GROUP MANAGEMENT REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2017

Raiffeisenlandesbank Niederösterreich-Wien

Contents

MANAGEMENT REPORT

Overview of the 2017 Financial Year

The economic environment was influenced by following developments during the 2017 financial year:

- The European Central Bank (ECB) continued its expansive monetary policy. The bond repurchase programme was extended in October 2017 by at least nine months to September 2018. The key ECB interest rates remained unchanged in 2017: the main refinancing rate ("base rate") at 0% and the deposit rate at -0.4%. For this reason and due to the further increase in surplus liquidity during the year, money market rates (Eonia and Euribor) were negative throughout 2017.
- On the bond market, yields remained low in historical comparison.
- Developments on the international stock markets were surprisingly good in 2017, with many indexes rising to new multi-year or all-time highs. The DAX increased by 12.5% and the ATX by nearly 31%.
- Sound economic growth was recorded in the Eurozone and in Austria. However, the volume of customer loans (non-bank) from Austrian financial institutions declined during the first three quarters of 2017.

The following major events had a significant influence on RLB NÖ-Wien during the 2017 financial year:

Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB) was merged with Raiffeisen Bank International AG (RBI) in January 2017. The merged company operates – as in the past – as Raiffeisen Bank International AG (RBI), and the RBI share has retained its listing on the Vienna Stock Exchange. The merger resulted in the exchange of the RZB shares held directly and indirectly by RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG (RLB NÖ-Wien) into RBI shares based on a defined exchange ratio. RLB NÖ-Wien now holds 22.7% of RBI and is that company's largest shareholder.

Investments accounted for at equity were responsible for the largest year-on-year change in earnings. The RBI Group reported sound earnings growth to EUR 236.9 million as of 31 December 2017. In addition, the carrying amount of this investment was written up by EUR 305.3 million to reflect the improvement in the share price through the reversal of impairment losses recognised in previous years.

Stable customer deposits continue to give RLB NÖ-Wien a sound liquidity position. Issuing activities were therefore limited to the replacement of maturing bonds. Surplus liquidity was high during the entire 2017 financial year, and the short-term investment of these funds with Oesterreichische Nationalbank (OeNB) at an interest rate of -0.4% had a negative effect on interest result.

As a result of the ECB's policy, the interest result remained under pressure due to the negative interest rates. The negative money market rates led to a further reduction in margins in the deposit business and, in total, to a decline in net interest income.

A decision by the Austrian Supreme Court on interest rate agreements in consumer credit contracts led to the creation of appropriate provisions.

The digital offering for RLB NÖ-Wien customers was further expanded in 2017. Among others, customers can now arrange to cover their consumer financing needs with an online credit, and the new, innovative "Mein ELBA" Internet platform was placed on line in autumn 2017.

With a total Tier 1 ratio of 19.1% and a total capital ratio of 24.3%, the financial institutions group of RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung (Raiffeisen-Holding NÖ-Wien) – of which RLB NÖ-Wien is a part – significantly exceeded the legal minimum capital requirements as well as the ECB's capital requirements.

The Economic Environment

The Global and European Economies

2017 brought a number of events which carried a significant inherent risk for the financial system but, in the end, proved to be harmless: the Brexit negotiations, the presidential elections in France and the Netherlands, US policies under Donald Trump and the danger of an atomic war. There were no major distortions on the financial markets, presumably because of the support provided by the ongoing expansive monetary policies of the major central banks.

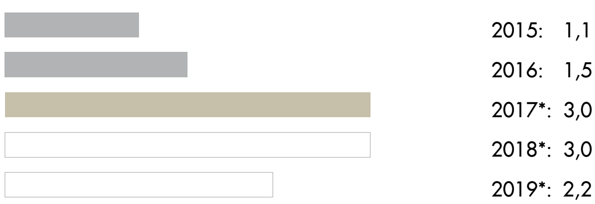
Growth in the Eurozone is no longer limited to individual countries, but has spread to the entire economic region. The gross domestic product (GDP) rose by 0.6% from the third to the fourth quarter of 2017, with the four largest Eurozone economies serving as the main drivers. The positive mood continued throughout the entire year and was signalled by record high sentiment indicators: actual growth even topped the ECB's forecast of 2.5% for 2017.

Unemployment remained constant at 8.7% in December, which is the lowest level recorded since January 2009. In contrast to the US Federal Reserve, the ECB is not authorized to undertake measures in support of full employment. Its monetary policy is linked primarily to an inflationary goal which, however, has been missed for many years. Inflation remained below the ECB's target of "close to, but less than 2.0%" (December: 1.4% in total and only 1.1% year-on-year, excluding energy and foodstuffs). The temporary increase in the core rate during the spring was not sustainable and resulted primarily from short-term price adjustments to package holidays and hotel accommodations.

In order to move price increases sustainably towards the ECB's target level, monetary policy remains expansive. The bond repurchase programme was extended in October 2017 by half the volume (i.e. monthly purchases of EUR 30 billion beginning in January 2018) for at least nine months to September 2018. Interest rates will hold steady at the current level far beyond the period of securities purchases, as indicated by the European currency watchdogs.

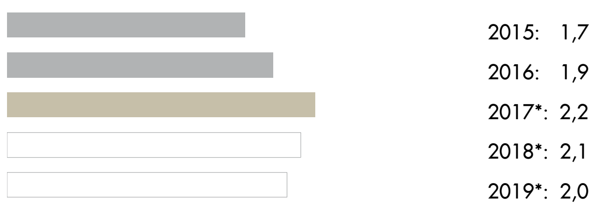
GDP Growth in Austria in % vs. prior year

*Forecasts for 2017-2019: WIFO forecast dated 21 December 2017



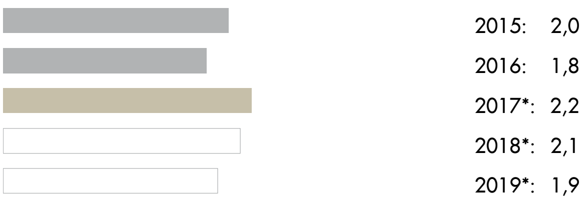
GDP Growth in Germany in % vs. prior year

*Forecasts for 2017-2019: EU Commission, Autumn Forecast for 2017



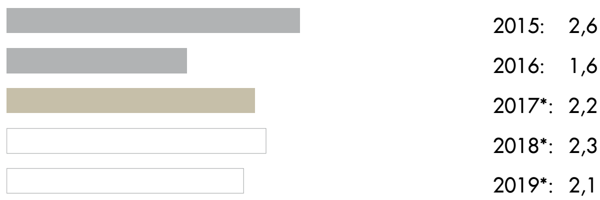
GDP Growth in the Eurozone in % vs. prior year

*Forecasts for 2017-2019: EU Commission, Autumn Forecast for 2017



GDP Growth in the USA in % vs. prior year

*Forecasts for 2017-2019: EU Commission, Autumn Forecast for 2017



The Economy in Austria

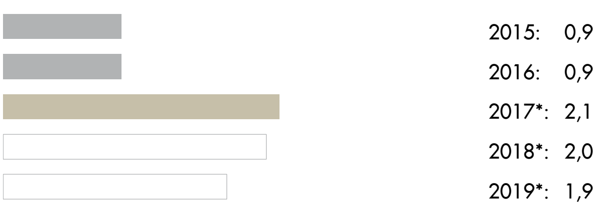
According to the December report by WIFO, the Austrian economy grew by 3.0% in 2017 and exceeded the Eurozone average for the first time in many years. The main drivers for this growth were investments, above all a substantial increase in capital investment, and exports, which benefited from an improvement in the global economy. Another important contribution to growth was made by private consumption, which was fuelled by a strong increase in employment. In summary, the upturn was not only sound but also broad-based – and therefore well protected. There are no signs of an upcoming downturn and, to the contrary, the Austrian economy is thriving and has possibly already entered the boom phase.

Rising crude oil prices pushed inflation up to 2.1% in 2017, which is the highest level in five years. That represents an inflation differential of a (good) one-half percentage point over the Eurozone average, whereby the primary cause can be found in the dynamic development of domestic service prices. Once again, rents underlined the general price trend. Theory indicates that high economic momentum should lead to increased pressure on prices, but the stronger Euro has slowed the price of imports.

The dynamic economy has also had an effect on the labour market: employment has risen strongly, and unemployment is on the decline. However, the decline has been lower than in earlier upswing phases for two reasons: on the one hand, the composition of the labour supply (above all due to immigration and the higher percentage of older persons and women) and, on the other hand, an increasing lack of adequate qualifications.

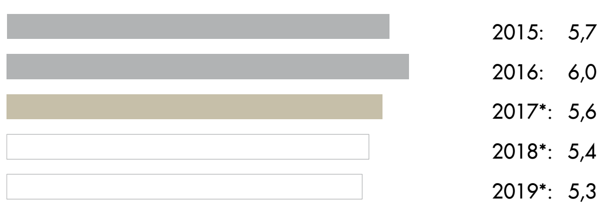
Inflation in Austria in %

*Forecasts for 2017-2019: WIFO forecast dated 21 December 2017



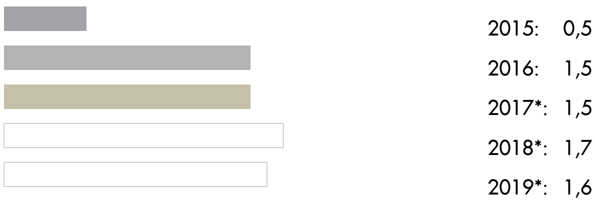
Unemployment in Austria in %

*Forecasts for 2017-2019: WIFO forecast dated 21 December 2017



Private Consumption in Austria in % vs. prior year

*Forecasts for 2017-2019: WIFO forecast dated 21 December 2017



Overview of the Financial Markets

- The key ECB interest rates remained unchanged in 2017: the main refinancing rate (“base rate“) at 0% and the deposit rate at -0.4%. For this reason and due to the further increase in surplus liquidity during the year, money market rates (Eonia and Euribor) were negative throughout 2017.
- The bond market saw an increase in yields in the core Eurozone countries, but a decline in a number of peripheral countries during 2017. Global yields remained low in historical comparison – above all, in view of the strong worldwide recovery.
- On the currency market, the Euro gained nearly 14% over the US dollar and closed 2017 at roughly USD 1.20 (beginning of the year: USD 1.05). The Swiss franc was revalued during the summer, most likely due to the declining (geo)political risk.
- Developments on the international stock markets were surprisingly good in 2017, with many of the indexes reaching new multi-year or all-time highs. The DAX rose by 12.5% and the ATX by nearly 31%.

Interest Rates

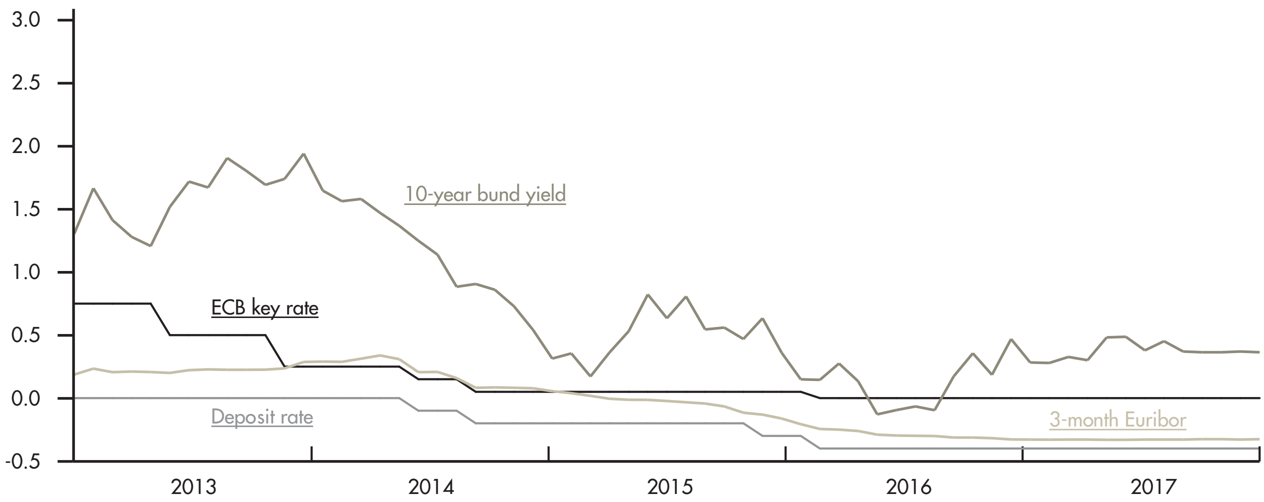
High fluctuations characterized the bond markets in 2017. The yields on 10-year German federal bonds more than doubled from 0.185% at the beginning of the year to 0.424% at the end of December, whereby both higher and lower levels were recorded during the year. The high political risk in advance of the French presidential elections led to a decline in yields to 0.15% in mid-April. The victory of Emmanuel Macron and subsequent pricing adjustments to reflect the decline in political uncertainty were followed by an increase in yields. A highly regarded speech by ECB President Mario Draghi in the Portuguese city of Sintra at the end of June, in which he underscored the strengths of the economic recovery and hinted at a change in monetary policy, triggered a strong upward movement to a high of 0.64% on 14 July. Short-term bonds also traded higher, which explains the minimal change in interest rate curve from the beginning to the end of the year.

Many of the peripheral countries saw a notable weakening in yields during 2017. The decline for 10-year Portuguese government bonds equalled nearly two percentage points and slightly more than three percentage points for Greek government bonds.

The growing supply of surplus liquidity among the banks (which reached nearly EUR 1.8 trillion at the end of December 2017) held money market rates in the negative range. The 3-month Euribor listed at -0.318% on the first trading day of the year and at -0.329% on 29 December 2017.

Eurozone Interest rates in %

Source: Thomson Reuters Datastream



Currencies and Equity Markets

The euro was surprisingly strong throughout 2017. The EUR/USD exchange rate rose from 1.05 at the start of the year to roughly 1.20 at year-end, which represents a euro increase of approximately 14%.

The Swiss franc also gained in value versus the euro, with a closing price of EUR/CHF 1.17 on the final trading day of 2017. That represents an increase of roughly 9% over the beginning of the year. The exchange rate has nearly recovered to its former level almost three years after the removal of the currency peg, but the Swiss National Bank (SNB) still views the franc as over-valued. In other words, the battle against the strong franc has still not ended – which means the negative interest rates in Switzerland will remain for quite a long time.

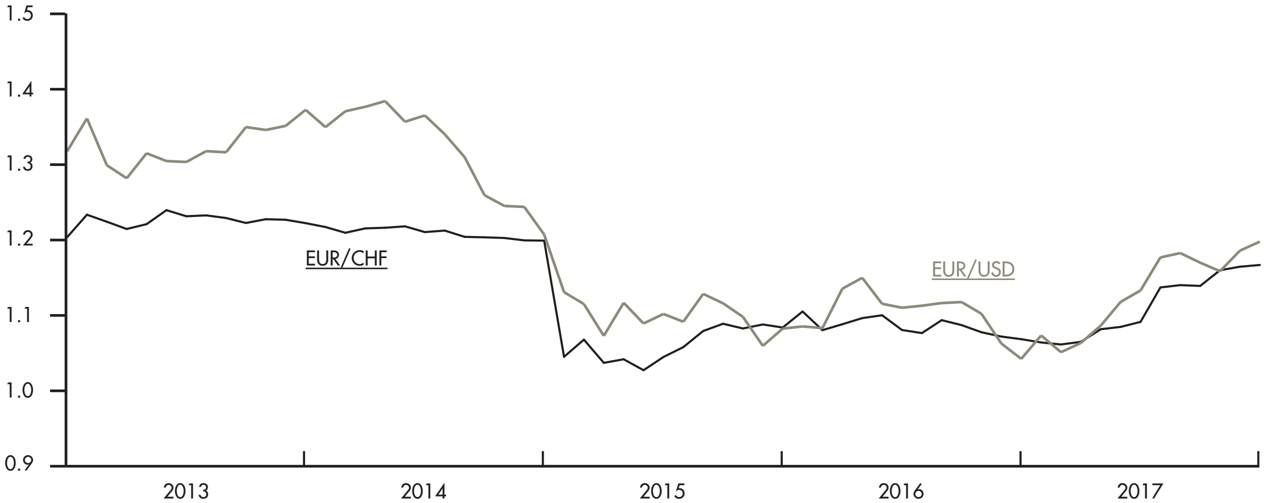
The British pound sterling continued the downward trend that began in November 2015 into the summer: the EUR/GBP exchange rate rose from 0.85 at the beginning of the year to roughly 0.93 at the end of August 2017. The indirect announcement of an increase in interest rates by the Bank of England (in early November, the BOE raised the key interest rate by 25 BP to 0.5%) led to a countermovement, and the EUR/GBP exchange rate closed 2017 at 0.8878. This currency pair is still influenced, above all, by the news surrounding the Brexit negotiations.

2017 was also a surprisingly good year on the international stock markets. Declining political risks in combination with steadily improving economic indicators and stable, favourable financing conditions fuelled share prices across the globe. The key German DAX index rose almost continuously – with the exception of a modest correction during several weeks in the summer – and reached an all-time high of 13,525 points on 7 November 2017. Profit-taking led to a slight correction towards year-end, but the year-on-year increase still amounted to a plus of 12.5%. The ATX rose by an even stronger 31%, and the key US indexes increased between 19% (S&P 500) and 28% (NASDAQ). Performance in the emerging countries was also satisfactory: annual growth rates of roughly 20% were recorded in the CEE countries as well as in South Africa, China, India and Brazil. The Russian market was the exception with a slight decline in share prices.

In general, 2017 was a very low volatility year for the stock markets. The S&P 500, in particular, recorded a nearly fluctuation-free year – in November 2017 the volatility index (VIX) fell to the lowest level since 1928.

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 followed the downward trend that began in 2012 with a further decline during the first three quarters of 2017. The initially hoped-for trend reversal in loans and advances to customers (non-banks) did not materialize: the increases in the second and third quarters of 2016 have since been followed by a decline in every quarter (in each case, compared with the previous year). The positive development on the stock markets was also reflected in the position "shares and other variable-yield securities", where growth has equalled at least 4% for five quarters in succession.

Deposits from other banks increased during the second and third quarters of 2017 for the first time in a longer period. Deposits from customers (non-bank) rose by only 2.8% in the third quarter, which represents the lowest value since the first quarter of 2016.

The earnings position of the Austrian banks improved substantially in 2017. Net interest income for the third quarter was 5.1% below the comparable prior year value, but operating income rose by 4.9%. Since operating expenses have declined for several quarters in succession (in the third quarter by nearly 10%, above all due to a reduction in personnel expenses), operating profit improved significantly: it totalled EUR 5.5 billion in the third quarter of 2017, for an increase of EUR 1.7 million, or 43%, over the previous year.

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 2017. RLB NÖ-Wien also prepares separate financial statements in accordance with the Austrian Banking Act 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 2017 vs. 2016

€'000	2017	2016*	Absolute +/(–) Change	Change in percent
Net interest income	132,808	173,305	(40,497)	(23.4)
Net fee and commission income	54,397	52,285	2,113	4.0
Net trading income	12,763	(2,009)	14,772	-
Profit from investments in entities accounted for using the equity method	545,251	(98,692)	643,943	-
Other operating profit/(loss)	15,876	(13,833)	29,709	-
Operating income	***761,096***	*111,056*	***650,040***	***>100***
Staff costs	(110,493)	(94,983)	(15,509)	16.3
Other administrative expenses	(106,696)	(107,038)	342	(0.3)
Depreciation/amortization/write-offs	(4,652)	(4,003)	(649)	16.2
General administrative expenses	***(221,841)***	*(206,024)*	***(15,816)***	***7.7***
Consolidated operating profit	**539,256**	(94,969)	**634,224**	-

* The prior year was adjusted in accordance with IAS 8. Detailed information is provided under "Restatement" in Section E. of the Notes.

Net interest income fell by 23.4% to EUR 132.8 million in 2017. This substantial year-on-year decline resulted, above all, from the following factors:

- Several recent decisions by the Austrian Supreme Court addressed the issue of evaluating interest rate agreements in credit contracts with consumers within the context of the current negative money market interest rates. Based on the relevant and consistent judicature, the excess interest charged on consumer loans was reimbursed during the first quarter of 2018. A provision for the expected costs was recognized in the financial statements as of 31 December 2017. Similar legal opinions on the treatment of business loans are not yet available, but a provision was also recognized to cover possible reimbursement claims from these contracts. In total, the provision had a negative effect of EUR 17.4 million on net interest income.

- Interest result remained under pressure due to the ECB's policy and the related negative interest rates. The

historically low interest rates were reflected in a further decline in margins in the deposit business.
- In addition, interest result was negatively influenced by the costs for the short-term investment of liquid funds with Oesterreichische Nationalbank at an interest rate of -0.4%.
- The slight decline in the credit volume, combined with the rising pressure on realisable margins, led to a reduction in interest income.

Net interest income in EUR million

Net fee and commission income was slightly higher than the previous year at EUR 54.4 million in 2017 (2016: EUR 52.3 million). This increase was based, above all, on higher income in the core areas of the commission business (payment transactions and securities brokerage).

Net trading income rose to EUR 12.8 million in 2017. The negative prior year value of EUR -2.0 million resulted primarily from valuations to customer derivatives.

Profit/(loss) from investments accounted for at equity - which is influenced by the earnings contribution from RBI - totalled EUR 545.3 million and included EUR 236.9 million for the proportional share of earnings from RBI as well as a reversal of EUR 305.3 million to impairment losses recognized in earlier years.

Other operating profit/(loss) improved by EUR 29.7 million over the previous year to EUR 15.9 million in 2017. The increase is primarily attributable to the earnings contribution of EUR 15.3 million from subsidiaries initially consolidated as of 31 December 2016. Other operating income also included the costs for the stability levy (EUR 15.2 million) and for the contribution to the European resolution fund and the deposit insurance fund (EUR 10.8 million). The expenses for actual and potential damages arising from the customer business declined from EUR 5.2 million in 2016 to EUR 3.4 million.

Operating income in EUR million

General administrative expenses rose by 7.7% to EUR 221.8 million in 2017 (2016: EUR 206.0 million). Excluding the costs for initially consolidated subsidiaries (in total EUR 10.0 million), general administrative expenses increased by EUR 5.8 million.

Personnel expenses amounted to EUR 110.5 million in 2017 and were EUR 15.5 million, or 16.3%, higher than the previous year (EUR 95.0 million). Of the total increase, EUR 6.4 million were attributable to subsidiaries consolidated for the first time. The creation of a provision for restructuring involved costs of EUR 9.4 million.

Other administrative expenses were slightly lower year-on-year at EUR 106.7 million in 2017 (2016: EUR 107.0 million). Excluding subsidiaries, other administrative expenses were EUR -2.6 million lower than the previous year. Cost savings were realized primarily in the IT and marketing areas and also through the reduction of consulting fees.

General administrative expenses in EUR million

The RLB NÖ-Wien Group recorded a substantial improvement in **consolidated operating profit** to EUR 539.3 million in 2017 (2016: EUR -95.0 million) due to the contribution from the equity-accounted RBI.

€'000	2017	2016*	Absolute +/(–) Change	Change in percent
Consolidated operating profit	539,256	(94,969)	634,224	-
Impairment charge on loans and advances	(8,850)	17,823	(26,673)	-
Profit/(loss) from financial investments	9,066	16,691	(7,626)	(45.7)
Profit/(loss) for the year before tax	***539,471***	*(60,454)*	***599,926***	**-**
Income tax*	19,414	(4,016)	23,430	-
Profit/(loss) for the year after tax	**558,885**	(64,471)	**623,356**	**-**

* The prior year was adjusted in accordance with IAS 8. Detailed information is provided under "Restatement" in Section E. of the Notes.

Releases of EUR 17.8 million from the **impairment allowance balance** in 2016 were followed by additions of EUR -8.9 million in 2017.

Profit/(loss) from financial investments totalled EUR 9.1 million. The prior year value of EUR 16.7 million was influenced by the proceeds from the sale of securities.

The above factors led to **profit before tax** of EUR 539.5 million (2016: pre-tax loss of EUR -60.5 million). After the deduction of income tax expense, **after-tax profit for the reporting year** amounted to EUR 558.9 million (2016: after-tax loss of EUR -64.5 million).

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

Other comprehensive income totalled EUR 1.4 million, compared with EUR 49.8 million in the previous year. It included EUR -13.5 million for the negative proportional share of other comprehensive income from the companies accounted for at equity as well as a positive change of EUR 19.0 million in the available-for-sale reserve. **Total comprehensive income** for 2017 amounted to EUR 560.3 million (2016: EUR -14.7 million).

Segment Report

The RLB NÖ-Wien Group is organized in several segments based on the various customer service areas. The basis for segment reporting in accordance with IFRS 8 is formed by the internal management reporting system of the RLB NÖ-Wien Group, which is classified under the following business areas

- Personal and Business Banking Customers
- Corporate Clients
- Financial Markets/Organization
- Investments
- Other

The **Personal and Business Banking Customers Segment** covers the retail banking business in the Vienna branches, which service personal banking, trade and business and self-employed customers. The 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 competence centre. This segment recorded a pre-tax loss of EUR -11.4 million in 2017, compared with profit before tax of EUR 12.8 million in the previous year. The reduction in earnings resulted, in particular, from the decline in interest result. The historically low interest rates were responsible for a further weakening in margins in the deposit business. In addition, decisions by the Austrian Supreme Court involving negative interest rates led to the recognition of an appropriate provision. Net fee and commission income rose to EUR 43.6 million in 2017 (2016: EUR 39.8 million). General administrative expenses were increased substantially by the costs incurred for the transformation of the retail business towards simplicity and standardisation.

Specially designed products and solutions as well as a clear-cut customer orientation are the decisive success factors for the **Corporate Clients Segment**. Net interest income totalled EUR 102.8 million in 2017 (2016: EUR 122.8 million) in spite of the difficult interest rate and market situation and the creation of a provision in connection with negative interest rates. The impairment allowance balance amounted to EUR -3.7 million (2016: EUR 25.4 million). Other operating profit/(loss) of EUR -5.8 million included the proportional share of the legally required bank levy and the contribution to the settlement fund. The Corporate Clients Segment recorded profit before tax of EUR 69.4 million, compared with EUR 106.4 million in 2016. With capital employed of EUR 686.0 million, this segment generated a pre-tax return on equity of 10.1% (2016: 15.4%).

The **Financial Markets/Organization Segment** made a positive contribution to earnings in 2017. Net interest income after impairment charges reached EUR 20.1 million (2016: EUR 28.5 million). The profit from financial investments equalled EUR 9.1 million (2016: EUR 16.4 million). Other operating profit/(loss) improved to EUR 0.1 million (2016: EUR -2.6 million) despite the proportional share of the legally required bank levy and the contribution to the settlement fund. Net trading income improved to EUR 7.7 million (2016: EUR -7.3 million), and led to an increase in profit before tax to EUR 14.1 million (2016: EUR 10.4 million).

The development of business in the **Investments Segment** is significantly influenced by the earnings contribution from and the valuation of the equity-accounted investment in RBI. Results from the equity-accounted investments also include the proportional share of results from Raiffeisen Informatik GmbH and were, in total, clearly positive in 2017 at EUR 545.3 million. After the inclusion of refinancing expenses, the Investments Segment recorded profit before tax of EUR 509.9 million in 2017 (2016: EUR -150.6 million).

The **Other Segment** covers the activities of the RLB NÖ-Wien Group in its function as the leading institution in the Lower Austrian Raiffeisen organization. Also included here are the income and expenses from market-related activities to support the other segments as well as items that cannot be specifically allocated to another segment. Profit before tax amounted to EUR -42.5 million in 2017 (2016: EUR -39.4 million).

Consolidated Balance Sheet 2017

The balance sheet total of the RLB NÖ-Wien Group rose by EUR 306.9 million to EUR 25,711.6 million in 2017. The balance of securities reported under assets increased by EUR 344.6 million. This surplus liquidity led to an increase of approximately EUR 660 million in deposits with Oesterreichische Nationalbank . The carrying amount of the equity-accounted investments grew by EUR 513.6 million to EUR 2,285.0 million following an increase in the RBI investment. In contrast, loans and advances to other banks declined by EUR 818.0 million. Of special note under liabilities is the increase of EUR 540.7 million in equity.

Assets

€m	31.12.2017	31.12.2016	Absolute +/(–) Change	Change in percent
Loans and advances to other banks	5,443	6,261	(818)	(13.1)
Loans and advances to customers	11,614	11,818	(205)	(1.7)
Securities and equity investments	4,235	3,890	345	8.9
Investments in entities accounted for using the equity method	2,285	1,771	514	29.0
Other assets	2,135	1,664	471	28.3
Consolidated assets	**25,712**	25,405	**307**	**1.2**

Loans and advances to other banks totalled EUR 5,443.4 million as of 31 December 2017 and were EUR 818.0 million lower than the previous year. This decline reflected, above all, the reduction of loans and advances to institutions in the Raiffeisen sector.

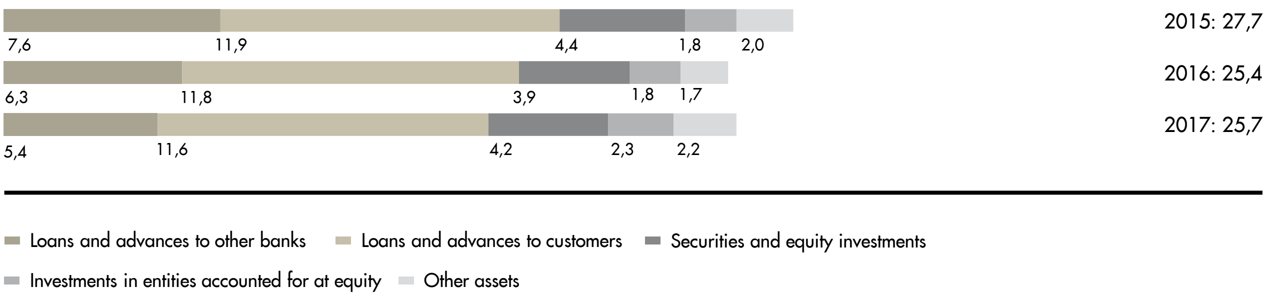
Loans and advances to customers amounted to EUR 11,613.8 million as of 31 December 2017 and were slightly lower than the previous year (EUR 11,818.3 million). Declines in loans and advances to the public sector and to financial intermediaries were nearly offset by an increase in business financing.

Securities and equity investments increased by EUR 344.6 million to EUR 4,234.5 million in 2017 due to the purchase of additional securities for the (partial) investment of surplus liquidity.

Investments accounted for at equity rose by EUR 513.6 million over the level at year-end 2016 to EUR 2,285.0 million as of 31 December 2017 due to the earnings contribution and reversal of the impairment loss recognized to the carrying amount of the RBI investment in earlier years.

Other assets totalled EUR 2,134.8 million, compared with EUR 1,663.6 million as of 31 December 2016. The year-on-year increase resulted, above all, from a higher volume of deposits with Oesterreichische Nationalbank (OeNB). This position also includes EUR 506.2 million for the market value of trading instruments.

Structure of assets on the consolidated balance sheet in EUR billion



Liabilities and Equity

€m	31.12.2017	31.12.2016*	Absolute +/(–) Change	Change in percent
Deposits from other banks	7,819	7,628	190	2.5
Deposits from customers	7,768	7,618	150	2.0
Liabilities evidenced by paper	5,712	5,827	(116)	(2.0)
Equity	2,237	1,697	541	31.9
Other liabilities	2,176	2,634	(458)	(17.4)
Balance sheet equity and liabilities	**25,712**	25,405	**307**	**1.2**

* The prior year was adjusted in accordance with IAS 8. Detailed information is provided under “Restatement“ in Section E. of the Notes.

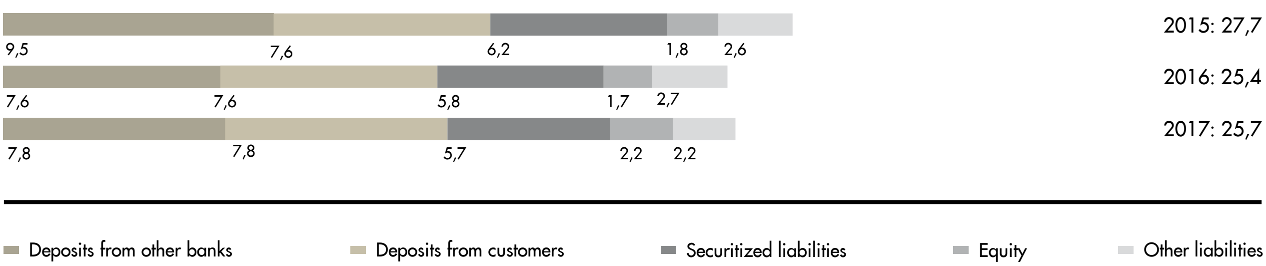
Deposits from other banks amounted to EUR 7,818.6 million as of 31 December 2017, compared with EUR 7,628.2 million in the previous year.

Deposits from customers, including savings deposits, rose by EUR 149.7 million to EUR 7,767.8 million.

As a result of the sound liquidity situation, issuing activities in 2017 were generally limited to the replacement of maturing securities. **Securitized liabilities** therefore declined by EUR 115.7 million to EUR 5,711.7 million.

Equity rose by a substantial EUR 540.7 million year-on-year to EUR 2,237.4 million as of 31 December 2017 (2016: EUR 1,696.7 million).

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 47.7% in 2017 (2016: 64.4%).

The **Group's return on equity after tax** – i.e. the return on equity based on average equity – rose to 28.4% in 2017 (2016: -3.7%), above all due to the results from equity-accounted investments.

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 3,149.4 million (2016: EUR 2,706.0 million). At 24.3% (2016: 20.4%), the Tier 1 ratio (credit risk) substantially exceeded the total capital requirement, including the buffer, of 12.50% 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 2.75% which was established by the SREP. The capital buffer requirements consists of a system risk buffer of 0.50% and a capital conservation buffer of 1.25%.

Eligible capital comprises the following: The common equity Tier 1 ratio includes the superior credit institution's subscribed capital of EUR 116.4 million, appropriated capital reserves of EUR 373.7 million, retained earnings of EUR 1,686.4 million, non-controlling interests of EUR 291.2 million and various regulatory adjustments of EUR 14.2 million After deductions of EUR -10.4 million, common equity Tier 1 capital equalled EUR 2,471.5 million. The additional Tier 1 capital comprises an additional Tier 1 capital instrument of EUR 95.0 million and non-controlling interests of EUR 27.6 million, less deductions of EUR -2.5 million. Tier 1 capital, after deductions, therefore totalled EUR 2,591.6 million (2016: EUR 1,998.2 million).

Tier 2 capital of EUR 557.8 million (2016: EUR 707.8 million) comprises eligible Tier 2 instruments of EUR 479.6 million and an addition of EUR 77.6 million for amounts guaranteed as well as participation capital of EUR 0.6 million which no longer qualifies as CET 1 capital.

Tier 1 capital as a per cent of eligible capital equalled 82.3% (2016: 73.8%).

The common equity Tier 1 ratio (CET1 ratio) equalled 19.1% as of 31 December 2017 (2016: 14.2%), and the Tier 1 ratio for the total risk of the Raiffeisen-Holding NÖ-Wien credit institution group equalled 20.0% (2016: 15.1%).

The Internal Control System for the Accounting Process

The Managing Board RLB NÖ-Wien has installed an effective and appropriate internal control system (ICS) for the accounting process. The Supervisory Board monitors the effectiveness of this system through its Audit Committee.

The ICS for the accounting process is designed to ensure reasonable reliability for the preparation and fair presentation of the published annual financial statements, consolidated financial statements and other financial information in agreement with legal regulations and the provisions of EU law contained in the Austrian Banking Act, the Austrian Commercial Code and IFRSs.

Control Environment

Precisely defined controls make the ICS of RLB NÖ-Wien an integral part of technical and organizational processes and link the topics of risk and compliance. The ICS also ensures that adequate controls are implemented and correctly executed to manage the defined risks. The design and framework for the ICS are specified in a separate manual that is approved by the Managing Board. The Supervisory Board and Managing Board rely on the support of experts for their work in this area, in particular the Accounting Department, which is responsible for the processes and internal controls related to accounting, in agreement with the Risk/Data Service Department as the responsible ICS unit in RLB NÖ-Wien.

Risk Assessment

The most important risks, especially the risks related to the accounting process, are evaluated and monitored on a regular basis. Included here are the key business processes typical for RLB NÖ-Wien and the related specific risks for financial reporting. A scoping process was established within the framework of the internal ICS guideline and is responsible for focusing on the bank's material risks.

The accounting process is exposed to various types of risks that can result in material reporting errors. In particular, these risks include the estimates required to determine the fair value of financial instruments in cases where reliable market values are not available; the recognition of impairment allowances for loans and provisions; complex recognition and measurement rules; and the current challenging business environment.

Control Activities

The identification of risks is based on a variety of instruments, e.g. the risk map, operational risk assessments and scoping. The various risks are then aggregated by the Risk/Data Service Department. Control steps are taken and documented during process mapping in accordance with the rules defined by the internal ICS guideline. In particular, these steps include the specification of the following: the risks to be reduced, the processes requiring control activities; the design of these control activities; the person(s) responsible for the controls; and the control schedule.

Control activities are carried out during ongoing business processes to ensure that potential errors in financial reporting can be prevented or discovered and corrected. These control measures also cover the review of results for the various accounting periods by management. The processes and responsibilities are documented and easily understandable for all involved persons.

The control activities related to IT security represent a key element of the internal control system. Sensitive activities are separated through the restrictive granting of IT access. The core banking system SMART Bank is generally used for accounting and financial reporting. The main ledger operates on SMART Bank, which also supports the sub-ledger function for credit and deposit processing (GIRO). There are also a number of other sub-ledgers, e.g. GEOS (securities processing, nostro securities), Kondor (treasury) and SAP (accounts receivable and payable/asset accounting).

Information and Communication

The consolidated financial statements are prepared by the Accounting Department in accordance with IFRSs and the applicable provisions of the Austrian Commercial Code and Banking Act. This department is also responsible for the preparation of the Group management report, which includes the notes to the financial statements, in accordance with legal requirements. The Managing Board, which is responsible for the finalization of the consolidated financial statements, submits the consolidated financial statements after certification by the auditor to the Audit Committee of the Supervisory Board.

The shareholders and general public are supplied with information in the form of half-year and annual financial reports.

The Managing Board is provided with monthly reports and the Supervisory Board and its Audit Committee with at least quarterly reports to support their monitoring and control functions with respect to correct accounting and reporting. These reports contain financial information (balance sheet, income statement and comments on important developments) as well as analyses of the different types of risks. The Managing Board also receives treasury reports on a daily basis.

The accounting staff receive regular training on changes in the accounting rules under IFRSs, the Austrian Commercial Code and the Austrian Banking Act to allow for the early identification and avoidance of risks resulting from unintentional accounting errors.

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 activities of the Internal Audit Department in connection with the risk controlling and risk management system also include assessing the adequacy of the internal control system installed by RLB NÖ-Wien. The main responsibility of this department with regard to the ICS involves the review and evaluation of the effectiveness of work 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 overall financial risks to which the RLB NÖ-Wien Group is exposed and on the goals and methods for risk management is provided in the notes to the consolidated financial statements (Note (28) Risks arising from financial instruments).

Branches and Offices

The personal and business banking customers of RLB NÖ-Wien were serviced by roughly 450 account managers and sales assistants at 31 locations throughout Vienna as of 31 December 2017. The branch structure was further streamlined in 2017: the 31 locations include 25 retail banking branches, a private banking office in Vienna's Loos Haus, four competence centres for trade and business customers and one location for the Raiffeisen organization and its employees. Corporate clients are serviced by roughly 100 account managers and sales assistants at 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

Raiffeisenlandesbank NÖ-Wien (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 were included in the consolidated management report of Raiffeisen-Holding NÖ-Wien reg. Gen.m.b.H. 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.

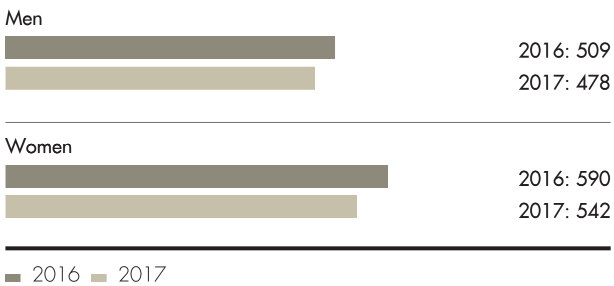
In the interest of consistency, the following section presents the major non-financial performance indicators and issues for RLB NÖ-Wien AG, the most important company in the subgroup as defined by § 267 (2) of the Austrian Commercial Code. A consolidated description of the subgroup's major non-financial 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.

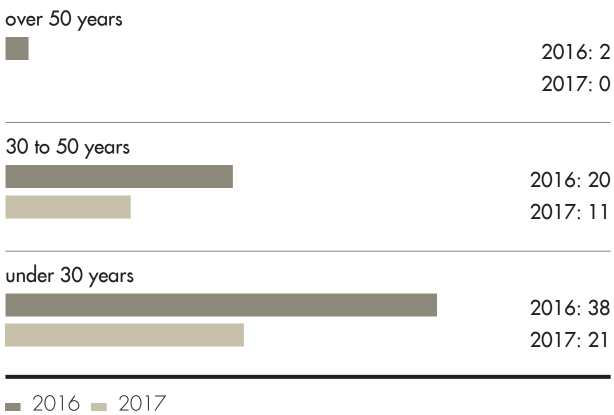
Employee issues

RLB NÖ-Wien had an average workforce (full-time equivalent) of 1,020 in 2017, which represents a year-on-year decrease of roughly 7% (2016: 1,099).

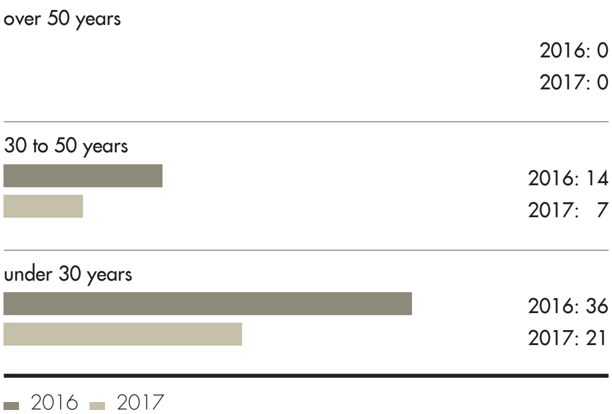
Average number of employees for the year (full-time equivalent) by gender



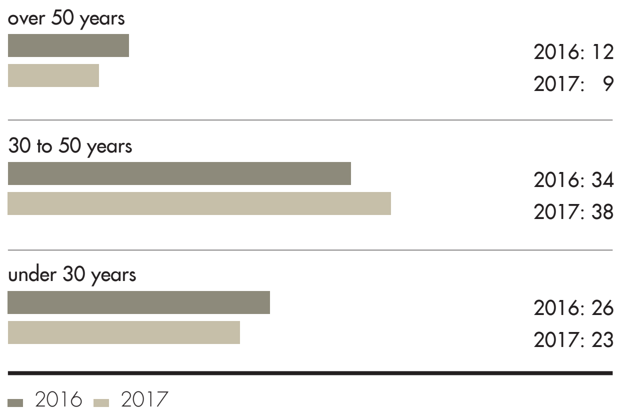
New hiring men by age group



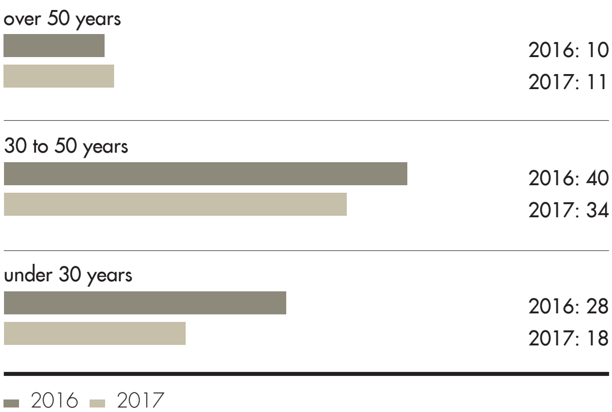
New hiring women by age group



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.

"Bildungs-Check", a human resources development instrument, helps employees and managers to systematically follow learning goals and implement newly attained knowledge. 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.

Average number of training hours per employee and year

Apprentices

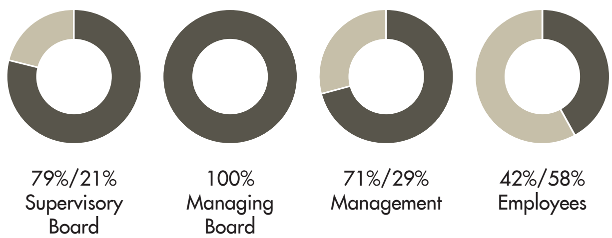
As a major regional training organization, RLB NÖ-Wien supports young men and women in starting their professional careers. RLB NÖ-Wien had a total of 23 apprentices in 2017 (2016: 26).

Diversity and equal opportunity

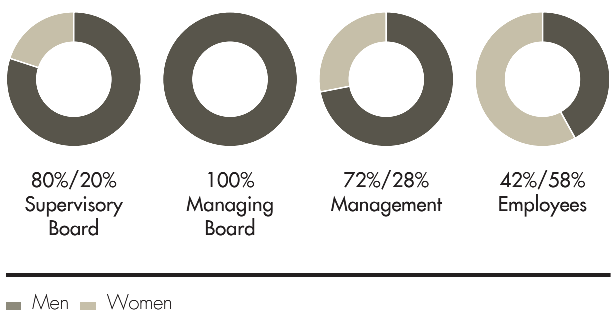
All RLB NÖ-Wien employees have the same opportunities for their professional development – independent of gender, age, political or religious conviction and origin.

Composition of control bodies and employees by category and gender in 2016/2017

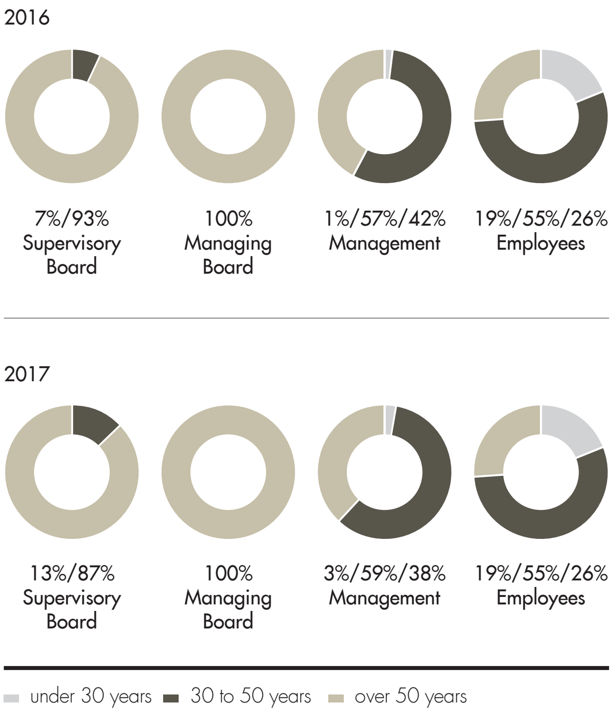
2016



2017



Composition of control bodies and employees by category and age in 2016/2017



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.

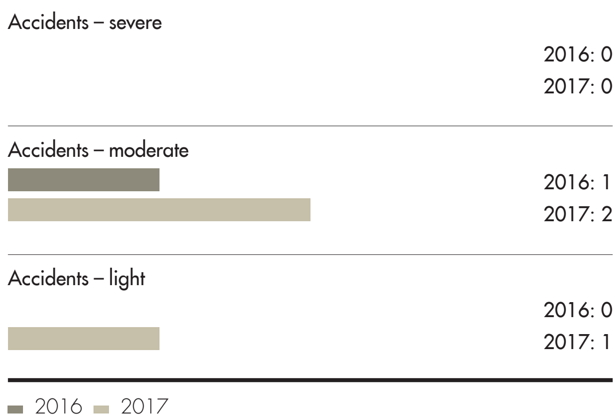
The state quality label "berufundfamilie" was initially presented to RLB NÖ-Wien by the Federal Ministry for Family and Youth in 2010. The second recertification took place in autumn 2016 and covers the next three years.

Committees

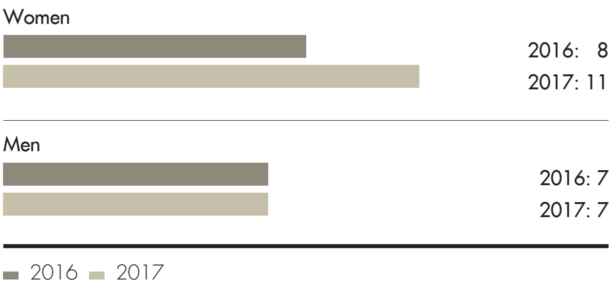
The health committee of RLB NÖ-Wien meets twice each year to discuss issues involving employees' physical and psychological health. The committee members include the staff council, occupational health physicians, safety experts and representatives of the Human Resources and Sales Departments.

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 2016/2017



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 environmental effects of its business activities. The following measures have been implemented in support of the environment:

Building management

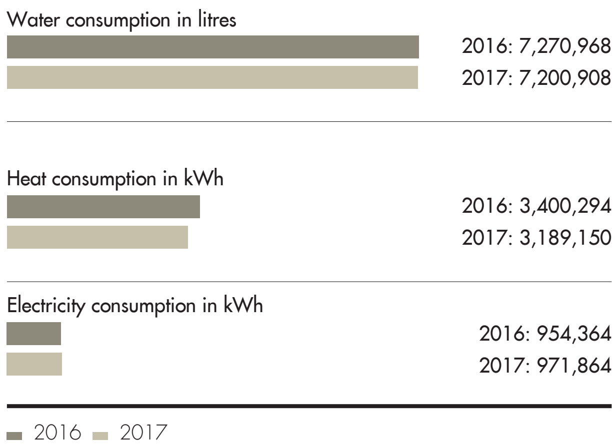
Raiffeisenhaus Wien 1 (RHW.1) is a 40 year-old building which is owned by Raiffeisen-Holding NÖ-Wien and used entirely by RLB NÖ-Wien. HYPO NOE First Facility GmbH (First Facility), the group's external building management company, provides support for the development of energy concepts and other optimization 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. First Facility is certified by "qualityaustria" under ISO 9001:2008.

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 2018 through a certificate issued to RLB NÖ-Wien.

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



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. This programme is a further development of the Raiffeisen Climate Protection 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 also focus 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
- Organization of video conferences
- Photovoltaic equipment on the roof of Raiffeisenhaus 2 owned by Raiffeisen-Holding NÖ-Wien which can also be used by RLB NÖ-Wien
- Certified passive energy office building (Raiffeisenhaus 2 – RHW-2) owned by Raiffeisen-Holding NÖ-Wien

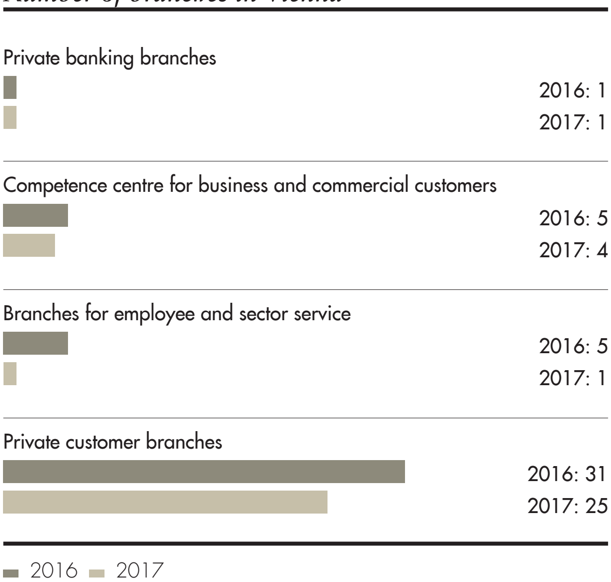
Social issues

In its function as a regional bank, RLB NÖ-Wien services approximately 260,000 customers with 1,020 employees at 31 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 58 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

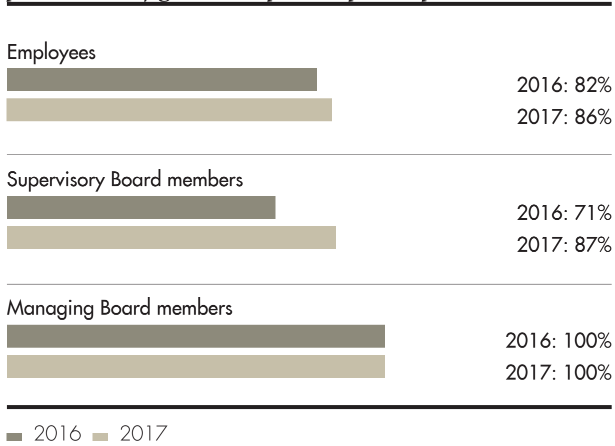


Number of bank accounts opened by new customers

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 2016 or 2017 financial years.

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



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.

For example: investment apartments were considered a niche product only a decade ago, but have become an established alternative following the financial crisis of 2008. Real estate represented roughly one-third of the investments made in Austria during 2017. Raiffeisen Vorsorge Wohnung GmbH, a wholly owned subsidiary of RLB NÖ-Wien, develops attractive investment apartments in promising residential areas of Vienna. These apartments frequently serve as a source of additional income for their buyers.

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.

Number of new basic accounts

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 finances roughly 25% of all windpower plants in Austria – 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 in accordance with §§ 40 ff of the Austrian Securities Supervisory Act ("Wertpapieraufsichtsgesetz") and the Directive on Conflicts of Interest and Information for Customers ("Interessenkonflikte und Informationen für Kunden-Verordnung"). 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.

Outlook on 2018

The Economic Environment

The International Monetary Fund (IMF) updated its outlook for the global economy in January 2018 and is now projecting growth of 3.9% per year in 2018 and 2019. That represents an upward revision of 0.2 percentage points compared with the previous forecast. The IMF has become noticeably more optimistic, above all with a view towards the USA, the Eurozone, Japan and Brazil. The forecast revision was based on the generally stronger global momentum and the US tax reform. An additional role was played by the loose monetary policies followed by numerous central banks. The US Federal Reserve has since normalized its policies, but only with considerable caution.

According to the IMF, the USA should see further strong GDP growth of 2.7% in 2018 and a slightly lower increase of 2.5% in 2019. The speed of this economic recovery remains unspectacular, but it has now continued for eight years and thereby proven to be long-term. The current upturn already ranks as the third longest since the start of record-keeping in 1854.

An end to the upturn in the Eurozone is, for the time being, not in sight: The Purchasing Managers' Index (PMI) remained at a high level of 59.6 points in January 2018. Investments are increasing, which drives both productivity and profits. The PMI for the service sector, which generally paralleled the real PMI trend in the past, recently rose to 57.6 points. For the Eurozone, the IMF expects growth of 2.2% in 2018 and 2.0% in 2019.

The current strong economic momentum should also support job creation in the Eurozone during 2018. However, this level will still be far below full employment on average. Inflation remains the greatest problem for the ECB. A broad-based increase in wages which leads to higher inflation over second round effects is not expected in 2018, and the ECB is forecasting an average inflation rate of 1.4% for the year.

The primary driver for this recovery is the ECB's ultra-expansive monetary policy. Low interest rates have made the high corporate and private sector debt manageable and fuelled consumption and investments. ECB President Mario Draghi has even indicated that the Quantitative Easing (QE) Programme could be extended again in September this year, but at a reduced volume. This comment is important because the first increase in interest rates by the ECB will only take place long after the end of the buyback programme. Consequently, any interest rate increase has moved far into the future – namely into 2019 at the least.

GDP growth in Austria is expected to reach 3.0% in 2018 (WIFO forecast: 21 December 2017), supported by worldwide momentum and the robust domestic economy. All indicators point towards dynamic development, at least during the first half of 2018: economic sentiment (a survey by the EU Commission) is currently at the highest level in 10 years, and the Industrial Purchasing Managers' Index reached an all-time high of 64.3 points in December 2017. Neither international raw material and energy prices nor domestic wage trends are expected to create particular pressure on prices, and the inflation rate should exceed the Eurozone average at roughly 2% in 2018.

Outlook on the Group's Development

Changes to existing regulations and new laws, EU guidelines and directives have generally led to the intensification of legal requirements in recent times and this trend is expected to continue in the future. This process will be accompanied by increased requirements and stricter decisions by the administrative and regulatory authorities and courts. Consequently, it cannot be excluded that RLB NÖ-Wien will also be involved in court cases and administrative proceedings in the future and that any possible future proceedings or their potential negative conclusion may have an adverse effect on RLB NÖ-Wien. As of the balance sheet date on 31 December 2017, all such recognizable risks had been taken into account.

The continuing low level of interest rates, the challenging regulatory environment and radical changes in the financial services sector will also influence the business strategy and development of the banking sector in 2018. Against this backdrop, RLB NÖ-Wien has defined the following strategic focal points:

- Expansion of the high-quality commercial client business within the scope of the given capital limits
- Continued development of the personal customer business towards simplification and standardization
- Further intensification of the role as a synergy partner for the Lower Austrian Raiffeisen banks

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In order to reach these goals, the digital offering for customers will be expanded, internal processes will be optimized and investments will be made in additional IT developments. Permanent and intensive cost management and a conservative risk policy will therefore also represent a focal point of activities in 2018.

The supervisory responsibility for RLB NÖ-Wien was transferred from the ECB to the national authority (FMA) as of 1 January 2018.

Vienna, 20 March 2018

The Managing Board

Klaus BUCHLEITNER
CEO

Georg KRAFT-KINZ
Deputy CEO

Andreas FLEISCHMANN
Member of the Managing Board

Reinhard KARL
Member of the Managing Board

Michael RAB
Member of the Managing Board

CONSOLIDATED FINANCIAL STATEMENTS (IFRS) 2017

Consolidated Statement of Comprehensive Income

Consolidated Income Statement

€'000	Notes	2017	2016*
Interest income*	(1)	541,193	434,714
Interest expenses	(1)	(408,385)	(261,409)
Net interest income*	***(1)***	***132,808***	***173,305***
Impairment allowance balance	(2)	(8,851)	17,823
Net interest income after impairment charges*		***123,957***	***191,128***
Fee and commission income	(3)	76,655	77,401
Fee and commission expenses	(3)	(22,257)	(25,116)
Net fee and commission income	***(3)***	***54,398***	***52,285***
Net trading income	(4)	12,763	(2,009)
Profit/(loss) from financial investments	(5)	9,066	16,691
Profit/(loss) from investments in entities accounted at equity	(6)	545,251	(98,692)
Depreciation, amortization, personnel and operating expenses	(7)	(221,841)	(206,024)
Other operating profit/(loss)	(8)	15,876	(13,833)
Profit/(loss) for the year before tax*		***539,470***	***(60,454)***
Income tax	(10)	19,415	(4,016)
Profit/(loss) for the year after tax*		***558,885***	***(64,471)***
Of which attributable to equity holders of the parent*		558,818	(64,471)
Of which non-controlling interests in profit		67	0

* The prior year was adjusted in accordance with IAS 8. Detailed information is provided under "Restatement" in Section E.

Reconciliation to Consolidated Comprehensive Income

€'000	Attributable to equity holders of the parent	Non-controlling interests	2017 Total	Attributable to equity holders of the parent	Non-controlling interests	2016* Total
*Profit/(loss) for the year after tax**	*558,818*	*67*	*558,885*	*(64,471)*	*0*	*(64,471)*
Items that will not be reclassified to profit or loss in later periods	*2,622*	*0*	*2,622*	*7,116*	*0*	*7,116*
Actuarial gains and losses	2,528	0	2,528	6,294	0	6,294
Tax effects	(632)	0	(632)	(1,835)	0	(1,835)
Enterprise's interest in other comprehensive income of entities accounted for at equity	726	0	726	2,657	0	2,657
Items that may be reclassified to profit or loss in later periods	*(1,236)*	*0*	*(1,236)*	*42,662*	*0*	*42,662*
Cash flow hedge reserve	(1,881)	0	(1,881)	(1,549)	0	(1,549)
Available-for-sale reserve	19,005	0	19,005	14,809	0	14,809
Tax effects	(4,164)	0	(4,164)	(3,262)	0	(3,262)
Interest in other comprehensive income of companies accounted for at equity	(14,196)	0	(14,196)	32,664	0	32,664
Other comprehensive income	*1,386*	*0*	*1,386*	*49,778*	*0*	*49,778*
Consolidated comprehensive income*	**560,204**	**67**	**560,271**	(14,693)	0	(14,693)

* The prior year was adjusted in accordance with IAS 8. Detailed information is provided under "Restatement" in Section E.

Consolidated Balance Sheet

Assets, €´000	Notes	31.12.2017	31.12.2016
Cash and balances with the central bank	(11)	1,044,012	384,707
Loans and advances to other banks	(12)	5,443,424	6,261,466
Loans and advances to customers	(13)	11,613,792	11,818,321
Impairment allowance balance	(14)	(187,599)	(242,705)
Trading assets	(15)	506,213	525,432
Securities and equity investments	(16)	4,234,547	3,889,952
Other assets	(17)	745,754	968,191
Investments in entities accounted at equity	(49)	2,285,047	1,771,475
Property and equipment and intangible assets	(18)	26,451	27,945
Assets		**25,711,641**	25,404,784

Equity and Liabilities, €´000	Notes	31.12.2017	31.12.2016*
Total borrowed capital*		***23,474,192***	*23,708,077*
Deposits from other banks	(19)	7,818,593	7,628,203
Deposits from customers	(20)	7,767,789	7,618,112
Securitized liabilities	(21)	5,711,716	5,827,385
Trading liabilities	(22)	398,720	496,573
Other liabilities*	(23)	806,898	1,075,248
Provisions	(24, 25)	136.314	129.780
Tier 2 capital	(26)	834.162	932.776
Equity*	(27)	***2,237,449***	*1,696,707*
Attributable to equity holders of the parent*		2,237,367	1,696,683
Non-controlling interests		82	24
Liabilities*		**25,711,641**	25,404,784

* The prior year was adjusted in accordance with IAS 8. Detailed information is provided under "Restatement" in Section E

Consolidated Statement of Changes in Equity

€'000	Attributable to equity holders of the parent							
	Sub-scribed capital	Non-voting non-ownership 'participation' capital	Capital reserves	Retained earnings*	Net profit	Total	Non-controlling interests	Total*
Equity at 01/01/2016*	214,520	76,500	432,688	961,414	65,394	1,750,517	0	1,750,517
Restatement				4,213		4,213		4,213
Equity at 01/01/2016*	214,520	76,500	432,688	965,627	65,394	1,754,730	0	1,754,730
Loss/(profit) for the year*	0	0	0	0	(64,471)	(64,471)	0	(64,471)
Other comprehensive income	0	0	0	49,778	0	49,778	0	49,778
Consolidated comprehensive income*	*0*	*0*	*0*	*49,778*	*(64,471)*	*(14,693)*	*0*	*(14,693)*
Withdrawal from retained earnings	0	0	0	15,397	(15,397)	0	0	0
Capital increases	5,269	0	47,661	0	0	52,930	0	52,930
Withdrawal of participation capital	0	(76,500)	76,500	(52,749)	0	(52,749)	0	(52,749)
Distributions	0	0	0	0	(49,997)	(49,997)	0	(49,997)
Enterprise's interest in other changes in the equity of entities accounted for at equity	0	0	0	2,167	0	2,167	0	2,167
Changes in the scope of consolidation	0	0	0	4,295		4,295	24	4,319
Equity at 31/12/2016*	**219,789**	**0**	**556,849**	**984,515**	**(64,471)**	**1,696,683**	**24**	**1,696,707**
Loss/(profit) for the year	0	0	0	0	558,818	558,818	67	558,885
Other comprehensive income	0	0	0	1,386	0	1,386	0	1,386
Consolidated comprehensive income	***0***	***0***	***0***	***1,386***	***558,818***	***560,204***	***67***	***560,271***
Use of retained earnings	0	0	0	(64,471)	64,471	0	0	0
Distributions	0	0	0	0		0	(9)	(9)
Enterprise's interest in other changes in the equity of entities accounted for at equity	0	0	0	(17,597)	0	(17,597)	0	(17,597)
Other changes	0	0	0	174		174	0	174
Changes in the scope of consolidation	0	0	0	(2,097)		(2,097)	0	(2,097)
Equity at 31/12/2017	**219,789**	**0**	**556,849**	**901,910**	**558,818**	**2,237,367**	**82**	**2,237,450**

* The prior year was adjusted in accordance with IAS 8. Detailed information is provided under "Restatement" in Section E

Consolidated Cash Flow Statement

€'000	Notes	2017	2016*
Loss/(profit) for the year after tax		***558,885***	*(64,471)*
Reconciliation to cash flow from operating activities			
Write-downs/(write-ups) of property and equipment, financial investments and equity investments		94,309	2,794
Revaluation (gains)/losses on investments in entities accounted for using the equity method		(545,251)	98,692
Release of/addition to provisions and impairment allowances	(2,14,25)	27,651	5,654
(Gains)/losses on disposals of property and equipment and financial investments		(570)	(7,958)
Other adjustment (net)		(160,778)	(161,124)
Subtotal		***(25,754)***	*(126,413)*
Change in assets and liabilities arising from operating activities after corrections for non-cash items:			
Loans and advances to other banks and customers		944,319	1,387,685
Trading assets		56,842	251,462
Securities (except financial investments		45,555	176,772
Other assets		198,054	(29,713)
Deposits from customers and other banks		354,469	(1,816,259)
Securitized liabilities		(114,274)	(398,641)
Trading liabilities		(97,853)	(82,024)
Other liabilities		(265,247)	(10,040)
Other provisions		(12,316)	(16,484)
Interest received		539,572	460,936
Dividends received		13,742	9,437
Interest paid		(416,349)	(279,531)
Income taxes paid		3,048	7,257
Cash flow from operating activities		***1,223,808***	*(465,556)*
Cash receipts from sales of:			
Financial and equity investments		183,964	770,973
Property and equipment and intangible assets		2,637	7
Cash paid for:			
Financial and equity investments		(667,383)	(371,484)
Property and equipment and intangible assets		(5,651)	(5,662)
Cash flow from investing activities		***(486,433)***	*393,834*
Cash inflows from capital injection		0	181
Cash inflows from Tier 2 capital		2,296	16,864

€'000	Notes	2017	2016*
Cash outflows from Tier 2 capital		(80,302)	(47,296)
Distributions		(9)	(49,997)
Cash flow from financing activities		***(78,015)***	***(80,248)***

* The prior year was adjusted in accordance with IAS 8. Detailed information is provided under "Restatement" in Section E

€'000	2017	2016
Cash and cash equivalents at end of previous year	***384,707***	***536,671***
Cash flow from operating activities	1,223,808	(465,556)
Cash flow from investing activities	(486,433)	393,834
Cash flow from financing activities	(78,015)	(80,248)
Effect of exchange rate changes	(58)	0
Addition to the scope of consolidation	3	6
Cash and cash equivalents at end of year	**1,044,012**	384,707

* The prior year was adjusted in accordance with IAS 8. Detailed information is provided under "Restatement" in Section E

Cash and cash equivalents represent cash and balances with the central bank.

The following reconciliation shows the changes in financial liabilities and the related assets used to hedge Tier 2 capital as well as their inclusion in cash flow from financing activities:

€'000	At 1 January	Cash changes	Non-cash changes		At 31 December
			Changes in fair value	Other changes	
Tier 2 capital	932,776	(78,004)	(22,725)	2,116	834,162
Assets for hedging Tier 2 capital	(11,563)	3,349	7	0	(8,207)
Total	**921,213**	**(74,655)**	**(22,718)**	**2,116**	**825,956**

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% (2016: 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 and, consequently, for the "Centrope region". 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 2017 financial year, including the comparable data for 2016, 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 is 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, are accounted for at equity.

As of 31 December 2017, the scope of consolidation, excluding RLB NÖ-Wien as the parent company, comprised 13 (2016: 10) fully consolidated companies. The registered headquarters of all Group companies are located in Austria.

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

Number of Entities	2017	2016 Consolidated	2017	2016 Equity Method
At 1 January	10	2	2	2
Included for the first time in the reporting year	3	8	0	0
Derecognized during the reporting year	0	0	0	0
At 31 December	**13**	10	**2**	2

Three companies were initially included through full consolidation for materiality reasons as of 31 December 2017. The difference resulting from the initial consolidation was offset against retained earnings.

The balance sheet date for all companies included in the consolidated financial statements through full consolidation or at equity is 31 December 2017, with the exception of the subsidiary NAWARO ENERGIE Betrieb GmbH (balance sheet date: 30 September 2017).

The effects of major transactions and other events occurring between the subsidiaries' balance sheet date and 31 December 2017 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, investments in entities accounted for at equity 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 "entities accounted for using the equity method". The proportional share of annual results from these entities is reported under "profit/(loss) from investments in entities accounted for using the equity method". The proportional share of other comprehensive income from these entities is recorded under other comprehensive income at the Group level. 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.

Any impairment to equity-accounted investments is determined in accordance with IAS 36 and reported under profit/(loss) from investments in entities accounted for using the equity method. An impairment test is carried out if there are any signs of impairment as defined by IAS 39. 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 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 essentially 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. Fair value represents the price received for the sale of an asset or paid for the transfer of a liability in an arm's length transaction between knowledgeable, willing parties. For listed financial instruments, fair value represents the market price. If market prices are not available, the future cash flows from a financial instrument are discounted by means of financial methods and the interest rate curve applicable to the valuation date. If fair value cannot be reliably determined, the financial instrument is carried at cost less any necessary impairment losses.

A financial assets or a 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 take legal effect. Loans and advances to customers are also derecognized when there are no realistic expectations of repayment. Minor loans and advances receivable up to TEUR 1 are derecognized when they are 90 days overdue.

Financial instruments must be assigned to predetermined categories, and subsequent measurement is dependent on this classification.

The categories used for classification and measurement are listed and explained in the following section:

- Financial assets or financial liabilities at fair value through profit or loss:

Included here are financial instruments classified by the company as held for trading or designated as at fair value through profit or loss. They are measures at fair value, and any changes in fair value are recognized to profit or loss.

Financial assets and financial liabilities classified as held for trading are intended to generate gains from short-term fluctuations in market prices or the dealer's margin.

Financial assets, financial liabilities or a group of financial instruments (financial assets, financial liabilities or a combination of both) can be initially designated as at fair value through profit or loss upon initial recognition based on the fair value option if this method provides more relevant information. The classification requirement is met when this designation prevents or significantly reduces a measurement or recognition inconsistency (i.e. an accounting mismatch).

Financial assets and/or financial liabilities (including derivatives) can also be assigned to this category based on a documented risk management strategy or an investment strategy for a portfolio of instruments that is managed and evaluated on a fair value basis and whose performance is regularly reported to the Managing Board. Financial instruments with embedded derivatives can also be designated as at fair value through profit or loss if the derivatives have a substantial economic effect. If the derivatives embedded in a financial instrument cannot be measured separately, the entire financial instrument is assigned to this category.

Financial instruments are assigned to one of the above categories as of the acquisition date. This irrevocable designation is documented through the aggregation in portfolios, each of which is intended to demonstrate separate risk monitoring and, above all, defined result-oriented management. The responsibilities for individual portfolios are regulated by specific guidelines and the related risk is restricted by monitored lines and limits.

Excluded from the designation as at fair value through profit or loss are financial investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably determined. Another exclusion involves derivatives whose value is dependent on and which must be settled through these types of equity instruments. These financial investments are classified as available for sale.

• Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not classified as held for trading, designated as at fair value through profit or loss or classified as available for sale. These financial instruments result from the provision of money, goods or services and are carried at amortized cost based on the effective interest rate method and the deduction of any necessary impairment charges.

Amortized cost represents the historical acquisition price less repayments, adjusted for any previously recognized amortisation of a premium or discount and less any deductions for impairment or uncollectability.

• Financial investments held to maturity:

This category covers financial assets with fixed or determinable payments, which the company has the intention and ability to hold to maturity. They are measured at amortized cost by applying the effective interest rate method. Premiums and discounts are recognized on a proportional basis. An impairment loss is recognized to reflect any deterioration in the credit rating. If the reasons for impairment cease to exist, the carrying amount of the financial asset is increased up to the applicable amortized cost with recognition through profit or loss.

• Financial assets available for sale:

This category includes the non-derivative financial assets that cannot be assigned to another valuation category.

These assets are carried at fair value, and any changes resulting from measurement are accumulated in other comprehensive income as a separate item under equity – the available-for-sale reserve – until the asset is sold or an impairment loss must be recognized through profit or loss. The available-for-sale reserve is released through profit or loss when the asset is derecognized. The gains or losses on sale are reported under “profit/loss from financial instruments”. Impairment losses as defined in IAS 39 are recognized through profit or loss and also reported under “profit/loss from financial instruments”. From the Group’s viewpoint, impairment exists when there is a significant or lasting decline in fair value below the acquisition cost.

If the fair value increases, an impairment loss to a debt instrument is reversed through profit or loss, while an impairment loss to an equity instrument is reversed under other comprehensive income without recognition through profit or loss.

Equity instruments and debt instruments are assigned to the category of available-for-sale assets and valued at cost when they do not meet the criteria for classification as financial investments held to maturity or as loans and receivables, when they do not have a quoted market price and when their fair value cannot be reliably determined. These instruments are measured at cost.

• Financial liabilities at amortized cost:

Financial liabilities are measured at amortized cost based on the effective interest rate method, unless they are designated as at fair value through profit or loss or classified as held for trading.

Securities issued and subsequently repurchased by the company are deducted from liabilities. Embedded derivative financial instruments not classified as held for trading are separated from the host contract and accounted for as an independent derivative financial instrument if the following applies: the entire financial instrument is not measured at fair value; changes in fair value are not recorded to profit or loss; the economic characteristics and risks of the embedded derivative are not closely connected with the economic characteristics and risks of the host contract; and the embedded derivative meets the criteria for classification as a derivative financial instrument. The host contract is then accounted for in accordance with the appropriate categorization. Changes in the value of separated derivatives measured at fair value are recognized to profit or loss. If the measurement of an embedded derivative is not possible at the time of purchase or on a subsequent balance sheet date, the entire structured product is classified as at fair value through profit or loss.

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. Changes in fair value are recognized to profit or loss on the income statement.

Derivatives acquired for hedging purposes are classified under the following categories in accordance with IAS 39 based on the different characteristics of the relationship between the hedged item and the derivative:

- Fair value hedge:

A fair value hedge is intended to protect an existing asset or liability against changes in fair value that result from a particular risk and could affect profit or loss. A hedge that meets the criteria for hedge accounting is accounted for at fair value, whereby the gains and losses on fair value measurement are recognized in profit or loss. The carrying amount of the hedged item is adjusted to reflect the remeasurement gain or loss attributable to the hedged risk (basis adjustment). The hedges are formally documented, assessed as of each balance sheet date and classified as highly effective. Therefore, it can be assumed that changes in the fair value of the hedged item will be nearly completely offset by changes in the fair value of the hedging instrument throughout the entire term of the hedge and that actual results will range from 80% to 125%. If this does not apply, the hedge relationship is terminated and the hedged item is measured on a regular basis (see the section on "Financial instruments").

The Group uses micro-fair value hedges to hedge market value and interest rate risks.

Cash flow hedge:

A cash flow hedge is 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. In these cases, derivatives are used to hedge future interest rate flows. Future variable interest rate payments on variable rate receivables and liabilities are exchanged for fixed interest payments, generally through interest rate swaps.

The effective portion of the gain or loss on the hedging instrument is 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.

Classes of financial instruments (IFRS 7)

The formation of classes is based on the assignment of financial instruments to the individual balance sheet positions because the nature of the financial instruments is best represented by this classification. Balance sheet items that include financial instruments from different valuation categories as defined by IAS 39 are appropriately taken into account. The classes of financial instruments under assets include cash and balances with the central bank, loans and advances to other banks, loans and advances to customers, trading assets, securities and equity investments as well as the derivative financial instruments and derivatives from hedging transactions included under other assets. The classes of financial instruments under liabilities include deposits from other banks, deposits from customers, securitized liabilities, trading liabilities and Tier 2 capital as well as the derivative financial instruments and derivatives from hedging transactions included under other liabilities.

Receivables

Receivables are measured at amortized cost without the deduction of impairment losses. Accrued interest is reported under the relevant balance sheet position. Premiums and discounts are accrued over the term of the receivable.

Purchased receivables are also classified as loans and receivables.

For receivables that represent the hedged item for a fair value hedge, the gain or loss on measurement is included and the carrying amount of the receivable is adjusted accordingly (basis adjustment). Receivables that are not attributable to a core banking relationship are classified under loans and receivables and reported under other assets.

Impairment allowance balances

Risks arising from the credit business are reflected in the recognition of individual impairment 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 used when the loan or advance is classified as uncollectible and derecognized.

In accordance with IAS 39.58, all receivables that have an effect on expected future cash flows from a financial instrument are tested quarterly for objective evidence of impairment as defined in IAS 39.59.

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,
- The loss event has an influence on the estimated future cash flows from the financial asset or group of financial assets, and
- The amount of the loss can be reliably estimated.

The requirements of IAS 39 concerning impairment are reflected in internal processes and guidelines. The risk content of a commitment is entered in an extensive rating system that includes various models for 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.

The amount of each loan or advance at risk of default is calculated according to the discounted cash flow method. The amount of the impairment charge equals the difference between the carrying amount and the present value of the expected future cash flows. For material receivables, this calculation is performed at the individual financial instrument level. For immaterial receivables, the calculation can be performed at the portfolio level.

A portfolio impairment allowance is recognized for losses that occurred, but were not known before the balance sheet date (incurred but not reported loss (IBNR loss)). The aggregation by risk category is based on historical data series for default probabilities. The receivables are aggregated in homogeneous portfolios, whereby the calculation generally includes all types of receivables that fall under the scope of application of IAS 39 - i.e. loans and advances, guarantees, available credit lines and securities. A weighting factor is used for off-balance sheet transactions. Derivatives are not included in the calculation of IBNR losses. The credit risk for these transactions is assessed via the credit value adjustment (CVA).

The total amount of the impairment allowance for recognized receivables is disclosed as a separate position after receivables on the balance sheet. 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.

Trading assets

Trading assets include the securities and derivative instruments used for trading and are measured at fair value. The market price represents the fair value for quoted products, while near-market rates (Bloomberg, Reuters) are used to value non-quoted products. If these rates are not available, primary financial instruments and forwards are measured using internal prices based on present value calculations and options are measured with appropriate option pricing models. Derivatives held for trading are also recognized as part of the trading portfolio. Positive fair values are allocated to trading assets and negative fair values are reported on the balance sheet under trading liabilities. Positive and negative fair values are not offset.

Receivables arising from the accrued interest on derivatives held for trading are also reported under trading assets. Changes in the clean prices are recognized through profit or loss under net trading income.

Gains and losses on the sale and measurement of trading assets and the interest income and expenses from derivatives held for trading are reported on the income statement under net trading income. Interest and dividend income and the refinancing interest from securities held for trading are included under net interest income.

Securities and equity investments

Securities and equity investments comprise financial investments held-to-maturity and available-for-sale financial assets as well as equity investments not consolidated for materiality reasons and other equity investments classified as available-for-sale financial assets. This position also includes securities designated as at fair value through profit or loss based on the fair value option. In addition, deferred interest on these types of financial instruments is accounted for under this position.

Gains and losses on sale and measurement are reported on the income statement under profit/(loss) from financial investments, while interest and current income is included in net interest income.

Property and equipment and intangible assets

Property and equipment and 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 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 measured 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 lives (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 consists mainly of receivables not resulting from core banking relationships (primarily receivables from the provision of goods and services), tax assets, coins and inventories as well as the positive fair values of derivatives not held for trading and receivables arising from accrued interest on these derivatives.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business less the expected costs to sell.

Liabilities

Financial liabilities not designated as at fair value through profit or loss or classified as held for trading are carried at amortized cost. Accrued interest is reported under the respective balance sheet position. Premiums and discounts are accrued over the term of the respective liabilities.

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

The difference between the issue price and the settlement amount for securitized liabilities carried at amortized cost is distributed over the term of the liability as a write-up or write-down.

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. The classification of securitized liabilities as at fair value through profit or loss is intended to prevent an accounting mismatch by measuring these instruments in the same way as derivative financial instruments, i.e. based on the fair value option.

Trading liabilities

Trading liabilities represent the negative market values of derivatives held for trading purposes (see the section on "Trading assets").

Other liabilities

Other liabilities consist primarily of liabilities that do not result from a core banking relationship, i.e. primarily accounts payable, taxes payable and other liabilities. The negative fair values of derivative financial instruments that are not held for trading and the liabilities arising from accrued interest on these derivatives are also reported under this position.

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 jubilee provisions and provisions for 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 actuarial parameters used to calculate provisions for termination and post-employment benefits are described in detail under note (24) Provisions.

Tier 2 capital

Tier 2 capital reflects the requirements 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)). All Tier 2 capital and subordinated bonds that do not meet the CRR requirements for Tier 2 capital are reported under securitized liabilities. 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.

Income tax

Income tax is calculated and recognized according to the balance sheet liability method in agreement with IAS 12. Deferred taxes are recognized on 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, available-for-sale reserve, revaluation reserve for actuarial gains and losses on employee-related provisions) are also adjusted to reflect the proportional share of deferred taxes.

Income tax assets and liabilities are recorded under other assets or other liabilities. Deferred tax assets and deferred tax liabilities are recorded under other assets or provisions. 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 IAS 39. 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.

Cash flow statement

RLB NÖ-Wien is the regional central institution for the Raiffeisen banking group (RBG) NÖ-Wien. Therefore, cash flow from operating activities includes the cash inflows and outflows from loans and advances to other banks and customers and from trading activities, securities and other assets. Cash inflows and outflows from deposits from other banks and customers, from securitized liabilities and other liabilities are also allocated to the operating business. In addition, interest and dividend payments resulting from the operating business are included in cash flow from operating activities.

Cash flow from investing activities shows the cash inflows and outflows for financial assets, property and equipment and intangible assets as well as the incoming and outgoing payments for the purchase or sale of investments in other companies.

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

Cash and cash equivalents comprises the balance sheet position “cash reserve“, which consists of cash on hand and balances with central banks which are payable on demand. Not included are loans and advances to financial institutions which are payable on demand. These items are allocated to operating activities.

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 immediately translated 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 position as well as changes in the asset and financial position.

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 (29) Fair value of financial instruments.

Impairment allowance 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 impairment allowance also requires estimates for the amount and timing of future cash flows. A more detailed description and presentation of the impairment allowances is included in the following notes: (2) Impairment allowance balance, (14) Impairment allowance balance and (28) Risks arising from financial instruments.

Provisions for pension, 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 (24) Provisions.

Non-financial assets

Non-financial assets such as investments in entities accounted for at equity, 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. The related assessments require significant judgements and estimates by management.

The scope of consolidation of the RLB NÖ-Wien Group includes RLB NÖ-Wien as well as ten other subsidiaries. These subsidiaries include four operating companies as well as six non-operating intermediate holding companies, which, in part, had no deductible temporary differences. Deferred tax assets are not recognized on deductible temporary differences for these subsidiaries because there will be no taxable profits in the future.

The reportable amounts of deferred tax assets in the RLB NÖ-Wien Group are based on information for forecasted business results which was approved by the Managing Board and on historical data for taxes and profitability.

Deferred taxes are not shown separately on the income statement or balance sheet. Details are provided in notes (10) Income tax and (17) Other assets and also on the consolidated statement of changes in equity.

Restatement for the correction of errors

In connection with the installation of a multi-GAAP accounting solution as of 1 January 2017, accounting errors from the years 2011 to 2016 were discovered. These errors were corrected retrospectively through restatement in accordance with IAS 8.41. Specifically, the following errors were corrected:

- A EUR 2.2 million provision for an interest rate swap from the banking book in 2013, which was recorded in accordance with the Austrian Commercial Code, was not cancelled in the IFRS consolidated financial statements.
- Up-front fees of EUR +2.0 million for interest rate swaps in 2011 – 2016, which must be accrued over the term of the respective derivative according to the Austrian Commercial Code, were not immediately recognized to profit of loss in the IFRS consolidated financial statements.
- Deferred income of EUR -0.5 million, which was recognized for a security in accordance with the Austrian Commercial Code, was not cancelled in 2016.
- This retrospective error correction had no material effects on deferred taxes as of 1 January 2016 or in 2016.

The restatement increased equity by EUR 4.2 million as of 1 January 2016 and also increased the pre-tax loss for 2016 by EUR -0.5 million

The restatement led to the following effects on other liabilities and equity as shown on the consolidated balance sheet as of 31 December 2016:

€'000	31.12.2016	Restatement	Restatement 31.12.2016
Other liabilities	1,078,909	(3,661)	1,075,248
Equity	1,693,046	3,661	1,696,707
Attributable to equity holders of the parent	1,693,022	3,661	1,696,683
Liabilities	25,404,784	0	25,404,784

The restatement has the following effects on the consolidated statement of comprehensive income for 2016:

€'000	2016	Restatement	Restatement 2016
Interest income	435,266	(552)	434,714
Net interest income after impairment charges	191,680	(552)	191,128
Loss for the year after tax	(63,919)	(552)	(64,471)
Consolidated comprehensive income	(14,141)	(552)	(14,693)

New standards and interpretations

The following new or revised standards and interpretations are effective for financial years beginning on or after 1 January 2017 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		
Amendments to Standards		
IAS 7	Cash Flow Statement	1 January 2017
IAS 12	Income taxes	1 January 2017

The changes in the above accounting regulations had no effect on the presentation of the financial position or financial performance 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		*	EU Endorsement	Material effects on the consolidated financial statements
New standards and interpretations				
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01.01.2018	Q1/2018	No
IFRIC 23	Uncertainty over income tax treatments	01.01.2019	Q3/2018	No
IFRS 9	Financial Instruments – Classification and Measurement	01.01.2018	22.11.2016	Yes
IFRS 9	Financial Instruments - accounting treatment of financial liabilities and derecognition	01.01.2018	22.11.2016	Yes
IFRS 15	Income from contracts with customers	01.01.2018	22.09.2016	No
IFRS 15	Clarification to Income from Contracts with Customers	01.01.2018	31.10.2017	No
IFRS 16	Leases	01.01.2019	31.10.2017	Under evaluation
IFRS 17	Insurance Contracts	01.01.2021	Open	No
Amendments to Standards				
IAS 19	Employee Benefits – Accounting for a plan amendment, curtailment or settlement	01.01.2019	Open	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	01.01.2019	Open	No
IAS 40	Investment Property – Transfers	01.01.2018	Q1/2018	No
IFRS 2	Share-based Payment – Classification and measurement of business transactions with share-based repayment commitments	01.01.2018	26.02.2018	No
IFRS 4	Insurance Contracts – Application of IFRS 9 together with IFRS 4	01.01.2018	03.11.2017	No
IFRS 9	Financial Instruments – Prepayment Features with Negative Compensation	01.01.2019	Q1/2018	Under evaluation
IFRS 10	Consolidated Financial Statements - 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
Diverse	Improvements to International Financial Reporting Standards, Cycle 2014(2016) (IFRS 1, IAS 28)	01.01.2018	07.02.2018	No
Diverse	Improvements to International Financial Reporting Standards, Cycle 2015(2017) (IFRS 3, IFRS 11, IAS 12, IAS 23)	01.01.2019	Open	No

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

The company did not elect to use the option for the premature application of individual new or amended standards and interpretations.

IFRIC 22
This interpretation is intended to clarify the accounting treatment of transactions which involve the receipt or payment of consideration in a foreign currency.

IAS 7
The changes to IAS 7 requires companies to disclose information that enables the users of financial statements to evaluate changes in liabilities from financing activities.

IAS 12
The primary objective of the amendments to IAS 12 is to clarify the accounting treatment of deferred tax assets arising from unrealized losses on assets carried at fair value and to eliminate the different methods currently applied.

IAS 40
The changes to IAS 40 clarify the rules for transfers to or from investment property. One of the main issues is whether property under construction or development, which was previously classified as inventories, can be reclassified to investment property when there has been an obvious change in the use.

IFRS 2
The changes to IFRS 2 involve individual issues related to the accounting treatment of share-based payment transactions with cash settlement. The most important change involves the addition to IFRS 2 of rules for determining the fair value of the obligations resulting from share-based remuneration.

IFRS 4
The changes to IFRS 4 are intended to reduce the effects arising from the different initial application dates of IFRS 9 and the successor standard to IFRS 4, above all for companies with extensive insurance activities. Two optional approaches were introduced which can be used when insurers meet specific requirements: the overlay approach and the deferral approach.

IFRS 9
In July 2014 the International Accounting Standards Board published the final version of IFRS 9 Financial Instruments, which replaces IAS 39: Recognition and Measurement. The new standard was endorsed by the EU on 22 November 2016.

IFRS 9 is applicable to the first reporting period of the financial year which begins on or after 1 January 2018.

The new standard requires the group to adjust its accounting processes and internal controls related to the presentation of financial instruments. A preliminary assessment of the effects arising from the application of IFRS 9 was made based on the positions as of 31 December 2017 and was based on the information available at the present time.

Classification and measurement of financial assets
IFRS 9 defines new classification and measurement approaches for financial assets, which reflect the business model in which the assets are held as well as the characteristics of their cash flows.

The standard differentiates between three business models:

- "Hold“: The goal of this business model is to hold the debt instruments and collect the contractual cash flows. Subsequent measurement is based on amortized cost ("AC“).
- "Hold and sell“: The debt instruments are held within a business model whose goal is to collect the contractual cash flows or to sell the debt instruments. The debt instruments are measured at fair value, and changes in this fair value are recorded under equity (fair value through other comprehensive income - FVOCI).
- "Sell“: Debt instruments which are held primarily for the purpose of realizing short-term gains are allocated to this business model and are measured at fair value through profit and loss ("FVTPL“).

IFRS 9 defines the following categories for the classification of financial assets:

- Debt instruments measured at amortized cost t
- Debt instruments measured at fair value through comprehensive income, whereby the accumulated gains and losses are reclassified to profit or loss when the financial asset is derecognized
- Debt instruments, derivatives and equity instruments measured at fair value through profit or loss
- Equity instruments classified at fair value through comprehensive income, whereby gains and losses remain in other comprehensive income (without reclassification)

This standard eliminates three categories previously defined by IAS 39: held to maturity, loans and receivables and available for sale.

IFRS 9 prohibits the separate recognition of derivatives which are embedded in contracts whose basis is a financial asset covered by this standard. The hybrid financial instrument is instead evaluated as a whole with respect to its classification.

The Group has defined business models for corporate customers, private customers and treasury and analysed the financial instruments with regard to the contractual criteria for payment flows.

Loans and advances to customers and other banks are assigned to the "hold" business model. All loans and advances are currently undergoing a final evaluation of the characteristics of contractual cash flows ("solely payment of principal and interest“ – SPPI test). The volume of the loans and advances which would be carried at fair value through profit or loss will, from the current point of view, presumably equal approximately EUR 200 million. The results of the benchmark test are still under evaluation. Measurement at fair value will only have an immaterial effect on the Group’s equity because of the limited volume.

The debt instruments currently classified as available for sale, which have a volume of EUR 3.7 billion, will be reclassified to amortised cost because they are allocated to the "hold" business model. The derecognition of the available-for-sale reserve (EUR 84.0 million, before tax) will have a direct effect on the Group’s equity.

The “sell“ business model is applied by the Treasury Department to securities. It supports the implementation, within pre-defined limits, of trading strategies with a short-term investment horizon.

The Group has evaluated the sale of financial instruments from the "hold" business model, and no sales in the lending business are planned shortly before the end of the respective terms. Treasury activities can involve sales prior to maturity and close to the due date; the relevant period is limited to three months before maturity or, for financial instruments with variable interest rates, up to six months before maturity. Receivables in the lending business are sold, when necessary, if there is a deterioration in the borrower’s credit standing. However, there are no plans for the general sale of portfolios with such declines. Sales by the Treasury Department to reflect a material deterioration in an issuer’s credit rating are only possible when the rating has been downgraded since the initial recognition date and the outlook is negative. The Group has defined the following internal threshold: no more than an immaterial component of the financial instruments designated as "hold" may be sold before maturity during the current financial year and two preceding financial years. The limit for immaterial during this three-year period was defined as 10% over the entire category in the business units. These types of sales are intended to represent an exception.

Equity instruments are generally measured at fair value. The Group has the possibility to recognize fluctuations in fair value through profit or loss or directly in equity and can apply this option individually for each instrument. The option provided by IAS 39 to carry equity instruments (among others, investments in other companies) at cost when fair value cannot be reliably determined was discontinued.

With regard to classification and measurement, changes in the composition of the portfolio or in the economic environment can lead to slight differences in the above effects compared with the actual effects registered on the transition to IFRS 9 as of 1 January 2018.

Classification and measurement of financial liabilities

IFRS 9 generally retains the requirements of IAS 39 for the classification of financial liabilities. However, measurement at fair value (fair value option) requires the recognition under equity ("other comprehensive income") of all changes in fair value resulting from the Group's own credit risk.

The Group has currently designated an immaterial volume of financial liabilities at fair value through profit or loss. A fair value hedge will be concluded for these financial liabilities as of 1 January 2018.

Impairment
IFRS 9 replaces the model of "incurred losses" defined by IAS 39 with a forward-looking model of "expected credit losses". The new impairment model is applicable to financial assets carried at amortized cost or measured at FVOCI – with the exception of equity instruments held as financial assets – and is also applicable to contractual assets.

Impairment is measured according to one of the following criteria under IFRS 9:

- "12-month expected loss" (one-year ECL): This represents the expected losses arising from potential default incidents during the 12 months following the balance sheet date.
- "Lifetime expected loss" (lifetime ECL): This represents the expected losses arising from all potential default incidents during the expected lifetime of a financial instrument.

Measurement must be based on the lifetime credit loss when there has been a significant increase in the credit risk of a financial asset between initial recognition and the balance sheet date. In all other cases, measurement should be based on the 12-month expected loss.

The calculation of impairment and classification to stage 3 (impaired credit standing) reflect the definition of default provided in Art. 178 of the CRR. The interpretation of a "significant increase in credit risk" is based on both quantitative and qualitative criteria. The quantitative criterion includes both a relative and an absolute change in value of the lifetime PD. The qualitative criteria cover "days past due" as well as events from the internal EWS system. Important input parameters for the ECL calculation include PDs, LGDs, the value of collateral and EADs. For the ECL calculation, these factors are transferred to "point in time" parameters based on regulatory models and "through the cycle" approaches and projected into the future with forward-looking information. The one-year ECL and lifetime ECL are calculated for each receivable under several scenarios. The one-year ECL or lifetime ECL is then recorded in line with the allocation stage. The Group uses forward-looking macroeconomic factors for all risk parameters (PDs, LGDs, EADs and collateral). The macroeconomic information is incorporated in the ECL calculation through multiple scenarios.

Separate rules apply to financial instruments which have indications of impairment on the initial recognition date due to substantive modification or purchase ("POCI – purchased or originated credit impaired"). An impairment allowance is not created on initial recognition in these cases; the financial instrument is allocated directly to stage 3, where it remains throughout the term. Based on initial analyses, the Group does not expect any material volumes of financial instruments which are impaired at the time of initial recognition.

The low credit risk exemption permits the creation of valuation allowances for financial instruments with a good credit rating at an amount equal to the one-year ECL, without an evaluation of the significance of the increase in credit risk since the initial recognition date. The Group has decided not to apply the low credit risk exemption.

A simplified version of the three-stage model is planned for trade receivables and leases, which involves the recognition of an impairment allowance at an amount equal to the lifetime EL (stage 2). In addition, an option is available for lease receivables which allows for the use of the normal three-stage model or the simplified version. The Group uses the simplified procedure for receivables due from industrial subsidiaries, and an appropriate accounting policy is in preparation. In accordance with IFRS 9.5.5.15, the simplified procedure is used for receivables due from industrial subsidiaries.

The Group assumes the impairment losses for assets covered by the scope of application of the impairment model defined by IFRS 9 will increase moderately and become more volatile. The calculations are currently under review and may need to be adjusted. However, the Group expects an increase of not more than EUR 30 million (before tax) in the impairment allowance balance for financial assets as of the initial application date for this standard.

Hedge accounting
IFRS 9 requires the group to ensure that the accounting treatment of hedges reflects the goals and strategy of corporate risk management and to also ensure the use of a more qualitative and forward-looking approach in evaluating the effectiveness of hedges. In addition, IFRS 9 introduces new requirements for the weighting of hedge relationships and prohibits the voluntary termination of hedge accounting.

The initial application of IFRS 9 includes an option which allows the Group to decide whether to retain the accounting rules for hedges defined in IAS 39 instead of adopting the requirements of IFRS 9. The Group has decided to apply the new requirements of IFRS 9, and no material effects on equity are expected.

Disclosures
IFRS 9 requires extensive new disclosures, in particular on hedge accounting, credit risk and expected credit default. The preliminary assessment included an analysis to identify any possible data gaps compared with the current procedure. The Group plans to implement system and monitoring changes which it believes will guarantee the necessary data collection.

Transition
The Group intends to utilize the option not to restate the comparative prior period information on the changes in classification and measurement (including impairment). In accordance with IFRS 7, the notes to the consolidated financial statements for 2018 will include tables which reconcile the transition from IAS 39 to IFRS 9 for financial assets and the impairment allowance balance. Differences between the carrying amounts of financial assets and financial liabilities resulting from the application of IFRS 9 will principally be recognized in retained earnings and other reserves as of 1 January 2018.

Information on the IFRS 9 Project
The Group carried out a preliminary study in 2012 to evaluate the effects resulting from the application of IFRS 9. The implementation project was started in autumn 2015 with the necessary evaluation of and decisions on software and will be completed by the initial application of this standard in January 2018. This project bundled significant internal and external resources to ensure well-timed implementation.

In addition to the definition and treatment of technical issues related to impairment, categorization, measurement, hedge accounting and recording logic, work has focused on the necessary adjustment/implementation of the required systems and interfaces since the beginning of 2016.

Most of the specialized topics have already been dealt with, while individual methodological and conceptual issues are still under discussion at the present time. In the second half of 2017, a parallel calculation based on IFRS 9 analysed the effects on the Group's balance sheet and equity in due time before the initial application and allowed for the planning of necessary measures.

Calculations and impact assessments for specific subjects are already in progress as part of this project and will form the basis for decisions ranging from the methods/models to be applied to necessary adjustments to existing processes and customer contracts.

Based on the portfolios as of 31 December 2017 and current progress on the project, the Group expects a negative effect on equity of EUR 65 to 85 million (after the deduction of deferred taxes at 25%) from the initial application of IFRS 9. This effect will result, above all, from the increase in the impairment allowance balance and the loss of the positive available-for-sale reserve. A decline of 40 to 60 basis points is also expected in the Common Equity Tier 1 ratio. The Group has decided not to exercise the option to present the initial application effects of the additional impairment allowance balance in the calculation of the regulatory equity ratios ("phase-in" transition).

The actual effects of the initial application of IFRS 9 can differ from the estimates made at the present time because individual assumptions have not yet been finalized.

IFRS 10 and IAS 28

The changes to IFRS 10 and IAS 28 clarify that the amount of the proceeds recognized on transactions with an associate or joint venture depends on whether the sold or contributed assets constitute a business operation. The effective date of these changes was postponed indefinitely.

IFRS 14

The amendments to IFRS 14 have no effect on the consolidated financial statements because the RLB NÖ-Wien Group is not a first-time IFRS adopter.

IFRS 15

IFRS 15 regulates when and at what amount revenue is to be recognized and replaces IAS 18 – Revenue, IAS 11 – Construction Contracts and a number of revenue-based interpretations. The application of IFRS 15 is mandatory for all IFRS reporters and applies to all contracts with customers – in general with the exception of contracts for leasing arrangements, financial instruments and insurance policies. The version of IFRS 15 published on 28 May 2014 required initial application for financial years beginning on or after 1 January 2017. On 11 September 2015 the IASB approved the effective date for IFRS 15 and thereby postponed the date for the initial mandatory application of this standard to 1 January 2018. The IASB also published a clarification to IFRS 15 on 12 January 2016. The changes address three of the five identified issues (identification of performance obligations, principal/agent considerations and licenses) and involve transitional relief for modified contracts and concluded contracts.

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 IFRS reporters and generally covers all leases. However, there are exemptions for contracts covering the exploration for minerals, oil, gas and similar non-regenerative resources; licensed rights for films, video recordings, plays, manuscripts, patents and copyrights within the scope of application of IAS 38; leases for biological assets within the scope of application of IAS 41; service agreements within the scope of application of IFRIC 12 and license agreements for intellectual property arising from a lease covered by IFRS 15.

The RLB NÖ-Wien Group has concluded leases for motor vehicles and real estate, which are classified as operating leases under IAS 17. The related lease payments are recorded on the income statement under general administrative expenses. The recognition of rights of use and corresponding liabilities for all these leases will presumably lead to an increase in the balance sheet total which, in turn, will have an influence on the Group's financial indicators. IFRS 16 will have no influence on future cash flows. RLB NÖ-Wien has started to analyse the possible effects of the application of IFRS 16 on its consolidated financial statements. From the current point of view, more exact information on the expected effects of IFRS 16 on the RLB NÖ-Wien Group should be available in the second half of 2018.

Other changes

The annual improvements to IFRS – Cycle 2014 - 2016 (EU endorsement still outstanding) include a number of minor changes and clarifications to IFRS.

Effects

With the exception of IFRS 9, the above changes in accounting requirements are not expected to have a material effect on the presentation of the asset, financial or earnings position.

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.

The following segments were defined for reporting purposes:

- Personal and Business Banking Customers Vienna covers the Group's retail operations in that city.

This segment's target group includes private individuals, small and medium-sized businesses and self-employed persons. The branches and offices in Vienna include retail banking branches, offices for high net worth personal banking customers (Private Banking Vienna) and specialized competence centres for trade and business customers.

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 – a head office department – 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 Investments Segment includes the banking-related equity investments, in particular the investment in RBI.

This segment includes, above all, the portfolio of equity investments in banks and other financial institutions. It also includes the investment in the RBI Group, which is carried at equity, with its related activities in Central and Eastern Europe. The results from the shares held directly in Raiffeisen Informatik GmbH are also reported here.

- As shown on the organizational chart, the Other Segment includes the directorate general and risk management/finance.

This segment provides various services to support the other segments in their market efforts. The services provided for the Raiffeisen banks within the scope of the Austrian Raiffeisen organization are reported under this segment. Also included here are the income and expenses that cannot be allocated to another segment.

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).

2016 €'000	Personal and Business Banking Customers	Corporate Clients	Financial Markets	Investments	Other	Total
Net interest income	54,135	102,798	21,654	(37,822)	(7,957)	132,808
Impairment allowance balance	(4,199)	(3,731)	(1,592)	760	(88)	(8,850)
Net interest income after impairment charges	49,936	99,067	20,062	(37,062)	(8,045)	123,958
Net fee and commission income	43,555	14,146	(8,113)	0	4,809	54,397
Net trading income	1,410	2,991	7,719	0	643	12,763
Profit/(loss) from investments in entities accounted at equity	0	0	0	545,251	0	545,251
Profit/(loss) from financial investments	0	(68)	9,134	0	0	9,066
General administrative expenses	(106,368)	(40,921)	(14,754)	(13,367)	(46,431)	(221,841)
Of which staff costs	(52,158)	(26,643)	(5,909)	(7,135)	(18,648)	(110,493)
Of which other administrative expenses	(52,626)	(13,988)	(7,951)	(4,711)	(27,420)	(106,696)
Of which amortization	(1,583)	(290)	(894)	(1,521)	(364)	(4,652)
Other operating profit/(loss)	43	(5,828)	101	15,028	6,532	15,876
Profit/(loss) for the year before tax	**(11,424)**	**69,387**	**14,148**	**509,850**	**(42,492)**	**539,470**
Average risk-weighted assets, €m	1,590	6,534	331	1,831	53	10,339
Average allocated equity, €m	167	686	35	407	672	1,967
Return on equity before tax (%)	(6.84)%	10.11%	40.43%	125.27%	(6.32)%	27.43%
Cost:income ratio	> 100%	35.88%	48.38%	6.16%	> 100%	47.73%

2016 €'000	Personal and Business Banking Customers Vienna	Corporate Clients	Financial Markets*	Investments	Other	Total*
Net interest income*	69,468	122,810	28,694	(44,382)	(3,285)	173,305
Impairment allowance balance	(5,080)	25,355	(164)	(1,994)	(294)	17,823
Net interest income after impairment charges*	64,388	148,165	28,530	(46,376)	(3,579)	191,128
Net fee and commission income	39,813	15,351	(8,565)	0	5,686	52,285
Net trading income	2,202	2,237	(7,289)	0	841	(2,009)
Profit/(loss) from investments in entities accounted at equity	0	0	0	(98,692)	0	(98,692)
Profit/(loss) from financial investments	586	1,702	16,372	(1,969)	0	16,691
General administrative expenses	(92,536)	(43,070)	(16,070)	(3,224)	(51,123)	(206,024)
Of which staff costs	(49,121)	(24,643)	(5,851)	(517)	(14,852)	(94,983)
Of which other administrative expenses	(41,566)	(18,037)	(9,002)	(2,664)	(35,768)	(107,037)
Of which amortization	(1,850)	(389)	(1,216)	(44)	(503)	(4,003)
Other operating profit/(loss)	(1,673)	(17,998)	(2,595)	(308)	8,741	(13,833)
Profit/(loss) for the year before tax*	**12,780**	**106,387**	**10,385**	**(150,569)**	**(39,435)**	**(60,454)**
Average risk-weighted assets, €m	1,522	6,947	436	1,831	87	10,823
Average allocated equity, €m	151	689	43	129	710	1,722
Return on equity before tax (%)	8.5%	15.4%	25.4%	(116.7)%	(5.6)%	(3.5)%
Cost/Income-Ratio in %	83.8%	34.7%	59.1%	6.9%	426.6%	64.3%

* The prior year was adjusted in accordance with IAS 8. Detailed information is provided under "Restatement" in Section E

Details on the Consolidated Income Statement

(1) Net interest income

€'000	**2017**	**2016***
Interest income*	***538,684***	*419,097*
from loans and advances to other banks	31,792	41,799
from loans and advances to customers	203,239	219,523
from trading assets and liabilities	1,152	1,593
From other variable-yield securities *	76,794	84,674
from derivative financial instruments**	219,003	68,030
Interest income from non-derivative financial liabilities	6,704	3,478
Current income	***836***	*13,579*
from shares and variable-yield securities	147	1,368
from equity investments in subsidiaries	100	10,144
from other equity investments	589	2,067
Other interest-equivalent income	***1,673***	*2,038*
Total interest and similar income*	**541,193**	434,714
Interest expenses	***(395,262)***	*(252,493)*
on deposits from other banks	(39,261)	(53,801)
on deposits from customers	(29,840)	(34,126)
on securitized liabilities	(96,424)	(109,029)
on subordinated debt capital	(42,666)	(42,015)
from derivative financial instruments**	(176,147)	(9,570)
Interest expense on receivables	(10,924)	(3,952)
Other interest-equivalent expenses	***(13,123)***	*(8,916)*
Total interest expenses and similar charges	**(408,385)**	(261,409)
Net interest income*	**132,808**	173,305

* The prior year was adjusted in accordance with IAS 8. Detailed information is provided under "Restatement" in Section E
** The interest on derivatives was netted out by product up to 31 December 2016, but has been carried out on an individual transaction basis since 1 January 2017. The interest income and expense on derivatives is therefore not comparable.

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 rate method and accrued accordingly. This position also includes all interest and dividend income from securities and the profit/(loss) from non-consolidated companies and investments. Dividends are recognized when the company is legally entitled to payment. 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 2,629 (2016: TEUR 4,298) from impairment-adjusted loans and advances to customers and other banks. The following table shows the total interest income from and interest expenses for financial assets and liabilities which were not designated as at fair value through profit or loss and were measured using the effective interest rate method:

€'000	2017	2016*
Interest income*	317,307	340,001
Interest expenses	(232,239)	(249,286)

* The prior year was adjusted in accordance with IAS 8. Detailed information is provided under "Restatement" in Section E

(2) Impairment allowance balance

€'000	2017	2016
Individual impairment allowances	***(18,649)***	***10,491***
Addition to impairment allowances	(44,155)	(34,502)
Release of risk allowances	24,308	43,276
Direct write-offs	(623)	(408)
Recoveries of loans and advances previously written off	1,821	2,125
Collective impairment allowances to the portfolio	***5,208***	***(1,224)***
Addition to impairment allowances	(1,627)	(4,195)
Release of risk allowances	6,835	2,971
Off-balance sheet obligations	***4,590***	***8,556***
Addition to impairment allowances	(1,227)	(7,739)
Release of risk allowances	5,817	16,294
Total	**(8,851)**	**17,823**

The impairment allowance balance includes all income and expenses related to the recognition of impairment losses to loans and advances to other banks and customers and in connection with other credit risks that are reflected in provisions. Detailed information on the impairment allowance is provided in note (14) Impairment allowance.

(3) Net fee and commission income

€'000	**2017**	**2016**
Fee and commission income	***76,655***	*77,401*
Payment services	27,676	27,328
Loan processing and guarantee operations	7,682	7,954
Securities operations	20,157	25,798
Foreign exchange, notes-and-coin and precious-metals business	4,969	5,139
Other banking services	16,171	11,182
Fee and commission expenses	***(22,257)***	*(25,116)*
Payment services	(5,376)	(7,689)
Loan processing and guarantee operations	(10,124)	(9,885)
Securities operations	(3,887)	(4,685)
Foreign exchange, notes-and-coin and precious-metals business	(2,454)	(2,555)
Other banking services	(416)	(302)
Total	**54,398**	52,285

Net fee and commission income covers the income and expenses connected with the provision of services to which the company is legally entitled.

(4) Net trading income

Net trading income includes all realized gains, losses and valuation results from trading in securities, currencies and derivatives as well as the interest income and interest expenses arising from derivatives held for trading. The interest income and dividend income from securities held for trading and the related refinancing costs are reported under net interest income.

€'000	**2017**	**2016**
Interest rate contracts	***7,891***	*(8,556)*
Of which from securities	2,723	4,138
Of which from derivative contracts	5,168	(12,694)
Currency contracts	***3,746***	*4,215*
Equity and index contracts	***280***	*478*
Of which from securities	214	650
Of which from derivative contracts	66	(172)
Other contracts	***846***	*1,854*
Total	**12,763**	(2,009)

(5) Profit/loss from financial investments

€'000	2017	2016
Net gains/(losses) on financial instruments classified as held to maturity	***0***	*6,272*
Of which gains and losses on disposal	0	6,272
Net gains/(losses) on financial instruments classified as available for sale and measured at fair value	***3,078***	*20,638*
Of which revaluation gains and losses	(542)	(123)
Of which gains and losses on disposal	3,620	20,761
Net gains/(losses) on financial instruments classified as available for sale and measured at cost	***0***	*(799)*
Of which revaluation gains and losses	0	(799)
Net gains/(losses) from unlisted securities classified as loans and receivables	***7***	*859*
Of which gains and losses on disposal	7	859
Net gains/(losses) on financial instruments designated at fair value through profit or loss	***3,435***	*(993)*
Of which revaluation gains and losses	3,564	1,986
Of which gains and losses on disposal	(129)	(2,979)
Gain/(loss) on liabilities measured at amortized cost	***2,546***	*(9,286)*
Of which realized gain/(loss)	2,546	(9,286)
Total	**9,066**	16,691

Profit/(loss) from financial investments includes all realized gains and losses and valuation results from other securities which are not reported under trading assets or trading liabilities.

Net gains/(losses) on financial instruments designated at fair value through profit or loss include the profit or loss from financial instruments designated at fair value through profit or loss based on the fair value option. Consequently, the revaluation results from derivatives and securitized and subordinated liabilities designated at fair value through profit or loss based on the fair value option are also reported under this position to avoid an accounting mismatch.

The revaluation gains and losses on financial instruments designated as at fair value through profit or loss represent the net amount of the positive and negative changes in value.

(6) Profit/(loss) from investments in entities accounted for at equity

€'000	2017	2016
Group interest in annual profits or losses	239,916	93,637
Revaluation gains and losses	305,335	(192,329)
Total	**545,251**	(98,692)

The investment held by RLB NÖ-Wien in RBI, indirectly through RZB, equalled 21.13% as of 31 December 2016. Following the merger of RBI and RZB, RLB NÖ-Wien now holds 22.62% in the merged RBI. The increase of 1.49% in the investment in RBI to 22.62% took place in exchange for cancelled shares in RZB.

Since the investment in RBI remains unchanged from an economic standpoint, the carrying amount of the previous equity investment of 21.13% was carried forward. The shares involved in the increase of 1.49% were accounted for as an exchange. The effects of TEUR 16,321 from the exchange were recognised through profit or loss and are reported under "Profit/(loss) from investments in entities accounted for at equity". The investment in RBI increased slightly due to22.66% as of 31 December 2017 following the reclassification of 176,675 RBI shares held by RLB NÖ-Wien from current assets to investments.

The revaluation gain of TEUR 305,335 (2016: TEUR -192,329) resulted from the reversal of an impairment loss previously recognized to RBI.
In accordance with IAS 36.110, an assessment must be made as of each reporting period to determine whether the reasons for an impairment loss recognized to the investment in RBI (formerly RZB) in earlier periods no longer exist or could have decreased. The reviewed indicators (in particular the market price of the share, profit or loss, equity and rating) have shown clearly positive development since the last reporting date.

The determining factor defined by IAS 36.114 in connection with IAS 36.18 for the reversal of an impairment loss is the recoverable amount as of the closing date, which was compared with the carrying amount of the equity investment in RBI. Based on the fair value in the form of the stock market price as of 31 December 2017 (EUR 30.2 per share), a reversal of TEUR 305,335 to the previously recognized impairment loss was recorded to the equity-accounted investment in RBI.

(7) Write-downs, staff costs and administrative expenses

€'000	**2017**	2016
Write-downs of property, equipment and intangible assets	***(4,652)***	*(4,004)*
Of which of property and equipment	(2,939)	(1,845)
Of which intangible assets	(1,713)	(2,159)
Staff costs	***(110,493)***	*(94,982)*
Of which wages and salaries	(72,809)	(70,855)
Of which social security costs	(18,932)	(16,948)
Of which voluntary fringe benefits	(1,708)	(2,649)
Of which expenditure on termination and post-employment benefits	(17,044)	(4,530)
Other administrative expenses	***(106,696)***	*(107,038)*
Of which building rental, maintenance and operating costs	(17,897)	(16,436)
Of which IT costs	(30,201)	(36,558)
Of which advertising and entertainment expenses	(6,816)	(9,131)
Of which other expenses	(51,782)	(44,912)
Total	**(221,841)**	(206,024)

Administrative expenses include rental and leasing expenses of TEUR 14,604 (2016: TEUR 13,891).

The following fees for the auditors of the Group companies are included under administrative expenses:

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**

2016 €'000	KPMG Austria GmbH	Österreichischer Raiffeisenverband
Audit of the annual financial statements and consolidated financial statements	232	643
Other auditing services	17	177
Other services	241	80
Total	489	900

(8) 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, the bank levy, expenses for damages and the actual and uncertain obligations arising from compensation for damages related to potential customer complaints. This position also includes the income and expenses resulting from the disposal of property and equipment and intangible assets. Changes in the value of derivatives recognized through profit or loss in accordance with the rules for hedge accounting are also included here. Other operating profit/(loss) contains revaluation gains and losses on derivative financial instruments that are not held for trading or accounted for as hedging instruments as defined in IAS 39.

€'000	**2017**	**2016**
Effect of hedge accounting	***(1,085)***	*683*
Of which revaluation gains and losses on hedging instruments in fair value hedges	(10,560)	5,907
Of which revaluation gains and losses on hedged items in fair value hedges	9,475	(5,224)
Net gains/(losses) from other derivatives	***4,396***	*10,063*
Of which from interest rate derivatives	5,032	9,926
Of which from currency derivatives	(636)	156
Of which from equity and index contracts	0	(19)
Other operating income	***58,509***	*23,577*
Of which revenues from service and real estate subsidiaries	31,376	0
Of which income from services and reimbursed costs	18,352	8,138
Of which other items	8,781	15,439
Other operating expenses	***(45,944)***	*(48,156)*
Of which cost of materials and purchased services attributable to service and real estate subsidiaries	(11,273)	0
Of which damages and compensation for damages	(3,441)	(5,165)
Of which arising from the solidarity association (Solidaritätsverein)	(2,877)	(2,617)
Of which Bank levy	(15,202)	(25,414)
Of which Resolution fund	(7,888)	(10,288)
Of which other items	(5,263)	(4,672)
Total	**15,876**	(13,833)

(9) Profit/(loss) from financial instruments

€'000	2017	2016
Net gains/(losses) on financial instruments designated at fair value through profit or loss	***31,881***	*18,272*
Of which from financial instruments held for trading	28,621	17,283
Of which from financial instruments designated at fair value through profit or loss	3,260	989
Net gains/(losses) on financial instruments classified as available for sale	***66,938***	*98,619*
Of which reclassified from other comprehensive income to profit or loss for the financial year	2,044	16,576
Of which recognized to profit or loss for the financial year	64,894	82,043
Net gains/(losses) on financial instruments classified as held to maturity	***5,331***	*14,533*
Net gains/(losses) on financial instruments classified as loans and receivables	***228,301***	*274,926*
Net gains/(losses) on liabilities measured at cost	***(214,217)***	*(241,363)*
Total	**118,234**	164,987

The net gains/(losses) from each valuation category defined in IFRS 7.20(a) comprise the gains and losses from valuation and sale, interest income and expenses, dividends and other distributions. The revaluation gains and losses on available-for-sale financial instruments which are recorded under other comprehensive income are disclosed in the reconciliation to total comprehensive income.

(10) Income tax

Since the 2005 assessment year, 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. 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 49 other group members during the 2017 assessment year (2016: 47). 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	2017	2016
Current income tax	12,851	(9,113)
Of which current domestic tax	12,851	(9,113)
Deferred tax	6,564	5,097
Total	**19,415**	(4,016)

Detailed information on deferred taxes is presented under note (17) Other assets.

The following reconciliation shows the relationship between profit for the year and actual tax expense:

€'000	**2017**	**2016***
Profit/(loss) for the year before tax*	***539,470***	*(60,454)*
Theoretical income tax expense based on the domestic tax rate of 25%*	(134,868)	15,114
Effect of lower tax contribution rate**	(3,184)	495
Tax reduction based on tax-exempt income from equity investments and other tax-exempt income	122,698	26,468
Increase in taxes based on non-tax deductible expenses	(2,974)	(48,172)
Change in measurement of deferred taxes and use of tax loss carryforwards	31,445	4,330
Other*	6,298	(2,250)
Actual tax burden	**19,415**	(4,016)

* The prior year was adjusted in accordance with IAS 8. Detailed information is provided under "Restatement" in Section E

** The tax contribution rates defined by the group taxation agreement are lower than the Austrian corporation tax rate. This line item shows the resulting effect on the actual income taxes and deferred taxes.

Details on the Consolidated Balance Sheet

(11) Cash and balances with central banks

€'000	2017	2016
Cash	43,866	43,586
Balances with central banks	1,000,146	341,121
Total	**1,044,012**	384,707

(12) Loans and advances to other banks

€'000	2017	2016
Demand deposits	1,746,832	2,078,662
Time deposits	2,168,651	2,855,188
Other loans and advances	1,427,902	1,220,080
Debt instruments	100,039	107,536
Total	**5,443,424**	6,261,466

(13) Loans and advances to customers

Loans and advances to customers are classified as follows:

€'000	2017	2016
Cash advances	682,362	1,090,855
Current accounts	956,221	1,076,785
Loans	9,909,627	9,575,712
Debt instruments	65,582	74,969
Total	**11,613,792**	11,818,321

Loans and advances to customers are classified as follows based on the CRR definition:

€'000	2017	2016
Public sector exposures	1,355,309	1,541,110
Retail exposures	1,924,737	1,884,137
Corporate customers	7,184,568	7,008,408
Other	1,149,178	1,384,666
Total	**11,613,792**	11,818,321

With the exception of loans and advances hedged against interest rate risk through a fair value hedge, the above loans and advances to customers are classified as loans and receivables.

(14) Impairment allowance balance

2017 €'000	At 1 January	Added	Released	Used	At 31 December
Individual impairment allowances	***223,779***	***44,155***	***(24,308)***	***(69,745)***	***173,881***
Loans and advances to other banks	2,336	0	0	0	2,336
Loans and advances to customers	221,443	44,155	(24,308)	(69,745)	171,545
Collective impairment allowances to the portfolio	***18,926***	***1,627***	***(6,835)***	***0***	***13,718***
Loans and advances to other banks	1,432	1,534	0	0	2,966
Loans and advances to customers	17,493	93	(6,835)	0	10,752
Impairment allowance balance (loans and advances)*	***242,705***	***45,782***	***(31,143)***	***(69,745)***	***187,599***
Risks arising from off-balance sheet liabilities (Provisions)	8,562	1,227	(2,565)	0	7,224
Risks arising from off-balance sheet liabilities (Collective impairment allowances to the portfolio)	5,874	0	(3,252)	0	2,622
Risks arising from off-balance sheet liabilities**	***14,436***	***1,227***	***(5,817)***	***0***	***9,846***
Total	**257,141**	**47,009**	**(36,960)**	**(69,745)**	**197,445**

* Risks arising from the credit business are reported under the impairment allowance balance.
** Risks arising from off-balance sheet obligations are reported under provisions.

2016 €'000	At 1 January	Added	Released	Used	Reclassified	At 31 December
Individual impairment allowances	*284,261*	*34,502*	*(43,276)*	*(51,707)*	*0*	*223,779*
Loans and advances to other banks	1,239	1,197	(100)	0	0	2,336
Loans and advances to customers	283,022	33,304	(43,176)	(51,707)	0	221,443
Collective impairment allowances to the portfolio	*17,702*	*4,195*	*(2,971)*	*0*	*0*	*18,926*
Loans and advances to other banks	1,100	333	0	0	0	1,432
Loans and advances to customers	16,602	3,862	(2,971)	0	0	17,493
Impairment allowance balance (loans and advances)*	*301,963*	*38,696*	*(46,247)*	*(51,707)*	*0*	*242,705*
Risks arising from off-balance sheet liabilities (Provisions)	17,143	4,228	(12,810)	0	0	8,561
Risks arising from off-balance sheet liabilities (Collective impairment allowances to the portfolio)	5,086	3,511	(3,484)	0	762	5,874
Risks arising from off-balance sheet liabilities	*22,229*	*7,739*	*(16,294)*	*0*	*762*	*14,436*
Total	324,192	46,435	(62,541)	(51,707)	762	257,141

* Risks arising from the credit business are reported under the impairment allowance balance.
** Risks arising from off-balance sheet obligations are reported under provisions.

(15) Trading assets

Trading assets include the following held-for-trading securities and derivative financial instruments. The carrying amounts include accrued interest (dirty price):

€'000	2017	2016
Bonds and other fixed-interest securities	***129,098***	***35,044***
Of which public-sector debt instruments eligible for rediscounting	16,701	0
Of which bonds and other securities from other issuers	112,397	35,044
Positive fair values of derivative contracts	***377,115***	***490,388***
Of which interest rate derivatives	376,183	478,011
Of which currency derivatives	932	12,377
Total	**506,213**	525,432

(16) Securities and equity investments

2017 €'000	HTM	AFS FV	FVPL	Total
Bonds and other fixed-interest securities	**201,513**	**3,699,359**	**301,518**	**4,202,390**
Of which public-sector debt instruments eligible for rediscounting	129,237	2,372,327	63,651	2,565,215
Of which other debt instruments issued by the public sector	0	135,912	9,595	145,507
Of which bonds and other securities from other issuers	72,276	1,191,120	228,272	1,491,668
Shares and other variable-yield securities	**0**	**2,841**	**0**	**2,841**
Of which shares	0	2,841	0	2,841
Of which units in investment funds	0	0	0	0
Of which other variable-yield securities	0	0	0	0
Equity investments	**0**	**29,316**	**0**	**29,316**
Of which equity investments in unconsolidated subsidiaries*	0	8,792	0	8,792
Of which equity investments in associates and joint ventures not accounted for at equity	0	9,118	0	9,118
Of which other equity investments	0	11,406	0	11,406
Total	**201,513**	**3,731,516**	**301,518**	**4,234,547**

* Included here is participation capital of TEUR 277 (2016: 277) in Raiffeisen-Holding NÖ-Wien.
Abbreviations for valuation categories:
HTM = held to maturity
AFS FV = available for sale, carried at fair value
AFS @cost = available for sale, carried at cost
FVPL = at fair value through profit or loss

2016 €'000	HTM	AFS FV	AFS @cost	FVPL	Total
Bonds and other fixed-interest securities	**211,744**	**3,273,675**	**0**	**346,169**	**3,831,588**
Of which public-sector debt instruments eligible for rediscounting	130,077	2,003,885	0	44,260	2,178,222
Of which other debt instruments issued by the public sector	0	155,403	0	9,619	165,022
Of which bonds and other securities from other issuers	81,667	1,114,387	0	292,290	1,488,344
Shares and other variable-yield securities	**0**	**28,487**	**0**	**7,912**	**36,399**
Of which shares	0	28,487	0	0	28,487
Of which units in investment funds	0	0	0	3,270	3,270
Of which other variable-yield securities	0	0	0	4,642	4,642
Equity investments	**0**	**0**	**21,965**	**0**	**21,965**
Of which equity investments in unconsolidated subsidiaries*	0	0	5,146	0	5,146
Of which equity investments in associates and joint ventures not accounted for at equity	0	0	9,034	0	9,034
Of which other equity investments	0	0	7,785	0	7,785
Total	**211,744**	**3,302,162**	**21,965**	**354,081**	**3,889,952**

* Included here is participation capital of TEUR 277 (2016: 277) in Raiffeisen-Holding NÖ-Wien.
Abbreviations for valuation categories:
HTM = held to maturity
AFS FV = available for sale, carried at fair value
AFS @cost = available for sale, carried at cost
FVPL = at fair value through profit or loss

(17) Other assets

€'000	**2017**	**2016**
Non-financial assets	**34,653**	320
Of which current tax receivables	31,929	91
Of which deferred tax assets	2,724	229
Financial assets	**711,101**	967,871
Positive fair values of derivative hedging instruments in fair value hedges	***354,761***	*447,787*
Of which interest rate derivatives	354,761	447,662
Of which equity and index derivatives	0	125
Positive fair values of derivative financial instruments designated as at fair value through profit or loss	***19,042***	*6,848*
Of which interest rate derivatives	19,042	6,848
Positive fair values of other derivative financial instruments	***205,342***	*412,908*
Of which interest rate derivatives	204,346	403,027
Of which currency derivatives	996	9,878
Of which equity and index derivatives	0	3
Other assets	***131,956***	*100,328*
Total	**745,754**	968,191

Derivative financial instruments that meet the requirements of IAS 39 for hedge accounting are reported as hedges. The fair value of these derivatives includes accrued interest (dirty price).

In accordance with IAS 39, this position also includes the positive fair values of derivative financial instruments that are not held for trading and do not represent a hedging instrument for a fair value hedge or cash flow hedge as defined in IAS 39.

The derivative financial instruments designated as at fair value through profit or loss are measured in the same way as securities, securitized liabilities and subordinated liabilities, i.e. based on the fair value option.

Deferred tax assets

Deferred taxes are classified as follows:

€'000	2017	2016
Deferred tax assets	2,724	229
Less provisions for deferred taxes	534	0
Net deferred tax assets	**2,190**	229

The net total of deferred taxes results from the following balance sheet positions:

€'000	2017	2016
Impairment allowance balance	3,429	4,731
Trading assets	6,245	8,989
Deposits from other banks	8,452	13,710
Deposits from customers	20,212	25,471
Securitized liabilities	22,205	34,580
Other liabilities	142,796	200,408
Provisions	13,928	15,912
Tier 2 capital	12,968	18,004
Loss carryforwards	0	145
Other	1,085	4
Deferred tax assets	***231,320***	*321,954*
Loans and advances to other banks	(2,412)	(4,796)
Loans and advances to customers	(9,316)	(15,571)
Securities and equity investments	(90,896)	(103,088)
Other assets	(125,465)	(183,155)
Other balance sheet items	(1,041)	(240)
Deferred tax liabilities	***(229,130)***	*(306,850)*
Impairment of deferred tax assets	***0***	*(14,875)*
Net deferred tax assets	**2,190**	229

Based on the generally secure supervisory framework conditions and the implemented restructuring measures, which have brought the first successes in achieving a sustainable improvement in future earnings, the Managing Board believes current forecasts provide substantial indications – despite previously recorded tax losses – that there will be sufficient taxable profit in the next three years to justify the recognition of deferred tax assets by RLB NÖ-Wien AG.

Deferred taxes of TEUR 7,980 (2016: TEUR 64,552) 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 1,044 million (2016: EUR 701 million) in accordance with IAS 12.39.

(18) Property and equipment and intangible assets

€'000	2017	2016	2017	2016
	Property and equipment		Intangible assets	
Acquisition costs at 1 January	***52,360***	*33,257*	***55,224***	*51,182*
Changes in the scope of consolidation	1,293	17,511	483	240
Subsequent adjustment of purchase cost	0	(36)	(170)	(225)
Additions	1,438	1,633	4,213	4,029
Disposals	(5,587)	(5)	(96)	(2)
Reclassified	2,354	0	0	0
Acquisition costs at 31 December	**51,858**	52,360	**59,654**	55,224
Depreciation at 1 January	***(30,042)***	*(23,311)*	***(49,597)***	*(47,425)*
Changes in the scope of consolidation	(1,059)	(5,128)	(402)	(171)
Currency translation differences	0	0	0	0
Additions to current amortization	(2,939)	(1,845)	(1,714)	(2,159)
Additions	0	242	0	158
Disposals	2,957	0	91	0
Reclassified	(2,354)	0	0	0
Depreciation at 31 December	**(33,437)**	(30,042)	**(51,622)**	(49,597)
Carrying accounts at 1 January	***22,317***	*9,945*	***5,628***	*3,757*
Carrying accounts at 31 December	**18,419**	22,318	**8,032**	5,627

* In contrast to 2016, purchase cost and depreciation/amortization are no longer presented as a net amount.

Land and buildings used by the Group for its own purposes consist solely of investments (structural adaptations) in properties owned by third parties. These assets have a carrying amount of TEUR 3,000 (2016: TEUR 3,191).

The fair value of the investment property was determined on the basis of an expert appraisal and totalled TEUR 4,059 (2016: TEUR 8,576). The carrying amount equals TEUR 4,059 (2016: TEUR 6,715).

Obligations arising from the use of property and equipment not reported on the balance sheet total TEUR 13,091 (2016: TEUR 14,773) for the next financial year and TEUR 64,613 (2016: TEUR 72,864) for the next five financial years. The other property and equipment, furniture, fixtures and office equipment has a combined carrying amount of TEUR 11,361 (2016: TEUR 12,412). Intangible assets consist primarily of software. The consolidation did not result in any goodwill.

(19) Deposits from other banks

These deposits are classified as follows:

€'000	2017	2016
Demand deposits	3,664,306	3,799,510
Time deposits	3,141,647	2,827,427
Borrowed funds	1,012,640	1,001,266
Total	**7,818,593**	7,628,203

With the exception of the deposits that are hedged against interest rate risk through a fair value hedge, the deposits reported here are carried at amortized cost.

(20) Deposits from customers

The following table shows the classification of deposits from customers by product group:

€'000	2017	2016
Demand deposits	5,252,601	5,267,810
Time deposits	1,039,654	818,506
Borrowed funds	1,475,534	1,531,795
Total	**7,767,789**	7,618,112

The deposits from customers are classified as follows based on the CRR definition:

€'000	2017	2016
Public sector exposures	545,812	578,027
Retail exposures	4,103,671	3,982,416
Corporate customers	2,109,821	1,851,146
Other	1,008,485	1,206,523
Total	**7,767,789**	7,618,112

With the exception of the deposits that are hedged against interest rate risk through a fair value hedge, the deposits reported here are carried at amortized cost.

(21) Securitized liabilities

€'000	2017	2016
Measured at amortized cost	*5,711,716*	*5,827,385*
Issued bonds	4,710,848	4,700,177
Other securitized liabilities	1,000,868	1,127,208
Total	**5,711,716**	5,827,385

The other liabilities reported under this position are carried at amortized cost, with the exception of liabilities that are hedged against interest rate risk in a fair value hedge. Also included here are securities that are listed on the Vienna Stock Exchange.

(22) Trading liabilities

Trading liabilities comprise the following derivative instruments held for trading purposes. The carrying amounts include accrued interest (dirty price).

€'000	2017	2016
Negative fair values of derivative contracts	*398,720*	*496,573*
Of which interest rate derivatives	397,818	484,203
Of which currency derivatives	902	12,370
Total	**398,720**	496,573

(23) Other liabilities

€'000	2017	2016*
Tax liabilities	***17,086***	***11,648***
Of which current tax liabilities	17,086	11,648
Trade payables (non-banking activities)	***1,681***	***1,766***
Negative fair values of derivative hedging instruments in fair value hedges	***375,635***	***496,855***
Of which interest rate derivatives	375,635	496,855
Negative fair values of derivative financial instruments designated as at fair value through profit or loss	***17,978***	***21,836***
Of which interest rate derivatives	17,978	21,836
Negative fair values of other derivative financial instruments	***237,637***	***395,210***
Of which interest rate derivatives	237,545	394,155
Of which currency derivatives	92	1,055
Deferred income	***102***	***0***
Other liabilities*	***156,779***	***147,933***
Total*	**806,898**	**1,075,248**

* The prior year was adjusted in accordance with IAS 8. Detailed information is provided under "Restatement" in Section E

This position also includes the negative fair values of derivative financial instruments that are not held for trading, i.e. derivatives which represent a hedging instrument for a fair value hedge as defined by IAS 39 and derivatives which are classified at fair value through profit or loss (fair value option) and measured in the same way as securities or securitized and subordinated liabilities.

The fair values of the above derivatives include accrued interest (dirty price).

(24) Provisions

€'000	2017	2016
Termination benefits	32,583	28,118
Post-employment benefits	29,568	31,122
Jubilee benefits and part-time work by older staff	5,658	6,009
Tax provisions	534	0
Of which deferred taxes	534	0
Other	67,971	64,531
Total	**136,314**	**129,780**

The provisions for termination benefits include provisions of TEUR 5,846 (2016: TEUR 0) for restructuring.

Employee-related provisions

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

€'000	2017	2016
Interest rate		
Entitlement phase	1.5%	1.6%
Entitlement phase for beneficiaries with STATUT or KV6 commitments	1.5%	1.6%
Service phase	1.5%	1.6%
Service phase for beneficiaries with STATUT or KV6 commitments	4.0%	4.0%
Termination benefits	0.9%	1.1%
Part-time work for older staff	0.9%	1.1%
Salary increases	2.0% - 4.5%*	2.0% - 4.5%*
Pension increases	1.0%(2.0)%	1.0%(2.0)%
Pension increases for beneficiaries with STATUT or KV6 commitments	0.0%	0.0%
Biometric basis	"AVÖ 2008-P calculation parameters for pension insurance - Pagler & Pagler in the version for salaried employees"	

* Detailed information on the salary increases for active employees:
Employees not entitled to automatic periodic raises: 2.0% (2016: 2.0%), employees paid outside the scope of collective agreements: 2.5% (2016: 2.5%); employees paid within the scope of collective agreements: 4.5% (2016: 4.5%), Managing Board: 2.5% (2016: 2.5%).

The calculation reflects the earliest possible 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.

Similar to the previous year, the preliminary investment results for 2017 and the related estimates indicate that no subsequent contributions will be required.

The development of the termination benefit obligations is as follows:

	Gross obligation termination payments		Gross obligation post-employment payments		Plan assets pensions	
€'000	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
At 1 January	28,118	29,305	62,607	71,034	31,485	33,852
Service cost	1,192	1,261	1,101	1,305	0	0
Interest cost	289	402	992	1,295	0	0
Expected return on the plan assets	0	0	0	0	498	617
Payments	(2,200)	(2,370)	(2,585)	(2,621)	0	0
Contributions to plan assets	0	0	0	0	1,043	1,155
Post-employment payments from plan assets	0	0	0	0	(991)	(993)
Net amount transferred	(57)	496	(691)	(3,608)	(837)	(3,363)
Versicherungsmathematischer Gewinn(-) /Verlust(+) des Geschäftsjahres	(1,833)	(1,214)	1,009	(4,815)	1,704	265
Due to experience-based adjustments	(2,299)	(1,326)	265	(2,251)	1,704	265
Due to change in demographic assumptions	11	(42)	0	0	0	0
Due to Change in Financial Assumptions	455	154	744	(2,564)	0	0
Other changes and adjustments	5,843	0	(1)	0	(38)	(48)
Changes in the scope of consolidation	1,231	238	0	17	0	0
At 31 December	**32,583**	28,118	**62,432**	62,607	**32,864**	31,485
Fair value plan assets	**0**	0	**(32,864)**	(31,485)		
Net obligation as of 31.12.	**32,583**	28,118	**29,568**	31,122		

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

€'000	**2017**	**2016**
Present value of post-employment benefits (DBO) at 31 December	62,432	62,607
Of which obligations to active eligible employees	21,359	20,509
Of which obligations to former eligible employees	0	0
Of which obligations to retirees	41,072	42,097

The structure of the plan assets is as follows:

€'000	**2017**	**2016**
Bonds and other fixed-interest securities	17,884	16,037
Shares and other variable-yield securities	12,110	11,328
Property	1,284	1,295
Other	1,586	2,824
Total	**32,864**	31,484

The plan assets for the 2017 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	Increase	2017 Decrease	Increase	2016 Decrease
Provisions for post-employment benefits					
Discount rate	0.75%	(9.76)%	11.55%	(9.92)%	11.77%
Retirement age	1 Jahr	(0.79)%	0.73%	(0.79)%	0.79%
Assumption for increase in the entitlement phase	0.25%	0.64%	(0.62)%	0.68%	(0.66)%
Assumption for increase in current benefits	0.25%	2.98%	(2.86)%	3.01%	(2.88)%
Remaining life expectancy	1 Jahr	3.96%	(4.13)%	3.95%	(4.12)%
Provisions for termination benefits					
Discount rate	0.75%	(6.21)%	6.89%	(6.25)%	6.93%
Retirement age	1 Jahr	(0.34)%	0.34%	(0.08)%	0.60%
Assumption for increase in the entitlement phase	0.25%	2.15%	(2.09)%	2.17%	(2.11)%
Turnover	1.00%	(4.33)%	1.26%	(4.34)%	1.36%

The weighted remaining term of the obligations is as follows:

in years	2017	2016
Termination benefits	8.6	8.8
Post-employment benefits	12.1	12.4

The expenses for defined contribution plans are classified as follows:

€'000	2017	2016
Expenditure on defined contribution plans	**1,697**	1,688
Of which on defined contribution plans (pension fund)	1,055	1,074
Of which on staff benefit fund ("Mitarbeitervorsorgekasse")	642	614

(25) Other provisions

The other provisions changed as follows:

€'000	**2017**	2016
Other provisions at 1 January	64,531	57,517
Changes in the scope of consolidation	0	808
Added	39,170	30,567
Used	(18,149)	(7,833)
Released	(17,581)	(16,527)
Other provisions at 31 December	**67,971**	64,531

The other provisions include provisions of TEUR 7,224 (2016: TEUR 14,436) for guarantees and credit commitments, provisions of TEUR 7,795 (2016: TEUR 0) for restructuring costs and provisions of TEUR 37,180 (2016: TEUR 18,653) for damages and uncertain obligations arising from compensation for damages which could result from customer complaints or from pending legal proceedings. The provisions for damages and compensation for damages include, for the first time, provisions of TEUR 17,400 for negative indicator values.

(26) Tier 2 capital

€'000	**2017**	2016
Measured at amortized cost	793,394	881,868
Designated as at fair value through profit or loss	40,768	50,908
Total	**834,162**	932,776

Tier 2 capital is classified at fair value through profit or loss when this designation prevents or substantially reduces accounting mismatches.

This applies to Tier 2 capital that is measured in the same way as interest rate-based derivative financial instruments, i.e. using the fair value option. Of the total changes in the fair value of these liabilities, TEUR 0 are related to changes in the default risk during 2017 (2016: TEUR -435). The comparable cumulative amount is TEUR 0 (2016: TEUR 699). The carrying amount of these liabilities is TEUR 3,632 (2016: TEUR 4,413) lower than the contractually agreed repayment amount. The other liabilities included in this position are measured at amortized cost, with the exception of the liabilities hedged against interest rate risks in a fair value hedge.

Tier 2 capital comprises 25 bonds (incl. 24 Tier 2 capital bonds as defined in Part 2 Section I Chapter 4 of the CRR) and seven subordinated promissory note loans that were issued in euros. The terms of the bonds range from seven to 19 years, and the terms of the promissory note loans from nine to 19 years.

The following bonds held by RLB NÖ-Wien exceed 10% of the total amount of the above-mentioned Tier 2 capital:

	Currency	**Amount in €'000**	**Interest rate**	**Maturing on**	**Special cancellation rights**
Subordinated bonds 2013-2023 issued by RLB NÖ-Wien	EUR	300,000	5.875%	27/11/2023	No

(27) Equity

The share capital of RLB NÖ-Wien totals TEUR 219,789 (2016: EUR 219,789). Subscribed capital comprises 2,197,892 (2016: 2,197,892) registered shares.

In 2008 RLB NÖ-Wien issued 765,000 bearer participation certificates as defined by § 23 (3) no. 8. in connection with (4) and (5) of the Austrian Banking Act (in the version published in Federal Gazette BGBl I 2013/184). One participation certificate represented a nominal value of EUR 100.00. The 765,000 participation certificates in RLB NÖ-Wien which were held by Raiffeisen-Holding NÖ-Wien as of 31 December 2015 were withdrawn by RLB NÖ-Wien as of 21 September 2016 in exchange for a cash payment of EUR 52,749,002.00. In accordance with § 26b (8) of the Austrian Banking Act, the withdrawal of this participation capital was recognised as a reduction of retained earnings.

The withdrawal of the participation capital was subsequently followed by the issue of 52,691 registered shares with a total nominal value of EUR 5,269,000.00. Raiffeisen-Holding NÖ-Wien subscribed to 52,511 shares, which increased its interest in RLB NÖ-Wien from 78.58% to 79.09%. Raiffeisenkasse Retz-Pulkautal registrierte Genossenschaft mit beschränkter Haftung subscribed to 180 shares. 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 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 of other comprehensive income which are recorded under retained earnings and the amount of deferred taxes recognized under other comprehensive income:

€'000	IAS 19 reserve	Cash flow hedge reserve	Available-for-sale reserve	Total
At 1 January 2016	***(21,304)***	***6,390***	***45,202***	***30,288***
Unrealized gains/(losses) in the period		0	31,385	31,385
Gains/(losses) reclassified to profit or loss		(1,549)	(16,576)	(18,125)
Actuarial gains and losses	6,293	0	0	6,293
Tax effects	(1,835)	440	(3,702)	(5,097)
At 31 December 2016	***(16,846)***	***5,281***	***56,309***	***44,744***
Unrealized gains/(losses) in the period			21,049	21,049
Gains/(losses) reclassified to profit or loss		(1,881)	(2,044)	(3,925)
Actuarial gains and losses	2,528			2,528
Interest in other comprehensive income of companies accounted for at equity				0
Tax effects	(632)	483	(4,647)	(4,796)
At 31 December	**(14,950)**	**3,883**	**70,667**	**59,600**

The derecognitions through profit or loss of items from the cash flow hedge reserve were recorded under net interest income, while the derecognitions through profit or loss of items from the available-for-sale reserve were recorded under profit/(loss) from financial investments.

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 all legal and regulatory requirements at all times in accordance 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 (28) 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 (79) 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 2017 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

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

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

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 and is guaranteed by joining the risk management lines in both institutions together to create a single integrated Group risk management framework. A wide-ranging reorganization took place as of 1 April 2017, which also changed the organizational structure of risk management in RLB NÖ-Wien and in the Raiffeisen-Holding NÖ-Wien Group.

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. The consistency of risk management is also ensured by the merged committee structures.

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 by the independent Risk Management Overall Bank/Group Department and by various committees in performing their risk-related duties.

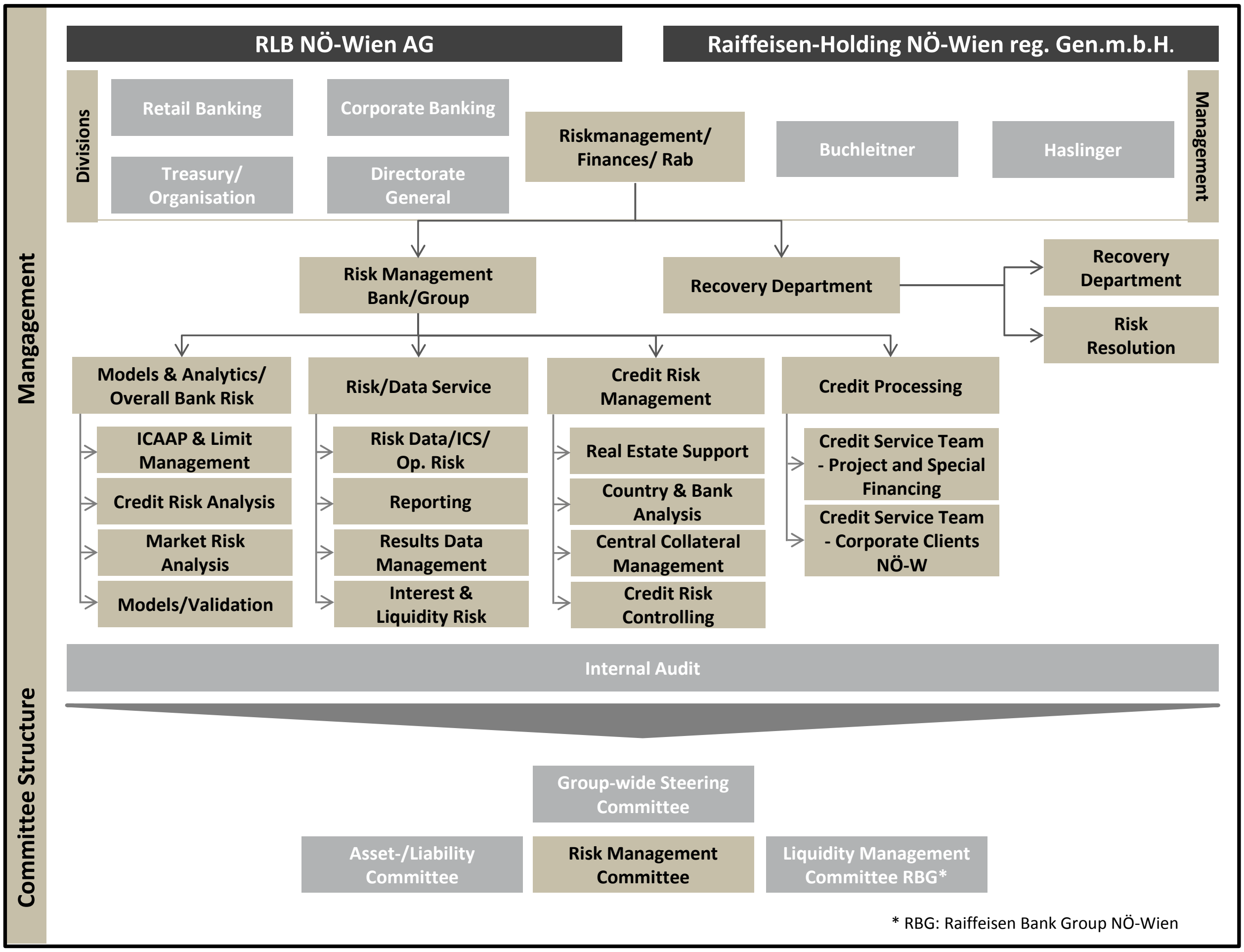
The goal of the Overall Bank Management Committee of the Raiffeisen-Holding financial institution group is to ensure the optimal management of the Group as well as RLB NÖ-Wien and Raiffeisen-Holding NÖ-Wien as individual institutions and RBG NÖ-Wien (with respect to liquidity). This goal is met through 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, Recivery 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 - have 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 institute'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 a recovery plan, which has been substantially expanding since 2014. 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. The Raiffeisen-Holding NÖ-Wien Group selected a set of four stress scenarios which cover 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 the monitoring of the early warning and recovery indicators.

The Raiffeisen-Holding NÖ-Wien Group was also examined under the ECB's Supervisory Review and Evaluation Process (SREP) in 2017, based on the methodology defined by the EBA GL 2014/13 for the Eurozone. This review covered the monitoring of key indicators and an analysis of the business model as well as an evaluation of internal governance (internal management and risk management), institutional controls and the capital, liquidity, operational and interest rate risks in the banking book. An official decision on 7 December 2017 defined an adjusted P2R (Pillar 2 Requirements) and P2G (Pillar 2 Guidance) for the Raiffeisen-Holding NÖ-Wien Group for the first time. In an official notice dated 16 October 2017, the ECB informed Raiffeisen-Holding NÖ-Wien, as the supervised entity, and RLB NÖ-Wien, as a subsidiary of the supervised entity, that they no longer met the requirements for a significant supervised entity and are now classified as less significant. The ECB's direct supervision of the Group headed by the supervised entity ended on 31 December 2017 and direct supervision was transferred to the Austrian Financial Market Authority.

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 might only make contractually required payments 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, provinces 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 risk involves 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 (i.e. deferred for several years) 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 category of risk 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, assessment and management of credit risk as well as 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 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 represents 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 level. The evaluation of individual commitments is also designed to ensure that the bank's approval ceilings remain below regulatory limits. This means commitments greater than or equal to 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, all customers are assigned to nine active credit classes based on these rating and scoring models. Default cases are classified in three classes according to the provisions of CRR/CRD IV. RLB NÖ-Wien validates all rating systems at least once each year and implements performance improvement measures 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 the 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 are three default cases (5.0 - 5.2). The assignment to a particular class is based on the degree or severity of the default. Rating class 5.0 includes all default cases that are 90 days overdue; class 5.1 consists primarily of customer loans which have been adjusted through individual impairment charges; and class 5.2 represents insolvency cases. Customers may be reassigned from one default class to another. All customers are assigned to a default class starting with the first euro individual impairment charge. All loans and advances (with the exception of derivatives and positions measured at fair value) in the active credit classes are included in the portfolio impairment test as required by IAS 39. An individual impairment charge and a portfolio-based impairment charge are not recognized to the same receivable.

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. The 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 under which a commitment must be placed 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 impairment allowances. Impairment losses are recognized to loans that are expected to become uncollectible, taking any collateral received into account, and provisions are created for off-balance sheet receivables. In identifying and calculating impairment losses, RLB NÖ-Wien follows the requirements defined by IAS 39.58ff. The discounted cash flow (DCF) method is used to calculate all material credit receivables. The receivables not reduced through impairment losses are included in the calculation of the portfolio impairment allowances. 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, whereby all loans and advances to a customer are considered involved (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, whereby the distribution of losses is generated by a Monte Carlo simulation. The 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. Starting in 2017, country risk has been 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 its 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:

- Cash and balances with the central bank
- Loans and advances to other banks
- Loans and advances to customers
- Trading assets
- Securities and equity investments
- Other assets
- Contingent liabilities
- Credit commitments

The credit exposure represents the gross amount, excluding impairment allowances or collateral and therefore equals the maximum value of the 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:

€´000 Balance sheet items	2017 Balance sheet items	2017 Credit exposure	2016 Balance sheet items	2016 Credit exposure
Cash and balances with the central bank	1,044,012	1,000,146	384,707	341,121
Loans and advances to other banks	5,443,424	5,443,424	6,261,466	6,261,466
Loans and advances to customers	11,613,792	11,613,792	11,818,321	11,818,321
Trading assets	506,213	506,213	525,432	525,432
Securities and equity investments	4,234,547	4,204,406	3,889,952	3,867,750
Other assets	745,754	579,350	968,191	867,542
Contingent liabilities	778,863	787,788	881,518	892,796
Credit commitments	4,909,319	4,910,242	4,804,566	4,807,725
Total	**29,275,924**	**29,045,359**	29,534,152	29,382,153

Contingent liabilities and credit commitments are presented at their gross amount (i.e. before the deduction of provisions) in contrast to note (35) Contingent liabilities.

The detailed analysis of the credit portfolio takes place through a classification in rating levels, whereby a separate customer rating is prepared for each category of receivables. 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 (e.g. 1.5 for corporate customers, 1.5 for credit institutions and 1.5 for sovereign entities) are not directly comparable. The classification of receivables in the following tables reflects the CRR logic and divides the credit portfolio into the following groups: Corporates (corporate customers), Retail (personal banking customers, small and medium-sized businesses), Banks and Sovereigns (states and public institutions).

Credit portfolio – Corporates

The corporate customer 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 used for 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 three default classes. Collateral is presented after internal haircuts:

€´000 Internal rating		2017	in %	Collateral	Item-by-Item allowances for impairment	2016	in %	Collateral	Item-by-Item allowances for impairment
0.5	Minimal Risk	167,725	1.3	57,963	0	27,627	0.2	15,336	0
1	Excellent credit standing	1,780,056	14.1	488,715	0	1,741,523	13.4	374,858	0
1.5	Very good credit standing	2,593,724	20.5	1,366,921	0	2,498,116	19.3	1,183,312	0
2	Good credit standing	4,321,184	34.2	1,735,479	0	4,001,894	30.9	1,506,979	0
2.5	Average credit standing	2,310,708	18.3	1,441,980	0	2,581,757	19.9	1,279,838	0
3	Mediocre credit standing	937,611	7.4	577,093	0	1,325,911	10.2	783,710	0
3.5	Weak credit standing	216,390	1.7	169,701	0	300,372	2.3	235,678	0
4	Very weak credit standing	31,464	0.2	18,760	0	144,881	1.1	138,128	0
4.5	Doubtful/high default risk	21,515	0.2	16,147	0	33,436	0.3	31,103	0
5	Default	9,786	0.1	9,263	0	846	0.0	0	0
5.1	Default	189,934	1.5	70,868	75,222	200,606	1.5	78,479	85,895
5.2	Default	23,585	0.2	3,329	20,376	59,257	0.5	3,912	51,513
	Unrated	24,034	0.2	2,350	0	33,810	0.3	505	0
	Total	**12,627,715**	**100.0**	**5,958,571**	**95,598**	12,950,036	100.0	5,631,837	137,408

The impairment allowances shown in the above table include only the individual impairment losses recognized to non-performing exposures (NPE). In addition to these individual impairment losses, an overall portfolio impairment allowance for the performing portfolio corporates has been recognized since 2015. This impairment allowance equalled TEUR 8,445 as of 31 December 2017 (2016: TEUR 18,346).

Therefore, nearly 89% of the credit exposure of the corporate customer group is within the investment grade range (credit rating: 0.5 – 2.5).

The following table shows the corporate customer portfolio classified by branch:

€´000 Branch	2017	in %	2016	in %
Real estate and housing	4,193,414	33.2	3,472,716	26.8
Manufacturing	2,076,249	16.4	2,052,184	15.8
Retail	1,096,094	8.7	1,117,022	8.6
Construction	898,444	7.1	1,320,179	10.2
Finance and insurance	879,522	7.0	1,026,525	7.9
Public administration	558,488	4.4	542,081	4.2
Other business services	548,600	4.3	551,827	4.3
Energy supply	527,171	4.2	573,711	4.4
Freelance professionals/techn. services	405,069	3.2	443,686	3.4
Hotel trade and gastronomy	258,287	2.0	275,769	2.1
Water supply and waste disposal	176,621	1.4	288,235	2.2
Healthcare and social services	168,472	1.3	165,939	1.3
Transportation	167,795	1.3	214,695	1.7
Other services	166,732	1.3	147,158	1.1
Art, entertainment and wellness	143,219	1.1	1,756	0.0
Other	363,537	2.9	756,553	5.8
Total	**12,627,715**	**100.0**	12,950,036	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 classification of the corporate customer portfolio by region is shown below:

€´000 Country/Region	2017	in %	2016	in %
Austria	10,908,114	86.4	11,077,093	85.5
EU-remainder	1,619,217	12.8	1,711,329	13.2
Non-EU	100,384	0.8	161,614	1.2
Total	**12,627,715**	**100.0**	12,950,036	100.0

Most of the corporate customer exposure is generated with corporate customers in Austria. The corporate customer 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 corporate 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 retail customers according to the individual rating classes. Collateral is presented after internal haircuts:

€´000 Internal rating		2017	in %	Collateral	Item-by-Item allowances for impairment	2016	in %	Collateral	Item-by-Item allowances for impairment
0.5	Minimal Risk	409,259	19.1	234,352	0	0	0.0	0	0
1	Excellent credit standing	176,247	8.2	102,214	0	183,833	8.8	99,764	0
1.5	Very good credit standing	231,830	10.8	130,464	0	328,842	15.8	184,995	0
2	Good credit standing	351,697	16.4	211,824	0	346,428	16.6	204,424	0
2.5	Average credit standing	353,993	16.5	188,712	0	483,521	23.2	270,467	0
3	Mediocre credit standing	288,006	13.4	153,603	0	381,400	18.3	229,586	0
3.5	Weak credit standing	127,837	6.0	68,278	0	152,707	7.3	88,611	0
4	Very weak credit standing	55,483	2.6	30,565	0	46,015	2.2	29,148	0
4.5	Doubtful/high default risk	28,898	1.3	17,553	0	25,140	1.2	16,166	0
5	Default	6,506	0.3	2,833	0	7,057	0.3	3,260	0
5.1	Default	74,816	3.5	22,114	48,265	74,527	3.6	20,045	50,272
5.2	Default	40,742	1.9	6,249	34,108	50,731	2.4	9,134	41,526
	Unrated	2,994	0.1	1,218	0	1,552	0.1	408	0
	Total	**2,148,308**	**100.0**	**1,169,979**	**82,373**	2,081,754	100.0	1,156,009	91,798

Rating class 0.5 was opened for retail customers in 2017 based on the further development and improvement of the rating models used to evaluate customers' credit standings. This led to the reclassification of customers with the lowest risk to rating class 0.5.

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

€´000 Segment	2017	in %	2016	in %
Personal banking customers	1,197,616	55.7	1,162,291	55.8
Small- and medium-sized businesses	950,692	44.3	919,463	44.2
Total	**2,148,308**	**100.0**	2,081,754	100.0

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

€´000 Currency	2017	in %	2016	in %
Euro	1,992,224	92.7	1,881,417	90.4
Swiss franc	147,872	6.9	189,966	9.1
Japanese yen	5,615	0.3	8,377	0.4
US dollar	1,543	0.1	983	0.0
Czech krone	565	0.0	701	0.0
Other currencies	490	0.0	310	0.0
Total	**2,148,308**	**100.0**	2,081,754	100.0

Foreign currency credits in Swiss francs declined further by TEUR 42,094 in 2017. 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 – Credit institutions

The credit portfolio for credit institutions is rated in accordance with a standard sector-wide measurement and rating procedure for banks which is based on the RBI/RZB model. In RLB NÖ-Wien, these ratings are managed and reviewed by a separate group in the Risk Management/Finance (Country and Bank Analysis) Department. A separate rating system for credit institutions will be introduced in 2018.

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

€´000 Internal rating		2017	in %	Collatera l	Item-by-Item allowances for impairment	2016	in %	Collateral	Item-by-Item allowances for impairment
0.5	Minimal Risk	267,410	3.4	151,794	0	241,798	2.7	121,755	0
1	Excellent credit standing	531,729	6.8	50,798	0	422,684	4.7	19,996	0
1.5	Very good credit standing	524,452	6.7	0	0	610,160	6.8	0	0
2	Good credit standing	6,405,014	81.6	0	0	7,417,136	83.2	0	0
2.5	Average credit standing	115,746	1.5	0	0	188,279	2.1	0	0
3	Mediocre credit standing	1,903	0.0	0	0	9,794	0.1	0	0
3.5	Weak credit standing	52	0.0	0	0	17,714	0.2	0	0
4	Very weak credit standing	0	0.0	0	0	3,872	0.0	0	0
4.5	Doubtful/high default risk	146	0.0	146	0	0	0.0	0	0
5	Default	0	0.0	0	0	0	0.0	0	0
5.1	Default	6,305	0.1	0	3,134	5,864	0.1	0	3,134
5.2	Default	0	0.0	0	0	0	0.0	0	0
	Unrated	0	0.0	0	0	10	0.0	0	0
	Total	**7,852,757**	**100.0**	**202,738**	**3,134**	8,917,310	100.0	141,751	3,134

The large concentration in credit rating class 2 is caused primarily by the three-level organization of the Raiffeisen sector and the related liquidity drawdown. This credit 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 credit institutions by country:

€'000 Top 5 Countries	2017	in %	2016	in %
Austria	6,453,682	82.2	7,143,292	80.1
Germany	437,956	5.6	485,827	5.4
Great Britain	361,279	4.6	512,306	5.7
France	283,703	3.6	405,151	4.5
Australia	50,807	0.6	0	0.0
EU	197,552	2.5	310,003	3.5
Non-EU	67,778	0.9	60,731	0.7
Total	**7,852,757**	**100.0**	8,917,310	100.0

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

Credit portfolio – Public sector

The credit portfolio for public institutions (states, provinces, municipalities and other public institutions) is rated in accordance 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 Risk Management/Finance (Country and Bank Analysis) Department.

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

€´000 Internal rating		2017	in %	Collateral	Item-by-Item allowances for impairment	2016	in %	Collateral	Item-by-Item allowances for impairment
0.5	Minimal Risk	4,143,167	64.6	0	0	3,550,405	65.3	0	0
1	Excellent credit standing	1,872,925	29.2	80,328	0	1,668,488	30.7	69,067	0
1.5	Very good credit standing	1,042	0.0	0	0	28	0.0	0	0
2	Good credit standing	77,936	1.2	0	0	16,216	0.3	0	0
2.5	Average credit standing	267,057	4.2	5	0	168,745	3.1	0	0
3	Mediocre credit standing	54,450	0.8	7	0	161	0.0	0	0
3.5	Weak credit standing	0	0.0	0	0	0	0.0	0	0
4	Very weak credit standing	0	0.0	0	0	0	0.0	0	0
4.5	Doubtful/high default risk	0	0.0	0	0	15	0.0	0	0
5	Default	0	0.0	0	0	0	0.0	0	0
5.1	Default	0	0.0	0	0	28,993	0.5	0	0
5.2	Default	0	0.0	0	0	0	0.0	0	0
	Unrated	2	0.0	0	0	3	0.0	0	0
	Total	**6,416,579**	**100.0**	**80,340**	**0**	5,433,052	100.0	69,067	0

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

€'000 Top 5 Countries	2017	in %	2016	in %
Austria	3,786,994	59.0	3,227,408	59.4
Germany	615,318	9.6	618,545	11.4
Luxembourg	539,089	8.4	495,053	9.1
Finland	268,690	4.2	276,848	5.1
France	219,405	3.4	84,447	1.6
EU-remainder	871,283	13.6	598,168	11.0
Non-EU	115,799	1.8	132,583	2.4
Total	**6,416,579**	**100.0**	5,433,052	100.0

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

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 (going concern) and settlement cases (gone concern) 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 impairment allowances (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:

2017 €'000 Receivables categories	Not overdue	Up to 31 days	31 to 90 days	91 to 180 days	181 to 360 days	Overdue Over 360 days	Total
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**

2016 €'000 Receivables categories	Not overdue	Up to 31 days	31 to 90 days	91 to 180 days	181 to 360 days	Overdue Over 360 days	Total
other banks	8,917,310	0	0	0	0	0	8,917,310
Corporate customers	12,688,515	166,600	7,237	5,651	9,075	72,959	12,950,036
Retail exposures	1,921,700	53,755	13,321	5,721	10,126	77,131	2,081,754
Public sector exposures	5,433,052	0	0	0	0	0	5,433,052
Total	28,960,577	220,355	20,557	11,372	19,202	150,090	29,382,153

The following table shows the receivables that are overdue, but not impaired. According to the regulatory default criteria, receivables are classified as overdue beginning on the 91st day.

A total exposure of EUR 165.4 million is overdue up to and including 90 days and therefore not in default. A credit exposure of EUR 16.7 million is overdue more than 90 days, but has not been reduced through an impairment loss (2016: EUR 10.5 million).

€´000 Receivables categories	Up to 90 days 2017	 2016	91 to 180 days 2017	 2016	181 to 360 days 2017	 2016	Over 360 days 2017	 2016
other banks	0	0	0	0	0	0	0	0
Corporate customers	97,568	173,836	8,311	0	1,967	250	0	2,337
Retail exposures	67,802	62,774	1,831	1,631	1,208	885	3,384	5,361
Public sector exposures	11	0	0	0	0	0	0	0
Total	**165,381**	236,610	**10,141**	1,631	**3,175**	1,135	**3,384**	7,697

The following table shows the share of non-performing exposures. The definition of non-performing exposure for both reporting dates was based on the EBA Technical Standard "On Supervisory reporting on forbearance and non-performing exposures under Article 99(4) of Regulation (EU) No. 575/2013“:

2017 €'000 Receivables categories	Total exposure	Non-performing Exposure	Item-by-Item allowances for impairment	Collateral	NPE Ratio in %	Coverage Ratio I in %	Coverage Ratio II in %
Other banks	7,852,757	6,305	3,134	0	0.1	49.7	49.7
Corporate customers	12,627,715	235,401	95,598	90,653	1.9	40.6	79.1
Retail exposures	2,148,308	127,676	82,373	35,456	5.9	64.5	92.3
Public sector exposures	6,416,579	0	0	0	0.0	0.0	0.0
Total	**29,045,359**	**369,382**	**181,106**	**126,109**	**1.3**	**49.0**	**83.2**

2016 €'000 Receivables categories	Total exposure	Non-performing Exposure	Item-by-Item allowances for impairment	Collateral	NPE Ratio in %	Coverage Ratio I in %	Coverage Ratio II in %
Other banks	8,917,310	5,864	3,134	0	0.1	53.5	53.5
Corporate customers	12,950,036	296,282	137,408	102,279	2.3	46.4	80.9
Retail exposures	2,081,754	147,207	91,798	41,411	7.1	62.4	90.5
Public sector exposures	5,433,052	28,993	0	0	0.5	0.0	0.0
Total	**29,382,153**	478,346	**232,340**	143,690	1.6	48.6	78.6

The non-performing exposure (NPE) ratio, which is defined as the exposure resulting from non-performing customers in relation to the total credit exposure, equalled 1.3% as of 31 December 2017 (2016: 1.6%). Coverage Ratio I is defined as the impairment allowance (individual) based on the NPE in relation to the total NPE, while Coverage Ratio II equals the individual impairment allowance plus collateral (after haircuts) based on the NPE in relation to the total NPE. Coverage Ratio I equalled 49.0% (2016: 48.6%) and Coverage Ratio II equalled 83.2% (2016: 78.6%).

The classical NPL ratio, which is defined as the balance sheet amount of loans and advances to non-performing customers in relation to the total loans and advances to customers, equalled 2.8% in 2017 (2016: 3.7%).

€´000	Balance sheet items 2017	Balance sheet items 2016	NPL 2017	NPL 2016	NPL Ratio in % 2017	NPL Ratio in % 2016
Loans and advances to customers	11,613,792	11,818,321	330,268	436,153	2.8	3.7

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 receivables 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 receivables are marked with a forbearance flag and monitored constantly. The implementation of the new EBA standard "On Supervisory reporting on forbearance and non-performing exposures under Article 99(4) of Regulation (EU) No. 575/2013“ has been completed.

The following tables show the share of solvency-related restructuring (foreborne portfolio) by customer group and within the performing and non-performing exposures. They also show the individual impairment allowances on the non-performing exposures and the portfolio impairment allowances for the performing exposures.

2017 €'000	Total exposure		Performing			Non-performing		Total foreborne
Receivables categories		Exposure	Of which foreborne	IBNR	Exposure	Of which foreborne	Item-by-Item allowances for impairment	
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**

2016 €'000	Total exposure		Performing			Non-performing		Total foreborne
Receivables categories		Exposure	Of which foreborne	IBNR	Exposure	Of which foreborne	Item-by-Item allowances for impairment	
Other banks	8,917,310	8,911,446	0	1,528	5,864	0	3,134	0
Corporate customers	12,950,036	12,653,754	188,769	18,346	296,282	181,908	137,408	370,676
Retail exposures	2,081,754	1,934,547	30,238	4,900	147,207	46,724	91,798	76,961
Public sector exposures	5,433,052	5,404,059	150	26	28,993	0	0	150
Total	29,382,153	28,903,807	219,156	24,800	478,346	228,631	232,340	447,788

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 2017 and 2016 financial years:

Exposure nach internem Länder-Rating in %

The risk concentration at RLB NÖ-Wien is also monitored in connection with country risk and controlled by separate country limits. At year-end 2017, 94.5% (2016: 95.1%) of the approved country limits were within the investment grade range and 81.2% (2016: 82.9%) 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 2017.

RLB NÖ-Wien reacted to the economic changes in Europe and specific countries on a timely basis with a massive reduction of the country limits and the complete suspension of individual lines.

The credit exposure by region is analysed below based on the following graph, which shows the distribution for 2017 and 2016. The position "Top rated non-EU countries" includes countries like the USA, Japan and Singapore.

Exposure nach Regionen in %

Country risk is included in the evaluation of the risk associated with individual loans by RLB NÖ-Wien. 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 risks, 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 any internal haircuts for the type, quality and liquidity of the collateral as well as the realization period and related costs. 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	2017	in %	2016	in %
Land register	4,424,624	59.7	4,283,497	61.2
Securities	151,888	2.0	134,731	1.9
Savings/current/deposit accounts	130,159	1.8	148,911	2.1
Insurance	124,128	1.7	134,516	1.9
Other rights and claims	571,167	7.7	720,550	10.3
Guarantees	2,009,660	27.1	1,576,458	22.5
Total	**7,411,627**	**100.0**	6,998,663	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.

Market risk

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

- Interest rate risks
- Foreign currency risks
- Price risks
- Volatility risks
- Credit spread 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) as well as a number of sensitivity indicators, e.g. changes in foreign exchange and interest rates (delta, gamma, vega).

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 portfolio 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).

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

€'000	VaR at 31/12/2017	Average-VaR	VaR at 31/12/2016
Currency risk	1,575	2,211	2,909
Interest rate risk	59,150	57,531	60,822
Price risk	4,935	8,154	9,242
Volatility risk	7,552	10,223	17,341
Total	**61,350**	**52,782**	53,517

Market values are used to calculate the gone concern VaR (99.9% VaR 250d) 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. Therefore, 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 over and above 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

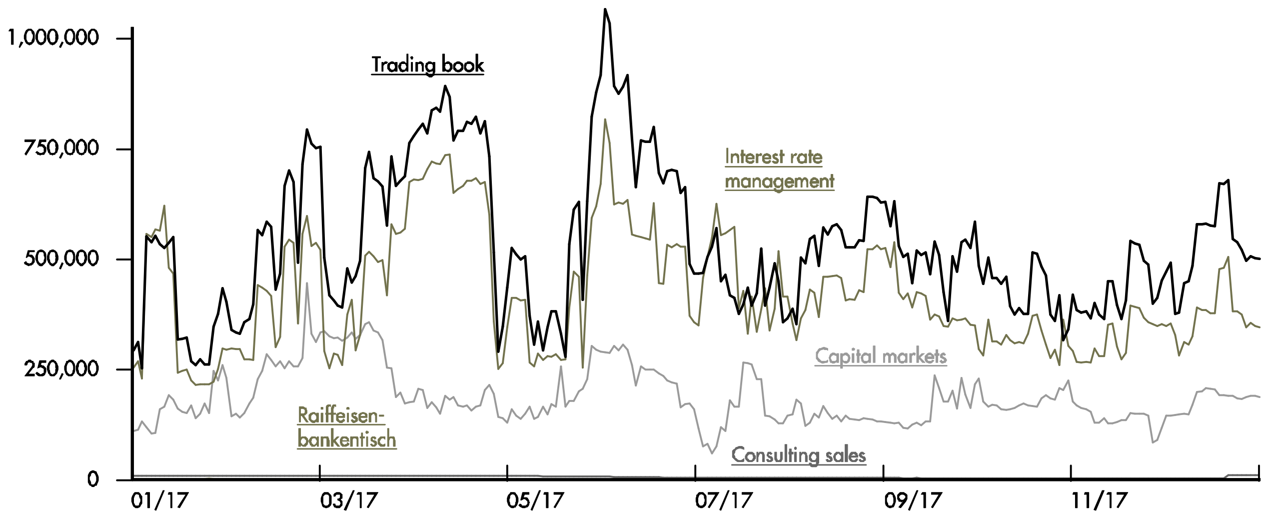
The market risk limit structure is recommended by the Models & Analytics/Overall Group Risk Department (Market Risk Analysis Group) and approved by the Managing Board.

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 2017 €'000



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 Interest Rate Management and Capital Markets (foreign exchange, securities and share trading) Departments. The Consulting Sales and "Raiffeisenbankentisch" Departments concentrate on intermediary transactions and therefore do not contribute to risk.

As shown on the above graph, the VaR for the trading book remained within the defined limit throughout the 2017 financial year. The average VaR utilization of the trading book limit remained low during the entire year with a maximum utilization of 35.7%. An analysis by quarter shows the maximum utilization at an average of 22% in the second quarter and the minimum utilization at an average of 15.4% 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 31/12/2017	Average-VaR	VaR at 31/12/2016
Currency risk	42	74	88
Interest rate risk	262	340	269
Price risk	94	84	105
Volatility risk	162	186	245
Credit spread risk	379	93	93
Total	**503**	**529**	294

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 at 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 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 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.

The following table shows the interest rate gaps on the commitments held by RLB NÖ-Wien as of 31 December 2016 in TEUR:

Interest rate gap	> 6 to 12 months	1 to 2 years	2 to 5 years	> 5 years
€	(157,097)	417,313	(725,720)	(112,030)
US$	(51,340)	(1,984)	229,501	(38,267)
¥	1,147	0	0	0
SFr	(148,137)	703	3,440	(556)
Other	43	13	0	0

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 refinancing are handled and measured. Positive values are viewed as bonds, while negative values are seen as refinancing. A VaR calculation is used to show 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 31/12/2017	Average-VaR	VaR at 31/12/2016
Currency risk	591	629	727
Interest rate risk	63,936	57,654	62,915
Price risk	5,067	8,295	9,843
Volatility risk	1,247	3,141	15,817
Total	**65,182**	**53,532**	54,334

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 2017 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). This 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
€	(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)

The change (in TEUR) in the present value of the banking book of RLB NÖ-Wien in TEUR as of 31 December 2016 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
€	10.99	(97.69)	242.22	(156.91)
US$	4.52	0.34	(86.10)	41.13
¥	(0.08)	0.00	0.00	0.00
SFr	8.91	(0.11)	(1.28)	3.88
Other	0.00	0.00	0.00	0.00

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 every day and is part of the daily reporting to the Managing Board. A detailed overview of the structure of these transactions is provided in note (39) Derivative financial instruments.

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 include the following:

- 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 31/12/2017	Average-VaR	VaR at 31/12/2016
Credit spread risk	265,753	259,738	258,497

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

Foreign currency risk

The foreign currency risk of RLB NÖ-Wien is managed centrally by the Treasury Department. The resulting foreign currency risk 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.

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 have implemented 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 crisis
- 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. 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 equals one month ("CEBS Guidelines on Liquidity Buffers & Survival Periods", Guideline 3).

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 from one to 18 months. It represents the ratio of assets to liabilities in the accumulated maturity bands within this period. This indicator 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 > 18 months. This indicator shows the matched maturity refinancing of 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.

In addition to these indicators, the short-term funding limit is also calculated and reported for RLB NÖ-Wien daily and reported weekly by the Risk/Data Service Department (interest rate & liquidity risk group). It compares the daily refinancing requirements in the interbank market with the available fungible securities.

The stronger focus on operating liquidity by RLB NÖ-Wien is also reflected in weekly liquidity reports to the Austrian National Bank. Expected incoming payments are compared with expected outgoing payments and with the available liquidity buffer (dynamic approach).

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 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 following table shows the structural liquidity of RLB NÖ-Wien as of 31 December 2016:

€'000 Maturity band	Gap (absolute)	GoA	GoA limit	Accumulated from behind	S-LFT	S-LFT limit
18 months	(34,441)	(0.1)%	(10.0)%	(3,520,254)	128.6%	> 80%
2 years	258,241	1.1%	(10.0)%	(3,485,812)		
3 years	325,238	1.4%	(10.0)%	(3,744,054)	137.1%	> 70%
5 years	(1,675,268)	(7.2)%	(10.0)%	(4,069,292)	148.9%	> 60%
7 years	(1,415,042)	(6.0)%	(10.0)%	(2,394,024)		
10 years	(1,453,542)	-	-	(978,981)	122.2%	> 50%
15 years	466,233	-	-	474,561		
20 years	58,213	-	-	8,328		
30 years	323,840	-	-	(49,885)		
> 30 years	(373,725)	-	-	(373,725)		

The liquidity coverage ratio (LCR) of RLB NÖ-Wien equalled 115.55% as of 31 December 2017. The legal minimum requirement of 80% defined by Article 460 of Regulation (EU) No. 575/2013 was therefore met.

The following table shows the quantitative data as of 31 December 2017 and 31 December 2016:

		All currencies 31.12.2017	31.12.2016
Liquidity buffer		5,992,200,736	5,485,972,663
Net liquidity outflow		5,185,766,605	4,439,063,934
MINIMUM LIQUIDITY RATIO (LIQUIDITY COVERAGE RATIO LCR)		**115.55%**	123.58%
	Total unweighted amount	***Total weighted amount***	*Total weighted amount*
HIGH-QUALITY LIQUID ASSETS			
Level 1 - assets excl. extremely high quality covered bonds	8,214,896,918	5,879,532,878	5,356,129,084
Level 1 - extremely high quality covered bonds	52,712,381	49,022,514	69,999,473
Level 2A - assets	7,283,250	6,190,762	5,234,385
Level 2B - assets	114,909,162	57,454,581	54,609,720
LIQUIDITY BUFFER	**8,389,801,711**	**5,992,200,736**	5,485,972,663
CASH OUTFLOWS			
Outflows from unsecured transactions/deposits	13,996,294,300	5,976,681,277	5,967,366,131
1.1 Personal banking customer deposits	3,890,453,852	328,070,328	369,286,292
1.2 Operational deposits	3,335,525,900	2,585,404,505	2,497,491,603
1.3 Non-operational deposits	4,272,069,285	2,407,988,963	1,811,893,547
1.4 Additional outflows (i.e. outflows from derivatives)	470,727,398	470,727,398	988,248,300
1.5 Committed facilities	1,215,734,042	165,467,979	198,716,686
1.6 Other products and services	804,352,000	11,590,280	12,868,640
1.7 Other liabilities	7,431,824	7,431,824	88,861,063
Outflows from secured lending and capital market-driven transactions	0	0	0
TOTAL OUTFLOWS	**14,124,917,699**	**5,976,681,277**	5,967,366,131

CASH INFLOWS			
Inflows from unsecured transactions/deposits	1,182,520,449	790,914,671	1,528,302,198
1.1 monies due from non-financial customers (except for central banks)	509,564,710	254,860,919	454,613,350
1.2 monies due from central banks and financial customers	269,789,058	132,894,074	191,912,021
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	381,890	381,890	56,824,054
1.6 assets with an undefined contractual end date	8,755	1,751	1,010
1.7 monies due from positions in major index equity instruments provided that there is no double counting with liquid assets	1,666,202	1,666,202	1,666,224
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	401,109,835	401,109,835	823,285,538
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	**1,182,520,449**	**790,914,671**	**1,528,302,198**
Inflows subject to 75% Cap		790,914,671	1,528,302,198
Fully exempt inflows		0	0
NET LIQUIDITY OUTFLOW		**5,185,766,605**	**4,439,063,933**

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 2017:

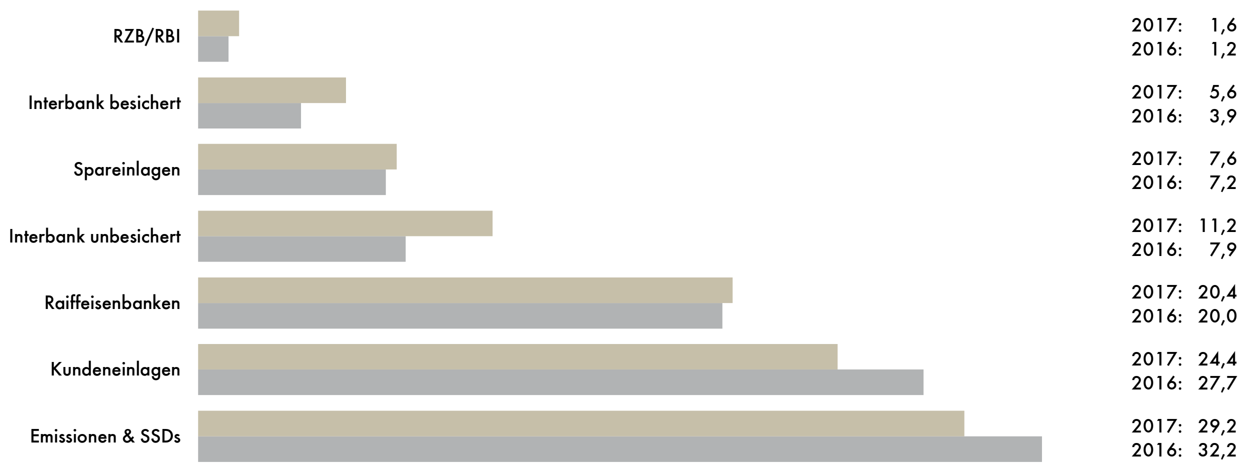
€'000	Carrying amount	Contractual cash flows	< 3 months	3 to 12 months	1 to 5 years	> 5 years
Derivative liabilities	***1,024,590***	***1,070,084***	***63,155***	***168,052***	***489,512***	***349,363***
Derivatives in the trading book	399,322	411,710	22,751	78,299	210,630	100,030
Derivatives designated in hedge relationships	375,612	399,134	16,589	43,809	164,194	174,541
Other derivatives	249,656	259,240	23,815	45,944	114,688	74,792

The following table shows the undiscounted cash flows from the derivatives held by RLB NÖ-Wien as of 31 December 2016:

€'000	Carrying amount	Contractual cash flows	< 3 months	3 to 12 months	1 to 5 years	> 5 years
Derivative liabilities	*1,416,723*	*1,470,080*	*126,721*	*222,166*	*650,992*	*470,203*
Derivatives in the trading book	497,676	508,165	36,495	84,868	263,103	123,699
Derivatives designated in hedge relationships	521,766	546,259	32,353	51,578	228,299	234,030
Other derivatives	397,281	415,656	57,873	85,720	159,590	112,474

The following graph shows the refinancing by RLB NÖ-Wien in 2017 versus 2016, classified by the source of the funds:

Refinanzierung nach Herkunftsquellen in %



Equity investment risk

Equity investment risk can affect RLB NÖ-Wien in the following ways:

- Reduction in undisclosed reserves
- Lost dividends
- Write-downs to carrying amounts
- Losses on sale, transferred losses

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. (RZB, as the previous leading institution, and RBI, as its major investment, were merged in January 2017.)

The management and control of equity investments and the related risks are carried out by Raiffeisen-Holding NÖ-Wien within the framework of a service agreement. The management of equity investment risks begins with the identification of an acquisition target, 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 opinion 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 budgets 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.

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 2017 and 31 December 2016:

€ '000	Carrying amount 31/12/2017	Percentage held	Rating	Carrying amount 31/12/2016	Percentage held	Rating
Investments in other banks	2,303,529	99.6%	2.0	1,786,213	99.6%	2.0
Investments in banking-related fields	8,373	0.4%	2.0	7,845	0.4%	2.0
Total equity investments	**2,311,902**	**100.0%**	**2.0**	1,794,058	100.0%	2.0

The increase in the carrying amount of the equity investments resulted, above all, from the proportional share of earnings and a write-up to the carrying amount of the investment in RBI. This write-up represents a (partial) reversal to impairment losses recognized in 2014 to 2016.

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.

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 issued to minimize these risks. Cost-benefit considerations are taken into account in connection with all of these measures.

RLB NÖ-Wien maintains a loss database that contains historical data from 1999 onward and all current cases starting in 2001. This database creates the foundation for an operational risk management approach that exceeds basic indicators. The Managing Board receives quarterly reports on the development of recorded loss events. RLB NÖ-Wien takes part in projects carried out by the Austrian Raiffeisen organization to further develop various risk management systems.

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 learning effect resulting from the careful analysis of losses can also help to reduce risk.

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).

A new IT system, SAS EGRC (Enterprise Governance Risk Compliance), was installed in 2016 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 CRR ("Own funds requirements for operational risk"), RLB NÖ-Wien also uses the basic indicator approach described in Art. 315f 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 (IKS)

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. The risks considered relevant for the ICS are regularly evaluated and updated. 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. This statistical model has been in use since 2016. The macroeconomic component of equity investment risk is addressed during the quantification of this latter risk.

Risks arising from the macroeconomic environment are incorporated quarterly as a separate category in the risk capacity analysis. The macroeconomic effects related to equity investments are evaluated together with the other investment risks.

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 concluded a contract for the development of an institutional protection scheme (IPS) at the federal level with RBI (formerly RZB), the other Raiffeisen regional banks, Raiffeisen-Holding NÖ-Wien and several other RBG institutions in 2013. A similar contract was concluded by RLB NÖ-Wien together with Raiffeisen-Holding NÖ-Wien and the now 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) CRR) and can exclude the risk exposure of the other contract parties from their own calculations of risk-weighted exposure (Art. 113 (7) 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) was also implemented to support 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 are capable of carrying 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 2017 amounted to EUR 7.9 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. The goal remains unchanged and is intended 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 most important changes require credit institutions to provide increased information to their depositors and also include a gradual reduction of the pay-out periods in the event of insolvency over the coming years.

The deposit protection scheme system will be rearranged 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.

Through Raiffeisen-Einlagensicherung Niederösterreich-Wien reg. Gen. mbH, RLB NÖ-Wien and the Lower Austrian Raiffeisen banks are members of Österreichische Raiffeisen-Einlagensicherung eGen. This deposit protection cooperative serves as the guarantee facility for the entire Austrian RBG as defined in the Austrian Deposit Protection and Investor Compensation Act ("Einlagesicherungs- und Anlegerentschädigungsgesetz", ESAEG). 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 legislative 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.

(29) Fair values of financial instruments

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 using 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 may 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 may also be signs of an active market.

RLB NÖ-Wien uses generally accepted, well-known valuation models to measure derivatives. OTC derivatives such as interest rate swaps, cross currency swaps and forward rate agreements are measured using the discounted cash flow model (DCF), which 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 defined by independent market data information systems.

The counterparty risk on 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.

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 credit spread. The credit spread is determined on the basis of comparable financial instruments currently on the market. A conservative approach is applied to a small part of the portfolio and CDS spreads are used for valuation.

External valuations by third parties are also taken into account and have an indicative character in all cases.

The various positions are assigned to a level, or reclassified between levels, at the end of each quarterly reporting period.

Classification of the financial instruments carried at fair value (classified by the fair value level):

2017 €'000	Level I	Level II	Level III
Assets			
Trading assets	54,135	452,078	0
Securities and equity investments classified at fair value through profit and loss	213,856	77,892	9,770
Securities and investments classified as available for sale (measured at fair value)	3,491,687	207,945	32,761
Other assets (positive fair values of derivative financial instruments)	0	579,145	0
Liabilities			
Trading liabilities	0	(398,720)	0
Other liabilities (negative fair values of derivative financial instruments)	0	(631,250)	0
Subordinated debt capital designated as fair value through profit or loss	0	0	(40,768)

2016 €'000	Level I	Level II	Level III
Assets			
Trading assets	5,003	520,429	0
Securities and equity investments classified at fair value through profit and loss	239,741	102,946	11,395
Securities and investments classified as available for sale (measured at fair value)	3,191,178	107,381	3,267
Other assets (positive fair values of derivative financial instruments)	0	867,542	0
Liabilities			
Trading liabilities	0	(496,573)	0
Other liabilities (negative fair values of derivative financial instruments)	0	(913,901)	0
Subordinated debt capital designated as fair value through profit or loss	0	0	(50,908)

The dirty price (fair value including accrued interest) equals the clean price as defined by the front office system plus recognised accrued interest according to the settlement system, after the deduction of the counterparty risk.

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Changes in market quotations led to the reclassification of financial instruments between Level I and Level II and also between Level II and Level I on the fair value hierarchy in 2017:

2017 €'000	From Level I to Level II	From Level II to Level I
Assets		
Securities and equity investments classified at fair value through profit and loss	27,219	37,600

Each financial instrument is examined to determine whether there is a quoted price on an active market (Level I). The fair value of financial instruments without quoted market prices is based on observable market data like yield curves (Level II). A change in this estimate leads to reclassification.

Reconciliation of the financial instruments classified under Level III:

2017 €'000	Trading assets	Securities and equity investments	Supplementar y capital
At 1 January	**0**	**14,662**	**50,908**
Reclassification from AFS@cost to AFS FV	0	21,965	
Purchases and initial consolidations	0	878	0
Valuation results (trading results)	0	(154)	0
Revaluation gains and losses (profit/(loss) from financial investments)	0	(28)	(1,616)
Revaluation gains and losses (without being recognized in the Income Statement)	0	7,740	0
Realized in profit or loss through disposals	0	187	173
Interest accruals			
Reclassification from Level III			
Sales	0	(777)	0
Performance	0	(1,800)	(10,915)
Premium/discount	0	(136)	0
Interest accrual	0	(6)	2,218
At 31 December	**0**	**42,531**	**40,768**
Revaluation gains and losses on financial instruments recognized to the income statement at 31 December	0	(182)	(1,616)

2016 €'000	Trading assets	Securities and equity investments	Supplementary capital
At 1 January	41,521	22,179	48,727
Purchases and initial consolidations	0	60	0
Valuation results (trading results)	0	40	0
Revaluation gains and losses (profit/(loss) from financial investments)	0	2,182	91
Revaluation gains and losses (without being recognized in the Income Statement)	0	(169)	0
Realized in profit or loss through disposals	(67)	216	0
Interest accruals	0	(1)	2,088
Reclassification from Level III	0	0	0
Sales	(41,454)	(9,118)	0
Performance	0	(727)	2
Premium/discount	0	0	0
At 31 December	0	14,662	50,908
Revaluation gains and losses on financial instruments recognized to the income statement at 31 December	0	2,222	91

There were no reclassifications to or from Level III since the end of the last reporting period.

Qualitative and quantitative information on the valuation of Level III financial instruments:

2017	Type	Market value in EUR m	Valuation method	Major unobservable input factors	Scope of unobservable input factors*
Financial assets					
Shares and other variable-yield securities	Shares and funds	1.752	External valuation	Discounts	5(10)%
Shares and other variable-yield securities	Non-fixed-interest bonds	0.006	DCF method	Credit margin	0(2)%
Bonds and other fixed-interest securities	Fixed-interest bonds	0.987	DCF method	Credit margin	15(50)%
Bonds and other fixed-interest securities	Credit Linked Notes	9.594	External valuation	Credit margin	15(20)%
Financial liabilities					
Subordinated debt	Index-linked notes	(40.77)	External valuation	Credit margin	5(15)%

* In cases where the price for an asset is not observable on the market, fair value is determined on the basis of a valuation model which maximizes the use of significant observable input factors and minimizes the use of non-observable input factors.

2016	Type	Market value in EUR m	Valuation method	Major unobservable input factors	Scope of unobservable input factors
Financial assets					
Shares and other variable-yield securities	Shares and funds	1.90	External valuation	Discounts	5(10)%
Shares and other variable-yield securities	Non-fixed-interest bonds	0.06	DCF method	Credit margin	0(2)%
Bonds and other fixed-interest securities	Fixed-interest bonds	3.08	DCF method	Credit margin	15(50)%
Bonds and other fixed-interest securities	Credit-linked notes	9.62	External valuation	Credit margin	15(20)%
Financial liabilities					
Subordinated debt	Index-linked notes	(40.16)	External valuation	Credit margin	5(15)%
Subordinated debt	Fixed-interest bonds	(10.75)	DCF method	Credit margin	5(15)%

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 meet the defined standards.

The acquisition of new financial instruments is accompanies 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.

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 0.3 million or a decrease of EUR -5.7 million in the fair value of assets as of 31 December 2017. The fair value of liabilities would increase by EUR 4.8 million or decrease by EUR -1.6 million.

The above calculations reflect the applicable market conditions and internal valuation requirements.

The probability of a simultaneous shift in all non-observable parameters to the ends of the ranges is extremely low. Consequently, these results do not support any conclusions concerning actual future changes in market values.

2017 €m	Type	Impairment due to change in parameter	Increase due to change in parameter	Increase due to change in parameter
Financial assets				
Shares and other variable-yield securities	Shares and funds	(1.752)	0	Default scenario
Bonds and other fixed-interest securities	Fixed-interest bonds	(0.987)	0	Default scenario
Bonds and other fixed-interest securities	Credit-linked notes	(3.010)	0.266	Credit spread risk: scaled risk based on a historical time series of one year
Shares and other variable-yield securities	Non-fixed-interest bonds	(0.006)	0	Default scenario
Financial liabilities				
Subordinated debt	Index-linked notes	(1.627)	4.819	Credit spread shift of (112)bp and +388bp

2016 €m	Type	Impairment due to change in parameter	Increase due to change in parameter
Financial assets			
Shares and other variable-yield securities	Shares and funds	(1.9)	0
Bonds and other fixed-interest securities	Fixed-interest bonds	(3.08)	0
Bonds and other fixed-interest securities	Credit-linked notes	(2.7)	0.2
Shares and other variable-yield securities	Non-fixed-interest bonds	(0.06)	0
Financial liabilities			
Subordinated debt	Index-linked notes	(3.2)	3.8
Subordinated debt	Fixed-interest bonds	(1.6)	1.9

Fair value of financial instruments not carried at fair value

Fixed-interest loans and advances to and deposits from other banks are only measured at fair value – in contrast to the respective carrying amounts – if they have a remaining term to maturity of more than one year. Variable rate loans and advances and deposits are only included if they have an interest rate adjustment period of more than one year. Discounting at an interest rate that reflects the market rate only has a material effect in these cases. The following table shows the fair values and carrying amounts of balance sheet items that are generally not measured at fair value. Loans and advances to other banks and customers are reported net of impairment allowance balances.

2017 €'000	Fair value	Carrying Amount	Difference
Assets			
Loans and advances to other banks	5,443,201	5,438,122	(5,079)
Loans and advances to customers	11,489,814	11,431,495	(58,521)
Securities classified as held to maturity	212,623	201,513	11,110
Liabilities			
Deposits from other banks	7,818,593	7,818,593	0
Deposits from customers	7,824,712	7,767,789	(56,923)
Securitized liabilities classified at amortised cost	5,711,716	5,711,716	0
Subordinated debt capital classified at amortised cost	799,169	793,394	(5,775)

2016 €'000	Fair value	Carrying Amount	Difference
Assets			
Loans and advances to other banks	6,309,906	6,257,698	52,208
Loans and advances to customers	11,664,463	11,579,385	85,078
Securities classified as held to maturity	224,713	211,744	12,969
Liabilities			
Deposits from other banks	7,773,312	7,628,203	145,109
Deposits from customers	7,831,404	7,618,112	213,292
Securitized liabilities classified at amortised cost	6,086,604	5,827,385	259,219
Subordinated debt capital classified at amortised cost	902,494	881,868	20,626

Classification of balance sheet positions according to the fair value hierarchy:

2017 €'000	Fair Value Level I	Fair Value Level II	Fair Value Level III
Assets			
Loans and advances to other banks	0	0	5,443,201
Loans and advances to customers	0	0	11,489,814
Securities classified as held to maturity	162,362	50,261	0
Liabilities			
Deposits from other banks	0	7,818,593	0
Deposits from customers	0	7,824,712	0
Securitized liabilities classified at amortised cost	0	5,711,716	0
Subordinated debt capital classified at amortised cost	0	0	799,169

2016 €'000	Fair Value Level I	Fair Value Level II	Fair Value Level III
Assets			
Loans and advances to other banks	0	0	6,309,906
Loans and advances to customers	0	0	11,664,463
Securities classified as held to maturity	167,628	56,905	180
Liabilities			
Deposits from other banks	0	7,773,312	0
Deposits from customers	0	7,831,404	0
Securitized liabilities classified at amortised cost	0	6,086,604	0
Subordinated debt capital classified at amortised cost	0	0	902,494

Equity instruments are measured at cost if reliable market values are not available. Quoted equity instruments are also measured at cost if the volume or frequency of transactions provides reasons to doubt the validity of the market price. For unquoted equity instruments, above all equity investments, there are generally no observable market transactions with identical or similar equity instruments that could provide a reliable estimate of fair value. The estimation of a reliable fair value or its determination within a probability-weighted range based on a DCF or similar method is not helpful because the fair value of these instruments can only be calculated on the basis of internal data that has no market relevance.

Additional Information

(30) Classification of remaining terms to maturity

Classification of remaining terms to maturity as of 31 December 2017:

€'000	On demand or of unspecified maturity	To 3 month	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Loans and advances to other banks	5,197,114	13,887	50,387	123,549	58,487	5,443,424
Loans and advances to customers	1,925,523	362,839	1,065,156	2,965,830	5,294,444	11,613,792
Trading assets	19,471	12,282	191,085	138,843	144,532	506,213
Securities and equity investments	32,158	617,132	212,084	2,848,940	524,233	4,234,547
Deposits from other banks	7,619,160	310	26,501	85,268	87,354	7,818,593
Deposits from customers	7,767,425	21	343	0	0	7,767,789
Securitized liabilities	73,793	657,896	233,623	2,595,997	2,150,407	5,711,716
Trading liabilities	484	60,060	264,417	48,780	24,979	398,720
Tier 2 capital	93,862	57,357	0	230,512	452,431	834,162

Classification of remaining terms to maturity as of 31 December 2016:

€'000	On demand or of unspecified maturity	To 3 month	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Loans and advances to other banks	5,810,782	11,001	274,026	102,410	63,247	6,261,466
Loans and advances to customers	2,440,369	380,999	862,632	2,740,798	5,393,523	11,818,321
Trading assets	10,265	195,010	89,803	189,288	41,066	525,432
Securities and equity investments	113,605	137,952	145,495	1,127,566	2,365,334	3,889,952
Deposits from other banks	7,509,691	90,049	0	0	28,463	7,628,203
Deposits from customers	7,616,444	451	1,217	0	0	7,618,112
Securitized liabilities	99,603	110,917	479,777	3,320,397	1,816,691	5,827,385
Trading liabilities	0	280,754	107,309	68,806	39,704	496,573
Tier 2 capital	111,114	20,026	61,990	248,954	490,692	932,776

(31) Related party disclosures

€'000	2017	2016
Loans and advances to other banks		
Parent	1,183,000	873,500
Associates	2,502,569	3,195,843
Loans and advances to customers		
Entities related via the parent	334,962	312,666
Unconsolidated subsidiaries	9,316	9,477
Associates	412,771	548,614
Entities accounted for using the equity method via the parent	249,788	2
Joint ventures	12,303	9,014
Impairment allowance balance		
Associates	12,458	(12,072)
Trading assets		
Parent	47,923	65,920
Entities related via the parent	0	0
Associates	27,700	30,118
Entities accounted for using the equity method via the parent	44	0
Securities and equity investments		
Parent	277	277
Entities related via the parent	6,518	0
Unconsolidated subsidiaries	875	78,636
Associates	102,863	112,635
Entities accounted for using the equity method via the parent	5,384	2,950
Joint ventures	1,107	669
Other assets		
Parent	28,977	51,116
Entities related via the parent	6	6
Unconsolidated subsidiaries	3,207	2,331
Associates	53,984	67,591

€'000	2017	2016
Deposits from other banks		
Parent	199,644	1,038
Associates	627,573	766,041
Deposits from customers		
Entities related via the parent	169,963	260,360
Unconsolidated subsidiaries	65,203	65,379
Associates	70,091	58,479
Entities accounted for using the equity method via the parent	8,465	3,179
Joint ventures	6,078	13,600
Securitized liabilities		
Parent	196	197
Entities related via the parent	0	40
Unconsolidated subsidiaries	139	139
Trading liabilities		
Associates	93	0
Other liabilities		
Associates	26,473	38,469

€'000	2017	2016
Contingent liabilities		
Parent	7,142	7,080
Entities related via the parent	2,612	527
Unconsolidated subsidiaries	1,891	3,251
Associates	232,294	308,197
Entities accounted for using the equity method via the parent	14,348	0
Joint ventures	0	0

The following legal and business relations existed with related companies in 2017 and 2016:

2017 €'000	Purchased services and merchandise	Services provided and sale of merchandise and fixed assets
Parent	16,488	2,059
Entities related via the parent	1	15
Unconsolidated subsidiaries	4,581	384
Associates	46,594	3,940
Entities accounted for using the equity method via the parent	0	154
Joint ventures	20	493

2016 €'000	Purchased services and merchandise	Services provided and sale of merchandise and fixed assets
Parent	20,655	2,077
Entities related via the parent	6	4
Unconsolidated subsidiaries	3,446	1,327
Associates	29,087	1,703
Entities accounted for using the equity method via the parent	0	23
Joint ventures	4,361	590

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 NÖ-Wien, with which RLB NÖ-Wien has concluded a tax contribution agreement.
- In the 2017 assessment year, the corporate tax group with Raiffeisen-Holding NÖ-Wien as its head included RLB NÖ-Wien as well as 49 (2016: 47) 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 „AKTUELL“ Raiffeisen Versicherungs-Maklerdienst Gesellschaft m.b.H concluded contracts for the transfer of profit and loss in connection with the inter-company relationships established under Austrian corporate tax law. The inter-company relationships remained in effect up to the 2004 assessment year, while the contracts for the transfer of profit and loss were terminated in 2017.

- RLB NÖ-Wien and the following companies have established tax groups for VAT purposes:
  - Raiffeisen-Holding NÖ-Wien
  - „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: RLB NÖ-Wien, Raiffeisen-Holding NÖ-Wien, RBI, all other Raiffeisen regional banks, Posojilnica Bank eGen, 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: RLB NÖ-Wien, Raiffeisen-Holding NÖ-Wien, the solidarity association of Raiffeisen-Bankengruppe NÖ-Wien, 54 (2016: 56) Lower Austrian Raiffeisen banks (the IPS agreement was originally signed by 63 Lower Austrian Raiffeisen banks; the number subsequently declined to 54 as of 31 December 2017 due to mergers between the Lower Austrian Raiffeisen banks) 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	**2017**	**2016**
Sight deposits	3,930	3,105
Bonds	203	31
Savings deposits	642	595
Other receivables	82	107
Total	**4,857**	3,838
Current accounts	0	3
Loans	1138	1,402
Other deposits	71	95
Total	**1,209**	1,500

The relationships of persons closely related to the key management of RLB NÖ-Wien are shown below:

€'000	**2017**	**2016**
Sight deposits	245	267
Bonds	10	18
Savings deposits	10	58
Other receivables		1
Total	**265**	344

Current accounts	6	2
Loans	48	54
Other deposits	0	0
Total	**54**	56

(32) Remuneration of the Managing and Supervisory Boards

The remuneration paid by the company to the members of key management totalled TEUR 3,373 in 2017 (2016: TEUR 3,613). This amount includes TEUR 2,282 (2016: TEUR 2,316) of short-term benefits, TEUR 1,089 (2016: TEUR 1,294) of post-employment benefits (pensions and termination benefits) including additions to and reversals of provisions, and TEUR 3 (2016: 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 879 (2016: TEUR 1,000).

The calculation of the provisions was changed in 2017 and the prior year values were adjusted accordingly. Additions to the provisions now include the service cost, but not the interest expense or actuarial gains/losses.

The payments received by RLB AG for management services provided by Raiffeisen-Holding amounted to TEUR 938 (disclosure in accordance with IAS 24.18A).

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	2,169	*)
Prior year in TEUR	2,193	*)
Supervisory Board		
Current year in TEUR	113	
Prior year in TEUR	124	

* * 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.

(33) 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 2017, loans and advances outstanding to the members of the Managing Board and Supervisory Board totalled TEUR 1,007 (2016: TEUR 1,150) and TEUR 53 (2016: TEUR 112), 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 338 (2016: TEUR 531) by the Managing Board members and TEUR 59 (2016: TEUR 32) from the Supervisory Board members.

(34) Foreign currency balances

The consolidated financial statements include the following foreign currency asset and liability balances:

€'000	**2017**	2016
Assets	1,043,638	1,592,406
Liabilities	563,582	636,517

(35) Contingent liabilities and other off-balance sheet obligations

RLB NÖ-Wien held the following off-balance sheet obligations at year-end:

€'000	2017	2016
Contingent liabilities	***778,863***	***881,518***
Of which arising from other guarantees	753,486	864,113
Of which arising from letters of credit	22,125	14,594
Of which other contingent liabilities	3,252	2,811
Commitments	***4,909,319***	***4,804,566***
Of which arising from revocable loan commitments	2,030,796	2,012,995
Of which arising from irrevocable loan commitments	2,878,523	2,791,571
To 1 year	699,124	957,597
More than 1 year	2,179,399	1,833,974

The additional guarantees for cooperatives totalled TEUR 3,252 (2016: TEUR 2,811) and include TEUR 41 (2016: TEUR 41) related to subsidiaries. Additional funding commitments amount to TEUR 841 (2016: TEUR 841), whereby TEUR 150 (2016: TEUR 150) are related to subsidiaries. Outstanding deposits remained unchanged in comparison with the previous year at TEUR 21 (2016: TEUR 21) and include TEUR 18 (2016: 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 2017 equalled TEUR 2,877 (2016: TEUR 2,616) 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 148,607 (2016: TEUR 153,239) 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 the joint responsibility for the fulfilment of obligations to customers (deposits from customers as defined under Pos. 2., Liabilities), obligations to other banks (deposits from other banks as defined in Pos. 1., Liabilities) and the securities issued by every insolvent association member are guaranteed 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 Raiffeisen Kundengarantie-gemeinschaft 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 RBI and the members of the Raiffeisen regional customer deposit protection association (also see note (28) 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 2017. The goal is to reach 1.0% of the insured deposits by 2023. The contribution by RLB NÖ-Wien in 2017 equalled TEUR 7,888 (2016: TEUR 10,288) 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 5.0 million in 2017 (2016: EUR 8.4 million) and is reported as a reserve. In 2017, EUR 0.4 million of the reserve created in the previous year was used for support payments (2016: EUR 2.8 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 876 to this fund in 2017 (2016: TEUR 0).

The development of interest rates in recent years has led to negative indicator values, which flow into the calculation of interest rates. RLB NÖ-Wien AG has not reduced the interest rates on savings deposits or the interest rates on loans which are tied to the Euribor. For loans tied to the Swiss franc, the margins were reduced to the zero limit. The possible outflow of funds is considered very low due to the current legal framework, and a contingent liability was therefore not recognized for these items.

(36) Repurchase agreements, securities lending and offsetting agreements

As of 31 December, the repurchase and resale obligations arising from repo agreements were as follows:

€'000	2017	2016
Genuine repurchase agreements as the pension provider		
Deposits from other banks	0	89,986
Deposits from customers	0	0
Total	**0**	89,986

The carrying amount of the securities sold under sale and repurchase agreements totalled TEUR 0 in 2017 (2016: TEUR 104,819). No securities were purchased under a sale and repurchase agreement.

Securities lending transactions covered a volume of TEUR 203,942 (2016: TEUR 237,363), while no securities were borrowed. In connection with securities lending transactions, no cash was received as collateral.

The following financial assets and liabilities were offset for presentation on the balance sheet in 2017 in agreement with IAS 32 or are subject to an enforceable master netting agreement or similar arrangement:

Assets			Related amounts not offset on the balance sheet		
2017 €'000	Gross amount	Offset on the balance sheet	Financial instruments	Cash collateral received	Net amount
Loans and advances to other banks	2,387,276	2,387,276	(373,349)	0	2,013,927
Derivatives	762,724	762,724	(663,469)	(100,250)	(995)
Total	**3,150,000**	**3,150,000**	**(1,036,818)**	**(100,250)**	**2,012,932**

Liabilities			Related amounts not offset on the balance sheet		
2017 €'000	Gross amount	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)
Total	**1,356,451**	**1,356,451**	**(1,036,818)**	**(324,197)**	**(4,564)**

The following financial assets and liabilities were offset for presentation on the balance sheet in 2016 in agreement with IAS 32 or are subject to an enforceable master netting agreement or similar arrangement:

Assets 2016 €'000	Gross amount	Offset on the balance sheet	Related amounts not offset on the balance sheet Financial instruments	Cash collateral received	Net amount
Loans and advances to other banks	2,967,950	2,967,950	(305,094)	0	2,662,856
Derivatives	1,078,681	1,078,681	(961,816)	(114,426)	2,439
Total	**4,046,631**	**4,046,631**	**(1,266,910)**	**(114,426)**	**2,665,295**

Liabilities 2016 €'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	305,094	305,094	(305,094)	0	0
Derivatives	1,361,476	1,361,476	(961,816)	(404,788)	(5,128)
Repurchase agreements issued	89,986	89,986	(89,986)	0	0
Total	**1,756,556**	**1,756,556**	**(1,356,896)**	**(404,788)**	**(5,128)**

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. An agreement was also concluded with an associate and one of its subsidiaries to offset receivables and liabilities. The agreements described are conditional and only permit netting in the event of payment default or insolvency.

(37) Assets pledged as collateral

The following assets recognized on the balance sheet were pledged as collateral for the liabilities listed below:

€'000	2017	2016
Receivables in the mortgage cover pool	2,099,438	1,806,706
Receivables used as collateral for bonds issued by the bank	702,637	897,441
Collateral for derivative contracts	385,193	436,594
Receivables assigned to OeKB	426,142	342,990
Receivables assigned to the EIB	260,003	277,123
Receivables assigned to OeNB (credit claims)	1,970,037	1,527,432
Cover pool for issued covered partial debentures	59,492	55,918
Bonds deposited with OeKB in connection with EIB loans	127,330	73,550
Receivables in the RZB cover pool (public finance)	21,662	23,353
Receivables assigned to KfW (Kreditanstalt für Wiederaufbau, Frankfurt/Main)	19,748	22,130
Cover pool for fiduciary savings deposit balances	20,060	13,227
Other receivables assigned	11,448	0
Securities deposited in connection with ECB tenders	1,993,165	1,844,004
Total	**8,096,355**	7,320,468

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 133.9 million (2016: EUR 80.4 million) and mortgage-backed receivables due from other banks of EUR 1,661.4 million (2016: EUR 1,531.2 million) were also included in the mortgage coverage pool of RLB NÖ-Wien to secure obligations under the covered bonds.

Assets recognized on the balance sheet serve as collateral for the following liabilities:

€'000	2017	2016
Deposits from other banks	1,930,103	1,391,358
Deposits from customers	20,060	10,000
Securitized liabilities	2,158,930	1,866,206
Other liabilities	385,193	436,594
Total	**4,494,286**	**3,704,158**

(38) Fiduciary transactions

RLB NÖ-Wien held the following off-balance sheet fiduciary items on the balance sheet date:

€'000	2017	2016
Loans and advances to customers	13,200	14,025
Fiduciary assets	***13,200***	***14,025***
Deposits from customers	13,200	14,025
Fiduciary liabilities	***13,200***	***14,025***

Disclosures pursuant to Austrian law

(39) 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.

Derivative financial products not held for trading that are recorded on the balance sheet under other assets or other liabilities:

2017 €'000	Nominal amounts				Fair values	
	Term to maturity					
	To 1 year	From 1 to 5 years	Over 5 years	Total	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)*
(exchange-traded contracts)						
Interest rate futures	7,000	0	0	7,000	77	0
(OTC products)						
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)***
(OTC products)						
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***
(exchange-traded contracts)						
(OTC products)						
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

2016 **€'000**				**Nominal amounts**		**Fair values**
		Term to maturity				
	To 1 year	**From 1 to 5 years**	**Over 5 years**	**Total**	**Positive**	**Negative**
Total	*5,960,545*	*7,264,920*	*7,023,849*	*20,249,314*	*867,542*	*(914,138)*
a) Interest rate contracts	*4,587,599*	*7,089,687*	*6,797,764*	*18,475,050*	*857,537*	*(913,082)*
(exchange-traded contracts)						
Interest rate futures	20,000	0	0	20,000	0	(237)
(OTC products)						
Interest rate swaps	4,567,374	6,986,199	6,791,332	18,344,905	857,534	(903,045)
Interest rate options – calls	225	3,488	6,432	10,145	3	0
Interest rate options – puts	0	100,000	0	100,000	0	(9,800)
b) Exchange rate contracts	*1,361,696*	*57,633*	*0*	*1,419,329*	*9,878*	*(1,056)*
(OTC products)						
Currency forwards	158,454	9,716	0	168,170	470	(383)
Cross currency and cross currency interest rate swaps	1,203,242	47,917	0	1,251,159	9,408	(673)
c) Securities contracts	*11,250*	*117,600*	*226,085*	*354,935*	*127*	*0*
(OTC products)						
Equity and index options – calls	0	52,800	112,835	165,635	0	0
Equity and index options – puts	0	64,800	113,250	178,050	0	0
Other securities contracts	11,250	0	0	11,250	127	0

Derivative financial products held for trading that are recorded on the balance sheet under trading assets or trading liabilities:

2017 **€'000**				**Nominal amounts**		**Fair values**
		Term to maturity				
	To 1 year	**From 1 to 5 years**	**Over 5 years**	**Total**	**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)***
(exchange-traded contracts)						
Interest rate futures	27,300	0	0	27,300	275	0
(OTC products)						
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)***
(OTC products)						
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)

2016 **€'000**				**Nominal amounts**		**Fair values**
		Term to maturity				
	To 1 year	**From 1 to 5 years**	**Over 5 years**	**Total**	**Positive**	**Negative**
Total	*1,380,760*	*5,352,021*	*4,963,061*	*11,695,842*	*490,461*	*(496,818)*
a) Interest rate contracts	*1,174,750*	*5,330,021*	*4,963,061*	*11,467,832*	*478,084*	*(484,432)*
Interest rate futures	15,000	0	0	15,000	0	(184)
Interest rate options (Futures Options) - calls	10,000	0	0	10,000	74	0
Interest rate options (Futures Options) - puts	10,000	0	0	10,000	0	(45)
Interest rate swaps	888,016	4,487,801	4,444,269	9,820,086	468,727	(474,500)
Interest rate options – calls	123,114	419,383	256,879	799,376	9,283	0
Interest rate options – puts	128,620	422,837	261,913	813,370	0	(9,703)
b) Exchange rate contracts	*204,417*	*22,000*	*0*	*226,417*	*12,377*	*(12,370)*
Currency options – calls	106,892	11,000	0	117,892	12,377	0
Currency options – puts	97,525	11,000	0	108,525	0	(12,370)
c) Securities contracts	*1,593*	*0*	*0*	*1,593*	*0*	*(16)*
Index futures	1,593	0	0	1,593	0	(16)

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, and credit derivatives are only used for proprietary trading.

(40) Disclosure of bonds, other fixed-interest securities and issued bonds pursuant to § 64 (1) No. 7 of the Austrian Banking Act

The following bonds, other fixed-interest securities and issued bonds are due and payable in the year following the balance sheet date:

€'000		2017	2016
a)	Receivables arising from bonds and other fixed-interest securities	177,804	249,328
b)	Payables arising from bonds issued by the Group	(901,249)	(505,248)

(41) Disclosure of securities admitted for exchange trading pursuant to § 64 (1) No. 10 of the Austrian Banking Act

€'000	2017 Listed	2017 Unlisted	2016 Listed	2016 Unlisted
Bonds and other fixed-interest securities	1,612,408	0	1,718,096	0
Shares and other variable-yield securities	0	0	33,042	0

(42) Disclosure of financial assets pursuant to § 64 (1) No. 11 of the Austrian Banking Act

Classification of the securities reported under "bonds and other fixed-interest securities" and "shares and other variable-yield securities" that were admitted for trading on an exchange and classified as non-current assets:

€'000	2017	2016
Bonds and other fixed-interest securities	1,370,007	1,574,840
Shares and other variable-yield securities	0	25,038
Total	**1,370,007**	1,599,878

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.

(43) (Nominal)volume of the securities trading book pursuant to § 64 (1) No. 15 of the Austrian Banking Act

€'000	2017	2016
Fixed-interest securities, nominal values	117,276	24,429
Other financial instruments (derivatives, face values)	14,032,693	11,695,842
Total	**14,149,969**	11,720,271

(44) 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	2017	2016
Paid-in capital	489,766	489,891
Retained earnings	2,051,896	1,391,080
Accumulated other comprehensive income and other equity	(88,014)	(34,363)
Common equity Tier 1 before deductions	***2,453,648***	***1,846,608***
Intangible assets incl. goodwill	(10,131)	(6,297)
Corrections in respect of cash flow hedge reserves	34,496	54,603
Corrections for credit standing related to changes in values of own liabilities	0	(699)
Corrections for credit standing related to changes in values of derivatives	(1,870)	(3,596)
Value adjustment based on the prudent valuation requirement	(4,635)	(4,059)
Common equity Tier 1 capital after deductions (CET1)	***2,471,508***	***1,886,559***
Additional core capital after deductions	120,114	111,595
Additional own funds	***2,591,622***	***1,998,154***
Eligible supplementary capital	557,818	707,815
Supplementary capital after deductions	***557,818***	***707,815***
Total qualifying capital	***3,149,440***	***2,705,969***
Total capital requirement	**1,034,872**	**1,061,999**
Common equity Tier 1 ratio (CET1 ratio), %	19.11	14.21
Tier 1 ratio (T1 ratio), %	20.03	15.05
Own funds ratio (total capital ratio), %	24.35	20.38
Surplus capital ratio in %	204.33	154.80

Under a fully loaded analysis, the Common Equity Tier 1 Ratio equalled 18.62% (2016: 13.73%) and the Total Capital Ratio 22.71% (2016: 18.21%).

Total capital requirements comprise the following:

Capital requirement €'000	**2017**	**2016**
Capital requirements for credit risk	945,320	977,253
Capital requirements for position risk in debt instruments and assets	37,810	24,570
Capital requirement CVA	5,997	8,461
Capital requirements for operational risk	45,744	51,715
Total capital requirement (total risk	**1,034,872**	1,061,999
Assessment base for credit risk	***11,816,505***	*12,215,663*
Total basis of assessment (total risk)	***12,935,897***	*13,274,978*

The information required by Art. 431 to 455 of the CRR (Disclosure) is reported by the parent company, Raiffeisen-Holding NÖ-Wien, on the following website: www.rhnoew.at.

(45) 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 2.17% as of 31 December 2017.

(46) Average number of employees

The average workforce (full-time equivalents) employed during the 2017 and 2016 financial years is as follows:

	2017	2016
Salaried employees	1,180	1,153
Wage employees	22	23
Total	**1,202**	1,176

(47) Events after the balance sheet date

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 2017.

(48) 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.

(49) Subsidiaries included in the consolidated financial statements

Entity, Registered office (country)	Subscribed capital	Currency	2017 Share in %**	2016 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	99.80	99.80	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 (previously: 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	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

* Included in the consolidated financial statements for the first time in 2017. ** The information on shares represents the direct investment held by the Group.

Key:
Type of company
FI Financial institution
NDL Ancillary service provider
OT Other

(50) Companies included in the consolidated financial statements at equity

Entity, Registered office (country)	Subscribed capital	Currency	2017 Share in %	2016 Share in %	Type
Raiffeisen Informatik GmbH, Vienna (A)	1,460,000	EUR	47.35	47.35	OT
Raiffeisen Bank International AG, Vienna (A)	1,003,265,844	EUR	22.66	34.74	BA

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.

The following table shows the financial information for the material associate; it is based on that company's IFRS consolidated financial statements:

Associates €'000	Raiffeisen Bank International 2017	AG* 2016
Interest income	***4,256,985***	***4,459,090***
Net profit	1,246,009	532,938
Other comprehensive income	(197,007)	152,270
Total comprehensive income	***1,049,002***	***685,207***
Attributable to equity holders of the parent	917,549	355,072
Attributable to non-controlling interest	131,453	330,135
assets	135,146,339	134,846,575
Liabilities	123,904,990	125,052,815
Net assets	***11,241,349***	***9,793,760***
Attributable to equity holders of the parent	9,937,003	5,748,926
Attributable to non-controlling interest	1,304,347	4,044,834
Proportional share of net assets held by RLB NÖ-Wien	2,254,207	1,997,420
Goodwill/impairment	(5,439)	(265,758)
Carrying amount on the consolidated balance sheet as of 31 December	**2,248,768**	**1,731,663**
Carrying amount on the consolidated balance sheet as of 1 January	1,731,663	1,798,579
Reclassification	5,255	0
Merger	16,321	0
Proportional share of other changes in equity	(17,376)	2,045
Consolidated comprehensive income	207,570	123,367
Impairment	0	(192,329)
Reversal of impairment	305,335	0
Dividends received	0	0
Carrying amount on the consolidated balance sheet as of 31 December	**2,248,768**	**1,731,663**

* The prior year amounts represent the figures for RZB before the merger with RBI.

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	2017	2016
Share of profit/(loss) after tax	3,013	5,863
Share of other comprehensive income	(169)	(271)
Share of total comprehensive income	2,844	5,592
Carrying amount on the consolidated balance sheet as of 31 December	**36,279**	39,812

(51) Subsidiaries not included through full consolidation

Entity, Registered office (country)	Subscribed capital	Currency	2017 Share in %	2016 Share in %	Type
"RUFUS" Beteiligungs GmbH, Vienna (A)	146,000	EUR	100.00	100.00	OT
"TOJON" Beteiligungs GmbH, Vienna (A)	70,000	EUR	100.00	100.00	OT
Baureo Projektentwicklungs GmbH, Vienna (A)	35,000	EUR	100.00	100.00	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)	41,808	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

(52) Other equity investments

Associates not accounted for at equity for materiality reasons:

Entity, Registered office (country)	Subscribed capital	Currency	2017 Share in %	2016 Share in %	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 (previously: Raiffeisen Software Solution und Service GmbH), Vienna (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	29.70	OT

The following companies were identified as joint ventures in accordance with IFRS 11 – Joint Arrangements – because they are under common mangement: Die Niederösterreichische Leasing Gesellschaft m.b.H., die Niederösterreichische Leasing Gesellschaft m.b.H. & CO KG, NÖ Raiffeisen Kommunalprojekte Service Gesellschaft m.b.H. and RSC Raiffeisen Service Center GmbH.

(53) Companies related through the parent Raiffeisen-Holding NÖ-Wien

Companies included in the scope of consolidation of Raiffeisen-Holding NÖ-Wien through full consolidation:

"ALMARA" Holding GmbH, Vienna (A)
"ARANJA" Beteiligungs GmbH, Vienna (A)
"BASCO" Beteiligungs GmbH in liquidation (formerly "BASCO" 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 MÜHLE HAMBURG GmbH, (subgroup LLI), Hamburg (D)
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), Regensburg (D)
cafe+co Gastro- und Büro-Kaffee GmbH (formerly: TOP-CUP Office-Coffee-Service Vertriebsgesellschaft m.b.H.), (subgroup LLI), Klagenfurt (A)
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), Čačak, (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 Wien (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), Poznań (PL)
GoodMills Romania S.A., (subgroup LLI), Pantelimon (RO)

Haas Lebensmittel GmbH, (subgroup NÖM), Baden bei Wien (A)
Kampffmeyer Mühlen GmbH, (subgroup LLI), Hamburg (D)
KURIER Beteiligungs-Aktiengesellschaft, (subgroup Medicur), Vienna (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)
Mecklenburger Elde-Mühlen GmbH, (subgroup LLI), Hamburg (D)
Medicur - Holding Gesellschaft m.b.H., Vienna (A)
Medicur Sendeanlagen GmbH, (subgroup Medicur), Vienna (A)
Müller's Mühle GmbH, (subgroupLLI), Gelsenkirchen (D)
Niederösterreichische Milch Holding GmbH, Vienna (A)
NÖM AG, (subgroup NÖM), Baden bei Wien (A)
Nordland Mühlen GmbH, (subgroup LLI), Jarmen (D)
Printmedien Beteiligungsgesellschaft m.b.H., (subgroup Medicur), 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)
TOV Regionprodukt, (subgroup NÖM), Gnidin (UA)
VK Grundbesitz GmbH, (subgroup LLI), Hamburg (D)
VÖS167 Liegenschaft GmbH (vormals: A. Sochor & Co International GmbH), (subgroup NÖM), Baden bei Wien (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, (subgroup Medicur), Vienna (A)
"CREMBS" GmbH, Vienna (A)
"SERET" Beteiligungs GmbH, Vienna (A)
"SEVERUS" Beteiligungs GmbH, Vienna (A)
BENIGNITAS GmbH, Vienna (A)
Beteiligungsgesellschaft Diamant Mühle Hamburg GmbH, (subgroup LLI), Hamburg (D)
C - Holding s.r.o., (subgroup LLI), Modrice (CZ)
cafe+co Cafe GmbH, (subgroup LLI), Vienna (A)
Café+Co Rus, OOO (vormals: Café+Co Rus, ZAO), (subgroup LLI), Moscow (RU)
CAFE+CO Timisoara S.R.L., (subgroup LLI), Timisoara (RO)
DELIKOMAT d.o.o., (subgroup LLI), Zagreb (HR)
Farina Marketing d.o.o., (subgroup LLI), Laibach (SLO)
Holz- und Energiepark Vitis GmbH, Vienna (A)
Kampffmeyer Food Innovation Polska Sp. z o.o., (subgroup LLI), Poznan (PL)
KASERNEN Projektentwicklungs- und Beteiligungs GmbH, Vienna (A)
La Cultura del Caffe Gesellschaft m.b.H., (subgroup LLI), Krems a. d. Donau (A)
Müfa Mehl und Backbedarf Handelsgesellschaft mbH, (subgroup LLI), Hamburg (D)
Naber Kaffee Manufaktur GmbH, (subgroup LLI), Vienna (A)
Neuß & Wilke GmbH, (subgroup LLI), Gelsenkirchen (D)
PBS Immobilienprojektentwicklungs GmbH, Vienna (A)
RHU Beteiligungsverwaltung GmbH & Co OG, Vienna (A)*
ROLLEGG Liegenschaftsverwaltungs GmbH, Vienna (A)
Rosenmühle GmbH, (subgroup LLI AG), Hamburg (D)
Schilling GmbH, (subgroup Medicur), Mannheim (D)
TECHBASE Science Park Vienna GmbH, Vienna (A)
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)
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:
Georg KRAFT-KINZ

Members:
Andreas FLEISCHMANN
Reinhard KARL
Michael RAB

Supervisory Board:

Chairman:
Erwin HAMESEDER

Deputy Chairman:
Johann VIEGHOFER

Members
Anton BODENSTEIN
Reinhard KERBL
Veronika MICKEL-GÖTTFERT
Alfons NEUMAYER
Gerhard PREISS
Christian RESCH
Brigitte SOMMERBAUER

Delegated by the Staff Council:
Wolfgang EINSPIELER
Anton HECHTL
Michael HOFER
Christian JENKNER
Anita BUCHGRABNER (up to 13 May 2017)
Eva TATSCHL (since 13 May 2017)

State commissioners:
Tomas BLAZEK
Alfred LEJSEK

The Managing Board of RLB NÖ-Wien issued these consolidated financial statements on 20 March 2018. 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

Georg KRAFT-KINZ
Deputy Chairman

Andreas FLEISCHMANN
Member

Reinhard KARL
Member

Michael RAB
Member

The Managing Board released the consolidated financial statements on 20 March 2018 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 as required by 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

Georg KRAFT-KINZ
Deputy Chairman
Responsible for Personal and
Business Banking Customers

Andreas FLEISCHMANN
Member
Responsible for the
Financial Markets / Organization Segment

Reinhard KARL
Member
Responsible for the
Corporate Clients Segment

Michael RAB
Member
Responsible for the
Risk Management / Accounting Segment

Auditor's Report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the **consolidated financial statements** of

RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG,
Vienna, Austria,

and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 31 December 2017, 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 present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2017, 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 UGB (Austrian Commercial Code) and Austrian banking regulations.

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation No. 537/2014 (hereafter EU-Reg.) and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of our report. We are independent of the audited entity within the meaning of Austrian commercial law and professional regulations, and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance for our audit of the consolidated financial statements for the financial year. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements as a whole, a separate opinion is not provided on these individual matters.

Our audit identified three key audit matters, which are described below:

1. Valuationof 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 is also the central institute of RLB NÖ-W AG, is reported under “investments in entities accounted at equity” at an amount of TEUR 2,248,769 in the consolidated financial statements of RLB NÖ-W AG as at 31 December 2017.

Management Board describes the procedure for the valuation of equity-accounted investments in the consolidated financial statements as at 31 December 2017 in the notes under “Principles of Accounting under IFRS” and in notes 6 and 50.

Prior to the merger of RBI with Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB) in 2017, impairment losses were recognized to the equity-accounted investment in RZB as of 31 December 2016. The amortized cost of the investment in RBI was then determined again in connection with the merger.

The valuation of the carrying amounts of equity-accounted entities must be tested if there are any objective indications of impairment. If an impairment loss was recognized in a previous period, an assessment must be made as of each balance sheet date to determine whether there is any evidence that the impairment has declined. Impairments or revaluations must be recognized up to the recoverable amount, whereby revaluations are limited to amortized cost. The recoverable amount represents the higher of fair value less selling costs and the value in use.

The development of the market price as of 31 December 2017 provided objective indications that the impairment recognized as of 31 December 2016 could have declined.

In evaluating the valuation of the investment, the Managing Board compared the fair value of the shares (market price) with the value in use. The value in use was determined in accordance with a discounted cash flow method and is confirmed by an external appraisal report. The fair value as of 31 December 2017 exceeded the value in use and was lower than the amortized costscarried forward according to the equity method. The carrying amount of the investment was therefore increased to the market price of the shares as of the balance sheet date.

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 or revaluation and tested the implemented controls to assess whether they are suitable to identify objective indications of impairment or the possible need for revaluation on a timely basis.

Moreover, we scrutinized the determination of amortized cost by the Management Board in connection with the merger of RBI and RZB, which represents the upper limit for revaluations.

We evaluated the suitability of the valuation model, planning assumptions and valuation parameters used to calculate the value in use. The applied valuation model was analysed with regard to its appropriateness for evaluating 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.

Management Board verified the accuracy of the planning data by backtesting the applied planning assumptions. We assessed the appropriateness of the related conclusions concerning the planning data on which the valuation is based.

We compared the used fair value for the valuation of the investment in RBI with the price of the RBI shares as published by the Vienna Stock Exchange on the last trading day of 2017.

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 11,613,792. The valuation allowances to these receivables totalled TEUR 182,297 as of 31 December 2017.

Management Board describes the procedure used to determine the valuation allowances in the notes under "Significant Accounting Policies" and under notes 2, 13 and 14.

As part of loan monitoring process, the Bank evaluates whether there are any objective triggers of impairment which would require the recognition of an individual valuation allowance. This evaluation also includes an assessment of whether the customers can repay the full contractually agreed amount.

The calculation of the individual valuation allowances for material customers is based on an analysis of the expected future cashflows. This analysis is influenced by estimates of the customer's economic situation and development, the valuation of collateral and estimates for the amount and timing of the related cashflows.

Rating-based portfolio valuation allowances are recorded on a valuation model for all loans and advances without objective impairment tiggers. The model used to calculate these allowances includes the outstanding customer amounts and collaterals as well as parameters which are based on statistical assumptions. These parameters include, in particular, the probability of default based on the credit rating of the individual customer, the loss given default on collaterals and the loss identification period.

The risk for the financial statements is that the identification of impairment triggers and the calculation of valuation allowances are influenced in different ways by the above mentioned assumptions which are subject to estimations and discretion uncertainties regarding the amount of valuation allowances.

Audit procedures

We analysed the existing lending approval and monitoring process for customer loans and the calculation of the valuation allowance, and evaluated whether these processes are appropriate to identify impairment triggers and ensure the correct valuation of loans and advances. Furthermore, we identified the process workflows and relevantcontrols and tested the design and implementation of relevant key controls. On a sample basis we also tested the operating effectiveness of relevant key controls

For the individual valuation allowances, we used sampling procedures to test the loans and advances to customers for the existence of objective impairment triggers and to determine whether the amount of the valuation allowances was appropriate.

The sample selection was made risk oriented with particular focus on rating categories with higher risk of default. When objective impairment triggers had been detected, we scrutinized whether the bank´s assessments regarding timing and amount of future cash flows were adequate. We tested, through sampling, the internal valuation of collaterals to determine whether the assumptions underlying the models were adequate and compared these assumptions with market data.

For the portfolio valuation allowances, we evaluated the model and the applied parameters – including the results of backtesting carried out by the Bank – to determine whether they are suitable for the customer portfolio and for the appropriate calculation of valuation allowances. We verified the calculation of the valuation allowances.

In addition, we evaluated whether the disclosures in the notes to the consolidated financial statements on the valuation of loans and advances to customers are adequate.

3. Valuation of securities and derivative financial instruments

Relevant facts and risk for the financial statements

The Company holds securities which are recognized and measured according to their respective classification and corresponding valuation principles in accordance with IAS 39. Derivative financial instruments are concluded, above all, to manage interest rate risk, as hedging instruments for other transactions with which they form a hedging relationship or for trading purposes.

Management Board describes the procedures for the classification 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 Policies" and under notes 29 and 39.

The valuation of at fair value designated securities and derivative financial instruments, for which market prices and sufficient observable market data are not available, is connected with discretionary judgment because of the strong dependence on internal valuation models and the included assumptions and parameters.

The creation of hedge relationships requires compliance with documentation requirements for the hedge and its effectiveness.

The risk for the financial statements is based on the possible incorrect classification of the financial instruments, which is influenced by discretion. Furthermore, are the assumptions and parameters underlying the valuation highly discretionary. .

Audit procedures

We reviewed the documentation of the processes installed by the Bank for the classification and measurement of securities and derivative financial instruments and tested the effectiveness of implemented controls on a sample basis.

We assessed the applied valuation models and the underlying valuation parameters for determining the fair value to their appropriateness. This process also included a comparison of the applied parameters with external data. We used sampling procedures to verify the calculation of the fair values.

Hedge relationships were evaluated, in particular, to determine whether documentation requirements were met and the purpose of the hedge and its effectiveness were given. We also reviewed the effectiveness tests carried out by the Bank for their appropriateness.

We also evaluated the appropriateness and completeness of the disclosures in the notes to the consolidated financial statements on the classification, valuation methods and 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 UGB (Austrian Commercial Code) and Austrian banking regulations. Furthermore, the Company’s management is responsible for such internal control 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, and, where appropriate, to disclose matters that are relevant to the Group’s ability to continue as a going concern, where appropriate and to apply the going concern assumption in its financial reporting, except in circumstances in which liquidation of the Group or the discontinuation of operations is planned or cases in which such measures appear unavoidable.

The audit committee is responsible for overseeing the Group’s financial reporting process.

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 an audit report that includes our opinion. Reasonable assurance represents a high degree 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 when it exists. Misstatements may result from fraud or error and are considered material if they could, individually or in the aggregate, 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, 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 override of internal control.

- We obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.
- 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 entity's ability to continue as a going concern. If we conclude that there is a material uncertainty about the entity'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 audit report. Future events or conditions however 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. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, among other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during the course of our audit.
- We report to the audit committee that we have complied with the relevant professional requirements in respect of 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 require significant auditor attention during the audit and are therefore designated as key audit matters. We describe these key audit matters in our auditor's report, except in cases where laws or other legal regulations forbid 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 are reasonably expected to outweigh its benefits for the public interest.

Report on Other Legal Requirements

Group Management Report

In accordance with Austrian Generally Accepted Accounting Principles, the group management report is to be audited to determine whether it is consistent with the consolidated financial statements and whether it was prepared in accordance with legal requirements.

The legal representatives of the Company are responsible for the preparation of the group management report in accordance with Austrian generally accepted accounting principles and banking regulations.

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

Opinion

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

Statement

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

Additional Information pursuant to Article 10 of the EU Regulation

We were appointed by Österreichische Raiffeisenverband as the auditors responsible for the statutory audit of the consolidated financial statements for the 2017 financial year in the sense of the Austrian Banking Act (Bankwesengesetz). Ms. Alexandra Tychi has been responsible for the audit of the consolidated financial statements since 2016, and KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft has been responsible for the audit of the consolidated financial statements since 2008.

We 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 EU-Reg.

Furthermore, we confirm that we have not performed any prohibited non-audit services (Article 5 Para. 1 EU-Reg.) and that we maintained our independence from the Group during the entire audit performance.

Auditors in Charge

The auditors in charge are Ms. Alexandra Tychi for Österreichische Raiffeisenverband and Mr. Bernhard Mechtler for KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft.

Vienna, 20 March 2018

Signed by the auditors commissioned by Österreichische Raiffeisenverband:

Verbandsrevisorin
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Alexandra Tychi
Wirtschaftsprüferin
(Austrian Chartered Accountant)

KPMG Austria GmbH

Bernhard Mechtler
Wirtschaftsprüfer
(Austrian Chartered Accountant)

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.

Basel II – The compendium of capital regulations issued in recent years by the Basel Committee, an international forum to improve bank supervision. In accordance with EU Directives 2006/48/EC and 2006/49/EC, these rules must be applied by all financial institutions and financial service institutions in the member states of the EU since 1 January 2007. Similar to Basel I, the goals of Basel II are to ensure the capital adequacy of credit institutions and create common basic standards for competition in both lending and credit trading. The main objective of the changes from Basel I to Basel II is to strengthen the connection between legislative capital requirements and actual risk and thereby move closer to the capital requirements determined internally by the institutions.

Basel III – The Basel II guidelines were expanded based on the experience gained from the financial and economic crisis. The goal was to better match the assumed risks with the risk capacity of a bank (as derived from the amount and quality of capital). The new Basel III capital framework was introduced in the EU through the CRR and CRD IV and published on 27 June 2013.

Capital acc. to CRR – Common equity Tier 1 capital plus 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 – Comprises common equity Tier 1 capital as defined in Art. 50 CRR and additional Tier 1 capital as defined in Art. 61 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.

Default risk – The danger that a contract partner may not meet the obligations arising from a transaction in a financial instrument and thereby cause a financial loss for the other partner.

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.

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) 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.

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%).

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(d.schiller@biz-trans.at)

Orders:
Elfriede Duda, Public Relations, Raiffeisenlandesbank Niederösterreich-Wien AG
Friedrich-Wilhelm-Raiffeisen-Platz 1, A-1020 Vienna, Austria
Phone: +43 1 211 36 - 24 66

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Enquiries should be addressed to *RLB NÖ-Wien's* Public Relations Department at the above address.