auditor and conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these standards are described in the "Auditors' Responsibility" section of our report. We are independent of the Company within the meaning of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) as well as Austrian professional regulations as defined in the Austrian Professional Accountants and Tax Advisors' Act of 2017 ("Wirtschaftstreuhandberufsgesetz 2017, "WTBG 2017") and related directives ("Richtlinien für die Ausübung der Wirtschaftstreuhandberufe") and guidelines, and we have fulfilled our other responsibilities under these requirements and the IESBA Code. Our responsibility and liability as an auditor to the Company and to third parties are defined by the legal liability regulations under § 62a of the Austrian Banking Act in connection with § 275 Para. 2 of the Austrian Commercial Code. The rules defined by Directive (EU) No. 537/2014 of the European Parliament and the Council dated 16 April 2014 are not applicable.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters represent the matters which, in our professional judgment, were of the greatest significance for our audit of the consolidated financial statements for the financial year. These matters were addressed during our audit of and the formation of an opinion on the consolidated financial statements as a whole, and we did not issued a separate opinion on these matters.

Our audit identified two key audit matters, which are described below:

- Valuation of the equity-accounted investment in Raiffeisen Bank International AG
- Valuation of loans and advances to customers

1. Valuation of the equity-accounted investment in Raiffeisen Bank International AG

Relevant facts and risk for the financial statements

The investment in Raiffeisen Bank International AG (RBI), which also represents the central institution for RLB NÖ-W AG, is reported under "interest in equity-accounted investments" at an amount of TEUR 2,306,085 in the consolidated financial statements of RLB NÖ-W AG as of 31 December 2018.

The Managing Board describes the procedure for the measurement of equity-accounted investments in the consolidated financial statements as of 31 December 2018 in the notes under "Principles of Accounting under IFRS" and under note 4.

The recoverability of the carrying amounts of equity-accounted entities must be tested if there are any objective indications of impairment.

Objective indications of impairment were identified as of 31 December 2018 due to the development of the share price. The Managing Board determined the value in use based on a discounted cash flow method and substantiated these results with an external opinion. This value in use was compared with the fair value (share price).

The risk for the financial statements arises from the significant dependence of the value in use calculation on management's estimates of future cash flows and the significant dependence of the valuation results on the applied discount rate. Consequently, this valuation is connected with a high degree of estimation uncertainty.

Audit procedures

We evaluated the processes used to identify the objective indications for impairment and tested the installed controls to determine whether they are suitable to identify objective indications of impairment on a timely basis.

We evaluated the suitability of the valuation model, planning assumptions and valuation parameters used to calculate the value in use. We verified the derivation of the discount rates and evaluated the appropriateness of the applied parameters based on a comparison with market- and branch-specific benchmarks.

The planning accuracy of the cash flows in the valuation model was verified by backtesting the applied planning assumptions. We evaluated the appropriateness of the related conclusions concerning the planning data on which the valuation is based.

2. Valuation of loans and advances to customers

Relevant facts and risk for the financial statements

Loans and advances to customers are reported on the consolidated balance sheet at an amount of TEUR 12,617,871. The risk provisions for these receivables totalled TEUR 162,235 as of 31 December 2018.

The Managing Board describes the procedure used to determine the valuation allowances in the notes under "Significant Accounting Policies" and under Note 17.

As part of loan monitoring procedures, the Company evaluates whether there are any objective indications of impairment which would require the recognition of an individual valuation allowance (Stage 3) for the expected credit loss (ECL). Mode-based risk provisions for expected losses were also created for loans and advances receivable which are not in default (Stage 1 and Stage 2).

The risk provisions for significant receivables in default (Stage 3) are calculated individually based on an analysis of the expected future cash flows weighted by different scenarios. The amount and timing of the related cash inflows are significantly influenced by the borrower‘s economic position and development and by the valuation of collateral.

The risk provisions for credit receivables from non significant customers which are in default (Stage 3) and for receivables which are not in default (Stage 1 and Stage 2) are based on models with statistical assumptions, for example one-year or lifetime default probabilities or current and future-oriented information, and are influenced by the value of available collateral.

The risk for the financial statements reflects the fact that the transfer between stages and the determination of the credit risk provisions is dependent to a significant degree on assumptions and estimates. This, in turn, leads to discretionary judgment and estimation uncertainty concerning the amount of these provisions.

Audit procedures

We analysed the existing process documentation on the creation of the risk provisions for expected losses and evaluated whether the ECL model is consistent with the requirements of IFRS 9 and capable of appropriately identifying the recoverable amount of loans and advances. We also tested the material key controls in these processes with regard to their design, implementation and effectiveness.

Based on the sampling of significant individual loans and advances, we evaluated whether default cases were identified on a timely basis. The samples were selected on the basis of risk-oriented criteria with a particular focus on rating levels with a higher risk of default. Default cases were evaluated to determine whether the estimates for the amount and timing of the expected future cash flows from the customer and collateral are appropriate.

Our evaluation of the risk provisions for loans and advances which are not in default and loans and advances which are in default but not significant also included the involvement of a financial mathematician. Based on the Bank's validations of the applied parameters – in particular, the one-year and lifetime default probabilities and loss rates – we evaluated the appropriateness of the assumptions. We also analysed the selection and measurement of future-oriented estimates and scenarios and their inclusion in the assignment to stages and the estimates for parameters. We also verified the mathematical accuracy of the calculations. Our audit procedures reflected the initial application of IFRS 9 for both the opening balance sheet as of 1 January 2018 and the closing date on 31 December 2018.

Furthermore, we evaluated whether the qualitative and quantitative disclosures in the notes, especially in connection with the initial application of IFRS 9, concerning the recoverable amount of loans and advances are appropriate.

Auditors' Responsibility

Our aim is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue a report as the independent auditor that includes our opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered material if they could, individually or in total, reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and retain professional scepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we plan and perform procedures to address such risks; and we obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or the override of internal controls.
- We obtain an understanding of the internal controls relevant for the audit in order to design audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system.
- We evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether 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 there is a material uncertainty over the Company's ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, if such disclosures are not appropriate, to modify our audit opinion. Our conclusion is based on the audit evidence obtained up to the date of our report as the independent auditor. However, future events or conditions may result in the Company departing from the going concern assumption.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit, and we remain solely responsible for our audit opinion.
- We communicate with the audit committee, among others, regarding the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control system that we identify during the course of our audit.
- We report to the audit committee that we have complied with the relevant professional requirements regarding our independence and report any relationships and other events that could reasonably affect our independence and, where appropriate, on related measures taken to ensure our independence.
- Of the matters communicated with the audit committee, we determine those matters that were most important for the audit of the consolidated financial statements of the respective financial year and are therefore designated as key audit matters. We describe these key audit matters in our audit report, except in cases where laws or other legal regulations prohibit the publication of such matters, or in very rare cases, we determine that a matter should not be included in our audit report because the negative effects of such communication would be reasonably expected to outweigh its benefits for the public interest.

Other Information

The legal representatives of the Company are responsible for the other information, which includes all information in the management report.

Our report on the audit of the consolidated financial statements does not cover this other information, and we will not issue any assurance whatsoever on this other information.

In connection with our audit of the consolidated financial statements, it is our responsibility to read this other information and to consider whether there are material inconsistencies between the other information and the consolidated financial statements or with the knowledge gained during our audit or if there appear to be other material misstatements. If we conclude, based on the work performed, that the other information is materially misrepresented, we are required to report this. We have nothing to report in this connection.

Auditor in Charge

The auditor in charge is Bernhard Mechtler.

Vienna, 28 March 2019

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Bernhard Mechtler

Austrian Chartered Accountant

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Glossary

Backtesting – The ex post comparison of calculated values at risk (VaR) with actual results to evaluate the quality of a model.

Bank book – All risk-bearing positions on a bank's balance sheet, both on- and off-balance sheet, which are not allocated to the trading book.

Equity as defined by the CRR – Equals the total of Tier 1 capital and Tier 2 capital.

Cash flow – Inflows and outflows of cash and cash equivalents.

CDS (Credit Default Swap) – A financial instrument that hedges the credit risks related to loans or securities (also see credit derivative).

Common Equity Tier 1 capital – Equals the total of common equity Tier 1 capital as defined in Art. 50 of the CRR and additional Tier 1 capital as defined in Art. 61 f the CRR.

Companies accounted for at equity – Companies over which the investor has significant influence with respect to business and financial policies.

Credit derivatives – Instruments that transfer the credit risks associated with loans, bonds or other risk assets or market positions to another person (also see CDS).

Credit exposure – Comprises all loans, advances and debt securities recorded on the balance sheet as well as off-balance sheet guarantees and credit lines.

CRR/CRD IV – The Capital Requirements Regulation (CRR) and Capital Requirements Directive IV (CRD IV) were adopted by the EU on 27 June 2013. They form the new supervisory framework for the capital, debt and liquidity ratios. The new capital requirements call for mandatory application starting on 1 January 2014. The rules for the liquidity and debt ratios must be applied starting in 2015, resp. 2018. The implementation of these requirements is supplemented by further technical standards issued by the European Banking Authority (EBA).

Currency risk – The risk that the value of a financial instrument could change because of fluctuations in exchange rates.

DBO – (Defined Benefit Obligation) The present value of a defined benefit obligation represents the present value of expected future payments, before the deduction of plan assets, which are required to meet the entitlements earned by employees during the current period or an earlier period.

Deferred tax assets – Deferred tax assets are reported under other assets and are recognised for future tax effects arising from temporary differences between the tax base of assets and liabilities and their value for tax purposes or from unused tax loss carryforwards and tax credits.

Derivative – Derivatives are financial instruments whose value increases or decreases based on the change in an underlying base item, e.g. interest rate, financial instrument price, raw material price, foreign exchange rate, index of prices or rates, credit rating or credit index or another similar variable; which require no or only a minimal initial net investment; and which are settled at a future date. The most important derivatives are swaps, options and futures.

Discount – Negative difference between the purchase price and the nominal value.

ECL (Expected Credit Loss) as defined in IFRS 9.5.5 – The weighted average of credit losses, whereby the weighting is based on the probability of default. A risk allowance for expected credit losses must be calculated for all financial assets (with the exception of financial assets carried at fair value through profit or loss).

Fair value – The amount for which an asset could be exchanged or a liability could be settled between knowledgeable, willing parties in an arm's length transaction.

Futures – Standardised, listed contracts that require the buyer to purchase or sell a specific commodity traded on the money market, capital market, precious metals market or currency market at a predetermined price and time.

Group cost/income ratio – An indicator that shows the cost efficiency of a company by comparing expenses and income. It is calculated by dividing administrative expenses (consisting of personnel and operating expenses, depreciation and amortisation) by operating income (net interest income, net fee and commission income, net trading income, profit or loss from investments accounted for at equity and other operating profit or loss).

Hedge accounting – An accounting procedure that is designed to minimise the influence on the income statement of contrary developments in the value of a hedge and the underlying transaction.

ICAAP – Internal Capital Adequacy Assessment Process: an internal bank procedure to ensure adequate capital coverage for all major types of risk.

IFRIC, SIC – International Financial Reporting Interpretation Committee (IFRIC) – the body responsible for issuing interpretations of International Financial Reporting Standards (IFRS), formerly called the Standing Interpretations Committee (SIC).

IFRS, IAS – International Financial Reporting Standards resp. International Accounting Standards are accounting regulations issued by the International Accounting Standards Board (IASB). They are intended to create the basis for transparent and comparable accounting on an international basis.

Individual valuation allowance – In connection with the credit risks associated with loans and advances to customers and banks, provisions are recognised to account for expected default. A loan or advance is considered to be in danger of default when the expected discounted principal and interest payments – after the deduction of collateral – are lower than the carrying amount of the respective receivable.

Interest rate risk – The risk that the value of a financial instrument could change because of fluctuations in the market interest rate.

Liquidity risk – The risk that the bank would be unable to meet its current and/or future payment obligations in full and on time and that transactions could not be concluded at all or only at unfavourable conditions in the event of insufficient market liquidity.

Market risk – The risk that the value of a financial instrument could change due to fluctuations in market prices. These fluctuations can be based on factors characteristic to an individual security or issuer as well as factors that affect all securities traded on the market.

Monte Carlo simulation – A numerical method used to solve mathematical problems by modelling probabilities.

NPE (non-performing exposure) – Problem commitments; loans and advances with delayed or defaulted payments.

Operational risk – The risk of losses arising from errors in systems or processes, actions by employees or external factors.

OTC products – Financial instruments that are not standardised or listed, but traded directly between market participants (over-the-counter).

Overall risk – Risk-weighted exposure as defined in Art. 92 (3) of the CRR.

Portfolio valuation allowance – Valuation allowances as defined in IAS 39 for receivables not affected by an identifiable loss event.

Premium – Positive difference between the purchase price and the nominal value.

Rating, external – Standardised assessment of the credit standing of an issuer and its debt instruments by a specialised agency.

Rating, internal – Detailed risk assessment of a debtor by the bank.

Regulatory capital – The total of core capital (Tier 1) and Tier 2 capital.

Repo transactions, repurchase agreements – Under these agreements a company sells an asset to a contract partner and, at the same time, commits to repurchasing the asset on an agreed date and price. Under "pseudo" repo transactions, the seller is required to repurchase the asset, but does not have the right to demand its return. The buyer has the sole right to decide over the return transfer of the asset.

Return on Equity – An indicator calculated by dividing pre-tax or after-tax profit or loss for the year by average equity (including non-controlling interests).

Risk/Earnings Ratio – Risk allowances in relation to net interest income.

Risk-weighted positions (credit risk) – The total asset positions and off-balance sheet positions weighted by business and partner risk, calculated in accordance with the CRR definitions.

SREP – Supervisory Review and Evaluation Process: Internal bank procedures and methods for the regulatory review and evaluation process defined by the EBA (European Banking Authority).

Stress test – An instrument used for risk management in the financial sector. A differentiation is made between micro-stress tests carried out by the financial institution itself and micro-prudential supervision (e.g. OeNB or ECB).

Trading book – A bank supervisory term for positions held by a financial institution for sale over the short-term to utilise fluctuations in prices and/or interest rates. Items not assigned to the trading book are administered in the banking book.

VaR (Value at Risk) – The maximum risk of loss on a specific portfolio during an assumed retention period based on an assumed probability and confidence level (e.g. 95%, 99% or 99.9%).

Imprint

Information in the Internet:

The website of Raiffeisenlandesbank NÖ-Wien AG provides detailed, up-to-date informationen on Raiffeisen: www.raiffeisenbank.at
An electronic version of the 2018 Annual Report is also available in the internet under: www.raiffeisenbank.at

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Enquiries should be addressed to the Public Relations Department of RLB NÖ-Wien at the above address.

Disclaimer:
A very limited number of market participants tend to derive claims from statements regarding expected future developments and assert these claims in court. The rare serious effects of such actions on the involved company and its equity holders lead many companies to restrict statements on their expectations for future developments to the minimum legal requirements. However, the Raiffeisenlandesbank NÖ-Wien Group sees financial reporting not only as an obligation, but also as an opportunity for open communications. To make these communications possible now and in the future, we would like to emphasize the following: The forecasts, plans and forward-looking statements contained in this report are based on the Raiffeisenlandesbank NÖ-Wien Group's knowledge and assessments at the time of its preparation. Like all forward-looking statements, they are subject to risks and uncertainties that could cause actual results to differ substantially from the predictions. There is no guarantee that these forecasts, planned values and forward-looking statements will actually be realized. We have prepared this financial report with the greatest care and checked the data, but cannot rule out rounding, transmission, typesetting or printing errors. This report was written in German. The English report is a translation of the German report, and only the German version is the authoritative version.