GROUP MANAGEMENT REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2019

Raiffeisenlandesbank Niederösterreich-Wien

Contents

GROUP MANAGEMENT REPORT

Overview of the 2019 Financial Year

The economic environment was influenced by the following developments during the 2019 financial year:

- The European Central Bank (ECB) reacted to the increasingly pessimistic forecasts for global growth by reducing the deposit rate from -0.4% to -0.5% in September 2019 and restarting the asset buyback programme in November with a monthly volume of EUR 20 billion – and a date for the end of these measures is currently not in sight. Moreover, the entire amount of the funds from maturing bonds will still be reinvested for an indeterminate period. The ECB also announced its intention to hold interest rates at the current level at least through summer 2020.
- Economic growth for the full 12 months of 2019 reached approximately 1.7% in Austria and 1.2% in the Eurozone. The strong momentum seen in recent years has weakened, and the Austrian economy and the Eurozone have entered a phase of moderate growth. Growth amounted to only +0.3% in Austria and +0.1% in the Eurozone during the fourth quarter of 2019.
- The further easing of monetary policy led to substantial price gains on all major stock markets, with nearly all asset classes recording sound increases in 2019. Bond market yields declined further from their historically low level, and bonds with a market volume of 15 trillion US Dollars are currently trading with negative yields.

The following major events had a significant influence on RAIFFEISENLANDESBANK NIEDER-ÖSTERREICH-WIEN AG (RLB NÖ-Wien) during the 2019 financial year:

The successful development of the customer financing business continued in 2019. Loans and advances to customers rose by EUR 695.1 million, or 5.5%, year-on-year. This sound volume growth supported an increase of EUR 5.7 million in interest result despite a slight decline in the margin.

The liquidity position of RLB NÖ-Wien remains sound. However, the investment of surplus liquidity at the even more negative ECB deposit rate (-0.5%) and the related reduction in bond yields continue to have an adverse effect on interest result.

The further flattening of the interest curve in 2019 had a positive effect on the valuation of the existing securities/bond portfolio. This was contrasted by negative effects from the fair value measurement of derivatives. These effects, in total, are responsible for the sound year-on-year improvement (approx. EUR 18 million) in profit/loss from investments and financial/non-financial assets and liabilities.

The results from equity-accounted investments – which are influenced by the earnings contribution from RBI - totalled EUR 224.7 million in 2019 (2018: EUR 210.4 million). In addition to the proportional share of earnings from RBI, which amounted to EUR 278.0 million (2018: EUR 287.7 million), this position includes an impairment loss of EUR -189.0 million (2018: EUR -90.0 million) to the carrying amount of the RBI investment. The net earnings contribution from RBI therefore totalled EUR 89.0 million (2018: EUR 197.7 million). The earnings contribution from Raiffeisen Informatik GmbH & Co KG (RI) equalled EUR 135.6 million in 2019 (2018: EUR 12.6 million) and resulted primarily from the IPO of SoftwareONE Holding AG and from the valuation of the remaining shares in SoftwareONE Holding AG.

RLB NÖ-Wien continued its digitalization offensive in 2019 in order to be optimally equipped to meet the future challenges facing the banking business. In spite of the related increase in IT costs, operating expenses were constant in year-on-year comparison.

The risk situation remains satisfactory. The valuation allowances to financial assets/loans receivable amounted to only EUR -8.3 million (2018: EUR-10.3 million). Included here are general allowances of EUR -13.4 million (2018: EUR -8.2 million).

The Economic Environment

The global and European economies

The year 2019, as seen from an economic point of view, was characterized by trade disputes, the uncertainty surrounding the “Brexit“, a weakening global economy and a massive turnaround in the monetary orientation of the leading central banks. The worldwide economy was clearly burdened, above all, by the trade dispute between China and the USA. These developments were reflected in several downward revisions to the forecasts issued by the International Monetary Fund (IMF). In the end, global GDP growth reached only 2.9% in 2019 (according to the World Economic Outlook Update from January 2020), which would represent the weakest level in ten years.

The slowdown in the Chinese economy, which contributes one-third to global growth, reached a level last seen nearly 30 years ago. However, the GDP increase of 6.1% was sufficient not to miss the official government target (6.0% to 6.5%).

For the US economy, which ranks first among the G10 countries, projections show an increase of 2.3% in 2019. Three interest rate cuts by the Federal Reserve during the second half-year helped to alleviate fears of recession and hold GDP growth roughly at the estimated level.

In the Eurozone, the economy generally slowed to a standstill in 2019. A first estimate places the GDP increase at only 0.1% from the third to the fourth quarter, which represents GDP growth of 1.2% for the year. Germany, the largest Eurozone economy, recorded an increase of only 0.6% in 2019 due to a lack of momentum in the industrial sector. Together with Italy (0.2%), Germany ranked among the weakest performers in the currency union.

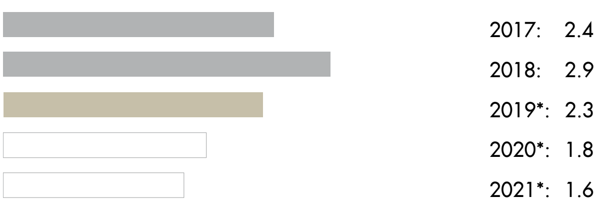
Against the background of low GDP growth, price pressure in the Eurozone was noticeably low with an inflation rate of only 1.2% on average for the year. That means the ECB again clearly missed its inflation target.

Increasing pessimism over the outlook for growth and inflation led the ECB to issue an impressive bundle of easing measures in September. They are discussed in detail under the section on Financial Markets/Interest Rate Development.

Due to its traditional lag, the economic weakness in 2019 has not yet been reflected in unemployment rates. Job statistics continued to improve during 2019, and the seasonally adjusted unemployment rate for the Eurozone equalled 7.4% in December. That represents a clear decline compared with the level in December 2018 (7.8%) and is the lowest rate recorded in the Eurozone since May 2008.

GDP Growth in the USA in % vs. prior year

*Forecasts for 2019-2021: EU Commission, Autumn Forecast for 2019



GDP Growth in the Eurozone in % vs. prior year

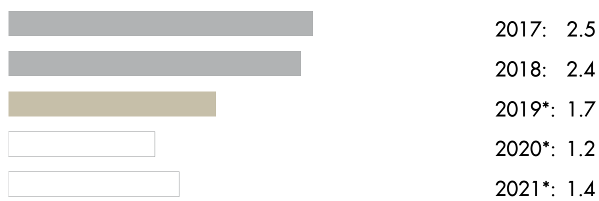
*Forecasts for 2019-2021: EU Commission, Autumn Forecast for 2019

GDP Growth in Germany in % vs. prior year

* Forecasts for 2019-2021: EU Commission, Autumn Forecast for 2019

GDP Growth in Austria in % vs. prior year

* Forecasts for 2019-2021: WIFO forecast dated 19 December 2019



The Economy in Austria

Austria was unable to disengage from the parallel slowdown in large parts of the global economy. After three years of strong growth rates over 2%, the Austrian economy weakened in 2019. According to the economic research institute WIFO, preliminary estimates place GDP growth at a real 1.7% for the full 12 months of 2019 – whereby momentum stabilised at a low level towards the end of the year.

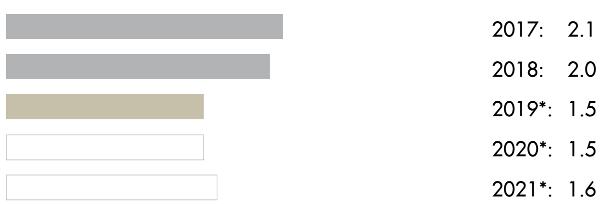
Important impulses for growth were provided by the booming construction sector and by private consumption, which was supported by a sound employment market and fiscal measures. The export-oriented production sector, in contrast, was infected by its German counterpart and is now in a recession. The Purchasing Managers' Index remained consistently below 50 points from April to December 2019. The Economic Sentiment Index, a survey by the EU Commission which measures confidence in the Austrian economy, held constant over the long-term average of 100 (with the exception of November 2019) and continues to signalize positive – but low – growth rates.

Inflation averaged 1.5% in 2019 (2018: 2.0%) due to a surprising increase to 1.7% in December that was caused by higher costs for package holidays and air travel. Projections indicate that the first budget surplus since 1974 with a plus of 0.2% of GDP in 2018 will be followed by a slight surplus of 0.6% in 2019.

The positive development of the employment market has weakened somewhat, even though the average unemployment rate declined further to 7.3% in 2019 (2018: 7.7%) according to national calculations and to 4.6% (2018: 4.9%) according to Eurostat calculations.

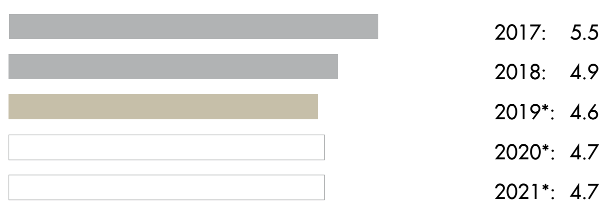
Inflation in Austria in %

*Forecasts for 2019-2021: WIFO forecast dated 19 December 2019



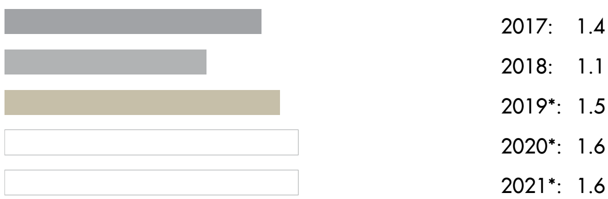
Unemployment in Austria in %

*Forecasts for 2019-2021: WIFO forecast dated 19 December 2019



Private Consumption in Austria in % gegenüber Vorjahr

*Forecasts for 2019-2021: WIFO forecast dated 19 December 2019



Overview of the Financial Markets

- The ECB held the main refinancing rate (“base rate“) and the marginal lending facility constant at 0%, respectively 0.25% in 2019. In contrast, the interest rate for the deposit facility (“deposit rate“) was reduced by 10 basis points to -0.5% on 12 September and remained at this level through the end of the year. For this reason and due to the constant high level of surplus liquidity during the entire year, money market rates (EONIA, resp. €STR and Euribor) were consistently negative in 2019.
- On the bond market, the general economic weakness and monetary easing drove yields to new historical lows. This led to substantial price gains for both government and corporate bonds in 2019. The yields on 10-year German federal bonds fell to a new all-time low of -0.743% in September 2019. Despite a year-end rally, 10-year German bonds continued to trade clearly below the level at the start of the year with -0.187% on 31 December.
- The Euro was faced with the loosest ECB monetary policy since its inception. The EUR/USD started 2019 at roughly 1.15 and closed the year at 1.1212, for a decline of roughly 2.6%. The Swiss Franc increased substantially in value during the year due to the many (geo)political risks and expectations of further easing by the ECB.
- 2019 was an excellent year for stocks. Strong upturns were recorded in both the USA and Europe, with numerous indexes moving from one all-time high to another. The ATX increased substantially in 2019, but with a performance of 16.1% lagged in part substantially behind the other European and overseas share indexes (DAX +25.5%, S&P 500 +28.8%).

Interest Rates

Geopolitical risks and weakness in the global economy triggered another round of easing by the central banks. At its Governing Council meeting on 12 September, the ECB approved an extensive package of measures: In addition to a reduction in the deposit rate to -0.5% with the parallel introduction of graduated interest (part of the banks’ surplus liquidity is exempt from the negative deposit interest), more favourable terms were announced for the new Targeted Longer-Term Refinancing Operations (TLTRO III) and the resumption of the ECB’s Asset Purchase Programme (APP) was approved with a monthly volume of EUR 20 billion beginning on 1 November 2019. Expectations of this massive monetary easing drove yields to new historical lows. On 6 September 2019, i.e. roughly one week before the ECB meeting, the yields on 10-year German federal bonds fell to an all-time low of -0.743% from 0.246% at the beginning of the year. The yields on 10-year German federal bonds then recovered to -0.187% at the end of 2019.

The yield declines in peripheral states, above all in Italy, were even more pronounced: After the new government under Prime Minister Conte successfully curbed doubts over budgetary plans and the solidity of Italy’s state finances, the risk premium (“spread“) for 10-year Italian federal bonds narrowed substantially to their German counterparts. The spread for Italian bonds equalled roughly 1.6 percentage points, compared with 2.5 percentage points at the beginning of January. Ten-year Spanish and Portuguese government bonds also traded substantially lower in December 2019 than at the start of the year.

The credit spreads for European companies and the finance branch also declined significantly during 2019. The low interest rate environment and the resulting favourable financing conditions led to a record flood of new issues: The volume of new corporate EUR-bonds jumped to EUR 442 billion in 2019, for a plus of 36% over the previous year and an increase of 10% over the record level in 2017.

Due to the sharp drop in yields on the long end, the interest rate curve at the end of 2019 was considerably flatter than at the beginning of the year.

The high surplus liquidity among banks (which still amounted to EUR 1.7 trillion at the end of December 2019) held money market rates constant in the negative range. The 3-month Euribor listed at -0.309% on the first trading day of the year and at -0.383% on 31 December 2019. At the beginning of October, the ECB started to publish the Euro Short-Term Rate (€STR). This unsecured overnight rate is based exclusively on individual Euro-based transactions conducted and settled during the previous trading day and is intended to replace the EONIA. On 31 December 2019, the €STR listed at -0.531% and the EONIA at -0.446%.

Eurozone Interest rates

in %

Source: Thomson Reuters Datastream

Currencies and Equity Markets

The devaluation of the Euro versus the Dollar at the beginning of October 2019 was most likely attributable to the Euro-weakness which mirrored the fragile condition of the Eurozone economy. The Euro was negatively influenced, above all, by the uncertain future of global trade as a consequence of the US trade conflicts with China and the EU as well as the continuing danger of a "no-deal Brexit". The EUR/USD started 2019 at roughly 1.15 and reached the annual low of 1.0877 on 1 October. Following a rally in reaction to a partial agreement in the trade conflict and greater clarity over Great Britain's exit from the EU on 31 January 2020, the EUR/USD closed 2019 at 1.1212. This represents a decline of 2.6% compared with the beginning of the year.

The Swiss Franc was influenced by numerous risks in 2019: The EUR/CHF opened the year at roughly 1.13 and fell to 1.0809 (annual low on 4 September 2019) before the decisive September rate meeting at which Mario Draghi ignited his final monetary fireworks as the head of the ECB. Despite the resolution of geopolitical risks towards the end of the year, the closing price for 2019 was only slightly higher at 1.087. That represents a decline of 3.5% compared with the beginning of the year. The Swiss National Bank (SNB) emphasized at its December rate meeting that the Franc was still strong and that it was prepared to intervene in the foreign exchange market if necessary.

The British Pound was still driven, above all, by the news surrounding the exit negotiations three years after the "Brexit" referendum. The EUR/GBP began the year at 0.899 and reached the annual high of 0.9324 in mid-August. Although the dispute over the timing and form of the "Brexit" continued to deteriorate, the GBP slowly increased in value. The early parliamentary elections in December brought a clear majority for Prime Minister Johnson and, in turn, greater clarity over Great Britain's actual exit from the EU on 31 January 2020. The closing rate for the EUR/GBP on 31 December 2019 equalled 0.8454, which means the British Pound gained roughly 6% versus the Euro in this domestically turbulent year.

As previously mentioned, 2019 was not free of worries over the economy: In addition to the "Brexit" chaos and the US-Chinese trade war, uncertainty was fuelled by the growing populism across Europe and the debt crisis in Italy. Strong fears of recession materialized, above all during the summer. This further increased the central banks' concentration on their expansive monetary policy which, in turn, benefited the markets. Savings books and even bonds no longer represent interesting alternatives for a growing number of investors because of the intensified and extended low-interest environment, while the stock market is a source of potential price gains as well as stable dividend income. These factors led to the flow of a major component of the abundant liquidity into shares during 2019. Massive share buybacks also served as a price driver: US blue chip companies, in particular, repurchased their shares on a large scale in 2019. Calculations show that the fourth quarter repurchases represented a good 3.1% of the accumulated market capitalisation – and also "pushed" the earnings growth to an appropriate level.

The upturn was particularly strong during the first and fourth quarters: The movement at the beginning of the year can be seen as a correction of the sharp drop in December 2018, but the strong momentum in the final quarter is certainly explained by the partial agreement in the US-Chinese trade dispute and the Tories' victory in Great Britain's parliamentary elections. Wall Street rushed from record to record in December: The S&P 500 rose to a new all-time high of 3,247.93 points on 27 December for an annual gain of 28.8%. The technology-heavy Nasdaq 100 recorded an even higher gain of 38.0%, the highest in ten years. The performance in Europe was very satisfactory, but clearly failed to match the US markets: For example, the leading German index (DAX) reached 13,249 points on 30 December 2019. This 25.5% increase is the largest annual gain since 2013. The ATX rose by 16.1% but was unable to recover the previous year's minus. The gain by the FTSE equalled "only" 12.1% - and placed the leading British index at the end of the performance list for 2019.

Development of the EUR vs. USD and CHF

Development of the Austrian Banking Sector

The steady decline in the average balance sheet total of the Austrian credit institutions which began in 2012 ended with a turnaround in the third quarter of 2018 – which has continued consistently every quarter since that time, most recently with a 4.3% year-on-year increase in the third quarter of 2019 (data are not yet available on the final quarter of 2019). Loans and advances to customers (non-bank) have risen steadily since the first quarter of 2018. The pace of this growth has also accelerated: In the third quarter of 2019, 6.9% more loans were granted than in the third quarter of the previous year. The success of 2019 as a stock market year can also be seen in the development of the position "shares and other variable-yield securities": Each quarter brought a successively larger increase, with a plus of 9.0% year-on-year in the third quarter of 2019.

All segments on the liabilities side of the balance sheet also recorded growth in 2019: Deposits from other banks rose by 4.8%, deposits from customers (non-bank) by 4.0% and securitized liabilities by 8.7% (all values: third quarter 2019, year-on-year comparison).

The earnings position of the Austrian banks weakened further in 2019. Net interest income for the third quarter was only 0.2% higher than the comparative prior year period. Operating income rose by 1.2% (the first increase since the second quarter of 2018), but only because other operating profit was unusually high; all other positions (income from securities and investments, net fee and commission income and net income from financial transactions) were lower than the previous year.

Operating expenses increased continuously in 2019, and the operating profit recorded by the Austrian banks for the third quarter of 2019 totalled only EUR 4,187.4 million – EUR 709.8 million below the previous year, for a decline of 14.5%. Profit on ordinary activities for the third quarter was 6.4% below the previous year, and net profit was 7.3% lower.

Earnings, Financial and Asset Position

The following tables can include rounding differences.

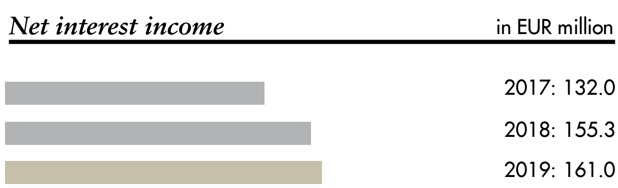
The consolidated financial statements of RLB NÖ-Wien are prepared in accordance with EU Directive (EC) 1606/2002 issued by the Commission on 11 September 2002 in connection with § 245a of the Austrian Commercial Code ("Unternehmensgesetzbuch") and § 59a of the Austrian Banking Act ("Bankwesengesetz") 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 2019. RLB NÖ-Wien also prepares separate financial statements in accordance with the Austrian Banking Act and in connection with the Austrian Commercial Code. The consolidated management report agrees with the consolidated financial statements and presents a true and fair view of the financial position, financial performance and cash flows of RLB NÖ-Wien.

Consolidated operating profit 2019 vs. 2018

€'000	**2019**	**2018**	**Absolute +/(–) Change**	**Change in percent**
Net interest income	161,020	155,315	5,705	3.7
Net fee and commission income	60,841	61,963	(1,122)	(1.8)
Profit from equity-accounted investments	224,710	210,376	14,334	6.8
Profit/Loss from investments and non-financial assets and liabilities	10,997	(6,717)	17,714	-
Other	25,371	19,034	6,337	33.3
Operating income	***482,938***	***439,971***	***42,967***	***9.8***
Staff costs	(100,877)	(109,461)	8,584	(7.8)
Other administrative expenses	(110,218)	(121,846)	11,628	(9.5)
Depreciation/amortization/write-offs	(13,290)	(5,146)	(8,144)	>100
Depreciation, amortization, personnel and operating expenses	***(224,385)***	***(236,453)***	***12,068***	***(5.1)***
Group operating income	**258,553**	**203,518**	**55,035**	**27.0**

Net interest income rose by 3.7% to EUR 161.0 million in 2019. This substantial year-on-year increase was based, above all, on the following factors:

- The successful trend which has characterized in the customer financing business in recent years continued during 2019 despite the above-mentioned economic slowdown. The volume of loans and advances to customers rose by EUR 695.1 million, or 5.5%, over the previous year. This sound development had a positive effect of roughly EUR 14.3 million on net interest income.
- Interest result remained under pressure due to the even more negative ECB deposit rate (-0.5%) applied to surplus liquidity and the related decline in bond yields.



Net fee and commission income was noticeably lower than the previous year at EUR 60.8 million (EUR 62.0 million). The increase in payment transactions was contrasted by declines in the insurance business and higher costs for credit brokers.

Profit/(loss) from investments accounted for at equity – which is influenced by the earnings contribution from RBI – totalled EUR 224.7 million in 2019 (2018: EUR 210.4 million). This position includes EUR 278.0 million (2018: EUR 287.7 million) for the proportional share of earnings from RBI as well as an impairment loss of EUR -189.0 million (2018: EUR -90.0 million) to the carrying amount of the RBI investment. The net contribution from RBI therefore equalled EUR 89.0 million (2018: EUR 197.7 million). The contribution from RI amounted to EUR 135.6 million (2018: EUR 12.6 million), whereby the major component resulted from the IPO of SoftwareONE Holding AG.

Profit/loss from investments and financial/non-financial assets and liabilities totalled EUR 11.0 million (2018: EUR -6.7 million). It includes the proceeds from the sale of government bonds as well as valuation costs for derivatives, which came strong pressure on the long end due to the decline in interest rates.

Other operating profit/(loss) rose by EUR 6.3 million to EUR 25.4 million. The increase was supported by non-recurring income from damages in previous years and by the regular adjustment of internal service charges. This position includes, among others, the expenses for the stability levy (EUR 15.2 million) as well as the contribution to the European resolution fund and the deposit insurance fund (EUR 12.5 million).

Operating income in EUR million

Personnel expenses amounted to EUR 100.9 million in 2019 and were EUR 8.6 million lower than the previous year (EUR 109.5 million). From an operational standpoint, personnel expenses generally reflected the prior year. In 2018, personnel expenses were negatively influenced by a EUR 9.9 million addition to a provision for restructuring.

Operating expenses totalled EUR 110.2 million and were EUR 11.6 million below the comparative prior year value of EUR 121.8 million. This decline was contrasted by an increase of EUR 8.1 million in **depreciation and amortization** to EUR 13.3 million following the capitalization of rights of use in accordance with IFRS 16. The continuing high IT expenses for the wide-ranging digitalization offensive were offset by additional cost optimization measures.

General administrative expenses in EUR million

The RLB NÖ-Wien Group recorded a year-on-year increase of EUR 55.0 million in **consolidated operating profit** to EUR 258.6 million. It resulted from the improvement in net interest result, the earnings contribution from the equity-accounted investments in RBI and RI, income from securities sales and a reduction in operating expenses.

€'000	2019	2018*	Absolute +/(–) Change	Change in percent
Group operating income	258,553	203,518	55,035	27.0
Net impairment loss/reversal of impairment to financial assets	(8,289)	(10,303)	2,014	(19.5)
Profit for the period before tax	250,264	193,215	57,049	29.5
Income tax*	(22,862)	1,198	(24,060)	-
Net profit/loss for the period	**227,403**	**194,413**	**32,990**	**17.0**

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").

The **net impairment loss/reversal of impairment to financial assets** amounted to EUR -8.3 million in2019 (2018: EUR -10.3 million). The valuation adjustments to loans and advances totalled EUR -7.0 million, and the impairment losses to bonds amounted to EUR -1.2 million.

Profit before tax totalled EUR 250.3 million (2018: EUR 193.2 million). After the deduction of income tax expense, **after-tax profit for the reporting year** equalled EUR 227.4 million (2018: EUR 194.4 million).

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

Other comprehensive income of EUR 81.5 leads to total comprehensive income for the 2019 financial year. It includes, above all, the proportional share of positive effects (above all FX effects) from the at-equity consolidation of RBI. **Total comprehensive income** for 2019 amounted to EUR 308.9 million (2018: EUR 151.5 million).

Segment Report

The basis for segment reporting in accordance with IFRS 8 is formed by the internal management reporting system of the RLB NÖ-Wien Group.

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

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

The **Retail/Raiffeisen Association Services Segment** covers the retail banking business in the Vienna branches, which service personal banking, trade and business and self-employed customers. The segment offers various banking products and services for these customer groups, in particular for investments and financing. Private banking teams provide professional advice to high net worth personal banking customers in Vienna, while small and medium-sized businesses are supported by the trade and business teams. This segment recorded a pre-tax loss of EUR -11.8 million in 2019, compared with EUR -25.2 million in the previous year. Net interest income improved by EUR 1.6 million year-on-year to EUR 56.9 million. The volume of loans and advances increased by substantially in 2019. Net fee and commission income also had a positive effect on earnings (EUR 52.5 million versus EUR 50.1 million in 2018), chiefly due to improvements in the payment transactions business. Depreciation, amortization, personnel and operating expenses declined from EUR 146.0 million in the previous year to EUR 130.3 million. This reduction was based on cost savings related to the retail transformation and on non-recurring special expenses in 2018 for the reorientation of the branch locations.

The **Corporate Clients Segment** recorded pre-tax profit of EUR 98.3 million in 2019 (2018: EUR 73.3 million). Specially designed products and solutions as well as in-depth customer service are the decisive success factors for this segment. The volume of loans and advances rose substantially year-on-year and led to an increase in net interest income. Net interest income rose to EUR 127.9 million (2018: EUR 118.0 million). The increase in depreciation, amortization, personnel and operating expenses to EUR 53.8 million (2018: EUR 49.0 million) resulted primarily from investments in digitalization projects.

The **Financial Markets Segment** generated pre-tax profit of EUR 134.7 million in 2019 (2018: EUR 10.3 million). Net interest income fell by EUR -5.7 million to EUR 26.5 million (2018: EUR 32.1 million) due to a lower contribution from maturity transformation which resulted from the current interest environment. The profit from equity-accounted investments includes an earnings contribution of EUR 135.7 million (2018: EUR 12.6 million) from RI. The profit/loss from financial assets and liabilities in 2019 included losses from the measurement of derivatives and sale proceeds from government securities. In comparison with the previous year, this position shows an improvement of EUR 14.9 million to EUR 4.6 million (2018: EUR -10.3 million). Other operating income rose by EUR 4.4 million year-on-year to EUR -2.2 million.

RBI, a material investment of RLB NÖ-Wien, contributed EUR 278.0 million to earnings in 2019 (2018: EUR 287.7 million). This was contrasted by an impairment loss of EUR 189.0 million (2018: EUR 90.0 million) recognized to the carrying amount of the RBI investment. Net profit before tax in the **RBI** Segment equalled EUR 38.1 million (2018: EUR 146.4 million) million after the deduction of refinancing and administrative costs.

Profit before tax in the **Raiffeisen Association Segment** equalled EUR 1.5 million in 2019 (2018: EUR 2.8 million).

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

The **Other Segment** includes, above all, the special bank levy of EUR -10.6 million and reported profit before tax of EUR -10.9 million (2018: EUR -14.9 million).

Consolidated Balance Sheet 2019

The balance sheet total of the RLB NÖ-Wien Group rose by EUR 645.7 million over the previous year to EUR 27,604.1 million in 2019. An increase in the volume of loans and advances was contrasted by higher refinancing for customers and securitized liabilities.

Assets

€m	31/12/2019	31/12/2018*	Absolute +/(–) Change	Change in percent
Financial assets at amortized cost	20,033	19,188	845	4.4
Of which loans and advances to customers	13,313	12,618	695	5.5
Of which bonds	4,060	4,129	(69)	(1.7)
Of which loans and advances to other banks	2,648	2,442	207	8.5
Of which other financial assets	12	0	12	-
Financial assets designated at fair value through profit or loss	1,302	1,515	(213)	(14.1)
Of which trading portfolio	1,140	1,342	(202)	(15.0)
Of which investments, immaterial shares in subsidiaries and associates	14	13	1	10.1
Of which bonds not held for trading	1	1	0	7.7
Of which loans and advances to customers not held for trading	147	160	(13)	(7.9)
Fair value changes in the underlying transactions for portfolio hedges of interest rate risks	(4)	0	(4)	-
Financial assets at fair value through other comprehensive income	19	19	0	0.4
Interest in equity-accounted investments	2,586	2,356	230	9.7
Other assets	3,668	3,880	(212)	(5.5)
Consolidated assets	**27,604**	26,958	**646**	**2.4**

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").

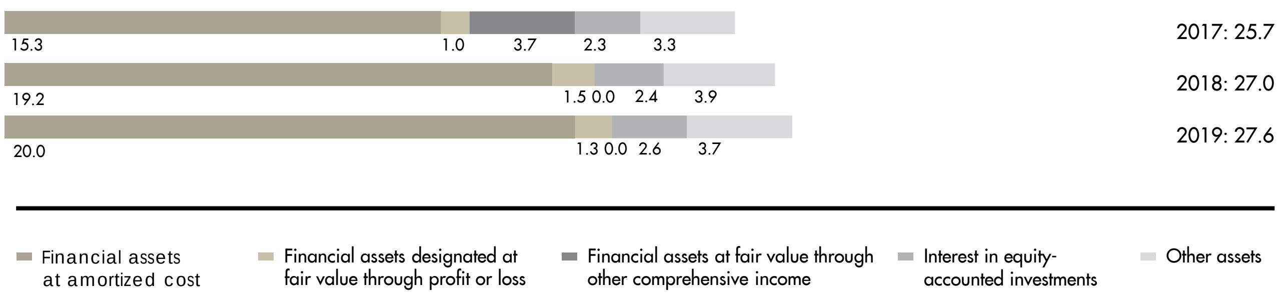
Loans and advances to customers (at amortized cost) showed sound development in comparison with the previous year and totalled EUR 13,313.0 million as of 31 December 2019. The year-on-year increase of EUR 695.1 million resulted primarily from corporate financing.

Loans and advances to other banks amounted to EUR 2,648.3 million as of 31 December 2019 (31 December 2018: EUR 2,441.5 million). The increase resulted, above all, from loans and advances to member institutions of the Raiffeisen sector.

The total **interest in equity-accounted investments** rose to EUR 2,585.5 million (2018: EUR 2,355.9 million) due to an increase in the carrying amounts of RBI and RI.

Other assets totalled EUR 3,668.0 million, compared with EUR 3,880.2 million as of 31 December 2018. The year-on-year decline resulted primarily from a lower volume of deposits with Oesterreichische Nationalbank (OeNB).

Structure of assets on the consolidated balance sheet in EUR billion



Liabilities and Equity

€m	31/12/2019	31/12/2018*	Absolute +/(–) Change	Change in percent
Financial liabilities measured at amortised cost	23,913	23,513	400	1.7
Of which deposits from other banks	7,684	8,752	(1,068)	(12.2)
Of which deposits from customers	8,972	8,182	789	9.6
Of which securitized liabilities (incl. Tier 2 capital)	7,161	6,579	583	8.9
Of which other financial liabilities	96	0	96	-
Financial liabilities designated at fair value through profit or loss	509	585	(76)	(13.0)
Equity**)	2,514	2,250	263	11.7
Other liabilities	668	610	58	9.6
Consolidated equity and liabilities	**27,604**	26,958	**646**	**2.4**

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").

Deposits from other banks fell by EUR 1,068.0 million, or 12.2%, to EUR 7,684.1 million as of 31 December 2019 (31 December 2018: EUR 8,752.1 million). The reduction resulted from a lower volume of interbank deposits.

Deposits from customers, including savings deposits, rose by EUR 789.4 million to EUR 8,971.7 million.

The total volume of **securitized liabilities, incl. Tier 2 capital,** equalled EUR 7,161.2 million and was EUR 582,6 million higher than at year-end 2018. Maturing securities were replaced, in particular, by a covered bond issue (issue volume 2019: EUR 500.0 million).

Equity rose by EUR 263.4 million over the previous year to EUR 2,513.6 million as of 31 December 2019 based on the sound results recorded for 2019.

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 associates and excl. impairment losses) – equalled 33.4% in 2019 (2018: 44.6%).

The **Group's return on equity after tax** – i.e. the return on equity based on average equity – equalled 9.5% (2018: 8.8%).

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 3,421.1 million (2018: EUR 3,078.9 million). At 22.3% (2018: 22.1%), the Tier 1 ratio (for comprehensive risk) substantially exceeds the total capital requirement, including the buffer, of 17.10% 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 5.60% which was established by the SREP. The capital buffer requirements comprise a system risk buffer of 1.00% and a capital conservation buffer of 2.50%.

Eligible capital comprises the following: The common equity Tier 1 ratio includes the superior credit institution's subscribed capital of EUR 124.1 million, appropriated capital reserves of EUR 907.7 million, retained earnings of EUR 1,898.1 million and various regulatory adjustments of EUR 8.7 million. After deductions of EUR -36.5 million, common equity Tier 1 capital equalled EUR 2,902.1 million. The additional Tier 1 capital comprises an additional Tier 1 capital instrument of EUR 95.0 million. Tier 1 capital, after deductions, therefore totalled EUR 2,997.1 million (2018: EUR 2,609.1 million).

Tier 2 capital of EUR 424.0 million (2018: EUR 469.9 million) comprises eligible Tier 2 instruments of EUR 380.1 million, an addition of EUR 43.4 million as well as participation capital of EUR 0.5 million which no longer qualifies as CET 1 capital.

Tier 1 capital as a per cent of eligible capital equalled 87.6% (2018: 84.7%).

The common equity Tier 1 ratio (CET1 ratio) equalled 18.9% as of 31 December 2019 (2018: 17.8%), and the Tier 1 ratio for the total risk of the Raiffeisen-Holding NÖ-Wien credit institution group equalled 19.5% (2018: 18.7%).

The Internal Control System for the Accounting Process

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

Control Environment

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

The internal control system comprises guidelines and processes which:

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

Risk Assessment

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

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

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

Control Activities

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

Information and Communication

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

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

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

Monitoring

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

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

Risk Report

Detailed information on the financial risks to which the RLB NÖ-Wien Group is exposed and on the goals and methods for risk management is provided in the risk report, which represents an integral part of the notes to the consolidated financial statements (Note (31) Risks arising from financial instruments).

Branches and Offices

The branch structure was further optimized in 2019. The personal and business banking customers of RLB NÖ-Wien were serviced at 22 locations throughout Vienna as of 31 December 2019. Vienna's Loos Haus provides services for private banking customers, while the Raiffeisen Haus also offers services for the Raiffeisen organization and its employees. Five customer representative teams are available for business customers. The service centre for corporate clients is located in the Raiffeisen Haus on Friedrich-Wilhelm-Raiffeisen-Platz 1 in Vienna. RLB NÖ-Wien has no branches or offices in foreign countries.

Research and Development

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

Non-financial Performance Indicators

RLB NÖ-Wien is exempt from the requirement to prepare a consolidated non-financial statement pursuant to § 267a (7) of the Austrian Commercial Code because it was included in the consolidated non-financial statement of Raiffeisen-Holding NÖ-Wien reg. Gen.m.b.H. (Raiffeisen-Holding NÖ-Wien). This statement was prepared and published in accordance with the relevant 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 and can be reviewed on the following website: www.raiffeisenholding.com.

Significant Events after the Balance Sheet Date

Significant events after the balance sheet date are reported in the notes.

Outlook on 2020

The Economic Environment

A secure growth forecast is impossible at the present time because of the almost daily developments related to the corona crisis. More and more economists have reached the conclusion that the global economy is headed for a recession in 2020 due to the spread of the coronavirus and the radical measures introduced for its containment.

On 2 March, the Organization for Economic Cooperation and Development (OECD) became the only well-known institution to issue a detailed forecast. It included a reduction in growth projections for the current year in reaction to the coronavirus crisis. Under the assumption that the pandemic in China reaches its peak during the first quarter of 2020 and the outbreak in other countries is limited or can be contained, growth would decline by 0.5 percentage points compared with the forecast issued in November 2019. This favourable OECD scenario places growth at only 2.4%, compared with the originally estimated 2.9%. The virus is, however, threatening a global economy that has already been weakened by trade disputes and political tensions. The OECD forecast indicates that growth could reach only half the 2019 level if the spread of COVID-19 is stronger in Europe and North America.

The most substantial reductions in the OECD forecasts involved China, Japan and Australia: For China, the organisation now estimates GDP growth at 4.9% in 2020 (previous: 5.7%), followed by 6.4% in 2021. An increase below 5% would, however, represent the weakest level since 1990. Japan is expected to record an increase of 0.2% (previous: 0.6%) and 0.7% in 2021, while Australia should see an increase of 1.8% (previous: 2.3%) and 2.6% in 2021. All countries are expected to recover their lost growth, at least in part.

The OECD projections for growth in the Eurozone include a downward revision to 0.8% (previous: 1.1%) and 1.2% in 2021. Germany is generally absent from the best-case scenario, and the OECD projections therefore point to growth of 0.3% (previous: 0.4%) in 2020 and 0.9% in 2021. The estimates for France show 0.9% (previous: 1.2%) and 1.4% for the next year. Italy is expected to stagnate (previous: 0.4%) in 2020 and then grow by 0.5% in 2021.

The OECD views the outlook for growth as highly uncertain to the tense situation. It assumes, however, that part of the growth will be recovered in 2021 because its projections for that year point to an increase of 3.3% in the global economy.

All of these forecasts are based on a best-case scenario. In its worst-case scenario, the OECD assumes a longer-lasting, more intensive outbreak of the coronavirus with a further spread into the Asian-Pacific region, Europe and North America. The outlook would deteriorate significantly if this development materialized. In this case, the OECD is forecasting growth of only 1.5%. Governments are now called upon to take all necessary steps to protect public health and stop the spread of the virus. Economic programmes (e.g. general tax and duty cuts) and the provision of liquidity are inevitable.

The ECB will increase its expansive course due to the outbreak of the coronavirus and its economic effects in 2020 – and approved a package of economic support measures in March. The deposit rate remained constant at -0.50%, but securities purchases were increased by EUR 120 billion up to the end of 2020 and a loosening of the conditions set by the TLTRO III tender was approved. In addition, there will be a series of additional LTRO transactions through the end of June. A review of the ECB strategy was postponed to a later date. This “strategy review“ involves, among others, an assessment of the measures, tools and communication by the central bank.

Outlook on the Group's Development

The continuation of the successful growth course in the financing business, in both the Corporate Clients Segment and the Retail and Raiffeisen Association Services Segment will remain a key part of activities in 2020. Plans call for the further expansion of high-quality customer relationships through a customer-oriented approach.

Another focal point involves the implementation of the new branch concept in Vienna. The goal is to develop a modern, viable branch network which meets the changing expectations and needs of the bank's customers. RLB NÖ-Wien AG plans to invest approximately EUR 20 million in its locations over the coming years, and the first adapted branch offices are scheduled to open in 2020.

The advancement of digitalization represents an inseparable part of this customer orientation, not only in the form of products and services, but also in the simplification of transaction handling.

As a bank for the Raiffeisen sector, the role of RLB NÖ-Wien as a synergy partner for the Lower Austrian Raiffeisen banks will be further expanded.

Economic growth in 2020 sill be significantly influenced by the spread of Covid-19, but the extent of the pandemic is impossible to estimate at the present time. However, leading economic research institute believe the European economy could very well slip into a recession. Additional information is provided in the notes under the section on *Events after the balance sheet date*.

Vienna, 24 March 2020

The Managing Board

Klaus BUCHLEITNER, m.p.
Chairman

Reinhard KARL, m.p.
Deputy Chairman

Andreas FLEISCHMANN, m.p.
Member of the Managing Board

Martin HAUER, m.p.
Member of the Managing Board

Michael RAB, m.p.
Member of the Managing Board

CONSOLIDATED FINANCIAL STATEMENTS (IFRS) 2019

Consolidated Statement of Comprehensive Income

Consolidated Income Statement

€'000	Notes	01/01 - 31/12/2019	01/01 - 31/12/2018*
Net interest income	(1	161,020	155,315
Interest income calculated according to the effective interest method		271,836	262,385
Interest income not calculated according to the effective interest method		167,013	199,182
Interest expense calculated according to the effective interest method		(135,179)	(129,067)
Interest expense not calculated according to the effective interest method		(142,650)	(177,185)
Net fee and commission income	(2	60,841	61,963
Fee and commission income		86,992	87,454
Fee and commission expenses		(26,151)	(25,492)
Dividend income	(3	2,682	2,879
Profit from equity-accounted investments	(4	224,710	210,376
Depreciation, amortization, personnel and operating expenses	(5	(224,385)	(236,453)
Profit/Loss from financial assets and liabilities	(6	10,564	(7,223)
Of which profit/loss from financial assets at amortized cost		15,464	5,142
Profit/Loss from investments and non-financial assets	(7	432	506
Net impairment loss/reversal of impairment to financial assets	(8	(8,289)	(10,303)
Other operating profit/loss	(9	22,689	16,155
Other operating income		61,566	55,252
Other operating expenses		(42,361)	(45,537)
Addition to or release of provisions		3,484	6,439
Profit for the period before tax		**250,264**	**193,215**
Income tax	(10	(22,862)	1,198
Profit for the period after tax		**227,403**	**194,413**
Of which attributable to non-controlling interests		12	33
Of which attributable to equity owners of the parent		227,391	194,380

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").

**) The reporting of the interest income and interest expense from derivatives in hedge accounting was adjusted in 2019 to allocate these items to the respective underlying transaction and thereby achieve a more precise economic presentation. The prior year data were adjusted to improve comparability (details are provided in Note (1) and in the Notes under "Restatement for changes in accounting policies").

Reconciliation to Consolidated Comprehensive Income

€'000	**01/01 - 31/12/2019**	01/01 - 31/12/2018*
Profit for the period after tax	***227,403***	*194,413*
Items that will not be reclassified to profit or loss in later periods	***9,210***	*5,093*
Remeasurement of defined benefit pension plans	(7,107)	1,777
Fair value changes in equity instruments (through other comprehensive income)	(218)	(965)
Deferred taxes on items not reclassified to profit or loss	828	298
Proportional share of other comprehensive income from equity-accounted investments	15,708	3,983
Items that may be reclassified to profit or loss in later periods	***72,252***	*(48,047)*
Cash flow hedge reserve	(2,045)	(2,045)
Deferred taxes on items that may be reclassified to profit or loss	68	266
Proportional share of other comprehensive income from equity-accounted investments	74,229	(46,268)
Other comprehensive income	***81,462***	*(42,955)*
Consolidated comprehensive income	**308,864**	151,458
Of which attributable to non-controlling interests	12	33
Of which attributable to equity owners of the parent	308,852	151,425

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").

Consolidated Balance Sheet

€'000	Notes	31/12/2019	31/12/2018*	01/01/2018*
Cash, cash balances at central banks and other demand deposits	(11)	3,040,188	3,359,250	2,790,844
Financial assets held for trading	(12)	1,140,011	1,341,693	1,106,615
Derivatives		487,792	531,373	601,498
Other trading assets		652,219	810,320	505,117
Non-trading financial assets mandatorily at fair value through profit or loss	(13)	162,229	173,513	170,824
Financial assets at fair value through other comprehensive income	(14)	18,950	18,872	19,365
Financial assets at amortized cost	(15) (16)	20,033,364	19,188,168	18,715,245
Bonds		4,060,086	4,128,791	3,904,481
Loans and advances to other banks		2,648,319	2,441,505	3,586,932
Loans and advances to customers		13,312,952	12,617,872	11,223,831
Other assets		12,007	0	0
Derivatives - hedge accounting	(17)	405,674	347,329	354,761
Fair value changes in the underlying transactions for portfolio hedges of interest rate risks	(18)	(3,922)	0	0
Interest in equity-accounted investments	(19)	2,585,515	2,355,949	2,286,121
Property and equipment	(20)	102,197	14,940	14,361
Investment property	(20)	2,451	2,916	4,059
Intangible assets	(21)	12,947	8,936	8,032
Deferred tax assets	(22)	259	8,626	11,443
Tax assets		107	91	142
Deferred tax assets		152	8,535	11,301
Other assets	(23)	104,248	138,212	163,743
Balance sheet assets		**27,604,110**	26,958,406	25,645,412

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").

€'000	Notes	31/12/2019	31/12/2018*	01/01/2018*
Financial liabilities held for trading	(24)	509,172	585,386	654,336
Derivatives		509,172	585,386	654,336
Financial liabilities measured at amortized cost	(25)	23,913,387	23,513,145	22,128,766
Deposits from other banks		7,684,088	8,752,128	7,818,593
Deposits from customers		8,971,709	8,182,342	7,767,789
Securitized liabilities		7,161,241	6,578,675	6,542,384
Other liabilities		96,349	0	0
Derivatives - hedge accounting	(26)	407,138	343,537	375,635
Provisions	(27)	120,457	142,711	135,398
Tax liabilities	(28)	7,687	2,970	2,298
Tax liabilities		2,664	2,970	2,298
Deferred tax liabilities		5,022	0	0
Other liabilities	(29)	132,649	120,418	173,349
Equity	(30)	2,513,620	2,250,238	2,175,630
Attributable to non-controlling interests		40	110	82
Attributable to equity owners of the parent		2,513,580	2,250,128	2,175,548
Balance sheet equity and liabilities		**27,604,110**	26,958,406	25,645,412

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").

Consolidated Statement of Changes in Equity

€'000	Sub-scribed capital	Capital reserves	Retained earnings	Other compre-hensive income	Profit or loss attributable to equity owners of the parent	Equity at-tributable to owners of the parent	Non-control-ling inter-ests	Total
	Anteile der Gesellschafter des Mutterunternehmens							
Equity at 31/12/2017	*219,789*	*556,849*	*1,203,880*	*(302,215)*	*560,138*	*2,238,441*	*82*	*2,238,523*
Revaluations IFRS 9	0	0	10,405	(69,765)	0	(59,360)	0	(59,360)
Equity as of 01/01/2018 after IFRS 9 transition	*219,789*	*556,849*	*1,214,285*	*(371,980)*	*560,138*	*2,179,081*	*82*	*2,179,163*
Restatement of the previous year*	0	0	(2,036)	(1,497)	0	(3,533)	0	(3,533)
Equity at 01/01/2018	*219,789*	*556,849*	*1,212,249*	*(373,477)*	*560,138*	*2,175,548*	*82*	*2,175,630*
Consolidated comprehensive income	0	0	0	(42,955)	194,380	151,425	33	151,458
Net profit/loss for the period	0	0	0	0	194,380	194,380	33	194,413
Other comprehensive income	0	0	0	(42,955)	0	(42,955)	0	(42,955)
Use of retained earnings	0	0	560,138	0	(560,138)	0	0	0
Dividends paid	0	0	(25,056)	0	0	(25,056)	(6)	(25,062)
Enterprise's interest in other changes in equity of equity-accounted investments	0	0	(52,007)	0	0	(52,007)	0	(52,007)
Other changes	0	0	321	(103)	0	219	0	219
Equity at 31/12/2018	**219,789**	**556,849**	**1,695,644**	**(416,535)**	**194,380**	**2,250,128**	**110**	**2,250,238**
Equity at 01/01/2019	*219,789*	*556,849*	*1,695,644*	*(416,535)*	*194,380*	*2,250,128*	*110*	*2,250,238*
Consolidated comprehensive income	0	0	0	81,462	227,391	308,852	12	308,864
Net profit/loss for the period	0	0	0	0	227,391	227,391	12	227,403
Other comprehensive income	0	0	0	81,462	0	81,462	0	81,462
Use of retained earnings	0	0	194,380	0	(194,380)	0	0	0
Dividends paid	0	0	(30,111)	0	0	(30,111)	(5)	(30,116)
Enterprise's interest in other changes in equity of equity-accounted investments	0	0	(15,363)	0	0	(15,363)	0	(15,363)
Other changes	0	0	75	0	0	75	(76)	(2)
Equity at 31/12/2019	**219,789**	**556,849**	**1,844,625**	**(335,074)**	**227,391**	**2,513,581**	**40**	**2,513,620**

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").

Consolidated Cash Flow Statement

€'000	Notes	01/01 - 31/12/2019	01/01 - 31/12/2018*
Profit for the period after tax		***227,403***	***194,413***
Write-downs/(write-ups) of property and equipment and measurement of financial assets and equity investments		(105,229)	(6,989)
Profit from equity-accounted investments	(4)	(224,710)	(210,376)
Release of/addition to provisions and impairment allowances		(11,323)	42,937
(Gains)/losses on disposals of property and equipment and financial investments		(39,550)	(2,174)
Reclassification of net interest income, dividends and income taxes		(141,962)	(159,393)
Other adjustment (net)		786	(5,549)
Subtotal before change in assets/liabilities (operating)		***(294,586)***	***(147,131)***
Other demand deposits		3,311	(381,786)
Financial assets held for trading		209,944	(269,654)
Financial assets designated at fair value through profit or loss		12,660	227
Financial assets at amortized cost		(889,066)	(272,846)
Derivatives - hedge accounting		11,049	(8,513)
Other assets		26,454	25,531
Financial liabilities held for trading		(66,724)	(92,862)
Financial liabilities measured at amortized cost		442,257	1,420,979
Other provisions		(29,155)	(23,784)
Other liabilities		4,853	(52,931)
Interest received		452,761	631,385
Dividends received		71,932	49,046
Interest paid		(280,714)	(472,475)
Income taxes paid		1,473	5,247
Cash flow from operating activities		***(323,553)***	***410,434***
Cash receipts from sales of financial investments		608,938	293,081
Cash receipts from sales of equity investments		0	19
Cash receipts from sales of property and equipment and intangible assets		1,715	1,853
Cash receipts from the sale of subsidiaries, less cash and cash equivalents		0	95
Cash paid for financial investments		(413,593)	(453,884)
Cash paid for equity investments		0	(1,206)
Cash paid for property and equipment and intangible assets		(10,460)	(6,828)
Cash flow from investing activities		***186,600***	***(166,869)***
Cash inflows from Tier 2 capital		138	73
Cash outflows from Tier 2 capital		(140,594)	(32,301)
Repayments from lease liabilities		(7,849)	0
Dividends paid		(30,116)	(25,062)
Payments from/to non-controlling interests		(2)	0
Cash flow from financing activities		***(178,423)***	***(57,290)***

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").

€'000	01/01 - 31/12/2019	01/01 - 31/12/2018*
Cash and cash equivalents at end of previous year	*1,230,702*	*1,044,081*
Cash flow from operating activities	(323,553)	410,434
Cash flow from investing activities	186,600	(166,869)
Cash flow from financing activities	(178,423)	(57,290)
Effect of exchange rate changes and other effects	25	345
Cash and cash equivalents at end of year	**915,352**	1,230,702

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").

The table reconciles cash and cash equivalents to the balance sheet position "cash, cash balances at central banks and other demand deposits " (also see Note (11)).

€'000	31/12/2019	31/12/2018
Cash	54,447	42,775
Balances with central banks	860,902	1,187,794
Other sight deposits from customers	2	132
Cash and cash equivalents	**915,352**	1,230,702
Other sight deposits from other banks	2,124,836	2,128,549
Total cash, cash balances at central banks and other demand deposits (Note 11)	**3,040,188**	3,359,250

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

€'000	At 01/01/2019	Reclassification of former finance lease liabilities	Initial application of IFRS 16	Cash changes	Non-Cash changes	At 31/12/2019
Tier 2 capital	741,535	0	0	(140,456)	669	601,748
Lease liabilities	0	0	113,582	(7,849)	(10,931)	94,802
Total	**741,535**	**0**	**113,582**	**(148,305)**	**(10,262)**	**696,550**

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

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) now holds 100% of RLB NÖ-Wien (2018: 79.09%). The transfer of 459,592 shares of RLB NÖ-Wien by 53 Lower Austrian Raiffeisen banks to Raiffeisen-Holding NÖ-Wien became legally effective on 26 September 2019, and Raiffeisen-Holding NÖ-Wien has held all shares in RLB NÖ-Wien since that date. The consolidated financial statements of Raiffeisen-Holding NÖ-Wien are filed with the company register in accordance with Austrian disclosure regulations and also published in the Raiffeisen newspaper.

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

The cornerstones of the RLB NÖ-Wien banking activities are formed by personal, business and corporate banking as well as proprietary transactions. 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 2019 financial year, including the comparative data for 2018, were prepared in accordance with EU Directive (EC) No. 1606/2002 issued by the Commission on 11 September 2002 in connection with § 245a of the Austrian Commercial Code and § 59a of the Austrian Banking Act in the version applicable as of the respective balance sheet date. All International Financial Reporting Standards (IFRS) and IFRIC interpretations that were adopted by the EU and required mandatory application were applied in preparing the consolidated financial statements.

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

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

The Group’s balance sheet date 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 2019, the scope of consolidation, excluding RLB NÖ-Wien as the parent company, comprised 12 (2018: 13) fully consolidated companies. The reduction resulted from the merger of two fully consolidated companies as of 28 August 2019 (also see Note (54)). The registered headquarters of all Group companies are located in Austria.

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

Number of Entities	2019	2018 Consolidated	2019	2018 Equity Method
At 1 January	13	13	2	2
Changes during the period	(1)	0	0	0
At 31 December	**12**	13	**2**	2

The balance sheet date for all companies included in the consolidated financial statements through full consolidation or at equity is 31 December 2019, with the exception of the subsidiary NAWARO ENERGIE Betrieb GmbH. This company has a balance sheet date of 31 March and is consolidated as of 30 September. Major transactions and other events occurring between the subsidiary's balance sheet date and the closing date for RLB NÖ-Wien were included if they were material.

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

Basis of consolidation

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

Investments accounted for at equity

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

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

Significant Accounting Policies

Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In accordance with IAS 39, all financial instruments must be recognized on the balance sheet and measured at their fair value as of the acquisition date. The fair value of financial instruments which are not classified at fair value through profit or loss also includes the transaction costs applicable to the purchase (addition) or issue (deduction). Fair value is “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date” (IFRS 13). It represents a market-based valuation; the fair value for listed financial instruments corresponds to the market price. In the absence of an active market, standard market valuation methods based on observable data are used for measurement Market prices are used to determine the fair value of listed products, while near-market prices (Bloomberg, Reuters) are used for non-listed products. In cases where observable input factors are not available, fair value is based on the assumptions, including the assumptions for risks, which market participants would use in pricing the financial instrument. The determination of fair value also includes the future cash flows from a financial instrument, which are discounted by means of financial methods and the interest rate curve applicable to the valuation date. Additional details on the determination of fair value are provided in Note (33) Fair value of financial instruments.

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

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

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

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

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

- “Hold to collect“: the objective is to collect contractual cash flows over the term of the financial instrument
- “Hold to collect and sell“: the objective is to collect contractual cash flows and to sell the financial instrument (not used by RLB NÖ-Wien in 2019 or 2018)
- “Other“: the objective is not to collect contractual cash flows, but to realize the fair value.

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

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

In keeping with these rules, the financial instruments classified according to IFRS 9 were aggregated under the following balance sheet positions based on their valuation categories:

Financial assets held for trading

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

Initial recognition and subsequent measurement are based on fair value, with any changes in fair value reported on the income statement under Note (6) "Profit/loss from financial assets and liabilities". The interest result attributable to these financial instruments is reported under (1) Net interest income.

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

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

Financial assets at fair value through profit or loss

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

RLB NÖ-Wien did not use this classification option in 2019.

Financial assets at fair value through other comprehensive income

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

RLB NÖ-Wien did not use the "hold to collect and sell“ business model in 2019 or 2018 and, therefore, only reports equity instruments under this balance sheet position. These assets are initially recognized and subsequently measured at fair value, whereby changes are recorded to other comprehensive income and not reclassified to the income statemen.

Financial assets at amortized cost

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

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

Modifications to the contractual cash flows of financial instruments

Modifications represent contractual changes in originally agreed payments and are based on market- or credit-related factors. A differentiation is made between substantial and non-substantial contract modifications. The changes in contractual cash flows are evaluated according to qualitative as well as quantitative criteria – through a present value comparison – to determine whether the modification is substantial or non-substantial. Substantial modifications lead to the derecognition of the original financial instrument and the recognition of a new, adjusted financial instrument. Non-substantial modifications do not result in derecognition; the carrying amount of the financial instrument is adjusted to reflect the changed contractual cash flows. The change in the present value is recognised through profit or loss and recorded separately under “profit/Loss from financial assets and liabilities” (see Note (6)). The difference to the repayable amount is distributed over the remaining term of the financial instrument based on the effective interest method and recorded under net interest income.

Risk provisions

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

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

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

- There is objective evidence of impairment as the result of a loss event that occurred between the initial recognition of the financial instrument and the balance sheet date; and

- The loss event had an influence on the estimated future cash flows from the financial asset or group of financial assets.

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

The IFRS 9 requirements for the accounting treatment of impairment are reflected in internal processes and guidelines.

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

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

In accordance with IFRS 9.5.2.2., impairment allowances are calculated for all financial assets classified at amortized cost according to IFRS 9.4.1.2 or at fair value through other comprehensive income according to IFRS 9.4.1.2A. This applies to on-balance sheet as well as off-balance sheet items. The amount of the impairment allowance is calculated in accordance with IFRS 9.5.5.1. based on the expected credit loss (ECL) approach and, for credit-impaired positions (Stage 3) as defined in IFRS 9 B5.5.33, equals the difference between the carrying amount and the present value of the expected future cash flows. All credit-impaired loans and advances to significant customers are measured at the individual financial instrument level with a discounted cash flow method. Credit-impaired loans and advances to non-significant customers are measured on the basis of a model, whereby the amount of the loss allowance is determined by the unsecured exposure

(EAD) and a loss ratio that is dependent on the default period (LGD, loss given default). Impairment losses for financial instruments which are not in default are calculated on the basis of the ECL for Stage 1 (no significant increase in the default risk since initial recognition) or on the basis of the lifetime ECL for Stage 2 (a significant increase in the default risk since initial recognition). The applied point-in-time (PiT) models use historical as well as future-oriented information. All models are monitored regularly and validated annually. The results of the validation are translated into an action plan which is approved by management and subsequently implemented. This can lead to the adjustment of the models within the framework of the applicable modelling logic. The ongoing validation of the IFRS 9 parameter models shows that they produce economically reasonable results.

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

The total amount of the impairment allowance for recognized loans and advances is allocated to the balance sheet position for the underlying financial instrument. The impairment allowance for off-balance sheet transactions is recognized as a provision. On the income statement, changes in the impairment allowance are reported as part of the "net impairment loss/reversal of impairment to financial assets" (Note (8)); for off-balance sheet positions, these changes are reported as part of "other operating profit/loss" (Note (9)) under "addition to or release of provisions". 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.

Financial assets which are credit-impaired on acquisition or transfer as of the closing date are classified as purchased or originated credit impaired (POCI). These items are initially recognized at fair value without a risk provision. Risk provisions are created for POCI assets when the lifetime expected credit loss increases during a subsequent period; favourable developments are reflected in an increase in the carrying amount. Changes are reported on the income statement under "net impairment loss/reversal of impairment to financial assets" (Note (8). This procedure remains the standard for measurement and accounting, also if the asset recovers.

Derivatives and hedge accounting

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

Derivatives held for hedging as part of micro- or portfolio hedge accounting are reported on the balance sheet as assets or liabilities under "derivatives - hedge accounting". The rules defined by IAS 39 (AG114-AG132) are applied to fair value hedges which hedge the exposure of a portfolio of financial assets against interest rate risk, while IFRS 9.6.5.2 is used for micro-hedge accounting.

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

- Fair value hedge on a micro-hedge basis:

The procedure applied to a micro-fair value hedge used by RLB NÖ-Wien involves the measurement at amortized cost of an existing asset or obligation (the "underlying") classified under financial assets or liabilities and the hedging of the respective fair value against changes which could result from a specific risk and have an effect on profit or loss. The derivative used as the hedging instrument is measured at fair value, with any changes in this fair value recognized to profit or loss. The carrying amount of the underlying is adjusted through profit or loss based on the measurement results attributable to the hedged risk (basis adjustment). The hedge relationships are formally documented, assessed as of the balance sheet date and classified as highly effective. In other words, it can be assumed that – over the entire term of the hedge – changes in the fair value of a hedged underlying will be almost entirely offset by a change in the fair value of the hedging instrument. Hedge accounting is only terminated prospectively when the requirements for the effectiveness of the hedge, also not after a possible recalibration, are no longer met.

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

- Fair value hedge on a portfolio hedge basis:
  RLB NÖ-Wien implemented 2019 portfolio fair value hedge accounting in 2019. It is designed to hedge the fair value of a portfolio of financial assets or financial liabilities against interest rate risk. The procedure involves the modelling of a synthetic underlying, which is based on the total of fixed interest underlying transactions not hedged on a micro basis, and comparison with corresponding hedging derivatives. Interest rate swaps serve as the hedging instruments. The fair value change in the synthetic underlying which is attributable to the hedged risk is reported under "fair value changes in the underlying transactions for portfolio hedges of interest rate risks". The derivative used as a hedging instrument is carried at fair value. Changes in the value of the hedge and underlying are offset on the income statement under "profit/loss from financial assets and liabilities" (see Note (6)). The effectiveness of hedges is demonstrated by prospective and retrospective effectiveness tests at regular intervals. The hedge relationships are terminated and restarted on a monthly basis as part of the applied portfolio hedge process. The amortization of the basis adjustment from the monthly reversal and the value changes resulting from reductions in the remaining term are recorded under net interest income.

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

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

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

The ineffectiveness of hedges arises primarily through the use of different interest rate curves for discounting and through credit risk adjustments (CVA, DVA) to the hedging derivatives. It is reported on the income statement under "profit/loss from financial assets and liabilities" (see Note (6)).

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

Additional details on the risk management strategy and hedge accounting are provided under Note (31) Risks arising from financial instruments (risk report) and Note (32) Hedge accounting.

Classes of financial instruments (IFRS 7)

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

- Cash on hand, deposits with central banks and demand deposits
- Financial assets held for trading
  - o Derivatives
  - o Other trading assets – equity instruments
  - o Other trading assets – debt instruments (bonds)

- Financial assets not held for trading, mandatory measurement at fair value
- Financial assets at fair value through profit or loss (not used as of 31 December 2019)
- Financial assets at fair value through other comprehensive income
- Financial assets at amortized cost
    - o Debt instruments (bonds)
    - o Loans and advances
- Derivatives - hedge accounting

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

Liabilities are grouped under the following classes:

- Financial liabilities held for trading
    - o Derivatives
    - o Other trading liabilities (not used as of 31 December 2019)
- Financial assets at fair value through profit or loss (not used as of 31 December 2019)
- Financial assets at amortized cost
    - o Deposits
    - o Securitized liabilities
- Derivatives - hedge accounting

The classes of financial instruments listed under liabilities were carried at amortized cost as of 31 December 2019, with the exception of derivatives.

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

Property and equipment and intangible assets

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

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

Intangible assets consist primarily of software. The Group has neither material balances of goodwill nor internally generated intangible assets. Rights of use for land and buildings, automobiles and other tangible assets have also been recorded under this position since the initial application of IFRS 16 as of 1 January 2019. The useful lives are as follows:

Useful life	**Years**	**in %**
Intangible assets	1 - 50	2.0 - 100.0
Buildings	15 - 67	1.5 - 6.7
Technical equipment and machinery	1 - 33	3.0 - 100.0
Office furniture and equipment	2 - 20	5.0 - 50.0
Usage rights	1-36	2.8 - 100.0
Investment property	33 - 50	2.0 - 3.0

Investment property

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

Other assets

Other assets consist mainly of receivables not resulting from core banking relationships and also include receivables from other taxes and duties, coins and inventories.

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

Financial liabilities

Financial liabilities are carried at amortized cost – with the exception of items classified as financial liabilities held for trading. The financial liabilities classified as held for trading as of 31 December 2019 consisted entirely of negative fair values from derivatives outside of hedges. Accrued interest is allocated to the respective liability item. Differences are accrued and distributed over the term of the instrument according to the effective interest method and reported under net interest income.

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 micro-fair value hedge, the carrying amount is adjusted to reflect the changes in value arising from the interest rate risk. Details are provided in the Notes under "Derivatives and hedge accounting".

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

RLB NÖ-Wien did not utilize the option to classify financial liabilities at fair value through profit or loss in 2019.

The balance sheet position "Financial liabilities at amortized cost" has also included lease liabilities since the initial application of IFRS 16 as of 1 January 2019. These lease liabilities resulted chiefly from the capitalization of rights of use for motor vehicles and from real estate leasing.

Other liabilities

Other liabilities comprise liabilities that do not result from a core banking relationship as well as liabilities from other taxes and duties, deferred income and miscellaneous payables. This position also includes open billings from the operating business which were settled after the closing date on 31 December 2019.

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 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.

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

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

The actuarial parameters used to calculate provisions for termination and post-employment benefits are described in detail under note (27) Provisions.

Income tax

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

Deferred taxes are measured at the tax rates expected to be in effect when the temporary differences reverse. RLB NÖ-Wien and its fully consolidated subsidiaries are part of a tax group established pursuant to § 9 of the Austrian Corporate Tax Act, in which Raiffeisen-Holding NÖ-Wien as the head of the group. Since the 2019 financial year, deferred taxes have therefore been valued according to an opinion issued by the Austrian Financial Reporting and Accounting Committees (AFRAC; “Fragen der IFRS-Bilanzierung und -Berichterstattung im Zusammenhang mit der Einführung der Gruppenbesteuerung“, September 2018) at the tax rate which results from the surplus of the temporary differences in the individual years.

- The maximum tax rate of 25% applicable to positive tax charges is used to value the surplus of taxable temporary differences in the individual years. A surplus of deductible over taxable temporary differences results in the measurement of all temporary differences in that year at the tax rate applicable to negative tax charges, i.e. 12.5%.

- The expected timing for the reversal of taxable and deductible temporary differences was based on an appropriate estimate, in cases where the exact reversal date could not be determined.

The valuation reserves included under equity (cash flow hedge reserve, fair value OCI reserve, revaluation reserve for actuarial gains and losses on employee-related provisions and IAS 19 reserve) are also adjusted to reflect the proportional share of deferred taxes (also see Note (30) Equity). Deferred tax assets and deferred tax liabilities are recorded under deferred tax assets or deferred tax liabilities. Current and deferred income-based taxes are reported on the income statement under income tax, while non-income-based taxes are reported under other operating profit/(loss). Deferred taxes are not discounted.

Repo transactions

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

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

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

Securities lending

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

Trust activities

Transactions involving the management or placement of assets for third party accounts are not recognized on the balance sheet. Commission payments arising from such transactions are reported 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, real estate and movables leasing, are recognized and measured as operating leases in accordance with IFRS 16 (2018: IAS 17). IFRS 16 requires the lessee to recognize leases on the balance sheet. Additional details and analyses on lease accounting in connection with the mandatory application of IFRS 16 as of 1 January 2019 are provided in the notes under “New Standards and Interpretations“.

Cash flow statement

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

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

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

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

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

Foreign currency translation

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

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

Judgments and estimates

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

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

Judgments and estimates are used primarily in the determination of the fair value of selected financial instruments, the recognition of impairment allowances for future credit default cases and interest rebates, and the creation of provisions for pensions, termination benefits and similar obligations. They are also used in the recognition and measurement of deferred tax assets, the determination of discounted cash flows in connection with impairment testing, the determination of the useful life of non-current assets and the recognition of leases in accordance with IFRS 16. 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 (33) Fair value of financial instruments.

Risk allowances for credit default cases and interest rebates

Financial assets measured at amortized cost are tested for impairment as of each balance sheet date to determine whether the recognition of an impairment loss through profit or loss is required. In particular, this testing is intended to determine whether there is objective evidence of impairment due to loss events that occurred after initial recognition. The determination of the amount of the risk allowance also requires estimates for the amount and timing of future cash flows. A more detailed description and presentation of the risk allowances is included in the following Notes (8) Net impairment loss/reversal of impairment to financial assets, (16) Risk provisions and (31) Risks arising from financial Instruments (Risk Report).

Provisions for pensions, termination benefits and similar obligations

The costs of defined benefit plans are determined by actuarial methods. The actuarial valuation is based on assumptions for the discount rates, the future level of salaries, the theoretical retirement age, life expectancy and future increases in pensions. The assumptions and estimates used to calculate the long-term employee benefit obligations are explained in the section on provisions. Quantitative information is provided in Note (27) Provisions.

Non-financial assets

Non-financial assets such as equity-accounted investments, property and equipment, rights of use 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

AFRAC Opinion no. 13 in connection with group taxation offers various methods for the valuation of deferred taxes in the member companies of a tax group. For RLB NÖ-Wien, the most appropriate estimation method is based on the tax rates which result from the surplus of temporary differences in the individual years. This method requires the determination of the timing for the reversal of the temporary differences. If the exact timing of the reversal cannot be determined, an appropriate estimate is made for the reversal of taxable and deductible temporary differences. The assumption for "financial assets held for trading" indicates reversal in the next period. The timing for the reversal of all other differences is based on the average remaining term.

Deferred taxes are not shown separately on the income statement. Details are provided in the following Notes (10) Income taxes, (22) Tax assets and (28) Tax liabilities and also on the consolidated statement of changes in equity.

Restatement for changes in accounting policies

Deferred taxes

RLB NÖ-Wien and its fully consolidated subsidiaries are members of a corporate tax group established in accordance with § 9 of the Austrian Income Tax Act ("Körperschaftsteuergesetz"), in which RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung (Raiffeisen-Holding NÖ-Wien) serves as the head of the group. These companies have concluded a tax compensation agreement with the head of the group, Raiffeisen-Holding NÖ-Wien. The group members are assigned a positive tax charge – at a maximum rate of 25% – on reported profits and on a proportional share of the corporate income tax attributable to the top group level (i.e. the head of the group). Taxable losses receive a negative tax charge of 12.5%.

AFRAC Opinion no. 13 on issues involving IFRS accounting and reporting in connection with group taxation therefore applies to the accounting treatment of deferred taxes. The measurement of deferred taxes was previously based on the applicable corporate tax rate of 25% in accordance with AFRAC expert opinion no. 13 (group taxation) which was issued in December 2015. A clarification to AFRAC Opinion no. 13 was issued in September 2018, which states that a group member no longer has the option to measure deferred taxes at the current or future corporate income tax rate but must estimate and apply the tax rate expected in the individual years (applicable to financial years beginning after 31 December 2018). The group member must develop an accounting method for this process which meets the criteria defined by IAS 8.10ff.

The tax compensation agreement calls for a mixed method, and the subgroup of RLB NÖ-Wien is therefore affected by the change described in the AFRAC Opinion. RLB NÖ-Wien now applies one of the accounting methods recommended by the AFRAC Opinion. Under this method, deferred taxes are valued at the tax rate which results from the surplus of temporary differences in the individual years.

The maximum tax rate of 25% applicable to positive tax charges is used to value the surplus of taxable temporary differences in the individual years. A surplus of deductible over taxable temporary differences results in the measurement of all temporary differences in that year at the tax rate applicable to negative tax charges, i.e. 12.5%.

The expected timing for the reversal of taxable and deductible temporary differences was based on an appropriate estimate, in cases where the exact reversal date could not be determined.

The necessary change in the accounting method applicable to the measurement of deferred taxes held by group members following the clarification of AFRAC Opinion no. 13 was accounted for as of 30 June 2019 through a retrospective adjustment as defined in IAS 8.19b.

The effects of the above-mentioned accounting policy change on the balance sheet, income statement and statement of comprehensive income are presented below:

Assets, €´000	31/12/2018	Restatement	31/12/2018 after restatement	01/01/2018*	Restatement	01/01/2018 after restatement
Deferred tax assets	15,429	(6,894)	8,535	15,369	(4,067)	11,301
Balance sheet assets	**26,965,298**	**(6,894)**	**26,958,406**	**25,649,479**	**(4,067)**	**25,645,412**

Equity and Liabilities, €´000	31/12/2018	Restatement	31/12/2018 after restatement	01/01/2018*	Restatement	01/01/2018 after restatement
Deferred tax liabilities	461	(461)	0	534	(534)	0
Equity	2,256,670	(6,433)	2,250,238	2,179,163	(3,533)	2,175,630
Balance sheet equity and liabilities	**26,965,298**	**(6,894)**	**26,958,406**	**25,649,479**	**(4,067)**	**25,645,412**

*) Eigenkapital nach IFRS 9 Umwertungen

Consolidated comprehensive income €'000	01/01 - 31/12/2018	Restatement	01/01 - 31/12/2018 after restatement
Profit for the period before tax	*193,215*	*0*	*193,215*
Income tax	4,345	(3,147)	1,198
Profit for the period after tax	*197,560*	*(3,147)*	*194,413*
Deferred taxes on items not reclassified to profit or loss	(215)	513	298
Deferred taxes on items that may be reclassified to profit or loss	531	(265)	266
Other comprehensive income	*(43,202)*	*247*	*(42,955)*
Consolidated comprehensive income	**154,358**	**(2,900)**	**151,458**

Net interest income

The reporting of the interest income and interest expense from derivatives in hedge accounting was adjusted in 2019 based on IAS 8.14b; these items were allocated to the respective underlying transaction in order to achieve a more precise economic presentation. The prior year data were adjusted to improve comparability. A total of TEUR 157,884 was reclassified from interest income to interest expense for 2018. The interest result from derivatives in hedge accounting was allocated to interest income or interest expense for the underlying transaction based on the effective interest method. The following table reconciles interest result from the prior period.

Net interest income €'000	**01/01 - 31/12/2018**	**Restatement**	**01/01 - 31/12/2018**
Interest income calculated according to the effective interest method	327,284	(64,899)	262,385
Interest income not calculated according to the effective interest method	292,167	(92,985)	199,182
Total interest income	***619,451***	***(157,884)***	***461,567***
Interest expense calculated according to the effective interest method	(221,736)	92,669	(129,067)
Interest expense not calculated according to the effective interest method	(242,400)	65,215	(177,185)
Total interest expenses	***(464,136)***	***157,884***	***(306,252)***
Net interest income	**155,315**	**0**	**155,315**

New standards and interpretations

The following new or revised standards and interpretations are effective for financial years beginning on or after 1 January 2019 and were applied for the first time in preparing these consolidated financial statements:

New Provisions		**Effective for Financial Years Beginning on or After**
New Standards		
IFRIC 23	Uncertainty over income tax treatments	01/01/2019
IFRS 16	Leases	01/01/2019
Amendments to Standards		
IAS 19	Employee Benefits – Accounting for a plan amendment, curtailment or settlement	01/01/2019
IAS 28	Investments in Associates and Joint Ventures – Long-term investments in associates and joint ventures	01/01/2019
IFRS 9	Financial Instruments – Prepayment Features with Negative Compensation	01/01/2019
Various	Improvements to International Financial Reporting Standards, Cycle 2015-2017 (IFRS 3, IFRS 11, IAS 12, IAS 23)	01/01/2019

IFRS 16 - Leases

IFRS 16 regulates the accounting treatment of leases and requires the lessee to recognize leases on the balance sheet. A lessee records a right of use, which represents the right to use the underlying asset, and a liability arising from the lease, which represents the obligation to make lease payments.

Transition guidance for IFRS 16

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

Companies can choose between a full retrospective approach or a modified retrospective approach at the time IFRS 16 is initially applied. The RLB NÖ-Wien Group selected the modified retrospective approach. Therefore, the opening balance sheet as of 1 January 2019 does not include an equity effect from the initial application and the comparative information was not adjusted for the reporting period.

The RLB NÖ-Wien Group exercised the following options for each lease classified as an operating lease under IAS 17:

- Recognition of the applicable right of use at an amount equal to the lease liability which, as of the initial application date, represents the present value of future lease payments based on the lessee's incremental borrowing rate as of that date. An adjustment of the opening balance sheet amount for retained earnings equal to the cumulative effect from the initial application of IFRS 16 is therefore not required for the RLB NÖ-Wien Group.
- The use of a uniform discount rate for portfolios of leases which have generally similar characteristics. This practical expedient was applied to leases for moveable goods with shorter terms and to rental contracts with longer terms.
- Impairment testing was waived for rights of use on initial recognition when IFRS 16 was initially applied. The RLB NÖ-Wien Group instead evaluated its leases in accordance with IAS 37 (Provisions, Contingent Liabilities and

Contingent Receivables) immediately before the initial application date to identify any onerous items. In the RLB NÖ-Wien Group, rights of use were adjusted as of the initial application date on 1 January 2019 by an amount equal to the provision for onerous leases recognized on the balance sheet immediately before the initial application date.

IFRS 16 also provides options for the recognition of short-term leases and low-value asset leases, which were applied by the RLB NÖ-Wien Group.

The RLB NÖ-Wien Group has concluded leases, above all, for real estate and, to a lesser extent, for motor vehicles and other low-value assets. The main real estate leases cover the Raiffeisen headquarters at Friedrich-Wilhelm-Raiffeisen-Platz 1 in Vienna and the branch locations, which consist primarily of personal customer branch offices and a private banking centre in Vienna's Looshaus. Most of these properties are leased from Raiffeisen-Holding NÖ-Wien, which holds an investment of 100.00% (2018: 79.09%) in RLB NÖ-Wien. Most of the real estate leases are cancellable contracts with extension options, whereby estimates for the terms were made when IFRS 16 was initially applied.

The initial application of IFRS 16 led to the recognition of rights of use totalling approximately EUR 106 million for these leases. The lease liability exceeds the recognized rights of use because the rights of use at the time of initial application were adjusted by TEUR 7,592, which were reported under a provision for restructuring as of 31 December 2018 (see Note (27) Provisions).

The RLB NÖ-Wien Group decided to report the rights of use on the balance sheet under "Property and equipment" and the lease liabilities under "Financial liabilities at amortized cost". The project to implement IFRS 16 in the RLB NÖ-Wien Group was successfully completed during the second half of 2019 with the approval of an automated IT solution.

€'000	**Reconciliation to IFRS 16**
Obligations from non-cancellable operating leases 31/12/2018 (undiscounted)	***11,398***
Operating lease obligations 31/12/2018 (discounted)	***10,742***
Estimated cancellable obligations from real estate leases (concluded for an indefinite period)	102,864
Finance lease liabilities	0
Practical expedient for short-term leases	(24)
Practical expedient for low-value asset leases	0
Lease liabilities, initial application of IFRS 16 as of 01/01/2019	**113,582**

The lease liabilities were discounted at the incremental borrowing rate as of 1 January 2019. The weighted average interest rate equalled approximately 1.39%.

IFRS 9 – Prepayment penalties

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

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

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

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

Other changes to standards and interpretations

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

The following new or revised standards and interpretations had been issued by the IASB or IFRIC, but are not yet fully effective in the EU and were not applied prematurely by the RLB NO-Wien Group. Detailed information is only provided on the standards identified as material for the RLB-NÖ-Wien Group.

New Provisions		According to IASB, mandatory application for financial years beginning on or after*	EU Endorsement	Material effects on the consolidated financial statements
New standards and interpretations				
IFRS 17	Insurance Contracts	1 January 2022	Open	No
Amendments to Standards				
IAS 1	Classification of liabilities as current or non-current	1 January 2022	Open	No
IAS 1/IAS 8	Definition of materiality	1 January 2020	29 November 2019	No
IFRS 3	Business combinations	1 January 2020	Open	No
IFRS 9 / IAS 39 / IFRS 7	Interest Rate Benchmark Reform	1 January 2020	15 January 2020	Yes
Framework concept	Framework concept - extensive IASB project	1 January 2020	29 November 2019	No

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

IFRS 9/IAS39/IFRS7 Interest rate benchmark reform

The Benchmark Regulation adopted by the EU (Regulation (EU) 2016/1011 dated 8 June 2016) regulates the comprehensive replacement of previous interbank offered rates ("IBORs" – interbank offered rates) by new or newly determined so-called "risk-free rates" (RFR) which are based to a greater extent on transaction data. Primary financial instruments whose interest rates are tied to the Euribor or EONIA are affected because the determination of these rates was modified and replaced by a so-called hybrid method. The EONIA has been calculated since October 2019 as €STR plus a fixed spread of 8.5 basis points.

In reaction to the accounting questions resulting from the transition to these new reference benchmarks, the IASB concluded the first phase of its "Interest Rate Benchmark Reform" project on 26 September 2019 with the publication of changes to IFRS 9, IAS 39 and IFRS 7. This first phase includes changes which create temporary relief in connection with specific accounting requirements for hedges that are directly affected by the IBOR reform. The reform should principally not lead to the termination of hedge accounting, but any ineffectiveness must still be recorded on the income statement. Specifically, changes were made to the "highly probable criterion" in connection with future hedged cash flows, changes for prospective assessments in accordance with IAS 39 and IFRS 9, exceptions from retrospective effectiveness tests under IAS 39 and the identification of risk components. IFRS 7 requires the disclosure of the nominal amount of the hedge to which the relief was applied as well as additional information on the applied reliefs and the management of the transition process.

The changes are applicable to financial years beginning on or after 1 January 2020. The finalization of Phase 1 also marks the start of Phase 2 of the "Interest Rate Benchmark Reform" project which will address, for example, additional issues connected with hedge accounting, modifications and the impact on other standards and disclosures in the notes (exposure draft expected by June 2020).

RLB NÖ-Wien is organizing and implementing the necessary process, IT and technical adjustments resulting from the application of the new benchmarks within the framework of an ongoing, interdepartmental bank project.

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 according to their 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 by applying 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 segments are presented as follows in accordance with IFRS 8:

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

  This target group covers private individuals, small and medium-sized businesses and self-employed persons. The offering for personal and business banking customers consists primarily of standardized products like passbook accounts, savings deposits, time deposits, current and salary accounts, personal loans, overdrafts, mortgages and other special purpose loans.

- The Corporate Clients Segment covers business with corporate customers, special business and projects as well as transaction banking.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

01/01 - 31/12/2019, €'000	Retail/Raiffeisen Association Services	Corporate Customers	Financial Markets	RBI	Raiffeisen Association	Other equity investments	Other	Total
Net interest income	56,943	127,947	26,482	(49,851)	0	(501)	0	161,020
Net fee and commission income	52,487	15,036	(10,284)	0	3,602	0	0	60,841
Dividend income	106	1,945	0	0	0	631	0	2,682
Profit from equity-accounted investments	0	0	135,672	89,038	0	0	0	224,710
Depreciation, amortization, personnel and operating expenses	(130,265)	(53,824)	(16,430)	(950)	(22,716)	(200)	0	(224,385)
Profit/Loss from financial assets and liabilities	1,359	3,150	4,577	0	1,478	0	0	10,564
Profit/Loss from investments and non-financial assets	1	(8)	0	0	0	439	0	432
Net impairment loss/reversal of impairment to financial assets	(6,748)	1,612	(3,153)	0	0	0	0	(8,289)
Other operating profit/loss	14,291	2,440	(2,168)	(157)	19,171	(6)	(10,883)	22,689
Profit for the period before tax	**(11,826)**	**98,298**	**134,696**	**38,080**	**1,535**	**363**	**(10,883)**	**250,264**
Income tax	(857)	(338)	(24,270)	0	0	(14)	2,618	(22,862)
Profit for the period after tax	**(12,683)**	**97,960**	**110,426**	**38,080**	**1,535**	**349**	**(8,265)**	**227,403**
Av. allocated capital (in EUR mill.)	263	768	747	593	0	19	0	2,391
Return on equity before tax	(4.5)%	12.8%	18.0%	6.4%	0.0%	1.9%	0.0%	10.5%
Cost/Income Ratio (incl. at equity)	> 100%	35.8%	10.6%	0.4%	93.7%	35.5%	0.0%	33.4%

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

01/01 - 31/12/2018, €'000	Retail/Raif feisen Associ- ation Services	Corporate Customers	Financial Markets	RBI	Raiffeisen Associ- ation	Other equity invest- ments	Other	Total
Net interest income	55,386	117,973	32,149	(49,851)	0	(342)	0	155,315
Net fee and commission income	50,115	15,214	(8,390)	0	5,024	0	0	61,963
Dividend income	107	2,207	0	0	0	565	0	2,879
Profit from equity-accounted investments	0	0	12,639	197,737	0	0	0	210,376
Depreciation, amortization, personnel and operating expenses	(146,001)	(48,982)	(17,137)	(1,355)	(22,739)	(239)	0	(236,453)
Profit/Loss from financial assets and liabilities	1,169	1,367	(10,312)	0	553	0	0	(7,223)
Profit/Loss from investments and non-financial assets	0	43	0	0	0	463	0	506
Net impairment loss/reversal of impairment to financial assets	(1,476)	(16,742)	7,915	0	0	0	0	(10,303)
Other operating profit/loss	15,459	2,265	(6,591)	(150)	19,986	91	(14,905)	16,155
Profit for the period before tax	(25,241)	73,345	10,273	146,381	2,824	538	(14,905)	193,215
Income tax	(660)	(375)	0	0	0	(67)	2,300	1,198
Profit for the period after tax	(25,901)	72,970	10,273	146,381	2,824	471	(12,605)	194,413

Av. allocated capital (in EUR mill.)	253	709	763	471		52		2,248
Return on equity before tax	(10.0)%	10.3%	1.3%	31.1%		1.0%		8.6%
Cost/Income Ratio (incl. at equity)	> 100%	35.2%	87.9%	0.9%	89.0%	30.8%	0.0%	53.7%

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").

Details on the Consolidated Income Statement

(1) Net interest income

€'000	01/01 - 31/12/2019	01/01 - 31/12/2018
Interest income		
Financial assets held for trading	163,521	195,411
Non-trading financial assets mandatorily at fair value through profit or loss	3,492	3,771
Financial assets carried at amortized cost - incl. related derivatives (interest rate risks)*	259,903	247,257
Other assets	32	3
Negative interest from liabilities	11,901	15,125
Total interest income	***438,849***	***461,567***
Interest expenses		
Financial liabilities held for trading	(142,650)	(177,185)
Financial liabilities carried at amortized cost - incl. related derivatives (interest rate risks)*	(108,673)	(100,930)
Other liabilities	(13,561)	(13,620)
Negative interest from financial assets	(12,945)	(14,517)
Total interest expenses	***(277,829)***	***(306,252)***
Net interest income	**161,020**	**155,315**

*) The reporting of the interest income and interest expense from derivatives in hedge accounting was adjusted in 2019; these items were allocated to the respective underlying transaction in order to achieve a more precise economic presentation. The prior year data were adjusted to improve comparability (reclassification of TEUR 157,884 from interest income to interest expense for 2018; also see the comments under "Restatement for changes in accounting policies".)

Net interest income includes interest income and expenses as well as all similar recurring and non-recurring income and expenses. Interest and similar income, respectively expenses, are calculated according to the effective interest method and accrued accordingly. Negative interest on loans and advances to customers and other banks are included under interest and similar expenses, while positive interest on nonderivative 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 4,480 (2018: TEUR 2,698) from impairment-adjusted loans and advances to customers and other banks.

(2) Net fee and commission income

€'000	01/01 - 31/12/2019	01/01 - 31/12/2018*
Securities	7,299	8,166
Custody business	8,654	8,406
Services for payment transactions	30,030	29,598
Brokerage commissions	17,561	17,907
Credit business	6,738	8,025
Other fee and commission income	16,709	15,352
Fee and commission income	***86,992***	***87,454***
Securities	(1,991)	(2,448)
Custody business	(1,162)	(1,151)
Services for payment transactions	(5,393)	(5,660)
Credit business	(11,804)	(10,210)
Other fee and commission expenses	(5,801)	(6,022)
Fee and commission expenses	***(26,151)***	***(25,492)***
Net fee and commission income	**60,841**	61,963

*) The level of detail under net fee and commission income and expense was increased in 2019. The prior year data were adjusted accordingly to improve comparability.

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

(3) Dividend income

€'000	01/01 - 31/12/2019	01/01 - 31/12/2018
Financial assets held for trading	0	33
Non-trading financial assets designated at fair value through profit or loss	1,967	2,229
Financial assets at fair value through other comprehensive income	713	617
Dividend income	**2,682**	2,879

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

(4) Profit from equity-accounted investments

€'000	01/01 - 31/12/2019	01/01 - 31/12/2018
Profit/loss from companies accounted for at equity	413,710	300,376
Revaluation gains/(losses) on equity-accounted investments	(189,000)	(90,000)
Profit from equity-accounted investments	**224,710**	210,376

The negative revaluation results of TEUR 189,000 resulted from an impairment loss recognized to the investment in RBI.

An overall assessment of facts and circumstances as of 31 December 2019 – in particular, the development of the share price – provided objective indications of impairment as defined in IAS 28.41A – 28.41C in connection with IAS 36.12 which led to indications of a lower fair value. The equity-accounted investment in RBI was therefore tested for impairment as of 31 December 2019. In accordance with IAS 36.114 in connection with IAS 36.18, the determining factor for impairment was the recoverable amount as the higher of the value in use and fair value less selling costs; this amount was compared with the at-equity carrying amount of the RBI investment. The quoted market price of the RBI share equalled EUR 22.39 on 31 December 2019. The recoverable amount was determined as a value in use based on the present value of the expected cash flows (dividend discount model). The cash flows were derived from five-year forecasts which were valid at the time the impairment test was carried out. These forecasts were prepared by RBI management, discussed by the Supervisory Board and modified slightly for the calculation following plausibility checks. The management der RLB AG examined the forecast assumptions in detail, also based on the expertise of the RBI Supervisory Board which also includes members of the management of RLB AG.

Backtesting for the current financial year indicates that the budget – despite its high complexity and different currency flows – generally corresponds to the forecast, as in previous years. The cash flows realizable from the RBI investment were discounted with an average, risk-adjusted capitalization rate of 10.91% (2018: 10.74%). A sustainable growth rate of 2.0% (2018: 2.0%) was applied in determining the value in use of RBI, which reflects the ECB's communicated inflation target.

A comparison of the resulting value in use with the carrying amount led to the recognition of an impairment loss of TEUR 189,000 to the equity-accounted investment in RBI.

The deviation to the market price can be attributed to value discounts by European banks during the financial crisis as well as a focus by investors on negative reports involving RBI and are not considered sustainable.

Potential valuation uncertainties related to key forecast assumptions and valuation were evaluated as best as possible by management on the basis of sensitivity analyses and compared with externally available market data for plausibility where possible. The sensitivity analysis of the value in use included parameters for the change in valuation-relevant cash flows, the return on equity – terminal value (RoE TV) and a change in the interest rate (market return). A change of +/- 10% in all valuation-relevant cash flows lead to a change of approximately +/-10% in the value in use. An increase or decrease of 100 basis points in the RoE TV would have an impact of roughly +/-9.4% on the value in use. A change of +/- 50 basis points in the market return would lead to a change of approximately-8.4%, respectively +9.9%. Every sensitivity and the related effect were calculated separately under the assumption that all other parameters remained unchanged.

(5) Depreciation, amortization, personnel and operating expenses

€'000	01/01 - 31/12/2019	01/01 - 31/12/2018
Write-downs of property, equipment and intangible assets	***(13,290)***	*(5,146)*
Land, equipment and buildings	(3,605)	(3,136)
Amortization of rights of use	(7,408)	0
Investment property	(36)	(49)
Other intangible assets	(2,241)	(1,961)
Staff costs	***(100,877)***	*(109,461)*
Current remuneration	(77,651)	(76,675)
Mandatory social security contributions	(19,388)	(19,153)
Other employee-benefits	(2,045)	(1,935)
Non-current employee-related obligations	(1,792)	(11,698)
Other administrative expenses	***(110,218)***	*(121,846)*
Employee-related operating expenses	(484)	(469)
Office space expenses	(6,988)	(24,181)
Expenses for office operations	(5,578)	(4,982)
IT expenses	(43,596)	(39,866)
Advertising, marketing, events	(8,509)	(7,929)
Legal and consulting fees	(23,824)	(23,765)
Other administrative expenses	(21,237)	(20,654)
Depreciation, amortization, personnel and operating expenses	**(224,385)**	(236,453)

The initial application of IFRS 16 in the 2019 financial year resulted in a shift from operating expenses to depreciation/amortization.

The operating lease expenses and rental costs which were generally included under office space expenses in the past were replaced by the amortization of rights of use and interest expense from leases, unless these items do no represent the costs for short-term or low-value leases or operating costs.

Other administrative expenses declined due to this change, while amortization rose by TEUR 7,408 due the capitalized rights of use. Additional details on the initial application of IFRS 16 can be found under "New Standards and Interpretations".

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

2019 €'000	KPMG Austria GmbH	Österreichischer Raiffeisenverband
Audit of the Annual Financial Statements and Consolidated Financial Statements	252	819
Other auditing services	6	160
Other services	414	136
Total	**672**	**1,116**

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

(6) Profit/loss from financial assets and liabilities

€'000	01/01 - 31/12/2019	01/01 - 31/12/2018
Profit/loss from financial assets and liabilities not carried at fair value through profit or loss	***13,804***	*5,142*
Financial assets at amortized cost	15,464	5,142
Bonds	15,425	5,142
Other loans and advances	39	0
Financial liabilities measured at amortized cost	(1,660)	0
Securitized liabilities	(1,660)	0
Profit/loss from financial assets and liabilities held for trading	***(7,913)***	*(14,519)*
Derivatives	(28,676)	(4,911)
Equity instruments	(1,839)	(318)
Bonds	22,602	(9,290)
Profit / loss from financial assets not held for trading, mandatorily at fair value	***(71)***	*(2,988)*
Equity instruments	1,308	2,295
Bonds	70	(26)
Other loans and advances	(1,449)	(5,257)
Profit/Loss from modifications	***100***	*0*
Profit / loss from hedge accounting	***323***	*509*
Foreign exchange transactions	***4,321***	*4,633*
Profit/Loss from financial assets and liabilities	**10,564**	(7,223)

Profit/loss from financial assets and liabilities includes all realized profits and losses as well as the results from the valuation of financial instruments.

Profit/loss from financial assets and liabilities not carried at fair value through profit or loss

The profit/loss from financial assets and liabilities carried at amortized cost include realized gains and losses from assets and liabilities. The sale of assets carried at amortized cost reflect the “hold to collect” business model applied by RLB NÖ-Wien. These sales are monitored with regard to frequency and on the basis of internally defined eligibility limits for the individual portfolio volumes and the realized results. Positive and negative results are not offset but evaluated on a transaction by transaction basis.

The profit/loss from financial assets and liabilities carried at amortized cost include realized gains and losses from the sale of bonds and the termination of the related derivatives for a total of TEUR 15,425 in 2019 (2018: TEUR 5,142) as well as results from the repurchase or premature redemption of securities issued by RLB NÖ-Wien and the termination of the related derivatives for a total of TEUR -1,660 (2018: TEUR 0).

The results from the sale of bonds reflect portfolio optimization measures in several tranches, which are consistent to the “hold to collect” business model and considered infrequent as defined in IFRS 9B4.1.3B.

Profit/loss from financial assets and liabilities held for trading

The profit/loss from financial assets and liabilities carried at fair value through profit or loss or held for trading was influenced by two major factors during the 2019 financial year. One factor involved a sharp drop in interest rates with a parallel massive flattening of the yield curve and narrower spreads in the bond segment. The declining interest and credit spreads led to the positive valuation of securities positions. Offsetting derivative positions showed a corresponding negative development due to the decline in interest rates. Additional details on the calculation of these valuation results are provided under Note (33) Fair value of financial instruments.

Profit/loss from modifications

The profit/loss from modifications shows the income and expenses which resulted from the adjustment of contractual cash flows. In 2019, the results of these modifications totalled TEUR 100 (2018: TEUR 0). The following table shows the amortized cost before the changes to the modified financial instruments which did not lead to derecognition according to qualitative and quantitative criteria (also see “Significant Accounting Policies“). This table also includes the profit/loss on modifications classified by their current assignment according to the impairment logic. As in the previous year, no modified financial instruments assigned to Stage 2 or Stage 3 migrated to Stage 1 in 2019 as a consequence of these modifications.

€’000	**Stage 1**	**Stage 2-3**	**Total**
Modification effect from financial assets	98	2	100
Carrying amount before modification of financial assets	42,001	4,443	46,444

Profit/loss from hedge accounting

The profit/loss from hedge accounting shows the ineffectiveness in the hedges recognized by RLB NÖ-Wien and includes TEUR -61,553 (2018: TEUR 2,978) from the measurement of hedging derivatives and TEUR 61,876 (2018: TEUR -2,469) from changes in the carrying amounts of the underlying transactions within the framework of hedge accounting. Additional details on hedge accounting are provided under Note (32) Hedge accounting.

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

€'000	01/01 - 31/12/2019	01/01 - 31/12/2018
Profit/loss from the derecognition of non-financial assets	432	506
Profit/loss from intangible assets	(8)	(5)
Profit/loss from investment property	185	508
Profit/loss from other assets	12	3
Profit/loss from usage rights	243	0
Profit / loss from investments and non-financial assets	**432**	506

This position shows the profit/loss on the derecognition of non-financial assets as well as the derecognition of rights of use following the termination of rental and operating leases. There were no such results from investments (deconsolidation effects) in 2019 or 2018.

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

€'000	01/01 - 31/12/2019	01/01 - 31/12/2018
Net impairment loss/reversal of impairment to financial assets at amortized cost	(8,289)	(10,303)
Bonds	(1,181)	3,124
Loans and advances	(6,984)	(13,427)
Trade receivables	(124)	0
Net impairment loss/reversal of impairment to financial assets	**(8,289)**	(10,303)

This position covers all income and expenses arising from valuation adjustments to financial instruments carried at amortized cost. The income and expenses related to other credit risks which were accounted for through provisions are included under other operating profit/loss. Additional details on the risk provisions are provided under Note (16).

(9) Other operating profit/loss

€'000	01/01 - 31/12/2019	01/01 - 31/12/2018
Other operating income	*61,566*	*55,252*
Revenue from service and real estate subsidiaries	30,125	28,398
Revenues from services provided to Raiffeisen banks	16,894	15,770
Other income	14,547	11,084
Other operating expenses	*(42,361)*	*(45,537)*
Sector facilities	(2,909)	(2,808)
Bank levy	(15,236)	(15,075)
Resolution fund	(9,589)	(8,220)
Cost of materials and purchased services from service and real estate subsidiaries	(11,488)	(11,390)
Other expenses	(3,139)	(8,044)
Addition to or release of provisions	*3,484*	*6,439*
Other operating profit/loss	**22,689**	16,155

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

(10) Income tax

RLB NÖ-Wien has been a member of a corporate tax group established in accordance with § 9 of the Austrian Income Tax Act ("Körperschaftsteuergesetz") with Raiffeisen-Holding NÖ-Wien as the head of the group since the 2005 assessment year. A tax contribution agreement was concluded between RLB NÖ-Wien and the head of the group. The corporate tax group with Raiffeisen-Holding NÖ-Wien as the head of the group comprised RLB NÖ-Wien and 40 other group members during the 2019 assessment year. (2018: 44). The tax base for the entire group equals the total income of the head of the group plus the allocated taxable income of the group members after the maximum allowable deduction of the tax loss carryforwards held by the head of the group. RLB NÖ-Wien is charged a proportional share of group corporate income tax, which is assessed at the level of the head of the group, Raiffeisen-Holding NÖ-Wien. A loss recorded by RLB NÖ-Wien for the year results in a negative tax charge.

€'000	01/01 - 31/12/2019	01/01 - 31/12/2018*
Current taxes	(8,116)	4,509
Current taxes	0	(4)
Current tax charges to/from the head of the group	(8,116)	4,513
Deferred taxes on items not reclassified to profit or loss	(14,746)	(3,311)
Income tax	**(22,862)**	**1,198**

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").

The deferred tax expense of TEUR -14,746 reported on the income statement for 2019 (2018: TEUR -3,311) resulted entirely from temporary differences and does not include any valuation effects from deferred tax assets (the comparative prior year data was adjusted in accordance with IAS 8; see "Restatement for changes in accounting policies" in the Notes.

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

€'000	2019	2018*
Profit for the period before tax	*250,264*	*193,215*
Theoretical income tax expense for financial year at Austrian corporate income tax rate of 25%	(62,566)	(48,304)
Effect of lower tax charge rate**	8,391	(2,160)
Tax reduction based on tax-exempt income from equity investments and other tax-exempt income	37,835	53,312
Increase in taxes based on non-tax deductible expenses	(9,823)	(1,297)
Change in value allowances for deferred taxes and use of loss carryfowards*	0	0
Other operating profit/loss	3,301	(353)
Actual tax burden	**(22,862)**	1,198

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").
**) The tax charges levied in connection with group taxation are based on rates which are lower than the Austrian corporate tax rate. This line shows the resulting effect on actual and deferred income taxes.

Details on the Consolidated Balance Sheet

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

€'000	31/12/2019	31/12/2018
Cash	54,447	42,775
Balances with central banks	860,902	1,187,794
Other demand deposits	2,124,838	2,128,681
Total	**3,040,188**	3,359,250

The cash balances at central banks include the legally required minimum reserve of TEUR 272,772 (2018: TEUR 257,896). This balance sheet position includes Stage 1 impairment losses of TEUR 1,499 (2018: TEUR 1,087).

(12) Financial assets held for trading

€'000	31/12/2019	31/12/2018
Derivatives	487,792	531,373
Equity instruments	0	1,905
Bonds	652,219	808,415
Debt instruments from credit institutions	140,605	386,517
Debt instruments from customers	511,614	421,898
Total	**1,140,011**	1,341,693

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

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

€'000	31/12/2019	31/12/2018
Equity instruments	14,187	12,883
Bonds	991	920
Loans and advances from customers	147,051	159,710
Total	**162,229**	173,513

The equity instruments assigned to this valuation category consist entirely of investments which, according to their strategic focus, were not assigned to the category "Financial assets at fair value through other comprehensive income (also see Note (14)). The bonds, loans and advances to customers in this valuation category have contractual cash flows that do not consist entirely of interest and principal payments and must therefore be measured at fair value. Most of the equity instruments in this category are financial instruments with incongruent interest components.

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

€'000	31/12/2019	31/12/2018
Equity instruments	18,950	18,872
Total	**18,950**	18,872

The equity instruments in the above table consist primarily of investments in companies which provide ancillary services for banking operations or represent financial institutions. The optional presentation of the fair value changes in these instruments reflects the strategic focus. The equity instruments in this portfolio are not intended for sale over the long-term. Dividends of TEUR 713 from these equity instruments were recorded in 2019 (2018: 617) (see Note (3)). There were no material sales from this asset category in 2019. The companies included under this position are listed in the following table.

€'000	31/12/2019	31/12/2018
EMCOM Beteiligungs GmbH, Vienna (A)	4,650	4,910
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG, Vienna (A)	3,734	3,734
NÖ Bürgschaften und Beteiligungen GmbH, Vienna (A)	3,399	3,323
CEESEG Aktiengesellschaft, Vienna (A)	2,084	2,087
Raiffeisen Software GmbH, Linz (A)	1,747	1,544
RSC Raiffeisen Service Center GmbH, Vienna (A)	1,049	1,049
Other	2,286	2,226
Total	**18,950**	18,872

(15) Financial assets at amortized cost

This balance sheet position comprises the debt instruments in the "hold to collect" business model which meet the cash flow criterion as well as the risk provisions attributable to these financial instruments. Additional details are provided under Note (16) Risk provisions.

€'000	31/12/2019	31/12/2018
Bonds	***4,060,086***	*4,128,792*
Debt instruments from credit institutions	1,249,446	1,007,801
Debt instruments from customers	2,810,640	3,120,991
Other loans and advances	***15,961,270***	*15,059,376*
Loans and advances to other banks	2,648,319	2,441,505
Loans and advances to customers	13,312,952	12,617,871
Trade receivables (non-bank)	***12.007***	*0*
Total	**20.033.364**	19.188.168

*) Loans and advances were reported on the balance sheet under (23) "Other assets" up to 31 December 2018 (31 December 2018: TEUR 6,060).

(16) Risk provisions

The following tables show the development of impairment losses in 2019.

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

€'000	Stage 1 Performing	Stage 2 Under Performing	Stage 3 Credit impaired significant	Stage 3 Credit impaired not significant	POCI	Total
Opening balance sheet 01/01/2019	***2,600***	***0***	***670***	***0***	***0***	***3,270***
Increase due to new additions	5,758	0	0	0	0	5,758
Decreases due to disposals	(5,010)	0	0	0	0	(5,010)
Changes in credit risk	221	0	0	0	0	221
Foreign currency effects and other adjustments	2	0	0	0	0	2
Closing balance sheet 31/12/2019	**3,571**	**0**	**670**	**0**	**0**	**4,241**

The comparative prior year data are as follows:

€'000	Stage 1 Performing	Stage 2 Under Performing	Stage 3 Credit impaired significant	Stage 3 Credit impaired not significant	POCI	Total
Opening balance sheet 01/01/2018	*7,282*	*3*	*2,336*	*0*	*0*	*9,621*
Increase due to new additions	8,463	4	0	0	0	8,467
Decreases due to disposals	(8,796)	(1)	0	0	0	(8,797)
Changes in credit risk	(4,349)	(6)	0	0	0	(4,355)
Decreases due to use of impairment losses	0	0	(1,666)	0	0	(1,666)
Closing balance sheet 31/12/2018	2,600	0	670	0	0	3,270

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

€'000	Stage 1 Performing	Stage 2 Under Performing	Stage 3 Credit impaired significant	Stage 3 Credit impaired not significant	POCI	Total
Opening balance sheet 01/01/2019	*6,675*	*2,644*	*80,239*	*68,938*	*3,739*	*162,235*
Increase due to new additions	4,509	278	0	0	0	4,786
Decreases due to disposals	(461)	(472)	(1,429)	(1,493)	(366)	(4,220)
Changes resulting from reclassification between stages	46	11	867	(924)	0	0
Transfers to Stage 1	(1,129)	1,044	3	82	0	0
Transfers to Stage 2	903	(2,228)	868	457	0	0
Transfers to Stage 3	271	1,195	(4)	(1,463)	0	0
Changes in credit risk	2,658	5,070	(158)	4,625	(142)	12,053
Decreases due to use of impairment losses	0	0	(24,188)	(11,735)	0	(35,923)
Foreign currency effects and other adjustments	(17)	100	(14)	46	0	116
Closing balance sheet 31/12/2019	**13,410**	**7,631**	**55,318**	**59,457**	**3,231**	**139,047**

The direct write-offs to loans and advances totalled TEUR -2,269 in 2019 (2018: TEUR -908). Income, excluding the effects of changes in risk provisions, e.g. from loans and advances previously written off, amounted to TEUR 7,210 in 2019 (2018: TEUR 1,240).

The comparative prior year data are as follows:

€'000	Stage 1 Performing	Stage 2 Under Performing	Stage 3 Credit impaired significant	Stage 3 Credit impaired not significant	POCI	Total
Opening balance sheet 01/01/2018	*7,963*	*2,289*	*78,836*	*80,601*	*4,864*	*174,553*
Increase due to new additions	4,336	744	0	0	318	5,398
Decreases due to disposals	(1,388)	(700)	0	(11,508)	0	(13,596)
Changes resulting from reclassification between stages*	(389)	788	4,246	33,578	0	38,223
Transfers to Stage 1	302	0	0	0	0	302
Transfers to Stage 2	(691)	2,505	(20,682)	(835)	0	(19,703)
Transfers to Stage 3	0	(1,717)	24,928	34,413	0	57,624
Changes in credit risk	(3,847)	(477)	9,711	(18,778)	(1,443)	(14,834)
Decreases due to use of impairment losses	0	0	(12,554)	(15,205)	0	(27,759)
Foreign currency effects and other adjustments	0	0	0	250	0	250
Closing balance sheet 31/12/2018	6,675	2,644	80,239	68,938	3,739	162,235

*) In the comparative period, i.e. the 2018 financial year, all changes in the risk provisions from migrating assets were reported on the line "changes resulting from reclassification between stages". This presentation was changed in 2019 to only show the risk provision before the change in the stage as a transfer amount. Changes above this amount are now reported under the changes in credit risk.

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

€'000	Stage 1 Performing	Stage 2 Under Performing	Stage 3 Credit impaired significant	Stage 3 Credit impaired not significant	POCI	Total
Opening balance sheet 01/01/2019	***608***	***0***	***0***	***0***	***0***	***608***
Increase due to new additions	711	0	0	0	0	711
Decreases due to disposals	(294)	0	0	0	0	(294)
Changes in credit risk	150	0	0	0	0	150
Foreign currency effects and other adjustments	(7)	0	0	0	0	(7)
Closing balance sheet 31/12/2019	**1,169**	**0**	**0**	**0**	**0**	**1,169**

The comparative prior year data are as follows:

€'000	Stage 1 Performing	Stage 2 Under Performing	Stage 3 Credit impaired significant	not significant	POCI	Total
Opening balance sheet 01/01/2018	*1,275*	*0*	*0*	*0*	*0*	*1,275*
Increase due to new additions	125	0	0	0	0	125
Decreases due to disposals	(2)	0	0	0	0	(2)
Changes in credit risk	(790)	0	0	0	0	(790)
Closing balance sheet 31/12/2018	608	0	0	0	0	608

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

€'000	Stage 1 Performing	Stage 2 Under Performing	Stage 3 Credit impaired significant	not significant	POCI	Total
Opening balance sheet 01/01/2019	*992*	*0*	*0*	*0*	*0*	*992*
Increase due to new additions	912	0	0	0	0	912
Decreases due to disposals	(749)	0	0	0	0	(749)
Changes in credit risk	453	0	0	0	0	453
Foreign currency effects and other adjustments	7	0	0	0	0	7
Closing balance sheet 31/12/2019	**1,615**	0	0	0	0	**1,615**

The comparative prior year data are as follows:

€'000	Stage 1 Performing	Stage 2 Under Performing	Stage 3 Credit impaired significant	Stage 3 Credit impaired not significant	POCI	Total
Opening balance sheet 01/01/2018	*2,639*	*811*	*0*	*0*	*0*	*3,450*
Increase due to new additions	83	0	0	0	0	83
Decreases due to disposals	(94)	0	0	0	0	(94)
Changes resulting from reclassification between stages*	811	(811)	0	0	0	0
Transfers to Stage 1	811	(811)	0	0	0	0
Changes in credit risk	(2,447)	0	0	0	0	(2,447)
Closing balance sheet 31/12/2018	992	0	0	0	0	992

*) In the comparative period, i.e. the 2018 financial year, all changes in the risk provisions from migrating assets were reported on the line "changes resulting from reclassification between stages". This presentation was changed in 2019 to only show the risk provision before the change in the stage as a transfer amount. Changes above this amount are now reported under the changes in credit risk.

Provision for granted commitments and financial guarantees:

€'000	Stage 1 Performing	Stage 2 Under Performing	Stage 3 Credit impaired significant	 not significant	Total
Opening balance sheet 01/01/2019	*1,422*	*549*	*8,124*	*2,629*	*12,724*
Increase due to new additions	1,196	436	276	185	2,093
Decreases due to disposals	(751)	(414)	(5,269)	(633)	(7,067)
Changes resulting from reclassification between stages	68	(201)	182	(50)	0
Transfers to Stage 1	(90)	88	0	1	0
Transfers to Stage 2	148	(340)	182	10	0
Transfers to Stage 3	10	51	0	(61)	0
Changes in credit risk	1,088	672	2,927	326	5,012
Foreign currency effects and other adjustments	(3)	3	(58)	6	(51)
Closing balance sheet 31/12/2019	**3,020**	**1,045**	**6,182**	**2,463**	**12,710**

The comparative prior year data are as follows:

€'000	Stage 1 Performing	Stage 2 Under Performing	Stage 3 Credit impaired significant	 not significant	Total
Opening balance sheet 01/01/2018	*1,692*	*549*	*6,007*	*1,217*	*9,465*
Increase due to new additions	834	175	0	0	1,009
Decreases due to disposals	(341)	(130)	0	(3)	(474)
Changes resulting from reclassification between stages*	(116)	181	680	329	1,074
Transfers to Stage 1	56	(302)	0	0	(246)
Transfers to Stage 2	(172)	483	(4,103)	(2,106)	(5,898)
Transfers to Stage 3	0	0	4,783	2,435	7,218
Changes in credit risk	(647)	(226)	1,435	1,086	1,648
Foreign currency effects and other adjustments	0	0	2	0	2
Closing balance sheet 31/12/2018	1,422	549	8,124	2,629	12,724

*) In the comparative period, i.e. the 2018 financial year, all changes in the risk provisions from migrating assets were reported on the line "changes resulting from reclassification between stages". This presentation was changed in 2019 to only show the risk provision before the change in the stage as a transfer amount. Changes above this amount are now reported under the changes in credit risk.

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

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

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

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

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

Risk parameters under IFRS9

Segmentation

The credit risk-relevant assets held by RLB NÖ-Wien are allocated to appropriate portfolios. The parameters for the "high-default" portfolios are calculated at the portfolio level, while a more granular approach is applied to the "low-default" portfolios. In the portfolio for banks, a probability of default is calculated individually for each customer with the help of external data. The default probabilities for the "country" portfolio are calculated at the individual country level. The forecasted country default probabilities are used to derive PDs for all rating categories in order to assign reasonable PD curves to products in the same country which have different credit ratings.

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

Modelling

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

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

All point-in-time adjustments to the risk parameters (PD, LGD, CCF) were individually selected for the respective portfolio. A large number of different models were tested for this purpose, and the final model was selected from the best alternatives. The models are monitored regularly and validated annually. The results of the validation are translated into an action plan which is approved by management and subsequently implemented. This can lead to the adjustment of the models within the framework of the applicable modelling logic.

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

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

Scenarios and macroeconomic, future-oriented information

All risk parameters were calculated for three different scenarios:

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

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

Significant increase in credit risk (“staging”)

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

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

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

Stage 3: Transactions in default or impaired. For significant customers, the risk provision represents the difference between the carrying amount and present value of the expected future cash flows. For non-significant customers, the calculation is based on the lifetime expected losses.

Determination of a "significant increase in the credit risk”

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

Qualitative criteria

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

Quantitative criteria

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

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

Sensitivity analysis risk provision

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

€m	31/12/2019	100% optimistic	100% baseline	100% pessimistic
Risk provisions Stage 1&2	31.5	28.7	29.2	37.6

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

€m	31/12/2019	100% in Stage 1	100% in Stage 2
Risk provisions Stage 1&2	31.5	28.5	94.3

Changes in estimates for the determination of risk provisions

The basis for estimating the parameters used to determine the ECL consolidated financial statements is formed by regulatory parameter models which, in turn, are oriented on regulatory requirements. The adjustment of the regulatory LGD model to reflect the new EBA guideline/2017/16 led to the revision of an estimate (IAS 8.34) and, consequently, to a change in the parameters for the risk provision in accordance with IFRS 9.

The point-in-time PD models were also adjusted to improve the forecasting ability. This adjustment is intended to improve the quality of the forecasts and was recommended as part of the regular model monitoring process.

The changes in the ECL resulting from these measures led to an increase of EUR +7.32 million in the risk provisions as follows:

- Stage 1: EUR +5.86 million (loans and advances to customers: EUR +4.84 million, provisions: EUR +1.02 million)
- Stage 2: EUR +4.52 million und (loans and advances to customers: EUR +3.99 million, provisions: EUR +0.53 million)
- Stage 3: non-significant, EUR -3.05 million (loans and advances to customers: EUR -2.98 million, provisions: EUR -0.07 million)

The recognition was made through expenses in the current reporting period (see Note (8) Net impairment loss / reversal of impairment to financial assets and Note (9) Other operating profit/loss for off-balance sheet obligations). The above tables on the development of impairment losses include these effects under “changes based on changes in credit risk“ and “changes resulting from reclassification between stages". The changes in estimates in accordance with IAS 8.34, which were made to the comparative period (2018) totalled EUR -5.4 million (reduction in the risk provisions for non-significant loans and advances).

(17) Derivatives – hedge accounting

€'000	31/12/2019	31/12/2018
Fair value hedges	405,674	347,329
Positive fair values of derivative financial instruments from micro-fair value hedges	401,035	347,329
Positive fair values of derivative financial instruments from portfolio-fair value hedges	4,639	0
Fair value hedges	**405,674**	347,329

Derivative financial instruments are reported as hedging instruments when the conditions for hedge accounting under IFRS 9 are met. In the future, RLB NÖ-Wien will no longer hedge any payment flows through cash flow hedges. The cash flow hedge reserve is therefore being released through profit or loss over the remaining term of the variable-yield loans, advances and deposits during the period in which the cash flows from the underlying transactions influence the respective period results. Details on the recognized micro- and portfolio fair value hedges, underlying transactions, hedging instruments and hedged risks is provided in Note (32) Hedge accounting.

(18) Fair value changes in the underlying transactions for portfolio hedges of interest rate risks

€'000	31/12/2019	31/12/2018
Fair value changes in the underlying transactions for portfolio hedges of interest rate risks	(3,922)	0

RLB NÖ-Wien has applied hedge accounting to hedge the fair value of a portfolio against interest rate risks as defined in IAS 39.AG114-AG132 since the 2019 financial year. Additional details can be found in Note (32) Hedge accounting.

(19) Interest in equity-accounted investments

€'000	31/12/2019	31/12/2018
Interest in equity-accounted investments	**2,585,515**	2,355,949

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

(20) Property and equipment

€'000	31/12/2019	31/12/2018
Property and equipment	*14,690*	*14,940*
Land and buildings - own use	2,694	2,798
Other property and equipment	11,880	12,125
IT hardware	116	17
Usage rights	*87,507*	*0*
Usage rights for land and buildings	86,896	0
Usage rights for autos and other tangible assets	611	0
Total	**102,197**	14,940

Investment property:

€'000	31/12/2019	31/12/2018
Investment property	**2,451**	2,916

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

€'000	2019	2018
Acquisition costs at 1 January	*52,254*	*51,858*
Additions	3,540	3,904
Disposals	(2,510)	(3,508)
Reclassifications	(2,790)	0
Acquisition costs at 31 December	*50,494*	*52,254*
Amortization at 1 January	*(34,398)*	*(33,437)*
Additions to current amortization	(3,651)	(3,191)
Disposals	1,905	2,229
Reclassifications	2,790	0
Amortization at 31 December	*(33,354)*	*(34,398)*
Carrying amounts at 1 January	*17,856*	*18,420*
Carrying amounts at 31 December	**17,140**	17,856

A book value disposal of TEUR 429 was recognized to the investment property shown in the above table during 2019 (2018: TEUR 1,094). Scheduled depreciation equalled TEUR 36 in 2019 (2018: TEUR 49).

The following table shows the development of the rights of use capitalized since the initial application of IFRS 16 as of 1 January 2019 for assets which were obtained through leases and reported under property and equipment.

€'000	Usage rights for land and buildings	Usage rights for autos and other assets
At 01/01/2019	*0*	*0*
Initial application of IFRS 16	105,477	514
Additions	3,776	378
Disposals	(15,201)	(29)
Depreciation	(7,156)	(252)
At 31/12/2019	**86,896**	**611**

(21) Intangible assets

€'000	31/12/2019	31/12/2018
Purchased software and licenses	12,947	8,936
Total	**12,947**	**8,936**

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

€'000	**2019**	**2018**
Acquisition costs at 1 January	***62,228***	*59,654*
Additions	6,920	2,924
Disposals	(1,165)	(350)
Reclassifications	(823)	0
Acquisition costs at 31 December	***67,160***	*62,228*
Amortization at 1 January	***(53,292)***	*(51,622)*
Additions to current amortization	(2,231)	(1,956)
Additions	0	5
Disposals	488	281
Reclassifications	823	0
Amortization at 31 December	***(54,212)***	*(53,292)*
Carrying amounts at 1 January	***8,936***	*8,032*
Carrying amounts at 31 December	**12,947**	8,936

(22) Tax assets

€'000	**31/12/2019**	**31/12/2018***
Tax assets	107	91
Deferred tax assets	152	8,535
Total	**259**	8,626

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").

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

€'000	2019	2018*
Deferred tax assets	152	8,535
Deferred tax liabilities	5,022	0
Net deferred tax assets	**(4,870)**	8,535

€'000	2019	2018*
Financial liabilities held for trading	30,417	25,365
Financial liabilities measured at amortized cost	66,756	35,994
Derivatives - hedge accounting (liabilities)	51,732	41,056
Fair value changes in the underlying transactions for portfolio hedges of interest rate risks	528	0
Provisions	8,106	6,918
Partial write-downs of investments to be distributed for tax purposes	522	496
Other	1,251	847
Deferred tax assets	***159,312***	*110,676*
Financial assets held for trading	30,197	23,923
Non-trading financial assets mandatorily at fair value through profit or loss	3,232	3,407
Financial assets at amortized cost	43,527	37,958
Derivatives - hedge accounting (assets)	44,800	36,853
Interest in equity-accounted investments	19,541	0
Property and equipment	22,885	0
Deferred tax liabilities	***164,182***	*102,141*
Net deferred tax assets	**(4,870)**	8,535

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies"). In connection with the change in accounting policy, the allocation of deferred taxes to the individual balance sheet positions was also adjusted.

Deferred taxes of TEUR 3,651 (2018: TEUR 3,698; adjusted - see "Restatement for changes in accounting policies" in the Notes) 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 from the current point of view. In addition, deferred tax liabilities were not recognised on temporary differences of EUR 1,199 million (2018: EUR 1,107 million; adjusted - see "Restatement for changes in accounting policies" in the Notes).

(23) Other assets

€'000	31/12/2019	31/12/2018
Trust receivables - federal and provincial IPS	37,369	31,893
Deposits	28,977	28,977
Prepayments made and accrued income	80	148
Semi- and finished goods/unfinished goods/inventories	1,505	1,427
Trade receivables (non-bank)	0	6.060
Receivables from other taxes and duties	1.152	32.187
Miscellaneous other assets	35.163	37.519
Total	**104.248**	138.212

*) Loans and advances have been reported on the balance sheet under (15) Financial assets at amortized cost beginning with the 2019 financial year.

Other assets include trust receivables in connection with the federal and provincial IPS (Institutional Protection Scheme; also see Note (31) Equity) and deposits as well as receivables from other taxes and duties. Miscellaneous other assets consist primarily of prepaid expenses and receivables from the group tax charge.

(24) Financial liabilities held for trading

€'000	31/12/2019	31/12/2018
Derivatives	509,172	585,386
Total	**509,172**	585,386

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

(25) Financial liabilities at amortized cost

€'000	31/12/2019	31/12/2018
Deposits from other banks	7,684,088	8,752,129
Demand deposits	3,635,704	3,749,315
Time deposits	4,048,384	5,002,814
Deposits from customers	8,971,709	8,182,341
Sight deposits	6,596,231	5,845,867
Time deposits	933,028	869,714
Savings deposits	1,442,451	1,466,760
Securitized liabilities	7,161,241	6,578,675
Issued bonds	6,559,492	5,837,140
Tier 2 capital	601,748	741,535
Other liabilities	96,349	0
Lease liabilities	94,802	0
Trade payables (non-bank)	1.547	0
Total	**23.913.387**	23.513.145

*) Deposits were reported on the balance sheet under (29) "Other liabilities" up to 31 December 2018.

The leases concluded by the RLB NÖ-Wien Group which have not yet started will result in potential future cash outflows of TEUR 2,664. A description of the Tier 2 capital included in this position and all other financial instruments listed above can be found under "Significant Accounting Policies" in the section on "Financial liabilities".

(26) Derivatives – hedge accounting

€'000	31/12/2019	31/12/2018
Fair value hedges	407,138	343,537
Negative fair values of derivative financial instruments from micro-fair value hedges	407,138	343,537
Total	**407,138**	343,537

Derivative financial instruments are reported as hedging instruments when the conditions for hedge accounting under IFRS 9, respectively IAS 39 are met. In the future, RLB NÖ-Wien will no longer hedge any payment flows through cash flow hedges. The cash flow hedge reserve is therefore being released through profit or loss over the remaining term of the variable-yield loans, advances and deposits during the period in which the cash flows from the underlying transactions influence the respective period results. Details on the recognized micro- and portfolio fair value hedges, underlying transactions, hedging instruments and hedged risks is provided in Note (32) Hedge Accounting.

(27) Provisions

€'000	31/12/2019	31/12/2018
Post-employment benefits	36,268	31,241
Termination benefits	26,729	32,605
Long-service bonuses	5,087	4,831
Restructuring	5,730	13,900
Pending legal and tax proceedings	17,566	15,588
Obligations and issued guarantees	12,710	12,724
Other provisions	16,367	31,822
Total	**120,457**	142,711

Other provisions include TEUR 3,916 (2018: TEUR 3,332) for IT costs as well as TEUR 2,842 (2018: TEUR 3,312) for legal proceedings and attorneys costs. The provision of TEUR 11,700 recognized under this position in the previous year for portfolio commissions not yet forwarded was used in full during 2019.

The development of the provisions for obligations and issued guarantees is shown under Note (16) Risk provisions.

Employee-related provisions

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

€'000	**2019**	**2018**
Interest rate		
Entitlement phase	0.58%	1.60%
Entitlement phase for beneficiaries with STATUT or KV6 commitments	0.58%	1.60%
Service phase	0.58%	1.60%
Service phase for beneficiaries with STATUT or KV6 commitments	4.00%	4.00%
Termination benefits	0.31%	1.20%
Part-time work for older staff	0.31%	1.20%
Salary increases	**1.5% - 4.5%**	1.5% - 4.5%
Pension increases	**0.5% - 2.0%**	0.5% - 2.0%
Pension increases for beneficiaries with STATUT or KV6 commitments	**0.0%**	0.0%
Biometric basis		AVÖ 2018-P calculation parameters for pension insurance (salaried employees)

The calculation is based on the earliest possible statutory retirement age for men and women. The individual agreements covering part-time work by older staff which called for blocked part-time work expired in 2019. Therefore, the related provision reported as of 31 December 2018 was used in full.

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

€'000	2019	2018	2019	2018	2019	2018
	Gross obligation termination payments		Gross obligation post-employment payments		Plan assets pensions	
At 1 January	32,605	32,583	59,124	62,432	27,883	32,864
Service cost	948	6,219	720	1,068	0	0
Interest cost	240	211	935	922	0	0
Expected return on the plan assets	0	0	0	0	442	477
Payments	(4,681)	(2,555)	(2,651)	(2,576)	0	0
Contributions to plan assets	0	0	0	0	1,486	1,195
Post-employment payments from plan assets	0	0	0	0	(904)	(998)
Net amount transferred	0	0	(2,086)	(3,241)	(2,137)	(4,049)
Actuarial (gain)/loss for the financial year	521	(3,853)	8,473	519	1,887	(1,556)
Due to experience-based adjustments	(398)	(3,290)	1,871	(65)	1,887	(1,556)
Due to change in demographic assumptions	(411)	(11)	0	2,106	0	0
Due to Change in Financial Assumptions	1,330	(552)	6,602	(1,522)	0	0
Other changes and adjustments	(2,904)	0	321	0	(89)	(50)
Changes in the scope of consolidation	0	0	0	0	0	0
At 31 December	**26,729**	32,605	**64,836**	59,124	**28,568**	27,883
Fair value plan assets	**0**	0	**(28,568)**	(27,883)	**0**	0
Net obligation as of 31 December	**26,729**	32,605	**36,268**	31,241	**0**	0

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

€'000	2019	2018
Present value of post-employment benefits (DBO) at 31 December	64,836	59,124
Of which obligations to active eligible employees	19,747	18,711
Of which obligations to former eligible employees	0	0
Of which obligations to retirees	45,089	40,413

The structure of the plan assets is as follows:

€'000	2019	2018
Bonds and other fixed-interest securities	17,031	15,134
Shares and other variable-yield securities	8,498	9,490
Property	1,163	1,008
Other	1,875	2,251
Total	**28,568**	27,883

The plan assets for the 2019 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	2019 Increase	2019 Decrease	2018 Increase	2018 Decrease
Provisions for post-employment benefits					
Discount rate	0.75%	(7.57)%	8.72%	(9.38)%	11.03%
Retirement age	1 year	(0.70)%	0.87%	(0.84)%	1.01%
Assumption for increase in the entitlement phase	0.25%	0.53%	(0.52)%	0.56%	(0.55)%
Assumption for increase in current benefits	0.25%	2.99%	(2.87)%	2.92%	(2.80)%
Remaining life expectancy	1 year	5.76%	(6.04)%	5.31%	(5.61)%
Provisions for termination benefits					
Discount rate	0.75%	(5.63)%	6.20%	(5.76)%	6.35%
Retirement age	1 year	(0.68)%	1.19%	(1.36)%	1.68%
Assumption for increase in the entitlement phase	0.25%	1.94%	(1.89)%	2.02%	(1.97)%
Turnover	1.00%	(3.51)%	2.84%	(3.61)%	0.57%

The weighted remaining term of the obligations is as follows:

in years	2019	2018
Termination benefits	7.9	8.1
Post-employment benefits	10.6	11.1

The expenses for defined contribution plans are classified as follows:

€'000	2019	2018
Expenditure on defined contribution plans	***1,664***	***1,588***
Of which on defined contribution plans (pension fund)	1,036	1,014
Of which on staff benefit fund ("Mitarbeitervorsorgekasse")	628	574

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

€'000	Restructuring	Legal and tax proceedings	Other
At 1 January	13,900	15,588	31,822
Initial application of IFRS 16	(7,592)	0	0
Added	1,209	2,691	7,823
Released	(916)	(602)	(3,356)
Used	(871)	(111)	(19,922)
At 31 December	**5,730**	**17,566**	**16,367**

(28) Tax liabilities

€'000	**31/12/2019**	**31/12/2018***
Tax liabilities	2,664	2,970
Deferred tax liabilities	5,022	0
Total	**7,687**	2,970

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").

The basis for deferred taxes for each balance sheet position is shown under Note (22) Tax assets.

(29) Other liabilities

€'000	**31/12/2019**	**31/12/2018**
Liabilities from other taxes and duties	7,817	8,128
Prepayments received and accrued expenses	80	338
Trade payables (non-bank)	0	1.529
Miscellaneous other liabilities	124.752	110.423
Total	**132.649**	120.418

*) Trade payables are reported under balance sheet position (25) "Financial liabilities at amortized cost" beginning with the 2019 financial year.

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

(30) Equity

€'000	31/12/2019	31/12/2018*
Attributable to non-controlling interests	40	110
Attributable to equity owners of the parent	2,513,580	2,250,127
Share capital, paid in	219,789	219,789
Capital reserves	556,849	556,849
Other comprehensive income for the period (OCI)	(335,074)	(416,535)
Other comprehensive income for the period (OCI) - not recyclable	1,307	(7,902)
IAS 19 reserve (revaluation of net liability from defined benefit plans)	(21,814)	(15,493)
Share of other comprehensive income from associates, at equity	23,074	7,366
Financial assets - equity instruments at fair value through other comprehensive income*	47	225
Other comprehensive income for the period (OCI) - recyclable	(336,381)	(408,634)
Cash flow hedge reserve	856	2,833
Share of other comprehensive income from associates and joint ventures, at equity	(337,237)	(411,466)
Retained earnings	1,844,625	1,695,644
Share of profit from associates, other changes in equity	(164,931)	(149,567)
Other retained earnings	2,009,556	1,845,211
Profit or loss attributable to equity owners of the parent	227,391	194,380
Equity	2,513,620	2,250,238

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").

The share capital of RLB NÖ-Wien totals TEUR 219,789 (2018: TEUR 219,789). Subscribed capital comprises 2,197,892 (2018: 2,197,892) registered shares.

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

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

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

€'000	IAS 19 reserve	Cash flow hedge reserve	Available-for-sale reserve	Fair value OCI reserve	Total
At 31/12/2017	*(14,950)*	*3,883*	*70,667*	*0*	*59,600*
Revaluations IFRS 9			(70,667)	903	(69,765)
At 01/01/2018 after IFRS 9 transition	*(14,950)*	*3,883*	*0*	*903*	*(10,165)*
Restatement of the previous year*	(2,492)	729	0	266	(1,497)
Equity at 01/01/2018	*(17,442)*	*4,612*	*0*	*1,169*	*(11,662)*
Unrealized gains/(losses) in the period	0	0	0	(965)	(965)
Gains/(losses) reclassified to profit or loss	0	(2,045)	0	0	(2,045)
Actuarial gains and losses	1,777	0	0	0	1,777
Tax effects	172	265	0	126	564
Other changes	0	0	0	(103)	(103)
At 31/12/2018	*(15,493)*	*2,833*	*0*	*225*	*(12,435)*
At 01/01/2019	*(15,493)*	*2,833*	*0*	*225*	*(12,435)*
Unrealized gains/(losses) in the period	0	0	0	(218)	(218)
Gains/(losses) reclassified to profit or loss	0	(2,045)	0	0	(2,045)
Actuarial gains and losses	(7,107)	0	0	0	(7,107)
Proportional share of other comprehensive income from equity-accounted investments	0	0	0	0	0
Tax effects	787	68	0	40	895
At 31/12/2019	*(21,813)*	*856*	*0*	*47*	*(20,911)*

*) The prior year was adjusted in accordance with IAS 8 (see the section "Restatement for changes in accounting policies").

The derecognitions through profit or loss of items from the cash flow hedge reserve were recorded under net interest income. The available-for-sale reserve was dissolved din connection with the IFRS 9 transition. The fair value OCI reserve contains the measurement results from investments which are assigned to this category because of their strategic focus (also see Note (14) Financial assets at fair value through other comprehensive income).

Capital management

The capital management of the RLB NÖ-Wien Group represents an important part of medium-term planning, which is regularly reviewed and updated. Its goal is to ensure compliance with legal and regulatory requirements at all times in line with the development of business and the protection of an appropriate buffer. The definition of capital is based on the applicable regulatory requirements. In accordance with § 39a of the Austrian Banking Act, the legal due diligence obligations of financial institutions include maintaining a capital base that guarantees protection for all major banking transactions and banking risks (also see the comments on overall bank management – risk capacity in Note (31) Risks arising from financial instruments (Risk Report)). The capital indicators of RBG NÖ-Wien were optimized by the IPS (Institutional Protection Scheme) in the 9ense of Art. 49 (3) and 113 (7) of the CRR. The legal minimum requirements for capital defined by the Austrian Banking Act, respectively the CRR, were met by Raiffeisen-Holding NÖ-Wien at all times during the 2019 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

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

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

Risk policy

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

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

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

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

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

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

Disclosure

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

Risk management

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

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

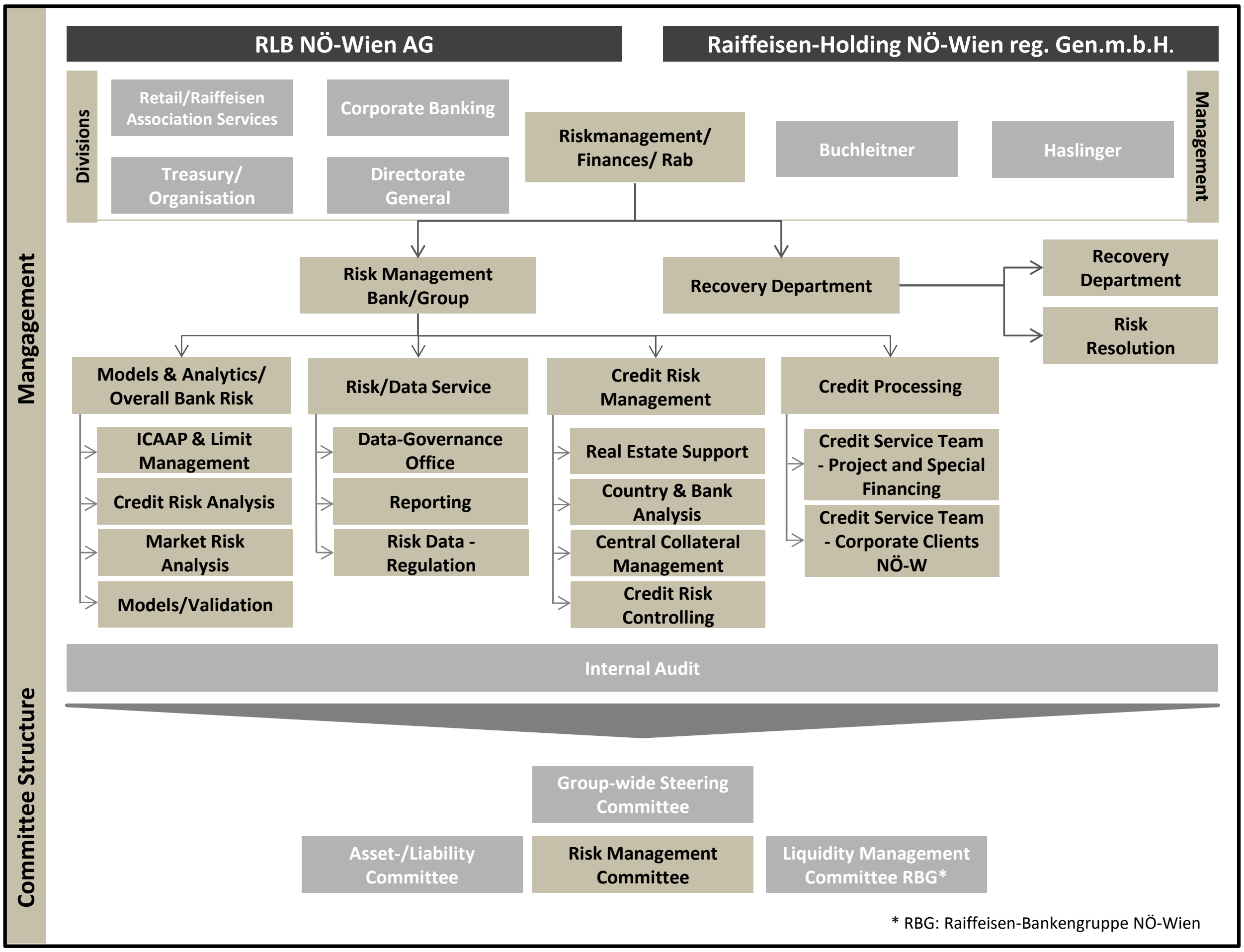
Departments are also involved as required. The Overall Bank Management Committee meets once each quarter.

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

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

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

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



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

Risk analyses are prepared by the responsible departments in this area in accordance with the internal risk controlling process. The Models & Analytics 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 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 Department 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 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 incl. credit spread risk
- Liquidity risk
- Operational risk
- Macroeconomic risk
- Other risks

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

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

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

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

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

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

In agreement with the EBA Guideline (EBA GL) 2014-06 on the range of scenarios to be used in recovery plans, the preparation of this plan also involved a macroeconomic stress test that covered the entire bank. This stress test evaluated the effectiveness and feasibility of the various restructuring options and the appropriateness of the early warning and recovery indicator sets. Four stress scenarios were defined for 2019 as part of a sector-wide coordination: all four scenarios apply to ECB-supervised banks, while only three are applicable to nationally supervised institutions. The Raiffeisen-Holding NÖ-Wien Group has therefore selected three of these stress scenarios to form a set which covers two speeds and three forms (fast/slow and idiosyncratic/systemic/combined).

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

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

The Raiffeisen-Holding NÖ-Wien Group was also audited in 2019 as part of the ECB's Supervisory Review and Evaluation Process (SREP), in accordance with the methodology defined by EBA GL 2014/13 for the Eurozone and under the lead of the Austrian National Bank. In addition to the monitoring of key indicators, the business model was analysed and internal governance (internal management and risk management), institutional controls and the capital, liquidity, operational and interest rate risks in the banking book were evaluated. In conclusion, an adjusted "Common Equity Tier 1" (CET1) ratio was set for the Raiffeisen-Holding NÖ-Wien Group through a decision on 24 May 2019. The Raiffeisen-Holding NÖ-Wien Group as a supervised entity and RLB NÖ-Wien as the subsidiary of the supervised entity are subjected to direct supervision by the national authority, i.e. 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 may make contractually required payments only in part or not at all.

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

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

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

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

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

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

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

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

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

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

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

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

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

The periodic updating of ratings and the evaluation of collateral also include the regular recognition of any necessary risk provisions. Impairment losses are recognized to loans that are expected to become uncollectible, taking any collateral received into account, while risk provisions are recognized for off-balance sheet exposures. In identifying and calculating the risk provisions, RLB NÖ-Wien follows the requirements defined by IFRS 9. The amount of the Stage 3 risk provision for significant loans and advances is calculated with a discounted cash flow (DCF) method, whereby the amount of the adjustment equals the difference between the carrying amount and the present value of the expected future cash flows. Distressed loans due from non-significant customers are valued with models which determine the necessary adjustment based on the unsecured exposure (EAD) and a duration-dependent loss rate (LGD). The risk parameters used in the calculation are validated at least once each year

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

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

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

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

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

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

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

The following table reconciles the balance sheet positions to the credit exposure. In contrast to the balance sheet positions, the credit exposure is presented on a gross basis (without the deduction of risk provisions).

€´000 Balance sheet items	Notes	2019 Balance sheet items	2019 Credit exposure	2018 Balance sheet items	2018 Credit exposure
Cash, cash balances at central banks and other demand deposits	(11)	***3,040,188***	***2,987,239***	*3,359,250*	*3,317,562*
Financial assets held for trading	(12)	***1,140,011***	***1,140,011***	*1,341,693*	*1,339,789*
Derivatives	(12)	487,792	487,792	531,373	531,373
Equity instruments	(12)	0	0	1,905	0
Bonds	(12)	652,219	652,219	808,415	808,415
Loans and advances to other banks	(12)	140,605	140,605	386,517	386,517
Loans and advances to customers	(12)	511,614	511,614	421,898	421,898
Non-trading financial assets mandatorily at fair value through profit or loss	(13)	***162,229***	***148,042***	*173,513*	*160,630*
Equity instruments	(13)	14,187	0	12,883	0
Bonds	(13)	991	991	919	919
Loans and advances to other banks	(13)	991	991	919	919
Loans and advances	(13)	147,051	147,051	159,711	159,711
Loans and advances to customers	(13)	147,051	147,051	159,711	159,711
Financial assets at fair value through other comprehensive income	(14)	***18,950***	***0***	*18,872*	*0*
Equity instruments	(14)	18,950	0	18,872	0
Financial assets at amortized cost	(15)	***20,033,364***	***20,177,937***	*19,188,168*	*19,354,187*
Bonds	(15)	4,060,086	4,062,870	4,128,791	4,130,391
Loans and advances to other banks	(15)	1,249,446	1,250,614	1,007,799	1,008,407
Loans and advances to customers	(15)	2,810,640	2,812,256	3,120,992	3,121,984
Loans and advances	(15)	15,961,270	16,103,059	15,059,377	15,223,796
Loans and advances to other banks	(15)	2,648,319	2,651,061	2,441,505	2,443,689
Loans and advances to customers	(15)	13,312,952	13,451,998	12,617,872	12,780,107
Trade receivables *	(15)	12,007	12,007	0	0
Derivatives - hedge accounting	(17)	***405,674***	***405,674***	*347,329*	*347,329*
Contingent liabilities	(39)	***769,553***	***776,724***	*811,227*	*819,757*
Credit commitments	(39)	***5,550,884***	***5,556,422***	*4,480,535*	*4,484,729*
Total		**31,120,852**	**31,192,049**	29,720,588	29,823,983

* Up to 31 December 2018, loans and advances were reported under balance sheet position (23) Other assets.

The detailed analysis of the credit portfolio takes place through a classification in rating levels, whereby a separate customer rating is prepared for each class of loans and advances. Centrally validated, internal risk classification processes (rating and scoring models) are used to determine the credit rating.

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

€´000								2019
		Exposure	**Of which Stage 1 Performing**	**Of which Stage 2 Under Performing**	**Of which Stage 3 Credit Impaired**		**Of which POCI**	**Collateral**
Internal Rating					**significant**	**not significant**		
0.5	Minimal Risk	1,616,117	1,607,858	8,259	0	0	0	548,848
1	Excellent credit standing	9,475,934	9,432,868	43,066	0	0	0	1,089,765
1.5	Very good credit standing	9,257,856	9,008,775	249,081	0	0	0	2,507,652
2	Good credit standing	6,803,049	6,629,329	173,720	0	0	0	2,914,068
2.5	Very good credit standing	2,657,527	2,445,930	211,598	0	0	0	1,075,148
3	Mediocre credit standing	762,787	664,274	98,513	0	0	0	423,830
3.5	Weak credit standing	96,538	66,577	29,961	0	0	0	45,818
4	Good credit standing	71,943	25,635	46,308	0	0	0	38,211
4.5	Doubtful/high default risk	89,349	11,906	77,443	0	0	0	51,691
D	Default	269,008	0	0	156,823	102,557	9,628	100,859
	Unrated	91,940	1,653	90,287	0	0	0	63,269
Gross carrying amount		*31,192,049*	*29,894,805*	*1,028,236*	*156,823*	*102,557*	*9,628*	*8,859,160*
Impairment allowance balance		158,782	22,786	8,674	62,170	61,920	3,231	0
Net carrying amount		**31,033,267**	**29,872,019**	**1,019,562**	**94,653**	**40,637**	**6,396**	**8,859,160**

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

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

Credit portfolio – Corporates

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

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

€´000								2019
		Exposure	**Of which Stage 1 Performing**	**Of which Stage 2 Under Performing**	**Of which Stage 3 Credit Impaired**		**Of which POCI**	**Collateral**
Internal Rating					**significant**	**not significant**		
0.5	Minimal Risk	139,332	136,935	2,397	0	0	0	64,135
1	Excellent credit standing	2,166,958	2,131,536	35,423	0	0	0	685,898
1.5	Very good credit standing	4,321,546	4,090,555	230,991	0	0	0	2,259,820
2	Good credit standing	6,063,360	5,925,902	137,458	0	0	0	2,606,969
2.5	Very good credit standing	1,722,661	1,554,882	167,779	0	0	0	893,052
3	Mediocre credit standing	515,497	459,743	55,754	0	0	0	346,957
3.5	Weak credit standing	27,010	19,107	7,903	0	0	0	14,558
4	Good credit standing	32,388	10,508	21,880	0	0	0	14,748
4.5	Doubtful/high default risk	41,653	9,302	32,351	0	0	0	16,473
D	Default	160,090	0	0	147,381	5,238	7,470	76,768
	Unrated	90,746	700	90,046	0	0	0	63,269
Gross carrying amount		***15,281,241***	***14,339,170***	***781,982***	***147,381***	***5,238***	***7,470***	***7,042,647***
Impairment allowance balance		81,291	13,077	4,319	59,643	1,696	2,556	0
Net carrying amount		**15,199,950**	**14,326,093**	**777,663**	**87,738**	**3,543**	**4,914**	**7,042,647**

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

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

€´000 Branch	2019	PER CENT	2018	PER CENT
Real estate and housing	5,059,086	33.1	4,328,333	31.7
Manufacturing	2,623,524	17.2	2,426,141	17.8
Construction	1,547,548	10.1	975,621	7.1
Finance and insurance	1,105,434	7.2	1,103,926	8.1
Retail	1,102,744	7.2	1,031,135	7.5
Public administration	627,393	4.1	530,793	3.9
Other business services	613,665	4.0	453,805	3.3
Freelance professionals/techn. services	465,712	3.0	661,279	4.8
Energy supply	428,929	2.8	484,802	3.5
Hotel trade and gastronomy	317,888	2.1	265,747	1.9
Transportation	271,676	1.8	263,570	1.9
Other services	229,940	1.5	203,512	1.5
Healthcare and social services	204,547	1.3	197,019	1.4
Information and communication	148,166	1.0	177,507	1.3
Employed persons	142,532	0.9	133,672	1.0
Other	392,457	2.6	423,710	3.1
Total	**15,281,241**	**100.0**	13,660,571	100.0

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

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

€´000 Country/Region	2019	PER CENT	2018	PER CENT
Austria	12,719,182	83.2	11,591,085	84.9
EU	2,297,280	15.0	1,831,321	13.4
Non-EU	264,779	1.7	238,165	1.7
Total	**15,281,241**	**100.0**	13,660,571	100.0

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

Credit portfolio – Retail

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

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

€´000								2019
		Exposure	**Of which Stage 1 Performing**	**Of which Stage 2 Under Performing**	**Of which Stage 3 Credit Impaired**		**Of which POCI**	**Collateral**
Internal Rating					**significant**	**not significant**		
0.5	Minimal Risk	540,058	534,196	5,862	0	0	0	318,373
1	Excellent credit standing	272,827	265,184	7,644	0	0	0	155,291
1.5	Very good credit standing	340,602	322,512	18,090	0	0	0	188,983
2	Good credit standing	500,387	464,125	36,262	0	0	0	296,913
2.5	Very good credit standing	363,577	319,759	43,818	0	0	0	172,171
3	Mediocre credit standing	173,275	130,517	42,759	0	0	0	76,443
3.5	Weak credit standing	69,525	47,467	22,058	0	0	0	31,260
4	Good credit standing	39,548	15,127	24,421	0	0	0	23,456
4.5	Doubtful/high default risk	47,696	2,604	45,093	0	0	0	35,218
D	Default	102,484	0	0	3,008	97,319	2,157	24,091
	Unrated	1,192	951	241	0	0	0	0
Gross carrying amount		***2,451,172***	***2,102,440***	***246,248***	***3,008***	***97,319***	***2,157***	***1,322,199***
Impairment allowance balance		70,279	3,167	4,355	1,857	60,224	675	0
Net carrying amount		**2,380,894**	**2,099,273**	**241,892**	**1,151**	**37,095**	**1,482**	**1,322,199**

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

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

€´000 Segment	2019	PER CENT	2018	PER CENT
Personal banking customers	1,490,450	60.8	1,279,439	57.7
Small- and medium-sized businesses	960,722	39.2	938,011	42.3
Total	**2,451,172**	**100.0**	2,217,449	100.0

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

€´000 Currency	2019	PER CENT	2018	PER CENT
Euro	2,333,400	95.2	2,080,307	93.8
Swiss franc	109,791	4.5	128,133	5.8
Japanese yen	5,099	0.2	5,381	0.2
United States dollar	1,731	0.1	2,008	0.1
Czech krone	1,071	0.0	1,374	0.1
Other currencies	81	0.0	247	0.0
Total	**2,451,172**	**100.0**	2,217,449	100.0

Foreign currency credits in Swiss francs declined by a further TEUR 18,342 in 2019. New foreign currency credits to consumers are generally not granted. RLB NÖ-Wien monitors the foreign exchange risk and the risk arising from repayment vehicles very closely.

Credit portfolio – Banks

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

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

€´000								2019
		Exposure	**Of which Stage 1 Performing**	**Of which Stage 2 Under Performing**	**Of which Stage 3 Credit Impaired**		**Of which POCI**	**Collateral**
Internal Rating					**significant**	**not significant**		
0.5	Minimal Risk	299,176	299,176	0	0	0	0	166,339
1	Excellent credit standing	2,552,162	2,552,162	0	0	0	0	154,770
1.5	Very good credit standing	4,206,512	4,206,512	0	0	0	0	44,768
2	Good credit standing	168,721	168,721	0	0	0	0	10,187
2.5	Very good credit standing	292,382	292,382	0	0	0	0	9,920
3	Mediocre credit standing	22,871	22,871	0	0	0	0	430
3.5	Weak credit standing	0	0	0	0	0	0	0
4	Good credit standing	0	0	0	0	0	0	0
4.5	Doubtful/high default risk	0	0	0	0	0	0	0
D	Default	6,434	0	0	6,434	0	0	0
	Unrated	0	0	0	0	0	0	0
Gross carrying amount		***7,548,259***	***7,541,825***	***0***	***6,434***	***0***	***0***	***386,415***
Impairment allowance balance		5,548	4,878	0	670	0	0	0
Net carrying amount		**7,542,711**	**7,536,947**	**0**	**5,764**	**0**	**0**	**386,415**

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

The substantial concentration in credit rating classes 1 and 1.5 is caused primarily by the three-level organization of the Raiffeisen sector and the related liquidity drawdown. The shift in the concentration from 1.5 to 1 resulted from an improvement in the rating of Raiffeisen Bank International AG. This rating class consists primarily of RBI and loans to Raiffeisen banks in Lower Austria.

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

€'000 Top 5 Countries	2019	PER CENT	2018	PER CENT
Austria	5,772,952	76.5	5,668,131	77.1
Germany	649,169	8.6	504,780	6.9
France	373,895	5.0	334,493	4.6
Great Britain	269,909	3.6	464,986	6.3
Spain	74,190	1.0	40,076	0.5
EU-remainder	286,340	3.8	219,214	3.0
Non-EU, other	121,803	1.6	116,478	1.6
Total	**7,548,259**	**100.0**	7,348,159	100.0

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

Credit portfolio – Sovereigns

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

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

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

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

€´000								2019
		Exposure	**Of which Stage 1 Performing**	**Of which Stage 2 Under Performing**	**Of which Stage 3 Credit Impaired**		**Of which POCI**	**Collateral**
Internal Rating					**significant**	**not significant**		
0.5	Minimal Risk	637,551	637,551	0	0	0	0	0
1	Excellent credit standing	4,483,987	4,483,987	0	0	0	0	93,807
1.5	Very good credit standing	389,196	389,196	0	0	0	0	14,081
2	Good credit standing	70,580	70,580	0	0	0	0	0
2.5	Very good credit standing	278,907	278,907	0	0	0	0	5
3	Mediocre credit standing	51,144	51,144	0	0	0	0	0
3.5	Weak credit standing	3	3	0	0	0	0	0
4	Good credit standing	7	0	7	0	0	0	7
4.5	Doubtful/high default risk	0	0	0	0	0	0	0
D	Default	0	0	0	0	0	0	0
	Unrated	2	2	0	0	0	0	0
Gross carrying amount		*5,911,377*	*5,911,369*	*7*	*0*	*0*	*0*	*107,900*
Impairment allowance balance		1,664	1,664	0	0	0	0	0
Net carrying amount		**5,909,712**	**5,909,705**	**7**	**0**	**0**	**0**	**107,900**

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

The shift in the concentration from rating class 0.5 to 1 resulted primarily from a deterioration in the rating of the Republic of Austria and its provinces and municipalities.

The following table shows the distribution of the credit exposure in the Sovereigns portfolio by country:

€'000 Top 5 Countries	2019	PER CENT	2018	PER CENT
Austria	3,583,125	60.6	3,948,784	59.8
Luxembourg	476,130	8.1	487,702	7.4
Finland	306,657	5.2	265,056	4.0
France	252,993	4.3	238,213	3.6
USA	213,054	3.6	122,413	1.9
EU-remainder	1,079,399	18.3	1,535,617	23.3
Non-EU, other	18	0.0	18	0.0
Total	**5,911,377**	**100.0**	6,597,804	100.0

Additional information on the country exposures 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 and settlement cases and is supported on legal issues internally by the Legal Department and by external experts. The recovery and resolution staff are specially trained and experienced in the restructuring or settlement of problem loan commitments. They make an important contribution to the presentation and analysis as well as the recognition of any required risk provisions (write-offs, impairment charges or provisions) and can generally reduce the losses on problem loans through their early involvement.

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

2019 €'000 Receivables categories	Not overdue					Overdue	Total
		Up to 31 days	31 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	
Other banks	7,548,259	0	0	0	0	0	7,548,259
Corporate customers	15,192,937	36,040	14,532	8,398	15,560	13,773	15,281,241
Retail exposures	2,318,320	54,814	9,840	3,320	7,596	57,283	2,451,172
Public sector exposures	5,911,377	0	0	0	0	0	5,911,377
Total	**30,970,893**	**90,854**	**24,372**	**11,718**	**23,156**	**71,056**	**31,192,049**

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

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

A total exposure of EUR 94.3 million is overdue up to and including 90 days, but is not in default and is therefore assigned to Stage 1 or Stage 2. A credit exposure of EUR 4.0 million is overdue more than 90 days (and therefore classified as in default and Stage 3), but has not been reduced through the recognition of an impairment allowance (2018: EUR 4.8 million).

€´000	Up to 90 days		91 to 180 days		181 to 360 days		Over 360 days	
Receivables categories	2019	2018	2019	2018	2019	2018	2019	2018
Other banks	0	0	0	0	0	0	0	0
Corporate customers	34,797	135,210	1,924	0	0	0	0	2,019
Retail exposures	59,489	62,913	4	502	89	276	1,979	1,965
Public sector exposures	0	0	0	0	0	0	0	0
Total	**94,286**	198,122	**1,928**	502	**89**	276	**1,979**	3,984

The following table shows the non-performing exposure based on the EBA's definition in the document "Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures)." It covers both non-performing and performing exposure.

2019 €'000 Receivables categories	Credit exposure	Non-performing					
		Amount	Risk provision	Collateral	NPE Ratio in %	Coverage Ratio I in %	Coverage Ratio II in %
Other banks	6,027,960	670	670	0	0.0	100.0	100.0
Corporate customers	10,654,904	134,011	57,996	62,802	1.3	43.3	90.1
Retail exposures	2,082,883	101,114	60,599	24,965	4.9	59.9	84.6
Public sector exposures	4,535,463	0	0	0	0.0	0.0	0.0
Total	**23,301,211**	**235,795**	**119,265**	**87,768**	**1.0**	**50.6**	**87.8**

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

The non-performing exposure (NPE) ratio, which is calculated similar to the EBA Risk Indicator AQT_3.1, equalled 1.0% as of 31 December 2019 (2018: 1.3%). Coverage Ratio I is defined as the Stage 3 risk provision for non-performing credit exposures in relation to the total non-performing credit exposures, and Coverage Ratio II as the Stage 3 risk provision plus collateral (after haircuts) for non-performing credit exposures in relation to the total non-performing credit exposures. Coverage Ratio I equals 50.6% (2018: 53.2%) and Coverage Ratio II 87.8% (2018: 91.6%).

The NPL ratio, which is calculated similar to EBA Risk Indicator AQT_3.2 equalled 1.2% as of 31 December 2019 (2018: 1.6%).

€´000	Credit exposure		NPL		NPL Ratio in %	
	2019	2018	**2019**	2018	**2019**	2018
Total	19,237,349	18,701,068	235,795	292,934	1.2	1.6

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

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

2019 €'000 Receivables categories	Total exposure	Performing			Non-performing			Total foreborne
		Exposure	Of which foreborne	Impairment allowance balance Stage 1 / 2	Exposure	Of which foreborne	Impairment allowance balance Stage 3	
Other banks	7,548,259	7,541,825	0	4,878	6,434	0	670	0
Corporate customers	15,281,241	15,129,201	56,314	17,394	152,041	63,276	63,895	119,590
Retail exposures	2,451,172	2,345,482	39,758	7,522	105,691	29,666	62,757	69,424
Public sector exposures	5,911,377	5,911,377	0	1,664	0	0	0	0
Total	**31,192,049**	**30,927,884**	**96,072**	**31,458**	**264,165**	**92,943**	**127,321**	**189,014**

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

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 2019 and 2018 financial years:

Exposure by internal rating in TEUR		2019	PER CENT	2018	PER CENT
0.5	Minimal Risk	2,746,354	8.8	26,328,475	88.3
1	Excellent credit standing	26,817,961	86.0	2,189,471	7.3
1.5	Very good credit standing	795,612	2.6	466,736	1.6
2	Good credit standing	174,901	0.6	230,860	0.8
2.5	Average credit standing	580,046	1.9	404,273	1.4
3	Mediocre credit standing	53,031	0.2	172,676	0.6
3.5	Weak credit standing	18,155	0.1	8,225	0.0
4	Very weak credit standing	3,867	0.0	21,364	0.1
4.5	Doubtful/high default risk	187	0.0	849	0.0
D	Default	0	0.0	0	0.0
	Unrated	1,935	0.0	1,055	0.0
Total		**31,192,049**	**100.0**	29,823,983	100.0

The shift in the concentration from rating class 0.5 to 1 resulted primarily from a deterioration in the rating of the Republic of Austria.

The risk concentration at RLB NÖ-Wien is also monitored in connection with country risk and controlled by separate country limits. At year-end 2019, 96.7% (2018: 95.8%) of the approved country limits were within the investment grade range and 84.1% (2018: 83.2%) within the three best rating classes of 0.5 to 1.5. The assignment of country limits by rating class remained stable in year-on-year comparison during 2019.

The following table shows the distribution of credit exposure by country for 2019 and 2018. The position "Top rated non-EU countries" includes countries like the USA, Japan and Singapore.

Exposure by region in TEUR	2019	PER CENT	2018	PER CENT
Austria	24,477,791	78.5	23,380,625	78.4
EU	6,097,902	19.5	5,950,105	20.0
Germany	1,476,657	4.7	1,653,973	5.5
France	720,531	2.3	601,563	2.0
Luxembourg	497,617	1.6	508,187	1.7
Great Britain	471,956	1.5	719,115	2.4
EU-remainder	2,931,140	9.4	2,467,266	8.3
Non-EU	616,356	2.0	493,253	1.7
Total	**31,192,049**	**100.0**	29,823,983	100.0

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

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

Collateral management

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

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

€´000 Collateral category	2019	PER CENT	2018	PER CENT
Land register	5,373,803	60.7	4,615,623	56.6
Securities	57,789	0.7	113,435	1.4
Savings/current/deposit accounts	331,034	3.7	244,096	3.0
Insurance	90,859	1.0	104,210	1.3
Other rights and claims	486,878	5.5	585,243	7.2
Guarantees	2,518,797	28.4	2,485,840	30.5
Total	**8,859,160**	**100.0**	8,148,448	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 area of Vienna and Lower Austria. RLB NÖ-Wien does not directly purchase any collateral provided by customers. In cases where collateral cannot be realized immediately, the bank has holdings that can carry out these types of transactions. Any proceeds from the realization of collateral are offset against the outstanding loan balance. These loan segments are treated as secured before realization. No credit losses were recognized for financial assets at amortized cost with a carrying amount of TEUR 877,584 (2018: TEUR 974,670) because the collateral covers the carrying amount of these financial instruments in full. The general exclusion of collateral in the ECL calculation leads to an increase of TEUR 105,204 (2018: TEUR 106,153) in the risk provisions for financial assets.

Information on expected credit losses

The estimates of economic trends which are required for the calculation of period-based expected credit losses are subject to uncertainty concerning the occurrence – or non-occurrence – of the related events. RLB NÖ-Wien views the following assumptions as the best possible estimates. The forecasts were developed by Moody's Analytics, which provides macroeconomic forecast values for various possible economic scenarios. The individual scenarios are weighted according to recommendations made by Moody's Analytics and show the following distribution as of 31 December 2019: 30% optimistic/ 40% baseline/ 30% pessimistic for all transactions. The forecast values for the various indicators as of 31 December 2019 are shown in the following table.

Variable	Scenario	2020 (in %)	2021 (in %)	2022 (in %)
GDP Annual growth	baseline	1.44	1.68	1.70
	optimistic	2.22	1.96	1.84
	pessimistic	(2.90)	(0.30)	2.34
Unemployment rate	baseline	5.01	5.04	5.07
	optimistic	4.87	4.82	4.85
	pessimistic	5.91	6.44	6.36
Inflation	baseline	1.86	1.85	1.94
	optimistic	2.79	2.18	2.02
	pessimistic	0.33	1.14	2.11
Long-term yield (10-year interest rate)	baseline	0.10	0.77	1.36
	optimistic	0.78	2.03	2.81
	pessimistic	(0.49)	0.06	0.20
Short-term yield (3M Euribor)	baseline	(0.20)	0.12	0.47
	optimistic	(0.07)	0.88	1.62
	pessimistic	0.04	(0.33)	(0.33)
Residential property prices Annual growth rate	baseline	2.07	1.03	1.02
	optimistic	3.22	1.51	0.86
	pessimistic	(0.28)	(0.54)	0.45

Variable	Scenario	2020	2021	2022
Stock index (Euro Stoxx)	baseline	150.05	157.14	169.22
	optimistic	167.17	183.35	186.20
	pessimistic	112.71	123.70	141.63

Variable	Scenario	2020 (in %)	2021 (in %)	2022 (in %)
Private consumption	baseline	1.17	0.75	0.40
	optimistic	1.33	1.16	0.40
	pessimistic	(1.40)	(0.65)	0.31
Export rate	baseline	59.21	59.50	59.26
	optimistic	61.08	62.55	62.48
	pessimistic	55.61	55.61	55.58
Government spending	baseline	19.10	19.11	19.13
	optimistic	18.92	18.94	19.05
	pessimistic	20.03	20.23	19.95

Market risk (incl. credit spread risk)

Market risk (also referred to as "market price risk" or "market price change risk") represents the threat of a financial loss caused by fluctuations in market prices and other related factors (e.g. correlations, volatilities).

RLB NÖ-Wien measures, analyses and monitors the following forms of market risk:

- Interest rate risk
- Foreign currency risk
- (Other) Price risk
- Credit spread risk

Interest rate risk is the danger that RLB NÖ-Wien could incur losses through changes in interest rates which are negative for its business operations. Also included here is the volatility risk associated with interest options.

Foreign currency risk is the danger that RLB NÖ-Wien could incur losses through fluctuations in exchange rates which are negative for its business operations. Positions in gold or gold-based derivatives are exposed to foreign currency risk, while the price risk for positions in other precious metals like silver, platinum etc. is managed. The volatility risk from foreign currency options is also included in the foreign currency risk sub-category.

The (other) price is the danger that RLB NÖ-Wien could incur losses through developments in share prices, precious metals etc. which are negative for its business operations, excluding the volatility risk from price options.

Credit spread risk is the danger that market-specific interest rates like bond and swap rates could show different developments based on constant ratings, and the losses on bonds would not be fully offset by gains on hedged positions in interest swaps or the value increases and decreases in bonds cannot (exclusively) be explained by interest movements. Credit spread risks can result from a credit rating or a risk premium. The credit rating-based component is included in credit risk through the migration risk in the credit value at risk (CVaR) calculation. Only the risk premium-based component is included in market risk. The credit spread risk is modelled for all securities, bond futures and bond future options under the general exclusion of the conventional credit business, in accordance with the supplements to the ICAAP Guideline. Securities issued by RLB NÖ-Wien are not included in the credit spread risk calculation due to the applied conservative approach. Relevant risk factors for the calculation of credit spread risk include:

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

Market risk and the related sub-risks are quantified for both the trading and banking book by the value at risk (VaR) indicator and numerous sensitivity indicators, e.g. the basis point value (BPV) for changes in the present value of a specific risk position when the interest rate level has increased or decreased by one basis point or by option-sensitive indicators (Delta, Gamma, Theta, Vega) for risk positions with options.

The VaR is a measure of risk which indicates the maximum amount of the potential loss on a specific risk position at a given probability within a certain time period. RLB NÖ-Wien calculated the VaR with the "SAS Risk Management for Banking"; this system uses historical simulation with equally weighted time series.

The VaR analysis includes the following assumptions and limits:

- The VaR does not provide any information on the possible amount of a loss outside the applied confidence interval.

- The VaR is estimated for longer holding periods on the basis of daily observations. The underlying assumptions are that the composition of the portfolio will remain constant and there will be no autocorrelation in the risk factors.
- The VaR is calculated on the basis of positions at the end of the day and does not take any positions during the day into account.
- The VaR calculation uses historical data to simulate future changes in market conditions. Consequently, it cannot simulate events that are possible but were not observed during the designated period.

The VaR allows for correlations between individual risk factors, but these risk factors can be negatively affected by difficult market conditions. 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 related scenarios reflect assumptions by RLB NÖ-Wien and include the following:

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

RLB NÖ-Wien uses the going concern approach defined by IFRS with an underlying one-sided confidence level of 99% for daily management (limitations). Trading book portfolios are calculated for a holding period of one day, banking book portfolios for a holding period of one year (250 trading days).

The reliability of the VaR approach and its reliance on historical data is monitored daily through backtesting, which includes a comparison of the frequency with which the projected loss limits are actually exceeded. Based on a confidence level of 99%, the actual losses on any given day – statistically speaking – should only exceed the VaR two to three times per year (1% of approx. 250 banking days).

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

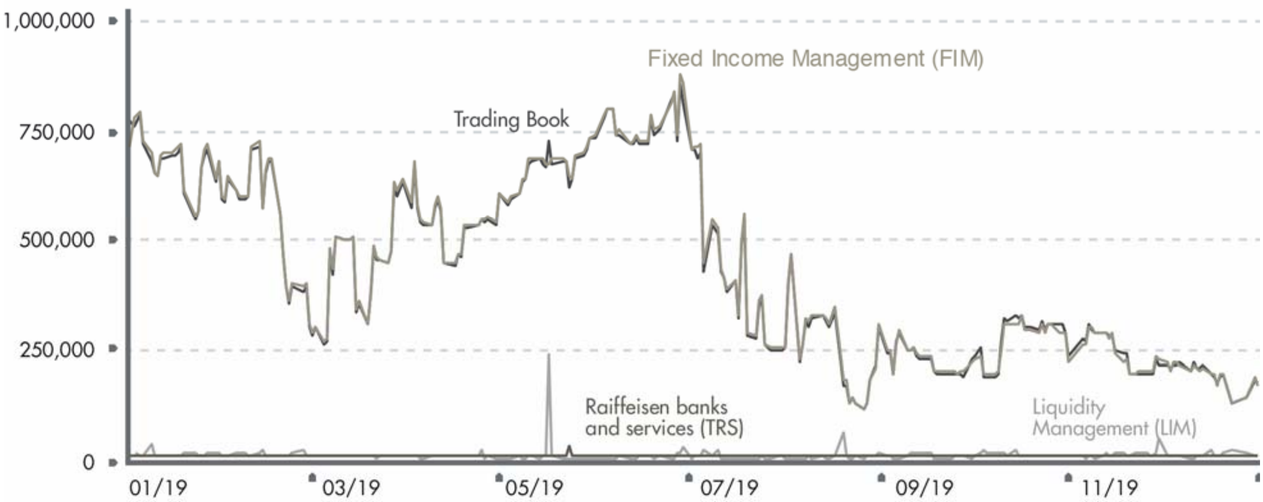
€'000	VaR at 31/12/2019	Average-VaR	VaR at 31/12/2018
Currency risk	11	32	94
Interst rate risk	160	354	345
Price risk	13	19	94
Credit spread risk	107	188	469
Total	**177**	**451**	**774**

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

The following graph shows the daily risk in the trading book and in the sub-portfolio for Fixed Income Management (FIM), Liquidity Management (LIM) and Treasury Raiffeisen Banks and Services (TRS), calculated at a 99% VaR with a one-day holding period.

Value at Risk in the Trading Book in 2019

in EUR



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

As can be seen in the above graph, the risk from the trading book is driven to a substantial degree by securities trading in the Fixed Income Management Department (FIM) and to a much lesser degree by trading in precious metals and currencies by the Liquidity Management Department (LIM), whereby the volume of securities in the trading book declined during the year. The Treasury Raiffeisen Banks and Services Department (TRS) concentrates on resale transactions and, consequently, does not contribute to risk.

The VaR for the trading book remained within the defined limit throughout the 2019 financial year. The average VaR utilization of the trading book limit remained low during the entire year with a maximum utilization of 28.6%. An analysis by quarter shows the maximum utilization at an average of 21.4% in the second quarter and the minimum utilization at an average of 8.1% in the fourth quarter.

In addition to daily management, monthly calculations (limitations) are made on the basis of a gone concern scenario with a one-sided confidence interval of 99.9% and a general holding period of one year (250 trading days). In January 2019, the calculation for monthly management was converted from a gap basis to an individual position basis, which led to an increase in precision and a significant improvement in the possibilities for analysis. The changeover from the separate calculation of credit spread risk and the other components of market risk to a joint calculation now also permits the inclusion of the related correlations.

The following table shows the monthly VaR for entire gone concern market risk of RLB NÖ-Wien for the risk capacity analysis, classified by type of risk and including correlations:

€'000	VaR at 31/12/2019	Average-VaR	VaR at 31/12/2018
Currency risk	2,730	2,416	3,084
Interst rate risk	127,584	77,907	117,811
Price risk	239	2,046	5,160
Credit spread risk	280,490	269,804	246,876 *
Total	**258,095**	**263,570**	**117,324 ****

* The VaR for the credit spread risk was shown separately under "credit spread risk" in the 2018 annual report.
** Total VaR, excluding credit spread risk. After the inclusion of the credit spread risk, the total VaR would have equalled approximately EUR 274.5 million as of 31 December 2018 according to a simulation.
Market values are used to calculate the gone concern VaR (99.9% VaR, 250 days) for the overall market risk of RLB NÖ-Wien.

The material components of market risk in 2019, which resulted from proprietary trading by the RLB NÖ-Wien Treasury Department and from customer transactions, consisted primarily of credit spread risk and interest rate risk. In contrast, the price risk which resulted chiefly from precious metal positions through bars and coins in the trading book was of lesser importance.

Market risk is managed centrally from an operational standpoint by the Fixed Income Management (FIM) and Liquidity Management (LIM) Departments which are part of the Treasury Department. The management of market risk from the customer business was also transferred here. The Treasury Department uses derivative financial instruments for this management – above all interest swaps, futures, interest options, currency swaps and currency options. An overview of the structure of these derivative transactions is provided in the notes to the financial statements under C. Notes to the Balance Sheet XI. Additional Disclosures 4. Financial instruments pursuant to § 238 (1) no. 1 of the Austrian Commercial Code in connection with § 64 (1) no. 3 of the Austrian Banking Act.

The derivatives used to manage interest rate risk in the banking book are aggregated in functional units. The risk content of these units is calculated on a daily basis and is part of daily reporting to the Managing Board. A detailed overview of the structure of these transactions is provided in Note (43) Derivative financial instruments.

The framework for this operational management is provided by an extensive limit system, which is based on the budgeting of risk capital for market and credit spread risk. The total risk capital for market and credit spread risk is distributed between the trading book, the banking book and the related sub-portfolios in the form of operational VaR sub-limits for daily management in accordance with the market and credit spread risk limit structure recommended by the Risk Management Department and approved by the Managing Board. In addition to limitation according to VaR requirements, the market risk for each portfolio is also regulated by BPV limits derived from the VaR limits and by stop/loss limits in the trading book, respectively area limits in the banking book. Option sensitivity limits are included in the market and credit spread risk limit structure for portfolios which include the use of options. For monthly management, the total risk capital for the market and credit spread risk is broken down to the individual risk components in the form of operational VaR sub-limits. These VaR sub-limits are defined by the Asset/Liability Committee, which meets monthly to assess market risk and the related components and to approve the bank's interest rate projections and interest rate positioning.

In addition to the above-mentioned VaR, sensitivity and stop/loss or area limits, risks arising from treasury transactions are regulated by an extensive system of position, product and counterparty limits (admissibility checks for traders, markets, products, currencies, maturity bands, position limits, counterparty lines). New products are only added to the catalogue after they have successfully completed the product introduction process and when their mapping in the bank's front office, back office and risk management systems is guaranteed.

The Models & Analytics Department is responsible for monitoring limits and reporting on market risk and the related component risks. Strict separation between front office, back office and risk management ensures the comprehensive, transparent and objective presentation of risks to the Managing Board, Supervisory Board and regulatory authorities.

The Managing Board of RLB NÖ-Wien and the portfolio managers receive a daily VaR and profit & loss (P&L) report, which includes information on the current utilization of limits in the trading book and its individual sub-portfolios and in the relevant sub-portfolios of the banking book based on the going concern approach as defined in IFRS.

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 radingible or only possible on less favourable terms).

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

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

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

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

Risk Management Directive, which implements the CRD IV in Austrian law.

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

Liquidity management, including funds planning and issuing activities, takes place centrally in the Treasury Department for the entire RBG NÖ-Wien. Liquidity risk is calculated by the market risk analysis unit in the Models & Analytics Department based on a scenario analysis which covers the following scenarios:

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

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

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

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

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

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

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

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

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

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

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

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

The following table shows the structural liquidity of RLB NÖ-Wien as of 31 December 2019:

€'000 Maturity band	**Gap (absolute)**	**GoA**	**GoA limit**	**Accumulated from behind**	**S-LFT**	**S-LFT limit**
18 months	(660,125)	(1.8)%	(10.0)%	153,136	113.8%	> 80%
2 years	374,203	1.9%	(10.0)%	813,261		
3 years	(1,433,035)	4.2%	(10.0)%	439,058	115.2%	> 70%
5 years	(20,176)	0.3%	(10.0)%	1,872,093	102.4%	> 60%
7 years	809,875	3.4%	(10.0)%	1,892,269		
10 years	(2,812,400)	-	-	1,082,394	118.0%	> 50%
15 years	1,114,868	-	-	3,894,795		
20 years	857,237	-	-	2,779,927		
30 years	1,586,988	-	-	1,922,690		
> 30 years	335,702	-	-	335,702		

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

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

The liquidity coverage ratio (LCR) of RLB NÖ-Wien equalled 137.50% as of 31 December 2019 (2018: 126.82%). The legal requirement of 100% defined by Article 460 of Regulation (EU) No. 575/2013 was therefore met.

The following table shows the quantitative data as of 31 December 2019 and 31 December 2018:

		All currencies 31.12.2019	**31.12.2018**
Liquidity buffer		6,352,679,070	6,043,248,419
Net liquidity outflow		4,619,978,842	4,765,189,578
MINIMUM LIQUIDITY RATIO (LIQUIDITY COVERAGE RATIO LCR)		**137.50%**	**126.82%**
	Total unweighted amount	*Total weighted amount*	*Total weighted amount*
HIGH-QUALITY LIQUID ASSETS			
Level 1 - assets excl. extremely high quality covered bonds	8,017,304,653	5,535,666,105	5,963,138,433
Level 1 - extremely high quality covered bonds	854,765,699	794,932,100	32,526,429
Level 2A - assets	0	0	0
Level 2B - assets	44,161,729	22,080,865	47,583,557
Liquidity buffer	**8,916,232,081**	**6,352,679,070**	**6,043,248,419**
CASH OUTFLOWS			
Outflows from unsecured transactions/deposits	14,538,264,996	5,831,806,311	5,835,560,249
1.1 Personal banking customer deposits	4,304,115,274	348,048,391	334,577,313
1.2 Operational deposits	3,396,443,469	2,710,339,778	2,692,712,924
1.3 Non-operational deposits	4,292,435,291	1,867,519,879	2,087,339,140
1.4 Additional outflows (i.a. outflows from derivatives)	760,643,623	760,643,623	571,095,581
1.5 Committed facilities	966,592,712	91,330,915	83,501,241
1.6 Other products and services	772,245,135	8,134,233	9,551,221
1.7 Other liabilities	45,789,492	45,789,492	56,782,829
Outflows from secured lending and capital market-driven transactions	44,999,555	0	0
TOTAL OUTFLOWS	**14,583,264,551**	**5,831,806,311**	**5,835,560,249**
CASH INFLOWS			
Inflows from unsecured transactions/deposits	1,676,188,335	1,211,827,468	1,070,370,671
1.1 monies due from non-financial customers (except for central banks)	481,677,354	244,725,596	390,353,588
1.2 monies due from central banks and financial customers	349,159,306	121,750,196	157,548,013
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	196,308,873	196,308,873	1,820,153
1.6 assets with an undefined contractual end date	0	0	0
1.7 monies due from positions in major index equity instruments provided that there is no double counting with liquid assets	0	0	0

	Total unweighted amount	*Total weighted amount*	*Total weighted amount*
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	649,042,802	649,042,802	520,648,917
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	**1,676,188,335**	**1,211,827,468**	**1,070,370,671**
Inflows subject to 75% Cap	1,676,188,335	1,211,827,468	1,070,370,671
Fully exempt inflows		0	0
NET LIQUIDITY OUTFLOW	**12,907,076,216**	**4,619,978,842**	**4,765,189,578**

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 outflow 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 deposits from other banks and from customers as well as the securitized liabilities and subordinated capital of RLB NÖ-Wien as of 31 December 2019:

€´000	Carrying amount	Contractual cash flows	< 3 months	3 to 12 months	1 to 5 years	> 5 years
Non-derivative liabilities	23,348,401	23,912,574	12,099,485	1,734,044	6,449,633	3,629,411
Deposits from other banks	7,338,890	7,404,133	3,868,605	496,816	2,480,792	557,920
Deposits from customers	8,824,375	9,006,028	8,163,772	268,782	271,297	302,177
Securitized liabilities	6,541,157	6,756,062	64,116	909,740	3,088,909	2,693,297
Subordinated capital	643,979	746,351	2,992	58,706	608,635	76,018

The following table shows the undiscounted cash flows from the non-derivative liabilities and derivatives held by RLB NÖ-Wien as of 31 December 2019:

€´000	Carrying amount	Contractual cash flows	< 3 months	3 to 12 months	1 to 5 years	> 5 years
Derivative liabilities	***915,395***	***920,814***	***44,919***	***120,525***	***372,138***	***383,231***
Derivatives - held for trading	508,257	505,199	34,799	82,064	219,549	168,786
Derivatives - hedge accounting	407,138	415,615	10,120	38,461	152,589	214,445

The following table shows the undiscounted cash flows from the derivatives held by RLB NÖ-Wien as of 31 December 2019:

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

Equity investment risk

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

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

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

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

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

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

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

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

The following table shows the carrying amounts of the equity investments held by RLB NÖ-Wien together with the weighted and cumulative rating as of 31 December 2019 and 31 December2018:

€ '000	Carrying amount 31/12/2019	Percentage held	Rating	Carrying amount 31/12/2018	Percentage held	Rating
Investments in other banks	2,605,333	99.5%	1.0	2,378,048	99.6%	2.0
Investments in banking-related fields	13,042	0.5%	2.0	9,347	0.4%	2.0
Total equity investments	**2,618,375**	**100.0%**	**1.0**	2,387,395	100.0%	2.0

The increase in the carrying amount of the equity investments resulted, above all, from the proportional share of earnings from RBI AG (after the deduction of the impairment loss recognized in 2019) and the proportional share of earnings from Raiffeisen-Informatik.

Operational risks

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

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

This definition also includes legal risks.

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

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

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

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

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

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

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

Numerous precautions involving organizational structures and processes were taken in the past to limit these operational risks. In order to prevent and contain IT risks, RLB NÖ-Wien has implemented a variety of organizational measures which are defined in detail in an information security governance framework. Raiffeisen-Holding NÖ-Wien has also designated a money laundering officer whose responsibilities include the prevention of money laundering and terrorism financing in the Raiffeisen-Holding NÖ-Wien Group. A compliance officer was installed to confirm that the employees of Raiffeisenlandesbank NÖ-Wien observe all laws, regulations and external und internal guidelines applicable to securities transactions – for their own protection and to protect the des bond of trust to the market and the customers of the Raiffeisen-Holding NÖ-Wien Group. In addition to the compliance function, the Raiffeisen-Holding NÖ-Wien Group has created the “BWG-Compliance“ unit to service the Raiffeisen institutions group. The BWG compliance function ensures the timely implementation of regulatory changes within the Raiffeisen-Holding NÖ-Wien Group through suitable information and review processes.

Internal control system (ICS)

RLB NÖ-Wien has implemented an internal control system (ICS) which includes a detailed description of ICS procedures as the basis for the ongoing documentation of the bank's risk-relevant processes and the related control measures. Responsibilities and roles in the ICS and the related control activities are clearly defined. Regular reports are issued on the design and development of the ICS in the Raiffeisen-Holding NÖ-Wien Group. Details on the ICS for the accounting process are provided in the next section.

Macroeconomic risks

Macroeconomic risks are included in the analysis of credit risk and quantified with a statistical, model-based approach. The macroeconomic effects of equity investment risk are addressed during the quantification of this latter risk and evaluated together with the other investment risks.

Risks arising from the macroeconomic environment are incorporated quarterly in the risk capacity analysis as a separate category.

Other risks

In conjunction with the risk capacity analysis, RLB NÖ-Wien incorporates other risks – both in the extreme case and liquidation case – as an approximation through an increase of 5% in the quantified risks. Investment risk is not part of this calculation because it is already included in the risk assessment through the expert opinions on possible other risks.

Institutional protection scheme

In accordance with the requirements of Art. 49 (3) and 113 (7) of the CRR, RLB NÖ-Wien together with RBI, the other Raiffeisen regional banks, Raiffeisen-Holding NÖ-Wien and several other RBG institutions concluded a contract for the development of an institutional protection scheme (IPS) at the federal level in 2013. A similar contract was concluded at the provincial level by RLB NÖ-Wien together with Raiffeisen-Holding NÖ-Wien and the 51 Lower Austrian Raiffeisen banks.

These contracts are designed to ensure that the parties have sufficient liquidity and solvency to prevent bankruptcy. Accordingly, the institutions are not required to deduct holdings in the capital instruments of the other contract parties from their own funds (Article 49 (3) of the CRR) and can exclude the risk exposure of the other contract parties from their own calculations of risk-weighted exposure (Art. 113 (7) of the CRR).

The IPS contracts call for the implementation of clear monitoring and risk measures. Therefore, the IPS has suitable and uniformly regulated systems for the assessment and management of risks which provide a complete overview of the risk situations of the individual members and the IPS in total. These contracts also define the required committees and approval levels.

An extensive reporting system (balance sheet, income statement and risk report) supports the management of the IPS. The information from this system flows into the decisions on further management measures.

These responsibilities are met by a separate Raiffeisen sector unit, Sektor Risiko eGen (SRG) of the Raiffeisen Banking Group in Austria. In order to perform the necessary tasks as efficiently as possible, an early warning system was installed in accordance with the contracts. This system is designed to ensure the timely identification and prevention of problem cases among the individual members and in the IPS as a whole.

Both institutional protection schemes were officially approved by the FMA in 2014.

European Resolution Fund

The guideline for the reorganization and resolution of banks is designed to ensure that – in the event of a crisis – the involved bank's owners and creditors carry the costs of reorganization or resolution. It is intended to prevent the use of tax revenues for bank rescues in the future.

Credit institutions are required to prepare reorganization and resolution plans. The regulatory authority can exercise its intervention rights at an early point in time if an institution is in difficulty. The resolution authority, which was established on 1 January 2015, is also entitled to introduce specific resolution measures if it believes a credit institution is no longer viable.

A resolution fund was established at the European level to prevent the use of public revenues for expenses, whereby all banks are required to make risk-weighted, ex ante contributions.

The fund will be built up over eight years beginning on 1 January 2016, whereby the target is to reach a level of EUR 55.0 billion by the end of this development phase.

In 2019, the contribution by RLB NÖ-Wien totalled EUR 9.6 million.

Solidarity association of the Raiffeisen Banking Group 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 deposit protection scheme and Sektor-Risiko eGen. described below.

Statutory deposit protection schemes

The enactment of the Austrian Deposit Protection and Investor Compensation Act ("Einlagesicherungs- und Anlegerentschädigungsgesetz", ESAEG) on 14 August 2015 implemented EU Regulation 2014/49/EU concerning deposit protection schemes. Its goal is to provide protection for customer deposits.

This protection covers all deposits and credit balances, including interest, on accounts and savings books with credit institutions licensed in Austria (e.g. current accounts, salary and pension accounts, fixed-term deposit accounts and savings books up to a maximum of TEUR 100 per financial institution and depositor, with the exception of financial institutions and government agencies). The coverage applies to natural persons as well as legal entities (e.g. limited liability companies, apartment owners' associations).

RLB NÖ-Wien and the other member institutions of the Raiffeisen Banking Group NÖ-Wien have been members of the Austrian deposit protection scheme ("Einlagensicherung Austria", ESA) since 1 January 2019 and thereby meet legal requirements for the protection of deposits. This 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 restructuring and substantial expansion of the deposit protection scheme system at the European level as of 1 January 2019 also led to 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. (also see the information on the European Resolution Fund).

Sektor-Risiko eGen (SRG) of the Raiffeisen Banking Group Austria

Sektorrisiko eGen (SRG) was founded by the Raiffeisen Banking Group Austria for the Austrian sector association (federal IPS) within the framework of the institutional protection scheme.

The objective of this cooperative society is to support and promote the business of the Raiffeisen banks through measures to develop a uniform system of risk analysis and early identification in the Raiffeisen Banking Group and to protect the reputation of the Raiffeisen brand by supporting the institutional protection scheme ("IPS") and other legally required or voluntary protection schemes ("other protection schemes") in the Raiffeisen Banking Group.

This early-warning system is based on an extensive performance and risk reporting mechanism that is used by all Raiffeisen regional bank headquarters (including the Raiffeisen banks in the respective provinces) to submit information to Sektor-Risiko eGen and to support ongoing analysis and monitoring at the overall sector level. Through this additional monitoring, the Raiffeisen Banking Group NÖ-Wien increases the safety of its customers' deposits.

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. However, new deposits made after 1 October 2019 are no longer covered by this customer deposit protection association. Any increase in existing deposits (to an existing account) is also classified as a new deposit as of 1 October 2019 and, consequently, is not covered by the Raiffeisen customer deposit protection association. This classification is leading, in total, to a decline in covered deposits.

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.

(32) Hedge accounting

The following section provides detailed information on the accounting treatment of hedges, the underlying transactions, hedging instruments, hedged risks and the Group's risk management strategy.

The hedge accounting activities and goals in the RLB NÖ-Wien Group are based on asset or liability positions which are exposed to interest risk, which are carried at amortized cost and which are not impaired or in default. Assets are assigned to the "hold to collect" business model and meet the cash flow criteria. For hedges which meet the requirements for hedge accounting, prospective and retrospective proof of effectiveness is provided. The management of interest risk and the measurement of effectiveness are carried out by separate units in the bank and, therefore, are independent. Interest risk management is intended to optimize the interest risk positions from the risk and earnings perspectives. Interest risk is therefore managed with regard to the earnings situation and the economic value for this purpose and to comply with internal and external requirements and limitations. As can be seen in the following details, RLB NÖ-Wien uses interest rate swaps to manage interest risk. The goal is to limit the risk resulting from changes in the value of the underlying transaction through the conclusion of a derivative, whereby the changes in the value of the underlying transaction and the derivative should generally have opposing movements. When financial instruments have an appropriately large nominal value or outstanding balance which is expected to remain constant over the instrument's term, this value/amount is generally hedged on a micro-hedge basis against changes in the fair value. Financial instruments with small volumes are bundled in maturity bands and hedged as a portfolio. Details on the general procedures for hedge accounting are also provided in the section on "Derivatives and hedge accounting" under Significant Accounting Policies.

The following table shows the time profile of the nominal amount of the hedging instruments in hedge relationships which are not part of a dynamic hedge accounting process as well as the average hedged fixed interest rates.

2019, €'000	To 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years
Interest rate swaps - fair value hedge asset transactions					
Nominal value	0	14,200	110,000	1,072,579	1,562,393
Average fixed interest rate in %	0.00	3.40	2.97	1.32	2.00
Interest rate swaps - fair value hedge own issues					
Nominal value	0	65,489	509,013	1,712,541	1,546,347
Average fixed interest rate in %	0.00	2.48	1.79	1.65	2.67

The comparative prior year data are shown below.

2018, €'000	To 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years
Interest rate swaps - fair value hedge asset transactions					
Nominal value	0	6,140	5,310	1,470,017	1,553,939
Average fixed interest rate	0.00	2.08	1.74	1.65	2.15
Interest rate swaps - fair value hedge own issues					
Nominal value	68,000	202,268	160,590	1,647,051	2,222,323
Average fixed interest rate	3.95	3.55	2.90	1.95	2.24

The following table shows the nominal volumes, carrying amounts and fair value changes of the derivatives used as hedging instruments. All these derivatives represent interest rate swaps which are used to hedge interest risk; they are classified according to the underlying transaction. The changes in fair value are reported on the income statement under "profit/loss from financial assets and liabilities" (see Note (6)). The carrying amounts of these interest hedges are reported on the balance sheet as assets or liabilities under "Derivatives – hedge accounting".

2019 €'000	Nominal value	Carrying amount Balance sheet assets	 Balance sheet equity and liabilities	Change in fair value	Income statement presentation - fair value change	Income statement effect - ineffectiveness	Income statement presentation - ineffectiveness
Interest rate risk - micro-hedges							
Interest Rate Swaps - Bonds	2,134,895	2,290	345,506	(110,959)	Profit or loss from hedge accounting	(434)	Profit or loss from hedge accounting
Interest Rate Swaps - Loans and advances	624,276	64	59,826	(21,315)	Profit or loss from hedge accounting	326	Profit or loss from hedge accounting
Interest Rate Swaps - Deposits	800,129	139,521	0	21,332	Profit or loss from hedge accounting	376	Profit or loss from hedge accounting
Interest Rate Swaps - Securitized liabilities	3,033,262	259,159	1,806	45,536	Profit or loss from hedge accounting	139	Profit or loss from hedge accounting
Interest rate risk - portfolio hedges							
Interest rate swaps*	80,000	4,639	0	3,853	Profit or loss from hedge accounting	(84)	Profit or loss from hedge accounting

*) For underlying asset portfolios (bonds, loans and advances)

The comparative data from the previous year are shown in the following table.

2018 €'000	Nominal value	Carrying amount Asset positions	Carrying amount Liability positions	Change in fair value	Income statement presentation - fair value change	Income statement effect - ineffectiveness	Income statement presentation - ineffectiveness
Interest rate risk - micro-hedges							
Interest Rate Swaps - Bonds	2,416,700	901	296,179	13,866	Profit or loss from hedge accounting	(1,394)	Profit or loss from hedge accounting
Interest Rate Swaps - Loans and advances	618,707	7,433	45,664	4,802	Profit or loss from hedge accounting	(88)	Profit or loss from hedge accounting
Interest Rate Swaps - Deposits	949,762	120,085	64	(15,603)	Profit or loss from hedge accounting	31	Profit or loss from hedge accounting
Interest Rate Swaps - Securitized liabilities	3,350,470	218,911	1,630	(88)	Profit or loss from hedge accounting	1,961	Profit or loss from hedge accounting

The following table provides details on the underlying transactions for recognized hedges. It shows the carrying amounts determined on the basis of hedge accounting as well as the changes in the carrying amounts of the hedged assets and liabilities. The changes in fair value are reported on the income statement under profit/loss from financial assets and liabilities on the line "profit/loss from hedge accounting". Further details can be found under Note (6).

2019, €'000	Carrying amount		Value of cumulative basis adjustments for hedged items		Changes in hedged fair value	Cumulative basis adjustments for designated hedged items
	Balance sheet assets	Balance sheet equity and liabilities	Balance sheet assets	Balance sheet equity and liabilities		
Interest rate risk - micro-hedges						
Financial assets at amortized cost	***3,209,367***		***385,216***		***132,166***	***(2,912)***
Bonds	2,516,614		326,464		110,526	116
Other loans and advances	692,752		58,751		21,641	(3,028)
Financial liabilities measured at amortised cost		***5,285,296***		***323,581***	***66,353***	
Deposits		944,499		125,577	20,957	
Securitized liabilities		4,340,797		198,004	45,396	
Zinsrisiko - Portfolio-Hedge						
Portfolio-Hedge*	83,078		(1,821)		(3,937)	(2,101)

*) The TEUR 83,078 reported under the carrying amount represents the synthetic underlying transaction as of 31 December 2019, including the designation quota.

The comparative data from the previous year are shown in the following table.

2018, €'000	Carrying amount		Value of cumulative basis adjustments for hedged items		Changes in hedged fair value	Cumulative basis adjustments for designated hedged items
	Balance sheet assets	Balance sheet equity and liabilities	Balance sheet assets	Balance sheet equity and liabilities		
Interest rate risk - micro-hedges						
Financial assets at amortized cost	*3,432,860*		*305,813*		*(20,151)*	*(3,495)*
Bonds	2,764,677		268,869		(15,261)	
Other loans and advances	668,184		36,944		(4,890)	(3,495)
Financial liabilities measured at amortised cost		*5,693,156*		*260,001*	*17,682*	
Deposits		1,076,024		104,621	(15,634)	
Securitized liabilities		4,617,133		155,380	(2,049)	

(33) Fair value of financial instruments

Fair value of financial instruments carried at fair value

Fair value measurement is based on a hierarchy (fair value hierarchy) of different levels. **Level I** valuations are based on available market prices (generally for securities and derivatives traded on exchanges and in functioning markets). All other financial instruments are measured with valuation models, above all present value or generally accepted option pricing models. Valuations for **Level II** use input factors that are directly or indirectly based on observable market data. **Level III** valuations use models that calculate fair value based on the bank's own internal assumptions or external valuation sources.

An active market is a market in which asset or liability transactions take place with sufficient frequency and volume to provide continuous pricing information. The indicators for an active market can also include the number, update frequency and/or the quality of quotes (e.g. by banks or stock exchanges). In addition, narrow bid/ask spreads and quotes by market participants within a certain corridor can also be signs of an active market.

- **Derivatives (incl. hedge accounting)**

RLB NÖ-Wien uses generally accepted, well-known valuation models to measure derivatives. Over-the-counter (OTC) derivatives such as interest rate swaps, cross currency swaps and forward rate agreements are measured using the discounted cash flow model (DCF) that is generally applied to these products. OTC options such as foreign exchange options or interest rate are measured on the basis of standard market valuation models, e.g. the Garman-Kohlhagen model, Bachelier or Black '76.

All parameters that flow into the valuation (e.g. interest rates, volatilities) are regularly evaluated and established with independent market data information systems.

The counterparty default risk for non-collateralized 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 (credit default swap (CDS) spreads, if these spreads are directly available for the respective counterparty or if they can be determined by mapping the counterparty's credit standing to reference counterparties). The debt value adjustment (DVA) represents an adjustment for the company's own default probability. The calculation method is similar to the CVA, but the expected negative fair value (ENE or expected negative exposure) is used instead of the expected positive exposure.

- **Bonds**

The bonds held by RLB NÖ-Wien are principally valued on the basis of tradable market prices. In cases where quoted prices are not available, the securities are measured by means of a DCF model. The parameters used in this model include the yield curve and an appropriate risk premium. The risk premium is determined on the basis of comparable financial instruments currently on the market. A more conservative approach is applied to a smaller part of the portfolio and default risk premiums are used for valuation.

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

- **Loans and advances**

RLB NÖ-Wien values loans and advances based on a DCF method, whereby the input parameters include a yield curve as well as an appropriate credit risk and funding premium. The determination of the funding premium is based on spread curves which are observable on the market. The credit risk premium corresponds to a CDS spread which is observable on the market, a weighted sector CDS spread or a credit spread calculated on the basis of the IFRS 9 risk parameters – independent of the counterparty. In cases where a day-one gain or loss was not recognized, a residual spread for the transaction is also calculated at the beginning of the term and held constant over the full term. This spread reflects the requirement that the amount of the discounted cash flows – including the residual spread – must equal the recognized carrying amount on the origination date of the loan or advance. Termination rights and interest options are measured with the Bachelier model. In addition, prepayment models are used to include premature repayments that are not defined by the respective contract in the measurement of the loan. This involves the evaluation of past experience with premature repayments based on a regression analysis and the development of a model to allocate the expected prepayment rate to the operating level. This model is reviewed annually.

- **Equity instruments**

The valuation of equity instruments, which consist primarily of investments, is based on internal forecasts (DCF models).

The assignment to or reclassification of the financial instruments between levels takes place each quarter at the end of the reporting period.

The following table shows the classification of the financial instruments carried at fair value based on the IFRS 13 valuation hierarchy (classified by the fair value level):

€'000	31/12/2019 Level I	31/12/2019 Level II	31/12/2019 Level III	31/12/2018 Level I	31/12/2018 Level II	31/12/2018 Level III
Balance sheet assets						
Financial assets held for trading	***522,107***	***563,552***	***54,352***	*601,254*	*677,534*	*62,904*
Derivatives	0	487,792	0	0	531,373	0
Equity instruments	0	0	0	0	79	1,825
Bonds	522,107	75,760	54,352	601,254	146,082	61,079
Non-trading financial assets mandatorily at fair value through profit or loss	***0***	***991***	***161,238***	*0*	*919*	*172,594*
Equity instruments	0	0	14,187	0	0	12,883
Bonds	0	991	0	0	919	0
Other loans and advances	0	0	147,051	0	0	159,711
Financial assets at fair value through other comprehensive income	***0***	***0***	***18,950***	*0*	*0*	*18,872*
Equity instruments	0	0	18,950	0	0	18,872
Derivatives - hedge accounting	***0***	***405,674***	***0***	*0*	*347,329*	*0*

€'000	31/12/2019 Level I	31/12/2019 Level II	31/12/2019 Level III	31/12/2018 Level I	31/12/2018 Level II	31/12/2018 Level III
Balance sheet equity and liabilities						
Financial liabilities held for trading	***0***	***509,172***	***0***	*0*	*585,386*	*0*
Derivatives	0	509,172	0	0	585,386	0
Derivatives - hedge accounting	***0***	***407,138***	***0***	*0*	*343,537*	*0*

Every financial instrument is evaluated to determine whether quoted market prices are available on an active market (Level I). In 2019, securities with a fair value of TEUR 901 were reclassified from Level I to Level II because of a decrease in the number of market quotations. There were no reclassifications from Level II to Level I during the reporting year.

Reclassifications between Level I and Level II:

€'000	31/12/2019 From Level I to Level II	31/12/2019 From Level II to Level I	31/12/2018 From Level I to Level II	31/12/2018 From Level II to Level I
Balance sheet assets				
Financial assets held for trading	***901***	***0***	*15*	*0*
Bonds	901	0	15	0

The following table shows the development from 1 January 2019 to 31 December 2019 of the assets carried at fair value which are assigned to Level III:

€'000	01/01/2019	Additions	Disposals	Profit, income statement	Profit, other comprehen-sive income	31/12/2019
Balance sheet assets						
Financial assets held for trading	***62,904***	***40***	***(5,658)***	***(2,934)***	***0***	***54,352***
Equity instruments	1,825	40	0	(1,865)	0	0
Bonds	61,079	0	(5,658)	(1,069)	0	54,352
Non-trading financial assets mandatorily at fair value through profit or loss	***172,594***	***1,820***	***(13,756)***	***580***	***0***	***161,238***
Equity instruments	12,883	0	(3)	1,308	0	14,188
Other loans and advances	159,711	1,820	(13,753)	(728)	0	147,051
Financial assets at fair value through other comprehensive income	***18,872***	***295***	***0***	***0***	***(218)***	***18,949***
Equity instruments	18,872	295	0	0	(218)	18,949

The following table shows a transition calculation from IAS 39 to IFRS 9 for the financial assets carried at fair value which are classified under Level III:

€'000	31/12/2017	Reclassi-fications IFRS 9	31/12/2017 after Reclassi-fications	Revaluations IFRS 9	01/01/2018
Balance sheet assets					
Financial assets held for trading	*0*	*68,017*	*68,017*	*0*	*68,017*
Equity instruments	0	1,757	1,757	0	1,757
Bonds	0	66,260	66,260	0	66,260
Non-trading financial assets mandatorily at fair value through profit or loss	*0*	*153,207*	*153,207*	*16,682*	*169,889*
Equity instruments	0	9,951	9,951	0	9,951
Other loans and advances	0	143,256	143,256	16,682	159,938
Financial assets designated at fair value through profit or loss	*9,769*	*(9,769)*	*0*	*0*	*0*
Bonds	9,769	(9,769)	0	0	0
Financial assets at fair value through other comprehensive income	*32,761*	*(13,396)*	*19,365*	*0*	*19,365*
Equity instruments	31,223	(11,858)	19,365	0	19,365
Bonds	1,538	(1,538)	0	0	0

The financial assets carried at fair value which are assigned to Level III developed as follows from 1 January 2018 to 31 December 2018:

€'000	01/01/2018	Additions	Disposals	Profit, income statement	Profit, other comprehen-sive income	31/12/2018
Balance sheet assets						
Financial assets held for trading	*68,017*	*91*	*(5,874)*	*670*	*0*	*62,904*
Equity instruments	1,757	40	0	28	0	1,825
Bonds	66,260	51	(5,874)	642	0	61,079
Non-trading financial assets mandatorily at fair value through profit or loss	*169,889*	*12,280*	*(6,613)*	*(2,962)*	*0*	*172,594*
Equity instruments	9,951	637	0	2,295	0	12,883
Other loans and advances	159,938	11,643	(6,613)	(5,257)	0	159,711
Financial assets at fair value through other comprehensive income	*19,365*	*1,019*	*(547)*	*0*	*(965)*	*18,872*
Equity instruments	19,365	1,019	(547)	0	(965)	18,872

The following table shows a transition calculation from IAS 39 to IFRS 9 for the financial liabilities carried at fair value which are classified under Level III. No liabilities assigned to Level III have been carried at fair value since 2018.

€'000	31/12/2017	Reclassi-fications IFRS 9	31/12/2017 after Reclassi-fications	Revaluation IFRS 9	01/01/2018
Balance sheet equity and liabilities					
Financial liabilities designated at fair value through profit or loss	*40,768*	*(40,768)*	*0*	*0*	*0*
Securitized liabilities	40,768	(40,768)	0	0	0

There were no reclassifications of derivatives or securities to or from Level III in 2019 or 2018. As of 31 December 2019, all loans and advances carried at fair value were assigned to Level II in the fair value hierarchy.

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

31/12/2019, €'000	Type	Market value in €m	Valuation method	Major unobservable input factors	Scope of unobservable input factors
Balance sheet assets					
Financial assets held for trading					
Bonds	Non-fixed-interest bonds	54.4	DCF method	Credit margin	2-10%
Non-trading financial assets mandatorily at fair value through profit or loss					
Equity instruments	Equity investments	14.2	DCF method	Internal forecasts	-
Other loans and advances	Other loans and advances	147.1	DCF method	Credit risk premiums	0.006% - 30.273%
Financial assets at fair value through other comprehensive income					
Equity instruments	Equity investments	18.9	DCF method	Internal forecasts	-

The comparative information for 2018 is as follows:

31/12/2018 €'000	Type	Market value in €m	Valuation method	Major unobservable input factors	Scope of unobservable input factors
Balance sheet assets					
Financial assets held for trading					
Equity instruments	Shares and funds	1.8	External valuation	Discounts	5-10%
Bonds	Fixed-interest bonds	0.4	DCF method	Credit margin	15-50%
Bonds	Non-fixed-interest bonds	60.7	DCF method	Credit margin	2-10%
Non-trading financial assets mandatorily at fair value through profit or loss					
Equity instruments	Equity investments	12.9	DCF method	Internal forecasts	-
Other loans and advances	Other loans and advances	159.7	DCF method	Credit risk premiums	0.003% - 12.46%
Financial assets at fair value through other comprehensive income					
Equity instruments	Equity investments	19	DCF method	Internal forecasts	-

Valuation guidelines

The methods used for the fair value measurement of securities are selected by the Valuation Department (Models & Analytics Department) and approved by the Managing Board. These valuation guidelines are designed to ensure accurate measurement results and the use of consistent methods.

Automated controls ensure that the quality of the applied models and input parameters meets the defined standards.

The acquisition of new financial instruments is accompanied by the examination and validation of all possible pricing sources. A source is then selected in agreement with the valuation guidelines and current legal requirements. Priority is given to generally accepted valuation parameters that can be obtained from recognized data providers.

The methods used to determine the fair value of loans and advances were determined by the responsible internal valuation department (Credit Risk Management).

Sensitivity analysis of the non-observable parameters for financial instruments carried at fair value Level III

A range of alternative parameters is available for selection and application in cases where the value of a financial instrument is dependent on non-observable data. A shift in the parameters at the ends of these ranges would lead to an increase of EUR 2 million or a decrease of EUR -3 million in the fair value of securities (assets) as of 31 December 2019. This calculation reflects the applicable market conditions and internal valuation requirements.

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

A range of alternative parameters is available for selection and application in cases where the value of a loan or an advance is dependent on non-observable parameters (Level 3). A shift in the parameters at the ends of these ranges (+/- 100 bps with a floor at 0) would lead to an increase of EUR 0.04 million (2018: an increase of EUR 0.2 million) or a decrease of EUR 0.1 million (2018: a decrease of EUR 0.4 million) million in the fair value of loans and advances as of 31 December 2019. This calculation reflects the applicable market conditions and internal valuation requirements.

2019 €m	Type	Reduction due to change in parameter	Increase due to change in parameter	Increase due to change in parameter
Financial assets held for trading				
Bonds	Non-fixed-interest bonds	(3.0)	2.0	Creditspread shift

2018 €m	Type	Reduction due to change in parameter	Increase due to change in parameter	Increase due to change in parameter
Financial assets held for trading				
Equity instruments	Shares and funds	(1.8)	0.0	Default scenario
Bonds	Fixed-interest bonds	(0.4)	0.0	Default scenario
Bonds	Non-fixed-interest bonds	(3.6)	1.4	Creditspread shift

Fair value of financial instruments not carried at fair value

The following table shows the fair values and carrying amounts of financial instruments which are carried at amortized cost in accordance with the respective business model. The classification reflects the classes of financial instruments defined by the bank.

The financial instruments listed below are not managed on the basis of fair value and, consequently, are not carried at fair value on the balance sheet. In these cases, fair value has no direct influence on the consolidated balance sheet or consolidated income statement.

Additional details are provided in Note (31) Risks arising from financial instruments (Risk report).

2019 €'000	Fair value	Carrying amount	Difference
Balance sheet assets			
Financial assets at amortized cost	***20,543,050***	***20,021,356***	***521,693***
Bonds	4,145,022	4,060,086	84,936
Other loans and advances	16,398,027	15,961,270	436,757
Balance sheet equity and liabilities			***0***
Financial liabilities measured at amortized cost	***24,163,646***	***23,817,038***	***346,607***
Deposits	16,820,940	16,655,798	165,142
Securitized liabilities	7,342,706	7,161,241	181,465

A negative shift of up to -75 bp in long-term interest rates in 2019 led to an increase in the fair values of bonds and securitized liabilities. This increase, which is primarily attributable to the interest level, is also reflected in the other financial instruments.

The comparative data for 2018 are as follows.

2018 €'000	Fair value	Carrying amount	Difference
Balance sheet assets			
Financial assets at amortized cost	*19,435,033*	*19,188,168*	*246,865*
Bonds	4,157,444	4,128,791	28,653
Other loans and advances	15,277,589	15,059,377	218,212
Balance sheet equity and liabilities			*0*
Financial liabilities measured at amortized cost	*23,703,305*	*23,513,145*	*190,160*
Deposits	17,065,167	16,934,470	130,697
Securitized liabilities	6,638,138	6,578,675	59,463

The following table shows the classification of the fair values of assets carried at amortized cost, based on the fair value hierarchy.

2019 €'000	Fair Value Level I	Fair Value Level II	Fair Value Level III
Balance sheet assets			
Bonds	3,791,840	353,182	0
Other loans and advances	0	0	16,398,027
Balance sheet equity and liabilities			
Deposits	0	13	16,820,927
Securitized liabilities	0	6,712,661	630,045

The comparative data for 2018 are as follows.

2018 €'000	Fair Value Level I	Fair Value Level II	Fair Value Level III
Balance sheet assets			
Bonds	3,791,805	356,093	9,546
Other loans and advances	0	0	15,277,589
Balance sheet equity and liabilities			
Deposits	0	17,065,167	0
Securitized liabilities	0	5,894,778	743,360

The methods used to determine the fair values of the bonds, loans and advances reported “at amortized cost“ in the above tables reflect the methods described in the previous section (“fair values of financial instruments carried at fair value“).

The deposits carried at amortized cost, which were reported under Level II in the past based on directly or indirectly observable input factors, are now assigned to Level III. This change in presentation was based on the credit spreads used for the valuation, which are now only indirectly observable. The securitized liabilities which are carried at amortized cost and assigned to Level III, consist primarily of subordinated liabilities whose valuation was based on parameters in the form of indirectly derived risk premiums.

Additional Information

(34) Classification of remaining terms to maturity

Classification of remaining terms to maturity as of 31 December 2019.

€'000	Demand deposits	To 3 month	From 3 months to 1 year	From 1 to 5 years	Over 5 years or of unspecified maturity	Total
Balance sheet assets						
Cash, cash balances at central banks and other demand deposits	3,040,188	0	0	0	0	3,040,188
Financial assets held for trading	0	32,943	79,744	361,237	666,087	1,140,011
Non-trading financial assets mandatorily at fair value through profit or loss	10,719	73	2,831	18,444	130,162	162,229
Financial assets at fair value through other comprehensive income	0	0	0	0	18,950	18,950
Financial assets at amortized cost	3,009,353	874,922	1,159,505	5,058,384	9,931,199	20,033,364
Derivatives - hedge accounting	0	189	11,221	133,568	260,696	405,674
Interest in equity-accounted investments	0	0	0	0	2,585,515	2,585,515
Balance sheet equity and liabilities						
Financial liabilities held for trading	0	12,766	34,896	131,747	329,764	509,172
Financial liabilities measured at amortized cost	16,337,189	148,446	1,049,974	3,262,388	3,115,390	23,913,387
Of which lease liabilities	0	1,967	5,766	25,612	61,457	94,802
Derivatives - hedge accounting	0	0	3,957	42,212	360,969	407,138

Classification of remaining terms to maturity as of 31 December 2018:

€'000	Demand deposits	To 3 month	From 3 months to 1 year	From 1 to 5 years	Over 5 years or of unspecified maturity	Total
Balance sheet assets						
Cash, cash balances at central banks and other demand deposits	3,359,250	0	0	0	0	3,359,250
Financial assets held for trading	1,905	9,159	34,041	646,471	650,118	1,341,693
Non-trading financial assets mandatorily at fair value through profit or loss	8,022	3,519	9,088	9,563	143,321	173,513
Financial assets at fair value through other comprehensive income	0	0	0	0	18,872	18,872
Financial assets at amortized cost	2,618,754	1,288,949	799,801	5,273,226	9,207,438	19,188,168
Derivatives - hedge accounting	0	2,869	9,811	124,738	209,911	347,329
Interest in equity-accounted investments	0	0	0	0	2,355,949	2,355,949
Balance sheet equity and liabilities						
Financial liabilities held for trading	0	11,258	27,145	217,701	329,283	585,386
Financial liabilities measured at amortized cost	16,640,849	312,036	480,453	2,968,050	3,111,757	23,513,145
Derivatives - hedge accounting	0	0	52	80,924	262,560	343,537

(35) Related party disclosures

€'000	31/12/2019	31/12/2018
Cash, cash balances at central banks and other demand deposits	***1,836,859***	***1,852,636***
Associates	1,836,859	1,852,636
Financial assets held for trading	***62,735***	***118,590***
Parent	37,035	42,297
Associates	25,173	75,157
Entities accounted for using the equity method via the parent	526	1,136
Non-trading financial assets mandatorily at fair value through profit or loss	***11,543***	***10,081***
Subsidiary / subsidiaries	7,439	7,440
Associates	4,104	2,014
Joint ventures	0	627
Financial assets at fair value through other comprehensive income	***9,015***	***5,780***
Subsidiary / subsidiaries	1,340	1,406
Associates	6,609	831
Joint ventures	1,066	3,543
Financial assets at amortized cost	***2,198,922***	***2,337,683***
Parent	1,218,743	1,182,256
Subsidiary / subsidiaries	49,129	53,437
Entities related via the parent	320,189	369,795
Associates	387,786	524,595
Entities accounted for using the equity method via the parent	219,135	200,103
Joint ventures	3,941	7,497
Derivatives - hedge accounting	***43,013***	***40,310***
Associates	43,013	40,310
Other assets	***45,079***	***47,656***
Parent	37,156	39,740
Subsidiary / subsidiaries	7,916	7,916

€'000	31/12/2019	31/12/2018
Financial liabilities held for trading	***19,662***	*21,594*
Associates	19,660	21,593
Entities accounted for using the equity method via the parent	1	1
Financial liabilities measured at amortized cost	***905,776***	*815,878*
Parent	242,689	199,745
Subsidiary / subsidiaries	62,086	57,484
Entities related via the parent	215,768	13,216
Associates	329,424	488,064
Entities accounted for using the equity method via the parent	44,699	45,827
Joint ventures	11,109	11,542
Other liabilities	***349***	*704*
Parent	290	703
Subsidiary / subsidiaries	27	1

€'000	31/12/2019	31/12/2018
Contingent liabilities	***376,473***	*290,774*
Parent	1,172	962
Subsidiary / subsidiaries	1,289	1,625
Entities related via the parent	128,388	22,894
Associates	181,586	205,654
Entities accounted for using the equity method via the parent	64,038	59,639

The business relationships with related entities in 2019 are reported below.

01/01 - 31/12/2019 €'000	Interest income	Interest expenses	Purchased services and merchandise and other expenses	Services provided, sale of merchandise and fixed assets and other income
Parent	23,051	13,228	19,587	3,619
Subsidiary / subsidiaries	681	0	5,278	234
Entities related via the parent	5,605	0	0	0
Associates	8,555	523	37,782	2,841
Entities accounted for using the equity method via the parent	3,349	6	1,663	36
Joint ventures	143	0	8,723	608

The comparative data for 2018 are as follows.

01/01 - 31/12/2018 €'000	Interest income	Interest expenses	Purchased services and merchandise and other expenses	Services provided, sale of merchandise and fixed assets and other income
Parent	22,093	13,074	17,998	1,618
Subsidiary / subsidiaries	748	0	4,146	340
Entities related via the parent	108	0	7	0
Associates	9,244	258	32,887	3,497
Entities accounted for using the equity method via the parent	3,343	5	1,542	32
Joint ventures	235	0	33,216	39

The 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.

- Raiffeisenlandesbank Niederösterreich-Wien reg. Gen.m.b.H. transferred its banking-related business operations and banking-related equity investments to RAIFFEISENLANDESBANK NIEDERÖSTERREICHWIEN AG (formerly PRAELUSIO Beteiligungs AG) as a contribution in kind retroactively as of 31 December 2000 in accordance with § 92 of the Austrian Banking Act and Art. III of the Austrian Reorganization Tax Act ("Umgründungssteuergesetz"). The transferring company changed its name to RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN reg. Gen.m.b.H. The concessions and authorizations for the banking-related business operations were transferred from Raiffeisen-Holding NÖ-Wien to RLB NÖ-Wien in accordance with § 92 (6) of the Austrian Banking Act. The banking-related business operations were accepted by RLB NÖ-Wien as the universal legal successor in accordance with § 92 (4) of the Austrian Banking Act. In accordance with § 92 (9) of the Austrian Banking Act, Raiffeisen-Holding NÖ-Wien is liable with its entire assets for all current and future liabilities of RLB NÖ-Wien in the event this latter institution should become insolvent.

- RLB NÖ-Wien has been a member of a corporate tax group created in accordance with § 9 of the Austrian Corporate Income Tax Act since the 2005 assessment year. The head of the tax group is RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung (Raiffeisen-Holding NÖ-Wien), with which RLB NÖ-Wien has concluded a tax contribution agreement.

- In the 2019 assessment year, the corporate tax group with Raiffeisen-Holding NÖ-Wien as its head included RLB NÖ-Wien as well as 40 (2018: 44) 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.

- 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 which is designed to realize synergies and ensure the competent provision of services for central functions in the Group.

- RLB NÖ-Wien and the following companies have established tax groups for VAT purposes:

  - RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung
  - "AKTUELL" Raiffeisen Versicherungs-Maklerdienst Gesellschaft m.b.H.
  - MODAL-Gesellschaft für betriebsorientierte Bildung und Management GmbH
  - Raiffeisen Beratung direkt GmbH
  - RBE Raiffeisen Beratungs- und Entwicklungs GmbH

- Raiffeisen Versicherungs- und Bauspar-Agentur GmbH
- Veritas Treuhandgesellschaft für Versicherungsüberprüfung und -vermittlung m.b.H.
- Raiffeisen Analytik GmbH

- RLB NÖ-Wien has arranged for Directors and Officers (D&O) insurance and fidelity insurance to cover its corporate bodies and key managers as well as the corporate bodies and key managers of its subsidiaries and carries the cost for this insurance.

- The following companies have concluded an agreement for the establishment of an institution-based protection scheme (federal IPS agreement) in accordance with the version incorporating the changes from 18 March 2017: RLB NÖ-Wien, Raiffeisen-Holding NÖ-Wien, Raiffeisen Bank International AG (RBI), all other Raiffeisen regional banks, Posojilnica Bank, Raiffeisen Bausparkasse GmbH, Raiffeisen Wohnbaubank AG and Sektorrisiko eGen (SRG, formerly Österreichische Raiffeisen-Einlagensicherung eGen). 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 SRG serves as the trustee for payments made in connection with the federal IPS.

  The following companies have concluded an agreement (regional IPS agreement) for the establishment of an institutional protection scheme in accordance with the version implementing the supplement/clarification from May/June 2017: RLB NÖ-Wien, Raiffeisen-Holding NÖ-Wien, the solidarity association of the Raiffeisen Banking Group NÖ-Wien, 51 (2018: 54) Lower Austrian Raiffeisen banks and Raiffeisen-Landesrisikogenossenschaft NÖ-Wien reg.Gen.m.b.H. (LRG, formerly Raiffeisen-Einlagensicherung NÖ-Wien reg.Gen.m.b.H.). 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 LRG serves as the trustee for payments made in connection with the regional IPS.

An associate and one of its subsidiaries have concluded a limited settlement agreement to offset the loans and advances to and deposits from other banks.

The business transactions and relations with related companies reflect arm's length terms and conditions.

Key management includes the members of the Managing Board and Supervisory Board of RLB NÖ-Wien as well as the members of management, the managing board and supervisory board of Raiffeisen-Holding NÖ-Wien.

The relationships between key management and RLB NÖ-Wien are as follows:

€'000	31/12/2019	31/12/2018
Sight deposits	2,936	4,499
Bonds	72	73
Savings deposits	666	690
Other receivables	19	48
Total	**3,692**	5,310
Current accounts	15	1
Loans	654	914
Other liabilities	31	58
Total	**699**	974

The following table shows the business relationships between RLB NÖ-Wien and other related parties over which persons holding key management positions with RLB NÖ-Wien have control:

€'000	31/12/2019	31/12/2018
Current accounts	1	0
Loans	293	0
Leases (present value of the leased asset in a finance lease)	69	0
Total	**363**	0

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

€'000	31/12/2019	31/12/2018
Sight deposits	130	216
Savings deposits	16	15
Other receivables	0	1
Total	**147**	232
Loans	43	45
Total	**43**	46

(36) Remuneration of the Managing and Supervisory Boards

The remuneration paid by the company to the members of key management totalled TEUR 3,162 in 2019 (2018: TEUR 5,121). This amount includes TEUR 2,365 (2018: TEUR 4,022) of short-term benefits, TEUR 797 (2018: TEUR 1,099) of post-employment benefits (pensions and termination benefits) including additions to and reversals of provisions, and TEUR 0 (2018: TEUR 3) of other long-term benefits. 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 955 (2018: TEUR 814).

In accordance with IAS 24.18A, the amounts recorded for key management services provided by Raiffeisen Holding to RLB AG totalled TEUR 516 (2018: TEUR 451).

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	2,249	*)
Prior year in TEUR	3,900	*)
Supervisory Board		
Current year in TEUR	116	
Prior year in TEUR	119	

*) 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.

(37) Disclosure of loans and advances to members of the Managing Board and Supervisory Board pursuant to § 266 no. 5 of the Austrian Commercial Code

As of the balance sheet date on 31 December 2019, loans and advances outstanding to the members of the Managing Board and Supervisory Board totalled TEUR 590 (2018: TEUR 808) and TEUR 66 (2018: TEUR 50), 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 218 (2018: TEUR 49) by the Managing Board members and TEUR 14 (2018: TEUR 10) by the Supervisory Board members.

(38) Foreign currency balances

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

€'000	2019	2018
Balance sheet assets	1,363,586	1,095,397
Balance sheet equity and liabilities	800,071	988,493

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

RLB NÖ-Wien held the following off-balance sheet obligations at year-end 2019 and 2018:

€'000	2019	2018
Contingent liabilities	***769,553***	***811,227***
Of which arising from other guarantees	753,429	769,209
Of which arising from letters of credit	10,248	36,141
Of which other contingent liabilities	5,877	5,877
Commitments	***5,550,883***	***4,480,535***
Of which arising from revocable loan commitments	2,425,698	2,134,589
Of which arising from irrevocable loan commitments	3,125,185	2,345,946
To 1 year	823,174	757,858
More than 1 year	2,302,011	1,588,088

The additional guarantees for cooperatives totalled TEUR 5,877 (2018: 5,877) and include TEUR 41 (2018: 41) related to subsidiaries. Additional funding commitments amounted to TEUR 841 (2018: 841), whereby TEUR 150 (2018: 150) are attributable to subsidiaries. Outstanding contributions remained unchanged in comparison with the previous year at TEUR 21 (2018: TEUR 21) and include TEUR 18 (2018: 18) for 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 2019 equalled TEUR 2,909 (2018: TEUR 2,808) 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 179,994 (2018: TEUR 158,558) for RLB NÖ-Wien.

RLB NÖ-Wien is a member of Raiffeisen Kundengarantiegemeinschaft NÖ-Wien, the Raiffeisen customer deposit protection association for Lower Austria and Vienna. The association's statutes guarantee joint responsibility for the fulfilment of the following liabilities originating prior to 1 October 2019: obligations to customers, deposits from other banks (as defined in "Financial liabilities carried at amortized cost) and the securities issued by every insolvent association member. This joint responsibility extends 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 and CRR. This customer protection excludes proprietary securities issued after 1 January 2019 and new customer deposits (including extensions and additions to existing transactions). Transition rules for the protected customer deposits are leading to a steady decline in obligations through a gradual reduction in the potential guarantee volume.

Raiffeisen-Kundengarantiegemeinschaft NÖ-Wien, in turn, is a member of the association "Raiffeisen Kundengarantiegemeinschaft Österreich", whose members are RBI and other Raiffeisen regional customer guarantee collectives. The objective of the association is the same as Raiffeisen-Kundengarantiegemeinschaft NÖ-Wien based on RBI and the members of the Raiffeisen regional customer deposit protection association (also see Note (31) Risk report).

Directive 2014/59/EU ("BRRD") and Regulation (EU) No. 806/2014 ("SRM") create a joint system for the reorganization and resolution of banks and represent the so-called "second pillar" of the European Banking Union. In this way, they extend the rules of the Single Supervisory Mechanism ("SSM"), the so-called "first pillar". In Austria, the BRRD was implemented through the Austrian Act on the Reorganization and Resolution of Banks ("Bundesgesetz über die Sanierung und Abwicklung von Banken", BaSAG) which took effect on 1 January 2015. The Austrian Financial Market Authority serves as the national resolution authority.

The Single Resolution Fund (SRF) is an important element of the joint reorganization and resolution system for financial institutions. The target for the SRF equals at least 1.0% of the deposits insured in the European Banking Union, whereby this volume is to be compiled as evenly as possible by 2023. All depository institutions licenced in Austria are required to make contributions to the SRF in accordance with official notifications issued by the Austrian Financial Market Authority. The contribution by RLB NÖ-Wien equalled TEUR 9,589 in 2019 (2018: TEUR 8,220) and is reported under other operating profit.

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 51 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 SRG (Sektorrisiko eGen; formerly ÖRE) or LRG (Raiffeisen-Landesrisikogenossenschaft Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung; formerly 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 5.5 million in 2019 (2018: EUR 5.4 million) and is reported under other reserves. The reserve created in the prior year was not used for support payments in 2019 (2018: EUR 1.0 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 was not required to make a contribution in 2019 (2018: EUR 4.7 million).

(40) Repurchase agreements, securities lending and offsetting agreements

Repurchase agreements and securities lending

As of 31 December 2019 and 2018, the repurchase and resale obligations arising from repo agreements were as follows:

€'000	**2019**	**2018**
Genuine repurchase agreements as the pension provider		
Deposits from other banks	170,147	120,446
Total	**170,147**	120,446

The carrying amount of the securities sold under sale and repurchase agreements totalled TEUR 169,060 in 2019 (2018: TEUR 122,400). No securities were purchased under sale and repurchase agreements.

The refinancing funds from repurchase agreements totalled TEUR 170,147 as of 31 December 2019 (2018: TEUR 120,446) and are reported under "financial liabilities carried at amortized cost". The securities received as collateral are reported under "financial assets carried at amortized cost" or "financial assets held for trading".

Cash collateral received in this connection is reported under demand deposits and totalled TEUR 1,275 (2018: TEUR 0).

Securities lending transactions involved borrowed securities totalling TEUR 1,183,138 (2018: TEUR 302,549). Loaned securities amounted to TEUR 734,000 (2018: TEUR 0), whereby TEUR 732,000 represent bonds. The securities received as collateral in the form of loaned bonds with a nominal value totalling TEUR 715,000 have a fair value of TEUR 744,965. These transactions are based on standard contracts (global master repurchase agreement or master agreement for securities lending). In this connection, cash collateral of TEUR 2,740 (2018: TEUR 0) was recorded and reported under demand deposits.

Offsetting agreements

The following tables show the fair value of derivatives for which collateral was received or provided in accordance with the respective agreement as well as the receivables and liabilities with existing offset agreements.

These items are only offset and presented as a net amount in agreement with IAS 32.42 when there is a legal right to offsetting on a net basis which is enforceable during the conduct of ordinary business activities and also in the event of insolvency or bankruptcy.

The transactions shown in the following table do not meet the offsetting criteria defined by IAS 32.42 and are therefore presented on the balance sheet as gross amounts.

Assets 2019 €'000	Gross amount	Offset on the balance sheet	Related amounts not offset on the balance sheet Financial instruments	Cash collateral received	Net amount
Sight deposits	1,836,034	1,836,034	(60,441)	0	1,775,593
Derivatives	763,363	763,363	(589,571)	(169,375)	4,418
Of which from financial assets held for trading	357,690	357,690			
Of which from derivatives - hedge accounting	405,674	405,674			
Total	**2,599,397**	**2,599,397**	**(650,011)**	**(169,375)**	**1,780,011**

Liabilities 2019 €'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	60,441	60,441	(60,441)	0	0
Derivatives	925,367	914,806	(589,571)	(334,650)	(9,414)
Of which from financial liabilities held for trading	507,669	507,669			
Of which from derivatives - hedge accounting	407,138	407,138			
Total	**1,145,394**	**1,145,394**	**(479,864)**	**(334,650)**	**1,306,127**

The comparative prior year data are shown below.

Assets 2018 €'000	Gross amount	Offset on the balance sheet	Related amounts not offset on the balance sheet Financial instruments	Cash collateral received	Net amount
Sight deposits	1,851,677	1,851,677	(208,888)	0	1,642,789
Derivatives	757,486	757,486	(633,712)	(118,844)	4,930
Of which from financial assets held for trading	410,157	410,157			
Of which from derivatives - hedge accounting	347,329	347,329			
Total	2,609,164	2,609,164	(842,600)	(118,844)	1,647,719

Liabilities 2018 €'000	Gross amount	Offset on the balance sheet	Related amounts not offset on the balance sheet Financial instruments	 Cash collateral given	Net amount
Deposits from other banks	208,888	208,888	(208,888)	0	0
Derivatives	925,367	925,367	(633,712)	(301,973)	(10,318)
Of which from financial liabilities held for trading	581,830	581,830			
Of which from derivatives - hedge accounting	343,537	343,537			
Total	1,134,255	1,134,255	(842,600)	(301,973)	(10,318)

In order to determine capital requirements, RLB NÖ-Wien offsets the corresponding receivables from derivatives (positive and negative fair values) resulting from individual transactions executed under a framework agreement (for financial forwards and futures) or an ISDA master agreement with the respective counterparty. Raiffeisenlandesbank NÖ-Wien AG has concluded these types of netting agreements with numerous banks and other financial institutions. The legal enforceability of these netting agreements is evaluated on the basis of legal expert opinions. Netting agreements are not used in the customer business. In the event of default by a counterparty, these contracts allow for net settlement which covers all individual transactions. Cash collateral is generally converted into EUR.

The cash collateral received (see the above tables) includes TEUR 131,015 (2018: TEUR 81,353) which is reported on the balance sheet under deposits from other banks and TEUR 38,360 (2018: TEUR 37,490) under deposits from customers. Cash collateral given is reported on the balance sheet under demand deposits. The conclusion of OTC derivatives with a central counterparty also includes initial margin deposits in the form of securities with a nominal value of EUR 62 million (2018: EUR 27 million), which are carried at amortized cost. The cash collateral for derivatives with a central counterparty is provided in the currency of the respective derivative. Payment claims from the fair values of derivatives and the repayment of collateral are only offset if the counterparty is in default. Consequently, there is no claim to offset at any time.

An agreement was also concluded with an associate and one of its subsidiaries to offset receivables and liabilities. These receivables and liabilities are reported under demand deposits, respectively deposits from other banks, and are carried at amortized cost. The agreements described are conditional and only permit netting in the event of payment default or insolvency.

An agreement was also concluded with the parent company over the reciprocal offset of interbanking deposits and loans which meet the offsetting requirements of IAS 32.42. These items are therefore reported as a net amount on the balance sheet. The recognized amounts before netting included TEUR 448,560 (2018: TEUR 413,560) which are reported under financial liabilities carried at amortized cost (deposits from other banks) and TEUR 205,926 (2018: TEUR 213,870) which are reported under demand deposits. After the balance sheet netting of TEUR 205,926 (2018: TEUR 213,870), the remaining financial liabilities totalled TEUR 242,633 (2018: TEUR 199,689).

(41) Assets pledged as collateral

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

€'000	2019	2018
Receivables in the mortgage cover pool	3,017,713	2,629,006
Receivables used as collateral for bonds issued by the bank	1,890,561	1,694,278
Collateral for derivative contracts	419,463	360,436
Receivables assigned to OeKB	676,751	718,166
Receivables assigned to the EIB	214,748	242,164
Receivables assigned to OeNB (credit claims)	458,018	564,635
Cover pool for issued covered partial debentures	49,993	59,493
Bonds deposited with OeKB in connection with EIB loans	100,612	103,721
Receivables in the RZB cover pool (public finance)	17,986	19,836
Receivables assigned to KfW (Kreditanstalt für Wiederaufbau, Frankfurt/Main)	8,239	14,045
Cover pool for fiduciary savings deposit balances	27,123	27,645
Other receivables assigned	90,634	11,162
Securities deposited in connection with ECB tenders	3,151,621	2,363,905
Total	**10,123,462**	8,808,492

Receivables of TEUR 3,503 (2018: TEUR 3,078) from reinsurance were pledged as collateral for pension claims.

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 180.4 million (2018: EUR 135.6 million) mortgage-backed loans and advances to other banks of EUR 2,293.8 million (2018: EUR 1,790.4 million) were also included in the mortgage coverage pool of RLB NÖ-Wien to secure obligations under the covered bonds.

The following liabilities are covered by recognized assets:

€'000	2019	2018
Deposits from other banks	2,220,723	2,569,977
Deposits from customers	12,812	18,577
Securitized liabilities	4,727,409	3,759,227
Derivatives	419,463	360,436
Total	**7,380,407**	6,708,217

(42) Fiduciary transactions

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

€'000	2019	2018
Loans and advances to customers	11,550	12,375
Fiduciary assets	**11,550**	12,375
Deposits from customers	11,550	12,375
Fiduciary liabilities	**11,550**	12,375

Disclosures pursuant to Austrian law

(43) Derivative financial instruments pursuant to § 64 (1) No. 3 of the Austrian Banking Act

The following tables show the derivative financial products outstanding as of the balance sheet date, classified by the respective term to maturity.

The derivative financial products which are not assigned to the trading book and are reported on the balance sheet under other financial assets/liabilities or derivatives – hedge accounting are as follows:

2019 €'000				Nominal amounts		Fair values
		Term to maturity				
	To 1 year	From 1 to 5 years	Over 5 years	Total	Positive	Negative
Total	*4,432,530*	*5,736,884*	*4,260,535*	*14,429,949*	*527,562*	*(552,664)*
a) Interest rate contracts	*3,523,246*	*5,292,399*	*4,260,535*	*13,076,180*	*524,817*	*(546,525)*
Interest rate swaps	2,433,533	5,289,353	4,260,535	11,983,421	524,342	(546,156)
Interest rate options – calls	500,698	3,046	0	503,744	475	0
Interest rate options – puts	589,015	0	0	589,015	0	(369)
b) Exchange rate contracts	*909,284*	*0*	*0*	*909,284*	*2,745*	*(6,139)*
Cross currency and cross currency interest rate swaps	909,284	0	0	909,284	2,745	(6,139)
c) Securities contracts	*0*	*444,485*	*0*	*444,485*	*0*	*0*
Equity and index options – calls	0	222,035	0	222,035	0	0
Equity and index options – puts	0	222,450	0	222,450	0	0

2018 €'000				Nominal amounts		Fair values
		Term to maturity				
	To 1 year	From 1 to 5 years	Over 5 years	Total	Positive	Negative
Total	*1,810,610*	*7,462,266*	*5,288,357*	*14,561,233*	*527,865*	*(569,283)*
a) Interest rate contracts	*1,022,179*	*7,017,781*	*5,288,357*	*13,328,317*	*522,509*	*(568,070)*
Interest rate swaps	922,179	7,011,977	5,288,357	13,222,513	522,509	(557,848)
Interest rate options – calls	0	5,804	0	5,804	0	0
Interest rate options – puts	100,000	0	0	100,000	0	(10,222)
b) Exchange rate contracts	*788,431*	*0*	*0*	*788,431*	*5,356*	*(1,213)*
Cross currency and cross currency interest rate swaps	788,431	0	0	788,431	5,356	(1,213)
c) Securities contracts	*0*	*444,485*	*0*	*444,485*	*0*	*0*
Equity and index options – calls	0	222,035	0	222,035	0	0
Equity and index options – puts	0	222,450	0	222,450	0	0

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

2019 €'000	Term to maturity			Nominal amounts	Fair values	
	To 1 year	From 1 to 5 years	Over 5 years	Total	Positive	Negative
Total	***2,513,321***	***3,696,620***	***4,374,753***	***10,584,694***	***365,905***	***(363,670)***
a) Interest rate contracts	***2,286,821***	***3,668,219***	***4,374,753***	***10,329,793***	***361,329***	***(359,124)***
Interest rate futures	5,300	0	0	5,300	0	(25)
Interest rate swaps	1,591,702	3,507,606	3,550,610	8,649,918	347,310	(355,699)
Interest rate options – calls	446,607	69,224	576,759	1,092,590	14,019	0
Interest rate options – puts	243,212	91,389	247,384	581,985	0	(3,400)
b) Exchange rate contracts	***226,500***	***28,401***	***0***	***254,901***	***4,576***	***(4,546)***
Currency forwards	224,358	21,453	0	245,811	4,536	(4,506)
Currency options – calls	1,071	3,474	0	4,545	40	0
Currency options – puts	1,071	3,474	0	4,545	0	(40)

2018 €'000	Term to maturity			Nominal amounts	Fair values	
	To 1 year	From 1 to 5 years	Over 5 years	Total	Positive	Negative
Total	*2,015,323*	*5,861,406*	*4,974,719*	*12,851,448*	*350,838*	*(360,024)*
a) Interest rate contracts	*1,870,186*	*5,859,892*	*4,974,719*	*12,704,797*	*349,685*	*(358,939)*
Interest rate futures	63,881	0	0	63,881	0	(383)
Interest rate swaps	1,672,315	5,344,998	4,191,976	11,209,289	339,785	(352,617)
Interest rate options – calls	89,966	289,771	502,842	882,579	9,900	0
Interest rate options – puts	44,024	225,123	279,901	549,048	0	(5,939)
b) Exchange rate contracts	*145,137*	*1,514*	*0*	*146,651*	*1,153*	*(1,085)*
Currency forwards	138,261	1,514	0	139,775	1,150	(1,082)
Currency options – calls	3,438	0	0	3,438	3	0
Currency options – puts	3,438	0	0	3,438	0	(3)

The nominal and fair values are derived from the separate totals of all calls and puts. The fair values here represent dirty prices (fair value incl. accrued interest) after taking the counterparty default risk into consideration.

Derivative interest rate contracts and derivative securities transactions are used primarily for proprietary trading. Derivative foreign exchange contracts are used for both proprietary and customer business, while credit derivatives are only used for proprietary trading.

(44) Subordinated liabilities pursuant to § 64 (1) no. 5 of the Austrian Banking Act

The financial liabilities carried at amortized cost include TEUR 658,243 (2018: TEUR 795,459) of subordinated liabilities as of 31 December 2019. This amount includes 15 bonds (all of which represent Tier 2 capital as defined in Part 2 Section I Article 4 of the CRR) and seven subordinated promissory note loans which were issued in Euros. The terms of the bonds range from eight to 15 years, and the terms of the promissory note loans from 10 to 20 years. This group of liabilities includes the following bonds which exceed 10.0% of the total amount of the above-mentioned Tier 2 capital:

2019	Currency	Amount in TEUR	Interest rate	due on	special termination right
Subordinated bond 2013-2023 issued by RLB NÖ-Wien	EUR	266,800	5.875%	27/11/2023	No

2018	Currency	Amount in TEUR	Interest rate	due on	special termination right
Subordinated bond 2013-2023 issued by RLB NÖ-Wien	EUR	300,000	5.875%	27/11/2023	No

In the event the issuer enters into liquidation or bankruptcy, these bonds may only be satisfied after all of the issuer‘s other non-subordinated creditors. No payments may be made on these bonds until the claims by the issuer’s other non-subordinated creditors have been satisfied in full.

The subordinated, EUR 300 million bond issued by RLB NÖ-Wien (XS0997355036) on the international capital market in 2013 has a remaining term of less than five years, and its eligibility as a component of capital is therefore decreasing steadily. Based on an approval by the Austrian Financial Market Authority through a formal notice on 2 September 2019, RLB NÖ-Wien issued a public repurchase offer to the holders of these bonds. It covered the period from 3 to 10 September 2019 and was accepted by bondholders for a nominal value of EUR 33.2 million.

The expenses for subordinated liabilities as defined in § 64 (1) no. 13 of the Austrian Banking Act totalled TEUR 35,949 in 2019 (2018: TEUR 39,490).

(45) Bonds, other fixed-interest securities and issued bonds pursuant to § 64 (1) no. 7 of the Austrian Banking Act

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

€'000		2019	2018
a)	Receivables arising from bonds and other fixed-interest securities	139,049	38,754
b)	Payables arising from bonds issued by the Group	(898,031)	(396,624)

(46) Securities admitted for exchange trading pursuant to § 64 (1) no. 10 of the Austrian Banking Act

€'000	2019 Listed	2019 Unlisted	2018 Listed	2018 Unlisted
Bonds and other fixed-interest securities	1,930,575	0	1,888,139	0
Shares and other variable-yield securities	0	0	79	0

(47) Financial assets § 64 (1) no. 11 of the Austrian Banking Act

€'000	2019	2018
Bonds and other fixed-interest securities	1,575,323	1,312,165
Shares and other variable-yield securities	0	0
Total	**1,575,323**	**1,312,165**

The classification as non-current or current financial assets - in accordance with legal requirements - was based on the investment strategy determined by the Managing Board or a committee delegated by the Managing Board.

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

€'000	2019	2018
Fixed-interest securities, nominal values	43,009	127,285
Other financial instruments (derivatives, face values)	10,584,694	12,851,448
Total	**10,627,703**	12,978,733

(49) Regulatory capital

RLB NÖ-Wien is part of the Raiffeisen-Holding NÖ-Wien financial institution group and is therefore not subject to the regulations governing financial institution groups or requirements on a consolidated basis. Raiffeisen-Holding NÖ-Wien, the parent company, is responsible for compliance with these regulatory requirements at the financial institution group level. Accordingly, the regulatory capital requirements for the financial institution group are reported below and in the consolidated financial statements of Raiffeisen-Holding NÖ-Wien.

€'000	31/12/2019	31/12/2018
Paid-in capital	1,031,554	489,641
Retained earnings	2,322,260	2,218,426
Accumulated other comprehensive income and other equity	(442,879)	(233,108)
Common equity Tier 1 before deductions	***2,910,934***	*2,474,960*
Intangible assets incl. goodwill	(17,458)	(13,539)
Corrections in respect of cash flow hedge reserves	13,981	21,656
Corrections for credit standing related to changes in values of derivatives	(1,859)	(1,989)
Value adjustment based on the prudent valuation requirement	(3,454)	(3,697)
Common equity Tier 1 capital after deductions (CET1)	***2,902,143***	*2,477,392*
Additional core capital after deductions	95,000	131,660
Additional own funds	***2,997,143***	*2,609,052*
Eligible supplementary capital	423,984	469,887
Supplementary capital after deductions	***423,984***	*469,887*
Total qualifying capital	***3,421,128***	*3,078,939*
Total capital requirement	**1,228,698**	1,115,992
Common equity Tier 1 ratio (CET1 ratio)	18.90%	17.76%
Tier 1 ratio (T1 ratio)	19.51%	18.70%
Total capital ratio	22.27%	22.07%
Surplus capital ratio	178.44%	175.89%

Under a fully loaded analysis, the Common Equity Tier 1 Ratio equalled 18.85% (2018: 17.61%) and the Total Capital Ratio 21.95% (2018: 21.45%).

The transfer of 459,592 shares of RLB NÖ-Wien by 53 Lower Austrian Raiffeisen banks to Raiffeisen-Holding NÖ-Wien registrierte Genossenschaft mit beschränkter Haftung became legally effective on 26 September 2019. This company now holds all shares in RLB NÖ-Wien. The transfer of these shares led to a change in the controlling and non-controlling interests reported under equity.

Total capital requirements comprise the following:

€'000	**31/12/2019**	**31/12/2018**
Capital requirements for credit risk	1,144,452	1,008,807
Capital requirements for position risk in debt instruments and assets	39,384	34,723
Capital requirement CVA	4,605	4,957
Capital requirements for operational risk	40,257	41,976
Capital requirements qualitative investments	0	25,529
Total capital requirement (total risk	**1,228,698**	**1,115,992**

Assessment base for credit risk	*14,305,650*	*12,929,193*
Total basis of assessment (total risk)	*15,358,727*	*13,949,899*

(50) Total return on capital pursuant to § 64 (1) no. 19 of the Austrian Banking Act

The total return on capital as defined in § 64 (1) No. 19 of the Austrian Banking Act equalled 0.79% as of 31 December 2019 (2018: 0.72%; adjusted in accordance with IAS 8; see the section on “Restatement for changes in accounting policies“ in the Notes).

(51) Average number of employees

The average workforce (full-time equivalents) employed during the 2019 and 2018 financial years is as follows:

	2019	**2018**
Salaried employees	1,119	1,119
Wage employees	22	22
Total	**1,141**	**1,141**

(52) Events after the balance sheet date and approval of the consolidated financial statements

The spread of SARS-CoV-2, which is also known as the coronavirus, and the resulting illness (COVID-19) preoccupied the worldwide public and the capital markets at the beginning of 2020.

The spread of the virus, above all in China and in parts of Europe, was followed by a growing number of cases in Austria and led to the introduction of extensive measures by the Austrian government (border controls, prohibition of events, the shutdown of non-essential businesses, universities, schools and day care centres, etc.). The goal of these measures is to slow the spread of the virus by reducing social contacts.

SARS-CoV-2 will require the revision of expectations for growth, for both the global and Austrian economies – and negative effects can be expected, above all, due to the temporary interruption of supply chains, measures implemented by health authorities and a general decline in demand. Accordingly, the economic research institute WIFO issued a downward revision to its economic forecast at the end of March. The exact extent of the expected slowdown is still unknown. Whether Austria will be threatened by a recession depends, according to WIFO, on the duration of the crisis.

The rising number of infections across the world triggered in part strong reactions on the capital markets. Short-term effects for the RLB NÖ-Wien Group in 2020 can be expected primarily through the valuation of bonds and investments: As viewed individually, the negative share price development of RBI, which represents the largest investment of the Raiffeisen-Holding financial institutions group, will not have a direct onsect on the consolidated financial statements and regulatory capital in 2020. The RLB NÖ-Wien Group and the Raiffeisen-Holding financial institutions group carry the RBI investment at the value in use pursuant to IAS 36.114 in connection with IAS 36.18.

It will be necessary to re-evaluate the effects on the valuation of investments according to the information available as of the respective balance sheet date. There were no direct implications for credit risk at the time these consolidated financial statements were prepared, but the related developments are the subject of continuous and extensive monitoring and all necessary steps will be taken.

The liquidity position of the Raiffeisen-Holding financial institutions group remains sound. The ECB approved a number of monetary measures on 12 March, and further measures to stabilize the capital markets and real economy are expected at the national and international level.

In order to moderate the impact of COVID-19 on the European banking sector, the European supervisory authorities (EBA, ECB) have already announced temporary regulatory relief. The ECB Governing Council has also approved an extensive package of monetary measures which include the expansion of long-term refinancing transactions, the so-called "Targeted Longer-Term Refinancing Operations" (TLTRO), as well as additional asset purchased within the framework of quantitative easing.

In order to react to the challenges created by this situation as best as possible, the RLB NÖ-Wien Group has installed a task force. Its goal is to protect the health of customers and employees and safeguard continuing operations in all areas. The ongoing implementation of measures is proceeding in close coordination with the Managing Board and management and will be accompanied by extensive communications at all levels.

(53) Non-financial statement

RLB NÖ-Wien is exempt from the requirement to prepare a consolidated non-financial statement pursuant to § 267a (7) of the Austrian Commercial Code because it and its subsidiaries are included in the consolidated management report prepared by Raiffeisen-Holding NÖ-Wien reg. Gen.m.b.H. That report was prepared and published in accordance with the applicable accounting regulations. The consolidated management report of Raiffeisen-Holding NÖ-Wien is available at the company's headquarters and from the company register in Vienna.

Overview of Equity Investments (pursuant to § 265 (2) of the Austrian Commercial Code)

The following tables show the equity investments held by the RLB NÖ-Wien Group.

(54) Subsidiaries included in the consolidated financial statements

Entity, Registered office (country)	Subscribed capital	Currency	31/12/2019 Share in %*	31/12/2018 Share in %*	Type
"AKTUELL" Raiffeisen Versicherungs-Maklerdienst Gesellschaft m.b.H., Vienna (A)	73,000	EUR	100.00	100.00	OT
"BARIBAL" Holding GmbH, Vienna (A)	105,000	EUR	100.00	100.00	OT
"PRUBOS" Beteiligungs GmbH, Vienna (A)	35,000	EUR	100.00	100.00	OT
NAWARO ENERGIE Betrieb GmbH, Zwettl (A)	36,000	EUR	100.00	100.00	OT
RAIFFEISEN IMMOBILIEN VERMITTLUNG GES.M.B.H., Vienna (A)	622,000	EUR	98.75	98.75	OT
Raiffeisen Liegenschafts- und Projektentwicklungs GmbH, Vienna (A)	35,000	EUR	100.00	100.00	OT
Raiffeisen Versicherungs- und Bauspar-Agentur GmbH (formerly: RVB Raiffeisen Versicherungs Agentur GmbH), Vienna (A)	70,000	EUR	100.00	100.00	OT
Raiffeisen Vorsorge Wohnung GmbH (formerly: Raiffeisen Vorsorgewohnungserrichtungs GmbH), Vienna (A)	100,000	EUR	100.00	100.00	OT
RBE Raiffeisen Beratungs- und Entwicklungs GmbH, Vienna (A)	35,000	EUR	100.00	95.00	OT
RLB Businessconsulting GmbH, Vienna (A)	35,000	EUR	100.00	100.00	OT
RLB NÖ-Wien Holding GmbH, Vienna (A)	---	---	---	100.00	---
RLB NÖ-Wien Sektorbeteiligungs GmbH, Vienna	35,000	EUR	100.00	100.00	FI
Veritas Treuhandgesellschaft für Versicherungsüberprüfung und -vermittlung m.b.H., Raaba (A)	50,000	EUR	100.00	100.00	OT

*) The information on shares represents the direct investment held by the Group.
**) Merged as of 28 August 2019

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

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

Entity, Registered office (country)	Subscribed capital	Currency	31/12/2019 Share in %	31/12/2018 Share in %	Type
Raiffeisen Bank International AG, Vienna (A)	1,003,265,844	EUR	22.66	22.66	CI
Raiffeisen Informatik GmbH & Co KG (formerly: Raiffeisen Informatik GmbH), Vienna (A)*	---	---	---	47.35	OT

*) Change in name to a partnership, therefore no information on subscribed capital or investment (however, unchanged at 47.35%)

RBI is designated as a material associate by management:

RLB NÖ-Wien holds 22.66% of the shares in RBI and is therefore its primary owner. RBI is the leading institution in the Austrian Raiffeisen banking group and provides services for its members. It also holds and coordinates the individual member institution's minimum reserve and statutory liquidity reserve and provides support for liquidity management.

RBI had a listed market price of EUR 22.39 per share as of 31 December 2019 (31 December 2018: EUR 22.2 per share).

Financial information on RBI, the material associate, is provided in the following table; the data are based on that company's IFRS consolidated financial statements.

Associates	Raiffeisen Bank International AG	
€'000	**2019**	2018
Interest income	5,049,542	4,788,520
Net profit	1,364,600	1,397,954
Other comprehensive income	406,093	(180,563)
Total comprehensive income	***1,770,693***	*1,217,391*
Attributable to equity holders of the parent	1,601,232	1,083,462
Attributable to non-controlling interest	169,462	133,929
Assets	152,199,504	140,115,155
Liabilities	138,434,520	127,701,798
Net assets	***13,764,983***	*12,413,358*
Attributable to equity holders of the parent	11,817,337	10,587,140
Attributable to non-controlling interest	811,001	700,807
Of which AT1 capital	1,136,645	1,125,411
Proportional share of net assets held by Raiffeisen-Holding NÖ-Wien	2,677,730	2,398,976
Goodwill/impairment	(281,898)	(92,891)
Carrying amount on the consolidated balance sheet as of 31 December	**2,395,832**	2,306,085

Carrying amount on the consolidated balance sheet as of 1 January	2,306,085	2,248,768
Reclassification	0	0
Merger	0	0
Initial application of IFRS 15 and IFRS 9	0	(36,785)
Proportional share of other changes in equity	(14,831)	(15,236)
Consolidated comprehensive income	362,828	245,505
Impairment	(189,000)	(90,000)
Reversal of impairment	0	0
Dividends received	(69,250)	(46,167)
Carrying amount on the consolidated balance sheet as of 31 December	**2,395,832**	2,306,085

The following table shows the aggregated carrying amount, share of profit or loss and share of other comprehensive income for Raiffeisen Informatik GmbH & Co KG, which is considered immaterial for the consolidated financial statements of RLB NÖ-Wien:

€'000	2019	2018
Share of profit/(loss) after tax	135,672	12,639
Share of other comprehensive income	4,679	(53)
Share of total comprehensive income	140,351	12,586
Carrying amount on the consolidated balance sheet as of 31 December	189,683	49,864

(56) Subsidiaries not included through full consolidation

Entity, Registered office (country)	Subscribed capital	Currency	31/12/2019 Share in %	31/12/2018 Share in %	Type
"RUFUS" Beteiligungs GmbH, Vienna (A)	146,000	EUR	100.00	100.00	OT
Immonow Services 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-Landesrisikogenossenschaft Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung (formerly: Raiffeisen-Einlagensicherung Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung), Vienna (A)	41,264	EUR	98.83	98.70	OT
RLB NÖ-Wien Leasingbeteiligungs GmbH, Vienna (A)	35,000	EUR	100.00	100.00	FI
TIONE Altbau-Entwicklung GmbH, Vienna (A)	37,000	EUR	100.00	100.00	OT
Waldviertel Immobilien-Vermittlung GmbH, Zwettl (A)	35,000	EUR	100.00	100.00	OT

(57) Other equity investments

Associates which are not accounted for at equity due to materiality reasons.

Entity, Registered office (country)	Subscribed capital	Currency	31/12/2019 Share in %	31/12/2018 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 Digital GmbH, Vienna (A)	75,000	EUR	25.50	---	NDL
Raiffeisen Informatik Geschäftsführungs GmbH, Vienna (A)	70,000	EUR	47.35	---	OT
Raiffeisen Software GmbH, Linz (A)	150,000	EUR	25.50	25.50	OT
Raiffeisen-Leasing Managment GmbH, Vienna (A)	300,000	EUR	21.56	21.56	FI
Raiffeisen-Leasing Österreich GmbH, Vienna (A)	100,000	EUR	32.34	32.34	FI
RSC Raiffeisen Service Center GmbH, Vienna (A)	2,000,000	EUR	46.30	46.30	OT

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

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

The following companies are included in the scope of consolidation of Raiffeisen-Holding NÖ-Wien through full consolidation:

"ALMARA" Holding GmbH, Vienna (AT)
"GULBIS" Beteiligungs GmbH, Vienna (AT)
"HELANE" Beteiligungs GmbH, Vienna (AT)
"LAREDO" Beteiligungs GmbH, Vienna (AT)
"LOMBA" Beteiligungs GmbH, Vienna (AT)
"RASKIA" Beteiligungs GmbH, Vienna (AT)
"SEPTO" Beteiligungs GmbH, Vienna (AT)
"URUBU" Holding GmbH, Vienna (AT)
AURORA MÜHLEN GMBH, (sub-group LLI), Hamburg (D)
BLR-Baubeteiligungs GmbH, Vienna (AT)
Botrus Beteiligungs GmbH, Vienna (AT)
cafe+co Delikomat Sp. z o.o., (sub-group LLI), Bielsko-Biala (PL)
cafe+co Deutschland GmbH, (sub-group LLI), Wenzenbach (D)
cafe+co International Holding GmbH, (sub-group LLI), Vienna (AT)
cafe+co ltal - és Ételautomata Kft., (sub-group LLI), Alsónémedi (H)
café+co Österreich Automaten-Catering und Betriebsverpflegung Ges.m.b.H., (sub-group LLI), Vienna (AT)
CaffeBar Automaty s.r.o., (sub-group LLI), Modrice (CZ)
Castellmühle Krefeld GmbH, (sub-group LLI), Hamburg (DE)
DELIKOMAT d.o.o., (sub-group LLI), Belgrade (SRB)
DELIKOMAT d.o.o., (sub-group LLI), Marburg (SLO)
Delikomat Slovensko spol. s r.o., (sub-group LLI), Stupava (SK)
Delikomat s.r.o., (sub-group LLI), Modrice (CZ)
DZR Immobilien und Beteiligungs GmbH, Vienna (AT)
Estezet Beteiligungsgesellschaft m.b.H., Vienna (AT)
Frischlogistik und Handel GmbH, (sub-group NÖM), Baden bei Wien (A)
GoodMills Bulgaria EOOD, (sub-group LLI), Sofia (BG)
GoodMills Česko s.r.o., (sub-group LLI), Prague (CZ)
GoodMills Deutschland GmbH, (sub-group LLI), Hamburg (D)
GoodMills Group GmbH, (sub-group LLI), Vienna (AT)
GoodMills Innovation GmbH, (sub-group LLI), Hamburg (D)
GoodMills Magyarország Kft., (sub-group LLI), Komárom (H)
GoodMills Österreich GmbH, (sub-group LLI), Schwechat (A)
GoodMills Polska Kutno Sp. z o.o., (sub-group LLI), Kutno (PL)
GoodMills Polska Sp. z o.o., (sub-group LLI), Poznań (PL)
GoodMills Romania S.A., (sub-group LLI), Pantelimon (RO)
Haas Lebensmittel GmbH, (sub-group NÖM), Baden bei Wien (A)
Kampffmeyer Mühlen GmbH, (sub-group LLI), Hamburg (D)
KURIER Beteiligungs-Aktiengesellschaft, Vienna (AT)
La Cultura del Caffe Gesellschaft m.b.H., (sub-group LLI), Krems a. d. Donau (A)
Latteria NÖM s.r.l., (sub-group NÖM), Milan (I)
LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna (AT)
Liegenschaftsbesitz Obere Donaustraße 91-95 GmbH, Vienna (AT)
Marchfelder Zuckerfabriken Gesellschaft m.b.H., (sub-group LLI), Vienna (AT)
Medicur - Holding Gesellschaft m.b.H., Vienna (AT)
Medicur Sendeanlagen GmbH, Vienna (AT)
Müller's Mühle GmbH, (sub-group LLI), Gelsenkirchen (D)
Naber Kaffee Manufaktur GmbH, (sub-group LLI), Vienna (AT)

Niederösterreichische Milch Holding GmbH, Vienna (AT)
NÖM AG, (sub-group NÖM), Baden bei Wien (A)
Printmedien Beteiligungsgesellschaft m.b.H., Vienna (AT)
Raiffeisen Agrar Holding GmbH, (sub-group LLI), Vienna (AT)
RAIFFEISEN-HOLDING NÖ-Wien Beteiligungs GmbH, Vienna (AT)
RH Finanzberatung und Treuhandverwaltung Gesellschaft m.b.H., Vienna (AT)
RH Finanzbeteiligungs GmbH, Vienna (AT)
RHG Holding GmbH, Vienna (AT)
St. Leopold Liegenschaftsverwaltungs- und Beteiligungsgesellschaft m.b.H., Vienna (AT)
VK Grundbesitz GmbH, (sub-group LLI), Hamburg (D)
VÖS167 Liegenschaft GmbH, (sub-group NÖM), Baden bei Wien (A)
Zucker Invest GmbH, Vienna (AT)
Zucker Vermögensverwaltungs GmbH, Vienna (AT)
Zucker-Beteiligungsgesellschaft m.b.H., Vienna (AT)
Zuckermarkt - Studiengesellschaft m.b.H., Vienna (AT)

Unconsolidated companies included in the Raiffeisen-Holding NÖ-Wien Group:

"BANUS" Beteiligungs GmbH in Liqu., (sub-group LLI), Vienna (AT)
"BENEFICIO" Holding GmbH, Vienna (AT)
"CLEMENTIA" Holding GmbH, Vienna (AT)
"RUFUS" Beteiligungs GmbH, (sub-group RLB AG), Vienna (AT)
"SERET" Beteiligungs GmbH, Vienna (AT)
"TOJON" Beteiligungs GmbH, Vienna (AT)
BENIGNITAS GmbH, Vienna (AT)
Beteiligungsgesellschaft Diamant Mühle Hamburg GmbH in Liqu., (sub-group LLI), Hamburg (D)
C - Holding s.r.o., (sub-group LLI), Modrice (CZ)
Kaffemeister Gastronomie-Coffee-Service Vertriebsgesellschaft m.b.H., (sub-group LLI), Vienna (AT)
Café+Co Rus, OOO, (sub-group LLI), Moscow (RU)
CAFE+CO Timisoara S.R.L., (sub-group LLI), Timisoara (RO)
Farina Marketing d.o.o., (sub-group LLI), Laibach (SLO)
Holz- und Energiepark Vitis GmbH, Vienna (AT)
GoodMills Innovation Polska Sp.z.o.o., (sub-group LLI), Poznan (PL)
Immonow Services GmbH, (sub-group RLB AG), Vienna (AT)
KASERNEN Projektentwicklungs- und Beteiligungs GmbH, Vienna (AT)
MODAL-Gesellschaft für betriebsorientierte Bildung und Management GmbH, (sub-group RLB AG), Vienna (AT)
Müfa Mehl und Backbedarf Handelsgesellschaft mbH, (sub-group LLI), Hamburg (D)
Neuß & Wilke GmbH, (sub-group LLI), Gelsenkirchen (D)
NÖ Raiffeisen Kommunalservice Holding GmbH, (sub-group RLB AG), Vienna (AT)
PBS Immobilienprojektentwicklungs GmbH, Vienna (AT)
Raiffeisen Analytik GmbH, (sub-group RLB AG), Vienna (AT)
Raiffeisen Beratung direkt GmbH, (sub-group RLB AG), Vienna (AT)
Raiffeisen-Landesrisikogenossenschaft Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, (formerly: Raiffeisen-Einlagensicherung Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung), (sub-group RLB AG), Vienna (AT)
RHU Beteiligungsverwaltung GmbH & Co OG, Vienna (AT)*
RLB NÖ-Wien Leasingbeteiligungs GmbH, (sub-group RLB AG), Vienna (AT)
ROLLEGG Liegenschaftsverwaltungs GmbH, Vienna (AT)
Rosenmühle GmbH, (sub-group LLI), Hamburg (D)
Schilling GmbH, Mannheim (D)
Techno-Park Tulln GmbH, Wiener Neudorf (A)
THE AUTHENTIC ETHNIC FOOD COMPANY GmbH, (sub-group LLI), Gelsenkirchen (D)
Theranda Entwicklungsgenossenschaft für den Kosovo registrierte Genossenschaft mit beschränkter Haftung in Liqu., Vienna (AT)
TIONE Altbau-Entwicklung GmbH, (sub-group RLB AG), Vienna (AT)
Waldviertel Immobilien-Vermittlung GmbH, (sub-group RLB AG), Zwettl (A)
ZEG Immobilien- und Beteiligungs registrierte Genossenschaft mit beschränkter Haftung, Vienna (AT)

*) Shareholder with unlimited liability

Boards and Officers

Managing Board:

Chairman:
Klaus BUCHLEITNER

Deputy Chairman:
Reinhard KARL

Members:
Andreas FLEISCHMANN
Martin HAUER
Michael RAB

Supervisory Board:

Chairman:
Erwin HAMESEDER

Deputy Chairman:
Alfons NEUMAYER

Members:
Anton BODENSTEIN
Hermine DANGL (since 17 May 2019)
Reinhard KERBL
Veronika MICKEL-GÖTTFERT
Johann POLLAK
Gerhard PREISS
Christian RESCH
Brigitte SOMMERBAUER
Johann VIEGHOFER (up to 17 May 2019, mandate suspended since 23 July 2018)

Delegated by the Staff Council:
Wolfgang EINSPIELER
Anton HECHTL
Michael HOFER
Christian JENKNER
Eva TATSCHL

State Commissioners:
Tomas BLAZEK (up to 30 November 2019)
Alfred LEJSEK

The Managing Board of RLB NÖ-Wien issued these consolidated financial statements on 24 March 2020. 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 m.p.
Chairman

Reinhard KARL m.p.
Deputy Chairman

Andreas FLEISCHMANN m.p.
Member

Martin HAUER m.p.
Member

Michael RAB m.p.
Member

The Managing Board released the consolidated financial statements on 24 March 2020 for distribution to the Supervisory Board.

Statement by the Managing Board

"We confirm to the best of our knowledge that the consolidated financial statements provide a true and fair view of the assets, liabilities, financial position and profit or loss of the RLB NÖ-Wien Group in accordance with the applicable accounting standards; that the Group management report presents the development and performance of the business and the position of the Group so as to provide a true and fair view of the assets, liabilities, financial position and profit or loss; and that the Group management report describes the principal risks and uncertainties to which the Group is exposed. We note that IFRS accounting - for systemic reasons - is becoming increasingly future-oriented. Accordingly, IFRS financial statements include a growing number of planning elements and uncertainty factors."

The Managing Board

Klaus BUCHLEITNER m.p.
Chairman, responsible for
the Directorate General

Reinhard KARL m.p.
Deputy Chairman, responsible for
the Corporate Clients Segment

Andreas FLEISCHMANN m.p.
Member, responsible for
the Financial Markets/Organisation Segment

Martin HAUER m.p.
Member, responsible for
the Retail/Raiffeisen Association Services Segment

Michael RAB m.p.
Member, responsible for
the Risk Management/Accounting Segment

Auditor's Report

Report on the Consolidated Financial Statements

Audit Opinion

I have audited the consolidated financial statements of

RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG, Vienna,

and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements.

In my opinion, the consolidated financial statements comply with legal requirements and provide a true and fair view of the consolidated financial position of the Group as of 31 December 2019 as well as its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU, and the additional requirements defined by Section 245a of the Austrian Commercial Code ("Unternehmensgesetzbuch") and the Austrian Banking Act.

Basis for Opinion

I conducted my audit in accordance with EU Regulation No. 537/2014 (hereafter EU-Regulation) and Austrian Generally Accepted Auditing Standards, which require the application of International Standards on Auditing (ISA). My responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of this report. I am independent of the audited entity within the meaning of Austrian commercial law and professional regulations, and have fulfilled my other responsibilities under these requirements. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Key Audit Matters

Key audit matters represent the matters which, in my professional judgment, were of the greatest significance for my audit of the consolidated financial statements for the financial year. These matters were addressed during my audit of and the formation of an opinion on the consolidated financial statements as a whole, and I did not issued a separate opinion on these matters.

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

1. Valuation of the equity-accounted investment in Raiffeisen Bank International AG

Relevant facts and risk for the financial statements

The investment in Raiffeisen Bank International AG (RBI), which also represents the central institution for RLB NÖ-W AG, is reported under "interest in equity-accounted investments" at an amount of TEUR 2,395,833 in the consolidated financial statements of RLB NÖ-W AG as of 31 December 2019.

The Company describes the procedure for the valuation of equity-accounted investments in the consolidated financial statements as of 31 December 2019 in the notes under "Principles of Accounting under IFRS" and in note 4 "Profit from equity-accounted investments".

The recoverability of the carrying amount of the equity-accounted investment in RBI must be tested if there are any objective evidence of impairment. Impairments or revaluations must be recognized up to the recoverable amount. The recoverable amount represents the higher of fair value less selling costs and the value in use.

Objective evidence of impairment to the RBI investment was identified as of 31 December 2019.

In evaluating the recoverability of the investment, the carrying amount of the shares was compared with the recoverable amount. The value in use was determined in accordance with a discounted cash flow method and exceeded the fair value. An impairment loss was recognized to reflect the fact that the net carrying amount exceeded the recoverable amount as of 31 December 2019.

The risk for the financial statements arises from the significant dependence of the value in use calculation on management's estimates of future cash flows and the significant dependence of the valuation results on the applied discount rate. Consequently, this valuation is connected with a high degree of estimation uncertainty.

Audit procedures
I evaluated the processes used to identify the objective evidence for impairment and/or revaluation and tested the installed controls to determine whether they are suitable to identify objective evidence of impairment or the possible need for revaluation on a timely basis.

Moreover, I evaluated management‘s estimates for objective evidence of impairment.

I verified the correct calculation of the recoverable amount by comparing the fair value (market price) and the value in use as determined by an external valuation opinion.

My evaluation also covered the basis for this external opinion, in particular the appropriateness of the valuation model. I verified the input parameters, such as the discount rate, through a comparison with capital market data as well as Company-specific information and market expectations.

I compared the future cash flows used in the external valuation opinion with the Group's planning and also analysed and evaluated the quality of this planning, in particular based on the Company's documentation.

The mathematical accuracy of the impairment calculation was verified.

I also evaluated the appropriateness of the notes disclosures on the impairment of the RBI investment.

2. Valuation of loans and advances to customers

Relevant facts and risk for the financial statements

In the consolidated financial statements of RLB NÖ-W AG as of 31 December 2019, the balance sheet position "financial assets at amortized cost" includes loans and advances to customers totalling TEUR 13,312,952. The risk provisions for these receivables amount to TEUR 139,047 as of 31 December 2019.

The Company describes the procedure for determining the risk provisions in the notes under "Significant accounting and valuation policies", in note 16 "Risk provisions".

As part of loan monitoring procedures, the Company evaluates whether there is any objective evidence of impairment which would require the recognition of an individual risk provision. This evaluation also includes an assessment of whether the customers can repay the full contractually agreed amount.

The calculation of the risk provision for individually material customers which are in default is based on an analysis of the expected future cash inflows. This analysis is influenced by estimates of the respective customer's economic position and development, the valuation of collateral and estimates for the amount and timing of the related cash inflows.

The risk provision for individual customers who are not material but in default is calculated with a statistical valuation model.

The Bank uses statistical valuation models to calculate the loss allowances for loans that do not carry any objective evidence of impairment.

The loss allowance for receivables whose default risk has not increased significantly since initial recognition is based on the 12-month expected credit loss. For receivables whose default risk has increased significantly since initial recognition, the loss allowance is based on the lifetime expected credit loss.

The valuation model includes the outstanding customer balances, collateral and macroeconomic factors. Parameters which are based on statistical assumptions include, in particular, the default probability based on the individual customer's credit rating and the loss rate before and after collateral.

For the financial statements this involves the risk that the identification of objective evidence of impairment and the determination of a significant increase in default risk since initial recognition are based on assumptions and estimates. Since the determination of the credit risk provisions is influenced by the above assumptions and estimates, it is also connected with discretionary judgment and estimation uncertainty concerning the amount of these provisions.

Audit procedures

I analysed the existing documentation and processes for granting, classifying and monitoring loans and advances to customers as well as the creation of the related risk provisions. My work also included an evaluation of whether these processes are appropriate to identify objective evidence of impairment and a significant increase in default risk since initial recognition and, consequently, are suitable to ensure the correct valuation of the loans and advances to customers. I identified the related process workflows and material controls and tested the design and implementation of key controls for their effectiveness, also through sampling procedures.

I evaluated, through sampling, the correct classification of loans and advances to customers in connection with the business model and the characteristics of the contractual cash flows based on the Company's documentation and processes.

The correct level assignment in accordance with the relevant guidelines was verified.

For individually significant customers, I used sampling procedures to test the loans and advances for the existence of objective evidence of impairment and to determine whether the amount of the risk provisions was appropriate. The samples were selected on the basis of risk-oriented criteria with a particular focus on rating levels with a higher risk of default. In cases where objective evidence of impairment was identified, I reviewed the assumptions and underlying scenarios used by the Bank for the timing and amount of expected cash inflows. I also tested, through sampling, the internal valuation of collateral to determine whether the assumptions underlying the models were adequate.

For individual customers who are not material but in default and for customers with no objective evidence of impairment, I verified, together with the help of experts, the applied models, related parameters and future-oriented information, also taking into consideration the validations carried out by the Bank. These models and parameters were evaluated with regard to their appropriateness for the determination of adequate risk provisions.

I verified the calculation of the risk provisions.

In addition, I assessed whether the disclosures in the notes to the financial statements regarding the valuation of loans and advances to customers are appropriate.

Information on estimation uncertainty related to the determination of loss allowances with statistical valuation models is provided in the notes under "Judgments and estimates".

3. Valuation of securities and derivative financial instruments

Relevant facts and risk for the financial statements

The fair values of the securities and derivative financial instruments in the consolidated financial statements of RLB NÖ-W AG are based on observable market prices or determined with valuation models. Derivative financial instruments are mostly used for the creation of hedging instruments or for trading purposes.

The Company describes the procedures for the valuation of securities and derivative financial instruments, the creation of hedging relationships and the valuation of derivative financial instruments and securities in the notes to the consolidated financial statements under "Significant accounting and valuation policies" and in note 32 "Hedge accounting" and note 33 "Fair value of financial instruments".

The fair value measurement of securities and derivative financial instruments for which market prices and sufficient observable market data are not available is connected with discretionary judgment due to the use of internal valuation models and the included assumptions and parameters.

Additionally, the creation of hedging relationships requires compliance with documentation requirements for the hedge and its effectiveness.

Hedging the fair value of a portfolio against interest risk also requires attention to the separate nature and homogeneity of the underlying portfolios as well as the determination of the separate balance sheet position.

The risk for the consolidated financial statements is based on the high degree of judgment connected with the assumptions and parameters used in the models to determine fair value. A further risk involves compliance with the formal and material requirements on hedging relationships.

Audit procedures
I reviewed the guidelines issued by the Bank and the documentation of the installed processes for the measurement of securities and derivative financial instruments and carried out sampling procedures to test the effectiveness of the internal controls.

I reviewed the valuation models and the underlying valuation parameters used to determine fair value for their appropriateness and consistent application. This process also included, a sample-based comparison of the material applied parameters with external data and the verification of fair value calculations.

Hedging relationships were evaluated, in particular, to determine whether documentation requirements and internal guidelines were met and the effectiveness of the hedge was given. I also reviewed the effectiveness tests carried out by the Bank for their appropriateness

With reference to the fair value hedge of a portfolio against interest risk, I also verified the separate nature and homogeneity of the underlying portfolios as well as the determination of the separate balance sheet position

I also assessed the appropriateness and completeness of the disclosures in the notes to the consolidated financial statements on the valuation methods and the creation of hedging relationships.

Management's Responsibility and Responsibility of the Audit Committee for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU, and the additional requirements pursuant to Section 245a of the Austrian Commercial Code ("Unternehmensgesetzbuch") and Austrian Banking Act. Furthermore, the Company's management is responsible for such internal controls considered necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the EU-Regulation and with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will always detect a material misstatement if any. Misstatements may result from fraud or error and are considered material if they could, individually or in total, reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU-Regulation and with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, I exercise professional judgment and retain professional scepticism throughout the audit.

Moreover:

- I identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; I plan and perform procedures to address these risks; and I obtain sufficient and appropriate audit evidence to serve as a basis for my audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or the override of internal controls.
- I obtain an understanding of the internal controls relevant for the audit in order to design audit procedures that are appropriate under the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.
- I evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.
- I conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists I am required to draw attention in my auditor's report to the respective note in the financial statements or, if such disclosures are not appropriate, to modify my audit opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as going concern.
- I evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit, and I remain solely responsible for my audit opinion.

I communicate with the audit committee, among others, regarding the planned scope and timing of my audit as well as significant findings, including any significant deficiencies in the internal control system that I identify during my audit.

Furthermore, I report to the audit committee that I have complied with the relevant professional requirements regarding my independence and report any relationships and other circumstances that could reasonably affect my independence and, where appropriate, on related measures taken to ensure my independence.

Of the matters communicated with the audit committee, I determine the matters that wereof most significance in the audit of the consolidated financial statements of the respective financial year and are therefore designated as key audit matters. I describe these key audit matters in my auditor's report, unless laws or other legal regulations preclude public disclosure of such matters, or in very rare cases, I determine that a matter should not be included in my auditor's report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Group Management Report

Austrian commercial law requires the group management report to be audited to determine whether it is consistent with the consolidated financial statements and whether it was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian commercial law and banking regulations.

I conducted my audit in accordance with generally accepted standards on the audit of group management reports.

Opinion

In my opinion, the group management report was prepared in accordance with the applicable legal requirements, includes the disclosures required by Section 243a, Para. 2 of the Austrian Commercial Code ("Unternehmensgesetzbuch") and is consistent with the consolidated financial statements.

Statement

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

Additional Information pursuant to Article 10 of the EU Regulation

I was appointed as the auditor for the 2019 financial year by Österreichische Raiffeisenverband, the auditing association responsible for the statutory audit of the consolidated financial statements in the sense of the Austrian Banking Act ("Bankwesengesetz"). I have been responsible for the audit of the consolidated financial statements of the Company without interruption since 2016.

I hereby confirm that the audit opinion in the section "Report on the Consolidated Financial Statements" is in agreement with the additional report to the audit committee made in accordance with Article 11 of the EU-Regulation.

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

Auditor in Charge

The auditor in charge is Ms. Alexandra Tychi.

Vienna, 24 March 2020

Signed by the auditor commissioned by Österreichische Raiffeisenverband:

Alexandra Tychi

Austrian Chartered Accountant

The publication or distribution of the consolidated financial statements together with my opinion may only take place in the approved, German version. This opinion is based solely on the complete German-language version of the consolidated financial statements, including the group management report. The provisions of § 281 Para. 2 of the Austrian Commercial Code apply to any different versions.

This report is a translation of the original report in German, which is solely valid.

Report by the Independent Auditor

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG, Vienna, Austria,

and its subsidiaries ("the Group") which comprise the Consolidated Statement of Financial Position as at 31 December 2019, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and 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 at 31 December 2019, 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, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) as well as Section 59a of the Austrian Banking Act.

Basis for our Opinion

We were engaged by the Company's legal representatives as further (voluntary) auditor and conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group within the meaning of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) as well as Austrian professional regulations as defined in the Austrian Professional Accountants and Tax Advisors' Act of 2017 ("Wirtschaftstreuhand-berufsgesetz 2017, "WTBG 2017") and related directives ("Richtlinien für die Ausübung der Wirtschaftstreuhandberufe") and guidelines, and we have fulfilled our other responsibilities under these requirements and the IESBA Code. Our responsibility and liability as an auditor to the Company and to third parties are defined by the legal liability regulations under Section 62a of the Austrian Banking Act in connection with Section 275 Paragraph 2 of the Austrian Commercial Code. The rules defined by Directive (EU) No. 537/2014 on specific requirements regarding statutory audit of public-interest entities have not been agreed upon. Not applying this may mean that provisions have not been complied with, such as compliance of external rotation, compliance regarding prohibited non-audit services ("fee cap") and the obligation to prepare a separate report to the audit committee. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

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

Our audit identified the following key audit matters, which are described below:

- Valuation of the equity-accounted investment in Raiffeisen Bank International AG
- Valuation of loans and advances to customers

Valuation of the equity-accounted investment in Raiffeisen Bank International AG

Relevant facts and risk for the financial statements

The investment in Raiffeisen Bank International AG (RBI), which also represents the central institution for RLB NÖ-W AG, is reported under "interest in equity-accounted investments" at an amount of TEUR 2,395,832 in the consolidated financial statements of RLB NÖ-W AG as of 31 December 2019.

Management describes the procedure for the valuation of equity-accounted investments in the consolidated financial statements as of 31 December 2019 in the notes under "Principles of Accounting under IFRS" and in note 19.

The recoverability of the carrying amount of an equity-accounted investment must be tested if there is any objective evidence of impairment.

Objective evidence of impairment was identified as of 31 December 2019 due to the development of the share price. Management determined the value in use with a discounted cash flow method and confirmed this value with an external opinion. This value in use was compared with the fair value (market price).

The risk for the financial statements arises from the significant dependence of the value in use calculation on management's estimates of future cash flows and the significant dependence of the valuation results on the applied discount rate. Consequently, this valuation is connected with a high degree of estimation uncertainty.

Audit procedures

We evaluated the processes used to identify the objective evidence of impairment and tested the installed controls to determine whether they are suitable to identify objective evidence of impairment on a timely basis.

We evaluated the suitability of the valuation model used to determine the value in use as well as the planning assumptions and valuation parameters. We verified the derivation of the discount rate and the appropriateness of the applied input parameters through a comparison with market- and branch-specific benchmarks.

The planning accuracy of the cash inflows was evaluated by backtesting the applied planning assumptions. We evaluated the appropriateness of the related conclusions concerning the planning data on which the valuation is based.

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 13,312,952. The risk provisions to these receivables totalled TEUR 139,047 as of 31 December 2019.

Management describes the procedure used to determine the risk provisions in the notes under "Significant Accounting Policies" and under note 16.

As part of loan monitoring procedures, the company evaluates whether there are any objective indications of impairment which would require the recognition of individual risk provisions (Stage 3) for the expected credit loss (ECL). Model-based risk provisions were also calculated for the expected loss on loans and advances which are not in default (Stage 1 and Stage 2).

The risk provision for significant receivables in default (Stage 3) is calculated individually based on an analysis of the expected future cash inflows weighted by scenarios. The amount and timing of the related cash inflows are influenced significantly by the respective customer‘s economic position and development as well as the valuation of collateral.

The risk provisions for loans and advances which are significant but in default (Stage 3) and for loans and advances not in default (Stage 1 and Stage 2) are based on valuation models that include statistical assumptions, e.g. for one-year or lifetime default probabilities and current- and future-oriented information, and are influenced by the value of available collateral.

For the financial statements, this involves the risk that the transfer between stages and the calculation of the risk provisions are significantly dependent on assumptions and estimates which, in turn, are connected with discretionary judgment and estimation uncertainty concerning the amount of these provisions.

Audit procedures
We analysed the existing process documentation for the granting, monitoring and creation of risk provisions for expected losses. Moreover, we evaluated whether the ECL model is consistent with the requirements of IFRS 9 and is suitable to appropriately depict the recoverability of loans and advances to customers. We also tested, through sampling, significant key controls within these processes with regard to their design, implementation and effectiveness.

Based on a sampling of material individual loans and advances, we evaluated whether default cases were identified on a timely basis. The samples were generally selected according to risk-oriented criteria with particular weighting for rating levels with a higher risk of default. In cases where default was identified, we evaluated the appropriateness of the assumptions made by the company for the amount and timing of future cash flows from the customer and the collateral provided.

Our evaluation of the risk provisions for loans and advances not in default and loans and advances which are not material but in default included the involvement of financial mathematicians. Based on the bank's validation of the applied parameters – in particular, one-year and lifetime default probabilities and loss rates – we evaluated whether these assumptions are appropriate. We also verified the accuracy of the calculations.

In addition, we evaluated the appropriateness of the qualitative and quantitative disclosures in the notes to the consolidated financial statements on the recoverability of loans and advances to customers.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) as well as Section 59a of the Austrian Banking Act and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw

attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Other Information

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

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

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

Engagement Partner

The engagement partner is Mr. Mechtler.

Vienna, 24 March 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Bernhard Mechtler

Austrian Chartered Accountant

The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

This report is a translation of the original report in German, which is solely valid.

Glossary

Backtesting – The ex post comparison of calculated values at risk (VaR) with actual results to evaluate the quality of a model.

Bank book – All risk-bearing positions on a bank's balance sheet, both on- and off-balance sheet, which are not allocated to the trading book.

Equity as defined by the CRR – Equals the total of Tier 1 capital and Tier 2 capital.

Cash flow – Inflows and outflows of cash and cash equivalents.

CDS (Credit Default Swap) – A financial instrument that hedges the credit risks related to loans or securities (also see credit derivative).

Common Equity Tier 1 capital – Equals the total of common equity Tier 1 capital as defined in Art. 50 of the CRR and additional Tier 1 capital as defined in Art. 61 f the CRR.

Companies accounted for at equity – Companies over which the investor has significant influence with respect to business and financial policies.

Credit derivatives – Instruments that transfer the credit risks associated with loans, bonds or other risk assets or market positions to another person (also see CDS).

Credit exposure – Comprises all loans, advances and debt securities recorded on the balance sheet as well as off-balance sheet guarantees and credit lines.

CRR/CRD IV – The Capital Requirements Regulation (CRR) and Capital Requirements Directive IV (CRD IV) were adopted by the EU on 27 June 2013. They form the new supervisory framework for the capital, debt and liquidity ratios. The new capital requirements call for mandatory application starting on 1 January 2014. The rules for the liquidity and debt ratios must be applied starting in 2015, resp. 2018. The implementation of these requirements is supplemented by further technical standards issued by the European Banking Authority (EBA).

Currency risk – The risk that the value of a financial instrument could change because of fluctuations in exchange rates.

CVA (Credit Valuation Adjustment)/DVA (Debt Value Adjustment) – Counterparty default risk, resp. inclusion of own probability of default in the valuation of derivatives.

DBO – (Defined Benefit Obligation) The present value of a defined benefit obligation represents the present value of expected future payments, before the deduction of plan assets, which are required to meet the entitlements earned by employees during the current period or an earlier period.

Deferred tax assets – Deferred tax assets are reported under other assets and are recognised for future tax effects arising from temporary differences between the tax base of assets and liabilities and their value for tax purposes or from unused tax loss carryforwards and tax credits.

Derivative – Derivatives are financial instruments whose value increases or decreases based on the change in an underlying base item, e.g. interest rate, financial instrument price, raw material price, foreign exchange rate, index of prices or rates, credit rating or credit index or another similar variable; which require no or only a minimal initial net investment; and which are settled at a future date. The most important derivatives are swaps, options and futures.

Discount – Negative difference between the purchase price and the nominal value.

EBA – European Banking Authority

ECL (Expected Credit Loss) as defined in IFRS 9.5.5 – The weighted average of credit losses, whereby the weighting is based on the probability of default. A risk allowance for expected credit losses must be calculated for all financial assets (with the exception of financial assets carried at fair value through profit or loss).

EONIA (Euro Overnight Index Average)/EURIBOR (Euro Interbank Offered Rate)/€STR (Euro Short-Term Rate) – Reference interest rates for the interbank market in the Eurozone.

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.

LGD (Loss Given Default) – The loss rate in the event of default.

Market risk – The risk that the value of a financial instrument could change due to fluctuations in market prices. These fluctuations can be based on factors characteristic to an individual security or issuer as well as factors that affect all securities traded on the market.

Monte Carlo simulation – A numerical method used to solve mathematical problems by modelling probabilities.

NPE (non-performing exposure) – Problem commitments; loans and advances with delayed or defaulted payments.

Operational risk – The risk of losses arising from errors in systems or processes, actions by employees or external factors.

OTC products – Financial instruments that are not standardised or listed, but traded directly between market participants (over-the-counter).

Overall risk – Risk-weighted exposure as defined in Art. 92 (3) of the CRR.

PD (Probability of Default) – The counterparty's probability of default.

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.

Projected United Credit Method – actuarial valuation method for pension obligations.

Rating, external – Standardised assessment of the credit standing of an issuer and its debt instruments by a specialised agency.

Rating, internal – Detailed risk assessment of a debtor by the bank.

Regulatory capital – The total of core capital (Tier 1) and Tier 2 capital.

Risk-weighted positions (credit risk) – The total asset positions and off-balance sheet positions weighted by business and partner risk, calculated in accordance with the CRR definitions.

SREP – Supervisory Review and Evaluation Process: Internal bank procedures and methods for the regulatory review and evaluation process defined by the EBA (European Banking Authority).

Stress test – An instrument used for risk management in the financial sector. A differentiation is made between micro-stress tests carried out by the financial institution itself and micro-prudential supervision (e.g. OeNB or ECB).

Trading book – A bank supervisory term for positions held by a financial institution for sale over the short-term to utilise fluctuations in prices and/or interest rates. Items not assigned to the trading book are administered in the banking book.

VaR (Value at Risk) – The maximum risk of loss on a specific portfolio during an assumed retention period based on an assumed probability and confidence level (e.g. 95%, 99% or 99.9%).

Imprint

Information in the Internet:

The website of Raiffeisenlandesbank NÖ-Wien AG provides detailed, up-to-date informationen on Raiffeisen: www.raiffeisenbank.at
An electronic version of the 2019 Annual Report is also available in the internet under: www.raiffeisenbank.at

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