# SEMI-ANNUAL REPORT

AS OF 30 JUNE 2018

## CONSOLIDATED SEMI-ANNUAL MANAGEMENT REPORT AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Raiffeisenlandesbank
Niederösterreich-Wien

# Consolidated Semi-Annual Management Report

# Overview of the First Half of 2018

The economic environment in the first half of 2018 was charaterized by the following factors and events:

- The European Central Bank (ECB) continued to hold key interest rates (main refinancing rate: 0%, deposit rate: -0.4%) at a historically low level. However, an announcement by the ECB indicated that its monthly net securities purchases would be reduced from the current level of EUR 30 billion to EUR 15 billion beginning in October and would be terminated in December. The ECB also announced its intention to maintain the current level of interest rates at least for the next 12 months.
- The economic upturn continued throughout the first half of 2018 in both the Eurozone and Austria despite slight weakness. Nevertheless, Austria reached the peak of the current economic cycle at the end of 2017.
- Developments on the international stock markets were volatile, above all, due to the direction of US trade policies and uncertainties connected with the new Italian government as well as outstanding issues related to the upcoming exit of Great Britain from the European Union (EU).
- Bond market yields remained low in historical comparison, but were also volatile due to the above-mentioned factors.

The development of business at RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG (RLB NÖ-Wien) was influenced by the following major events during the first half of 2018:

A substantial increase in loans and advances to customers led to a sustainable improvement in net interest income.

However, net interest income remained under pressure as a result of the ECB's policy. The deposit business, in particular, was adversely affected by the negative money market rates.

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

Raiffeisen Bank International AG (RBI), the most important equity investment held by RLB NÖ-Wien, recorded another substantial year-on-year increase in earnings. The proportional earnings contribution for the first half of 2018 amounted to EUR 171.3 million (H1 2017: EUR 129.7 million), but was contrasted by an impairment loss of EUR 74.0 million to the equity-accounted carrying amount of the RBI investment. The net contribution of the equity-accounted investment in RBI equalled EUR 97.3 million.

The positive development of credit risk continued during the first six months of 2018 (net addition: EUR -4.2 million).

The provisions of the new accounting standard for financial instruments (IFRS 9) took effect as of 1 January 2018. The initial application of this new standard led to an adjustment of EUR -54.7 million in equity.

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

With a Tier 1 ratio of 17.4% and a total capital ratio of 22.0%, the financial institutions group of RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN reg.Gen.m.b.H. (Raiffeisen-Holding NÖ-Wien), of which RLB NÖ-Wien is a part, significantly exceeded the minimum legal requirements for capital and also met the ECB’s capital benchmarks. These ratios do not include results for the first half of 2018.

# The Economic Environment for the Banking Sector in the First Half of 2018

The first six months of 2018 were influenced by the global trade dispute that originated in the USA. Europe was also forced to accept punitive tariffs until a meeting between Donald Trump and Jean-Claude Juncker in July cleared the air and set the stage for a compromise. The US economy continued to gain speed during the first half-year, supported by dynamic growth in private consumption and exports as well as President Trump's tax reform. This was reflected in an increase of 1.0% from the first to the second quarter. The Chinese economy lost virtually no momentum during the past quarter, despite increased disagreements in the trade conflict between China and the USA. The economy grew at an annualized rate of 6.7% in the second quarter, or only slightly slower than the first three months of the year.

The Eurozone experienced a slight weakening in the strong prior year momentum (0.7% versus the previous quarter in the fourth quarter of 2017) with growth of only 0.4% at the beginning of 2018. The demand for investments dropped sharply and exports declined. Rising consumer demand provided the only impulse for further growth. Initial estimates point to a further slight decline to 0.3% in the second quarter, whereby this development has been signalled by less optimistic confidence indicators. In Germany, the GDP growth of 0.5% from the first to the second quarter was somewhat stronger than expected – according to the Federal Statistical Office, it resulted primarily from private and government consumption as well as investments. Spain remains a driving force among the other major Euro countries (GDP growth of 0.6% from the first to the second quarter), while France and Italy each generated only weak growth of 0.2%. The French economy was, however, was affected by a prolonged railway strike.

The inflation rate in the Eurozone has increased recently as the result of higher prices for energy, food products and luxury food items and reached the ECB's target with a year-on-year plus of 2.0% in June. Additional time will, however, be required until the central bank can declare its goal - to maintain an inflation rate of close to, but below 2% over the medium-term - as successfully met. That would necessitate a stronger rise in wages or other monetary indicators (money supply, lending) – and the Eurozone average (currently) shows no signs of such developments.

The ECB has decided to extend the bond purchase programme (Quantitative Easing, QE) up to the end of this year with a reduced volume of purchases beginning in October (EUR 15 billion). According to the current fundamental framework conditions, securities purchases are scheduled to end in December 2018. The newly formulated "Forward Guidance“ issued by the ECB in June indicates that key interest rates would be held at their current levels "up to and through the summer 2019“. That sets the ECB's monetary policy on autopilot for the near future.

The Austrian economy continued to grow at only a marginally lower pace during the second quarter. Preliminary calculations by the Austrian Institute of Economic Research (WIFO) show a real GDP increase of 0.7% versus the previous quarter. Export activity has shown further slight weakness, but the demand for investments remains strong. Consumption by private households continued its robust growth. The sound improvement of the job market in recent years has been accompanied by a significant increase in earned income, and the renewed confidence among private households has had a positive influence on spending behaviour.

The strong growth in the Austrian economy has led to a steady decline in unemployment. According to the international definition, the unemployment rate equalled only 4.7% in June. Eurostat statistics for June 2018 show the lowest levels among the EU states in the Czech Republic (2.4%) and Germany (3.4%) and the highest levels in Greece (20.2% in April 2018) and Spain (15.2%). The inflation rate in Austria reflected the average of recent months at 2% in June, and there has been no excessive pressure on prices to date.

# Earnings, Financial and Asset Position

## Consolidated profit for the first half of 2018 vs. the first half of 2017

The following tables can contain rounding differences.

| €'000 | 1/1–30/6/2018 | 1/1–30/6/2017 | Absolute +/(–) change | Absolute +/(–) change% |
|---|---|---|---|---|
| Net interest income | 78,599 | 59,250 | 19,349 | 32.7 |
| Net fee and commission income | 34,452 | 24,802 | 9,650 | 38.9 |
| Profit/loss from interest in equity-accounted investments | 102,406 | 129,721 | (27,315) | (21.1) |
| Profit/Loss from investments, financial and non-financial assets and liabilities | (1,881) | 14,089 | (15,970) | - |
| Other operating profit/(loss) | (6,227) | 2,428 | (8,655) | - |
| *Operating income* | *207,349* | *230,290* | *(22,941)* | *(10.0)* |
| Staff costs | (58,237) | (49,135) | (9,102) | 18.5 |
| Other administrative expenses | (55,699) | (51,158) | (4,541) | 8.9 |
| Depreciation/amortization/write-offs | (2,400) | (2,451) | 50 | (2.0) |
| *Depreciation, amortization, personnel and operating expenses* | *(116,337)* | *(102,744)* | *(13,593)* | *13.2* |
| **Consolidated operating profit** | **91,012** | 127,546 | **(36,534)** | **(28.6)** |

**Net interest income** totalled EUR 78.6 million in the first half of 2018 (H1 2017: EUR 59.3 million). The substantial year-on-year increase resulted, above all, from the following factors:

- The volume of loans and advances to customers rose substantially over the level on 31 December 2017 and, in turn, led to a sustainable improvement in interest income.
- Based on decisions by the Austrian Supreme Court, excess negative interest charged in previous years was refunded to customers in the first half of 2018 from the provision recognized in 2017. The final legal evaluation is still outstanding for business loans and interest agreements in credit contracts under the current negative money market interest rates, and the related provision of EUR 12.9 million was left unchanged from the previous year. This special effect had a stronger impact on net interest income in 2017 than in the first half of 2018.
- As a consequence of the ECB's policy, net interest income remained under pressure due to the negative interest rate level. The historically low interest rates led to a further decline in margins in the deposit business.
- Net interest income was also negatively affected by costs for the short-term investment of liquid funds with OeNB at an interest rate of -0.4% per year.

***Net interest income*** in EUR million


**Net fee and commission income** rose by EUR 9.7 million year-on-year to EUR 34.5 million (H1 2017: EUR 24.8 million). This increase was supported by the satisfactory development of the payment business and, above all, by the expansion of the scope of companies included through full consolidation (also see administrative expenses).

The **profit from equity-accounted investments -** which is influenced by the earnings contribution from RBI - amounted to EUR 102.4 million for the first half-year (H1 2017: EUR 129.7 million). Included here is an impairment loss of EUR -74.0 million to the carrying amount of the RBI investment.

The **gains/losses from investment and financial/non-financial assets and liabilities** consist chiefly of trading results. The substantial year-on-year decline of EUR 16.0 million to EUR -1.9 million is primarily attributable to an unexpected flattening of the interest rate curve and the related measurement of the held-for-trading derivative portfolio.

**Other operating profit** was EUR 8.7 million lower than the previous year at EUR -6.2 million. The previous year was influenced, above all, by positive special effects like the release of provisions. Other operating profit also includes the expenses for the stability levy (EUR -12.9 million) and the full year's contribution to the European resolution fund (EUR -8.2 million).

***Operating income*** in EUR million

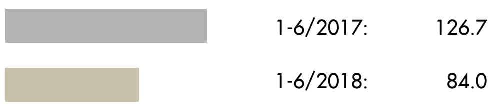

The position **"depreciation, amortization, personnel and operating expenses"** amounted to EUR 116.3 million and was EUR 13.6 million higher than the first half of the previous year (EUR 102.7 million). The increase resulted, in particular, from the expansion of the scope of companies included through full consolidation (also see "net fee and commission income") and an addition of EUR -7.3 million to a provision for restructuring in personnel expenses.

| €'000 | 1/1–30/6/2018 | 1/1–30/6/2017 | Absolute +/(–) change | Absolute +/(–) change% |
|---|---|---|---|---|
| Consolidated operating profit | 91,012 | 127,546 | (36,534) | (28.6) |
| Impairment losses or reversals of impairment losses to financial assets | (4,153) | 1,052 | (5,205) | - |
| ***Profit for the period before tax*** | ***86,859*** | ***128,598*** | ***(41,739)*** | ***(32.5)*** |
| Income tax | (2,812) | (1,898) | (913) | 48.1 |
| **Net profit for the period** | **84,047** | 126,700 | **(42,652)** | **(33.7)** |

In total, **net impairment losses** of EUR -4.2 million were recognized to **financial assets** in the first half of 2018 (H1 2017: reversals of impairment totalling EUR 1.1 million).

The RLB NÖ-Wien Group recorded **profit for the period after tax** of EUR 84.0 million in the first half of 2018, compared with EUR 126.7 million as of 30 June 2017.

***Profit for the period after tax*** in EUR million




**Other comprehensive income** of EUR -28.4 million reconciles after-tax profit for the period to consolidated comprehensive income. Included here, above all, are the proportional share of negative effects from RBI (above all FX-effects) which are transferred as part of the at-equity consolidation. **Consolidated comprehensive income** amounted to EUR 55.6 million as of 30 June 2018 (H1 2017: EUR 119.2 million).

## Segment Report

The RLB NÖ-Wien Group is organized in several segments based on the various customer service areas. The basis for segment reporting in accordance with IFRS 8 is formed by the internal management reporting system of the RLB NÖ-Wien Group. A change in internal management during 2018 led to the adjustment of the segment presentation as follows in accordance with IFRS 8:

- Personal and Business Banking Customers
- Corporate Clients
- Financial Markets
- Raiffeisen Bank International
- Raiffeisen Association
- Other Investments
- Other

The previous segments "Personal and Business Banking Customers", "Corporate Clients" and "Financial Markets", were retained and "RBI", "Raiffeisen Association" and "Other Investments" were added as new segments. The new RBI Segment comprises the earnings contribution of RBI, including the allocated refinancing and administrative expenses. The Raiffeisen Association Segment covers the services provided by RLB NÖ-Wien AG to the Raiffeisen banks. The Other Segment now only includes a limited number of expenses which cannot be allocated, e.g. the special payment for the bank levy which must be transferred for a further three years.

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

The Personal and Business Banking Customers Segment covers the retail banking business in the Vienna branches, which service personal banking, trade and business and self-employed customers. The segment offers various banking products and services for these customer groups, in particular for investments and financing. The private banking teams provide professional advice to high net worth personal banking customers in Vienna, while small and medium-sized businesses are supported by the trade and business competence centre. This segment recorded a pre-tax loss of EUR -9.9 million in the first half of 2018, compared with EUR -11.0 million in the previous year. Net interest income rose by EUR 4.3 million year-on-year to EUR 28.2 million, among others due to the absence of an exceptional charge related to the recognition of a provision following Supreme Court decisions on the treatment of negative reference interest rates. Earnings were positively influenced by net fee and commission income, which increased from EUR 20.3 million in the first half of 2017 to EUR 28.6 million due to the expansion of the scope of companies included through full consolidation and from an improvement in the payment transactions business. The increase in depreciation, amortization, personnel and operating expenses to EUR 70.7 million (versus EUR 59.6 million in H1 2017) resulted primarily from the expanded scope of full consolidation, the addition to a provision for restructuring in the personnel area and higher IT costs.

The Corporate Clients Segment recorded a pre-tax profit of EUR 30.1 million in the first half of 2018 (H1 2017: EUR 33.8 million). Specially designed products and solutions as well as an in-depth customer service are the decisive success factors for this business group. Net interest income totalled EUR 55.2 million (H1 2017: EUR 49.0 million, whereby the previous year was influenced by the creation of a

EUR 7.2 million provision related to the treatment of negative reference interest rates).

The Financial Markets Segment generated a pre-tax profit of EUR -3.3 million in the first half of 2018 (H1 2017: EUR 11.2 million). Net interest income rose by EUR 4.8 million to EUR 12.3 million (H1 2017: EUR 7.5 million) due to the improved financing structure. The sizeable year-on-year decline of EUR -18.0 million in the profit/loss from financial assets and liabilities to EUR -4.2 million (H1 2017: EUR 13.8 million) resulted primarily from an unexpected flattening of the interest curve and the related negative effects in the held-for-trading derivative portfolio. Other operating income amounted to EUR -6.2 million and was EUR 4.1 million lower than the comparable prior year value.

The profit before tax for the equity-accounted investment in Raiffeisen Bank International (RBI Segment) totalled EUR 80.6 million (H1 2017: EUR 105.2 million).

The Raiffeisen Segment recorded a pre-tax profit of EUR 0.7 million in the first half of 2018 (H1 2017: EUR 2.7 million).

The Other Investments Segment reported a pre-tax loss of EUR -0.7 million in the first half of 2018 (H1 2017: EUR -0.3 million).

The Other Segment includes the special bank levy of EUR -10.6 million.

## Consolidated Balance Sheet as of 30 June 2018

The **balance sheet total** of the RLB NÖ-Wien Group rose by EUR 1,236 million over the level at year-end 2017 to EUR 26,947 million as of 30 June 2018. The increase was supported, above all, by strong growth in loans and advances to customers and by a continuing high balance of liquid funds which are invested with OeNB for the short-term.

## Assets

In connection with the initial application of IFRS 9, the majority of loans and advances to customers, debt securities and loans and advances to other banks were measured at cost. The following disclosures on these positions are limited to the related valuation categories.

Sound development was recorded in **loans and advances to customers** with an increase of EUR 353 million to EUR 11,719 million in the first half of 2018.

**Loans and advances to other bank** were further reduced and, at EUR 2,981 million, were EUR 610 million below the level on 31 December 2017.

**Financial assets at fair value through profit or loss** rose by EUR 486 million to EUR 1,518 million as of 30 June 2018. This increase resulted from valuation effects in connection with the initial application of IFRS 9 and from the purchase of debt securities for the trading book.

**Equity-accounted investments** totalled EUR 2,275 million as of 30 June 2018 and were EUR 10 million lower than on 31 December 2017.

**Other assets** rose from EUR 3,339 million as of 31 December 2017 to EUR 4,319 million as of 30 June 2018. This development was based on a higher deposit balance with OeNB and a measurement-related increase in demand deposits as of the balance sheet date.

| €m | 30/06/2018 | 31/12/2017 | Absolute +/(–) change | Absolute +/(–) change% |
|---|---|---|---|---|
| Financial assets at amortized cost | 18,817 | 15,324 | 3,492 | 22.8 |
| Of which loans and advances to customers | 11,719 | 11,366 | 353 | 3.1 |
| Of which debt instruments | 4,116 | 367 | 3,749 | >100.0 |
| Of which loans and advances to other banks | 2,981 | 3,591 | (610) | (17.0) |
| Financial assets designated at fair value through profit or loss | 1,518 | 1,032 | 486 | 47.0 |
| Of which held for trading | 1,333 | 731 | 602 | 82.5 |
| Of which investments, immaterial shares in subsidiaries and associates | 13 | 0 | 13 | - |
| Of which debt instruments not held for trading | 1 | 302 | (301) | (99.7) |
| Of which loans and advances to customers not held for trading | 171 | 0 | 171 | - |
| Financial assets at fair value through other comprehensive income | 19 | 3,732 | (3,712) | (99.5) |
| Interest in equity-accounted investments | 2,275 | 2,285 | (10) | (0.4) |
| Other assets | 4,319 | 3,339 | 980 | 29.4 |
| **Balance sheet assets** | **26,947** | 25,712 | **1,236** | **4.8** |

## Liabilities and Equity

In connection with the initial application of IFRS 9, the majority of deposits from other banks, deposits from customers and securitized liabilities were measured at cost. The following disclosures on these positions are limited to the related valuation categories.

**Deposits from other banks** increased by EUR 1,247 million, or 15.9%, to EUR 9,065 million as of 30 June 2018, above all due to interbank deposits and repo transactions.

**Deposits from customers, including savings deposits,** increased by EUR 386 million, or 5%, to EUR 8,154 million in the first half of 2018.

The total volume of **securitized liabilities (incl. Tier 2 capital)** equalled EUR 6,224 million and was EUR 281 million lower than on 31 December 2017.

**Equity** fell EUR 62 million below the level on 31 December 2017 to EUR 2.175 million as of 30 June 2018. The initial application of IFRS 9 had a direct effect of EUR -54.7 million on equity as well as additional negative effects which resulted from the proportional transfer of results from the equity-accounted investment in RBI (EUR -38.4 million).

**Other liabilities** increased slightly from EUR 688 million to EUR 707 million.

| €m | 30/06/2018 | 31/12/2017 | Absolute +/(–) change | Absolute +/(–) change% |
|---|---|---|---|---|
| Financial liabilities measured at amortised cost | 23,443 | 22,091 | 1,351 | 6.1 |
| Of which deposits from other banks | 9,065 | 7,819 | 1,247 | 15.9 |
| Of which deposits from customers | 8,154 | 7,768 | 386 | 5.0 |
| Of which securitized liabilities (incl. Tier 2 capital) | 6,224 | 6,505 | (281) | (4.3) |
| Financial liabilities designated at fair value through profit or loss | 622 | 695 | (73) | (10.5) |
| Equity | 2,175 | 2,237 | (62) | (2.8) |
| Other liabilities | 707 | 688 | 20 | 2.9 |
| **Balance sheet equity and liabilities** | **26,947** | 25,712 | **1,236** | **4.8** |

# Financial Performance Indicators

## Performance Ratios

The **Group's cost/income ratio** – i.e. the ratio of operating expenses to operating income (incl. the profit or loss from financial instruments and associates, and excl. impairment charges) equalled 41.3% as of 30 June 2018.

The **Group's return on equity after tax** – i.e. return on equity based on average equity – equalled 14.33% as of 30 June 2018.

## Regulatory Capital

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

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

Eligible capital as defined in Art. 72 in connection with Art. 18 of the CRR totalled EUR 2,948.3 million (H1 2017: EUR 2,727.1 million). At 22.0% (H1 2017: 21.0%), the Tier 1 ratio (credit risk) substantially exceeded the 10.875% minimum requirement defined by the CRR.

Eligible capital comprises the following: The common equity Tier 1 ratio includes the superior credit institution's subscribed capital of EUR 116.2 million, appropriated capital reserves of EUR 373.7 million, retained earnings of EUR 1,581.3 million, non-controlling interests of EUR 254.9 million and various regulatory adjustments of EUR 20.5 million. After deductions of EUR -12.1 million, common equity Tier 1 capital equals EUR 2,334.5 million. The additional Tier 1 capital comprises an additional Tier 1 capital instrument of EUR 95.0 million and non-controlling interests of EUR 35.7 million. Tier 1 capital, after deductions, therefore equals EUR 2,465.2 million (H1 2017: EUR 2,123.5 million).

Tier 2 capital of EUR 483.1 million (H1 2017: EUR 603.6 million) comprises eligible Tier 2 instruments of EUR 420.3 million and the members' uncalled liability of EUR 62.1 million as well as participation capital of EUR 0.7 million which no longer qualifies as CET 1 capital.

Tier 1 capital as a per cent of eligible capital equals 83.6% (H1 2017: 77.9%).

The common equity Tier 1 ratio (CET 1 ratio) equalled 17.4% as of 30 June 2018 (H1 2017: 15.4%), and the Tier 1 capital ratio (T1 ratio) for the total risk of the Raiffeisen-Holding NÖ-Wien credit institution group equalled 18.4% (H1 2017: 16.3%). The total capital ratio (TC ratio) equalled 22.0% (H1 2017: 21.0%).

A fully loaded analysis results in a CET 1 ratio of 17.3% (H1 2017: 14.8%), a T1 ratio of 18.3% (H1 2017: 15.8%) and a total capital ratio of 21.4% (H1 2017: 19.2%).

## Credit Risk Indicators

The following tables show the non-performing exposure by class of receivables as well as the related indicators for the non-performing exposure (NPE) ratio and coverage ratio. The definition of non-performing exposure was based on the EBA Technical Standard "On Supervisory reporting on forbearance and non-performing exposures under Article 99(4) of Regulation (EU) No. 575/2013“

| 30/06/2018<br>€'000<br>Receivables categories | Total Exposure | Non-performing | | | | | |
|---|---|---|---|---|---|---|---|
| | | Exposure | Stage 3 individual impairment allowance balances / provisions | Collateral | NPE Ratio in % | Coverage Ratio I in % | Coverage Ratio II in % |
| Other Banks | 7,298,434 | 5,528 | 2,336 | 0 | 0.1 | 42.3 | 42.3 |
| Corporate customers | 12,957,975 | 187,611 | 84,003 | 83,660 | 1.5 | 44.8 | 89.4 |
| Retail exposures | 2,177,469 | 125,029 | 77,123 | 32,591 | 5.7 | 61.7 | 87.8 |
| Public sector exposures | 6,707,671 | 0 | 0 | 0 | 0.0 | 0.0 | 0.0 |
| **Total** | **29,141,548** | **318,168** | **163,462** | **116,251** | **1.1** | **51.4** | **87.9** |

| 31/12/2017<br>€'000<br>Receivables categories | Total Exposure | Non-performing | | | | | |
|---|---|---|---|---|---|---|---|
| | | Exposure | Stage 3 individual impairment allowance balances / provisions | Collateral | NPE Ratio in % | Coverage Ratio I in % | Coverage Ratio II in % |
| Other Banks | 7,852,757 | 6,305 | 3,134 | 0 | 0.1 | 49.7 | 49.7 |
| Corporate customers | 12,627,715 | 235,401 | 95,598 | 90,653 | 1.9 | 40.6 | 79.1 |
| Retail exposures | 2,148,308 | 127,676 | 82,373 | 35,456 | 5.9 | 64.5 | 92.3 |
| Public sector exposures | 6,416,579 | 0 | 0 | 0 | 0.0 | 0.0 | 0.0 |
| **Total** | 29,045,359 | 369,382 | 181,106 | 126,109 | 1.3 | 49.0 | 83.2 |

The non-performing exposure (NPE) ratio, which is defined as the exposure resulting from non-performing customers in relation to the total credit exposure, equalled 1.1% as of 30 June 2018 (31 December 2017: 1.3%). Coverage Ratio I is defined as the individual impairment allowance based on the NPE in relation to the total NPE, while Coverage Ratio II equals the individual impairment allowance plus collateral (after haircuts) based on the NPE in relation to the total NPE. Coverage Ratio I equalled 51.4% as of 30 June 2018 (31 December 2017: 49.0%) and Coverage Ratio II 87.9% (31 December 2017: 83.2%).

The share of non-performing loans (NPL) to customers equalled EUR 292.3 million as of 30 June 2018 (31 December 2017: EUR 330.3 million). This represents a classical NPL ratio, which is defined as the balance sheet amount of loans and advances to non-performing customers in relation to the total loans and advances to customers, of 2.4% as of 30 June 2018 (31 December 2017: 2.8%).

| €'000 | Balance sheet items | | NPL | | NPL Ratio in % | |
|---|---|---|---|---|---|---|
| | 30/06/2018 | 31/12/2017 | 30/06/2018 | 31/12/2017 | 30/06/2018 | 31/12/2017 |
| Loans and advances to customers | 12,065,914 | 11,613,792 | 292,339 | 330,268 | 2.4 | 2.8 |

## Risk Assessment

The business activities of a bank are connected with the acceptance of branch-specific risks. These risks are managed in accordance with the risk policy and strategy defined by RLB NÖ-Wien. The efficient identification, assessment and management of risk represents a central focus of the bank's activities. Additional information on this subject and on the organization of risk management is provided in the section on the "Risks arising from financial instruments (Risk Report)" in the 2017 annual report. The responsibility for risk management activities is assigned to the Managing Board as part of the Risk Management/Accounting function and consists of four departments: Models & Analytics, Risk/Data Service, Credit Risk Management and Credit Processing. The group's perspective forms the focus of the Raiffeisen-Holding financial institutions group in connection with the ICAAP.

The **Models & Analytics Department** is responsible for overall risk management (risk capacity analysis and stress testing), the selection and implementation of models, and the analysis, monitoring and management in all risk areas. Activities in the **Risk/Data Service Department** concentrate on the optimization of the data structure for reporting, controlling and risk issues, together with Standard 239 issued by the Basel Committee on Banking Supervision, the ICS (internal control system) and operational risk. Operational credit risk management is the responsibility of the **Credit Risk Management Department**. Its work covers the management and analysis of credit commitments from the initial arrangement to the end of the term. This analysis is based on facts and figures derived from business data (financial statements and company analyses) as well as the results of on-site visits and assessments. This department is supported by the newly established **Credit Processing Department**, which handles the administrative part of the lending process.

From the risk viewpoint, the first half of 2018 was heavily influenced by expectations over the effects of Donald Trump's "America First" policy and the resulting punitive tariffs for European exports to the USA and counter-tariffs by the EU as well as the prolonged negotiations with Great Britain over the Brexit. Developments on the financial markets were also affected by the uncertain political situation in Italy. The Austrian economy is currently in a boom phase: OeNB forecasts call for GDP growth of at least 3.0% in 2018, which would reflect the prior year level. That would also mean the aftereffects of the Euro and economic crisis in Europe had been overcome in real economic terms. What has remained, however, is the low interest phase, which represents a considerable strategic challenge for RLB NÖ-Wien.

The Austrian economy is following years of weak momentum with sound growth that has been strengthened by a broad-based upturn and substantial domestic and foreign demand. This development is supported by an economic structure which is widely diversified and well-balanced by sector (also see the OeNB economic reports). The economy recovery has also benefited the banking business and plays an important role in the upward trend in lending and financing activities.

At RLB NÖ-Wien, the favourable economic environment has been reflected in historically low impairment allowance balances and higher profitability.

The risk positioning of RLB NÖ-Wien in the trading and banking book remains defensive. The second half of 2018 will, as in 2017 and the first half of 2018, also include the selective and close management of existing risk positions and will be supplemented by standardized stress- and back-testing for situation-related assessments and timely reporting to the Managing Board.

The capital market's assessment of senior unsecured issues by the Austrian financial sector has stabilized. This has also been reflected in a steady narrowing of the spreads for Austrian banks.

The future development of the EU and the outlook for the currently difficult financial markets are impossible to predict from RLB NÖ-Wien's point of view. Latest estimates indicate that the impairment allowance balance should remain below the budgeted amount this year.

In keeping with our conservative appraisal, we expect further major challenges during the second half of 2018. These challenges will focus, above all, on financing and on the need to continue our extensive analysis and activities to support our customers

The early identification of potential problems combined with the implementation of specially targeted counteractions and risk-reducing measures provide for an effective response to the economic challenges faced by our customers and, in turn, by their financiers.

These activities allow RLB NÖ-Wien to address the potential impact of the challenges created by the economic environment for its credit customers and the effects of political developments on the financial markets. In total, current risk monitoring and assessment have not identified any risks in addition to those mentioned above that would presumably have an effect on the development of RLB NÖ-Wien.

# Outlook on the Second Half of 2018

## The Economic Environment

The International Monetary Fund (IMF) left its forecast for the global economy unchanged in the updated July 2018 outlook – accordingly, growth is expected to reach 3.9% per year in 2018 und 2019. However, the IMF has issued urgent warnings of the risks associated with the current trade conflicts: an intensification of the customs disputes between the USA, on the one side, and the EU, China and other countries, on the other side, could lead to a reduction of roughly 0.5 percentage points in current forecasts up to 2020.

Economic protectionism is only one of the many risk factors: The effects of a "hard Brexit“, a crisis in the emerging countries against the backdrop of the decline in the Turkish Lira and critical developments on the periphery of the Eurozone could also endanger the current economic upturn.

Economic activity in the Eurozone weakened to a greater extent than previously expected during the first half-year. This led the IMF to reduce its growth forecast for 2018 to 2.2%, which is 0.2 percentage points lower than in April.

The Chinese economy also slowed somewhat during the first half of 2018, and this trend will likely continue during the remaining six months. The reasons can be found in the high level of corporate debt and the end of the real estate boom, which should soon have a negative impact on construction investments. The IMF's GDP forecast for 2018 remains unchanged at 6.6%.

The US economy remains on a growth course, with unemployment low at only 3.9% (July indicator). Since wage pressure is (still) limited, the US Federal Reserve is continuing its series of moderate interest rate hikes. The financial market is expecting two further rate increases to 2.25-2.50% by the end of the year.

In Austria, estimates by the Austrian Institute of Economic Research (WIFO) indicate that the economy has passed the cyclical peak. Forecasts point to potential GDP growth of only 2.2% in 2019 after 3.2% this year. Development will be supported by domestic demand and foreign trade – even if the latter has recently lost a certain degree of momentum due to economic developments in the Eurozone. Trade risks create further pressure for these downward risks.

Despite the progressively subdued economic outlook, the ECB remains optimistic that the inflation rate in the Eurozone will steadily rise towards the targeted 2%. There actually appears to be a growing labour shortage in an increasing number of countries which will, sooner or later, be reflected in rising wages. Core inflation is rising slowly, and the ECB is therefore in no hurry to reduce its expansive monetary policy. Plans call for a first step with the termination of the bond buyback programme at year-end 2018, but the official ECB rhetoric indicates that key interest rates will remain at the current level through summer 2019.

## Business Development

Activities in the next few months will focus, above all, on the implementation of the new branch concept in Vienna. The goal is to create a modern and sustainable branch network that reflects the changed expectations and needs of bank customers. RLB NÖ-Wien AG plans to invest roughly EUR 20 million in its locations over the coming years.

An inseparable part of these activities is the continued pursuit of digitalization, not only in the form of products for our customers but also in the areas of processing and settlement.

Other focal points for the second half of 2018 are:

- Continued expansion of the high-quality corporate clients business
- Continuation of the cost reduction programme which was started in 2017
- Further intensification of the role as a synergy partner for the Lower Austrian Raiffeisen banks

The results generated by the equity-accounted companies (RBI) will also represent an important, but difficult to forecast component of earnings in the second half of 2018.

RLB NÖ-Wien is subject to national and EU law through its business activities, whereby recent changes and new laws, EU guidelines and directives have led to an increase in legal requirements. The expected tightening of these regulations in the future will to increased requirements and stricter decisions by the administrative and regulatory authorities and the courts. Consequently, it cannot be excluded that RLB NÖ-Wien will also be involved in court cases and administrative proceedings in the future and that any possible future proceedings or their potential negative conclusion may have an adverse effect on RLB NÖ-Wien. All such recognizable risks had been taken into account as of the balance sheet date on 30 June 2018.

Vienna, 24 September 2018
The Managing Board

CEO
Klaus BUCHLEITNER

Deputy CEO
Reinhard KARL

Deputy CEO
Georg KRAFT-KINZ

Member of the Managing Board
Andreas FLEISCHMANN

Member of the Managing Board
Martin HAUER

Member of the Managing Board
Michael RAB

# Consolidated Interim Financial Statements (acc. to IFRS)

# A. Consolidated Statement of Comprehensive Income

## Consolidated Income Statement

| €'000 | Notes | 01/01 - 30/06/2018 | 01/01 - 30/06/2017* |
|---|---|---|---|
| ***Net interest income*** | (1) | ***78,599*** | *59,251* |
| Interest income | | 311,173 | 271,934 |
| Interest expenses | | (232,574) | (212,683) |
| ***Net fee and commission income*** | (2) | ***34,452*** | *24,802* |
| Fee and commission income | | 46,767 | 37,567 |
| Fee and commission expenses | | (12,315) | (12,765) |
| Dividend income | (3) | 287 | 532 |
| Profit from equity-accounted investments | (4) | 102,406 | 129,721 |
| Depreciation, amortization, personnel and operating expenses | (5) | (116,337) | (102,744) |
| Profit/Loss from financial assets and liabilities | (6) | (2,279) | 16,130 |
| Profit/Loss from investments and non-financial assets | (7) | 398 | (2,041) |
| Net impairment loss/reversal of impairment to financial assets | (8) | (4,153) | 1,052 |
| Other operating profit/loss | (9) | (6,514) | 1,895 |
| **Profit for the period before tax** | | **86,859** | 128,598 |
| Income tax | (10) | (2,812) | (1,898) |
| **Profit for the period after tax** | | **84,047** | 126,700 |
| Of which attributable to non-controlling interests | | 31 | 45 |
| Of which attributable to equity owners of the parent | | 84,017 | 126,655 |

*) The comparative data are reported in line with the changed presentation of the financial statements; valuation and classification are based on IAS 39 (see the note "Changes in presentation of the financial statements").

## Reconciliation to Consolidated Comprehensive Income

| €'000 | 01/01 - 30/06/2018 | 01/01 - 30/06/2017* |
|---|---|---|
| ***Profit for the period after tax*** | ***84,047*** | ***126,700*** |
| ***Items that will not be reclassified to profit or loss in later periods*** | ***6,440*** | ***271*** |
| Remeasurement of defined benefit pension plans | 52 | 345 |
| Fair value changes in equity instruments (through other comprehensive income) | 284 | 0 |
| Deferred taxes on items not reclassified to profit or loss | (84) | (86) |
| Proportional share of other comprehensive income from equity-accounted investments | 6,188 | 12 |
| ***Items that may be reclassified to profit or loss in later periods*** | ***(34,847)*** | ***(7,742)*** |
| Cash flow hedge reserve | (1,014) | (857) |
| Available-for-sale reserve | 0 | (6,626) |
| Deferred taxes on items that may be reclassified to profit or loss | 263 | 1,874 |
| Proportional share of other comprehensive income from equity-accounted investments | (34,096) | (2,133) |
| ***Other comprehensive income*** | ***(28,407)*** | ***(7,471)*** |
| **Consolidated comprehensive income** | **55,640** | **119,229** |
| Of which attributable to non-controlling interests | 31 | 45 |
| Of which attributable to equity owners of the parent | 55,609 | 119,184 |

*) The comparative data are reported in line with the changed presentation of the financial statements; valuation and classification are based on IAS 39 (see the note "Changes in presentation of the financial statements").
The allocation of profit/loss between non-controlling interests and equity holders of the parent is now presented in total because additional detail does not provide more relevant information.

# B. Consolidated Balance Sheet

| €'000 | Notes | 30/06/2018 | 31/12/2017* |
|---|---|---|---|
| Cash, cash balances at central banks and other demand deposits | (11) | 3,731,078 | 2,790,844 |
| Financial assets held for trading | (12) | 1,333,000 | 730,596 |
| Non-trading financial assets mandatorily at fair value through profit or loss | (13) | 184,662 | 0 |
| Financial assets designated at fair value through profit or loss | (14) | 0 | 301,517 |
| Financial assets at fair value through other comprehensive income | (15) | 19,106 | 3,731,517 |
| Financial assets at amortized cost | (16) | 18,816,527 | 15,324,298 |
| Derivatives - hedge accounting | (18) | 356,994 | 354,761 |
| Interest in equity-accounted investments | (19) | 2,274,921 | 2,285,047 |
| Property and equipment | (20) | 13,165 | 14,361 |
| Investment property | | 3,224 | 4,059 |
| Intangible assets | (21) | 7,260 | 8,032 |
| Deferred tax assets | (22) | 12,965 | 2,866 |
| Other assets | (23) | 194,346 | 163,743 |
| **Balance sheet assets** | | **26,947,248** | 25,711,641 |

| €'000 | Notes | 30/06/2018 | 31/12/2017* |
|---|---|---|---|
| Financial liabilities held for trading | (24) | 622,194 | 654,336 |
| Financial liabilities designated at fair value through profit or loss | (25) | 0 | 40,768 |
| Financial liabilities measured at amortised cost | (26) | 23,442,546 | 22,091,492 |
| Derivatives - hedge accounting | (27) | 345,764 | 375,635 |
| Provisions | (28) | 129,295 | 135,779 |
| Tax liabilities | (29) | 2,467 | 2,833 |
| Other liabilities | (30) | 229,837 | 173,349 |
| Equity | (31) | 2,175,145 | 2,237,449 |
| Attributable to non-controlling interests | | 107 | 82 |
| Attributable to equity owners of the parent | | 2,175,038 | 2,237,367 |
| **Balance sheet equity and liabilities** | | **26,947,248** | 25,711,641 |

*) The comparative data are reported in line with the changed presentation of the financial statements; valuation and classification are based on IAS 39 (see the note "Changes in presentation of the financial statements").

# C. Consolidated Statement of Changes in Equity

| €'000 | Attributable to equity holders of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Subscribed capital | Capital reserves | Retained earnings | Other comprehensive income | Net result for the period attributable to owners of the parent | Equity attributable to owners of the parent | Equity attributable to non-controlling interests | Total |
| **Equity at 01/01/2017** | **219,789** | **556,849** | **980,302** | **0** | **(63,919)** | **1,693,022** | **24** | **1,693,046** |
| Consolidated comprehensive income | 0 | 0 | 0 | (7,471) | 126,655 | 119,184 | 45 | 119,229 |
| Net profit/loss for the period | 0 | 0 | 0 | 0 | 126,655 | 126,655 | 45 | 126,700 |
| Other comprehensive income | 0 | 0 | 0 | (7,471) | 0 | (7,471) | 0 | (7,471) |
| Use of retained earnings | 0 | 0 | (63,919) | 0 | 63,919 | 0 | 0 | 0 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | 0 | (9) | (9) |
| Enterprise's interest in other changes in the equity of equity-accounted investments | 0 | 0 | (607) | 0 | 0 | (607) | 0 | (607) |
| Other changes | 0 | 0 | (669) | 0 | 0 | (669) | 0 | (669) |
| **Equity at 30/6/2017** | **219,789** | **556,849** | **915,107** | **(7,471)** | **126,655** | **1,810,930** | **59** | **1,810,989** |
| | | | | | | | | |
| **Equity at 31/12/2017** | **219,789** | **556,849** | **1,203,971** | **(302,060)** | **558,818** | **2,237,367** | **82** | **2,237,449** |
| Revaluations IFRS 9 | 0 | 0 | 11,483 | (66,185) | 0 | (54,702) | | (54,702) |
| **Equity at 01/01/2018** | **219,789** | **556,849** | **1,215,454** | **(368,245)** | **558,818** | **2,182,665** | **82** | **2,182,747** |
| Consolidated comprehensive income | 0 | 0 | 0 | (28,407) | 84,017 | 55,610 | 31 | 55,641 |
| Net profit/loss for the period | 0 | 0 | 0 | 0 | 84,017 | 84,017 | 31 | 84,048 |
| Other comprehensive income | 0 | 0 | 0 | (28,407) | 0 | (28,407) | 0 | (28,407) |
| Use of retained earnings | 0 | 0 | 558,818 | 0 | (558,818) | 0 | 0 | 0 |
| Dividends paid | 0 | 0 | (25,056) | 0 | 0 | (25,056) | (6) | (25,062) |
| Enterprise's interest in other changes in the equity of equity-accounted investments | 0 | 0 | (38,367) | 0 | 0 | (38,367) | 0 | (38,367) |
| Other changes | 0 | 0 | 604 | (418) | 0 | 186 | 0 | 186 |
| **Equity at 30/6/2018** | **219,789** | **556,849** | **1,711,453** | **(397,070)** | **84,017** | **2,175,038** | **107** | **2,175,145** |

# D. Consolidated Cash Flow Statement

| €'000 | Notes | 01.01.2018 - 30.06.2018 | 01.01.2017 - 30.06.2017* |
|---|---|---|---|
| *Profit for the period after tax* | | *84,047* | *126,700* |
| Reconciliation to cash flow from operating activities | | | |
| Write-downs/(write-ups) of property and equipment and measurement of financial assets and equity investments | | (3,197) | 5,414 |
| Revaluation gains/(losses) on equity-accounted investments | (4) | (102,406) | (129,721) |
| Release of/addition to provisions and impairment allowances | | 5,839 | 12,231 |
| (Gains)/losses on disposals of property and equipment and financial investments | | (2,992) | (2) |
| Reclassification of net interest income, dividends and income taxes | | (76,074) | (57,885) |
| Other adjustment (net) | | (52,623) | (14,276) |
| *Subtotal* | | *(147,406)* | *(57,539)* |
| Change in assets and liabilities arising from operating activities after corrections for non-cash items: | | | |
| Other sight deposits | | (492,116) | - |
| Financial assets held for trading | | (242,765) | - |
| Financial assets at amortized cost | | 108,306 | - |
| Derivatives - hedge accounting | | (31,968) | - |
| Other assets | | 19,759 | - |
| Financial liabilities held for trading | | (26,439) | - |
| Financial liabilities measured at amortised cost | | 1,396,055 | - |
| Other provisions | | (13,959) | - |
| Other liabilities | | 73,022 | - |
| Interest received | | 325,225 | - |
| Dividends received | | 287 | - |
| Interest paid | | (253,871) | - |
| Income taxes paid | | (453) | - |
| *Cash flow from operating activities* | | *713,677* | *2,044,011* |
| Cash receipts from sales of: | | | |
| Financial investments | | 475,956 | 113,731 |
| Equity investments | | 246 | 0 |
| Property and equipment and intangible assets | | 1,310 | 2,043 |
| Cash paid for: | | | |
| Financial investments | | (684,902) | (439,162) |
| Equity investments | | (36) | (880) |
| Property and equipment and intangible assets | | (551) | (1,311) |
| *Cash flow from investing activities* | | *(207,977)* | *(325,579)* |
| Cash inflows from Tier 2 capital | | 73 | 2,296 |
| Cash outflows from Tier 2 capital | | (32,679) | (69,232) |
| Dividends paid | | (25,062) | (9) |
| *Cash flow from financing activities* | | *(57,668)* | *(66,945)* |

*) The individual components of cash flow from operating activities for the comparative period are not reported for economic reasons.

| €'000 | 01.01.2018 - 30.06.2018 | 01.01.2018 - 30.06.2017 |
|---|---|---|
| ***Cash and cash equivalents at end of previous year*** | ***1,044,081*** | *384,707* |
| Cash flow from operating activities | 713,677 | 2,044,011 |
| Cash flow from investing activities | (207,977) | (325,579) |
| Cash flow from financing activities | (57,668) | (66,945) |
| Effect of exchange rate changes | 62 | 0 |
| Changes resulting from the scope of consolidation | 22 | 0 |
| **Cash and cash equivalents at end of year** | **1,492,197** | 2,036,194 |

# F. Notes

## Significant Accounting Policies

The consolidated financial statements of RAIFFEISEN-LANDESBANK NIEDERÖSTERREICH-WIEN AG (RLB NÖ-Wien) are prepared in agreement with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU. The consolidated interim financial statements as of 30 June 2018 are in agreement with International Accounting Standard (IAS) 34, which defines the minimum content of an interim financial report and the accounting and measurement principles applicable to interim financial reports.

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.

The number of consolidated subsidiaries and equity-accounted entities changed as follows during the reporting period:

| Number of Entities | 01.01.-30.06.2018 Consolidated | 01.01.-30.06.2017 | 01.01.-30.06.2018 Equity Method | 01.01.-30.06.2017 |
|---|---|---|---|---|
| At 1 January | 13 | 10 | 2 | 2 |
| Changes during the period | 0 | 0 | 0 | 0 |
| **At 30 June** | **13** | 10 | **2** | 2 |

No business combinations or discontinued operations were recognized during the reporting period.

There were no unusual seasonal influences during the first half of 2018 that would have had a material influence on the asset, financial or earnings position.

As of 30 June 2018 there were no outstanding legal proceedings whose outcome could endanger the continued existence of the company.

This interim financial report was neither audited nor reviewed by a chartered accountant.

## Change in Significant Accounting Policies

The data for the comparative period reflect the requirements of IAS 39 and were prepared on the basis of the same accounting policies applied to the consolidated financial statements as of 31 December 2017.

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

## Application of new standards

### IFRS 9 Financial Instruments

This standard includes rules for the recognition, measurement and derecognition of financial instruments and for the accounting treatment of hedges.

The most important requirements of IFRS 9 can be summarized as follows:

Under IFRS 9, all financial assets must be measured at amortized cost or at fair value. Debt instruments are to be measured at amortized cost in subsequent periods when these instruments are held within a business model whose goal is to collect contractual cash flows and whose cash flows consist solely of interest and principal payments on the outstanding capital. All other instruments must be measured at fair value.

IFRS 9 also includes a non-revocable option for the reporting of subsequent changes in the fair value of an equity instrument (not held for trading) under other comprehensive income and the reporting of the related dividend income in profit or loss.

The IFRS 9 rules governing impairment were retained for debt instruments carried at amortized cost or at fair value through other comprehensive income. The impairment rules defined by IFRS 9 also apply analogously to off-balance sheet credit commitments and financial guarantees. The model used to determine the impairment allowance balance was changed from a backward-looking model in accordance with IAS 39 (incurred losses) to a forward-looking model based on IFRS 9 (expected losses).

IFRS 9 provides three stages for the subsequent measurement of financial assets carried at amortized cost which determine the amount of the loss to be recognized and the interest to be collected in the future. The first stage involves the recognition of an expected loss at the time the loss occurs and at an amount equal to the present value of the expected 12-month loss. Any significant increase in the default risk must be reflected in an increase in the impairment allowance balance up to the amount of the loss expected during the remaining term (Stage 2). If objective indications of impairment are identified, the interest income in Stage 3 must be based on the net carrying amount.

IFRS 9 provides an option for the accounting treatment of hedges. RLB AG has decided to apply the IFRS 9 rules for hedge accounting beginning in 2018.

Additional information on the initial application of IFRS 9 (Change in Significant Accounting Policies, implementation by RLB AG) is provided in the consolidated financial statements for 2017 under the appropriate sections of "New Standards and Interpretations“.

### IFRS 4 Insurance Contracts

The changes applicable as of 1 January 2018 provide two options for the initial application of IFRS 9 in companies which issue insurance contracts that fall under the scope of application of IFRS 4 (overlay approach or deferral approach). These changes have no effect on the consolidated financial statements of RLB NÖ-Wien.

## New standards and interpretations, not yet applied

### IFRS 16 Leases

This standard regulates the accounting treatment of leases and will replace the previous IAS 17 as well as three leasing-related interpretations. The application of IFRS 16 is mandatory for financial years beginning on or after 1 January 2019 and generally applies to all leases. Two options are available for the initial application of this new standard: a full retrospective approach or a modified retrospective approach. The RLB NÖ-Wien Group will apply the modified retrospective approach.

IFRS 16 introduces new rules for the accounting treatment of leases which require the lessee to recognize leases on the balance sheet. The lessee records a right-of-use asset (which represents the right to utilize the underlying asset) as well as a liability arising from the lease (which represents the obligation to make payments on the lease). IFRS 16 provides relief and exceptions for short-term leases and low-value lease agreements.

RLB NÖ-Wien has started to evaluate the potential effects of the application of IFRS 16 on its consolidated financial statements. An analysis of the contracts shows that the RLB NÖ-Wien Group has concluded leases, above all, for real estate and, to a lesser extent, for motor vehicles as well as other leases with an immaterial scope. Real estate leasing primarily involves the Raiffeisenhaus at Friedrich-Wilhelm-Raiffeisen-Platz 1 in Vienna and the branch locations. The branches are generally used for personal banking customers and also include a private banking location in Vienna's Looshaus. These properties are, for the most part, leased by Raiffeisen-Holding NÖ-Wien, which holds a majority investment of 79.09% (H1 2017: 79.09%) in RLB NÖ-Wien.

These leases are currently accounted for as operating leases in accordance with IAS 17. The resulting lease payments are recorded on the income statement as incurred and reported under administrative expenses. The recognition of rights of use and related liabilities for these leases is expected to increase the balance sheet total by approximately EUR 80 to 110 million which, in turn, can have an influence on the financial indicators. However, these effects can be considered immaterial based on the balance sheet total of approximately EUR 27.0 billion. The above amount is currently subject to fluctuations and is dependent on future economic factors because the evaluation of the useful life of the involved real estate leases is still in progress. More precise information on the expected effects of IFRS 16 on the RLB NÖ-Wien Group will therefore only be available at year-end 2018. In the future, the income statement will show the amortization of the rights of use and interest expense on the lease liabilities instead of the previous expenses for operating leases. IFRS 16 will have no effect on future cash flows.

## Changes in the presentation of the financial statements

In addition to the initial application of IFRS 9, the RLB NÖ-Wien Group has also made changes in the presentation of the financial statements. Selected positions on the balance sheet and the statement of comprehensive income, together the related disclosures in the notes, were adjusted to conform to the reporting requirements for financial information (FinRep) which were issued by the European Banking Authority. These changes are intended to improve comparability and transparency. The conversion led to the adjustment of data for the comparable prior year period and the related closing date, as is shown in the following tables.

Balance sheet assets

| €'000 | | Reclassifications | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Previous balance sheet position** | | **Debt instruments** | **Investments** | **Sight deposits** | **Loans** | **Derivatives** | **Impairment allowance** | **Fixed assets** | **Deferred tax assets** | **New balance sheet structure** | |
| Cash and balances with the central bank | 1,044,012 | | | 1,746,832 | | | | | | 2,790,844 | Cash, cash balances at central banks and other demand deposits |
| | | 129,098 | | | | 601,499 | | | | 730,596 | Financial assets held for trading |
| | | | | | | | | | | 0 | Non-trading financial assets mandatorily at fair value through profit or loss |
| | | 301,517 | | | | | | | | 301,517 | Financial assets designated at fair value through profit or loss |
| | | 3,699,359 | 32,158 | | | | | | | 3,731,517 | Financial assets at fair value through other comprehensive income |
| | | 367,267 | | | 14,957,032 | | | | | 15,324,298 | Financial assets at amortized cost |
| | | | | | | | | | | | |
| Loans and advances to other banks | 5,443,424 | (100,039) | | (1,746,832) | (3,591,251) | | (5,302) | | | | |
| Loans and advances to customers | 11,613,792 | (65,714) | | | (11,365,780) | | (182,297) | | | | |
| Impairment allowance balance | (187,599) | | | | | | 187,599 | | | | |
| Trading assets | 506,213 | (129,098) | | | | (377,115) | | | | | |
| Securities and equity investments | 4,234,547 | (4,202,390) | (32,158) | | | | | | | | |
| | | | | | | 354,761 | | | | 354,761 | Derivatives - hedge accounting |
| Investments in entities accounted at equity | 2,285,047 | | | | | | | | | 2,285,047 | Interest in equity-accounted investments |
| Property and equipment | 18,419 | | | | | | | (4,059) | | 14,361 | Property and equipment |
| | | | | | | | | 4,059 | | 4,059 | Investment property |
| Intangible assets | 8,032 | | | | | | | | | 8,032 | Intangible assets |
| | | | | | | | | | 2,866 | 2,866 | Deferred tax assets |
| Other assets | 745,754 | | | | | (579,145) | | | (2,866) | 163,743 | Other assets |
| **Balance sheet assets** | **25,711,641** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **25,711,641** | **Balance sheet assets** |

Balance sheet equity and liabilities
**€'000**

| **Previous balance sheet position** | | **Reclassifications: Balance sheet position** | **Reclassifications: Tier 2 capital** | **Reclassifications: Derivatives** | **Reclassifications: Tax liabilities** | **Reclassifications: Deposits** | **Reclassifications: Securitized liabilities** | **New balance sheet structure** | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 654,336 | | | | 654,336 | Financial liabilities held for trading |
| | | | 40,768 | | | | | 40,768 | Financial liabilities designated at fair value through profit or loss |
| | | | 793,393 | | | 15,586,382 | 5,711,716 | 22,091,492 | Financial liabilities measured at amortised cost |
| Deposits from other banks | 7,818,593 | | | | | (7,818,593) | | | |
| Deposits from customers | 7,767,789 | | | | | (7,767,789) | | | |
| Securitized liabilities | 5,711,716 | | | | | | (5,711,716) | | |
| Trading liabilities | 398,720 | | | (398,720) | | | | | |
| | | | | 375,635 | | | | 375,635 | Derivatives - hedge accounting |
| Other liabilities | 806,898 | (173,349) | | (631,250) | (2,300) | | | | |
| Provisions | 136,314 | | | | (534) | | | 135,779 | Provisions |
| | | | | | 2,833 | | | 2,833 | Tax liabilities |
| Tier 2 capital | 834,162 | | (834,162) | | | | | | |
| | | 173,349 | | | | | | 173,349 | Other liabilities |
| Equity | 2,237,449 | | | | | | | 2,237,449 | Equity |
| Attributable to equity holders of the parent | 2,237,367 | | | | | | | 2,237,367 | Equity attributable to equity owners of the parent |
| Non-controlling interests | 82 | | | | | | | 82 | Equity attributable to non-controlling interests |
| **Balance sheet equity and liabilities** | **25,711,641** | **0** | **0** | **0** | **0** | **0** | **0** | **25,711,641** | **Balance sheet equity and liabilities** |

## IFRS 9 Transition

### Overview – IFRS 9 Transition

| Balance sheet assets<br>€'000 | **IAS 39 Carrying amount at 31/12/2017** | **Re-classifications** | **Revaluations** | **IFRS 9 Carrying amount at 01/01/2018** |
|---|---|---|---|---|
| Cash, cash balances at central banks and other demand deposits | 2,790,844 | 0 | 0 | 2,790,844 |
| Financial assets held for trading | 730,596 | 375,372 | 535 | 1,106,503 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 0 | 154,409 | 17,339 | 171,748 |
| Financial assets designated at fair value through profit or loss | 301,517 | (301,517) | 0 | 0 |
| Financial assets at fair value through other comprehensive income | 3,731,517 | (3,712,429) | 0 | 19,088 |
| Financial assets at amortized cost | 15,324,298 | 3,484,165 | (87,745) | 18,720,718 |
| Derivatives - hedge accounting | 354,761 | 0 | 0 | 354,761 |
| Interest in equity-accounted investments | 2,285,047 | 0 | 0 | 2,285,047 |
| Property and equipment | 14,361 | 0 | 0 | 14,361 |
| Investment property | 4,059 | 0 | 0 | 4,059 |
| Intangible assets | 8,032 | 0 | 0 | 8,032 |
| Deferred tax assets | 2,866 | 0 | 12,644 | 15,510 |
| Other assets | 163,743 | 0 | 0 | 163,743 |
| **Balance sheet assets** | **25,711,641** | **0** | **(57,227)** | **25,654,414** |

| Balance sheet equity and liabilities<br>€'000 | **IAS 39 Carrying amount at 31/12/2017** | **Re-classifications** | **Revaluations** | **IFRS 9 Carrying amount at 01/01/2018** |
|---|---|---|---|---|
| Financial liabilities held for trading | 654,336 | 0 | 0 | 654,336 |
| Financial liabilities designated at fair value through profit or loss | 40,768 | (40,768) | 0 | 0 |
| Financial liabilities measured at amortised cost | 22,091,492 | 40,768 | (3,494) | 22,128,766 |
| Derivatives - hedge accounting | 375,635 | 0 | 0 | 375,635 |
| Provisions | 135,779 | 0 | 979 | 136,758 |
| Tax liabilities | 2,833 | 0 | 0 | 2,833 |
| Other liabilities | 173,349 | 0 | 0 | 173,349 |
| ***Equity*** | ***2,237,449*** | ***0*** | ***(54,702)*** | ***2,182,747*** |
| Equity attributable to equity owners of the parent | 2,237,367 | 0 | (54,702) | 2,182,665 |
| Equity attributable to non-controlling interests | 82 | 0 | 0 | 82 |
| **Balance sheet equity and liabilities** | **25,711,641** | **0** | **(57,227)** | **25,654,414** |

### Transition: financial assets held for trading

The major additions of TEUR 213,788 to financial assets held for trading resulted from financial assets which were designated at fair value in accordance with IAS 39. This possibility is limited under IFRS 9 because a financial assets can only be designated at fair value through profit or loss when an accounting mismatch can be avoided or materially reduced.

In addition, debt instruments of TEUR 8,874 from the held-for-trading portfolio, TEUR 85,202 from the available-for-sale portfolio and TEUR 65,602 of loans and receivables were reclassified as held for trading.

| €'000 | **Carrying amount IAS 39 at 31/12/2017** | **Re-classifications** | **Revaluations** | **Carrying amount IFRS 9 at 01/01/2018** | **Retained earnings at 01/01/2018** | **Accumulated other comprehen-sive income 01.01.2018** |
|---|---|---|---|---|---|---|
| ***Derivatives*** | ***601,498*** | ***0*** | ***0*** | ***601,498*** | ***0*** | ***0*** |
| ***Equity instruments*** | ***0*** | ***1,906*** | ***0*** | ***1,906*** | ***0*** | ***0*** |
| Additions to financial assets - measured at fair value through other comprehensive income | | 1,906 | | | | |
| ***debt instruments*** | ***129,098*** | ***373,466*** | ***535*** | ***503,098*** | ***535*** | ***0*** |
| Additions to financial assets - HTM | 0 | 159,678 | 535 | | 535 | 0 |
| Additions to financial assets - designated at fair value | 0 | 213,788 | 0 | | 0 | 0 |
| **Total** | 730,596 | 375,372 | 535 | 1,106,502 | 535 | 0 |

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

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

This classification relates primarily to loans and other debt instruments which are equipped with incongruent interest components and did not meet the required quantitative test.

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

| €'000 | Carrying amount IAS 39 at 31/12/2017 | Re-classifications | Revaluations | Carrying amount IFRS 9 at 01/01/2018 | Retained earnings at 01/01/2018 | Accumulated other comprehen-sive income 01.01.2018 |
|---|---|---|---|---|---|---|
| ***Equity instruments*** | ***0*** | ***11,153*** | ***666*** | ***11,819*** | ***2,781*** | ***(2,114)*** |
| Additions to financial assets - designated at fair value | 0 | 11,153 | 666 | | 2,781 | (2,114) |
| ***Other loans and advances*** | ***0*** | ***143,256*** | ***16,673*** | ***159,928*** | ***16,673*** | ***0*** |
| Additions to financial assets - loans and advances | 0 | 143,256 | 16,673 | | 16,673 | 0 |
| **Total** | 0 | 154,409 | 17,339 | 171,748 | 19,453 | (2,114) |

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

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

## Transition: financial assets at fair value through other comprehensive income

A financial asset is classified at fair value through other comprehensive income (FVOCI) when it is held within a business model whose goal is to collect contractual cash flows or to sell the financial asset. RLB does not use this type of business model. The entire available-for-sale portfolio was reclassified to financial assets at amortized cost - to the extent the requirements were met. Equity instruments (equity investments in other companies) totalling TEUR 11,153 were reclassified to financial assets at fair value through profit or loss.

| €'000 | **Carrying amount IAS 39 at 31/12/2017** | **Re-classifications** | **Revaluations** | **Carrying amount IFRS 9 at 01/01/2018** | **Retained earnings at 01/01/2018** | **Accumulated other comprehen-sive income 01.01.2018** |
|---|---|---|---|---|---|---|
| ***Equity instruments*** | ***30,241*** | ***(11,153)*** | ***0*** | ***19,088*** | ***0*** | ***0*** |
| Disposals of financial assets - designated at fair value through profit or loss | 30,241 | (11,153) | 0 | | 0 | 0 |
| ***debt instruments*** | ***3,701,276*** | ***(3,701,276)*** | ***0*** | ***0*** | ***0*** | ***0*** |
| Disposals of financial assets - at amortized cost | 3,701,276 | (3,701,276) | 0 | | 0 | 0 |
| **Total** | **3,731,517** | **(3,712,429)** | 0 | 19,088 | 0 | 0 |

## Transition: financial assets at amortized cost

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

In addition, items were transferred to debt instruments from financial assets at fair value through other comprehensive income (TEUR 3,701,276) and, to a lesser extent, also from financial assets at fair value in cases where the underlying business model and the design of the debt instrument required classification at amortized cost.

| €'000 | Carrying amount IAS 39 at 31/12/2017 | Re-classifications | Revaluations | Carrying amount IFRS 9 at 01/01/2018 | Retained earnings at 01/01/2018 | Accumulated other comprehen-sive income 01.01.2018 |
|---|---|---|---|---|---|---|
| ***Debt instruments*** | *367,267* | *3,627,421* | *(90,069)* | *3,904,618* | *(2,983)* | *(82,361)* |
| Additions to financial assets - designated at fair value | 0 | 87,729 | (2,983) | | (2,983) | 0 |
| Additions to financial assets - measured at fair value through other comprehensive income | 0 | 3,701,276 | (82,361) | | 0 | (82,361) |
| Disposals of financial assets - designated at fair value through profit or loss | 0 | (161,584) | 0 | | 0 | 0 |
| Adjustment of impairment allowance balances | 0 | 0 | (4,725) | | 0 | 0 |
| ***Other loans and advances*** | *14,957,032* | *(143,256)* | *2,324* | *14,816,100* | *0* | *0* |
| Disposals of non-trading financial assets, mandatorily at fair value | 0 | (143,256) | 0 | | 0 | 0 |
| Adjustment of impairment allowance balances | 0 | 0 | 2,324 | | 0 | 0 |
| **Total** | **15,324,298** | **3,484,165** | **(87,745)** | **18,720,718** | **(2,983)** | **(82,361)** |

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

A financial liability can be irrevocably designated at fair value through profit or loss when an accounting mismatch can be prevented or materially reduced. Reclassifications of TEUR -40,768 from financial liabilities at fair value through profit or loss to financial liabilities at amortized cost were reversed due to the termination of the previous designation of deposits and debt instruments at fair value.

| €'000 | Carrying amount IAS 39 at 31/12/2017 | Re-classifications | Revaluations | Carrying amount IFRS 9 at 01/01/2018 | Retained earnings at 01/01/2018 | Accumulated other comprehen-sive income 01.01.2018 |
|---|---|---|---|---|---|---|
| *Bonds* | *40,768* | *(40,768)* | *0* | *0* | *0* | *0* |
| Disposals of financial assets - mandatorily at fair value | 0 | (40,768) | 0 | | 0 | 0 |
| **Total** | **40,768** | **(40,768)** | **0** | **0** | **0** | **0** |

## Transition: impairment losses

Transition of impairment losses:

| €'000 | |
|---|---|
| *Impairment allowance balance at 31/12/2017* | *187,599* |
| *Change in impairment allowance balance due to the application of IFRS 9* | *(4,038)* |
| Of which financial assets at amortized cost | (4,038) |
| Of which financial assets at fair value through other comprehensive income | 0 |
| Of which receivables from finance leases | 0 |
| **Impairment allowance balances as of 01/01/2018 due to the application of IFRS 9** | **183,561** |

Transition of provisions for liabilities, guarantees and credit commitments:

| €'000 | |
|---|---|
| *Provisions at 31/12/2017* | *9,847* |
| *Change in provisions due to the application of IFRS 9* | *980* |
| Of which for liabilities and guarantees | 1,224 |
| Of which for credit commitments | (244) |
| **Provisions as of 01/01/2018 due to the application of IFRS 9** | **10,827** |

## Segment Reporting in Detail*

| 30 June 2018 €'000 | Personal and Business Banking Custom-ers | Corpo-rate Custom-ers | Financial Markets | RBI | Verbund | Other equity invest-ments | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Net interest income | 28,225 | 55,164 | 12,322 | (15,912) | 0 | (1,200) | 0 | 78,599 |
| Net fee and commission income | 28,568 | 7,327 | (4,217) | 0 | 2,774 | 0 | 0 | 34,452 |
| Dividend income | 127 | 20 | 0 | 0 | 0 | 140 | 0 | 287 |
| Profit from equity-accounted investments | 0 | 0 | 5,088 | 97,318 | 0 | 0 | 0 | 102,406 |
| Depreciation, amortization, personnel and operating expenses | (70,729) | (25,844) | (8,837) | (712) | (10,112) | (103) | 0 | (116,337) |
| Profit/Loss from financial assets and liabilities | 743 | 833 | (4,191) | 0 | 336 | 0 | 0 | (2,279) |
| Profit/Loss from investments and non-financial assets | 0 | (5) | 0 | 0 | 0 | 403 | 0 | 398 |
| Net impairment loss/reversal of impairment to financial assets | (1,192) | (5,631) | 2,670 | 0 | 0 | 0 | 0 | (4,153) |
| Other operating profit/loss | 4,341 | (1,800) | (6,164) | (99) | 7,697 | 108 | (10,597) | (6,514) |
| **Profit before tax from continuing operations** | **(9,917)** | **30,064** | **(3,329)** | **80,595** | **695** | **(652)** | **(10,597)** | **86,859** |
| Av. allocated capital (in EUR mill.) | 285 | 733 | 707 | 471 | 0 | 52 | 0 | 2,248 |
| Return on equity before tax | (7.0)% | 8.3% | (1.0)% | 34.5% | 0.0% | 0.0% | 0.0% | 7.8% |
| Cost/Income Ratio (incl. at equity) | > 100% | 42.0% | > 100% | 0.9% | 93.6% | (18.8)% | 0.0% | 56.1% |

| 30 June 2017 €'000 | Personal and Business Banking Customers | Corporate Customers | Financial Markets | RBI | Verbund | Other equity investments | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Net interest income | 23,900 | 48,996 | 7,499 | (17,619) | 0 | (3,524) | 0 | 59,251 |
| Net fee and commission income | 20,324 | 6,184 | (4,581) | 0 | 2,875 | 0 | 0 | 24,802 |
| Dividend income | 0 | 0 | 137 | 0 | 0 | 395 | 0 | 532 |
| Profit from equity-accounted investments | 0 | 0 | 6,156 | 123,565 | 0 | 0 | 0 | 129,721 |
| Depreciation, amortization, personnel and operating expenses | (59,595) | (23,958) | (9,253) | (655) | (9,102) | (181) | 0 | (102,744) |
| Profit/Loss from financial assets and liabilities | 661 | 1,543 | 13,762 | 0 | 164 | 0 | 0 | 16,130 |
| Profit/Loss from investments and non-financial assets | 0 | 0 | 0 | 0 | 0 | (2,041) | 0 | (2,041) |
| Net impairment loss/reversal of impairment to financial assets | (497) | 1,891 | (482) | 0 | 0 | 140 | 0 | 1,052 |
| Other operating profit/loss | 4,229 | (857) | (2,045) | (61) | 8,713 | 4,928 | (13,013) | 1,895 |
| **Profit before tax from continuing operations** | (10,979) | 33,799 | 11,193 | 105,230 | 2,650 | (283) | (13,013) | 128,598 |

*Details are provided under Segment Reporting in the Consolidated Half-Year Management Report.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Av. allocated capital (in EUR mill.) | 284 | 586 | 549 | 320 | | 13 | | 1,751 |
| Return on equity before tax | (7.8)% | 11.6% | 4.1% | 66.2% | | (4.6)% | | 14.7% |
| Cost/Income Ratio (incl. at equity) | > 100% | 42.9% | 44.2% | 0.6% | | (74.6)% | | 44.6% |

The RLB NÖ-Wien Group is organized in the following segments based on the various customer service areas. The basis for segment reporting in accordance with IFRS 8 is formed by the internal management reporting system of the RLB NÖ-Wien Group. A change in internal management during 2018 led to the adjustment of the segment presentation as follows in accordance with IFRS 8:

- Personal and Business Banking Customers
- Corporate Clients
- Financial Markets
- Raiffeisen Bank International
- Raiffeisen Association
- Other Investments
- Other

The previous segments "Personal and Business Banking Customers", "Corporate Clients" and "Financial Markets", were retained and "RBI", "Raiffeisen Association" and "Other Investments" were added as new segments. The new RBI Segment comprises the earnings contribution of RBI, including the allocated refinancing and administrative expenses. The Raiffeisen Association Segment covers the services provided by RLB NÖ-Wien AG to the Raiffeisen banks (banking activities with the Association, e.g. financing/deposit business, minimum/liquidity reserve is presented under the Financial Markets Segment). The Other Segment now only includes a limited number of expenses which cannot be allocated, e.g. the special payment for the bank levy which must be transferred for a further three years.

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

# Details on the Consolidated Income Statement

## (1) Net interest income

| €'000 | 01/01 - 30/06/2018 | 01/01 - 30/06/2017 |
|---|---|---|
| ***Interest income*** | | |
| Financial assets held for trading | 94,533 | 58,998 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 2,055 | 0 |
| Financial assets at amortized cost | 158,702 | 150,723 |
| Bonds | 36,365 | 38,054 |
| Loans and advances to other banks | 11,686 | 14,625 |
| Loans and advances to customers | 110,651 | 98,044 |
| Derivatives - hedge accounting, interest rate risks | 48,425 | 58,740 |
| Other assets | 3 | 553 |
| Negative interest from liabilities | 7,455 | 2,920 |
| ***Total interest income*** | ***311,173*** | ***271,934*** |
| ***Interest expenses*** | | |
| Financial liabilities held for trading | (87,344) | (54,823) |
| Financial liabilities measured at amortised cost | (97,961) | (118,215) |
| Deposits from other banks | (19,109) | (29,746) |
| Deposits from customers | (17,775) | (15,561) |
| Securitized liabilities | (43,094) | (51,024) |
| Tier 2 capital | (17,983) | (21,885) |
| Derivatives - hedge accounting, interest rate risks | (33,166) | (37,898) |
| Other liabilities | (6,586) | (185) |
| Negative interest from financial assets | (7,517) | (1,562) |
| ***Total interest expenses*** | ***(232,574)*** | ***(212,683)*** |
| **Net interest income** | **78,599** | **59,251** |

## (2) Net fee and commission income

| €'000 | 01/01 - 30/06/2018 | 01/01 - 30/06/2017 |
|---|---|---|
| Securities | 8,710 | 9,391 |
| Services for payment transactions | 14,571 | 13,652 |
| Brokerage commissions | 2,392 | 2,343 |
| Credit business | 4,166 | 3,558 |
| Other | 16,928 | 8,623 |
| ***Fee and commission income*** | ***46,767*** | ***37,567*** |
| Securities | (1,664) | (2,060) |
| Services for payment transactions | (2,863) | (4,355) |
| Credit business | (4,980) | (4,723) |
| Other | (2,808) | (1,626) |
| ***Fee and commission expenses*** | ***(12,315)*** | ***(12,765)*** |
| **Net fee and commission income** | **34,452** | 24,802 |

## (3) Dividend income

| €'000 | 01/01 - 30/06/2018 | 01/01 - 30/06/2017 |
|---|---|---|
| Non-trading financial assets mandatorily at fair value through profit or loss | 4 | 532 |
| Dividend income from investments | 283 | 0 |
| **Dividend income** | **287** | 532 |

## (4) Profit from equity-accounted investments

| €'000 | 01/01 - 30/06/2018 | 01/01 - 30/06/2017 |
|---|---|---|
| Profit/loss from companies accounted for at equity | 176,406 | 129,721 |
| Revaluation gains/(losses) on equity-accounted investments | (74,000) | 0 |
| **Profit from equity-accounted investments** | **102,406** | 129,721 |

The position "profit from equity-accounted investments" includes an impairment loss of TEUR 74,000 to the equity-accounted investment in RBI.

Fair value in the form of RBI's stock market price formed the basis for valuation as of the last reporting date on 31 December 2017, whereby the reversal of an impairment loss was required. Since the price of the RBI share has declined significantly since year-end 2017, the equity-accounted investment in RBI was tested for impairment as of 30 June 2018.

In accordance with IAS 36.18, the recoverable amount as of the balance sheet date is the determining factor for impairment; this amount was compared with the equity-accounted carrying amount of the RBI investment. The recoverable amount represents the higher of fair value less costs to sell and the value in use. The fair value was calculated at EUR 26.29 per share based on the market price of RBI as of 30 June 2018 (31 December 2017: EUR 30.20 per share).

The value in use was determined in accordance with IAS 36.30 based on the present value of the expected cash flows (discounted cash flow method) of the RBI Group. The cash flows were derived from a five-year forecast for the RBI Group, which had been approved by management and was valid at the time of the impairment test. The cash flows realizable from the valuation object were discounted at an average, risk-adjusted capitalization rate of 10.71% (31 December 2017: 10.36%). Potential valuation uncertainties connected with key forecast assumptions - for example, exchange rate fluctuations, risk costs, the cost-income ratio, sustainable earnings expectations and valuation parameters related to the discount rate - were evaluated by management through sensitivity analyses and compared for plausibility with available external market data.

Based on the recoverable amount in the form of the value in use, an impairment loss of TEUR 74,000 was recognized to the equity-accounted investment in RBI.

## (5) Depreciation, amortization, personnel and operating expenses

| €'000 | 01/01 - 30/06/2018 | 01/01 - 30/06/2017 |
|---|---|---|
| Write-downs of property, equipment and intangible assets | (2,401) | (2,450) |
| Staff costs | (58,238) | (49,136) |
| Other administrative expenses | (55,698) | (51,158) |
| **Total** | **(116,337)** | (102,744) |

## (6) Profit/loss from financial assets and liabilities

| €'000 | 01/01 - 30/06/2018 | 01/01 - 30/06/2017 |
|---|---|---|
| Profit/loss from financial assets and liabilities not carried at fair value through profit or loss | 7,928 | (379) |
| Profit/loss from financial assets and liabilities held for trading | (11,559) | 8,237 |
| Profit / loss from financial assets not held for trading, mandatorily at fair value | (4,739) | 0 |
| Profit / loss from financial assets / liabilities designated at fair value through profit or loss | 0 | 2,300 |
| Profit / loss from hedge accounting | 1,149 | 1,140 |
| Foreign exchange transactions | 4,942 | 4,832 |
| **Profit / loss from financial assets and liabilities** | **(2,279)** | 16,130 |

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

| €'000 | 01/01 - 30/06/2018 | 01/01 - 30/06/2017 |
|---|---|---|
| Profit / loss from the derecognition of subsidiaries and associates | 0 | (1) |
| Profit / loss from the derecognition of non-financial assets, net | 398 | (2,040) |
| **Profit / loss from investments and non-financial assets** | **398** | (2,041) |

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

| €'000 | 01/01 - 30/06/2018 | 01/01 - 30/06/2017 |
|---|---|---|
| Net impairment loss/reversal of impairment to financial assets at amortized cost | (4,153) | 1,052 |
| **Net impairment loss/reversal of impairment to financial assets** | **(4,153)** | 1,052 |

## (9) Other operating profit

| €'000 | 01/01 - 30/06/2018 | 01/01 - 30/06/2017 |
|---|---|---|
| ***Other operating income*** | ***25,022*** | *26477* |
| Revenue from service and real estate subsidiaries | 9,286 | 12,179 |
| Service income and cost reimbursements | 4,554 | 3,594 |
| Other income | 11,182 | 10,704 |
| ***Other operating expenses*** | ***(33,353)*** | *(30090)* |
| Bank levy | (12,839) | (12,899) |
| Resolution fund | (8,220) | (7,888) |
| Cost of materials and purchased services from service and real estate subsidiaries | (5,077) | (5,223) |
| Other expenses | (7,217) | (4,080) |
| ***Addition to or release of provisions*** | ***1,817*** | *5508* |
| **Other operating profit/loss** | **(6,514)** | 1,895 |

## (10) Income tax

| €'000 | 01/01 - 30/06/2018 | 01/01 - 30/06/2017 |
|---|---|---|
| Current taxes | (156) | (111) |
| Deferred tax | (2,656) | (1,787) |
| **Income tax** | **(2,812)** | (1,898) |

## Details on the Consolidated Balance Sheet

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

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Cash | 37,962 | 43,866 |
| Balances with central banks | 1,454,235 | 1,000,146 |
| Other sight deposits | 2,238,881 | 1,746,832 |
| **Total** | **3,731,078** | 2,790,844 |

### (12) Financial assets held for trading

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Derivatives | 584,333 | 601,498 |
| Equity instruments | 9,858 | 0 |
| Bonds | 738,809 | 129,098 |
| **Total** | **1,333,000** | 730,596 |

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

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Equity instruments | 12,548 | 0 |
| Bonds | 937 | 0 |
| Other loans and advances | 171,177 | 0 |
| **Total** | **184,662** | 0 |

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

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Bonds | 0 | 301,517 |
| **Total** | **0** | 301,517 |

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

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Equity instruments | 19,106 | 31,223 |
| Bonds | 0 | 3,700,294 |
| **Total** | **19,106** | 3,731,517 |

## (16) Financial assets at amortized cost

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Bonds | 4,115,829 | 367,266 |
| Other loans and advances | 14,700,698 | 14,957,032 |
| **Total** | **18,816,527** | 15,324,298 |

## (17) Impairment allowance balance

### 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** | **not significant** | **POCI significant** | **Total** |
|---|---|---|---|---|---|---|
| ***Opening balance sheet 01.01.*** | ***2,966*** | ***0*** | ***2,336*** | ***0*** | ***0*** | ***5,302*** |
| Increase due to new additions | 6,092 | 3 | 0 | 0 | 0 | 6,095 |
| Decreases due to disposals | (5,177) | 0 | 0 | 0 | 0 | (5,177) |
| Changes based on changes in credit risk | 3,404 | 0 | 0 | 0 | 0 | 3,404 |
| Of which increases | 5,060 | 0 | 0 | 0 | 0 | 5,060 |
| Of which decreases | (1,656) | 0 | 0 | 0 | 0 | (1,656) |
| Other adjustments | (3) | 0 | 0 | 0 | 0 | (3) |
| Of which foreign currency effects | (3) | 0 | 0 | 0 | 0 | (3) |
| **Closing balance sheet 30.06.** | **7,282** | **3** | **2,336** | **0** | **0** | **9,621** |
| Income from amounts previously written off, recognized directly to profit or loss | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses recognized directly to profit or loss | 0 | 0 | 0 | 0 | 0 | 0 |

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

| €'000 | Stage 1 Performing | Stage 2 Under performing | Stage 3 Credit impaired significant | Stage 3 Credit impaired not significant | POCI significant | Total |
|---|---|---|---|---|---|---|
| *Opening balance sheet 01.01.* | *12,042* | *2,226* | *78,836* | *76,372* | *4,059* | *173,535* |
| Increase due to new additions | 627 | 550 | 0 | 0 | 0 | 1,176 |
| Decreases due to disposals | (683) | (371) | (4,347) | (6,344) | 0 | (11,745) |
| Changes resulting from reclassification between stages | (150) | 318 | (141) | 1,383 | 0 | 1,410 |
| Transfers to Stage 1 | 0 | 322 | 2 | 932 | 0 | 1,255 |
| Transfers to Stage 2 | (127) | 0 | (143) | 451 | 0 | 181 |
| Transfers to Stage 3 | (23) | (3) | 0 | 0 | 0 | (27) |
| Changes based on changes in credit risk | (3,537) | 188 | (1,906) | 7,487 | 6,350 | 8,583 |
| Of which increases | 665 | 1,081 | 26,227 | 18,753 | 6,362 | 53,088 |
| Of which decreases | (4,202) | (893) | (27,372) | (10,741) | 0 | (43,209) |
| Of which net interest income (unwinding) | 0 | 0 | (761) | (525) | (11) | (1,297) |
| Other adjustments | 154 | (2) | 0 | (34) | 0 | 119 |
| Of which foreign currency effects | 154 | (2) | 0 | (34) | 0 | 119 |
| **Closing balance sheet 30.06.** | **8,453** | **2,909** | **72,442** | **78,865** | **10,410** | **173,078** |
| Income from amounts previously written off, recognized directly to profit or loss | 0 | 0 | 739 | 0 | 0 | 739 |
| Impairment losses recognized directly to profit or loss | 0 | 0 | 0 | 0 | 0 | 0 |

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 significant | Total |
|---|---|---|---|---|---|---|
| ***Opening balance sheet 01.01.*** | ***1,275*** | ***0*** | ***0*** | ***0*** | ***0*** | ***1,275*** |
| Increase due to new additions | 196 | 0 | 0 | 0 | 0 | 196 |
| Decreases due to disposals | (2) | 0 | 0 | 0 | 0 | (2) |
| Changes based on changes in credit risk | 427 | 0 | 0 | 0 | 0 | 427 |
| Of which increases | 696 | 0 | 0 | 0 | 0 | 696 |
| Of which decreases | (269) | 0 | 0 | 0 | 0 | (269) |
| **Closing balance sheet 30.06.** | **1,896** | **0** | **0** | **0** | **0** | **1,896** |
| Income from amounts previously written off, recognized directly to profit or loss | | 0 | 0 | 0 | 0 | 0 |
| Impairment losses recognized directly to profit or loss | 0 | 0 | 0 | 0 | 0 | 0 |

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

| €'000 | Stage 1 Performing | Stage 2 Under performing | Stage 3 Credit impaired significant | not significant | POCI significant | Total |
|---|---|---|---|---|---|---|
| ***Opening balance sheet 01.01.*** | ***2,639*** | ***811*** | ***0*** | ***0*** | ***0*** | ***3,450*** |
| Increase due to new additions | 101 | 0 | 0 | 0 | 0 | 101 |
| Decreases due to disposals | (89) | 0 | 0 | 0 | 0 | (89) |
| Changes resulting from reclassification between stages | 811 | (811) | 0 | 0 | 0 | 0 |
| Transfers to Stage 1 | 811 | (811) | 0 | 0 | 0 | 0 |
| Changes based on changes in credit risk | (2,433) | 0 | 0 | 0 | 0 | (2,433) |
| Of which decreases | (2,433) | 0 | 0 | 0 | 0 | (2,433) |
| **Closing balance sheet 30.06.** | **1,029** | **0** | **0** | **0** | **0** | **1,029** |
| Income from amounts previously written off, recognized directly to profit or loss | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses recognized directly to profit or loss | 0 | 0 | 0 | 0 | 0 | 0 |

## Provisions for granted commitments and financial guarantees

| €'000 | Stage 1 Performing | Stage 2 Under performing | Stage 3 Credit impaired significant | Stage 3 Credit impaired not significant | POCI significant | Total |
|---|---|---|---|---|---|---|
| *Opening balance sheet 01.01.* | *1,687* | *548* | *7,224* | *1,366* | *0* | *10,825* |
| Increase due to new additions | 561 | 113 | 0 | 0 | 0 | 673 |
| Decreases due to disposals | (193) | (20) | 0 | (141) | 0 | (354) |
| Changes resulting from reclassification between stages | (18) | 87 | (1) | 133 | 0 | 201 |
| Transfers to Stage 1 | 0 | 84 | 0 | 87 | 0 | 171 |
| Transfers to Stage 2 | (18) | 0 | (1) | 46 | 0 | 28 |
| Transfers to Stage 3 | 0 | 3 | 0 | 0 | 0 | 3 |
| Changes based on changes in credit risk | (31) | (88) | (1,235) | 645 | 0 | (709) |
| Of which increases | 575 | 286 | 7,672 | 1,348 | 0 | 9,881 |
| Of which decreases | (606) | (374) | (8,855) | (674) | 0 | (10,509) |
| Of which net interest income (unwinding) | 0 | 0 | (52) | (29) | 0 | (81) |
| Other adjustments | (2) | 0 | 0 | 0 | 0 | (3) |
| Of which foreign currency effects | (2) | 0 | 0 | 0 | 0 | (3) |
| **Closing balance sheet 30.06.** | **2,003** | **639** | **5,988** | **2,004** | **0** | **10,634** |
| Income from amounts previously written off, recognized directly to profit or loss | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses recognized directly to profit or loss | 0 | 0 | 0 | 0 | 0 | 0 |

## Calculation logic 12-M-ECL and LECL

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 loss ("ECL“), which reflects 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.

Financial instruments are measured according to the stage concept (Stages 1-3) defined by IFRS 9. 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 x LGD x EAD.

## Risk parameters under IFRS 9

### Segmentation

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

The LGD of the portfolios is estimated with the help of a component model, whereby a differentiation is made between the value of the underlying collateral and the LGD for the unsecured part. The CCF model does not differentiate between customer groups, but only reflects the products.

### Modelling

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

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

All point-in-time adjustments of risk parameters (PD, LGD, CCF) were optimally 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.

### 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 was calculated separately for all scenarios. 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 impairment allowance balance:

Stage 1: Transactions with no significant increase in the credit risk since inception. The impairment allowance balance 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 impairment. The impairment allowance balance is based on the remaining term of the transaction.

### Determination of a "significant increase in the credit risk"

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

Qualitative criteria:

- 30 days overdue: A significant increase in the credit risk is assumed when customers have a material overdraft for more than 30 days.
- Forbearance: Customers designated as "forbearance“ (deferral, etc.) are considered to have a significant increase in the 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“ assumption 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.

## (18) Derivatives – hedge accounting

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| **Fair value hedges** | 356,994 | 354,761 |

## (19) Interest in equity-accounted investments

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| **Interest in equity-accounted investments** | 2,274,921 | 2,285,047 |

## (20) Property and equipment

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Land and buildings - own use | 2,897 | 3,000 |
| Other property and equipment | 10,249 | 11,361 |
| IT hardware | 19 | 0 |
| **Total** | **13,165** | 14,361 |

## (21) Intangible assets

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Goodwill | 0 | 2 |
| Purchased software | 822 | 3,167 |
| Other (licenses etc.) | 6,438 | 4,863 |
| **Total** | **7,260** | 8,032 |

## (22) Deferred tax assets

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Tax assets | 72 | 142 |
| Deferred tax assets | 12,893 | 2,724 |
| **Total** | **12,965** | 2,866 |

## (23) Other assets

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Prepayments made and accrued income | 858 | 80 |
| Work in process / unfinished goods / inventories | 1,021 | 1,685 |
| Trade receivables (non-bank) | 4,757 | 6,813 |
| Receivables from other taxes and duties | 32,087 | 32,204 |
| Miscellaneous other assets | 155,623 | 122,961 |
| **Total** | **194,346** | 163,743 |

## (24) Financial liabilities held for trading

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Derivatives | 622,194 | 654,336 |
| **Total** | **622,194** | 654,336 |

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

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Securitized liabilities | 0 | 40,768 |
| **Total** | **0** | 40,768 |

## (26) Financial liabilities measured at amortized cost

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Deposits from other banks | 9,065,131 | 7,818,593 |
| Deposits from customers | 8,153,686 | 7,767,789 |
| Securitized liabilities | 5,474,232 | 5,711,717 |
| Tier 2 capital | 749,497 | 793,393 |
| **Total** | **23,442,546** | 22,091,492 |

## (27) Derivatives – hedge accounting

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Fair value hedges | 345,764 | 375,635 |
| **Total** | **345,764** | 375,635 |

## (28) Provisions

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Post-employment benefits | 29,779 | 29,568 |
| Termination benefits | 40,105 | 32,583 |
| Long-service bonuses | 5,270 | 5,657 |
| Restructuring | 9,222 | 10,080 |
| Pending legal and tax proceedings | 18,509 | 19,438 |
| Obligations and issued guarantees | 10,634 | 9,847 |
| Other provisions | 15,776 | 28,606 |
| **Total** | **129,295** | 135,779 |

The other provisions consist primarily of provisions for damages and for uncertain obligations arising from potential compensation for damages resulting from customer complaints.

Among others, customers claim that RLB NÖ-Wien violated consultation and information requirements in connection with the sale and brokering of financial products. Further information on these proceedings and the related risk for the company, above all regarding the implemented measures, is not disclosed in accordance with IAS 37.92 so as not to prejudice the outcome of the proceedings.

## (29) Tax liabilities

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Tax liabilities | 1,933 | 2,298 |
| Deferred tax liabilities | 534 | 535 |
| **Total** | **2,467** | 2,833 |

## (30) Other liabilities

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Prepayments received and accrued expenses | 799 | 102 |
| Trade payables (non-bank) | 1,226 | 1,681 |
| Miscellaneous other liabilities | 221,114 | 156,779 |
| Liabilities from other taxes and duties | 6,698 | 14,787 |
| **Total** | **229,837** | 173,349 |

## (31) Equity

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| *Equity attributable to non-controlling interests* | *107* | *82* |
| *Equity attributable to equity owners of the parent* | *2,175,038* | *2,237,367* |
| Subscribed capital | 219,789 | 219,789 |
| Capital reserves | 556,849 | 556,849 |
| Other comprehensive income for the period (OCI) | (397,070) | (302,060) |
| Retained earnings | 1,711,453 | 1,203,971 |
| Profit or loss attributable to equity owners of the parent | 84,017 | 558,818 |
| **Equity** | **2,175,145** | 2,237,449 |

## (32) Fair values of financial instruments

### Financial instruments recognized at fair value

Fair value measurement is based on a hierarchy (fair value hierarchy) of different levels: available market prices are used on Level I (generally for securities and derivatives traded on exchanges and in functioning markets). All other financial instruments are measured using valuation models, in particular present value and generally accepted option pricing models. Valuations for Level II use input factors that are directly or indirectly based on observable market data. Level III valuation uses 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 the asset or liability transactions take place with sufficient frequency and volumes to provide continuous pricing information. The indicators for an active market may also include the number, update frequency and/or the quality of quotations (e.g. by banks or stock exchanges). In addition, narrow bid/ ask spreads and quotations by market participants within a certain corridor may also be signs of an active liquid market.

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

The counterparty risk on OTC derivatives not secured by collateral 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) by the loss given default (LGD) and the probability of default (PD) associated with the counterparty. The EPE is determined by simulation, while the LGD and PD are based on market data in the form of credit default swap (CDS) spreads if this information is directly available for the respective counterparty or can be obtained from a comparison of the counterparty's creditworthiness with 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.

All parameters (e.g. interest rates, volatilities) used for valuation are obtained from independent market information systems and reviewed regularly.

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 conservative approach is applied to a small part of the portfolio and risk premiums are used for valuation.

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

The loans and advances recorded by RLB NÖ-Wien are measured according to a DCF method, whereby the valuation parameters include the interest rate curve and an adequate credit risk and funding spread curve. The funding premium is based on spread curves which are available on the market. The credit risk premium is dependent on the counterparty and reflects a credit spread which is observable on the market, a weighted sector credit spread or a credit spread based on internal IFRS 9 risk parameters. If a day-one gain or loss has not been recognized, a residual spread for the transaction is also calculated at the beginning of the term and held constant over the valuation of the full term. This reflects the requirement that the discounted cash flows – including the residual spread – on the initial recognition date must equal the assigned carrying amount. Cancellation rights and interest options are valued with the Bachelier model.

The financial instruments are assigned to a level and/or reclassified at the end of each reporting quarter.

| €'000 | 30/06/2018 Level I | Level II | Level III | 31/12/2017 Level I | Level II | Level III |
|---|---|---|---|---|---|---|
| **Balance sheet assets** | | | | | | |
| ***Financial assets held for trading*** | ***498,937*** | ***765,949*** | ***68,114*** | *54,132* | *676,464* | *0* |
| Derivatives | 12 | 584,322 | 0 | 0 | 601,500 | 0 |
| Equity instruments | 0 | 8,060 | 1,797 | 0 | 0 | 0 |
| Bonds | 498,925 | 173,567 | 66,317 | 54,132 | 74,964 | 0 |
| ***Non-trading financial assets mandatorily at fair value through profit or loss*** | ***937*** | ***0*** | ***183,725*** | *213,856* | *77,891* | *9,770* |
| Equity instruments | 0 | 0 | 12,548 | 0 | 0 | 9,770 |
| Bonds | 937 | 0 | 0 | 213,856 | 77,891 | 0 |
| Other loans and advances | 0 | 0 | 171,177 | 0 | 0 | 0 |
| ***Financial assets at fair value through other comprehensive income*** | ***0*** | ***0*** | ***19,106*** | *3,491,687* | *207,069* | *32,761* |
| Equity instruments | 0 | 0 | 19,106 | 0 | 0 | 32,761 |
| Bonds | | | | 3,491,687 | 207,069 | 0 |
| ***Derivatives - hedge accounting*** | ***0*** | ***356,994*** | ***0*** | *0* | *354,761* | *0* |

| €'000 | 30/06/2018<br>Level I | Level II | Level III | 31/12/2017<br>Level I | Level II | Level III |
|---|---|---|---|---|---|---|
| **Balance sheet equity and liabilities** | | | | | | |
| ***Financial liabilities held for trading*** | *3* | *622,191* | *0* | *0* | *654,336* | *0* |
| Derivatives | 3 | 622,191 | 0 | 0 | 654,336 | 0 |
| Other liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Financial liabilities designated at fair value through profit or loss*** | *0* | *0* | *0* | *0* | *0* | *40,768* |
| Securitized liabilities | 0 | 0 | 0 | 0 | 0 | 40,768 |
| ***Derivatives - hedge accounting*** | *0* | *345,764* | *0* | *0* | *375,635* | *0* |

In the first half of 2018, securities with a fair value of EUR 29.6 million 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 current reporting period.

Reclassifications between Level I and Level II:

| €'000 | 30/06/2018<br>From Level I to Level II | From Level II to Level I | 31/12/2017<br>From Level I to Level II | From Level II to Level I |
|---|---|---|---|---|
| **Balance sheet assets** | | | | |
| ***Financial assets held for trading*** | *30,489* | *0* | *0* | *0* |
| Bonds | 30,489 | 0 | 0 | 0 |

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

Reconciliation of the financial instruments classified under Level III:

| €'000 | 31/12/2017 | Reclassifications IFRS 9 | 31/12/2017 after Reclassifications | Revaluations IFRS 9 | 01/01/2018 |
|---|---|---|---|---|---|
| **Balance sheet assets** | | | | | |
| ***Financial assets held for trading*** | ***0*** | ***0*** | ***0*** | ***68,017*** | ***68,017*** |
| Equity instruments | 0 | 0 | 0 | 1,757 | 1,757 |
| Bonds | 0 | 0 | 0 | 66,260 | 66,260 |
| ***Non-trading financial assets mandatorily at fair value through profit or loss*** | ***9,770*** | ***143,714*** | ***153,484*** | ***16,672*** | ***170,156*** |
| Equity instruments | 9,770 | 458 | 10,228 | 0 | 10,228 |
| Other loans and advances | 0 | 143,256 | 143,256 | 16,672 | 159,928 |
| ***Financial assets at fair value through other comprehensive income*** | ***32,761*** | ***(13,673)*** | ***19,088*** | ***0*** | ***19,088*** |
| Equity instruments | 32,761 | (13,673) | 19,088 | 0 | 19,088 |

| €'000 | 01/01/2018 | Additions | Disposals | Profit, income statement | Profit, other comprehensive income | 30/06/2018 |
|---|---|---|---|---|---|---|
| **Balance sheet assets** | | | | | | |
| ***Financial assets held for trading*** | ***68,017*** | ***70*** | ***(74)*** | ***99*** | ***0*** | ***68,112*** |
| Equity instruments | 1,757 | 20 | 0 | 19 | 0 | 1,796 |
| Bonds | 66,260 | 50 | (74) | 80 | 0 | 66,316 |
| ***Non-trading financial assets mandatorily at fair value through profit or loss*** | ***170,156*** | ***15,192*** | ***0*** | ***(1,623)*** | ***0*** | ***183,725*** |
| Equity instruments | 10,228 | 0 | 0 | 2,320 | 0 | 12,548 |
| Other loans and advances | 159,928 | 15,192 | 0 | (3,943) | 0 | 171,177 |
| ***Financial assets at fair value through other comprehensive income*** | ***19,088*** | ***0*** | ***(266)*** | ***0*** | ***284*** | ***19,106*** |
| Equity instruments | 19,088 | 0 | (266) | 0 | 284 | 19,106 |

The results reported on the income statement for financial instruments recognized as of 30 June 2018 totalled TEUR -1,524.

| €'000 | 01/01/2017 | Additions | Disposals | Profit, income statement | Profit, other comprehensive income | 31/12/2017 |
|---|---|---|---|---|---|---|
| **Balance sheet assets** | | | | | | |
| ***Financial assets designated at fair value through profit or loss*** | *11,396* | *174* | *(1,767)* | *(33)* | *0* | *9,770* |
| Bonds | 11,396 | 174 | (1,767) | (33) | 0 | 9,770 |
| Other loans and advances | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Financial assets at fair value through other comprehensive income*** | *3,267* | *22,739* | *(623)* | *(292)* | *7,670* | *32,761* |
| Equity instruments | 2,456 | 22,036 | 0 | 0 | 8,158 | 32,650 |
| Bonds | 811 | 703 | (623) | (292) | (488) | 111 |
| Other loans and advances | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Derivatives - hedge accounting*** | *0* | *0* | *0* | *0* | *0* | *0* |

| €'000 | 01/01/2017 | Additions | Disposals | Profit, income statement | Profit, other comprehensive income | 30/06/2017 |
|---|---|---|---|---|---|---|
| **Balance sheet equity and liabilities** | | | | | | |
| ***Financial liabilities designated at fair value through profit or loss*** | *50,908* | *0* | *(10,742)* | *602* | *0* | *40,768* |
| Securitized liabilities | 50,908 | 0 | (10,742) | 602 | 0 | 40,768 |

There were no reclassifications of derivatives or securities to or from Level III since the last reporting period. The initial application of IFRS 9 and the related change in the categorization of financial instruments led to a substantial increase in loans and advances carried at fair value. All of these instruments were classified under Level 3 on the fair value hierarchy as of 1 January 2018 and 30 June 2018.

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

| 30/06/2018<br>€'000 | Type | Market value in €m | Valuation method | Major unobservable input factors | Scope of unobservable input factors |
|---|---|---|---|---|---|
| **Balance sheet assets** | | | | | |
| Equity instruments | Shares and funds | 1.8 | External valuation | Discounts | 5-10% |
| Bonds | Fixed-interest bonds, non-fixed-interest bonds | 66.3 | DCF method | Credit margin | 2-50% |
| Other loans and advances | Other loans and advances | 171.2 | DCF method | Credit risk spreads | 0,002% - 17,2% |

| 31/12/2017<br>€'000 | Type | Market value in €m | Valuation method | Major unobservable input factors | Scope of unobservable input factors |
|---|---|---|---|---|---|
| **Balance sheet assets** | | | | | |
| Equity instruments | Shares and funds | 1.8 | External valuation | Discounts | 5-10% |
| Bonds | Fixed-interest bonds, credit-linked notes, non-fixed-interest bonds | 10.6 | DCF method, external valuation | Credit margin | 0-50% |
| **Balance sheet equity and liabilities** | | | | | |
| Securitized liabilities | Index-linked notes | (40.8) | External valuation | Credit margin | 5-15% |

The methods used for the fair value measurement of securities were selected by the Market Risk Management Department and approved by the Managing Board. These valuation guidelines are designed to ensure accurate measurement results and the use of consistent methods.

Automated controls ensure that the quality of the applied models and input parameters meet the defined standard.

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 from recognized data providers.

The methods used for the fair value measurement of loans and advances were selected by the Credit Risk Management Department, whereby priority was given to generally accepted valuation parameters from recognized data providers.

If the value of a financial instrument is dependent on non-observable parameters, these parameters can be selected from a range of alternatives. A shift in the parameters at the ends of this range would lead to an increase of EUR 2.5 million or a decrease of EUR -7.1 million in the fair value of securities recorded under assets as of 30 June 2018. This estimate reflects the appropriate market circumstances as well as internal valuation guidelines.

However, the probability of a simultaneous shift in all of the non-observable parameters (e.g. discounts and credit margins) is extremely low. Conclusions over future market developments can therefore not be drawn from these results.

If the value of a loan or advance is dependent on non-observable parameters (Level 3), these parameters can be selected from a range of alternatives. A shift in the parameters at the ends of this range (+/- 100 bps with a floor of 0) would lead to an increase of EUR +1.4 million or a decrease of EUR -2.8 million in the fair value of loans and as of 30 June 2018. This estimate reflects the appropriate market circumstances as well as internal valuation guidelines.

## Additional Information

### (33) Information on receivables and liabilities due from/to related parties

The following tables provide information on the receivables, liabilities and contingent liabilities due from/to companies in which RLB NÖ-Wien Group holds an investment or due from/to Raiffeisen-Holding NÖ-Wien or its subsidiaries or companies accounted for at equity:

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| ***Cash, cash balances at central banks and other demand deposits*** | ***1,965,954*** | *0* |
| Associates | 1,965,954 | 0 |
| ***Financial assets held for trading*** | ***96,377*** | *75,667* |
| Parent | 0 | 47,923 |
| Associates | 95,119 | 27,700 |
| Entities accounted for using the equity method via the parent | 1,258 | 44 |
| ***Non-trading financial assets mandatorily at fair value through profit or loss*** | ***7,610*** | *277* |
| Parent | 0 | 277 |
| Subsidiary / subsidiaries | 5,596 | 0 |
| Associates | 2,014 | 0 |
| ***Financial assets at fair value through other comprehensive income*** | ***2,550*** | *0* |
| Subsidiary / subsidiaries | 533 | 0 |
| Associates | 953 | 0 |
| Joint ventures | 1,064 | 0 |
| ***Financial assets at amortized cost*** | ***1,195,695*** | *4,801,606* |
| Parent | 0 | 1,183,000 |
| Subsidiary / subsidiaries | 0 | 9,316 |
| Entities related via the parent | 8,786 | 334,962 |
| Associates | 976,974 | 3,005,746 |
| Entities accounted for using the equity method via the parent | 199,009 | 255,172 |
| Joint ventures | 10,926 | 13,410 |
| ***Derivatives - hedge accounting*** | ***39,496*** | *0* |
| Associates | 39,496 | 0 |
| ***Other assets*** | ***159,109*** | *28,977* |
| Parent | 155,902 | 28,977 |
| Subsidiary / subsidiaries | 3,207 | 0 |

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| *Financial liabilities held for trading* | *21,232* | *93* |
| Associates | 21,232 | 93 |
| *Financial liabilities measured at amortised cost* | *1,089,555* | *1,147,353* |
| Parent | 196,100 | 199,841 |
| Subsidiary / subsidiaries | 52,316 | 65,342 |
| Entities related via the parent | 20,797 | 169,963 |
| Associates | 774,312 | 697,664 |
| Entities accounted for using the equity method via the parent | 36,962 | 8,465 |
| Joint ventures | 9,068 | 6,078 |
| *Other liabilities* | *517* | *26,473* |
| Parent | 517 | 0 |
| Associates | 0 | 26,473 |

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| *Contingent liabilities* | *246,360* | *315,102* |
| Parent | 0 | 7,142 |
| Subsidiary / subsidiaries | 16 | 2,612 |
| Entities related via the parent | 1,875 | 1,891 |
| Associates | 206,492 | 232,294 |
| Entities accounted for using the equity method via the parent | 37,977 | 14,348 |

The following business relationships existed with related companies during the reporting period:

| 01/01 - 30/06/2018<br>€'000 | Interest income | Interest expenses | Purchased services and merchandise | Services provided and sale of merchandise and fixed assets |
|---|---|---|---|---|
| Parent | 2,355 | 0 | (3,167) | 733 |
| Subsidiary / subsidiaries | 0 | 0 | (1,914) | 122 |
| Entities related via the parent | 55 | 0 | 0 | 0 |
| Associates | 4,682 | (109) | (13,461) | 1,661 |
| Entities accounted for using the equity method via the parent | 1,987 | (2) | (643) | 1 |
| Joint ventures | 136 | 0 | (3,355) | 17 |

| 01/01 - 30/06/2017<br>€'000 | Interest income | Interest expenses | Purchased services and merchandise | Services provided and sale of merchandise and fixed assets |
|---|---|---|---|---|
| Parent | 3,535 | 0 | 7,815 | 5,665 |
| Subsidiary / subsidiaries | 0 | 0 | 1,626 | 193 |
| Entities related via the parent | 58 | 0 | 0 | 4 |
| Associates | 5,310 | (159) | 8,756 | 1,121 |
| Entities accounted for using the equity method via the parent | 1,973 | (1) | 0 | 0 |
| Joint ventures | 118 | 0 | 20 | 158 |

The parent company of RLB NÖ-Wien is Raiffeisen-Holding NÖ-Wien. The business relationships between RLB NÖ-Wien and Raiffeisen-Holding NÖ-Wien consist primarily of refinancing for Raiffeisen-Holding NÖ-Wien and transactions with derivative financial instruments. RLB NÖ-Wien and Raiffeisen-Holding NÖ-Wien have concluded a management service agreement that regulates the details of mutually provided services in order to reduce redundancy and improve cost efficiency. RLB NÖ-Wien and Raiffeisen-Holding NÖ-Wien have also concluded a liquidity management agreement which regulates the relationship between these two parties with respect to the provision, measurement and monitoring of liquidity as well as the related measures.

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 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Sight deposits | 4,513 | 3,930 |
| Bonds | 83 | 203 |
| Savings deposits | 660 | 642 |
| Other receivables | 67 | 82 |
| **Total** | **5,323** | 4,857 |
| | | |
| Loans | 1,070 | 1,138 |
| Other deposits | 69 | 71 |
| **Total** | **1,139** | 1,209 |

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

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Sight deposits | 252 | 245 |
| Bonds | 0 | 10 |
| Savings deposits | 10 | 10 |
| **Total** | **262** | 265 |
| | | |
| Current accounts | 8 | 6 |
| Loans | 47 | 48 |
| **Total** | **55** | 54 |

## (34) Issues, redemptions and repurchases of bonds during the reporting period

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| At 1 January | 6,545,878 | 6,760,521 |
| Issuances | 647,184 | 101,581 |
| Redemptions | (927,326) | (479,962) |
| Repurchases | 73,322 | 15,158 |
| Revaluation gains and losses/interest accruals | (111,746) | (56,387) |
| **At 30 June** | **6,227,312** | 6,340,911 |

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

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| **Contingent liabilities** | **821,563** | 778,863 |
| Of which arising from other guarantees | 784,817 | 753,486 |
| Of which arising from letters of credit | 33,494 | 22,125 |
| Of which other contingent liabilities | 3,252 | 3,252 |
| **Commitments** | **4,923,297** | 4,909,319 |
| Of which arising from revocable loan commitments | 2,019,912 | 2,030,796 |
| Of which arising from irrevocable loan commitments | 2,903,385 | 2,878,523 |
| To 1 year | 720,415 | 699,124 |
| More than 1 year | 2,182,970 | 2,179,399 |

## (36) Regulatory capital

RLB NÖ-Wien is part of the Raiffeisen-Holding NÖ-Wien-financial institutions 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.

| €'000 | **30/06/2018** | **31/12/2017** |
|---|---|---|
| Paid-in capital | 489,641 | 489,766 |
| Retained earnings | 2,058,572 | 2,051,896 |
| Accumulated other comprehensive income and other equity | (222,380) | (88,014) |
| ***Common equity Tier 1 before deductions*** | ***2,325,834*** | *2,453,648* |
| Intangible assets incl. goodwill | (11,867) | (10,131) |
| Corrections in respect of cash flow hedge reserves | 28,259 | 34,496 |
| Corrections for credit standing related to changes in values of own liabilities | (2,687) | 0 |
| Corrections for credit standing related to changes in values of derivatives | (2,324) | (1,870) |
| Value adjustment based on the prudent valuation requirement | (2,752) | (4,635) |
| ***Common equity Tier 1 capital after deductions (CET1)*** | ***2,334,463*** | *2,471,508* |
| Additional core capital after deductions | 130,728 | 120,114 |
| ***Additional own funds*** | ***2,465,190*** | *2,591,622* |
| Eligible supplementary capital | 483,121 | 557,818 |
| ***Supplementary capital after deductions*** | ***483,121*** | *557,818* |
| ***Total qualifying capital*** | ***2,948,311*** | *3,149,440* |
| **Total capital requirement** | **1,070,955** | 1,034,872 |
| Common equity Tier 1 ratio (CET1 ratio), % | 17.44 | 19.11 |
| Tier 1 ratio (T1 ratio), % | 18.41 | 20.03 |
| Own funds ratio (total capital ratio), % | 22.02 | 24.35 |
| Surplus capital ratio in % | 175.30 | 204.33 |

Under a fully loaded analysis, the common equity Tier 1 ratio equalled 14.79% (H1 2017: 18.62%) and the Total Capital Ratio 19.16% (H1 2017: 22.71%).

Total capital requirements include the following:

| €'000 | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Capital requirements for credit risk | 967,599 | 945,320 |
| Capital requirements for position risk in debt instruments and assets | 38,920 | 37,810 |
| Capital requirement CVA | 5,786 | 5,997 |
| Capital requirements for operational risk | 45,744 | 45,744 |
| Capital requirements qualitative investments | 12,906 | 0 |
| **Total capital requirement (total risk** | **1,070,955** | 1,034,872 |
| *Assessment base for credit risk* | ***12,256,311*** | *11,816,505* |
| *Total basis of assessment (total risk)* | ***13,386,943*** | *12,935,897* |

The initial application of IFRS 9 reduced the Tier 1 ratio and the total capital ratio by 0.32% and 0.30%, respectively, as of 1 January 2018.

## (37) Average number of employees

The average workforce (full-time equivalents) employed during the reporting period is as follows:

| | 01/01 - 30/06/2018* | 01/01 - 30/06/2017 |
|---|---|---|
| Salaried employees | 1,123 | 1,102 |
| Wage employees | 23 | 23 |
| **Total** | **1,146** | 1,125 |

*) Of this total, 103 employees resulted from the expansion of the scope of consolidation beginning on 31 December 2017.

## (38) Events after the balance sheet date

As of the present time, there are no business transactions or other events which would be of particular interest to the general public or would have a material effect on the consolidated financial statements.

# Statement by the Managing Board

The Managing Board of RLB NÖ-Wien prepared these condensed consolidated interim financial statements as of 30 June 2018 in accordance with the requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union, on 24 September 2018. A consolidated semi-annual management report was also prepared. Therefore, the requirements for interim reporting defined in § 87 of the Austrian Stock Exchange Act are also met.

"We confirm to the best of our knowledge that these condensed consolidated interim financial statements provide a true and fair view of the assets, liabilities, financial position and profit or loss of the RLB NÖ-Wien Group as required by the applicable accounting standards and that the semi-annual management report provides a true and fair view of the assets, liabilities, financial position and profit or loss of the RLB NÖ-Wien Group with respect to the major events occurring during the first six months of the current financial year and their effects on these condensed consolidated interim financial statements and on the principal risks and uncertainties expected during the remaining six months of the current financial year. 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."

Vienna, 24 September 2018

The Managing Board

Klaus BUCHLEITNER
Chairman
responsible for the
Directorate General

Reinhard KARL
Member
Responsible for the
Corporate Clients Segment

Georg KRAFT-KINZ
Deputy Chairman.

Andreas FLEISCHMANN
Member
Responsible for the
Financial Markets / Organization Segment

Martin HAUER
Member
Responsible for the
Retail/Association Services Segment

Michael RAB
Member
Responsible for the
Risk Management / Accounting Segment