GROUP MANAGEMENT REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

# ANNUAL REPORT 2020

Raiffeisenlandesbank Niederösterreich-Wien

# Contents

# GROUP MANAGEMENT REPORT

# Overview of the 2020 Financial Year

The economic environment in 2020 was characterized by the following factors and events:

- The European Central Bank (ECB) held key interest rates (deposit facility rate) constant at the historically low level of -0.5%.
- The three-month Euribor was fixed at -0.16% on 23 April, shortly after the outbreak of the corona pandemic. The subsequent flood of liquidity from the ECB triggered a decline in the Euribors to new all-time lows during the remainder of the year. The three-month Euribor closed 2020 at -0.545%.
- From a monetary standpoint, the ECB is employing all instruments at its disposal to support the economy. Key interest rates have not been reduced since the outbreak of the corona pandemic, but the existing Asset Purchase Programme (APP) was expanded, and a new programme was introduced and has since been extended and increased (“Pandemic Emergency Purchase Programme“ (PEPP). New liquidity measures (LTRO and PELTRO) were also announced and the conditions for the previously approved refinancing operations (TLTRO III, targeted longer-term refinancing operations) were substantially improved.
- The Austrian economy has been hit harder by the corona pandemic than other European countries due to its strong dependence on tourism. The gross domestic product (GDP) fell by 7.8% year-on-year in 2020. Measures implemented to contain the pandemic have led to a standstill, above all in consumer-related areas like tourism, transportation, the retail sector and personal services as well as the arts, entertainment and recreation, while business in the construction and industrial sectors has remained comparatively stable.
- The pandemic was also responsible for a sharp drop in investment activity. The government has launched a funding project to address this development, whereby applications for investment grants could be submitted beginning on 1 September 2020. The subsidy volume targeted by the federal government currently amounts to EUR 3,000.0 million.

The following major events had a significant influence on RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG (RLB NÖ-Wien) during the 2020 financial year:

The expansion of the retail business did not represent a primary focus of activities in 2020 due to the uncertainties surrounding COVID-19. Principal attention was given to stabilizing the business with existing customers. This approach minimized risks and maximized the resilience against a possible increase in the economic effects of the crisis.

Net interest income initially increased in 2020 due to a slightly higher volume of loans and advances based on stable margins. This development levelled off during the course of the year due to the limitations on new business, above all caused by COVID-19. In addition, treasury results were improved by participation in the central banks’ targeted longer-term refinancing operations (TLTRO) and the maturity of high-interest issues.

The investment of surplus liquidity at an even lower ECB deposit rate (-0.5%) and the related reduction in bond yields continues to represent a significant problem for net interest income.

The results from equity-accounted investments – which are influenced by the earnings contribution from RBI – totalled EUR -172.4 million in 2020 (2019: EUR 224.7 million). In addition to the proportional share of earnings from RBI, which amounted to EUR 182.1 million (2019: EUR 278.0 million), this position includes an impairment loss of EUR -358.0 million (2019: EUR -189.0 million) to the carrying amount of the RBI investment. The net earnings contribution from RBI therefore totalled EUR -175.9 million (2019: EUR 89.0 million). The earnings contribution from R-IT amounted to EUR 3.4 million in 2020 (2019: EUR 135.6 million), whereby the prior year results were influenced to a significant extent by the sale and the valuation of the shares in SoftwareONE Holding AG.

RLB NÖ-Wien continued its digitalization offensive in 2020 in order to be optimally equipped to meet the future challenges of the banking business. The ongoing high IT expenses for this comprehensive programme were more than offset by additional cost optimization measures.

The exceptional situation in 2020 caused by COVID-19 and the related market turbulence had a negative effect on earnings, above all, through higher expenses for the valuation of securities and derivatives as well as an increase in the risk allowances for loans and advances.

# The Economic Environment

## The global and European economies

The dominant issue in 2020 was the worldwide coronavirus pandemic but additional headlines were produced, among others, by the US elections and the conclusion of a last minute agreement to prevent a no-deal Brexit.

The latest forecast by the International Monetary Fund (IMF) points to an estimated decline of 3.5% in 2020, which would represent the worst recession since the global economic crisis roughly 90 years ago. The decline is not as serious as originally feared in October, when a minus of 4.4% was projected, due to the intervention by central banks and governments through low interest rates and massive assistance programmes to combat the crisis.

China was the only G20 country to generate growth in 2020, with a year-on-year plus of 2.3% in the gross domestic product (GDP). Although this represents the lowest increase since 1976, the world's second largest economy had already reached the pre-crisis level in mid-2020. The stimulus for this growth was provided, above all, by investments in infrastructure and real estate.

The US economy produced only limited growth in the final quarter of 2020. As seen over the full year, this is the first decline since the recession during the global crisis from 2007 to 2009, even though the 3.5% drop in the GDP is comparatively lower than other industrial countries. The most important factors behind the growth differentials between the US and Europe are the in part substantially higher transfers and increased cooperation between the US Federal Reserve (FED) and Treasury Department.

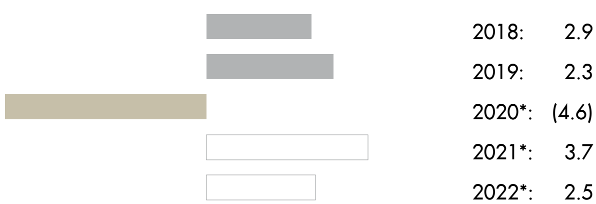
Economic output in the Eurozone declined by 0.7% from the third to the fourth quarter and by 6.8% over the full year. The economic consequences of the multi-layered containment measures during the fourth quarter proved to be much less damaging for growth than the steps taken in spring 2020. With a GDP drop of 5.0%, Germany escaped relatively unscathed compared to other Eurozone countries like Italy (-8.8%).

Inflation was also slowed by the second pandemic wave and the renewed lockdown measures. In the Eurozone, price increases held steady at -0.3% in year-on-year comparison from September to December 2020. The European Central Bank (ECB) has clearly missed its price stability level of "below, but close to 2%" for years.

The expansive monetary policy and wide-ranging packages of fiscal measures – above all, through one-off assistance payments for particularly hard hit sectors and population groups, subsidies for short-time work, temporary tax reductions, tax and/or duty deferrals and credit moratoria – had a stabilizing effect. The increase in unemployment in the Eurozone was relatively moderate at 8.3% in November and December and only 1.2 percentage points higher than in February 2020.

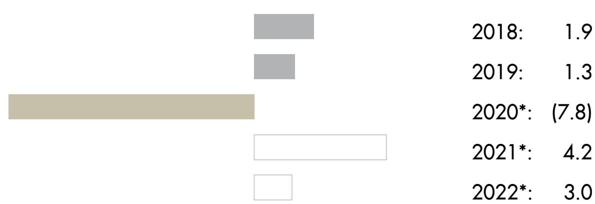
***GDP Growth in the USA*** in % vs. prior year

*Forecasts for 2020-2022: EU Commission, Autumn Forecast for 2020



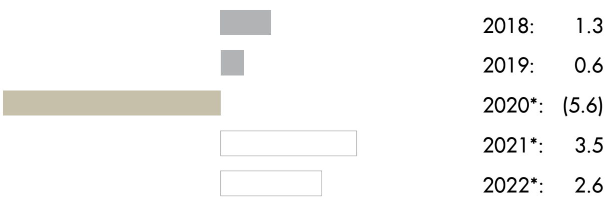

***GDP Growth in the Eurozone*** in % vs. prior year

*Forecasts for 2020-2022: EU Commission, Autumn Forecast for 2020



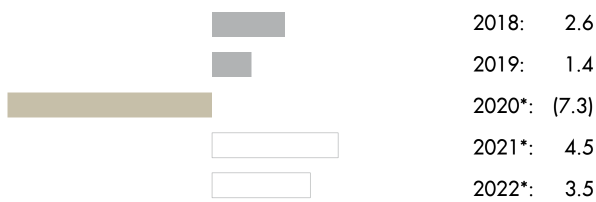
***GDP Growth in Germany*** in % vs. prior year

*Forecasts for 2020-2022: EU Commission, Autumn Forecast for 2020




***GDP Growth in Austria*** in % vs. prior year

*Forecasts for 2020-2022: WIFO forecast dated 29 January 2021



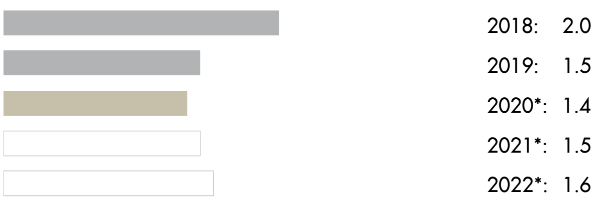

## The Economy in Austria

Austria felt the effects of the corona crisis much stronger than most other European countries in 2020, with a year-on-year decline of 7.8% in the GDP. This is attributable, above all, to the country's heavy dependence on tourism, which is roughly three-times as large as in Germany.

The first lockdown beginning in mid-March, which triggered the most severe economic crisis in the post-war period, was followed by a phase of slow, but steady recovery beginning in May. Although value creation remained below the previous year, economic development was relatively sound up to the end of October. The end of 2020 brought a sharp drop in the GDP – to 4.3% below the fourth quarter according to a Wifo preliminary estimate – compared with the plus of 12.0% registered between the lockdowns.

***Inflation in Austria*** in %

*Forecasts for 2020-2022: WIFO forecast dated 29 January 2021

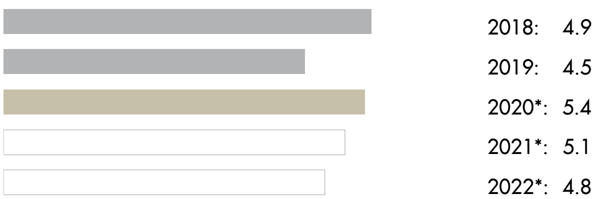



The restrictions that accompanied the second lockdown had a negative effect, above all, on consumer spending by private households and value creation in the service sector. In contrast, more stable development was recorded by the construction and industrial sectors. According to the Purchasing Mangers' Index, which reached 53.5 points in December, the first signs of growth in Austria's industrial sector have been visible since mid 2020. The export sector, in contrast, was still negatively affected by the global downturn.

Consumer prices rose by 1.4% on average in 2020, which places the inflation rate in Austria clearly above the 0.3% in the Eurozone. Corona has left deep and lasting traces on the employment market. The third lockdown led to a more than doubling of unemployment in gastronomy and tourism compared with 2019. In December, the unemployment rate equalled 11.0% according to national calculations and 5.4% according to Eurostat. The assistance provided by the corona-related short-time work prgrammes was responsible for saving over 1.1 million jobs and incomes in 2020.

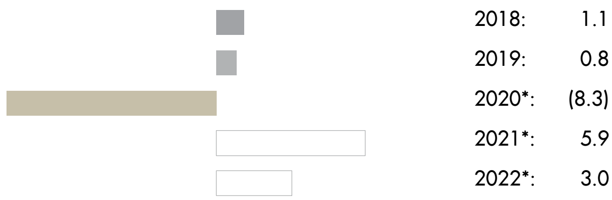
***Unemployment in Austria*** in %

*Forecasts for 2020-2022: WIFO forecast dated 29 January 2021




***Private Consumption in Austria*** in % vs. prior year

*Forecasts for 2020-2022: WIFO forecast dated 29 January 2021




## Overview of the Financial Markets

- The ECB reacted to the corona crisis with extensive monetary easing. Interest rates were not cut, but a variety of other measures were introduced: For example, banks were offered additional refinancing operations, the conditions for targeted, long-term refinancing were made significantly more attractive, the current asset purchase programme (APP) was expanded, and a new pandemic emergency purchase programme (PEPP) with a total volume of EUR 1,850 billion was launched. Low interest rates and a further increase in surplus liquidity during the year held money market rates in the negative range.
- The bond market fell to new historical lows in 2020. The yields on 10-year German federal bonds reached a new all-time low of -0.909% on 9 March 2020. However, the factoring in of massive monetary and fiscal policy easing led to a rapid upward correction. The year-end yields for 10-year federal bonds equalled -0.575% at the end of December, for a substantial decline below the level at the beginning of the year.
- Conflicting monetary easing measures and expansive fiscal policies to contain the corona crisis were responsible for substantial volatility on the international currency markets, which also affected the Euro. The EUR/USD started the year at 1.1212 and closed 2020 at 1.2214. In other words, the Euro gained 9% in relation to the US Dollar during the course of the year.
- As a stock market year, 2020 will go down in the history books. It was influenced by a pandemic that led to massive distortions on the financial market, but the news of a vaccine and the election of a new president for the USA brought a noticeable rise in optimism during the second half-year. The stock markets outdistanced the real economy and recovered most of their losses, while a number of indexes even set new records during the year. The ATX was not one of these high performers, however: the leading Austrian index lost -12.76% in 2020.

### Interest Rates

The spread of the corona pandemic to Europe led to considerable turbulence on the financial markets during the spring which conjured up memories of the Lehman Brothers collapse: Stocks corrected while "safe havens" were sought, spreads increased, liquidity became scarce, and volatilities reached a level last seen in 2008. The high demand for liquidity triggered a massive increase in money market rates: The three-month Euribor was fixed at -0.16% on 23 April. The subsequent flood of liquidity from the ECB brought about a decline in the Euribor rates to new all-time lows during the remainder of the year. The three-month Euribor closed 2020 at -0.545%

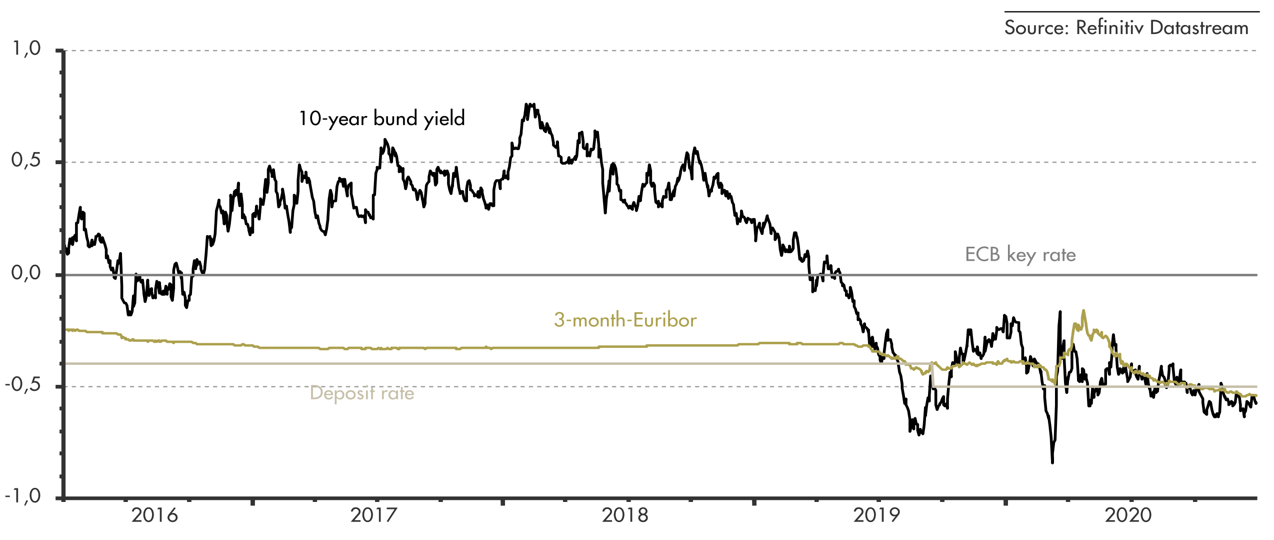
The search for safe havens drove the yields on 10-year German federal bonds down to a new all-time low of -0.909% on

9 March 2020. On 12 March, the ECB announced its first monetary support measures – which were initially limited to an expansion of the existing ECB Asset Purchase Programme (APP) by an additional EUR 120 billion up to year-end and more favourable conditions for targeted longer-term refinancing operations (TLTRO III) that were approved in March 2019. The market's disappointment with these measures moved the ECB, only several days later in an unscheduled meeting, to approve the Pandemic Emergency Purchase Programme (PEPP), which was designed to reduce credit costs and support lending in the Eurozone. This programme has since been increased twice and also extended – it currently has a volume of EUR 1,850 billion and a term that will run to March 2022 as a minimum. Further measures followed in April, for example temporary easing was approved for the provision of collateral in connection with the liquidity programme and non-targeted pandemic emergency longer-term refinancing operations (PELTROs) were introduced. This massive easing of the ECB's monetary policy at the start of the crisis played an important role in stabilizing the markets. Ten-year federal bonds closed the year at -0.575%.

Risk premiums in the Eurozone rose sharply during the spring, but then fell substantially during the following months and ended December roughly at the January level. In addition to the ECB's purchase programmes, the reconstruction assistance planned by the EU strengthened investors' confidence in the credit standing of the Eurozone countries. Italy developed particularly well as a result of the, at times, above-average ECB purchases: The difference between Italian and German 10-year yields equalled roughly 110 basis points at the end of 2020, for a level not seen since March 2016.

The risk premiums for European companies and the financial branch climbed to a seven-year high during the spring. Spreads narrowed steadily during the next months and were only slightly higher at year-end than at the beginning of the year. A record volume of EUR 498 billion in corporate bonds was issued in 2020. That represents a 10% year-on-year increase compared with the record year in 2019. The trend towards new emissions was supported by the high liquidity requirements resulting from the pandemic as well as the ongoing low-interest environment in combination with the ECB's impulses. With requirements of EUR 88.1 billion in 2020 (including EUR 20.9 billion through the PEPP Programme), the ECB was not only the largest single investor in corporate bonds, but also an important supporting factor for the spreads.

*Eurozone Interest rates*



## Currencies and Equity Markets

The Euro demonstrated its strength during 2020 – a notable feat in view of the most severe economic crisis since World War II – and gained 9% in relation to the US Dollar during the year. Here, decisive support was provided by interest rate developments: The Eurozone had become accustomed to a zero-interest policy during the financial and European debt crises, but the base rate level in the USA was higher. Only the corona crisis was capable of triggering a low-interest phase in the world's largest economy: In March 2020, the US Federal Reserve cut its base rate by a total of 150 BP, which naturally had an effect on the entire US interest curve, while key Euro interest rates remained unchanged.

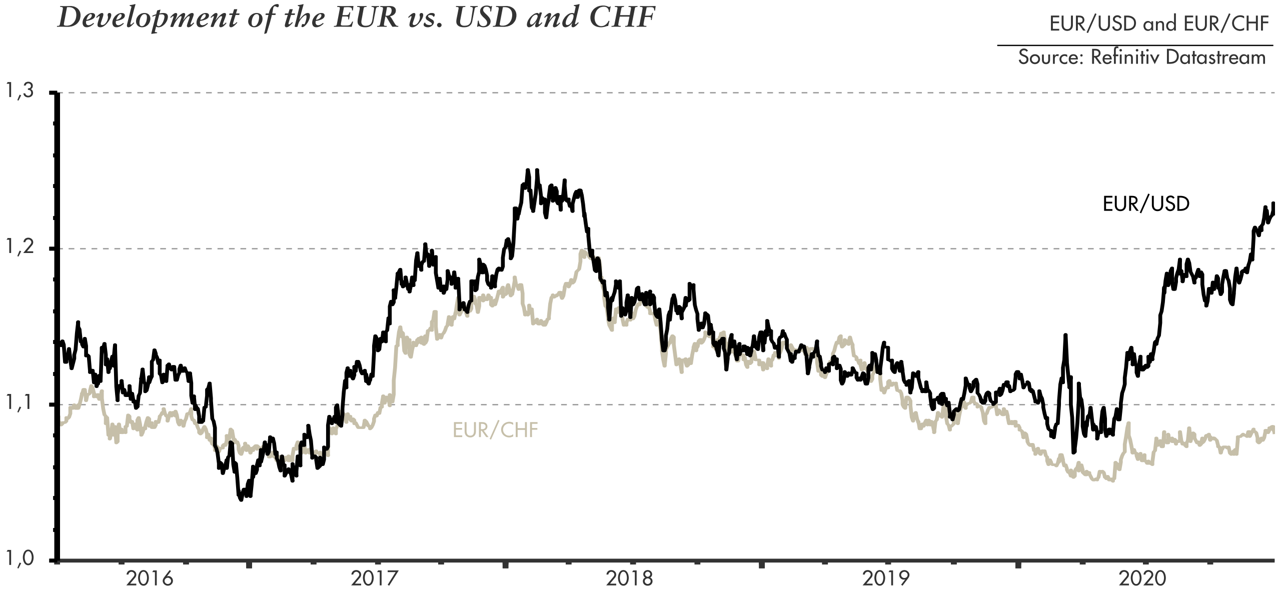
The Swiss Franc also confirmed its status as a "safe haven" in 2020. At the high point of risk aversion during the spring lockdown in 2020, the EUR/CHF dropped to 1.0502. The course for a slow devaluation of the Franc versus the Euro was set at year-end 2020: The prospects of corona vaccines in 2021, the more constructive economic policies of the new US President Biden and increasing signs of recovery in the Eurozone during 2021/22 apparently reduced investors' risk aversion and, in turn, the demand for the Franc. Moreover, the Swiss National Bank (SNB) re-emphasized at its latest monetary policy assessment that it was still prepared to intervene against a strong Franc with a negative interest policy and currency purchases. The EUR/CHF closed the year at roughly 1.08, which reflects the level at the beginning of 2020.

The long-awaited breakthrough in the intensive Brexit negotiations on 24 December 2020 marked the start of the post-Brexit era: The United Kingdom withdrew from the European Single Market and Customs Union at the scheduled date on 31 December 2020 with a (still provisional) trade agreement. The British Pound continued to decline during the course of the year: the EUR/GBP started the year at 0.85 and closed at 0.8932. The Pound has fallen significantly versus the Euro since the Brexit referendum in June 2016 (end of December 2020: 17% since the referendum, and an even higher 28% since the end of 2015).

The stock markets started 2020 on a very optimistic note, with a number of indexes rising to new all-time highs during the first two months. The term "coronavirus" was widely recognized at that time but seen more as a localized Chinese problem. As the local epidemic in China slowly became a global pandemic, the longest bull market of all times came to an abrupt halt: The financial markets broke out in panic with the spread of the global corona pandemic, and share prices slumped. The fastest collapse in human memory during March was followed by an, in part, extreme market recovery. Particularly strong performance was registered by the US technology index Nasdaq, which was driven by technology and healthcare shares as "safe havens" in the pandemic and quickly rose to new all-time highs.

Numerous indexes were characterized by a volatile sidewards movement during the summer – which, however, changed quickly in the final quarter of 2020: Supported by Joe Biden's victory compared with promising headlines over soon-to-be available corona vaccines, the global stock markets began a race that was led by the European exchanges. The gains increased with the weighting of cyclical "Old Economy" industries. This is explained by the fact that these sectors were generally hardest hit by the economic restrictions to contain the pandemic – and would subsequently enjoy the highest earnings potential. As seen over the year, however, the European markets still lagged considerably behind their US counterparts: The Eurostoxx 50 declined by 5.14% for the year, while the Austrian ATX lost 12.76%. The German DAX recorded a plus of 3.55% – but was clearly outpaced by increases of 10% and 30% in the USA, depending on the index.

*Development of the EUR vs. USD and CHF*




## Development of the Austrian Banking Sector

The trend towards increasing balance sheet totals which began in the third quarter of 2018 continued during 2020: The average balance sheet total of the Austrian credit institutions rose by 8.4% year-on-year in the third quarter of 2020 (data are not yet available on the final quarter of 2020). Loans and advances to customers (non-bank) have risen steadily since the first quarter of 2018, but at a slower pace since the final quarter of 2019: In the third quarter of 2020, only 3.2% more loans were granted than in the third quarter of the previous year. The sharp downturn on the stock markets was also reflected in the development of the position “shares and other variable-yield securities“: This value was 3.7% lower year-on-year in the third quarter of 2020.

All segments on the liabilities side of the balance sheet also recorded growth in 2020: The increase in deposits from other banks was particularly strong with a plus of 23.5% in year-on-year comparison during the third quarter of 2020. This growth reflects the flood of liquidity from the ECB, which led to a substantial rise in central bank deposits. Deposits from customers (non-bank) increased by 5.6% and securitized liabilities by 5.2% (both versus the previous year).

The earnings position of the Austrian banks weakened further during 2020. Net interest income for the third quarter was lower than the previous year for the first time since 2017 (-0.1% year-on-year), and operating income decreased by 2.6% compared with the previous year. These declines were contrasted by a reduction in operating expenses. Operating profit therefore rose by 4.4%, or EUR 184.02 million, to EUR 4,371.37 million in the third quarter of 2020. Valuation allowances were increased significantly in anticipation of a wave of bankruptcies, and profit on ordinary activities for the third quarter was 41.9% below the previous year while net profit was 46.7% lower.

# Earnings, Financial and Asset Position

The following tables can include rounding differences.

The consolidated financial statements of RLB NÖ-Wien are prepared in accordance with EU Directive (EC) 1606/2002 issued by the Commission on 11 September 2002 in connection with § 245a of the Austrian Commercial Code ("Unternehmensgesetzbuch") and § 59a of the Austrian Banking Act ("Bankwesengesetz") on the basis of the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU. The consolidated financial statements reflect the legal regulations in effect and applicable as of 31 December 2020. RLB NÖ-Wien also prepares separate financial statements in accordance with the Austrian Banking Act and in connection with the Austrian Commercial Code. The consolidated management report agrees with the consolidated financial statements and presents a true and fair view of the financial position, financial performance and cash flows of RLB NÖ-Wien.

## Consolidated operating profit 2020 vs. 2019

| €'000 | 2020 | 2019 | Absolute +/(–) Change | Change in percent |
|---|---|---|---|---|
| Net interest income | 182,111 | 161,020 | 21,091 | 13.1 |
| Net fee and commission income | 56,979 | 60,841 | (3,862) | (6.3) |
| Profit from equity-accounted investments | (172,444) | 224,710 | (397,154) | - |
| Profit/Loss from investments and non-financial assets and liabilities | (27,857) | 10,997 | (38,854) | - |
| Other | 2,276 | 25,371 | (23,094) | (91.0) |
| ***Operating income*** | ***41,065*** | ***482,938*** | ***(441,873)*** | ***(91.5)*** |
| Staff costs | (103,830) | (100,877) | (2,954) | 2.9 |
| Other administrative expenses | (104,072) | (110,218) | 6,146 | (5.6) |
| Depreciation/amortization/write-offs | (15,230) | (13,290) | (1,940) | 14.6 |
| ***Depreciation, amortization, personnel and operating expenses*** | ***(223,132)*** | ***(224,385)*** | ***1,252*** | ***(0.6)*** |
| **Group operating income** | **(182,067)** | **258,553** | **(440,621)** | **-** |

**Net interest income** rose by 13.1% to EUR 182.1 million in 2020. This substantial year-on-year increase was based, above all, on the following factors:

- The expansion of the retail business did not represent a primary objective in 2020 due to the uncertainties surrounding COVID-19. The main focus was placed on stabilizing the business with existing customers. This approach minimized risks and maximized the resilience against a possible increase in the economic effects of the crisis.
- Net interest income initially increased in 2020 due to a slightly higher volume of loans and advances based on stable margins. This development levelled off during the course of the year due to the limitations on new business, above all caused by COVID-19. In addition, treasury results were improved by participation in the central banks' targeted longer-term refinancing operations (TLTRO) and the maturity of high-interest issues.

- The investment of surplus liquidity at an even lower ECB deposit rate (-0.5%) and the related reduction in bond yields continues to represent a significant problem for net interest income.

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

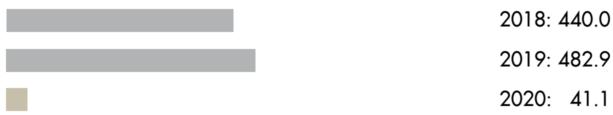

**Net fee and commission income** was slightly lower than the previous year at EUR 57.0 million in 2020 (EUR 60.8 million). Moderate growth in the securities business was contrasted by declines in the lending business, payment transactions in the insurance business as well as higher costs for credit brokers.

**Profit/(loss) from investments accounted for at equity** – which is influenced by the earnings contribution from RBI – totalled EUR -172.4 million in 2020 (2019: EUR 224.7 million). This position includes EUR 182.1 million (2019: EUR 278.0 million) for the proportional share of earnings from RBI as well as an impairment loss of EUR -358.0 million (2019: EUR-189.0 million) to the carrying amount of the RBI investment. The net contribution from RBI therefore equalled EUR -175.9 million in 2020 (2019: EUR 89.0 million). The contribution from R-IT amounted to EUR 3.4 million (2019: EUR 135.6 million), whereby the prior year results were influenced to a significant extent by the sale and the valuation of the shares in SoftwareONE Holding AG.

**Profit/loss from investments and financial/non-financial assets and liabilities** totalled EUR -27.9 million in 2020 (2019: EUR 11.0 million). These results include, in particular, valuation costs for derivatives which resulted primarily from the market turbulence caused by COVID-19. The positive results in the previous year were related chiefly to proceeds from the sale of government bonds.

**Other operating profit/(loss)** was EUR 23.1 million lower than the previous year at EUR 2.3 million in 2020. This decline is attributable to an increase in the provisions for obligations and guarantees issued. This position also includes, among others, the expenses for the stability levy (EUR 16.3 million; 2019: EUR 15.2 million) as well as the contribution to the European resolution fund and the deposit insurance fund (EUR 17.8 million; 2019: EUR 12.5 million).

***Operating income*** in EUR million




**Personnel expenses amounted to** EUR 103.8 million and were EUR 3.0 million higher than the previous year (EUR 100.9 million).

**Operating expenses** fell by EUR 6.1 million to EUR 104.1 million in 2020 (EUR 110.2 million). This decline was supported by a cutback in infrastructure costs, lower mailing costs in the customer business, savings in the areas of marketing expenses and a substantial reduction in consulting fees. In contrast, **depreciation and amortization** rose by EUR 1.9 million to EUR 15.2 million following the capitalization of rights of use in accordance with IFRS 16. The continuing high IT expenses for the wide-ranging digitalization offensive were offset by additional cost optimization measures.

***General administrative expenses*** in EUR million


The RLB NÖ-Wien Group recorded a year-on-year decline of EUR 440.6 million in **consolidated operating profit** to EUR -182.1 million in 2020. It resulted, above all, from the substantially lower earnings contributions from R-IT and RBI as well as the impairment loss recognized to the investment in RBI.

| €'000 | **2020** | 2019 | **Absolute +/(–) Change** | **Change in percent** |
|---|---|---|---|---|
| Group operating income | (182,067) | 258,553 | (440,621) | - |
| Net impairment loss/reversal of impairment to financial assets | (91,937) | (8,289) | (83,647) | >100 |
| Profit for the period before tax | (274,004) | 250,264 | (524,268) | - |
| Income tax | 18,331 | (22,862) | 41,193 | - |
| **Net profit/loss for the period** | **(255,672)** | 227,403 | **(483,075)** | **-** |

The **net impairment loss/reversal of impairment to financial assets** amounted to EUR -91.9 million in 2020 (2019: EUR-8.3 million). Of this total, EUR -91.4 million are attributable to valuation adjustments to loans and advances. The substantial year-on-year increase resulted from a higher balance of valuation allowances caused by the tense economic situation in connection with COVID-19 and involved both individual and general allowances.

**Profit before tax** was negative at EUR -274.0 million (2019: EUR 250.3 million). After the deduction of income tax expense, **profit after tax** equalled EUR -255.7 million (2019: EUR 227.4 million).

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


**Other comprehensive income** of EUR -173.0 million leads to total comprehensive income for 2020. It includes, above all, the proportional share of negative effects (above all FX effects) from the at-equity consolidation of RBI. **Total comprehensive income** for 2020 amounted to EUR -428.7 million (2019: EUR 308.9 million).

## Segment Report

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

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

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

The **Retail/ Raiffeisen Association Services Segment** covers the retail banking business in the Vienna branches, which service personal banking, trade and business and self-employed customers. The segment offers various banking products and services for these customer groups, in particular for investments and financing. Private banking teams provide professional advice to high net worth personal banking customers in Vienna, while small and medium-sized businesses are supported by the trade and business teams. This segment recorded a pre-tax loss of EUR -33.9 million in 2020, compared with EUR -11.8 million in the previous year. The volume of loans and advances rose substantially by 15.5% to EUR 3.3 billion and, in turn, led to an improvement in net interest income. In the deposit business, however, the negative effect from the continued decline in the three-month EURIBOR was greater and led to a year-on-year reduction of EUR 4.3 million in net interest income to EUR 52.7 million. Depreciation, amortization, personnel and operating expenses were EUR 7.2 million lower than the previous year at EUR 123.1 million. The current situation (COVID-19) was responsible for an increase in impairment allowances to EUR -21.6 million (2019: EUR -6.7 million), primarily due to general allowances for IFRS 9 Stage 1 and 2 items.

The **Corporate Clients Segment** recorded pre-tax profit of EUR 9.8 million in 2020 (2019: EUR 98.3 million). The volume of loans and advances rose by 1.8%, or EUR 0.2 billion which led to an increase in interest income. Net interest income improved to EUR 128.6 million (2019: EUR 127.9 million). Negative credit risk results of EUR -81.8 million (2019: EUR+1.6 million) – which include general risk allowances of EUR -42.3 million for IFRS 9 Stage 1 and 2 items (COVID-19), loans and advances carried at fair value (EUR -1.6 million) and higher individual impairment allowances (EUR -37.9 million) – led to a sharp drop in profit in this segment.

The **Financial Markets Segment** generated a pre-tax loss of EUR -3.5 million in 2020 (2019: EUR 134.7 million). Net interest income improved noticeably by EUR 23.5 million to EUR 49.9 million (2019: EUR 26.5 million) based on the participation in the central banks' TLTRO and the expiration of high-interest issues. The equity-accounted R-IT, which is allocated to the Financial Markets Segment, recorded results of EUR 3.4 million in 2020 (2019: EUR 135.7 million, special effect from the IPO and sale of SoftwareONE Holding AG in 2019). The sizeable year-on-year reduction in profit/loss from financial assets and liabilities to EUR -25.1 million (2019: EUR +4.6 million) is attributable to valuation effects from securities and derivatives carried at fair value (COVID-19 effect).

**RBI**, a material investment of RLB NÖ-Wien, contributed EUR 182.1 million to earnings in 2020 (2019: EUR 278.0 million). This was contrasted by an impairment loss of EUR 358.0 million (2019: EUR 189.0 million) recognized to the carrying amount of the RBI investment. Net profit before tax in the **RBI** Segment equalled EUR -227.5 million (2019: EUR 38.1 million) after the deduction of refinancing and administrative costs.

The **Raiffeisen Association Segment** reported a pre-tax loss of EUR -1.0 million in 2020 (2019: EUR 1.5 million).

The **Other Investments Segment** recorded profit before tax of EUR 0.2 million in 2020 (2019: EUR 0.4 million).

The **Other Segment** includes, above all, the special bank levy of EUR -10.6 million and a special charge for an addition to the deposit insurance fund. This segment recorded a pre-tax loss of EUR -18.1 million in 2020 (2019: EUR -10.9 million).

## Consolidated Balance Sheet 2020

The balance sheet total of the RLB NÖ-Wien Group rose by EUR 1,058.6 million over the previous year to EUR 28,662.7 million as of 31 December 2020. The expansion under both assets and liabilities resulted from an increase in interbank volumes.

### Assets

| €m | 31/12/2020 | 31/12/2019 | Absolute +/(–) Change | Change in percent |
|---|---|---|---|---|
| Financial assets at amortized cost | 19,842 | 20,033 | (192) | (1.0) |
| Of which loans and advances to customers | 13,658 | 13,313 | 345 | 2.6 |
| Of which bonds | 3,593 | 4,060 | (467) | (11.5) |
| Of which loans and advances to other banks | 2,580 | 2,648 | (68) | (2.6) |
| Of which other financial assets | 9 | 12 | (3) | (21.2) |
| Financial assets designated at fair value through profit or loss | 952 | 1,302 | (350) | (26.9) |
| Of which trading portfolio | 812 | 1,140 | (328) | (28.8) |
| Of which investments, immaterial shares in subsidiaries and associates | 9 | 14 | (5) | (36.5) |
| Of which bonds not held for trading | 1 | 1 | 0 | (2.2) |
| Of which loans and advances to customers not held for trading | 130 | 147 | (17) | (11.7) |
| Fair value changes in the underlying transactions for portfolio hedges of interest rate risks | 10 | (4) | 14 | - |
| Financial assets at fair value through other comprehensive income | 19 | 19 | 1 | 2.8 |
| Interest in equity-accounted investments | 2,202 | 2,586 | (383) | (14.8) |
| Other assets | 5,638 | 3,668 | 1,970 | 53.7 |
| **Consolidated assets** | **28,663** | 27,604 | **1,059** | **3.8** |

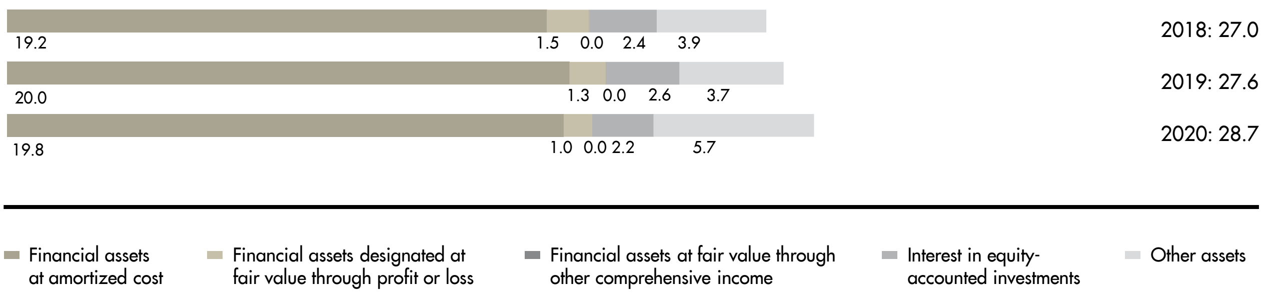
**Loans and advances to customers** increased slightly over the previous year despite the COVID-19 crisis and totalled EUR 13,658.4 million as of 31 December 2020.

**Loans and advances to other banks** amounted to EUR 2,580.4 million as of 31 December 2020, compared with EUR 2,648.3 million at year-end 2019.

The total **interest in equity-accounted investments** declined to EUR 2,202.3 million as of 31 December 2020 due to the recognition of an impairment loss to the investment in RBI (2019: EUR 2,585.5 million).

**Other assets** totalled EUR 5,637.9 million compared with EUR 3,668.0 million as of 31 December 2019. The year-on-year increase resulted primarily from a higher volume of deposits with Oesterreichische Nationalbank (OeNB).

***Structure of assets on the consolidated balance sheet*** in EUR billion




## Liabilities and Equity

| €m | 31/12/2020 | 31/12/2019 | Absolute +/(–) Change | Change in percent |
|---|---|---|---|---|
| Financial liabilities measured at amortised cost | 25,444 | 23,913 | 1,530 | 6.4 |
| Of which deposits from other banks | 9,357 | 7,684 | 1,673 | 21.8 |
| Of which deposits from customers | 9,177 | 8,972 | 205 | 2.3 |
| Of which securitized liabilities (incl. Tier 2 capital) | 6,815 | 7,161 | (346) | (4.8) |
| Of which other financial liabilities | 95 | 96 | (2) | (1.8) |
| Financial liabilities designated at fair value through profit or loss | 487 | 509 | (23) | (4.4) |
| Equity | 2,027 | 2,514 | (487) | (19.4) |
| Other liabilities | 706 | 668 | 38 | 5.6 |
| **Consolidated equity and liabilities** | **28,663** | 27,604 | **1,059** | **3.8** |

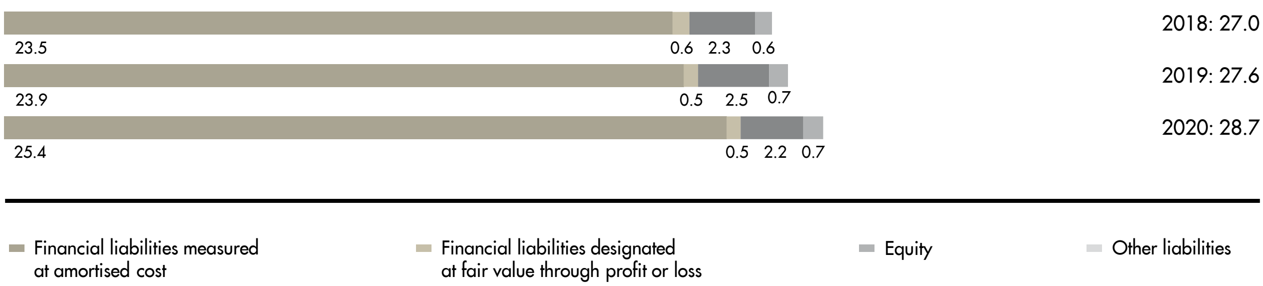
**Deposits from other banks** rose by 21.8%, or EUR 1,672.7 million, to EUR 9,356.8 million as of 31 December 2020 (2019: EUR 7,684.1 million), chiefly due to a higher volume of deposits with OeNB. A total of EUR 1,045 million was drawn from the TLTRO programme in 2020.

**Deposits from customers, including savings deposits** rose by EUR 205.4 million to EUR 9,177.1 million.

The total volume of **securitized liabilities, incl. Tier 2 capital,** equalled EUR 6,815.2 million and was EUR 346.0 million lower than the previous year. Aside from the issue of a covered bond (EUR 500.0 million), maturing instruments were not offset in full by new securities.

**Equity** declined by um EUR 486.9 million to EUR 2,026.8 million as of 31 December 2020, chiefly due to the negative earnings contribution from RBI.

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



# Financial Performance Indicators

## Performance Ratios

The **Group's cost/income ratio** – i.e. the ratio of operating expenses to operating income (incl. the profit (loss) from financial instrument and associates, and excl. impairment losses) – equalled 54.3% in 2020 (2019: 33.4%).

The **Group's return on equity after tax** – i.e. the return on equity based on average equity – is not presented for 2020 due to the loss recorded for the year (2019: 9.5%).

## 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 2,935.1 million (2019: EUR 3,421.1 million). At 21.6% (2019: 22.3%), the Tier 1 ratio (for comprehensive risk) substantially exceeds the total capital requirement, including the buffer, of 17.10% established by the Supervisory Review and Evaluation Process (SREP). It includes the minimum capital requirement of 8% defined by Art. 92 of the CRR as well as an additional capital requirement of 5.60% which was established by the SREP. The capital buffer requirements consist of a system risk buffer of 1.00% and a capital conservation buffer of 2.50%.

Eligible capital comprises the following: The common equity Tier 1 ratio includes the superior credit institution's subscribed capital of EUR 124.0 million, appropriated capital reserves of EUR 907.7 million, retained earnings of EUR 1,508.1 million, various regulatory adjustments of EUR 4.8 million and the application of the IFRS 9 transition guidance of EUR 68.7 million. After deductions of EUR -138.2 million, common equity Tier 1 capital equals EUR 2,475.2 million. The additional Tier 1 capital comprises an additional Tier 1 capital instrument of EUR 95.0 million. Tier 1 capital, after deductions, therefore totalled EUR 2,570.2 million (2019: EUR 2,997.1 million).

Tier 2 capital of EUR 364.9 million (2019: EUR 424.0 million) comprises eligible Tier 2 instruments of EUR 335.4 million, an addition of EUR 28.9 million for amounts guaranteed and participation capital of EUR 0.6 million which no longer qualifies as CET 1 capital.

Tier 1 capital as a per cent of eligible capital equalled 87.6% as of 31 December 2020 (2019: 87.6%).

The common equity Tier 1 ratio (CET1 ratio) equalled 18.2% as of 31 December 2020 (2019: 18.9%), and the Tier 1 ratio for the total risk of the Raiffeisen-Holding NÖ-Wien credit institution group equalled 18.9% (2019: 19.5%).

# The Internal Control System for the Accounting Process

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

## Control Environment

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

The internal control system comprises guidelines and processes which:

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

## Risk Assessment

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

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

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

## Control Measures

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

## Information and Communication

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

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

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

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

## Monitoring

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

# Risk Report

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

# Branches and Offices

The branch structure was further optimized in 2020. The personal and business banking customers of RLB NÖ-Wien were serviced at 21 locations throughout Vienna as of 31 December 2020. Vienna's Loos Haus provides services for private banking customers, while the Raiffeisen Haus also offers services for the Raiffeisen organization and its employees. Five customer representative teams are available for business customers. The service centre for corporate clients is located in the Raiffeisen Haus on Friedrich-Wilhelm-Raiffeisen-Platz 1 in Vienna. RLB NÖ-Wien has no branches or offices in foreign countries.

# Research and Development

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

# Non-financial Performance Indicators

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

# Significant Events after the Balance Sheet Date

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

# Outlook on 2021

## The Economic Environment

The International Monetary Fund (IMF) raised its growth forecast for the global economy by 0.3 percentage points to 5.5% in its January forecast despite the ongoing uncertainty over the corona pandemic. As the main reason for its decision, the institution indicated the positive effects of the beginning vaccination campaign and the additional economic support measures introduced by the USA and Japan. The decline in the global economy during 2020 – which is estimated at 3.5% - is not as severe as originally expected in the October forecast with its projection of -4.4%. The IMF's forecast for 2022 remains unchanged with global growth of 4.2%. However, Chief Economist Gita Gopinath has noted that these forecasts are still connected with substantial uncertainty because of the pandemic and the increasing rate of infections in many industrial countries.

The US economy has continued to lose momentum with the rapid increase in new corona infections during the second and third waves. Many states were forced to implement new restrictions to manage the pandemic. The GDP fell by 3.5% year-on-year in 2020 as a result of the corona crisis, but a dynamic recovery is expected in 2021 (the IMF projects 5.1%). The beginning immunization of the population should lead to a substantial let-up in the lockdown-measures, which would benefit the economy during the year.

According to the IMF forecast, some countries will recovery much faster than others. For example: China – the only major economy to generate growth in 2020 (2.3%) – is projected to see growth of 8.1% in 2021.

The IMF revised its 2021 forecast for the German economy downward by 0.7 percentage points to 3.5%, with a return to growth of 3.1% projected for 2022. Shortly before, in a separate country study, the IMF gave Germany comparatively good marks for its good corona crisis management but expressed its concern over the possible early termination of economic assistance programmes. For the Eurozone in total, the IMF reduced its forecast for 2021 by one percentage point to a plus of 4.2%.

The ECB took further steps in December 2020 to support the development of the economy and inflation within the scope of its possibilities. The ultra-expansive course was confirmed by the European monetary watchdogs at their January Council meeting. As regards the PEPP, it was emphasized, on the one hand, that there is no need to exhaust the current purchase framework of EUR 1,850 billion by the end of March 2022. On the other hand, there is a readiness to further increase the volume if this is necessary to ensure favourable financing conditions. Christine Lagarde also emphasized the ECB's fundamental readiness, which means the institution has defined its monetary policy for an unusually long period in advance. In other words, it is clear that interest rates and yields in the Eurozone will remain very low for a very long time.

The corona pandemic triggered a downturn of historic proportions in the Austrian economy during 2020. The economic research institute Wifo expects a GDP decline of 7.3% for that year. The development of infections remains the great unknown for 2021, while rising infection rates and the lack of predictability in the current situation increase the negative impact on the economy. The third lockdown will cut growth to 4.5% in 2021 according to Wifo, and Austria's GDP will not return to the pre-crisis level before the end of 2022 or the beginning of 2023. The crisis has been responsible for an increase in the length of employment among large segments of the workforce. Consequently, the unemployment rate is expected to reach 9.3% in 2021 and only begin to decline in 2022.

## Outlook on the Group's Development

The first half of 2021 will still be characterized by increased uncertainty due to the ongoing COVID-19 pandemic. The second half-year is expected to bring a recovery in the overall economic situation which, however, will be heavily dependent on global and regional pandemic developments and the effects of government support measures.

In the corporate clients segment, RLB NÖ-Wien intends to concentrate on growth with existing customers in its function as a strong partner. The focus for the private customer business will remain on the long-term expansion of the mortgage business.

Plans call for the continuation and further expansion of high-quality customer relationships through a customer-oriented approach. Specially designed solutions will also be needed for customers affected by the corona crisis to master the tense financial situation.

Risk costs will represent an important factor in 2021 but are dependent, above all, on the continuation of government support measures and the development of the economy. The forward-looking and cautious risk policy followed in recent year will form the basis for the related activities.

The strategic focal points defined in recent years will be continued:

- Further expansion of the successful corporate clients business in connection with an increased digital offering.
- Continued implementation of the new branch concept in Vienna to develop a modern, practical branch network which meets the changing expectations and needs of the bank's customers. In keeping with the motto "Meine Stadtbank", RLB NÖ-Wien has designed a market presence that emphasizes its digital performance as well as close and personal customer service.
- As a bank for the Raiffeisen sector, the role of RLB NÖ-Wien as a synergy partner for the Lower Austrian Raiffeisen banks will be further expanded.
- The focal point set in 2020 to expand sustainability and CSR throughout the RLB NÖ-Wien Group will be continued. The eight areas of activity identified as strategic sustainability initiatives during the past year will be addressed as part of a group-wide project in 2021.

Vienna, 26 March 2021
The Managing Board

Klaus BUCHLEITNER m.p.
Chairman

Reinhard KARL m.p.
Deputy Chairman

Andreas FLEISCHMANN m.p.
Member of the Managing Board

Martin HAUER m.p.
Member of the Managing Board

Michael RAB m.p.
Member of the Managing Board

# CONSOLIDATED FINANCIAL STATEMENTS (IFRS) 2020

# Consolidated Statement of Comprehensive Income

## Consolidated Income Statement

| €'000 | Notes | 01/01 - 31/12/2020 | 01/01 - 31/12/2019 |
|---|---|---|---|
| Net interest income | (1) | 182,111 | 161,020 |
| Interest income calculated according to the effective interest method | | 288,824 | 271,836 |
| Interest income not calculated according to the effective interest method | | 127,065 | 167,013 |
| Interest expense calculated according to the effective interest method | | (126,334) | (135,179) |
| Interest expense not calculated according to the effective interest method | | (107,444) | (142,650) |
| Net fee and commission income | (2) | 56,979 | 60,841 |
| Fee and commission income | | 87,018 | 86,992 |
| Fee and commission expenses | | (30,039) | (26,151) |
| Dividend income | (3) | 643 | 2,682 |
| Profit from equity-accounted investments | (4) | (172,444) | 224,710 |
| Depreciation, amortization, personnel and operating expenses | (5) | (223,132) | (224,385) |
| Profit/Loss from financial assets and liabilities | (6) | (27,781) | 10,564 |
| Of which profit/loss from derecognition of financial assets at amortized cost | | 4,037 | 15,464 |
| Profit/Loss from investments and non-financial assets | (7) | (77) | 432 |
| Net impairment loss/reversal of impairment to financial assets | (8) | (91,937) | (8,289) |
| Other operating profit/loss | (9) | 1,634 | 22,689 |
| Other operating income | | 57,250 | 61,566 |
| Other operating expenses | | (46,614) | (42,361) |
| Addition to or release of provisions | | (9,003) | 3,484 |
| **Profit for the period before tax** | | **(274,004)** | 250,264 |
| Income tax | (10) | 18,331 | (22,862) |
| **Profit for the period after tax** | | **(255,672)** | 227,403 |
| Of which attributable to non-controlling interests | | 12 | 12 |
| Of which attributable to equity owners of the parent | | (255,685) | 227,391 |

## Reconciliation to Consolidated Comprehensive Income

| €'000 | 01/01 - 31/12/2020 | 01/01 - 31/12/2019 |
|---|---|---|
| *Profit for the period after tax* | *(255,672)* | *227,403* |
| *Items that will not be reclassified to profit or loss in later periods* | *537* | *9,210* |
| Remeasurement of defined benefit pension plans | (2,432) | (7,107) |
| Fair value changes in equity instruments (through other comprehensive income) | (171) | (218) |
| Deferred taxes on items not reclassified to profit or loss | 86 | 828 |
| Proportional share of other comprehensive income from equity-accounted investments | 3,055 | 15,708 |
| *Items that may be reclassified to profit or loss in later periods* | *(173,591)* | *72,252* |
| Cash flow hedge reserve | (1,252) | (2,045) |
| Deferred taxes on items that may be reclassified to profit or loss | 396 | 68 |
| Proportional share of other comprehensive income from equity-accounted investments | (172,735) | 74,229 |
| *Other comprehensive income* | *(173,054)* | *81,462* |
| **Consolidated comprehensive income** | (428,726) | 308,864 |
| Of which attributable to non-controlling interests | 12 | 12 |
| Of which attributable to equity owners of the parent | (428,738) | 308,852 |

# Consolidated Balance Sheet

| €'000 | Notes | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| Cash, cash balances at central banks and other demand deposits | (11) | 4,930,949 | 3,040,188 |
| Financial assets held for trading | (12) | 811,971 | 1,140,011 |
| Derivatives | | 472,212 | 487,792 |
| Other trading assets | | 339,759 | 652,219 |
| Non-trading financial assets mandatorily at fair value through profit or loss | (13) | 139,879 | 162,229 |
| Financial assets at fair value through other comprehensive income | (14) | 19,472 | 18,950 |
| Financial assets at amortized cost | (15) (16) | 19,841,540 | 20,033,364 |
| Bonds | | 3,593,206 | 4,060,086 |
| Loans and advances to other banks | | 2,580,439 | 2,648,319 |
| Loans and advances to customers | | 13,658,437 | 13,312,952 |
| Other financial assets | | 9,457 | 12,007 |
| Derivatives - hedge accounting | (17) | 442,929 | 405,674 |
| Fair value changes in the underlying transactions for portfolio hedges of interest rate risks | (18) | 9,710 | (3,922) |
| Interest in equity-accounted investments | (19) | 2,202,271 | 2,585,515 |
| Property and equipment | (20) | 104,261 | 102,197 |
| Investment property | (20) | 1,851 | 2,451 |
| Intangible assets | (21) | 16,402 | 12,947 |
| Deferred tax assets | (22) | 20,358 | 259 |
| Tax assets | | 158 | 107 |
| Deferred tax assets | | 20,200 | 152 |
| Other assets | (23) | 121,121 | 104,248 |
| **Balance sheet assets** | | **28,662,712** | 27,604,110 |

| €'000 | Notes | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| Financial liabilities held for trading - derivatives | (24) | 486,581 | 509,172 |
| Financial liabilities measured at amortized cost | (25) | 25,443,707 | 23,913,387 |
| Deposits from other banks | | 9,356,799 | 7,684,088 |
| Deposits from customers | | 9,177,078 | 8,971,709 |
| Securitized liabilities | | 6,815,205 | 7,161,241 |
| Other financial liabilities | | 94,625 | 96,349 |
| Derivatives - hedge accounting | (26) | 501,560 | 407,138 |
| Provisions | (27) | 134,428 | 120,457 |
| Tax liabilities | (28) | 3,940 | 7,687 |
| Tax liabilities | | 3,940 | 2,664 |
| Deferred tax liabilities | | 0 | 5,022 |
| Other liabilities | (29) | 65,739 | 132,649 |
| Equity | (30) | 2,026,758 | 2,513,620 |
| Attributable to non-controlling interests | | 46 | 40 |
| Attributable to equity owners of the parent | | 2,026,712 | 2,513,580 |
| **Balance sheet equity and liabilities** | | **28,662,712** | 27,604,110 |

# Consolidated Statement of Changes in Equity

| €'000 | Attributable to equity holders of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Subscribed capital** | **Capital reserves** | **Retained earnings incl. profit or loss attributable to equity owners of the parent** | **Other compre-hensive income** | **Equity attributable to owners of the parent** | **Non-controlling interests** | **Total** |
| ***Equity at 01/01/2019*** | *219,789* | *556,849* | *1,890,024* | *(416,535)* | *2,250,128* | *110* | *2,250,238* |
| Consolidated comprehensive income | 0 | 0 | 227,391 | 81,462 | 308,852 | 12 | 308,864 |
| Net profit/loss for the period | 0 | 0 | 227,391 | 0 | 227,391 | 12 | 227,403 |
| Other comprehensive income | 0 | 0 | 0 | 81,462 | 81,462 | 0 | 81,462 |
| Dividends paid | 0 | 0 | (30,111) | 0 | (30,111) | (5) | (30,116) |
| Enterprise's interest in other changes in equity of equity-accounted investments | 0 | 0 | (15,363) | 0 | (15,363) | 0 | (15,363) |
| Other changes | 0 | 0 | 75 | 0 | 75 | (76) | (2) |
| **Equity at 31/12/2019** | 219,789 | 556,849 | 2,072,015 | (335,074) | 2,513,581 | 40 | 2,513,620 |
| ***Equity at 01/01/2020*** | ***219,789*** | ***556,849*** | ***2,072,015*** | ***(335,074)*** | ***2,513,581*** | ***40*** | ***2,513,620*** |
| Consolidated comprehensive income | 0 | 0 | (255,685) | (173,054) | (428,738) | 12 | (428,726) |
| Net profit/loss for the period | 0 | 0 | (255,685) | 0 | (255,685) | 12 | (255,672) |
| Other comprehensive income | 0 | 0 | 0 | (173,054) | (173,054) | (1) | (173,054) |
| Dividends paid | 0 | 0 | (50,002) | 0 | (50,002) | (5) | (50,007) |
| Enterprise's interest in other changes in equity of equity-accounted investments | 0 | 0 | (8,129) | 0 | (8,129) | 0 | (8,129) |
| Other changes | 0 | 0 | (115) | 115 | 0 | 0 | 0 |
| **Equity at 31/12/2020** | **219,789** | **556,849** | **1,758,085** | **(508,012)** | **2,026,712** | **46** | **2,026,758** |

# Consolidated Cash Flow Statement

| €'000 | Notes | 01/01 - 31/12/2020 | 01/01 - 31/12/2019 |
|---|---|---|---|
| ***Profit for the period after tax*** | | ***(255,672)*** | ***227,403*** |
| Writedowns (+)/writeups (-) of property and equipment and measurement of financial assets and equity investments | | (44,716) | (105,229) |
| Profit from equity-accounted investments | (4) | 172,444 | (224,710) |
| Release of/addition to provisions and impairment allowances | | 104,118 | (11,323) |
| (Gains)/losses on disposals of property and equipment and financial investments | | (18,116) | (39,550) |
| Reclassification of net interest income, dividends and income taxes | | (201,085) | (141,962) |
| Other adjustment (net) | | (6,999) | 786 |
| ***Subtotal before change in assets/liabilities (operating)*** | | ***(250,027)*** | ***(294,586)*** |
| Other demand deposits | | (141,596) | 3,311 |
| Financial assets held for trading | | 328,891 | 209,944 |
| Financial assets designated at fair value through profit or loss | | 17,155 | 12,660 |
| Financial assets at amortized cost | | (353,836) | (889,066) |
| Derivatives - hedge accounting | | 46,965 | 11,049 |
| Other assets | | (16,873) | 26,454 |
| Financial liabilities held for trading - derivatives | | (2,349) | (66,724) |
| Financial liabilities measured at amortized cost | | 1,577,872 | 442,257 |
| Other provisions | | (14,838) | (29,155) |
| Other liabilities | | (72,962) | 4,853 |
| Interest received | | 434,343 | 452,761 |
| Dividends received | | 33,790 | 71,932 |
| Interest paid | | (252,455) | (280,714) |
| Income taxes paid | | 1 | 1,473 |
| ***Cash flow from operating activities*** | | ***1,334,083*** | ***(323,553)*** |
| Cash receipts from sales of financial investments | | 661,389 | 608,938 |
| Cash receipts from sales of equity investments | | 10 | 0 |
| Cash receipts from sales of property and equipment and intangible assets | | 1,264 | 1,715 |
| Cash paid for financial investments | | (140,427) | (413,593) |
| Cash paid for property and equipment and intangible assets | | (12,273) | (10,460) |
| ***Cash flow from investing activities*** | | ***509,964*** | ***186,600*** |
| Cash inflows from Tier 2 capital | | 0 | 138 |
| Cash outflows from Tier 2 capital | | (32,986) | (140,594) |
| Repayments from lease liabilities | | (11,746) | (7,849) |
| Dividends paid | | (50,007) | (30,116) |
| Payments from/to non-controlling interests | | 0 | (2) |
| ***Cash flow from financing activities*** | | ***(94,739)*** | ***(178,423)*** |

| €'000 | 01/01 - 31/12/2020 | 01/01 - 31/12/2019 |
|---|---|---|
| ***Cash and cash equivalents at end of previous year*** | ***915,352*** | *1,230,702* |
| Cash flow from operating activities | 1,334,083 | (323,553) |
| Cash flow from investing activities | 509,964 | 186,600 |
| Cash flow from financing activities | (94,739) | (178,423) |
| Effect of exchange rate changes and other effects | (45) | 25 |
| **Cash and cash equivalents at end of year** | **2,664,614** | 915,352 |

# Notes

## The Company

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

RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung (Raiffeisen-Holding NÖ-Wien) currently holds 100% (2019: 100%) of RLB NÖ-Wien. The transfer of 459,592 shares of RLB NÖ-Wien by Lower Austrian Raiffeisen banks to Raiffeisen-Holding NÖ-Wien became legally effective on 26 September 2019, and Raiffeisen-Holding NÖ-Wien has held all shares in RLB NÖ-Wien since that date. The consolidated financial statements of Raiffeisen-Holding NÖ-Wien are filed with the company register in accordance with Austrian disclosure regulations and also published in the Raiffeisen newspaper.

RLB NÖ-Wien is a modern regional and commercial bank located in eastern Austria which serves as the leading institution for the 49 Lower Austrian Raiffeisen banks. RLB NÖ-Wien traditionally concentrates on the Austrian capital, above all in keeping with the motto "Raiffeisen in Wien. Meine Stadtbank.", while the local independent Raiffeisen banks represent the leading banking group in the province of Lower Austria.

RLB NÖ-Wien holds an investment of 22.6% in Raiffeisen Bank International AG (RBI). RBI views Austria, where it is active as a leading commercial and investment bank, as well as Central and Eastern Europe (CEE) as its home market. The RBI Group also includes numerous other financial service companies, for example in the areas of leasing, asset management and M&A.

## Principles of Accounting under IFRS

### Principles

The consolidated financial statements for the 2020 financial year, including the comparative data for 2019, were prepared in accordance with EU Directive (EC) No. 1606/2002 issued by the Commission on 11 September 2002 in connection with § 245a of the Austrian Commercial Code and § 59a of the Austrian Banking Act in the version applicable as of the respective balance sheet date. All International Financial Reporting Standards (IFRS) and IFRIC interpretations that were adopted by the EU and required mandatory application were applied in preparing the consolidated financial statements.

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

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

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

### Scope of consolidation

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

As of 31 December 2020, the scope of consolidation, excluding RLB NÖ-Wien as the parent company, comprised 12 (2019: 12) fully consolidated companies. The registered headquarters of all Group companies are located in Austria.

The following table shows the number of consolidated subsidiaries and equity-accounted entities:

| Number of Entities | 2020 Consolidated | 2019 | 2020 Equity Method | 2019 |
|---|---|---|---|---|
| At 1 January | 12 | 13 | 2 | 2 |
| Changes during the period | 0 | (1) | 0 | 0 |
| **At 31 December** | **12** | 12 | **2** | 2 |

The balance sheet date for all companies included in the consolidated financial statements through full consolidation or at equity is 31 December 2020, with the exception of the subsidiary NAWARO ENERGIE Betrieb GmbH. This company has a balance sheet date of 31 March and is consolidated as of 30 September. Major transactions and other events occurring between the subsidiary's balance sheet date and the closing date for RLB NÖ-Wien were included if they were material.

The scope of consolidation did not include any financial statements prepared in a foreign currency. A list of consolidated companies, equity-accounted entities and other equity investments is provided in the Overview of Equity Investments in Note (54) to Note (57).

## Basis of consolidation

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

## Investments accounted for at equity

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

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

## COVID-19 disclosures in the consolidated interim financial statements of RLB NÖ-Wien

The disclosure of information on and the implications related to the COVID-19 pandemic are generally presented in the sections which contain the related content and were materially influenced by the crisis. The assumption that RLB NÖ-Wien is a going concern remains intact and valid. The following sections and positions on the consolidated income statement and consolidated balance sheet are directed to, respectively significantly influenced by this subject:

Accounting policies related to COVID-19 circumstances and events

- Note (4) Profit from equity-accounted investments
- Note (6) Profit/loss from financial assets and liabilities:
    - Profit/loss from financial assets and liabilities carried at fair value through profit or loss
    - Profit/loss from modifications
- Note (8) Net impairment loss/reversal of impairment to financial assets
- Note (16) Risk provisions includes a separate sub-section on COVID-19 as well as macroeconomic data and sensitivity
- analyses in connection with the determination of the expected credit loss.
- Note (31) Risks arising from financial instruments (Risk Report)
- Note (33) Fair value of financial instruments

# Significant Accounting Policies

## Accounting policies related to COVID-19 circumstances and events

### Government moratoria and individual measures

The enactment of a special accompanying act (“2. COVID-19-Justiz-Begleitgesetz“) by the Austrian Parliament gave consumers and micro-entrepreneurs the opportunity to defer principal and interest payments which become due between 1 April 2020 and 31 January 2021 for a period of ten months when servicing the loan cannot be reasonably expected due to the COVID-19 pandemic and the involved risk position existed prior to the outbreak of the pandemic. This legal regulation, which created a three-month extension for terms which would have originally ended on 30 June 2020, was prolonged twice. It is based on an “opt-in model“, i.e. customers must actively request a payment deferral from the bank. RLB NÖ-Wien also participated in the Austrian banking industry’s non-legislative moratorium in accordance with the EBA Guideline.

In addition, RLB NÖ-Wien gave involved customers the opportunity to adjust their contracts at a bilateral level (so-called voluntary deferral measures). The borrower is therefore not considered to be in default during the period in which payments are deferred.

Government moratoria as well as voluntary concessions lead to a change in the contractual payment flows from the underlying assets. The significant accounting policies applicable to the modification of contractual cash flows from debt instruments that are not carried at fair value through profit or loss, which are described in this section under the “modification of contractual payment flows from financial instruments”, remain valid in this connection. The modification results from government moratoria and individual measures are reported under “Profit/loss from modifications (see Note (6) Profit/loss from financial assets and liabilities) and are presented separately in this section. The changes in contractual payment flows are evaluated according to qualitative and quantitative criteria – by way of a present value comparison – to determine whether the modifications are substantial. Substantial modifications lead to the derecognition of the existing financial instrument and the recognition of a new, adjusted financial instrument. Since most of the COVID-19-related contract changes are temporary deferrals, they generally do not have any substantial present value effects that would result in derecognition.

Deferral measures are not automatically viewed as a trigger for the evaluation of a significant increase in credit risk (SICR); each case is evaluated individually (with the exception of the qualitative criteria described in Note (16)). RLB NÖ-Wien also applies the defined qualitative and quantitative evaluation criteria and thresholds to the stage allocation in connection with COVID-19 measures. A significant increase in the credit risk is assumed for customers who received a deferral in the sense of the non-legislative moratorium based on the EBA Guideline.

Additional details on the determination of the expected credit losses are provided in Note (16) Risk provisions and in the Risk Report (see Note (31) Risks arising from financial instruments).

### Government guarantees

The COVID-19 support measures include various programmes that are designed to counter the economic downturn and stabilize the economy through payment guarantees by public legal entities. RLB NÖ-Wien has granted government-guaranteed bridge loans in connection with the COVID-19 crisis (among others to ÖHT/Österreichische Hotel- und Tourismusbank, aws/Austria Wirtschaftsservice Gesellschaft mbH, COFAG/COVID-19 Finanzierungsagentur des Bundes GmbH), which are recognized as independent financial instruments. The financial guarantees for these newly granted loans are accounted for as an integral part of the financial instruments and not recognized separately. The value of the guarantee has no influence on whether there is a significant increase in the credit risk but does affect the amount of the expected credit losses. Additional details on COVID-19 bridge financing are provided in the Risk Report (see Note (31) Risks arising from financial instruments).

### Deferred taxes

An analysis of the determination of deferred taxes in connection with the COVID-19 crisis indicated that the applied valuation method is appropriate. Consequently, no valuation adjustments were required. The related valuation method is described in detail under "Significant Accounting Policies" in the sections on income taxes and judgments and estimates/deferred tax assets.

### Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In accordance with IFRS 9, all financial instruments must be recognized on the balance sheet and measured at their fair value as of the acquisition date. The fair value of financial instruments which are not classified at fair value through profit or loss also includes the transaction costs applicable to the purchase (addition) or issue (deduction). Fair value is "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (IFRS 13). It represents a market-based valuation; the fair value for listed financial instruments corresponds to the market price. In the absence of an active market, standard market valuation methods based on observable data are used for measurement Market prices are used to determine the fair value of listed products, while near-market prices (Bloomberg, Reuters) are used for non-listed products. In cases where observable input factors are not available, fair value is based on the assumptions, including the assumptions for risks, which market participants would use in pricing the financial instrument. The determination of fair value also includes the future cash flows from a financial instrument, which are discounted by means of financial methods and the interest rate curve applicable to the valuation date. Additional details on the determination of fair value are provided in Note (33) Fair value of financial instruments.

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

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

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

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

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

- "Hold to collect": the objective is to collect contractual cash flows over the term of the financial instrument
- "Hold to collect and sell": the objective is to collect contractual cash flows and to sell the financial instrument (not used by RLB NÖ-Wien in 2020 or 2019)
- "Other": the objective is not to collect contractual cash flows, but to realize the fair values.

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

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

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

## Financial assets held for trading

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

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

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

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

## Financial assets at fair value through profit or loss

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

RLB NÖ-Wien did not use this classification option in 2020 or 2019.

## Financial assets at fair value through other comprehensive income

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

RLB NÖ-Wien did not use the "hold to collect and sell" business model in 2020 or 2019 and, therefore, only reports equity instruments under this balance sheet position. These assets are initially recognized and subsequently measured at fair value, whereby changes are recorded to other comprehensive income and not reclassified to the income statement.

## Financial assets at amortized cost

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

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

## Modifications to the contractual cash flows of financial instruments

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

## Risk provisions

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

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

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

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

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

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

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

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

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

In accordance with IFRS 9.5.5.1, impairment allowances are calculated for all financial assets classified at amortized cost according to IFRS 9.4.1.2 or at fair value through other comprehensive income according to IFRS 9.4.1.2A. This applies to on-balance sheet as well as off-balance sheet items. The amount of the impairment allowance is calculated in accordance with IFRS 9.5.5.1. based on the expected credit loss (ECL) approach and, for credit-impaired positions (Stage 3) as defined in IFRS 9 B5.5.33, equals the difference between the carrying amount and the present value of the expected future cash flows. All credit-impaired loans and advances to significant customers are measured at the individual financial instrument level with a discounted cash flow method. Credit-impaired loans and advances to non-significant customers are measured on the basis of a model, whereby the amount of the loss allowance is determined by the unsecured exposure (EAD, exposure at default) and a loss ratio that is dependent on the default period (LGD, loss given default). Impairment losses for financial instruments which are not in default are calculated on the basis of the ECL for Stage 1 (no significant increase in the default risk since initial recognition) or on the basis of the lifetime ECL for Stage 2 (a significant increase in the default risk since initial recognition). The applied point-in-time (PiT) models use historical as well as future-oriented information. All models are monitored regularly and validated annually. The results of the validation are translated into an action plan which is approved by management and subsequently implemented. This can lead to the adjustment of the models within the framework of the applicable modelling logic. The ongoing validation of the parameter models shows that they produce economically reasonable results.

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

The total amount of the impairment allowance for recognized loans and advances is allocated to the balance sheet position for the underlying financial instrument. The impairment allowance for off-balance sheet transactions is recognized as a provision. On the income statement, changes in the impairment allowance are reported as part of the “net impairment loss/reversal of impairment to financial assets” (Note (8)); for off-balance sheet positions, these changes are reported as part of “other operating profit/loss” (Note (9)) under “addition to or release of provisions“. Direct write-offs are, as a rule, only recognized when a debt waiver has been agreed with a borrower or when an unexpected loss has occurred.

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

## Derivatives and hedge accounting

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

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

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

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

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

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

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

and liabilities were exchanged for fixed interest payments, generally through interest rate swaps.

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

RLB NÖ-Wien held no active cash flow hedges during the 2020 and 2019 financial years. The cash flow hedge reserve will be released through profit or loss over the remaining term of the previously hedged receivables and liabilities, i.e. it is reversed to profit and loss in the periods in which the cash flows of the hedged item influence operating results (IFRS 9.6.5.12). As of 31 December 2020, all cash flow reserves from hedges concluded in previous financial years had been amortized in accordance with this principle.

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

As regards its hedge accounting processes, RLB NÖ-Wien does not expect the benchmark reform will lead to a change in the reference interest rate applied to reference interest-based, hedged risk and/or the timing and amount of cash flows during the period of uncertainty caused by the reform. This assumption remains valid until the uncertainty no longer exists of the hedge is terminated.

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

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

## Classes of financial instruments (IFRS 7)

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

- Cash on hand, deposits with central banks and demand deposits
- Financial assets held for trading
    - Derivatives
    - Other trading assets – equity instruments
    - Other trading assets – debt instruments (bonds)
- Financial assets not held for trading, mandatory measurement at fair value
- Financial assets at fair value through profit or loss (not used as of 31 December 2020)
- Financial assets at fair value through other comprehensive income
- Financial assets at amortized cost
    - Debt instruments (bonds)
    - Loans and advances
- Derivatives - hedge accounting

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

Liabilities are grouped under the following classes:

- Financial liabilities held for trading
    - Derivatives
    - Other trading liabilities (not used as of 31 December 2020)
- Financial liabilities at fair value through profit or loss (not used as of 31 December 2020)

- Financial liabilities at amortized cost
    - Deposits
    - Securitized liabilities
- Derivatives - hedge accounting

The classes of financial instruments listed under liabilities were carried at amortized cost as of 31 December 2020, with the exception of derivatives.

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

## Property and equipment and intangible assets

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

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

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

| Useful life | Years | in % |
|---|---|---|
| Intangible assets | 2 - 15 | 6.7 – 50.0 |
| Buildings | 2 - 50 | 2.0 – 50.0 |
| Technical equipment and machinery | 2 - 20 | 5.0 – 50.0 |
| Office furniture and equipment | 1.5 - 13 | 7.7 – 66.7 |
| Usage rights | 1 – 36.5 | 2.7 – 100.0 |
| Investment property | 15 - 67 | 1.5 – 6.7 |

## Investment property

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

## Other assets

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

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

## Financial liabilities

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

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

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

TLTRO III financing transactions – which are available on the market to credit institutions as a form of collateralized refinancing and reported under deposits from other banks – are recorded by RLB NÖ-Wien as financial instruments in accordance with IFRS 9. Additional details are provided under Note (1) Net interest income.

RLB NÖ-Wien did not utilize the option to classify financial liabilities at fair value through profit or loss in 2020.

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

## Other liabilities

Other liabilities comprise liabilities that do not result from a core banking relationship as well as liabilities from other taxes and duties, deferred income and miscellaneous payables. This position also includes open billings from the operating business which were settled after the closing date on 31 December 2020.

## Provisions

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

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

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

- Defined contribution plans:

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

- Defined benefit plans:

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

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

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

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

The same applies analogously to the jubilee provision. Under the collective agreement for the salaried employees of the Raiffeisen organization's auditing associations and regional banks and by company agreement, employees are entitled to jubilee benefits when they reach 25 and 35 years of service.

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

The biometric parameters defined by “AVÖ 2018-P Rechnungsgrundlagen für die Pensionsversicherung“ for salaried employees were used as the calculation basis for all employee-related provisions. The calculations reflected the earliest possible retirement age for men and women.

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

### Income tax

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

RLB NÖ-Wien and its fully consolidated subsidiaries are part of a tax group established pursuant to § 9 of the Austrian Corporate Tax Act, in which RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung (Raiffeisen-Holding NÖ-Wien) serves as the head of the group and have concluded a group tax and transfer agreement with Raiffeisen-Holding NÖ-Wien.

Based on this agreement, the group members are assessed a positive tax charge on allocated profits and a proportional share of the corporate income tax arising at the group level at a maximum rate of 25%. Tax losses are compensated with a negative tax charge of 12.5%. The accounting treatment of deferred taxes is based on Opinion 13 issued by the Austrian Financial Reporting and Accounting Committee (AFRAC) related to issues of IFRS accounting and reporting in connection with group taxation.

Deferred taxes are based on the tax rates expected to be in effect when the temporary differences reverse. The group members are required to develop an accounting method for the estimation of the expected assessment rate which meets the criteria defined by IAS 8.10ff. RLB NÖ-Wien applies one of the accounting methods recommended by the AFRAC opinion. Under this method, deferred taxes are valued at the assessment rate which results from the surplus of temporary differences in the individual years.

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

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

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

## Repo transactions

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

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

Under "non-genuine" or "pseudo" repo transactions, the seller is required to repurchase the asset, but does not have the right to demand its return. The buyer has the sole right to decide over the return transfer of the asset. This right to retransfer the asset represents a put option for the buyer, in which the seller acts as the writer of the option. If the put option is deeply in the money, the seller does not derecognize the securities because the related opportunities and risks are retained. If the put option is deeply out of the money, repurchase is highly unlikely and the security must be derecognized. If the put option is neither deeply in nor out of the money, an assessment must be made as to whether the transferring company (seller) continues to retain control over the asset. If the security is traded on an active market, the transfer of control can be assumed and the security is derecognized. Financial assets that are not traded on an active market remain on the seller's balance sheet. Details can be found in Note (40).

## Securities lending

This type of transaction involves the transfer of securities by a lender to a borrower with the obligation to retransfer the same type, quality and volume of securities at the end of the agreed term or on termination of the agreement. The principles for genuine repo transactions apply analogously to securities lending transactions. The loaned securities remain on the lender's balance sheet and are measured in accordance with IFRS 9. Borrowed securities are neither recognized nor measured. Details can be found in Note (40).

## Trust activities
Transactions involving the management or placement of assets for third party accounts are not recognized on the balance sheet. Commission payments arising from such transactions are reported under net fee and commission0 income. Details can be found in Note (42).

## Leasing
RLB NÖ-Wien is not active in the leasing business as a lessor and only holds leases in which the Group acts as the lessee. The relevant leases for the Group, namely motor vehicle, real estate and movables leasing, are recognized and measured as operating leases in accordance with IFRS 16. Real estate leasing primarily involves the Raiffeisenhaus in Vienna at Friedrich-Wilhelm-Raiffeisen-Platz 1 as well as the branch locations, which consist primarily of retail customer branches and a private banking-location in Vienna's Looshaus. Most of these properties are leased by Raiffeisen-Holding NÖ-Wien, which holds 100.00% of RLB NÖ-Wien. IFRS 16 requires the lessee to record all leases on the balance sheet. The lessee recognizes a right of use, which represents its right to use the underlying asset, as well as a liability from the lease, which represents its obligation to make lease payments. RLB NÖ-Wien applies the practical expedients which permit the use of a uniform discount rates to leasing portfolios with similar characteristics and which permit the non-capitalization of short-term and low-value leases.

The RLB NÖ-Wien Group reports the rights of use under "property and equipment" and the lease liabilities as part of "financial liabilities at amortized cost". The amortization of the rights of use is included under "depreciation, amortization, personnel and operating expenses", while expenses from the interest portion of the lease liability are reported under "net interest income".

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

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

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

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

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

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

are translated at the market rates (generally, the ECB reference rate) in effect on the balance sheet date.

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

## Judgments and estimates

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

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

Judgments and estimates are used primarily in the determination of the fair value of financial instruments, the recognition of impairment allowances for future credit default cases and interest rebates, and the creation of provisions for pensions, termination benefits and similar obligations. They are also used in the recognition and measurement of deferred tax assets, the determination of discounted cash flows in connection with impairment testing, the determination of the useful life of non-current assets and the recognition of leases in accordance with IFRS 16. The estimates and judgments required for issues and items related to COVID-19 are discussed under the respective notes (specific references can also be found under "COVID-19 disclosures in the consolidated interim financial statements of RLB NÖ-Wien ").

The actual recognized amounts may differ from these estimates.

### Fair value of financial instruments

The fair value of financial instruments that are not traded on an active market is established with a valuation method or pricing model. In general, valuation methods and models involve estimates that are dependent on the instrument's complexity and the availability of market-based data. The valuation categories and valuation models are described in the section on financial instruments. Additional information is provided in Note (33) Fair value of financial instruments.

### Risk allowances for credit default cases and interest rebates

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

### Provisions for pensions, termination benefits and similar obligations

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

### Non-financial assets

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

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

### Deferred taxes

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

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

## New standards and interpretations

The following new or revised standards and interpretations are effective for financial years beginning on or after 1 January 2020 and were applied for the first time in preparing these consolidated financial statements:

| New Provisions | | **Effective for Financial Years Beginning on or After** |
|---|---|---|
| ***Amendments to Standards*** | | |
| IAS 1/IAS 8 | Definition of materiality | 1 January 2020 |
| IFRS 3 | Business combinations | 1 January 2020 |
| IFRS 9/IAS 39/IFRS 7 | Interest Rate Benchmark Reform - Phase 1 | 1 January 2020 |
| IFRS 16 | Covid-19-related rental concessions | 1 January 2020 |
| Framework concept | Framework concept - extensive IASB project | 1 January 2020 |

### IFRS 9/IAS 39/IFRS 7 Interest Rate Benchmark Reform Phase 1
### IFRS 9/IAS 39/IFRS 7/IFRS 4/IFRS 16 Interest Rate Benchmark Reform Phase 2

The Benchmark Regulation adopted by the EU (Regulation (EU) 2016/1011 dated 8 June 2016) regulates the comprehensive replacement of previous interbank offered rates ("IBORs" – interbank offered rates) by new or newly determined so-called "risk-free rates" (RFR) which are based to a greater extent on transaction data. Primary financial instruments whose interest rates are tied to the EURIBOR or EONIA are affected because the determination of these rates was modified and replaced by a so-called hybrid method. The

EONIA has been calculated since October 2019 as €STR plus a fixed spread of 8.5 basis points.

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

The changes from Phase 1 of the project are applicable to financial years beginning on or after 1 January 2020. The disclosures required by IFRS 7 can be found in Note (32) Hedge Accounting.

Phase 2 of the project (applicable to financial years beginning on or after 1 January 2021) deals with the modification of primary financial instruments, additional issues and practical expedients for hedge accounting as well as new disclosure requirements for the risks arising from the IBOR reform. Earlier application is not planned.

RLB NÖ-Wien is organizing and implementing the necessary processes, IT, legal, management, marketing and other technical adjustments resulting from the application of the new benchmarks within the framework of an ongoing, interdepartmental bank project. A regular report is submitted to the Managing Board.

### IFRS 16 - COVID-19-related rental concessions

These changes create a practical expedient for lessees not to assess whether rent concessions granted in connection with the coronavirus pandemic (e.g. rental-free periods or temporary rental reductions) represent lease modifications. When the practical expedient is applied, the rent concessions are accounted for as if they did not represent lease modifications. These changes apply to rent concessions which reduce rents due on or before 30 June 2021 and have no effect on the consolidated financial statements of RLB NÖ-Wien.

### Other changed standards and interpretations

The changes to the other accounting regulations listed in the above table were analysed, whereby results indicate that they have no material effects on the on the presentation of the asset, financial or earnings position of the RLB-NÖ Wien Group.

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

| New Provisions | | According to IASB, mandatory application for financial years beginning on or after* | EU Endorsement | Effects on the consolidated financial statements |
|---|---|---|---|---|
| *New standards and interpretations* | | | | |
| IFRS 17 | Insurance Contracts | 1 January 2023 | Open | No |
| *Amendments to Standards* | | | | |
| IAS 1 | Classification of liabilities as current or non-current | 1 January 2023 | Open | No |
| IAS 1 | Presentation of financial statements | 1 January 2023 | Open | No |
| IAS 8 | Definition of accounting-based estimates | 1 January 2023 | Open | No |
| IAS 16 | Property and equipment | 1 January 2022 | Open | No |
| IAS 37 | Provisions, contingent liabilities and contingent receivables | 1 January 2022 | Open | No |
| IFRS 3 | Business combinations | 1 January 2022 | Open | No |
| IFRS 4 | Insurance Contracts | 1 January 2021 | 15 December 2020 | No |
| IFRS 9/IAS 39/IFRS 4/IFRS 7/IFRS16 | Interest Rate Benchmark Reform - Phase 2** | 1 January 2021 | 13 January 2021 | Yes |
| Various | Improvements to International Financial Reporting Standards, Cycle 2018-2020 (IFRS 1, IFRS 16, IAS 41) | 1 January 2022 | Open | No |
| Various | Improvements to International Financial Reporting Standards, Cycle 2018-2020 (IFRS 9) | 1 January 2022 | Open | Yes |

*) This can change as a result of the EU's endorsement process.
**) For details, see Phase 1 in the previous section and Note (32) Hedge Accounting

## Improvements to International Financial Reporting Standards, Cycle 2018-2020 (IFRS 9)

The change clarifies the fees to be included when a company applies the ''10% test' (IFRS 9 B3.3.6.) to determine whether or not a financial liability must be derecognized. The company is only required to include the fees paid or received between the company (the borrower) and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

## Segment Reporting

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

The segments are presented as independent companies with a separate capital base and profit responsibility. The basis for the definition of the individual segments is their responsibility for servicing the various customer groups of RLB NÖ-Wien.

The segments are presented as follows in accordance with IFRS 8:

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

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

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

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

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

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

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

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

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

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

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

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

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

- The Other Segment only includes the limited expenses which cannot be allocated to one of the other segments.

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

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

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

| 01/01 - 31/12/2020, €'000 | Retail/Raiffeisen Association Services | Corporate Customers | Financial Markets | RBI | Raiffeisen Association | Other equity investments | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Net interest income | 52,655 | 128,594 | 49,943 | (48,818) | 0 | (263) | 0 | 182,111 |
| Net fee and commission income | 51,244 | 13,373 | (11,120) | 0 | 3,482 | 0 | 0 | 56,979 |
| Dividend income | 50 | 378 | 0 | 0 | 0 | 215 | 0 | 643 |
| Profit from equity-accounted investments | 0 | 0 | 3,430 | (175,874) | 0 | 0 | 0 | (172,444) |
| Depreciation, amortization, personnel and operating expenses | (123,074) | (53,445) | (17,424) | (2,756) | (26,043) | (390) | 0 | (223,132) |
| Profit/Loss from financial assets and liabilities | 303 | (4,229) | (25,054) | 0 | 1,199 | 0 | 0 | (27,781) |
| Profit/Loss from investments and non-financial assets | (212) | (85) | (34) | (5) | (50) | 309 | 0 | (77) |
| Net impairment loss/reversal of impairment to financial assets | (21,625) | (70,225) | (87) | 0 | 0 | 0 | 0 | (91,937) |
| Other operating profit/loss | 6,793 | (4,600) | (3,124) | (45) | 20,447 | 299 | (18,136) | 1,634 |
| **Profit for the period before tax** | **(33,866)** | **9,761** | **(3,470)** | **(227,498)** | **(965)** | **170** | **(18,136)** | **(274,004)** |
| Income tax | (693) | (451) | 0 | 0 | 0 | (47) | 19,523 | 18,331 |
| **Profit for the period after tax** | **(34,559)** | **9,310** | **(3,470)** | **(227,498)** | **(965)** | **123** | **1,387** | **(255,672)** |
| | | | | | | | | |
| Av. allocated capital (in EUR mill.) | 226 | 858 | 766 | 408 | 0 | 13 | 0 | 2,270 |
| Return on equity before tax | - | 1.1% | - | - | - | 1.3% | - | - |
| Cost/Income Ratio (incl. at equity) | > 100% | 37.3% | > 100% | 2.1% | > 100% | 69.6% | - | 54.3% |

The comparative prior year data are as follows:

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

# Details on the Consolidated Income Statement

## (1) Net interest income

| €'000 | 01/01 - 31/12/2020 | 01/01 - 31/12/2019 |
|---|---|---|
| ***Interest income*** | | |
| Financial assets held for trading | 123,926 | 163,521 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 3,139 | 3,492 |
| Financial assets carried at amortized cost - incl. related derivatives (interest rate risks) | 261,075 | 259,903 |
| Other assets | 492 | 32 |
| Negative interest from liabilities | 27,257 | 11,901 |
| ***Total interest income*** | ***415,889*** | ***438,849*** |
| ***Interest expenses*** | | |
| Financial liabilities held for trading - derivatives | (107,444) | (142,650) |
| Financial liabilities carried at amortized cost - incl. related derivatives (interest rate risks) | (88,185) | (108,673) |
| Other liabilities | (13,548) | (13,561) |
| Negative interest from financial assets | (24,601) | (12,945) |
| ***Total interest expenses*** | ***(233,778)*** | ***(277,829)*** |
| **Net interest income** | **182,111** | 161,020 |

* The interest expense from derivatives in hedge accounting for assets totals TEUR -50,900 (2019: EUR-54,628); the interest income from derivatives in hedge accounting for liabilities totals TEUR 76,907 (2019: EUR 81,317).

Net interest income includes interest income and expenses as well as all similar recurring and non-recurring income and expenses. Interest and similar income, respectively expenses, are calculated according to the effective interest method and accrued accordingly. Negative interest on loans and advances to customers and other banks are included under interest and similar expenses, while positive interest on non-derivative financial liabilities from the banking business are included under interest and similar income and reported under net interest income. The interest income and expenses from derivatives in hedge accounting are allocated to the respective underlying transaction to appropriately present the economic connection.

Interest income includes interest income of TEUR 5,394 (2019: EUR 4,480) from impairment-adjusted loans and advances to customers and other banks. The interest expenses from financial liabilities carried at amortized cost includes interest expense of TEUR -1,287 (2019: EUR -1,466) from leasing liabilities.

Negative interest from liabilities in 2020 includes (negative) interest costs of TEUR 11,791 from participation in the TLTRO III programme. This presentation is based on an analysis of business development with regard to lending targets which showed, as of 31 December 2020, that RLB NÖ-Wien would meet or exceed these targets with a probability bordering on certainty. As of 31 December 2020, deposits from other banks include TEUR 2,300,000 from the ECB's TLTRO-III programme.

## (2) Net fee and commission income

| €'000 | 01/01 - 31/12/2020 | 01/01 - 31/12/2019 |
|---|---|---|
| Securities | 9,715 | 7,299 |
| Custody business | 8,716 | 8,654 |
| Services for payment transactions | 28,214 | 30,030 |
| Brokerage commissions | 15,817 | 17,561 |
| Credit business | 6,837 | 6,738 |
| Other fee and commission income | 17,718 | 16,709 |
| ***Fee and commission income*** | ***87,018*** | *86,992* |
| Securities | (3,694) | (1,991) |
| Custody business | (1,130) | (1,162) |
| Services for payment transactions | (4,405) | (5,393) |
| Credit business | (14,797) | (11,804) |
| Other fee and commission expenses | (6,013) | (5,801) |
| ***Fee and commission expenses*** | ***(30,039)*** | *(26,151)* |
| **Net fee and commission income** | **56,979** | 60,841 |

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

## (3) Dividend income

| €'000 | 01/01 - 31/12/2020 | 01/01 - 31/12/2019 |
|---|---|---|
| Non-trading financial assets designated at fair value through profit or loss | 377 | 1,967 |
| Financial assets at fair value through other comprehensive income | 266 | 713 |
| **Dividend income** | **643** | 2,682 |

This position includes the dividend income from securities and the income from unconsolidated company shares and investments. In accordance with IFRS 9.5.7.1A, dividends are recognized to profit or loss when there is a legal entitlement to receive payment. The dividend income from financial assets carried at fair value through other comprehensive income results from financial instrument that were held as of 31 December 2020.

## (4) Profit from equity-accounted investments

| €'000 | 01/01 - 31/12/2020 | 01/01 - 31/12/2019 |
|---|---|---|
| Profit/loss from companies accounted for at equity | 185,556 | 413,710 |
| Revaluation gains/(losses) on equity-accounted investments | (358,000) | (189,000) |
| **Profit from equity-accounted investments** | **(172,444)** | 224,710 |

The negative revaluation results of TEUR 358,000 are attributable to an impairment loss recognized to the investment in RBI.

An overall assessment of facts and circumstances as of 31 December 2020 – above all due to the economic consequences of COVID-19 ad the development of the RBI share price – provided objective evidence of impairment as defined in IAS 28.41A – 28.41C which led to indications of a lower fair value. The equity-accounted investment in RBI was therefore tested for impairment as of 31 December 2020. In accordance with IAS 36.114 in connection with IAS 36.18, the determining factor for impairment was the recoverable amount as the higher of the value in use and fair value less selling costs; this amount was compared with the at-equity carrying amount of the RBI investment. The quoted market price of the RBI share equalled EUR 16.68 on 31 December 2020. The recoverable amount was determined as a value in use based on the present value of the expected cash flows (dividend discount model). The cash flows were derived from five-year forecasts which were valid at the time the impairment test was carried out. These forecasts were prepared by RBI management, discussed by the Supervisory Board and modified slightly for the calculation following plausibility checks. The management der RLB AG examined the forecast assumptions in detail, also based on the expertise of the RBI Supervisory Board which also includes members of the management of RLB NÖ-Wien.

In contrast to previous years, backtesting for 2020 showed variances to the budgeted amounts. These variances are attributable, above all, to the effects of COVID-19 which include increased risk costs (in particular, risk allowances as defined in IFRS 9) and lower interest rates in key country markets (liability margin). The spread of the coronavirus has led to economic distortions throughout the world since the end of 2019 and beginning of 2020. RBI has also been affected by this crisis and has incorporated the related developments in its forecasts. Current economic projections point towards an easing in global economic tensions during 2021 as the vaccination rate increases, and a return to the pre-crisis level is expected in 2023. The value in use was determined on the basis of a low/medium/high case scenario which included, in particular, sensitivity analyses for the development of risk costs over the coming years, the sustainable CIR and trends in the cost of capital. These sensitivity analyses were evaluated by the Management of RLB AG, which then selected the scenario to be used for the final value in use. The major uncertainty factor was identified as the risk costs expected during the next two years because of the uncertain course of the pandemic and government support measures. More conservative assumptions were applied here, in comparison with the RBI forecast.

The cash flows realizable from the RBI investment were discounted with an average, risk-adjusted capitalization rate 12.5% (2019: 10.91%). A sustainable growth rate of 2.0% (2019: 2.0%) was applied in determining the value in use of RBI, which reflects the ECB's communicated inflation target. The discount rate was determined according to a CAPM (Capital Asset Pricing Model) but, for the first time, was not based on the peer group's beta factor on the closing date due to COVID-19 and the accompanying high volatility; it reflected the average beta factor from the peer group in recent months. The significant increase in the discount factor compared with the previous year is attributable to a substantial rise in the beta factor.

A comparison of the resulting value in use with the carrying amount led to the recognition of an impairment loss of

TEUR 358,000 to the equity-accounted investment in RBI. The reasons included, in particular, COVID-19 effects such as the noticeably higher capitalization rate and the above-mentioned influence on RBI's forecast (a long-term decline in key interest rates in major country markets and higher risk costs from 2020 to 2022).

The deviation between the value in use and the market price can be attributed, above all, to the branch-wide decline in share prices due to the extreme market reactions to the corona pandemic and an over-emphasis on short-term corporate developments. The development of the RBI share price includes, in our opinion, factors which go beyond the company's capacity to generate cash flows. The discounts currently included in the share price have no relation, in our opinion, to RBI's sustainable earning power.

The assumptions made in connection with the valuation were subjected to further sensitivity analysis through additions and reductions along the valuation range.

Potential valuation uncertainties related to key forecast assumptions and valuation were evaluated as best as possible by management on the basis of sensitivity analyses and compared with externally available market data for plausibility where possible. The sensitivity analysis of the value in use included parameters for the change in valuation-relevant cash flows, the return on equity – terminal value (RoE TV) and a change in the interest rate (market return). A change of +/- 10% in all valuation-relevant cash flows would lead to a change of approximately +/-10% in the value in use. An increase or decrease of 100 basis points in the RoE TV would have an impact of roughly +/-8% on the value in use. A change of +/- 50 basis points in the market return would lead to a change of approximately-9%, respectively +10%. Every sensitivity and the related effect were calculated separately under the assumption that all other parameters remained unchanged.

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

| €'000 | 01/01 - 31/12/2020 | 01/01 - 31/12/2019 |
|---|---|---|
| *Write-downs of property, equipment and intangible assets* | *(15,230)* | *(13,290)* |
| Land, equipment and buildings | (4,517) | (3,605) |
| Amortization of rights of use | (7,955) | (7,408) |
| Investment property | (32) | (36) |
| Other intangible assets | (2,727) | (2,241) |
| *Staff costs* | *(103,830)* | *(100,877)* |
| Current remuneration | (80,809) | (77,651) |
| Mandatory social security contributions | (20,814) | (19,388) |
| Other employee-benefits | (2,227) | (2,045) |
| Non-current employee-related obligations | 20 | (1,792) |
| *Other administrative expenses* | *(104,072)* | *(110,218)* |
| Employee-related operating expenses | (456) | (484) |
| Office space expenses | (5,926) | (6,988) |
| Expenses for office operations | (4,806) | (5,578) |
| IT expenses | (42,989) | (43,596) |
| Advertising, marketing, events | (8,584) | (8,509) |
| Legal and consulting fees | (20,443) | (23,824) |
| Other administrative expenses | (20,868) | (21,237) |
| **Depreciation, amortization, personnel and operating expenses** | **(223,132)** | (224,385) |

Other administrative expenses include costs of TEUR 222 (2019: TEUR 336) for short-term leases.

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

| 2020, €'000 | KPMG Austria GmbH | ÖSTERREICHISCHER RAIFFEISENVERBAND* |
|---|---|---|
| Audit of the Annual Financial Statements and Consolidated Financial Statements | 258 | 802 |
| Other auditing services | 22 | 65 |
| Other services | 209 | 0 |
| **Total** | **489** | **867** |

*The costs reported under Österreichische Raiffeisenverband for 2020 represent services provided by the auditor appointed by ÖRV.

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

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

| €'000 | 01/01 - 31/12/2020 | 01/01 - 31/12/2019 |
|---|---|---|
| ***Profit/loss from financial assets and liabilities not carried at fair value through profit or loss*** | ***3,943*** | ***13,804*** |
| Financial assets at amortized cost | 4,037 | 15,464 |
| Bonds | 3,934 | 15,425 |
| Other loans and advances | 103 | 39 |
| Financial liabilities measured at amortized cost | (94) | (1,660) |
| Securitized liabilities | (94) | (1,660) |
| ***Profit/loss from financial assets and liabilities held for trading*** | ***(28,294)*** | ***(7,913)*** |
| Derivatives | (47,643) | (28,676) |
| Equity instruments | 333 | (1,839) |
| Bonds | 19,015 | 22,602 |
| ***Profit / loss from financial assets not held for trading, mandatorily at fair value*** | ***(6,536)*** | ***(71)*** |
| Equity instruments | (5,173) | 1,308 |
| Bonds | (22) | 70 |
| Other loans and advances | (1,341) | (1,449) |
| ***Profit/Loss from modifications*** | ***(1,852)*** | ***100*** |
| ***Profit / loss from hedge accounting*** | ***1,051*** | ***323*** |
| ***Foreign exchange transactions*** | ***3,908*** | ***4,321*** |
| **Profit/Loss from financial assets and liabilities** | **(27,781)** | 10,564 |

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

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

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

The profit/loss from financial assets and liabilities carried at amortized cost includes realized gains and losses from the sale of bonds (TEUR 3,934; 2019: EUR 15,425), from the derecognition of loans and advances (TEUR 103; 2019: TEUR 39) and from the repurchase or premature redemption of securities issued by RLB NÖ-Wien (TEUR -94; 2019: TEUR -1,660). The results from the sale of bonds are based on sales consistent with the "hold to collect" model.

### Profit/loss from financial assets and liabilities carried at fair value through profit or loss

The profit/loss from financial assets and liabilities carried at fair value through profit or loss or held for trading was influenced by the effects of the COVID-19 pandemic in 2020. The widening of spreads as a result of the crisis led, on the one hand, to negative trading results and valuation losses from the securities position and, on the other hand, influenced the valuation of loans and advances carried at fair value through profit or loss. This effect was countered by the negative trend in interest rates but led to negative valuation effects in the derivatives area. The crisis was also responsible for negative valuation results from equity instruments. Additional details on the determination of these valuation results are provided under Note (33) Fair value of financial instruments.

## Profit/loss from modifications

The profit/loss from modifications shows the income and expenses which resulted from the adjustment of contractual cash flows. In 2020, the results of these modifications totalled TEUR -1,852 (2019: TEUR 100). The following table shows the amortized cost before the changes to the modified financial instruments which did not lead to derecognition according to qualitative and quantitative criteria (also see "Significant Accounting Policies" and "Profit/loss on financial assets and liabilities carried at amortized cost "). This table also includes the profit/loss on modifications classified by their current assignment according to the impairment logic. Modified financial instruments with a pre-modification carrying amount of TEUR 2,346 (2019: TEUR 0) and a modification effect of TEUR -3 (2019: TEUR 0) which were assigned to Stage 2 or 3 are now assigned to Stage 1. The share of the modification loss resulting from the COVID-19-related measures amounts to TEUR -1,084, whereby TEUR -648 are attributable to individual measures and TEUR -436 to government moratoria.

The following table shows the modification effects for the 2020 financial year and the carrying amounts as of 31 December 2020:

| €'000 | **Stage 1** | **Stage 2-3** | **Total** |
|---|---|---|---|
| Modification effect from financial assets | (349) | (1,503) | (1,852) |
| Carrying amount before modification of financial assets | 609,598 | 723,902 | 1,333,499 |

The comparative data for 2019 and as of 31 December 2019 are as follows.

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

## Profit/loss from hedge accounting

The profit/loss from hedge accounting shows the ineffectiveness in the hedges recognized by RLB NÖ-Wien. Included here are TEUR -57,832 (2019: TEUR -61,553) from the measurement of hedging derivatives and TEUR 58,882 (2019: TEUR 61,876) from changes in the carrying amounts of the underlying transactions within the framework of hedge accounting. Additional details on hedge accounting are provided under Note (32) Hedge accounting.

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

| €'000 | 01/01 - 31/12/2020 | 01/01 - 31/12/2019 |
|---|---|---|
| Profit/loss from the derecognition of non-financial assets | (77) | 432 |
| Profit / loss from land, equipment and buildings | (403) | 0 |
| Profit/loss from intangible assets | 0 | (8) |
| Profit/loss from investment property | 310 | 185 |
| Profit/loss from other assets | 12 | 12 |
| Profit/loss from usage rights | 3 | 243 |
| **Profit / loss from investments and non-financial assets** | (77) | 432 |

This position shows the profit/loss from the derecognition of non-financial assets as well as the derecognition of rights of use following the termination of rental and operating leases. There were no such results from investments (deconsolidation effects) in 2020 or 2019.

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

| €'000 | 01/01 - 31/12/2020 | 01/01 - 31/12/2019 |
|---|---|---|
| Net impairment loss/reversal of impairment to financial assets at amortized cost | (91,937) | (8,289) |
| Bonds | (92) | (1,181) |
| Loans and advances | (91,421) | (6,984) |
| Trade receivables | (423) | (124) |
| **Net impairment loss/reversal of impairment to financial assets** | **(91,937)** | (8,289) |

This position covers all income and expenses arising from valuation adjustments to financial instruments carried at amortized cost. The income and expenses related to other credit risks which were accounted for through provisions are included under other operating profit/loss.

The negative development of impairment losses to Stage 1 and 2 items, which resulted primarily from the COVIS-19 crisis, is presented and discussed in detail under Note (16). An increase of EUR 41.8 million in the Stage 3 risk allowance for individual loans and advances to customers was also recorded in 2020 but was not related to COVID-19.

## (9) Other operating profit/loss

| €'000 | 01/01 - 31/12/2020 | 01/01 - 31/12/2019 |
|---|---|---|
| *Other operating income* | *57,250* | *61,566* |
| Revenue from service and real estate subsidiaries | 27,840 | 30,125 |
| Revenues from services provided to Raiffeisen banks | 18,869 | 16,894 |
| Other income | 10,541 | 14,547 |
| *Other operating expenses* | *(46,614)* | *(42,361)* |
| Sector facilities | (6,687) | (2,909) |
| Bank levy | (16,302) | (15,236) |
| Resolution fund | (11,126) | (9,589) |
| Cost of materials and purchased services from service and real estate subsidiaries | (9,433) | (11,488) |
| Other expenses | (3,065) | (3,139) |
| *Addition to or release of provisions* | *(9,003)* | *3,484* |
| Addition to or release of provisions for obligations and granted guarantees | (12,011) | 34 |
| Release of other provisions | 3,008 | 3,450 |
| **Other operating profit/loss** | **1,634** | 22,689 |

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

The negative results from the addition to or release of provisions consist primarily of provisions for obligations and guarantees given and are influenced to a significant degree by the COVID-19 crisis. Additional details are provided under Note (16).

Sector facilities also include the annual contributions to the statutory deposit protection scheme through the creation of an ex-ante financed fund (§ 21 of the Austrian Deposit Protection and Investor Compensation Act). The contribution for 2020 amounted to TEUR 6,118 (2019: TEUR 2,909) and includes a proportional contribution for replenishment of the fund which was necessary due to the indemnification of depositors by the deposit protection scheme in two cases. The protection facility can also collect special contributions each calendar year up to a maximum of 0.5% of the covered deposits in member institutions (the Financial Market Authority can, in individual cases, approve a higher amount). The amount of the special contributions is based on the ratio of the last annual contribution payable by RLB NÖ-Wien to the total amount of the last annual contribution payable by all members to the protection facility (§ 22 of the Austrian Deposit Protection and Investor Compensation Act).

## (10) Income tax

RLB NÖ-Wien and its fully consolidated subsidiaries are members of a corporate tax group established in accordance with § 9 of the Austrian Income Tax Act ("Körperschaftsteuergesetz") with Raiffeisen-Holding NÖ-Wien as the head of the group. These companies have concluded a tax compensation agreement with the head of the group. In the 2020 assessment year, the corporate tax group with Raiffeisen-Holding NÖ-Wien as its head included RLB NÖ-Wien as well as 40 (2019: 40) other members. The tax base for the entire group equals the total income of the head of the group plus the allocated taxable income of the group members after the maximum allowable deduction of the tax loss carryforwards held by the head of the group. RLB NÖ-Wien is charged a proportional share of group corporate income tax, which is assessed at the level of the head of the group, Raiffeisen-Holding NÖ-Wien. A loss recorded by RLB NÖ-Wien for the year results in a negative tax charge.

| €'000 | **01/01 - 31/12/2020** | **01/01 - 31/12/2019** |
|---|---|---|
| Current taxes | (6,449) | (8,116) |
| Deferred taxes on items not reclassified to profit or loss | 24,779 | (14,746) |
| **Income tax** | **18,331** | (22,862) |

The deferred tax income of TEUR 24,779 reported on the income statement for 2020 (2019: TEUR -14,746) resulted entirely from temporary differences. No write-downs were recorded to deferred tax assets.

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

| €'000 | **2020** | **2019** |
|---|---|---|
| ***Profit for the period before tax*** | ***(274,004)*** | *250,264* |
| Theoretical income tax expense for financial year at Austrian corporate income tax rate of 25% | 68,501 | (62,566) |
| Effect of lower tax charge rate* | (2,511) | 8,391 |
| Tax reduction based on tax-exempt income from equity investments and other tax-exempt income | 821 | 1,667 |
| Increase in taxes based on non-tax deductible expenses | (2,800) | (9,823) |
| Effects of equity-accounted investments | (43,111) | 36,168 |
| Other | (2,569) | 3,301 |
| **Actual tax burden** | **18,331** | (22,862) |

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

# Details on the Consolidated Balance Sheet

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

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Cash | 58,643 | 54,447 |
| Balances with central banks | 2,605,910 | 860,902 |
| Other demand deposits | 2,266,396 | 2,124,838 |
| **Total** | **4,930,949** | 3,040,188 |

The cash balances at central banks include the legally required minimum reserve of TEUR 297,114 (2019: TEUR 272,772).

This balance sheet position includes Stage 1 impairment losses of TEUR 1,666 (2019: TEUR 1,499).

The following table reconciles cash and cash equivalents to the balance sheet position "cash, cash balances at central banks and other demand deposits" (see the consolidated cash flow statement).

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Cash | 58,643 | 54,447 |
| Balances with central banks | 2,605,910 | 860,902 |
| Other sight deposits from customers | 61 | 2 |
| **Cash and cash equivalents** | **2,664,614** | 915,352 |
| Other sight deposits from other banks | 2,266,335 | 2,124,836 |
| **Total cash, cash balances at central banks and other demand deposits** | **4,930,949** | 3,040,188 |

## (12) Financial assets held for trading

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Derivatives | 472,212 | 487,792 |
| Bonds | 339,759 | 652,219 |
| Debt instruments from credit institutions | 150,827 | 140,605 |
| Debt instruments from customers | 188,932 | 511,614 |
| **Total** | **811,971** | 1,140,011 |

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

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

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Equity instruments | 9,014 | 14,187 |
| Bonds | 969 | 991 |
| Loans and advances from customers | 129,896 | 147,051 |
| **Total** | **139,879** | 162,229 |

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

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

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Equity instruments | 19,472 | 18,950 |
| **Total** | **19,472** | 18,950 |

These equity instruments consist primarily of investments in companies that provide ancillary services for banking operations or represent financial institutions. The optional presentation of the fair value changes in these instruments reflects the strategic focus. The equity instruments in this portfolio are not intended for sale over the long-term.

Dividends of TEUR 266 were recognized from these equity instruments in 2020 (2019: TEUR 713) (see Note (3)). There were no material sales from this asset category in 2020. The component items of this position are listed in the following table.

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| EMCOM Beteiligungs GmbH, Vienna (A) | 5,010 | 4,650 |
| WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG, Vienna (A) | 3,734 | 3,734 |
| NÖ Bürgschaften und Beteiligungen GmbH, Vienna (A) | 3,361 | 3,399 |
| CEESEG Aktiengesellschaft, Vienna (A) | 2,144 | 2,084 |
| Raiffeisen Software GmbH, Linz (A) | 1,671 | 1,747 |
| RSC Raiffeisen Service Center GmbH, Vienna (A) | 1,049 | 1,049 |
| Other | 2,503 | 2,286 |
| **Total** | **19,472** | 18,950 |

## (15) Financial assets at amortized cost

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

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| *Bonds* | *3,593,206* | *4,060,086* |
| Debt instruments from credit institutions | 1,144,532 | 1,249,446 |
| Debt instruments from customers | 2,448,675 | 2,810,640 |
| *Other loans and advances* | *16,238,876* | *15,961,270* |
| Loans and advances to other banks | 2,580,439 | 2,648,319 |
| Loans and advances to customers | 13,658,437 | 13,312,952 |
| *Trade receivables (non-bank)* | *9,457* | *12,007* |
| **Total** | **19,841,540** | 20,033,364 |

## (16) Risk provisions

The following tables provide detailed information on the development of impairment losses in 2020.

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

| €'000 | Stage 1 Performing | Stage 2 Under Performing | Stage 3 Credit impaired significant | Stage 3 Credit impaired not significant | POCI | Total |
|---|---|---|---|---|---|---|
| *Opening balance sheet 01/01/2020* | *3,571* | *0* | *670* | *0* | *0* | *4,241* |
| Increase due to new additions | 7,032 | 0 | 0 | 0 | 0 | 7,032 |
| Decreases due to disposals | (6,246) | 0 | 0 | 0 | 0 | (6,246) |
| Changes in credit risk | (623) | 0 | 0 | 0 | 0 | (623) |
| Foreign currency effects and other adjustments | (45) | 0 | 0 | 0 | 0 | (45) |
| **Closing balance sheet 31/12/2020** | **3,688** | **0** | **670** | **0** | **0** | **4,358** |

The comparative prior year data are shown below:

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

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

| €'000 | Stage 1 Performing | Stage 2 Under Performing | Stage 3 Credit impaired significant | Stage 3 Credit impaired not significant | POCI | Total |
|---|---|---|---|---|---|---|
| *Opening balance sheet 01/01/2020* | *13,410* | *7,631* | *55,318* | *59,457* | *3,231* | *139,047* |
| Increase due to new additions | 13,450 | 380 | 13 | 21 | 0 | 13,864 |
| Decreases due to disposals | (1,019) | (1,630) | (953) | (1,888) | (98) | (5,588) |
| Changes resulting from reclassification between stages | (11,157) | (681) | 11,898 | (60) | 0 | 0 |
| Transfers to Stage 1 | (14,344) | 14,161 | 107 | 76 | 0 | 0 |
| Transfers to Stage 2 | 3,128 | (16,361) | 11,814 | 1,419 | 0 | 0 |
| Transfers to Stage 3 | 58 | 1,519 | (23) | (1,555) | 0 | 0 |
| Changes in credit risk | 14,414 | 30,647 | 31,409 | 9,880 | (123) | 86,227 |
| Changes due to modifications, excl. disposal | 0 | 0 | (1) | (9) | 0 | (10) |
| Decreases due to use of impairment losses | 0 | 0 | (11,851) | (6,388) | 0 | (18,239) |
| Foreign currency effects and other adjustments | (8) | (20) | (46) | (34) | 0 | (107) |
| **Closing balance sheet 31/12/2020** | **29,089** | **36,328** | **85,788** | **60,978** | **3,010** | **215,193** |

The direct write-downs to loans receivable totalled TEUR -1,078 in 2020 (2019: TEUR -2,269). Income, excluding the effects of changes in the risk provisions (e.g. income from loans receivable which were previously written off) amounted to TEUR 1,305 (2019: TEUR 7,210).

The comparative prior year data are shown below:

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

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

| €'000 | Stage 1 Performing | Stage 2 Under Performing | Stage 3 Credit impaired significant | Stage 3 Credit impaired not significant | POCI | Total |
|---|---|---|---|---|---|---|
| ***Opening balance sheet 01/01/2020*** | ***1,169*** | ***0*** | ***0*** | ***0*** | ***0*** | ***1,169*** |
| Increase due to new additions | 225 | 0 | 0 | 0 | 0 | 225 |
| Decreases due to disposals | (93) | 0 | 0 | 0 | 0 | (93) |
| Changes resulting from reclassification between stages | (15) | 15 | 0 | 0 | 0 | 0 |
| Transfers to Stage 1 | (15) | 15 | 0 | 0 | 0 | 0 |
| Changes in credit risk | (323) | 55 | 0 | 0 | 0 | (268) |
| Foreign currency effects and other adjustments | 4 | 0 | 0 | 0 | 0 | 4 |
| **Closing balance sheet 31/12/2020** | **967** | **70** | **0** | **0** | **0** | **1,037** |

The comparative prior year data are shown below:

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

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

| €'000 | Stage 1 Performing | Stage 2 Under Performing | Stage 3 Credit impaired significant | not significant | POCI | Total |
|---|---|---|---|---|---|---|
| *Opening balance sheet 01/01/2020* | *1,615* | *0* | *0* | *0* | *0* | *1,615* |
| Increase due to new additions | 228 | 0 | 0 | 0 | 0 | 228 |
| Decreases due to disposals | (227) | 0 | 0 | 0 | 0 | (227) |
| Changes in credit risk | 227 | 0 | 0 | 0 | 0 | 227 |
| Foreign currency effects and other adjustments | (4) | 0 | 0 | 0 | 0 | (4) |
| **Closing balance sheet 31/12/2020** | **1,840** | **0** | **0** | **0** | **0** | **1,840** |

The comparative prior year data are shown below:

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

Provision for granted commitments and financial guarantees:

| €'000 | Stage 1 Performing | Stage 2 Under Performing | Stage 3 Credit impaired significant | Stage 3 Credit impaired not significant | Total |
|---|---|---|---|---|---|
| ***Opening balance sheet 01/01/2020*** | ***3,020*** | ***1,045*** | ***6,182*** | ***2,463*** | ***12,710*** |
| Increase due to new additions | 2,790 | 4 | 840 | 33 | 3,666 |
| Decreases due to disposals | (1,043) | (611) | (217) | (443) | (2,314) |
| Changes resulting from reclassification between stages | (3,199) | 3,533 | (8) | (326) | 0 |
| Transfers to Stage 1 | (4,061) | 4,040 | 19 | 2 | 0 |
| Transfers to Stage 2 | 845 | (886) | 11 | 30 | 0 |
| Transfers to Stage 3 | 17 | 379 | (38) | (359) | 0 |
| Changes in credit risk | 4,125 | 8,031 | (1,720) | 219 | 10,656 |
| Foreign currency effects and other adjustments | (5) | (9) | 1 | 0 | (13) |
| **Closing balance sheet 31/12/2020** | **5,689** | **11,993** | **5,079** | **1,945** | **24,705** |

The comparative prior year data are shown below:

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

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

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

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

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

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

### Risk parameters under IFRS9

### Segmentation

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

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

### Modelling

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

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

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

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

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

### Scenarios and macroeconomic, future-oriented information

All risk parameters were calculated for three different scenarios (also see Note (31) Risk report):

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

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

### COVID-19 pandemic

The current macroeconomic forecasts prepared by Moody's Analytics for Austria include specific information on the effects of the COVID-19 crisis and the related government reactions (short-time work, etc.). This information was used to develop the calculation parameters. Moody's Analytics provides specific country scenarios as well as optimistic and pessimistic projections.

The applied forecasts represent a long-term trend and include the forecasts from the first COVID-19 lockdown in March/April 2020 as well as the second COVID-19 lockdown which began in November 2020.

This was achieved by including the current macroeconomic forecasts for the variables "GDP growth", "gross investments" and "consumption growth", but set back to the beginning of the COVID-19 pandemic. This allowed for a mapping of the credit risk expectations which see a delay in bankruptcies due to the government moratoria. No adjustments were required to the models.

The criteria for identifying a significant increase in credit risk were expanded to include the indicator „private moratorium" (for details see the subsection "Significant increase in credit risk"). The related material effect on the risk provision equalled EUR +1. 1 million.

The significant increase in the Stage 1 and 2 risk provisions, as can be seen in detail in the above presentation of impairment allowances, is primarily attributable to the COVID-19 pandemic. The risk provisions for Stage 1 and Stage 2 loans and advances to customers rose from EUR 21.0 million to EUR 65.4 million. The macroeconomic scenarios show a significant economic collapse. Furthermore, the COVID-19 measures (deferrals, bridge financing) and the related forbearance measures led to a significant transfer from Stage 1 to Stage 2 and, in turn, to a model-based (conversion to Lifetime ECL) increase in the required risk provision. The credit standing of customers was also re-assessed at the individual level.

Since the applied, adapted and weighted scenarios reflect the effects of COVID-19, post-model adjustments were not required. The previous weighting of the optimistic - pessimistic - baseline scenarios at 30%-40%-30% also proved to be suitable in analysing the COVID-19 crisis, and the weighting used as of 31 December 2019 was therefore retained.

### Significant increase in credit risk (“staging”)

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

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

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

Stage 3: Transactions in default or impaired. For significant customers, the risk provision represents the difference between the carrying amount and present value of the expected future cash flows. The risk provision is based on the remaining term of the transaction. Details on the identification of default incidents and the definition of default can be found under Note (31).

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

The determination of a significant increase in the credit risk is based on several criteria, whereby a differentiation is made between qualitative and quantitative indicators.

### Qualitative criteria

- 30 days overdue: A significant increase in the credit risk is assumed when customers have a material payment which is more than 30 days overdue.
- Forbearance: Customers designated as "forbearance“ (deferral, etc.) are considered to have a significant increase in credit risk.
- Watch list: The customer has appeared in the early warning process. This represents an indicator for a significant increase in the credit risk.
- Private moratorium: Customers who have been granted a COVID-19-related deferral in the sense of a private moratorium in accordance with the EBA Guideline are considered to have a significant increase in credit risk.

For deferrals based on the legal and private moratoria, forbearance measures were only taken in exceptional cases in accordance with the respective EBA Guideline (EBA/GL/2020/02). Most of the transactions with voluntary deferrals and bridge loans are characterized as forborne.

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

### Sensitivity analysis risk provision

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

| €m | 31/12/2020 | 100% optimistic | 100% baseline | 100% pessimistic |
|---|---|---|---|---|
| Risk provisions Stage 1&2 | 89.7 | 62.3 | 84.5 | 124.3 |

The comparative prior year data are shown below.

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

The risk provision is calculated over a one-year ECL (Stage 1) or the lifetime ECL (Stage 2) depending on the stage of the financial asset. For the sensitivity analysis, the following table shows the effect on the amount of the risk provision which would occur if 100% of the active portfolio were transferred to Stage 1 or to Stage 2. However, the probability that one of these two scenarios would actually occur is extremely unlikely.

| €m | 31/12/2020 | 100% in Stage 1 | 100% in Stage 2 |
|---|---|---|---|
| Risk provisions Stage 1&2 | 89.7 | 83.0 | 139.7 |

The comparative prior year data are shown below.

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

## Changes in estimates for the determination of risk provisions

The basis for estimating the parameters used to determine the ECL consolidated financial statements is formed by regulatory parameter models which, in turn, are oriented on regulatory requirements. As described in the previous section, no adjustments were made to the models in 2020.

In 2019, the adjustment of the regulatory LGD model to reflect the new EBA guideline/2017/16 led to the revision of an estimate (IAS 8.34) and, consequently, to a change in the parameters for the risk provision in accordance with IFRS 9. The point-in-time PD models were also adjusted in 2019 to improve the forecasting ability. This adjustment was intended to improve the quality of the forecasts and was recommended as part of the regular model monitoring process.

The changes in the ECL resulting from these measures led to an increase of EUR +7.32 million in the risk provisions in 2019 as follows:

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

The recognition was made through expenses in 2019 (see Note (8) Net impairment loss / reversal of impairment to financial assets and Note (9) Other operating profit/loss for off-balance sheet obligations). The above tables on the development of impairment losses during the comparative period (i.e. 2019) include these effects under “changes based on changes in credit risk“ and “changes resulting from reclassification between stages".

## (17) Derivatives - hedge accounting

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Fair value hedges | 442,929 | 405,674 |
| Positive fair values of derivative financial instruments from micro-fair value hedges | 442,768 | 401,035 |
| Positive fair values of derivative financial instruments from portfolio-fair value hedges | 161 | 4,639 |
| **Fair value hedges** | **442,929** | 405,674 |

Derivative financial instruments are reported as hedging instruments when the conditions for hedge accounting under IFRS 9 are met. RLB NÖ-Wien currently holds no cash flow hedges. Details on the recognized micro- and portfolio fair value hedges, underlying risks, hedging instruments and hedged risks can be found in Note (32) Hedge accounting.

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

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Fair value changes in the underlying transactions for portfolio hedges of interest rate risks** | **9,710** | (3,922) |

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

## (19) Interest in equity-accounted investments

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Interest in equity-accounted investments** | **2,202,271** | 2,585,515 |

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

## (20) Property and equipment

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| *Property and equipment* | *16,353* | *14,690* |
| Land and buildings - own use | 5,012 | 2,694 |
| Other property and equipment | 11,258 | 11,880 |
| IT hardware | 83 | 116 |
| *Usage rights* | *87,908* | *87,507* |
| Usage rights for land and buildings | 87,341 | 86,896 |
| Usage rights for autos and other tangible assets | 567 | 611 |
| **Total** | **104,261** | 102,197 |

Investment property:

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Investment property** | **1,851** | 2,451 |

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

| €'000 | 2020 | 2019 |
|---|---|---|
| *Acquisition costs at 1 January* | *50,494* | *52,254* |
| Additions | 6,758 | 3,540 |
| Disposals | (3,238) | (2,510) |
| Reclassifications | 0 | (2,790) |
| *Acquisition costs at 31 December* | *54,014* | *50,494* |
| *Amortization at 1 January* | *(33,354)* | *(34,398)* |
| Additions to current amortization | (4,549) | (3,651) |
| Disposals | 2,092 | 1,905 |
| Reclassifications | 0 | 2,790 |
| *Amortization at 31 December* | *(35,811)* | *(33,354)* |
| *Carrying amounts at 1 January* | *17,140* | *17,856* |
| **Carrying amounts at 31 December** | **18,203** | 17,140 |

A book value disposal of TEUR 569 (2019: TEUR 429) was recognized to the investment property shown in the above table during 2020. Scheduled depreciation equalled TEUR 32 in 2020 (2019: TEUR 36).

The following table shows the development of the rights of use for assets which were capitalized in connection with the recognition of leases and are reported under property and equipment.

| €'000 | Usage rights for land and buildings | Usage rights for autos and other assets |
|---|---|---|
| ***At 01/01/2020*** | ***86,896*** | ***611*** |
| Additions | 10,611 | 265 |
| Disposals | (2,502) | (18) |
| Depreciation | (7,664) | (291) |
| **At 31/12/2020** | **87,341** | **567** |

Of the total additions, TEUR 211 are related to leases initiated in 2020; the remainder represent revaluations or reassessments.

The comparative prior year data are shown below.

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

## (21) Intangible assets

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Purchased software and licenses | 16,402 | 12,947 |
| **Total** | **16,402** | 12,947 |

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

| €'000 | **2020** | **2019** |
|---|---|---|
| *Acquisition costs at 1 January* | *67,160* | *62,228* |
| Additions | 6,376 | 6,920 |
| Disposals | (231) | (1,165) |
| Reclassifications | 0 | (823) |
| *Acquisition costs at 31 December* | *73,305* | *67,160* |
| *Amortization at 1 January* | *(54,212)* | *(53,292)* |
| Additions to current amortization | (2,727) | (2,231) |
| Disposals | 36 | 488 |
| Reclassifications | 0 | 823 |
| *Amortization at 31 December* | *(56,903)* | *(54,212)* |
| *Carrying amounts at 1 January* | *12,947* | *8,936* |
| **Carrying amounts at 31 December** | **16,402** | 12,947 |

## (22) Tax assets

| €'000 | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Tax assets | 158 | 107 |
| Deferred tax assets | 20,200 | 152 |
| **Total** | **20,358** | 259 |

The net total of deferred taxes is as follows:

| €'000 | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Deferred tax assets | 20,200 | 152 |
| Deferred tax liabilities | 0 | 5,022 |
| **Net deferred tax assets** | **20,200** | (4,870) |

The net total of deferred taxes resulted from the following balance sheet positions and developed as follows in 2020.

| €'000 | 31/12/2019 | Recognized to profit or loss | Recognized to other comprehensive income | 31/12/2020 |
|---|---|---|---|---|
| Financial liabilities held for trading | 30,417 | 25,248 | | 55,665 |
| Financial liabilities measured at amortized cost | 66,756 | (9,020) | | 57,736 |
| Derivatives - hedge accounting (liabilities) | 51,732 | 8,279 | | 60,011 |
| Fair value changes in the underlying transactions for portfolio hedges of interest rate risks | 528 | (528) | | 0 |
| Interest in equity-accounted investments* | 0 | 586 | (157) | 429 |
| Provisions | 8,106 | 639 | 11 | 8,756 |
| Partial write-downs of investments to be distributed for tax purposes | 522 | (163) | 40 | 399 |
| Other | 1,251 | (338) | | 913 |
| *Deferred tax assets* | *159,312* | *24,703* | *(106)* | *183,909* |
| Financial assets held for trading | 30,197 | 26,202 | | 56,399 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 3,232 | (437) | | 2,795 |
| Financial assets at amortized cost | 43,527 | 3,328 | | 46,855 |
| Derivatives - hedge accounting (assets) | 44,800 | 513 | (396) | 44,917 |
| Fair value changes in the underlying transactions for portfolio hedges of interest rate risks | 0 | 1,214 | | 1,214 |
| Interest in equity-accounted investments* | 19,541 | (19,541) | | 0 |
| Property and equipment | 22,885 | (11,356) | | 11,529 |
| *Deferred tax liabilities* | *164,182* | *(77)* | *(396)* | *163,709* |
| **Net deferred tax assets** | (4,870) | **24,780** | **290** | **20,200** |

* This position includes the deferred taxes from the equity-accounted partnership Raiffeisen Informatik GmbH & Co KG.

The comparative prior year data are shown below.

| €'000 | 31/12/2018 | Recognized to profit or loss | Recognized to other comprehensive income | 31/12/2019 |
|---|---|---|---|---|
| Financial liabilities held for trading | 25,365 | 5,052 | | 30,417 |
| Financial liabilities measured at amortized cost | 35,994 | 30,762 | | 66,756 |
| Derivatives - hedge accounting (liabilities) | 41,056 | 10,676 | | 51,732 |
| Fair value changes in the underlying transactions for portfolio hedges of interest rate risks | 0 | 528 | | 528 |
| Provisions | 6,918 | 401 | 787 | 8,106 |
| Partial write-downs of investments to be distributed for tax purposes | 496 | 7 | 19 | 522 |
| Other | 847 | 404 | | 1,251 |
| *Deferred tax assets* | *110,676* | *47,829* | *807* | *159,312* |
| Financial assets held for trading | 23,923 | 6,274 | | 30,197 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 3,407 | (175) | | 3,232 |
| Financial assets at amortized cost | 37,958 | 5,569 | | 43,527 |
| Derivatives - hedge accounting (assets) | 36,853 | 8,015 | (68) | 44,800 |
| Interest in equity-accounted investments | 0 | 20,008 | (467) | 19,541 |
| Property and equipment | 0 | 22,885 | | 22,885 |
| *Deferred tax liabilities* | *102,141* | *62,575* | *(534)* | *164,182* |
| **Net deferred tax assets** | 8,535 | (14,746) | 1,341 | (4,870) |

Deferred tax assets of TEUR 3,611 (2019: TEUR 3,651) were not recognized in the consolidated financial statements for unused tax loss carryforwards and deductible temporary differences because their realization does not appear possible within a reasonable period from the current point of view. In addition, deferred tax liabilities were not recognised on temporary differences of EUR 840 million (2019: EUR 1,199 million) in accordance with IAS 12.39. Based on estimates for the reversal of the temporary differences, the realization of TEUR 3,329 (2019: TEUR -15,554) of the deferred taxes recognized as of 31 December 2020 is expected within the next 12 months. The balance of TEUR 16,871 (2019: TEUR 10,684) has a remaining term of more than one year.

## (23) Other assets

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Trust receivables - federal and provincial IPS | 43,547 | 37,369 |
| Deposits | 28,977 | 28,977 |
| Prepayments made and accrued income | 99 | 80 |
| Semi- and finished goods/unfinished goods/inventories | 1,020 | 1,505 |
| Receivables from other taxes and duties | 1,005 | 1,152 |
| Miscellaneous other assets | 46,473 | 35,163 |
| **Total** | **121,121** | 104,248 |

Other assets include trust receivables in connection with the federal and provincial IPS (Institutional Protection Scheme; also see Note (31) Equity) and deposits as well as receivables from other taxes and duties. Miscellaneous other assets consist primarily of prepaid expenses and receivables from the group tax charge (TEUR 7,932; 2019: TEUR 7,932).

## (24) Financial liabilities held for trading

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Derivatives | 486,581 | 509,172 |
| **Total** | **486,581** | 509,172 |

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

## (25) Financial liabilities at amortized cost

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Deposits from other banks | 9,356,799 | 7,684,088 |
| Demand deposits | 4,122,292 | 3,635,704 |
| Time deposits | 5,234,506 | 4,048,384 |
| Deposits from customers | 9,177,078 | 8,971,709 |
| Sight deposits | 6,838,049 | 6,596,231 |
| Time deposits | 947,831 | 933,028 |
| Savings deposits | 1,391,198 | 1,442,451 |
| Securitized liabilities | 6,815,205 | 7,161,241 |
| Issued bonds | 6,248,804 | 6,559,492 |
| Tier 2 capital | 566,401 | 601,748 |
| Other liabilities | 94,625 | 96,349 |
| Lease liabilities | 91,518 | 94,802 |
| Trade payables (non-bank) | 3,107 | 1,547 |
| **Total** | **25,443,707** | 23,913,387 |

As of 31 December 2020, the RLB NÖ-Wien Group had not entered into any leases which had not yet started (2019: TEUR 2,664 of potential future cash outflows from such items). A description of the Tier 2 capital included in this position and all other financial instruments listed above can be found under "Significant Accounting Policies" in the section on "Financial liabilities". Details on participation in the ECB's TLTRO-III programme are provided in Note (1).

The following table reconciles Tier 2 capital and leasing liabilities from 31 December 2019 to 31 December 2020, classified by cash and non-cash changes (see the consolidated cash flow statement).

| €'000 | At 01/01/2020 | Initial application of IFRS 16 | Cash changes | Non-Cash changes | At 31/12/2020 |
|---|---|---|---|---|---|
| Tier 2 capital | 601,748 | 0 | (32,986) | (2,361) | 566,401 |
| Lease liabilities | 94,802 | 0 | (11,746) | 8,461 | 91,518 |
| **Total** | **696,550** | 0 | (44,732) | 6,100 | **657,919** |

The comparative prior year data are shown below.

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

## (26) Derivatives – hedge accounting

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Fair value hedges | 501,560 | 407,138 |
| Negative fair values of derivative financial instruments from micro-fair value hedges | 491,588 | 407,138 |
| Negative fair values of derivative financial instruments from portfolio-fair value hedges | 9,973 | 0 |
| **Total** | **501,560** | 407,138 |

Derivative financial instruments are reported as hedging instruments when the conditions for hedge accounting under IFRS 9, respectively IAS 39 are met. RLB NÖ-Wien currently holds no cash flow hedges. Details on the recognized micro- and portfolio fair value hedges, the underlying transactions, hedging instruments and the hedged risks can be found in Note (32).

## (27) Provisions

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Post-employment benefits | 36,604 | 36,268 |
| Termination benefits | 22,096 | 26,729 |
| Long-service bonuses | 5,458 | 5,087 |
| Restructuring | 2,832 | 5,730 |
| Pending legal proceedings | 20,737 | 17,566 |
| Obligations and issued guarantees | 24,705 | 12,710 |
| Other provisions | 21,996 | 16,367 |
| **Total** | **134,428** | 120,457 |

The provisions for negative indicator values total TEUR 20,550 (2019: TEUR 15,900).

This position also includes provisions of TEUR 1,382 (2019: TEUR 2,842) for procedural costs and attorneys' fees. These items are related to consulting and information obligations connected with the sale or conclusion of financial products. Additional information on these proceedings and the related risk for the company, above all measures undertaken in this connection, is not disclosed in accordance with IAS 37.92 so as not to prejudice the outcome of the proceedings.

The other provisions also include a provision of TEUR 8,480 (2019: TEUR 0) for portfolio commissions not yet transferred.

Provisions for restructuring measures – which are reported under termination benefits, respectively under restructuring – were reversed at a total of TEUR 6,674 (2019: TEUR 3,785).

The additions to the provisions for obligations and issued guarantees were influenced by COVID-19; details on the development are provided in Note (16) Risk provisions.

## Employee-related provisions

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

| €'000 | **2020** | **2019** |
|---|---|---|
| ***Interest rate*** | | |
| Entitlement phase | 0.29% | 0.58% |
| Entitlement phase for beneficiaries with STATUT or KV6 commitments | 0.29% | 0.58% |
| Service phase | 0.29% | 0.58% |
| Service phase for beneficiaries with STATUT or KV6 commitments | 4.00% | 4.00% |
| Termination benefits | 0.00% | 0.31% |
| ***Salary increases*** | ***1.5% - 4.0%*** | *1.5% - 4.5%* |
| ***Pension increases*** | **0.5% - 2.0%** | 0.5% - 2.0% |
| ***Pension increases for beneficiaries with STATUT or KV6 commitments*** | **0.0%** | 0.0% |
| ***Biometric basis*** | **AVÖ 2018-P calculation parameters for pension insurance (salaried employees)** | |

The calculation is based on the earliest possible statutory retirement age for men and women.

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

| €'000 | 2020 Gross obligation termination payments | 2019 | 2020 Gross obligation post-employment payments | 2019 | 2020 Plan assets pensions | 2019 |
|---|---|---|---|---|---|---|
| At 1 January | 26,729 | 32,605 | 64,836 | 59,124 | 28,568 | 27,883 |
| Service cost | 974 | 948 | 806 | 720 | 0 | 0 |
| Interest cost | 62 | 240 | 366 | 935 | 0 | 0 |
| Expected return on the plan assets | 0 | 0 | 0 | 0 | 161 | 442 |
| Payments | (2,347) | (4,681) | (2,612) | (2,651) | 0 | 0 |
| Contributions to plan assets | 0 | 0 | 0 | 0 | 638 | 1,486 |
| Post-employment payments from plan assets | 0 | 0 | 0 | 0 | (886) | (904) |
| Net amount transferred | 0 | 0 | (834) | (2,086) | (897) | (2,137) |
| Actuarial (gain)/loss for the financial year | 524 | 521 | 1,308 | 8,473 | (601) | 1,887 |
| Due to experience-based adjustments | 206 | (398) | (607) | 1,871 | (601) | 1,887 |
| Due to change in demographic assumptions | (105) | (411) | 3,901 | 0 | 0 | 0 |
| Due to Change in Financial Assumptions | 423 | 1,330 | (1,987) | 6,602 | 0 | 0 |
| Other changes and adjustments | (3,846) | (2,904) | (320) | 321 | (37) | (89) |
| Changes in the scope of consolidation | 0 | 0 | 0 | 0 | 0 | 0 |
| **At 31 December** | **22,096** | 26,729 | **63,550** | 64,836 | **26,946** | 28,568 |
| **Fair value plan assets** | **0** | 0 | **(26,946)** | (28,568) | **0** | 0 |
| **Net obligation as of 31 December** | **22,096** | 26,729 | **36,604** | 36,268 | **0** | 0 |

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

| €'000 | 2020 | 2019 |
|---|---|---|
| Present value of post-employment benefits (DBO) at 31 December | 63,550 | 64,836 |
| Of which obligations to active eligible employees | 20,455 | 19,747 |
| Of which obligations to former eligible employees | 0 | 0 |
| Of which obligations to retirees | 43,095 | 45,089 |

The structure of the plan assets is as follows:

| €'000 | 2020 | 2019 |
|---|---|---|
| Bonds and other fixed-interest securities | 39.95% | 49.43% |
| Shares and other variable-yield securities | 26.51% | 21.64% |
| Property | 3.93% | 3.70% |
| Other | 29.60% | 25.23% |
| **Total** | **100.00%** | 100.00% |

The plan assets for the 2020 financial year so not include any financial instruments issued by RLB NÖ-Wien.

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

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| | Change in the parameter | Increase | Decrease | Increase | Decrease |
| *Provisions for post-employment benefits* | | | | | |
| Discount rate | 0.75% | (7.48)% | 8.62% | (7.57)% | 8.72% |
| Retirement age | 1 year | (0.20)% | 0.79% | (0.70)% | 0.87% |
| Assumption for increase in the entitlement phase | 0.25% | 0.51% | (0.50)% | 0.53% | (0.52)% |
| Assumption for increase in current benefits | 0.25% | 2.97% | (2.85)% | 2.99% | (2.87)% |
| Remaining life expectancy | 1 year | 4.49% | (4.66)% | 5.76% | (6.04)% |
| *Provisions for termination benefits* | | | | | |
| Discount rate | 0.75% | (5.24)% | 5.76% | (5.63)% | 6.20% |
| Retirement age | 1 year | (0.45)% | 1.08% | (0.68)% | 1.19% |
| Assumption for increase in the entitlement phase | 0.25% | 1.80% | (1.75)% | 1.94% | (1.89)% |
| Turnover | 1.00% | (3.29)% | 3.23% | (3.51)% | 2.84% |

The weighted remaining term of the obligations is as follows:

| in years | 2020 | 2019 |
|---|---|---|
| Termination benefits | 7.3 | 7.9 |
| Post-employment benefits | 10.4 | 10.6 |

Classification of the expenses for defined contribution plans:

| €'000 | 2020 | 2019 |
|---|---|---|
| *Expenditure on defined contribution plans* | *1,770* | *1,664* |
| Of which on defined contribution plans (pension fund) | 1,054 | 1,036 |
| Of which on staff benefit fund ("Mitarbeitervorsorgekasse") | 716 | 628 |

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

| €'000 | Restructuring | Legal proceedings | Other |
|---|---|---|---|
| *At 1 January* | *5,730* | *17,566* | *16,367* |
| Added | 0 | 4,778 | 16,930 |
| Released | (2,828) | (145) | (2,746) |
| Used | (70) | (1,463) | (8,554) |
| **At 31 December** | **2,832** | **20,736** | **21,997** |

The comparative prior year data are as follows:

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

## (28) Tax liabilities

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Tax liabilities | 3,940 | 2,664 |
| Deferred tax liabilities | 0 | 5,022 |
| **Total** | **3,940** | 7,687 |

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

## (29) Other liabilities

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Liabilities from other taxes and duties | 7,614 | 7,817 |
| Prepayments received and accrued expenses | 99 | 80 |
| Miscellaneous other liabilities | 58,027 | 124,752 |
| **Total** | **65,739** | 132,649 |

Miscellaneous other liabilities consist primarily of liabilities totalling TEUR 14,999 (2019: TEUR 9,610) from the tax charge, accruals for employee-related expenses and outstanding charges from the operating business which were paid after the closing date on 31 December 2020.

## (30) Equity

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Attributable to non-controlling interests** | **46** | 40 |
| **Attributable to equity owners of the parent** | **2,026,712** | 2,513,580 |
| Share capital, paid in | 219,789 | 219,789 |
| Capital reserves | 556,849 | 556,849 |
| Other comprehensive income for the period (OCI) | (508,012) | (335,074) |
| Other comprehensive income for the period (OCI) - not recyclable | 1,960 | 1,307 |
| IAS 19 reserve (revaluation of net liability from defined benefit plans) | (24,235) | (21,814) |
| Share of other comprehensive income from associates, at equity | 26,128 | 23,074 |
| Financial assets - equity instruments at fair value through other comprehensive income | 66 | 47 |
| Other comprehensive income for the period (OCI) - recyclable | (509,972) | (336,381) |
| Cash flow hedge reserve | 0 | 856 |
| Share of other comprehensive income from associates and joint ventures, at equity | (509,972) | (337,237) |
| Retained earnings | 2,013,770 | 1,844,625 |
| Share of profit from associates, other changes in equity | (173,059) | (164,931) |
| Other retained earnings | 2,186,829 | 2,009,556 |
| Profit or loss attributable to equity owners of the parent | (255,685) | 227,391 |
| **Equity** | **2,026,758** | 2,513,620 |

The share capital of RLB NÖ-Wien totals TEUR 219,789 (2019: TEUR 219,789). Subscribed capital comprises 2,197,892 (2019: 2,197,892) registered shares.

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

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

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

| €'000 | IAS 19 reserve | Cash flow hedge reserve | Fair value OCI reserve | Total |
|---|---|---|---|---|
| ***At 01/01/2019*** | ***(15,493)*** | ***2,833*** | ***225*** | ***(12,435)*** |
| Unrealized gains/(losses) in the period | 0 | 0 | (218) | (218) |
| Gains/(losses) reclassified to profit or loss | 0 | (2,045) | 0 | (2,045) |
| Actuarial gains and losses | (7,107) | 0 | 0 | (7,107) |
| Tax effects* | 787 | 68 | 40 | 895 |
| ***At 31/12/2019*** | ***(21,813)*** | ***856*** | ***47*** | ***(20,911)*** |
| | | | | |
| ***At 01/01/2020*** | ***(21,813)*** | ***856*** | ***47*** | ***(20,911)*** |
| Unrealized gains/(losses) in the period | 0 | 0 | (170) | (170) |
| Gains/(losses) reclassified to profit or loss | 0 | (1,252) | 0 | (1,252) |
| Actuarial gains and losses | (2,432) | 0 | 0 | (2,432) |
| Tax effects* | 11 | 396 | 75 | 482 |
| Other changes** | 0 | 0 | 115 | 115 |
| ***At 31/12/2020*** | ***(24,235)*** | ***0*** | ***66*** | ***(24,169)*** |

* Of the TEUR 75 (2019: EUR 40) reported under tax effects on the fair value OCI reserve, TEUR 35 (2019: EUR 21) result from expenses claimed during the reporting year in connection with the partial write-down for tax purposes of equity instruments.

** The other changes represent an immaterial reclassification from the fair value OCI reserves to retained earnings from divested, non-operating investments (fair value on the derecognition date in 2020: TEUR 3).

The release of the cash flow hedge reserve through profit or loss is reported under net interest income. The fair value OCI reserve shows the measurement of investments which are assigned to this category based on their strategic focus (also see Note (14) Financial assets at fair value through other comprehensive income).

## Capital management

The capital management of the RLB NÖ-Wien Group represents an important part of medium-term planning, which is regularly reviewed and updated. Its goal is to ensure compliance with legal and regulatory requirements at all times in line with the development of business and the protection of an appropriate buffer. The definition of capital is based on the applicable regulatory requirements. In accordance with § 39a of the Austrian Banking Act, the legal due diligence obligations of financial institutions include maintaining a capital base that guarantees protection for all major banking transactions and banking risks (also see the comments on overall bank management – risk capacity in Note (31) Risks arising from financial instruments (Risk Report)). The capital indicators of RBG NÖ-Wien were optimized by the IPS (Institutional Protection Scheme) in the sense of Art. 49 (3) and 113 (7) of the CRR. The legal minimum requirements for capital defined by the Austrian Banking Act, respectively the CRR, were met by Raiffeisen- Holding NÖ-Wien at all times during the 2020 financial year at both the bank level and the credit institution group level of Raiffeisen-Holding NÖ-Wien.

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

# Risk report and notes on financial instruments

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

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

### Risk policy and strategy

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

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

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

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

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

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

### Disclosure

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

### Risk management

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

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

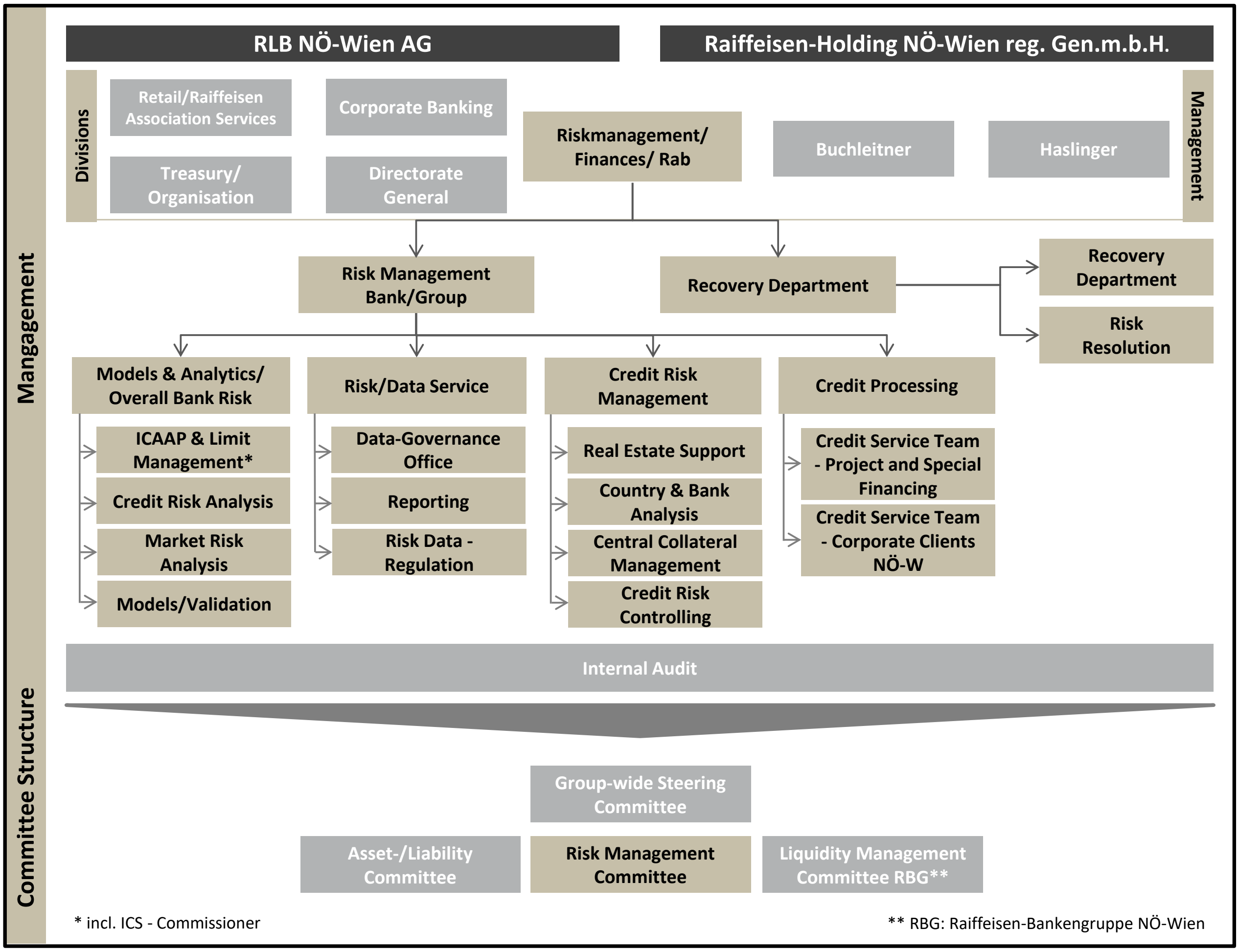
A Group-wide Risk Committee was installed by the Raiffeisen-Holding financial institution group as an addition to the Overall Bank Management Committee. This Risk Committee communicates the risk situation and the decisions taken by the Overall Bank Management Committee to the heads of the

Front Office, Recovery and Risk Resolution, and Internal and Group Audit Departments. It is also responsible for risk management. The Risk Committee therefore represents a key element of the bank's overall management and control. Market risk (including credit risk as a sub-risk of market risk) and liquidity risk are reported to and managed by a separate committee in the Raiffeisen Holding financial institution group, the Asset/Liability Committee.

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

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

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




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

Risk analyses are prepared by the responsible departments in this area in accordance with the internal risk controlling process. The Models & Analytics Department is responsible for aggregated risk analyses in the following areas: credit, country, CVA, market (incl. credit spread risk), liquidity and investment risk as well as non-financial risk (incl. operational risks), macroeconomic and other risks.

In addition to the Risk Management Bank/Group Department, a separate section – Recovery – reports to the Managing Board member responsible for Risk Management/Accounting and deals with customers in financial difficulties. This section provides recovery support and advising as well as resolution for customers with payment difficulties.

The Raiffeisen-Holding NÖ-Wien Group follows a future-oriented risk management guideline that reflects its business and risk profile. This guideline comprises a clearly defined risk strategy and the ICAAP Manual (Internal Capital Adequacy Assessment Process).

The risk strategy is consistent with the business strategy of the financial institution group, is integrated in the risk organization (see the organizational structure of the risk management units) and reflects the expected influence of external environmental factors on the planned development of business and risks. It describes the banking group's risk profile by clearly formulating the risk appetite of the Raiffeisen-Holding NÖ-Wien Group and RLB NÖ-Wien and defines the risk management principles, strategic goals and initiatives for the major types of risk.

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

Strategic limits are set for the most important financial and non-financial types of risk which are identified by the annual risk materiality assessment (risk inventory) and derived from the risk appetite.

The risk strategy defines the risk policy guidelines and principles as well as the risk spectrum of the Raiffeisen-Holding NÖ-Wien Group. All risks are analysed and assessed with regard to their relevance and transferred to a Group-wide risk map as part of a risk assessment process. This risk map represents an integral part of the risk strategy.

The risk strategy is implemented within the framework of a clearly defined governance structure.

The ICAAP Manual (Internal Capital Adequacy Assessment Process) of the Raiffeisen-Holding NÖ-Wien Group defines and describes the duties, organizational units, committees, reports, procedures and methods used for the identification, recording, quantification, monitoring and limitation of the relevant risks in the risk management process. This information is updated annually by the Models & Analytics Department and approved by the Managing Board of RLB NÖ-Wien and the management of Raiffeisen-Holding NÖ-Wien. The ICAAP Manual is supplemented by detailed methodological manuals, depending on the type of risk.

The rules defined by the risk strategy and the ICAAP Manual guarantee a coordinated process for identifying, measuring, limiting, reporting and documenting risks and creates a uniform understanding of the risk situation in the Raiffeisen-Holding NÖ-Wien Group.

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

### COVID-19 pandemic

The outbreak of the COVID-19 virus in the Chinese province of Hubei at the end of 2019 has grown into a global pandemic that is still continuing today.

In reaction to the exponential spread of the COVID-19 virus and its mutations, Austria, Europe and a large part of the world took steps to massively restrict civil liberties and economic activity throughout most of 2020. These restrictions were necessary to combat the high death rates and related pressure on healthcare systems in many countries which were caused by the pandemic and remain a matter of great concern.

The negative effects include, in particular, the shutdown of entire business sectors (essentially all areas apart from basic supplies like food, pharmaceuticals, etc.), the implementation of in part rigid curfews, bans on events and certain areas as well as the (re)introduction of border controls and recent constraints on entering Austria. Starting from its origins in China, the COVID-19 pandemic continues to have a major impact on the European Union and has since led to the third lockdown in Austria. The virus has spread across all continents and resulted in severe consequences, above all for developing countries with weaker medical care systems.

Most countries, including Austria, implemented restrictions in 2020 to slow the spread of the COVID-19 pandemic – for example, curfews and business shutdowns which massively limited social and business life. The restrictions on civil liberties and economic activity have had a severe negative impact on the global economy, and the resulting economic setback has now exceeded the 2008 financial crisis. The major capital markets recorded sharp downturns of 50% or more within two weeks during spring 2020. COVID-19 has plunged the global economy into a severe recession that extensive monetary and fiscal measures were also unable to prevent. The restrictions also lasted during the first months of 2021.

The financial measures passed as part of the COVID-19 Act in Austria (short-time work, deferrals, guarantees, bridge loans, direct subsidies in various forms for entrepreneurs etc.) provide essential assistance which can moderate, but not prevent the financial impact of the COVID-19 crisis. The restrictions on public life have, for the most part, been lifted but have not led to a complete easing of the economic situation. Policymakers, central banks and regulators have reacted with measures to cushion the adverse effects of the increasingly negative economic development which include multi-billion social and business aid programmes, interest rate cuts and credit repayment moratoria.

### Macroeconomic environment in the COVID-19 crisis

The new corona virus and the measures implemented to contain the COVID-19 pandemic led to severe distortions on the financial markets during the first months of 2020 and plunged the global economy into the most serious recession since World War II. The extensive monetary and fiscal support packages implemented, in part very quickly, by central banks and governments across the world were also unable to prevent these developments. Slight recovery during the summer months was followed by an increasingly tense situation from the pandemic and a sharp rise in infections beginning in October 2020, which led to two additional shutdown phases in winter 2020 through the beginning of 2021.

The economic effects of the COVID-19 crisis – with three shutdown phases and their consequences – are clearly visible in all sectors throughout Austria. Many branches recorded revenue and earnings losses of up to 80% in 2020 due to the strong international integration of the local economy and the global pandemic. The reduced opening times and operating periods came nowhere near to offsetting these losses. A number of branches were comparatively harder hit by the pandemic: Exports from the key machinery and motor vehicle sector, which are particularly important for Austria, as well as the processing industry suffered heavy losses, but the demand for chemical and pharmaceutical products increased. Tourism, gastronomy and the retail trade were particularly affected by the global pandemic and long shutdown periods. The same applies to cultural businesses like theatres, cinemas, museums and similar operations, which were also unable to operate during most of the year and, if they were able to open, only in greatly restricted form.

Further outbreaks of the coronavirus and the related containment measures will also curb economic activity during the first quarters of 2021. Private consumption and corporate investments have been slowed, and will continue to be slowed, by pervasive uncertainty and low trust. Unemployment reached the double-digit percentage range in December 2020 – with little improvement expected before the middle of 2021 – and will only decline slowly when vaccination coverage reaches an adequate level.

The development of the global economy, with its influence and effects on Austria, will be determined to a significant degree by the course of the COVID-19 pandemic. In summary, the global downturn in spring 2020 was not as deep as expected and the recovery has been stronger than anticipated since May 2020. However, recent indicators point to a weakening in momentum during 2021 due to the recent waves of infections.

## Risk management in the COVID-19 crisis – Business Continuity Management (BCM)

The COVID-19 crisis required a change in the bank's management procedures. In addition to regular organizational and risk controls, existing groups increased the frequency of their meetings and further committees were established for the bank's management:

- Managing Board
  Meetings were increased to daily intervals at the height of the COVID-19 crisis
- Allocation Committee Liquidity:
  (See the detailed information on liquidity risk)
- Team Health Protection:
  (See the following information)

RLB NÖ-Wien, Raiffeisen-Holding NÖ-Wien and the Raiffeisen-Holding NÖ-Wien Group were confronted with particular challenges within a very short time as a result of the COVID-19 crisis which involved the health of their employees as well as the economic situation and decisively changed future perspectives.

In contrast to normal business and risk procedures, additional groups were established to deal with the effects of the COVID-19 crisis. These groups were responsible for issuing instructions and taking strategic decisions for business operations such as security, incl. IT security, and risk minimization.

The first step in Business Continuity Management (BCM) by the Raiffeisen-Holding NÖ-Wien Group involved a decision by the Managing Board of RLB NÖ-Wien and the management of Raiffeisen-Holding NÖ-Wien in their function as a crisis staff to establish a "**Team Health Protection**". This team was installed at the end of February 2020, even before the announcement of information and measures by the government and is still active in 2021. The crisis staff includes representatives from all relevant areas, beginning with the Managing Board of RLB NÖ-Wien and the management of Raiffeisen-Holding NÖ-Wien as well as security, BCM and IT managers, representatives of the Lower Austrian Raiffeisen banks, representatives from the Vienna branch offices, corporate communications, the company physician and psychologists, and the Staff Council. Under the direction of the Head of Human Resources, the crisis staff defined the following goals for the correct continuation of business operations in this challenging situation – which remain in effect today:

- Protection of employees' health
- Protection of ongoing business operations
- Protection of infrastructure

The existing Business Impact Analyse (BIA), which defines critical procedures and the required resources, allowed business processes to quickly continue in an adjusted form. Business operations were able to proceed under these more difficult conditions due to the use of a spare trading room for Treasury, the distribution of teams among different floors and buildings as well as home office (with full technical equipment) for most of the staff. As part of a system-relevant sector, special focus was placed on maintaining full operations in the branch offices and uninterrupted access to the customer contact centres. Smooth and continuous operations in the branch offices were ensured by the fast implementation of protective measures, efficient staff scheduling and the protection of the branches by security guards.

Activities continue to focus on the adaptation of business processes, the evaluation of the needs of customers and staff for protection and as the assessment of providers functionality.

## Risk management – risk capacity and stress testing

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

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

- Credit risk
- Country risk
- CVA risk
- Investment risk
- Market risk incl. credit spread risk
- Liquidity risk
- Non-financial risk incl. operational risk
- Macroeconomic risk
- Other risks

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

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

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

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

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

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

In agreement with the EBA Guideline (EBA GL) 2014-06 on the range of scenarios to be used in recovery plans, the preparation of this plan also involved a macroeconomic stress test that covered the entire bank. This stress test evaluated the effectiveness and feasibility of the various restructuring options and the appropriateness of the early warning and recovery indicator sets. The definition of stress scenarios and calculation of stress effects was omitted in 2020 due to the relief offered by the Austrian Financial Market Authority for the preparation of recovery plans in connection with the COVID-19 pandemic. Within the framework of this relief, only the recovery indicators, escalation processes and measures were updated.

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

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

The Raiffeisen-Holding NÖ-Wien Group was also audited in 2020 as part of the ECB's Supervisory Review and Evaluation Process (SREP), in accordance with the methodology defined by EBA GL 2014/13 for the Eurozone and under the lead of the Austrian National Bank. In addition to the monitoring of key indicators, the business model was analysed and internal governance (internal management and risk management), institutional controls and the capital, liquidity, operational and interest rate risks in the banking book were evaluated. The assessment process centred on the effects of and measures related to the COVID-19 pandemic on the banking group. In conclusion, an adjusted Common Equity Tier 1 (CET1) ratio was set for the Raiffeisen-Holding NÖ-Wien Group through a decision on 24 May 2019. The Raiffeisen-Holding NÖ-Wien Group as a supervised entity and RLB NÖ-Wien as a subsidiary of the supervised entity are subject to direct supervision by the national authority, i.e. the Austrian Financial Market Authority.

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

## Credit risk

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

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

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

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

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

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

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

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

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

RLB NÖ-Wien has installed an extensive credit limit system at the overall bank level and at the individual bank, country and corporate customer levels. The evaluation of individual commitments is also designed to ensure that the bank's approval ceilings remain below regulatory limits.

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

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

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

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

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

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

***Effect of COVID-19 on credit risk***

The COVID-19 pandemic and the resulting economic restrictions led to extensive measures in the credit portfolio of RLB NÖ-Wien during the first half of 2020. Consumers and small businessmen/-women who were negatively affected financially by the COVID-19 crisis were given the right to defer principal payments between 1 April 2020 and 30 June 2020 as part of a legal moratorium (so-called legal deferral measures). The Austrian government extended legal moratorium twice the during the course of the pandemic: to 31 October 2020 and to 31 January 2021.

RLB NÖ-Wien also took part in the non-legislative moratorium in accordance with the EBA Guideline and deferred loans to businessmen/-women who were negatively affected by the COVID-19 crisis but not covered by the legal moratorium based on the criteria defined by the Austrian Financial Market Authority.

Furthermore, RLB NÖ-Wien concluded bilateral agreements with private and corporate customers affected by the COVID-19 crisis for contract adjustments (so-called voluntary deferral measures).

In addition to the adjustment of existing credit agreements, support was given to credit customers through bridge financing and the pre-financing of short-time payroll expenses in the event of liquidity shortages resulting from the COVID-19 crisis. Borrowers who meet certain requirements qualify for 80% to 100% loan guarantees from government agencies (ÖHT, aws, COFAG, etc.).

The processes used by RLB NÖ-Wien to identify default under CRR Article 178 and the forbearance classification under CRR Article 47b were not changed by the COVID-19 crisis. Individual reviews are still based on the existing criteria.

In accordance with the applicable EBA Guideline (EBA/GL/2020/02), forbearance actions were only taken in connection with legal deferral measures on an exception basis. Most of the transactions with voluntary deferrals and bridge loans are classified as forborne.

COVID-19 bridge financing and loans granted covered 434 transactions with a total credit exposure of EUR 173 million, and an additional credit exposure of EUR 7 million was related to the pre-financing of short-time payroll expenses. This financing was covered to 56% by government guarantees (ÖHT, aws, COFAG, etc.) as of 31 December 2020.

Deferrals under the legal moratorium covered 3,180 transactions with a credit exposure of EUR 312 million by 31 December 2020. Of this total, EUR 35 million were classified as forborne under CRR Article 47b. A credit exposure of EUR 2 million from customers with legal deferrals subsequently classified as in default under CRR Article 178. Since the Austrian government did not extent the respective law, all deferrals under the legal moratorium expired as of 31 January 2021.

Voluntary deferrals covered 256 transactions with a credit exposure of EUR 230 million as of 31 December 2020. Of this total, EUR 155 million were classified as forborne under CRR Article 47b. A credit exposure of EUR 9 million from customers with voluntary deferral measures was subsequently classified as in default under CRR Article 178. Of the total voluntary deferrals, 136 with an exposure of EUR 102 million had expired as of 31 December 2020, i.e. the customers must resume payments.

Deferrals under the private moratorium involved 978 transactions with a credit exposure of EUR 466 million. Of this total, EUR 2 million were classified as forborne under CRR Article 47b. A credit exposure of EUR 2 million from customers with a private moratorium was subsequently classified as in default under CRR Article 178. As of 31 December 2020, 923 of these deferrals with an exposure of EUR 332 million had expired.

In view of the COVID-19 pandemic and to reduce the negative effects on credit risk, RLB NÖ-Wien has also introduced a variety of measures:

- Early termination of country lines for new business in the countries most affected at the beginning of the crisis
- Adjustments to the offered product catalogue
- Introduction of stricter lending criteria for real estate financing
- Monitoring of customers with COVID-19 measures as part of the early warning systems
- Daily monitoring of the consumer credit business
- Branch analyses and stress tests
- Expansion of and increase in the frequency of management reporting
- Regular risk classification of all COVID-19-related transactions
- Regular monitoring and risk classification of customers with a legal moratorium (where applicable, also expired)
- Case-by-case analysis of the significant customers affected by COVID-19 and adjustment of the credit standing where necessary

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

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

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

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

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

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

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

| €´000<br>Balance sheet items | Notes | 2020<br>Balance sheet items | 2020<br>Credit exposure | 2019<br>Balance sheet items | 2019<br>Credit exposure |
|---|---|---|---|---|---|
| ***Cash, cash balances at central banks and other demand deposits*** | (11) | ***4,930,949*** | ***4,873,972*** | *3,040,188* | *2,987,239* |
| ***Financial assets held for trading*** | (12) | ***811,971*** | ***811,971*** | *1,140,011* | *1,140,011* |
| Derivatives | (12) | 472,212 | 472,212 | 487,792 | 487,792 |
| Bonds | (12) | 339,759 | 339,759 | 652,219 | 652,219 |
| Loans and advances to other banks | (12) | 150,827 | 150,827 | 140,605 | 140,605 |
| Loans and advances to customers | (12) | 188,932 | 188,932 | 511,614 | 511,614 |
| ***Non-trading financial assets mandatorily at fair value through profit or loss*** | (13) | ***139,879*** | ***130,865*** | *162,229* | *148,042* |
| Equity instruments | (13) | 9,014 | 0 | 14,187 | 0 |
| Bonds | (13) | 969 | 969 | 991 | 991 |
| Loans and advances to other banks | (13) | 969 | 969 | 991 | 991 |
| Loans and advances | (13) | 129,896 | 129,896 | 147,051 | 147,051 |
| Loans and advances to customers | (13) | 129,896 | 129,896 | 147,051 | 147,051 |
| ***Financial assets at fair value through other comprehensive income*** | (14) | ***19,472*** | ***0*** | *18,950* | *0* |
| Equity instruments | (14) | 19,472 | 0 | 18,950 | 0 |
| ***Financial assets at amortized cost*** | (15) | ***19,841,540*** | ***20,062,302*** | *20,033,364* | *20,177,937* |
| Bonds | (15) | 3,593,206 | 3,596,083 | 4,060,086 | 4,062,870 |
| Loans and advances to other banks | (15) | 1,144,532 | 1,145,569 | 1,249,446 | 1,250,614 |
| Loans and advances to customers | (15) | 2,448,675 | 2,450,514 | 2,810,640 | 2,812,256 |
| Loans and advances | (15) | 16,238,876 | 16,456,762 | 15,961,270 | 16,103,059 |
| Loans and advances to other banks | (15) | 2,580,439 | 2,583,132 | 2,648,319 | 2,651,061 |
| Loans and advances to customers | (15) | 13,658,437 | 13,873,630 | 13,312,952 | 13,451,998 |
| Trade receivables | (15) | 9,457 | 9,457 | 12,007 | 12,007 |
| ***Derivatives - hedge accounting*** | (17) | ***442,929*** | ***442,929*** | *405,674* | *405,674* |
| ***Contingent liabilities*** | (39) | ***685,030*** | ***699,388*** | *769,553* | *776,724* |
| ***Credit commitments*** | (39) | ***6,005,916*** | ***6,016,263*** | *5,550,884* | *5,556,422* |
| **Total** | | 32,877,686 | 33,037,691 | 31,120,852 | 31,192,049 |

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

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

| €´000 | | | | | | | | 2020 |
|---|---|---|---|---|---|---|---|---|
| | | **Exposure** | **Of which Stage 1 Performing or measured at fair value** | **Of which Stage 2 Under Performing** | **Of which Stage 3 Credit Impaired** | | **Of which POCI** | **Collateral** |
| Internal Rating | | | | | **significant** | **not significant** | | |
| 0.5 | Minimal Risk | 1,341,636 | 1,295,602 | 46,034 | 0 | 0 | 0 | 617,088 |
| 1 | Excellent credit standing | 11,328,227 | 11,219,558 | 108,670 | 0 | 0 | 0 | 1,135,454 |
| 1.5 | Very good credit standing | 9,674,795 | 8,991,836 | 682,959 | 0 | 0 | 0 | 2,714,610 |
| 2 | Good credit standing | 6,599,027 | 5,180,902 | 1,418,125 | 0 | 0 | 0 | 4,049,709 |
| 2.5 | Very good credit standing | 2,439,725 | 1,372,229 | 1,067,496 | 0 | 0 | 0 | 1,507,290 |
| 3 | Mediocre credit standing | 889,910 | 583,382 | 306,527 | 0 | 0 | 0 | 559,974 |
| 3.5 | Weak credit standing | 184,054 | 60,496 | 123,558 | 0 | 0 | 0 | 115,137 |
| 4 | Good credit standing | 44,650 | 7,996 | 36,654 | 0 | 0 | 0 | 32,727 |
| 4.5 | Doubtful/high default risk | 137,481 | 18,305 | 119,176 | 0 | 0 | 0 | 83,798 |
| D | Default | 345,215 | 49,221 | 411 | 189,887 | 96,172 | 9,523 | 107,892 |
| | Unrated | 52,970 | 835 | 52,136 | 0 | 0 | 0 | 30 |
| ***Gross carrying amount*** | | ***33,037,691*** | ***28,780,361*** | ***3,961,746*** | ***189,887*** | ***96,172*** | ***9,523*** | ***10,923,709*** |
| Impairment allowance balance | | 247,134 | 41,273 | 48,390 | 91,536 | 62,923 | 3,010 | 0 |
| **Net carrying amount** | | **32,790,557** | **28,739,088** | **3,913,356** | **98,351** | **33,249** | **6,513** | **10,923,709** |

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

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

### *Credit portfolio – Corporates*

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

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

| €´000 | | Exposure | Of which Stage 1 Performing or measured at fair value | Of which Stage 2 Under Performing | Of which Stage 3 Credit Impaired | | Of which POCI | 2020 Collateral |
|---|---|---|---|---|---|---|---|---|
| Internal Rating | | | | | significant | not significant | | |
| 0.5 | Minimal Risk | 180,056 | 161,379 | 18,677 | 0 | 0 | 0 | 118,154 |
| 1 | Excellent credit standing | 2,422,188 | 2,355,150 | 67,038 | 0 | 0 | 0 | 750,256 |
| 1.5 | Very good credit standing | 4,095,695 | 3,483,552 | 612,144 | 0 | 0 | 0 | 2,428,076 |
| 2 | Good credit standing | 5,677,964 | 4,367,743 | 1,310,220 | 0 | 0 | 0 | 3,608,530 |
| 2.5 | Very good credit standing | 1,816,210 | 871,249 | 944,961 | 0 | 0 | 0 | 1,280,813 |
| 3 | Mediocre credit standing | 575,148 | 337,059 | 238,088 | 0 | 0 | 0 | 481,297 |
| 3.5 | Weak credit standing | 122,944 | 39,883 | 83,061 | 0 | 0 | 0 | 80,432 |
| 4 | Good credit standing | 12,135 | 1,474 | 10,661 | 0 | 0 | 0 | 9,689 |
| 4.5 | Doubtful/high default risk | 95,569 | 14,845 | 80,724 | 0 | 0 | 0 | 50,572 |
| D | Default | 231,046 | 33,232 | 0 | 187,610 | 2,745 | 7,459 | 80,941 |
| | Unrated | 51,789 | 0 | 51,789 | 0 | 0 | 0 | 0 |
| ***Gross carrying amount*** | | ***15,280,743*** | ***11,665,566*** | ***3,417,363*** | ***187,610*** | ***2,745*** | ***7,459*** | ***8,888,760*** |
| Impairment allowance balance | | 160,046 | 28,583 | 37,897 | 89,338 | 1,744 | 2,484 | 0 |
| **Net carrying amount** | | **15,120,697** | **11,636,983** | **3,379,466** | **98,272** | **1,001** | **4,975** | **8,888,760** |

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

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

| €´000<br>Branch | 2020 | PER CENT | 2019 | PER CENT |
|---|---|---|---|---|
| Real estate and housing | 4,977,782 | 32.6 | 5,059,086 | 33.1 |
| Manufacturing | 2,385,883 | 15.6 | 2,623,524 | 17.2 |
| Construction | 1,398,423 | 9.2 | 1,547,548 | 10.1 |
| Retail | 1,145,001 | 7.5 | 1,102,744 | 7.2 |
| Hotel trade and gastronomy | 879,370 | 5.8 | 317,888 | 7.2 |
| Public administration | 802,744 | 5.3 | 627,393 | 4.1 |
| Finance and insurance | 779,769 | 5.1 | 1,105,434 | 4.0 |
| Other business services | 495,713 | 3.2 | 613,665 | 3.0 |
| Freelance professionals/techn. services | 408,816 | 2.7 | 465,712 | 2.8 |
| Energy supply | 399,215 | 2.6 | 428,929 | 2.1 |
| Healthcare and social services | 363,591 | 2.4 | 204,547 | 1.8 |
| Transportation | 316,708 | 2.1 | 271,676 | 1.5 |
| Other services | 232,096 | 1.5 | 229,940 | 1.3 |
| Information and communication | 148,528 | 1.0 | 148,166 | 1.0 |
| Employed persons | 140,948 | 0.9 | 142,532 | 0.9 |
| Other | 406,158 | 2.7 | 392,457 | 2.6 |
| **Total** | **15,280,743** | **100.0** | 15,281,241 | 100.0 |

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

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

| €´000<br>Country/Region | 2020 | PER CENT | 2019 | PER CENT |
|---|---|---|---|---|
| Austria | 13,031,540 | 85.3 | 12,719,182 | 83.2 |
| EU | 1,881,669 | 12.3 | 2,297,280 | 15.0 |
| Non-EU | 367,535 | 2.4 | 264,779 | 1.7 |
| **Total** | **15,280,743** | **100.0** | 15,281,241 | 100.0 |

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

***Credit portfolio – Retail***

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

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

| €´000 | | | | | | | | 2020 |
|---|---|---|---|---|---|---|---|---|
| | | **Exposure** | **Of which Stage 1 Performing or measured at fair value** | **Of which Stage 2 Under Performing** | **Of which Stage 3 Credit Impaired** | | **Of which POCI** | **Collateral** |
| Internal Rating | | | | | **significant** | **not significant** | | |
| 0.5 | Minimal Risk | 638,856 | 611,499 | 27,357 | 0 | 0 | 0 | 404,547 |
| 1 | Excellent credit standing | 345,731 | 309,335 | 36,396 | 0 | 0 | 0 | 210,514 |
| 1.5 | Very good credit standing | 387,067 | 318,779 | 68,288 | 0 | 0 | 0 | 245,582 |
| 2 | Good credit standing | 667,002 | 559,097 | 107,905 | 0 | 0 | 0 | 420,159 |
| 2.5 | Very good credit standing | 393,657 | 282,071 | 111,586 | 0 | 0 | 0 | 213,672 |
| 3 | Mediocre credit standing | 140,822 | 72,383 | 68,439 | 0 | 0 | 0 | 78,251 |
| 3.5 | Weak credit standing | 59,578 | 19,081 | 40,497 | 0 | 0 | 0 | 34,705 |
| 4 | Good credit standing | 32,514 | 6,521 | 25,993 | 0 | 0 | 0 | 23,038 |
| 4.5 | Doubtful/high default risk | 41,912 | 3,460 | 38,452 | 0 | 0 | 0 | 33,226 |
| D | Default | 105,368 | 7,858 | 411 | 1,607 | 93,428 | 2,064 | 26,951 |
| | Unrated | 1,182 | 835 | 347 | 0 | 0 | 0 | 30 |
| ***Gross carrying amount*** | | ***2,813,689*** | ***2,190,919*** | ***525,671*** | ***1,607*** | ***93,428*** | ***2,064*** | ***1,690,675*** |
| Impairment allowance balance | | 79,626 | 5,986 | 10,405 | 1,528 | 61,179 | 526 | 0 |
| **Net carrying amount** | | **2,734,063** | **2,184,933** | **515,265** | **78** | **32,248** | **1,538** | **1,690,675** |

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

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

| €´000<br>Segment | 2020 | PER CENT | 2019 | PER CENT |
|---|---|---|---|---|
| Personal banking customers | 1,835,298 | 65.2 | 1,490,450 | 60.8 |
| Small- and medium-sized businesses | 978,391 | 34.8 | 960,722 | 39.2 |
| **Total** | **2,813,689** | **100.0** | 2,451,172 | 100.0 |

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

| €´000<br>Currency | 2020 | PER CENT | 2019 | PER CENT |
|---|---|---|---|---|
| Euro | 2,711,260 | 96.4 | 2,333,400 | 95.2 |
| Swiss franc | 94,799 | 3.4 | 109,791 | 4.5 |
| Japanese yen | 4,048 | 0.1 | 5,099 | 0.2 |
| United States dollar | 2,764 | 0.1 | 1,731 | 0.1 |
| Czech krone | 762 | 0.0 | 1,071 | 0.0 |
| Other currencies | 57 | 0.0 | 81 | 0.0 |
| **Total** | **2,813,689** | **100.0** | 2,451,172 | 100.0 |

Foreign currency credits in Swiss francs declined by a further TEUR 14,992 in 2020. New foreign currency credits to consumers are generally not granted. RLB NÖ-Wien monitors the foreign exchange risk and the risk arising from repayment vehicles very closely.

***Credit portfolio – Banks***

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

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

| €´000 Internal Rating | | Exposure | Of which Stage 1 Performing or measured at fair value | Of which Stage 2 Under Performing | Of which Stage 3 Credit Impaired significant | Of which Stage 3 Credit Impaired not significant | Of which POCI | 2020 Collateral |
|---|---|---|---|---|---|---|---|---|
| 0.5 | Minimal Risk | 200,533 | 200,533 | 0 | 0 | 0 | 0 | 94,387 |
| 1 | Excellent credit standing | 2,823,834 | 2,823,834 | 0 | 0 | 0 | 0 | 131,798 |
| 1.5 | Very good credit standing | 4,348,177 | 4,348,177 | 0 | 0 | 0 | 0 | 23,570 |
| 2 | Good credit standing | 169,020 | 169,020 | 0 | 0 | 0 | 0 | 21,020 |
| 2.5 | Very good credit standing | 218,650 | 207,718 | 10,931 | 0 | 0 | 0 | 12,800 |
| 3 | Mediocre credit standing | 964 | 964 | 0 | 0 | 0 | 0 | 426 |
| 3.5 | Weak credit standing | 1,532 | 1,532 | 0 | 0 | 0 | 0 | 0 |
| 4 | Good credit standing | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.5 | Doubtful/high default risk | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| D | Default | 8,802 | 8,132 | 0 | 670 | 0 | 0 | 0 |
| | Unrated | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Gross carrying amount*** | | ***7,771,511*** | ***7,759,910*** | ***10,931*** | ***670*** | ***0*** | ***0*** | ***284,001*** |
| Impairment allowance balance | | 5,455 | 4,716 | 70 | 670 | 0 | 0 | 0 |
| **Net carrying amount** | | **7,766,056** | **7,755,194** | **10,862** | **0** | **0** | **0** | **284,001** |

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

The substantial concentration in credit rating classes 1 and 1.5 is caused primarily by the three-level organization of the Raiffeisen sector and the related liquidity drawdown. These rating classes consist primarily of RBI and loans to Raiffeisen banks in Lower Austria.

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

| €'000<br>Top 5 Countries | 2020 | PER CENT | 2019 | PER CENT |
|---|---|---|---|---|
| Austria | 6,040,849 | 77.7 | 5,772,952 | 76.5 |
| Germany | 568,931 | 7.3 | 649,169 | 8.6 |
| France | 387,837 | 5.0 | 373,895 | 5.0 |
| Great Britain | 275,759 | 3.5 | 269,909 | 3.6 |
| Spain | 99,218 | 1.3 | 74,190 | 1.0 |
| EU-remainder | 273,830 | 3.5 | 286,340 | 3.8 |
| Non-EU, other | 125,087 | 1.6 | 121,803 | 1.6 |
| **Total** | **7,771,511** | **100.0** | 7,548,259 | 100.0 |

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

***Credit portfolio – Sovereigns***

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

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

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

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

| €´000 | | | | | | | | 2020 |
|---|---|---|---|---|---|---|---|---|
| | | **Exposure** | **Of which Stage 1 Performing or measured at fair value** | **Of which Stage 2 Under Performing** | **Of which Stage 3 Credit Impaired** | | **Of which POCI** | **Collateral** |
| Internal Rating | | | | | **significant** | **not significant** | | |
| 0.5 | Minimal Risk | 322,191 | 322,191 | 0 | 0 | 0 | 0 | 0 |
| 1 | Excellent credit standing | 5,736,474 | 5,731,238 | 5,236 | 0 | 0 | 0 | 42,885 |
| 1.5 | Very good credit standing | 843,855 | 841,328 | 2,527 | 0 | 0 | 0 | 17,382 |
| 2 | Good credit standing | 85,042 | 85,042 | 0 | 0 | 0 | 0 | 0 |
| 2.5 | Very good credit standing | 11,209 | 11,191 | 18 | 0 | 0 | 0 | 5 |
| 3 | Mediocre credit standing | 172,977 | 172,977 | 0 | 0 | 0 | 0 | 0 |
| 3.5 | Weak credit standing | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | Good credit standing | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.5 | Doubtful/high default risk | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| D | Default | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Unrated | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Gross carrying amount* | | *7,171,747* | *7,163,966* | *7,781* | *0* | *0* | *0* | *60,272* |
| Impairment allowance balance | | 2,006 | 1,988 | 18 | 0 | 0 | 0 | 0 |
| **Net carrying amount** | | **7,169,741** | **7,161,978** | **7,763** | **0** | **0** | **0** | **60,272** |

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

The high concentration in rating class 1 is attributable, above all, to the Republic of Austria and its provinces and municipalities.

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

| €'000<br>Top 5 Countries | 2020 | PER CENT | 2019 | PER CENT |
|---|---|---|---|---|
| Austria | 5,224,497 | 72.8 | 3,583,125 | 60.6 |
| Luxembourg | 402,742 | 5.6 | 476,130 | 8.1 |
| Supranational organizations | 363,197 | 5.1 | 348,253 | 5.9 |
| Finland | 317,622 | 4.4 | 306,657 | 5.2 |
| France | 261,618 | 3.6 | 252,993 | 4.3 |
| EU | 602,053 | 8.4 | 731,145 | 12.4 |
| Non-EU | 18 | 0.0 | 213,072 | 3.6 |
| **Total** | **7,171,747** | **100.0** | 5,911,377 | 100.0 |

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

### *Problem loans*

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

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

| 2020<br>€'000<br>Receivables categories | Not overdue | | | | | Overdue | Total |
|---|---|---|---|---|---|---|---|
| | | Up to 31 days | 31 to 90 days | 91 to 180 days | 181 to 360 days | Over 360 days | |
| Other banks | 7,771,511 | 0 | 0 | 0 | 0 | 0 | 7,771,511 |
| Corporate customers | 15,161,417 | 45,773 | 339 | 32,292 | 11,885 | 29,037 | 15,280,743 |
| Retail exposures | 2,705,895 | 28,353 | 4,678 | 4,590 | 8,297 | 61,875 | 2,813,689 |
| Public sector exposures | 7,171,747 | 0 | 0 | 0 | 0 | 0 | 7,171,747 |
| **Total** | **32,810,570** | **74,127** | **5,017** | **36,882** | **20,183** | **90,912** | **33,037,691** |

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

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

A total exposure of EUR 74.3 million is overdue up to and including 90 days but is not in default and is therefore assigned to Stage 1 or Stage 2. A credit exposure of EUR 6.4 million (see the following table) is overdue more than 90 days (and therefore classified as in default and Stage 3) but has not been reduced through the recognition of an impairment allowance (2019: EUR 4.0 million).

| €´000<br>Receivables categories | Up to 90 days | | 91 to 180 days | | 181 to 360 days | | Over 360 days | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Other banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate customers | 43,464 | 34,797 | 390 | 1,924 | 0 | 0 | 2,118 | 0 |
| Retail exposures | 30,849 | 59,489 | 318 | 4 | 550 | 89 | 3,009 | 1,979 |
| Public sector exposures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **74,313** | 94,286 | **708** | 1,928 | **550** | 89 | **5,128** | 1,979 |

The following table shows the non-performing exposure in relation to the total exposure (column 1) based on the EBA's definition in the document “Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures).” It covers both non-performing and performing exposure.

| 2020<br>€'000<br>Receivables categories | Credit exposure | | | | | | Non-performing |
|---|---|---|---|---|---|---|---|
| | | Amount | Risk provision | Collateral | NPE Ratio in % | Coverage Ratio I in % | Coverage Ratio II in % |
| Other banks | 5,983,687 | 670 | 670 | 0 | 0.0 | 100.0 | 100.0 |
| Corporate customers | 10,854,484 | 212,982 | 88,379 | 68,912 | 2.0 | 41.5 | 73.9 |
| Retail exposures | 2,397,236 | 103,479 | 61,399 | 25,668 | 4.3 | 59.3 | 84.1 |
| Public sector exposures | 5,822,275 | 0 | 0 | 0 | 0.0 | 0.0 | 0.0 |
| **Total** | **25,057,682** | **317,131** | **150,448** | **94,580** | **1.3** | **47.4** | **77.3** |

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

The non-performing exposure (NPE) ratio, which is calculated similar to the EBA Risk Indicator AQT_3.1, equalled 1.3% as of 31 December 2020 (2019: 1.0%). Coverage Ratio I is defined as the Stage 3 risk provision for non-performing credit exposures in relation to the total non-performing credit exposures, and Coverage Ratio II as the Stage 3 risk provision plus collateral (after haircuts) for non-performing credit exposures in relation to the total non-performing credit exposures. Coverage Ratio I equals 47.4% (2019: 50.6%) and Coverage Ratio II 77.3% (2019: 87.8%). The reduction in the coverage ratio resulted, above all, from new default cases in the individual corporate customer business during 2020. A comparatively lower risk provision was created for these significant Stage 3 transactions in 2020 because of the expected cash flows.

The NPL ratio, which is calculated similar to EBA Risk Indicator AQT_3.2 equalled 1.5% as of 31 December 2020 (2019: 1.2%).

| €´000 | Credit exposure 2020 | Credit exposure 2019 | NPL 2020 | NPL 2019 | NPL Ratio in % 2020 | NPL Ratio in % 2019 |
|---|---|---|---|---|---|---|
| Total | 21,460,630 | 19,237,349 | 317,131 | 235,795 | 1.5 | 1.2 |

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

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

| 2020<br>€'000<br>Receivables categories | Total exposure | Performing<br>Exposure | Performing<br>Of which foreborne | Performing<br>Impairment allowance balance Stage 1 / 2 | Non-performing<br>Exposure | Non-performing<br>Of which foreborne | Non-performing<br>Impairment allowance balance Stage 3 | Total foreborne |
|---|---|---|---|---|---|---|---|---|
| Other banks | 7,771,511 | 7,762,710 | 0 | 4,785 | 8,802 | 0 | 670 | 0 |
| Corporate customers | 15,280,743 | 15,039,817 | 493,506 | 66,480 | 240,926 | 185,620 | 93,566 | 679,126 |
| Retail exposures | 2,813,689 | 2,707,193 | 203,448 | 16,392 | 106,495 | 31,890 | 63,234 | 235,338 |
| Public sector exposures | 7,171,747 | 7,171,747 | 353 | 2,006 | 0 | 0 | 0 | 353 |
| **Total** | **33,037,691** | **32,681,468** | **697,306** | **89,664** | **356,223** | **217,510** | **157,470** | **914,816** |

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

The increase in the foreborne credit exposure is attributable, above all, to the COVID-19 measures and the related forbearance classification. Details are provided under the "Effect of COVID-19 on credit risk".

***Country risk***

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

The following graph shows the distribution of exposure by internal country rating for the 2020 and 2019 financial years:

| €´000<br>Exposure by internal rating | | 2020 | PER CENT | 2019 | PER CENT |
|---|---|---|---|---|---|
| 0.5 | Minimal Risk | 2,396,485 | 7.3 | 2,746,354 | 8.8 |
| 1 | Excellent credit standing | 29,025,606 | 87.9 | 26,817,961 | 86.0 |
| 1.5 | Very good credit standing | 885,863 | 2.7 | 795,612 | 2.6 |
| 2 | Good credit standing | 260,097 | 0.8 | 174,901 | 0.6 |
| 2.5 | Average credit standing | 119,373 | 0.4 | 580,046 | 1.9 |
| 3 | Mediocre credit standing | 331,531 | 1.0 | 53,031 | 0.2 |
| 3.5 | Weak credit standing | 11,532 | 0.0 | 18,155 | 0.1 |
| 4 | Very weak credit standing | 5,778 | 0.0 | 3,867 | 0.0 |
| 4.5 | Doubtful/high default risk | 124 | 0.0 | 187 | 0.0 |
| D | Default | 0 | 0.0 | 0 | 0.0 |
| | Unrated | 1,303 | 0.0 | 1,935 | 0.0 |
| **Total** | | **33,037,691** | **100.0** | 31,192,049 | 100.0 |

The high concentration in rating class 1 is related primarily to the Republic of Austria.

The risk concentration at RLB NÖ-Wien is also monitored in connection with country risk and controlled by separate country limits. At year-end 2020, 95.6% (2019: 96.7%) of the approved country limits were within the investment grade range and 86.9% (2019: 84.1%) within the three best rating classes of 0.5 to 1.5. The largest rating changes involved the downgrade of Italy from 2.5 to 3.0 and the upgrade of Ireland from 2.0 to 1.5.

The following table shows the distribution of credit exposure by country for 2020 and 2019. The position "Non-EU" consists primarily of top rated countries like Great Britain, Switzerland and Norway.

| €´000<br>Exposure by region | 2020 | PER CENT | 2019 | PER CENT |
|---|---|---|---|---|
| Austria | 27,053,023 | 81.9 | 24,477,791 | 78.5 |
| EU | 5,199,733 | 15.7 | 6,097,902 | 19.5 |
| Germany | 1,247,507 | 3.8 | 1,476,657 | 4.7 |
| France | 708,533 | 2.1 | 720,531 | 2.3 |
| Luxembourg | 498,806 | 1.5 | 497,617 | 1.6 |
| Czech Republic | 430,292 | 1.3 | 458,639 | 1.5 |
| EU-remainder | 2,314,594 | 7.0 | 2,944,458 | 9.4 |
| Non-EU | 784,935 | 2.4 | 616,356 | 2.0 |
| **Total** | **33,037,691** | **100.0** | 31,192,049 | 100.0 |

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

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

### *Collateral management*

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

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

| €´000<br>Collateral category | 2020 | PER CENT | 2019 | PER CENT |
|---|---|---|---|---|
| Land register | 6,959,790 | 63.7 | 5,373,803 | 60.7 |
| Securities | 63,279 | 0.6 | 57,789 | 0.7 |
| Savings/current/deposit accounts | 308,545 | 2.8 | 331,034 | 3.7 |
| Insurance | 89,424 | 0.8 | 90,859 | 1.0 |
| Other rights and claims | 634,024 | 5.8 | 486,878 | 5.5 |
| Guarantees | 2,868,646 | 26.3 | 2,518,797 | 28.4 |
| **Total** | **10,923,709** | **100.0** | 8,859,160 | 100.0 |

Most of the collateral represents mortgages on property, which consist primarily of buildings used for residential or commercial purposes. These assets are appraised regularly by the risk management staff or external experts. Most of the properties are located in the core market area of Vienna and Lower Austria. RLB NÖ-Wien does not directly purchase any collateral provided by customers. In cases where collateral cannot be realized immediately, the bank has holdings that can carry out these types of transactions. Any proceeds from the realization of collateral are offset against the outstanding loan balance. These loan segments are treated as secured before realization. No credit losses were recognized for financial assets at amortized cost with a carrying amount of TEUR 1,005,893 (2019: TEUR 877,584) because the collateral covers the carrying amount of these financial instruments in full. The general exclusion of collateral in the ECL calculation leads to an increase of TEUR 159,035 (2019: TEUR 105,204) in the risk provisions for financial assets.

***Information on expected credit losses***

The estimates of economic trends which are required for the calculation of period-based expected credit losses are subject to uncertainty concerning the occurrence – or non-occurrence – of the related events. RLB NÖ-Wien views the following assumptions as the best possible estimates. The forecasts were developed by Moody's Analytics, which provides macroeconomic forecast values for various possible economic scenarios. The individual scenarios are weighted according to recommendations made by Moody's Analytics and show the following distribution as of 31 December 2020: 30% optimistic/40% baseline/30% pessimistic for all transactions. The forecast values for the various indicators as of 31 December 2020 are shown in the following table. Details on the calculation logic underlying the expected credit losses and the effects of COVID-19 can be found in Note (16) Risk provisions.

| Variable | Scenario | 2021 (in %) | 2022 (in %) | 2023 (in %) |
|---|---|---|---|---|
| GDP | baseline | 3.06 | 4.75 | 2.96 |
| Annual growth | optimistic | 5.63 | 4.27 | 2.81 |
| | pessimistic | (1.05) | 4.54 | 3.06 |
| Unemployment | baseline | 5.62 | 4.94 | 4.53 |
| rate | optimistic | 5.43 | 4.72 | 4.30 |
| | pessimistic | 6.58 | 6.05 | 5.32 |
| Inflation | baseline | 3.29 | 2.34 | 2.34 |
| | optimistic | 3.91 | 2.52 | 2.38 |
| | pessimistic | 1.97 | 2.36 | 2.34 |
| Long-term yield | baseline | (0.15) | 0.20 | 0.62 |
| (10 year interest rate) | optimistic | 0.81 | 1.47 | 2.04 |
| | pessimistic | (0.54) | (0.40) | (0.16) |
| Short-term yield | baseline | (0.43) | (0.43) | (0.31) |
| (3M Euribor) | optimistic | (0.40) | 0.31 | 1.19 |
| | pessimistic | (0.43) | (0.43) | (0.43) |
| Residential property prices | baseline | 3.25 | 3.30 | 3.64 |
| Annual growth rate | optimistic | 4.87 | 3.30 | 3.64 |
| | pessimistic | 1.13 | 3.30 | 3.64 |

| Variable | Scenario | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Stock index | baseline | 120.88 | 144.39 | 153.38 |
| (Euro Stoxx) | optimistic | 139.61 | 161.14 | 163.67 |
| | pessimistic | 88.22 | 118.70 | 136.80 |

| Variable | Scenario | 2021 (in %) | 2022 (in %) | 2023 (in %) |
|---|---|---|---|---|
| Private consumption | baseline | 4.08 | 2.32 | 2.12 |
| | optimistic | 4.50 | 2.72 | 2.10 |
| | pessimistic | 1.22 | 2.31 | 3.05 |
| Export rate | baseline | 58.89 | 58.83 | 58.83 |
| | optimistic | 59.03 | 59.97 | 60.51 |
| | pessimistic | 56.80 | 55.66 | 55.77 |
| Government spending | baseline | 20.11 | 19.74 | 19.54 |
| | optimistic | 19.75 | 19.48 | 19.35 |
| | pessimistic | 20.95 | 20.51 | 20.17 |

## Market risk (incl. credit spread risk)

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

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

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

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

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

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

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

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

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

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

The VaR analysis includes the following assumptions and limits:

- The VaR does not provide any information on the possible amount of a loss outside the applied confidence interval. The VaR is estimated for longer holding periods on the basis of daily observations. The underlying assumptions are that the composition of the portfolio will remain constant and there will be no autocorrelation in the risk factors.
- The VaR is calculated on the basis of positions at the end of the day and does not take any positions during the day into account.

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

The VaR allows for correlations between individual risk factors, but these risk factors can be negatively affected by difficult market conditions. Since the VaR only quantifies the maximum possible loss of a portfolio under normal market conditions, stress tests are used to examine the effects of extreme market fluctuations that cannot be covered by the VaR methodology. The related scenarios reflect assumptions by RLB NÖ-Wien and include the following:

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

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

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

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

| €'000 | VaR at 31/12/2020 | Average-VaR | VaR at 31/12/2019 |
|---|---|---|---|
| Currency risk | 7 | 8 | 11 |
| Interest rate risk | 159 | 143 | 160 |
| Price risk | 10 | 9 | 13 |
| Credit spread risk | 158 | 156 | 107 |
| **Total** | **205** | **232** | 177 |

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

A graphic presentation of the VaR in the trading book is not provided because the risk associated with the trading book has been driven almost exclusively by securities trading in the Fixed Income Management Department (FIM) since 2019.

The sell-off in March 2020, combined with the COVID-19 crisis, was also responsible for strong fluctuations in market risk, and here above all in the credit spread risk as the predominant sub-risk, as well as a significant increase in the VaR.

The VaR in the trading book remained within the defined limit throughout 2020 despite COVID-19 crisis, whereby the VaR utilization was constantly low at a maximum of 22.1%. An analysis by quarter shows the maximum utilization at an average of 10.2% due to the COVID-19 crisis.

In addition to daily management, monthly calculations (limitations) are made on the basis of a gone concern scenario with a one-sided confidence interval of 99.9% and a general holding period of one year (250 trading days).

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

| €'000 | VaR at 31/12/2020 | Average-VaR | VaR at 31/12/2019 |
|---|---|---|---|
| Currency risk | 982 | 2,786 | 2,730 |
| Interest rate risk | 167,213 | 160,480 | 127,584 |
| Price risk | 223 | 221 | 239 |
| Credit spread risk | 497,911 | 470,863 | 280,490 |
| **Total** | **553,883** | **556,974** | 258,095 |

Market values are used to calculate the gone concern VaR (99.9% VaR, 250 days) for the overall market risk of RLB NÖ-Wien.

The material components of market risk in 2020, which resulted from proprietary trading by the RLB NÖ-Wien Treasury Department and from customer transactions, consisted primarily of credit spread risk and interest rate risk. In contrast, the price risk which resulted chiefly from precious metal positions through bars and coins in the trading book was of lesser importance.

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

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

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

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

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

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

The interest rate risk in the banking book comprises the effects of interest rate fluctuations on interest-sensitive assets and liabilities as well as the effect of changes in market interest rates on equity. Changing interest rates have an effect on the amount of future cash flows.

EBA Guidelines 2018/02 provide a framework, including standardized rules for the quantitative determination of interest rate risk in the banking book; namely through six defined currency-specific scenarios.

The six interest rate shocks are as follows:

1. Parallel shock up
2. Parallel shock down
3. Steepener shock
4. Flattener shock
5. Short rate shock up
6. Short rate shock down

Additional constraints are applied to the scenarios, under which interest rates are shocked into the negative range, through the definition of an incrementally increasing floor. The starting point equals a term of 1d (overnight) with a floor of -100 BP. This floor rises annually by 5 bps up to a term of 20y, after which the floor reaches 0 bps. A floor of 0 bp is applied to all terms over 20 years.

| Scenario | Present value risk at 31/12/2020 | | |
|---|---|---|---|
| | Present value risk in EUR million | as a % of Tier 1 capital | Limit utilization |
| Parallel shift upward | (169.2) | (11.2)% | 55.9% |
| Parallel shift downward | 6.9 | 0.5% | 2.3% |
| Rising short-term & declining long-term interest rates | (24.5) | (1.6)% | 8.1% |
| Declining short-term & rising long-term interest rates | (91.6) | (6.1)% | 30.3% |
| Declining short-term interest rates | 7.5 | 0.5% | 2.5% |
| Rising short-term interest rates | (50.6) | (3.3)% | 16.7% |

## Liquidity risk

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

Liquidity risk comprises the following sub-risks:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

With regard to liquidity risk, the current situation under the COVID-19 crisis differs substantially from the financial market crisis of 2007. The threat scenarios that accompanied the financial crisis were influenced by assumptions of a reduction in liabilities (deposits), while the situation surrounding the COVID-19 crisis involves a negative effect on the asset side for RLB NÖ-Wien due to government-supported COVID-19 financing, deferrals and legal moratoria as well as pre-financing for short-time work.

The issue of liquidity therefore represented a focal point of liquidity management and liquidity risk management at the height of the COVID-19 crisis and the related uncertainty over the development and design of liquidity requirements in connection with the pandemic. In addition to the existing liquidity stress scenarios (reputation, system and combined crises), three further COVID-19-related liquidity stress scenarios were developed at an early point. These new scenarios were monitored daily and reported to the full Managing Board. A separate team, the **"Allocation Committee Liquidity"**, was also established for the entire Raiffeisen NÖ-Wien Group at the beginning of April 2020.

The bridge financing, deferrals and other moratoria-related financing during the crisis required the definition of new framework conditions for the credit business in this special time. The Allocation Committee reviewed, discussed, coordinated and released these commitments, above all in line with liquidity requirements, for processing and approval by other committees. The refinancing capacity of new business not related to COVID-19 was also considered.

The committee met weekly from the beginning of April 2020 to mid-June 2020. In mid-June 2020, these activities were reintegrated in the defined standard processes and committees.

All available liquid assets were transferred to the OeNB custody collateral account to ensure the greatest possible access to the liquidity buffer. Appropriate clean-up measures and the easing of ECB haircuts on credit claims supported a sound increase of approximately EUR 1 billion in the available liquidity buffer.

Potential threat scenarios, especially concerning the uncertainty over the effects of the COVID-19 lockdown on assets and the impact of government aid packages, were identified at an early stage. The Managing Board implemented appropriate countermeasures to increase operating liquidity and to focus on the refinancing capacity for new credit generation.

During the liquidity telephone conference on 18 March 2020, Problem Stage 1 was unanimously approved and implemented. It describes, above all, the changing refinancing conditions which do not necessarily represent direct impairment of the liquidity position. Further weekly telephone conferences were also scheduled.

The liquidity telephone conference on 10 June 2020 cancelled Problem Stage 1 due to the robust access to the capital market. The capital markets and unsecured money markets were available without limitation during the period in which Problem Stage 1 was in effect.

***Information on the Li waiver pursuant to Art 412 CRR***

Article 8 CRR empowers the Austrian Financial Market Authority to exempt in full subsidiaries of a financial institutions group and participants in an institution-based security scheme from the application of Part 6 CRR (Liquidity) and to supervise them as a single liquidity sub-group as long as all requirements defined by Article 8 (1) CRR are met.

An official notification by the Austrian Financial Market Authority implemented the Li-Waiver as of 31 December 2020. Therefore, the participants in the L-IPS are no longer required to meet the liquidity requirements individually and the LCR must only be met at the Li-Waiver level.

In a meeting on 7 March 2019, the ECB Council approved a new range of targeted longer-term refinancing operations (TLTRO III) to protect favourable credit conditions. Seven TLTRO III tranches were launched at quarterly intervals during the period from September 2019 to March 2021. The TLTRO III transactions have a term of three years. Voluntary, premature repayments are possible 12 months after the value date for a TLTRO III transaction, but in September 2021 at the earliest.

A number of changes were announced on 10 December 2020, whereby three additional refinancing tranches were to be launched between June and December 2021. The interest rate for the TLTRO III transactions from June 2020 to June 2021 had already been reduced 50 basis points below the average interest rate for main refinancing operations in the Euro system during the same period. This period was extended by 12 months to June 2022. RLB NÖ-Wien AG had a total volume of EUR 2.3 billion from four tranches outstanding as of 31 December 2020.

The following table shows the structural liquidity of RLB NÖ-Wien as of 31 December 2020:

| €'000<br>Maturity band | **Gap (absolute)** | **GoA** | **GoA limit** | **Accumulated from behind** | **S-LFT** | **S-LFT limit** |
|---|---|---|---|---|---|---|
| 18 months | 939,790 | 3.2% | (10.0)% | (184,797) | 117.6% | > 80% |
| 2 years | (348,232) | (0.9)% | (10.0)% | (1,124,587) | | |
| 3 years | (2,554,188) | (0.6)% | (10.0)% | (776,355) | 124.1% | > 70% |
| 5 years | 535,649 | 2.4% | (10.0)% | 1,777,833 | 114.1% | > 60% |
| 7 years | 1,271,106 | 5.0% | (10.0)% | 1,242,184 | | |
| 10 years | (3,552,092) | - | - | (28,922) | 146.6% | > 50% |
| 15 years | 454,927 | - | - | 3,523,170 | | |
| 20 years | 1,013,520 | - | - | 3,068,243 | | |
| 30 years | 1,865,096 | - | - | 2,054,723 | | |
| > 30 years | 189,627 | - | - | 189,627 | | |

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

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

The liquidity coverage ratio (LCR) of RLB NÖ-Wien equalled 155.00% as of 31 December 2020 (2019: 137.50%). The legal requirement of 100% defined by Article 460 of Regulation (EU) No. 575/2013 was therefore met.

The following table shows the quantitative data as of 31 December 2020 and 31 December 2019:

| | | All currencies 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| Liquidity buffer | | 7,886,561,384 | 6,352,679,070 |
| Net liquidity outflow | | 5,088,244,249 | 4,619,978,842 |
| **MINIMUM LIQUIDITY RATIO (LIQUIDITY COVERAGE RATIO LCR)** | | **155.00%** | 137.50% |
| | *Total unweighted amount* | *Total weighted amount* | *Total weighted amount* |
| ***HIGH-QUALITY LIQUID ASSETS*** | | | |
| Level 1 - assets excl. extremely high quality covered bonds | 9,742,628,145 | 6,997,277,913 | 5,535,666,105 |
| Level 1 - extremely high quality covered bonds | 956,125,147 | 889,196,387 | 794,932,100 |
| Level 2A - assets | 102,451 | 87,084 | 0 |
| Level 2B - assets | 0 | 0 | 22,080,865 |
| **Liquidity buffer** | **10,698,855,744** | **7,886,561,384** | 6,352,679,070 |

| | Total unweighted amount | Total weighted amount | Total weighted amount |
|---|---|---|---|
| *CASH OUTFLOWS* | | | |
| Outflows from unsecured transactions/deposits | 14,535,458,432 | 5,922,653,457 | 5,831,806,311 |
| 1.1 Personal banking customer deposits | 4,682,813,197 | 389,398,915 | 348,048,391 |
| 1.2 Operational deposits | 3,787,392,914 | 3,005,860,902 | 2,710,339,778 |
| 1.3 Surplus deposits in payment transaction accounts | 0 | 0 | 0 |
| 1.4 Deposits in non-payment transaction accounts | 3,864,242,783 | 1,695,579,210 | 1,867,519,879 |
| 1.5 Additional cash outflows (among others, from derivatives) | 740,485,805 | 740,485,805 | 760,643,623 |
| 1.6 Committed facilities | 752,533,148 | 67,988,592 | 91,330,915 |
| 1.7 Other products and services | 691,821,347 | 7,170,796 | 8,134,233 |
| 1.8 Other liabilities | 16,169,238 | 16,169,238 | 45,789,492 |
| Outflows from secured lending and capital market-driven transactions | 0 | 0 | 0 |
| **TOTAL OUTFLOWS** | **14,535,458,432** | **5,922,653,457** | **5,831,806,311** |
| *CASH INFLOWS* | | | |
| Inflows from unsecured transactions/deposits | 1,055,849,531 | 834,409,209 | 1,211,827,468 |
| 1.1 monies due from non-financial customers (except for central banks) | 234,250,564 | 120,911,557 | 244,725,596 |
| 1.2 monies due from central banks and financial customers | 172,155,856 | 64,054,542 | 121,750,196 |
| 1.3 inflows corresponding to outflows in accordance with promotional loan commitments | 0 | 0 | 0 |
| 1.4 monies due from trade financing transactions | 0 | 0 | 0 |
| 1.5 monies due from securities maturing within 30 days | 19,698,820 | 19,698,820 | 196,308,873 |
| 1.6 assets with an undefined contractual end date | | | 0 |
| 1.7 monies due from positions in major index equity instruments provided that there is no double counting with liquid assets | 0 | 0 | 0 |
| 1.8 Cash inflows from the release of balances which are managed in separate accounts in accordance with the rules for safeguarding customer trading assets | 0 | 0 | 0 |
| 1.9 Cash inflows from derivatives | 629,744,290 | 629,744,290 | 649,042,802 |
| 1.10 cash inflows from undrawn credit or liquidity facilities which were provided by members of a group or an institution-based insurance scheme, whereby the responsible authority approved the application of a more favourable inflow rate | 0 | 0 | 0 |
| 1.11 Other cash inflows | 0 | 0 | 0 |
| Inflows from secured lending and capital market-driven transactions | 0 | 0 | 0 |
| **TOTAL INFLOWS** | **1,055,849,531** | **834,409,209** | **1,211,827,468** |
| Inflows subject to 75% Cap | 1,055,849,531 | 834,409,209 | 1,211,827,468 |
| Fully exempt inflows | | 0 | 0 |
| **NET LIQUIDITY OUTFLOW** | **13,479,608,902** | **5,088,244,248** | **4,619,978,842** |

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

The following table shows the undiscounted cash flows from deposits from other banks and from customers as well as the securitized liabilities and subordinated capital of RLB NÖ-Wien as of 31 December 2020:

| €´000 | Carrying amount | Contractual cash flows | < 3 months | 3 to 12 months | 1 to 5 years | > 5 years |
|---|---|---|---|---|---|---|
| Non-derivative liabilities | 25,349,082 | 25,491,504 | 13,053,542 | 1,336,037 | 7,421,746 | 3,680,180 |
| Deposits from other banks | 9,356,799 | 9,348,675 | 4,598,045 | 367,959 | 3,667,117 | 715,554 |
| Deposits from customers | 9,177,078 | 9,175,992 | 8,352,662 | 203,782 | 314,168 | 305,380 |
| Securitized liabilities | 6,248,804 | 6,350,653 | 99,240 | 653,035 | 2,966,951 | 2,631,427 |
| Subordinated capital | 566,401 | 616,185 | 3,594 | 111,261 | 473,510 | 27,820 |

The following table shows the undiscounted cash flows from deposits from other banks and from customers as well as the securitized liabilities and subordinated capital of RLB NÖ-Wien as of 31 December 2019:

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

The following table shows the undiscounted cash flows from the derivatives held by RLB NÖ-Wien as of 31 December 2020:

| €´000 | Carrying amount | Contractual cash flows | < 3 months | 3 to 12 months | 1 to 5 years | > 5 years |
|---|---|---|---|---|---|---|
| ***Derivative liabilities*** | ***988,087*** | ***978,644*** | ***39,773*** | ***100,985*** | ***380,755*** | ***457,131*** |
| Derivatives - held for trading | 486,527 | 482,130 | 27,200 | 59,396 | 204,206 | 191,328 |
| Derivatives - hedge accounting | 501,560 | 496,514 | 12,573 | 41,589 | 176,549 | 265,803 |

This table only includes the derivatives whose undiscounted cash flows produce a negative balance in total. Therefore, the carrying amounts do not reflect the balance sheet position (financial liabilities held for trading - derivatives and derivative hedge accounting) in all cases.

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

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

### Equity investment risk

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

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

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

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

The equity investments are responsible for implementing an appropriate sustainability management system for their business activities. RBI, as a material investment of RLB NÖ-Wien, has implemented separate units to adequately address this issue. RBI has installed an extensive sustainability management system and, for some time, has been developing a closely integrated risk management scheme in connection with sustainability and risks. In this way, potential ESG risks are identified, quantified and managed. The institution has published a sophisticated sustainability report for many years. The other equity investments also address sustainability in line with their respective area of business. RLB NÖ-Wien includes the effects of ESG aspects in the evaluation of the individual investments and, accordingly, in quantification of risk.

The equity investments of RLB NÖ-Wien have undertaken all necessary measures to minimize the effect of the COVID-19 pandemic on their companies since the outbreak of the crisis. RLB NÖ-Wien has carried out special scenario analyses since the beginning of the crisis to identify possible effects of the COVID-19 pandemic on its core investments in order to be prepared for any related effects on its carrying capacity and to allow for management and control on a timely basis. The effects of the crisis also flow into the valuation of the equity investments and, in turn, into the quantification of equity investment risks for RLB NÖ-Wien.

The management of equity investments as well as their risk assessment and control represent integral processes in the business strategy of RLB NÖ-Wien. In that way, the company's profitability and security are protected over the long-term in spite of the COVID-19 crisis.

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

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

The quantification of risk is based on a newly developed simulation model (Monte Carlo simulation) that was implemented in 2020. The risk exposure developed quarterly with this simulation tool – in the extreme case (95.0%) and liquidation case (99.9%) – and the risk coverage pool from the equity investments are included in the regular risk capacity analysis carried out at the overall bank level.

The following table shows the carrying amounts of the equity investments held by RLB NÖ-Wien together with the weighted and cumulative rating as of 31 December 2020 and 31 December 2019:

| € '000 | Carrying amount 31/12/2020 | Percentage held | Rating | Carrying amount 31/12/2019 | Percentage held | Rating |
|---|---|---|---|---|---|---|
| Investments in other banks | 2,222,222 | 99.6% | 1.0 | 2,605,333 | 99.5% | 1.0 |
| Investments in banking-related fields | 8,257 | 0.4% | 1.5 | 13,042 | 0.5% | 2.0 |
| **Total equity investments** | **2,230,479** | **100.0%** | **1.0** | 2,618,375 | 100.0% | 1.0 |

The decline in the carrying amount of the equity investments resulted primarily from the proportional share of earnings from RBI AG (after the deduction of the impairment loss recognized in 2020) and from the proportional share of earnings from Raiffeisen-Informatik AG (after the distribution to RLB NÖ-Wien). Additional details on the equity-accounted investments are provided under Note (4), Note (19) and Note (55).

## Non-financial risk incl. operational risk

RLB NÖ-Wien summarized the following sub-risks under non-financial risk in 2020:

- Operational risk (incl. IT risk and legal risks)
- Outsourcing risk
- Compliance risk
- Model risk

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

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

This definition also includes legal risks.

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

RLB NÖ-Wien relies on Business Continuity Management (BCM). This planning and preparation approach was followed comprehensively in 2020 due to the special challenges created by the COVID-19 pandemic, whereby the related measures were adjusted and further developed. Additional information can be found under “Risk management in the COVID-19 crisis“ in this Risk Report.

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

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

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

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

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

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

Numerous precautions involving organizational structures and processes were taken in the past to limit these operational risks. In order to prevent and contain IT risks, RLB NÖ-Wien has implemented a variety of organizational measures which are defined in detail in an information security governance framework.

Raiffeisen-Holding NÖ-Wien has also designated a money laundering officer whose responsibilities include the prevention of money laundering and terrorism financing in the Raiffeisen-Holding NÖ-Wien Group. In order to ensure compliance with FACTA requirements (Foreign Account Tax Compliance Act of the US Internal Revenue Service), the institution has defined the required responsible officer. A compliance officer was installed to ensure that the employees of Raiffeisenlandesbank NÖ-Wien observe all laws, regulations and external und internal guidelines applicable to securities transactions – for their own protection and to protect the bond of trust to the market and the customers of the Raiffeisen-Holding NÖ-Wien Group. In addition to the compliance function, the Raiffeisen-Holding NÖ-Wien Group has created the "BWG Compliance" unit to service the Raiffeisen institutions group. The BWG compliance function ensures the timely implementation of regulatory changes within the Raiffeisen-Holding NÖ-Wien Group through suitable information and review processes.

**Compliance risk** summarizes the risks associated with the activities of the securities compliance, BWG compliance and money laundering officers (see the organizational charts of RLB NÖ-Wien and Raiffeisen-Holding) as well as the responsible officer. The related activities are intended to ensure compliance with the respective legal regulations.

**Outsourcing risk** involves the strategy, goals and process for the outsourcing of activities and/or parts of companies. In the Raiffeisen-Holding NÖ-Wien Group, it is seen as a means to concentrate on core expertise and an opportunity to increase efficiency, in particular to realise synergies in a decentralized banking association, and is managed in accordance with § 25 of the Austrian Banking Act and the EBA Guidelines on Outsourcing Arrangements. A Group-wide outsourcing officer ensures a continuous focus on risk optimization and monitoring in this area.

**Modelling risk** examines the risk of a potential loss as the consequence of decisions which are based on the results of internal models and are attributable to errors in the development, implementation and application of these models.

RLB NÖ-Wien incorporates non-financial risk, both in the extreme case and the liquidation case, in its risk capacity analysis. The quantitative approach includes the basic indicator approach described in Art. 315f of the CRR as well as 20% of the calculated value of other risks (defined as an approximation for the addition of 5% of the quantified risks wit the exception of equity investment risk; possible other risks are already included in the risk assessment through the quantification of equity investment risk).

### Internal control system (ICS)

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

### Macroeconomic risks

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

Risks arising from the macroeconomic environment are incorporated quarterly in the risk capacity analysis as a separate category. The COVID-19 crisis and subsequent GDP development were responsible for a reduction in macroeconomic risks.

### Other risks

RLB NÖ-Wien has defined “other risks“ as a separate category which includes the following sub-risks:

- Strategic risk
- Reputation risk
- Risk of excessive debt
- Capital risk/foreign currency capital risk
- Earnings and business risk
- Concentration risks (inter-risk concentrations)
- Systemic risk

RLB NÖ-Wien incorporates other risks in the risk capacity analysis, both in the extreme case and liquidation case, as an approximation for the addition of 5% of the quantified risks. Equity investment risk is not included because possible other risks have already been addressed in the quantification of equity investment risk. The above-mentioned quantification approach includes 20% for the outsourcing, compliance and modelling sub-risks, which were transferred from other risks to the newly created category “non-financial risk“.

### Sustainability and ESG risks

The future will also bring increased attention to and the integration of sustainability aspects (ESG - Environment, Social, Governance) in the annual reports of the Raiffeisen-Holding NÖ-Wien Group. Sustainability & CSR (Corporate Social Responsibility) have been implemented in the Raiffeisen Holding NÖ-Wien organization as part of corporate communications, which anchors this issue in the financial institutions group and, therefore, also in RLB NÖ-Wien.

The implementation of necessary measures relating to sustainability risks was examined more closely in 2020 and will be given high priority in 2021. ESG risks represent possible negative effects for companies as the result of climate and environmental factors. Banks are exposed to sustainability risks in a number of ways. ESG risks are taken into consideration as partial aspects of the risk types identified by the risk inventory, e.g. credit, market, liquidity, non-financial (and here, above all, operational) and reputation risk. The effects of sustainability risks can result, on the one hand, from physical risks like the consequences of climate events and can lead to default by borrowers or impairment losses to collateral. On the other hand, the effects can result from so-called transition risks caused, for example, by political or technological developments. The intervention measures implemented to attain certain climate policy goals can have a significant negative influence on branches with a greater environmental impact. Accordingly, banks with financing in these branches are involved to a significant degree.

In addition to the social and environmental motivation to examine ESG risks, lawmakers and supervisory authorities have placed high demands in regard to sustainability on the financial sector. The Raiffeisen-Holding NÖ-Wien Group has therefore launched a project to implement and integrate sustainability issues in all areas of the banking association. That means ESG issues will be included in the banking group's governance as well as its corporate identity, product offering and customer support as well as risk management, risk measurement and stress tests.

### Institutional protection scheme

In accordance with the requirements of Art. 49 (3) and 113 (7) of the CRR, RLB NÖ-Wien together with RBI, the other Raiffeisen regional banks, Raiffeisen-Holding NÖ-Wien and several other RBG institutions concluded a contract for the development of an institutional protection scheme (IPS) at the federal level in 2013. A similar contract was concluded at the provincial level by RLB NÖ-Wien together with Raiffeisen-Holding NÖ-Wien and covers the 47 Lower Austrian Raiffeisen banks.

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

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

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

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

Both institutional protection schemes were officially approved by the Austrian Financial Market Authority in 2014.

### European Resolution Fund

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

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

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

The fund will be built up over eight years beginning on 1 January 2016, whereby the target is to reach a level of EUR 60.0 billion by the end of this development phase.

In 2020, the contribution by RLB NÖ-Wien totalled EUR 11.1 million.

### Solidarity association of the Raiffeisen Banking Group NÖ-Wien

RLB NÖ-Wien and the Lower Austrian Raiffeisen banks have established a solidarity association which provides assistance for members with financial difficulties. This solidarity association represents a further security institution in addition to the Austrian deposit protection scheme and Sektor-Risiko eGen. described below.

### Statutory deposit protection schemes

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

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

RLB NÖ-Wien and the other member institutions of the Raiffeisen Banking Group NÖ-Wien have been members of the Austrian deposit protection scheme ("Einlagensicherung Austria", ESA) since 1 January 2019 and thereby meet legal requirements for the protection of deposits. This Austrian deposit protection scheme does not cover deposits and credit balances with branch offices of credit institutions which are located in Austria but licensed in other countries. However, these deposits are protected by the respective schemes in the branch office's home country due to the harmonization of deposit protection at the European level.

On 28 July 2020, the provincial court in Eisenstadt (Burgenland/Austria) opened bankruptcy proceedings over the assets of Commerzialbank Mattersburg im Burgenland AG (Commerzialbank) which is also a member of the ESA. In accordance with §9 of the Austrian Deposit Protection and Investor Compensation Act, an insurance incident was therefore considered to have occurred as of 15 July 2020. The joint and several liability of the EAS members subsequently took effect.

The restructuring and substantial expansion of the deposit protection scheme system at the European level as of 1 January 2019 also led to the designation of the Austrian Financial Market Authority as the responsible regulatory body. In order to ensure sufficient funds in the event of an insolvency case, a fund will be created for the deposit protection schemes. The credit institutions are required to make contributions to this fund beginning in 2015. (also see the information on the European Resolution Fund).

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

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

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

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

### Customer deposit protection association for the Raiffeisen sector

In addition to internal measures for the identification, measurement and management of risk, RLB NÖ-Wien is a member of the Raiffeisen customer deposit protection association. This organization of Raiffeisen banks, Raiffeisen regional banks and RBI mutually guarantees 100% of all customer deposits and securities issued by the association members. However, new deposits made after 1 October 2019 are no longer covered by this customer deposit protection association. Any increase in existing deposits (to an existing account) is also classified as a new deposit as of 1 October 2019 and, consequently, is not covered by the Raiffeisen customer deposit protection association. This classification is leading, in total, to a decline in covered deposits.

The customer deposit protection association has a two-tier organisation: at the regional level where, for example, Raiffeisen banks in Lower Austria provide reciprocal guarantees for customer deposits; and the federal customer deposit protection association ("Bundeskundengarantiegemeinschaft") which takes over when the respective regional protection scheme is insufficient. In this way, the customer deposit protection association of the Raiffeisen banks, Raiffeisen regional banks and RBI creates a twofold safety net for customer deposits.

## (32) Hedge accounting

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

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

### Interest Rate Benchmark Reform

Regulatory announcements lead RLB NÖ-Wien to assume that the LIBOR indicator links will be generally available by 31 December 2021, and work has started to prepare the LIBOR conversion in all areas. As shown in the following table, which classifies the nominal volume of hedging derivatives according to the underlying interest rates, the EURIBOR is by far the determining indicator for RLB NÖ-Wien. The bank therefore assumes, based on currently available information, that the EURIBOR calculated according to the method defined by the reform will not be replaced by a new indicator. The changeover and, subsequently, possible alternatives to other interest rate indicators which are much less frequently used, e.g. the USD and CHF LIBOR (e.g. SARON), will be examined from a legal and financial standpoint. Contractual adjustments for fixed-interest reference values and fallback methods for new and existing transactions above and beyond 31 December 2021 will be handled within the context of the above-mentioned project.

The conversion of the EONIA to €STR and FED Funds to SOFR for cleared derivatives (discounting) and the related collateral accounts was successfully completed in the second half-year and without any material effect on earnings. Compensation payments for revaluations were recorded against fair value and are considered part of the ineffectiveness of the hedging derivatives. Bilateral contracts were also adjusted, and the derivatives concluded under these contracts together with the related cash collateral accounts with the counterparties were converted. RLB NÖ-Wien has no financial instruments which referenced the €STR or SOFR other than the cash collateral accounts.

The following table shows the interest rate indicator applied to all hedging derivatives classified by time profile based on the nominal amounts. The terms of the underlying transactions (fixed-interest financial assets, respectively liabilities in the applicable currency) correspond:

| 2020<br>€'000<br>Hedge type (micro- and portfolio-hedge) | **To 1 year*** | **From 1 to 5 years** | **Over 5 years** |
|---|---|---|---|
| ***Fair value hedge*** | | | |
| ***Nominal amount of the hedges for underlying transactions (assets)*** | | | |
| Interest Rate Swaps (Receive 3-month-EURIBOR, Pay EUR fix) | 120,000 | 1,250,771 | 1,831,977 |
| Interest Rate Swaps (Receive 6-month-EURIBOR, Pay EUR fix) | 0 | 0 | 25,000 |
| Interest Rate Swaps (Receive 3-month-USD-LIBOR, Pay USD fix) | 19,919 | 117,688 | 46,451 |
| ***Nominal amount of the hedges for underlying transactions (liabilities)*** | *0* | *0* | *0* |
| Interest Rate Swaps (Pay 3-month-EURIBOR, Receive EUR fix) | 369,865 | 1,750,193 | 1,625,661 |
| Interest Rate Swaps (Pay 6-month-EURIBOR, Receive EUR fix) | 0 | 43,520 | 35,000 |

* USD-LIBOR interest rate swaps which expire by 31 December 2021 are not affected by the changeover. The assumption shown above applies to Euribor-referenced interest rate swaps. RLB NÖ-Wien does not assume that fair value hedges, for which Euribor-referenced interest rate swaps serve as hedging instruments, will be material or directly involved.

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

| 2020 €'000 | **To 1 month** | **From 1 to 6 months** | **From 6 to 12 months** | **From 1 to 5 years** | **Over 5 years** |
|---|---|---|---|---|---|
| ***Interest rate swaps - fair value hedge asset transactions*** | | | | | |
| Nominal value | 0 | 34,214 | 105,705 | 1,243,206 | 1,239,365 |
| Average fixed interest rate in % | 0.00 | 2.80 | 3.35 | 1.13 | 2.08 |
| ***Interest rate swaps - fair value hedge own issues*** | | | | | |
| Nominal value | 10,000 | 268,400 | 91,465 | 1,793,713 | 1,660,661 |
| Average fixed interest rate in % | 4.23 | 0.90 | 2.31 | 1.23 | 2.35 |

The comparative prior year data are shown below.

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

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

| 2020<br>€'000 | Nominal value | Carrying amount<br>Balance sheet assets | Carrying amount<br>Balance sheet equity and liabilities | Change in fair value | Income statement presentation - fair value change | Income statement effect - ineffectiveness | Income statement presentation - ineffectiveness |
|---|---|---|---|---|---|---|---|
| ***Interest rate risk - micro-hedges*** | | | | | | | |
| Interest Rate Swaps - Bonds | 2,039,034 | 378 | 420,376 | (77,184) | Profit or loss from hedge accounting | 1,876 | Profit or loss from hedge accounting |
| Interest Rate Swaps - Loans and advances | 583,456 | 0 | 69,115 | (9,298) | Profit or loss from hedge accounting | 629 | Profit or loss from hedge accounting |
| Interest Rate Swaps - Deposits | 640,705 | 145,458 | 0 | 7,904 | Profit or loss from hedge accounting | (372) | Profit or loss from hedge accounting |
| Interest Rate Swaps - Securitized liabilities | 3,183,535 | 296,932 | 2,096 | 34,423 | Profit or loss from hedge accounting | (1,419) | Profit or loss from hedge accounting |
| ***Interest rate risk - portfolio hedges*** | | | | | | | |
| Interest rate swaps* | 789,316 | 161 | 9,973 | (13,676) | Profit or loss from hedge accounting | 336 | Profit or loss from hedge accounting |

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

The comparative prior year data are shown in the following table.

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

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

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

| 2020, €'000 | Carrying amount | | Value of cumulative basis adjustments for hedged items | | Changes in hedged fair value | Cumulative basis adjustments for designated hedged items |
|---|---|---|---|---|---|---|
| | Balance sheet assets | Balance sheet equity and liabilities | Balance sheet assets | Balance sheet equity and liabilities | | |
| *Interest rate risk - micro-hedges* | | | | | | |
| *Financial assets at amortized cost* | *3,174,484* | | *474,117* | | *88,988* | *(2,621)* |
| Bonds | 2,509,160 | | 405,438 | | 79,060 | 0 |
| Other loans and advances | 665,324 | | 68,679 | | 9,928 | (2,621) |
| *Financial liabilities measured at amortised cost* | | *5,476,038* | | *367,484* | *44,117* | |
| Deposits | | 798,743 | | 133,853 | 8,276 | |
| Securitized liabilities | | 4,677,295 | | 233,631 | 35,842 | |
| *Interest rate risk - portfolio hedges* | | | | | | |
| Portfolio-Hedge* | 792,692 | | 1,779 | | 14,012 | 7,931 |

*) The TEUR 792,692 reported under the carrying amount represents the synthetic underlying transaction as of 31 December 2020, including the designation quota. Portfolio hedge accounting (IAS 39) was introduced by RLB NÖ-Wien in the second half of 2019 and expanded in 2020.

The comparative prior year data are shown below.

| 2019, €'000 | Carrying amount | | Value of cumulative basis adjustments for hedged items | | Changes in hedged fair value | Cumulative basis adjustments for designated hedged items |
|---|---|---|---|---|---|---|
| | Balance sheet assets | Balance sheet equity and liabilities | Balance sheet assets | Balance sheet equity and liabilities | | |
| ***Interest rate risk - micro-hedges*** | | | | | | |
| ***Financial assets at amortized cost*** | *3,209,367* | | *385,216* | | *132,166* | *(2,912)* |
| Bonds | 2,516,614 | | 326,464 | | 110,526 | 116 |
| Other loans and advances | 692,752 | | 58,751 | | 21,641 | (3,028) |
| ***Financial liabilities measured at amortised cost*** | | *5,285,296* | | *323,581* | *66,353* | |
| Deposits | | 944,499 | | 125,577 | 20,957 | |
| Securitized liabilities | | 4,340,797 | | 198,004 | 45,396 | |
| ***Interest rate risk - portfolio hedges*** | | | | | *0* | |
| Portfolio-Hedge* | 83,078 | | (1,821) | | (3,937) | (2,101) |

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

## (33) Fair value of financial instruments

### Fair value of financial instruments carried at fair value

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

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

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

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

The counterparty default risk for non-collateralized OTC derivatives is included through a credit value adjustment (CVA) which represents the costs of hedging this risk on the market. The CVA is calculated by multiplying the expected positive exposure of the derivative (EPE), the counterparty's probability of default (PD) and the loss given default (LGD). The EPE is determined by simulation, while the LGD and PD are based on market data (credit default swap (CDS) spreads, if these spreads are directly available for the respective counterparty or if they can be determined by mapping the counterparty's credit standing to reference counterparties). The debt value adjustment (DVA) represents an adjustment for the company's own default probability. The calculation method is similar to the CVA, but the expected negative fair value (ENE or expected negative exposure) is used instead of the expected positive exposure.

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

- **Bonds**

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

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

- **Loans and advances**

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

- **Equity instruments**

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

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

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

| €'000 | 31/12/2020 Level I | 31/12/2020 Level II | 31/12/2020 Level III | 31/12/2019 Level I | 31/12/2019 Level II | 31/12/2019 Level III |
|---|---|---|---|---|---|---|
| **Balance sheet assets** | | | | | | |
| ***Financial assets held for trading*** | ***209,103*** | ***602,868*** | ***0*** | *522,107* | *563,552* | *54,352* |
| Derivatives | 0 | 472,212 | 0 | 0 | 487,792 | 0 |
| Equity instruments | 0 | 0 | 0 | 0 | 0 | 0 |
| Bonds | 209,103 | 130,656 | 0 | 522,107 | 75,760 | 54,352 |
| ***Non-trading financial assets mandatorily at fair value through profit or loss*** | ***0*** | ***969*** | ***138,910*** | *0* | *991* | *161,238* |
| Equity instruments | 0 | 0 | 9,014 | 0 | 0 | 14,187 |
| Bonds | 0 | 969 | 0 | 0 | 991 | 0 |
| Other loans and advances | 0 | 0 | 129,896 | 0 | 0 | 147,051 |
| ***Financial assets at fair value through other comprehensive income*** | ***0*** | ***0*** | ***19,472*** | *0* | *0* | *18,950* |
| Equity instruments | 0 | 0 | 19,472 | 0 | 0 | 18,950 |
| ***Derivatives - hedge accounting*** | ***0*** | ***442,929*** | ***0*** | *0* | *405,674* | *0* |

| €'000 | 31/12/2020 Level I | 31/12/2020 Level II | 31/12/2020 Level III | 31/12/2019 Level I | 31/12/2019 Level II | 31/12/2019 Level III |
|---|---|---|---|---|---|---|
| **Balance sheet equity and liabilities** | | | | | | |
| ***Financial liabilities held for trading*** | ***0*** | ***486,581*** | ***0*** | *0* | *509,172* | *0* |
| Derivatives | 0 | 486,581 | 0 | 0 | 509,172 | 0 |
| ***Derivatives - hedge accounting*** | ***0*** | ***501,560*** | ***0*** | *0* | *407,138* | *0* |

Every financial instrument is evaluated to determine whether quoted market prices are available on an active market (Level I). In 2020, securities with a fair value of TEUR 34,073 were reclassified from Level I to Level II because of a decrease in the number of market quotations. There were no reclassifications from Level II to Level I during the reporting year.

Reclassifications between Level I and Level II:

| €'000 | 31/12/2020 From Level I to Level II | 31/12/2020 From Level II to Level I | 31/12/2019 From Level I to Level II | 31/12/2019 From Level II to Level I |
|---|---|---|---|---|
| **Balance sheet assets** | | | | |
| ***Financial assets held for trading*** | ***34,073*** | ***0*** | *901* | *0* |
| Bonds | 34,073 | 0 | 901 | 0 |

The following table shows the development from 1 January 2020 to 31 December 2020 of the assets carried at fair value which are assigned to Level III:

| €'000 | 01/01/2020 | Additions | Disposals | Profit, income statement | Profit, other comprehensive income | 31/12/2020 |
|---|---|---|---|---|---|---|
| **Balance sheet assets** | | | | | | |
| ***Financial assets held for trading*** | ***54,352*** | ***0*** | ***(54,733)*** | ***381*** | ***0*** | ***0*** |
| Equity instruments | 0 | 0 | 0 | 0 | 0 | 0 |
| Bonds | 54,352 | 0 | (54,733) | 381 | 0 | 0 |
| ***Non-trading financial assets mandatorily at fair value through profit or loss*** | ***161,238*** | ***1,014*** | ***(16,916)*** | ***(6,425)*** | ***0*** | ***138,911*** |
| Equity instruments | 14,188 | 0 | 0 | (5,173) | 0 | 9,015 |
| Other loans and advances | 147,051 | 1,014 | (16,916) | (1,252) | 0 | 129,897 |
| ***Financial assets at fair value through other comprehensive income*** | ***18,949*** | ***703*** | ***(10)*** | ***0*** | ***(171)*** | ***19,471*** |
| Equity instruments | 18,949 | 703 | (10) | 0 | (171) | 19,471 |

There were no reclassifications of derivatives or securities to or from Level III in 2020.

As of 31 December 2020, all loans and advances in the fair value portfolio were assigned to Level 3 in the fair value hierarchy.

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

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

The results recognized to the income statement for the financial instruments allocated to Level III totalled TEUR -6,393 in 2020 (2019: TEUR -416) and are reported under "profit/loss from financial assets and liabilities".

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

| 31/12/2020<br>€'000 | Type | Market value in €m | Valuation method | Major unobservable input factors | Scope of unobservable input factors |
|---|---|---|---|---|---|
| **Balance sheet assets** | | | | | |
| ***Financial assets held for trading*** | | | | | |
| Bonds | Non-fixed-interest bonds | 0.0 | DCF method | Credit margin | - |
| ***Non-trading financial assets mandatorily at fair value through profit or loss*** | | | | | |
| Equity instruments | Equity investments | 9.0 | DCF method | Internal forecasts | - |
| Other loans and advances | Other loans and advances | 129.9 | DCF method | Credit risk premiums | 0.014% - 52% |
| ***Financial assets at fair value through other comprehensive income*** | | | | | |
| Equity instruments | Equity investments | 19.5 | DCF method | Internal forecasts | - |

The comparative prior year data are shown below:

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

## Valuation guidelines

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

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

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

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

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

A range of alternative parameters is available for selection and application in cases where the value of a financial instrument is dependent on non-observable data. RLB NÖ-Wien held no Level III securities as of 31 December 2020 (see the following tables).

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

A range of alternative parameters is available for selection and application in cases where the value of a loan or an advance is dependent on non-observable parameters (Level III). A shift in the parameters at the ends of these ranges (+/- 100 bps with a floor at 0) would lead to an increase of EUR 1.6 million (2019: increase of EUR 0.04 million) or a decrease of EUR 1.8 million (2019: decrease of EUR 0.1 million) in the fair value of loans and advances (assets) as of 31 December 2020. This calculation reflects the applicable market conditions and internal valuation requirements. A sensitivity analysis for Level III securities is presented in the following tables.

| 2020, €m | Type | Reduction due to change in parameter | Increase due to change in parameter | Increase due to change in parameter |
|---|---|---|---|---|
| ***Financial assets held for trading*** | | | | |
| Bonds | Non-fixed-interest bonds | 0 | 0 | Credit spread shift |

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

## Fair value of financial instruments not carried at fair value

The following table shows the fair values and carrying amounts of financial instruments which are carried at amortized cost in accordance with the respective business model. Classification is based on the classes of financial instruments defined by RLB NÖ-Wien.

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

Additional details in this connection are provided under Note (31) Risks arising from financial instruments (Risk Report).

| 2020, €'000 | Fair value | Carrying amount | Difference |
|---|---|---|---|
| *Balance sheet assets* | | | |
| ***Financial assets at amortized cost*** | ***20,635,554*** | ***19,832,083*** | ***803,471*** |
| Bonds | 3,688,258 | 3,593,206 | 95,052 |
| Other loans and advances | 16,947,296 | 16,238,876 | 708,419 |
| ***Balance sheet equity and liabilities*** | | | |
| ***Financial liabilities measured at amortized cost*** | ***25,875,185*** | ***25,349,082*** | ***526,103*** |
| Deposits | 18,897,907 | 18,533,877 | 364,030 |
| Securitized liabilities | 6,977,278 | 6,815,205 | 162,073 |

Credit spreads in the securities business increased during 2020 as a result of the COVID-19 crisis but declined towards the end of the year. The crisis was also responsible for a reduction in interest rates (in the long-term range up to -63bp), which had an effect on the valuation of all financial instruments. In addition, an increase was recorded in impairment losses to the net book value of loans and advances (also see Note (16) for additional details).

The comparative prior year data are shown below.

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

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

| 2020, €'000 | Fair Value Level I | Fair Value Level II | Fair Value Level III |
|---|---|---|---|
| *Balance sheet assets* | | | |
| Bonds | 3,275,026 | 413,233 | 0 |
| Other loans and advances | 0 | 1,374 | 16,945,921 |
| *Balance sheet equity and liabilities* | | | |
| Deposits | 0 | 0 | 18,897,907 |
| Securitized liabilities | 0 | 6,398,121 | 579,157 |

The comparative prior year data are shown below.

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

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

The deposits carried at amortized cost are assigned to Level III since the credit spreads used for valuation are only indirectly observable. The securitized liabilities which are carried at amortized cost and assigned to Level III, consist primarily of subordinated liabilities whose valuation was based on parameters in the form of indirectly derived risk premiums.

# Additional Information

## (34) Classification of remaining terms to maturity

The classification of remaining terms to maturity as of 31 December 2020 is shown below.

| €'000 | Demand deposits | To 3 month | From 3 months to 1 year | From 1 to 5 years | Over 5 years or of unspecified maturity | Total |
|---|---|---|---|---|---|---|
| ***Balance sheet assets*** | | | | | | |
| Cash, cash balances at central banks and other demand deposits | 4,930,949 | 0 | 0 | 0 | 0 | 4,930,949 |
| Financial assets held for trading | 0 | 12,981 | 57,199 | 307,636 | 434,154 | 811,971 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 5,821 | 5 | 4,509 | 27,917 | 101,627 | 139,879 |
| Financial assets at fair value through other comprehensive income | 0 | 0 | 0 | 0 | 19,472 | 19,472 |
| Financial assets at amortized cost | 1,991,888 | 465,485 | 761,397 | 6,050,476 | 10,572,295 | 19,841,540 |
| Derivatives - hedge accounting | 0 | 1,656 | 23,792 | 118,384 | 299,097 | 442,929 |
| Fair value changes in the underlying transactions for portfolio hedges of interest rate risks | 0 | 0 | 66 | 250 | 9,395 | 9,710 |
| Interest in equity-accounted investments | 0 | 0 | 0 | 0 | 2,202,271 | 2,202,271 |
| ***Balance sheet equity and liabilities*** | | | | | | |
| Financial liabilities held for trading | 0 | 6,951 | 9,097 | 120,015 | 350,519 | 486,581 |
| Financial liabilities measured at amortized cost | 18,204,662 | 255,163 | 776,575 | 3,122,481 | 3,084,825 | 25,443,707 |
| Of which lease liabilities | 0 | 2,065 | 6,077 | 26,625 | 56,751 | 91,518 |
| Derivatives - hedge accounting | 0 | 88 | 4,610 | 61,417 | 435,445 | 501,560 |

The comparative prior year data are as follows.

| €'000 | Demand deposits | To 3 month | From 3 months to 1 year | From 1 to 5 years | Over 5 years or of unspecified maturity | Total |
|---|---|---|---|---|---|---|
| ***Balance sheet assets*** | | | | | | |
| Cash, cash balances at central banks and other demand deposits | 3,040,188 | 0 | 0 | 0 | 0 | 3,040,188 |
| Financial assets held for trading | 0 | 32,943 | 79,744 | 361,237 | 666,087 | 1,140,011 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 10,719 | 73 | 2,831 | 18,444 | 130,162 | 162,229 |
| Financial assets at fair value through other comprehensive income | 0 | 0 | 0 | 0 | 18,950 | 18,950 |
| Financial assets at amortized cost | 3,009,353 | 874,922 | 1,159,505 | 5,058,384 | 9,931,199 | 20,033,364 |
| Derivatives - hedge accounting | 0 | 189 | 11,221 | 133,568 | 260,696 | 405,674 |
| Fair value changes in the underlying transactions for portfolio hedges of interest rate risks | 0 | 0 | 0 | 4 | (3,925) | (3,922) |
| Interest in equity-accounted investments | 0 | 0 | 0 | 0 | 2,585,515 | 2,585,515 |
| ***Balance sheet equity and liabilities*** | | | | | | |
| Financial liabilities held for trading | 0 | 12,766 | 34,896 | 131,747 | 329,764 | 509,172 |
| Financial liabilities measured at amortized cost | 16,337,189 | 148,446 | 1,049,974 | 3,262,388 | 3,115,390 | 23,913,387 |
| Of which lease liabilities | 0 | 1,967 | 5,766 | 25,612 | 61,457 | 94,802 |
| Derivatives - hedge accounting | 0 | 0 | 3,957 | 42,212 | 360,969 | 407,138 |

## (35) Related party disclosures

| €'000 | **31/12/2020** | **31/12/2019** |
|---|---|---|
| ***Cash, cash balances at central banks and other demand deposits*** | ***1,968,486*** | ***1,836,859*** |
| Associates | 1,968,486 | 1,836,859 |
| ***Financial assets held for trading*** | ***109,023*** | ***62,735*** |
| Parent | 25,558 | 37,035 |
| Associates | 83,164 | 25,173 |
| Entities accounted for using the equity method via the parent | 302 | 526 |
| ***Financial assets at amortized cost*** | ***2,010,797*** | ***2,198,922*** |
| Parent | 1,182,066 | 1,218,743 |
| Subsidiary / subsidiaries | 47,517 | 49,129 |
| Entities related via the parent | 273,205 | 320,189 |
| Associates | 317,006 | 387,786 |
| Entities accounted for using the equity method via the parent | 190,328 | 219,135 |
| Joint ventures | 675 | 3,941 |
| ***Derivatives - hedge accounting*** | ***43,426*** | ***43,013*** |
| Associates | 43,426 | 43,013 |
| ***Other assets*** | ***36,873*** | ***45,079*** |
| Parent | 28,948 | 37,156 |
| Subsidiary / subsidiaries | 7,907 | 7,916 |

| €'000 | 31/12/2020 | 31/12/2019 |
| --- | --- | --- |
| *Financial liabilities held for trading* | *16,763* | *19,662* |
| Associates | 16,757 | 19,660 |
| Entities accounted for using the equity method via the parent | 6 | 1 |
| *Financial liabilities measured at amortized cost* | *818,240* | *905,776* |
| Parent | 329,260 | 242,689 |
| Subsidiary / subsidiaries | 62,684 | 62,086 |
| Entities related via the parent | 169,558 | 215,768 |
| Associates | 207,709 | 329,424 |
| Entities accounted for using the equity method via the parent | 38,189 | 44,699 |
| Joint ventures | 10,839 | 11,109 |
| *Other liabilities* | *1,394* | *349* |
| Parent | 1,376 | 290 |
| Subsidiary / subsidiaries | 6 | 27 |

| €'000 | 31/12/2020 | 31/12/2019 |
| --- | --- | --- |
| *Contingent liabilities and other off-balance sheet obligations* | *1,046,207* | *637,731* |
| Parent | 294 | 1,172 |
| Subsidiary / subsidiaries | 35,375 | 1,289 |
| Entities related via the parent | 94,019 | 128,388 |
| Associates | 580,076 | 181,586 |
| Entities accounted for using the equity method via the parent | 319,715 | 309,334 |
| Joint ventures | 16,728 | 15,962 |

| 01/01 - 31/12/2020<br>€'000 | Interest income | Interest expenses | Purchased services and merchandise and other expenses | Services provided, sale of merchandise and fixed assets and other income |
|---|---|---|---|---|
| Parent | 21,936 | 13,123 | 18,593 | 3,598 |
| Subsidiary / subsidiaries | 651 | 3 | 6,550 | 146 |
| Entities related via the parent | 5,389 | 0 | 218 | 9 |
| Associates | 16,183 | 1 | 35,461 | 2,494 |
| Entities accounted for using the equity method via the parent | 3,661 | 4 | 1,126 | 35 |
| Joint ventures | 91 | 41 | 8,232 | 437 |

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

The following legal and business relations exist with related companies:

- The parent company of RLB NÖ-Wien is Raiffeisen-Holding NÖ-Wien. The business relationships between RLB NÖ-Wien and Raiffeisen-Holding NÖ-Wien consist primarily of refinancing for Raiffeisen-Holding NÖ-Wien.

  RLB NÖ-Wien has been a member of a corporate tax group created in accordance with § 9 of the Austrian Corporate Income Tax Act since the 2005 assessment year. The head of the tax group is RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung (Raiffeisen-Holding NÖ-Wien), with which RLB NÖ-Wien has concluded a tax contribution agreement. In the 2020 assessment year, the corporate tax group with Raiffeisen-Holding NÖ-Wien as its head included RLB NÖ-Wien as well as 40 (2019: 40) other members. The tax base for the entire group equals the total income of the head of the group plus the allocated taxable income of the group members after the maximum allowable deduction of the tax loss carryforwards held by the head of the group. RLB NÖ-Wien is charged a proportional share of group corporate income tax, which is assessed at the level of the head of the group, Raiffeisen-Holding NÖ-Wien. A tax charge based on the contractually agreed rate is payable to the head of the group, Raiffeisen-Holding NÖ-Wien, on the untaxed portion of the taxable income recorded by RLB NÖ-Wien. In the event of a tax loss, RLB NÖ-Wien will receive a negative tax charge. Details on the tax charges from Raiffeisen-Holding NÖ-Wien can be found in Note (23) and Note (29).

- The liquidity management agreement concluded between RLB NÖ-Wien and Raiffeisen-Holding NÖ-Wien regulates the relationship between these two parties with respect to liquidity provision, measurement and monitoring as well as the related measures. This agreement was concluded for an indefinite period of time and can be cancelled by both parties.

- RLB NÖ-Wien and Raiffeisen-Holding NÖ-Wien have concluded a management service agreement which is designed to realize synergies and ensure the competent provision of services for central functions in the Group.

- RLB NÖ-Wien and the following companies have established tax groups for VAT purposes:

  - RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung
  - "AKTUELL" Raiffeisen Versicherungs-Maklerdienst Gesellschaft m.b.H.
  - MODAL-Gesellschaft für betriebsorientierte Bildung und Management GmbH
  - Raiffeisen Beratung direkt GmbH
  - RBE Raiffeisen Beratungs- und Entwicklungs GmbH
  - Raiffeisen Versicherungs- und Bauspar-Agentur GmbH
  - Veritas Treuhandgesellschaft für Versicherungsüberprüfung und -vermittlung m.b.H.
  - Raiffeisen Analytik GmbH

- RLB NÖ-Wien has arranged for Directors and Officers (D&O) insurance and fidelity insurance to cover its corporate bodies and key managers as well as the corporate bodies and key managers of its subsidiaries and carries the related costs.

- The following companies have concluded an agreement for the establishment of an institution-based protection scheme (federal IPS agreement) in accordance with the version incorporating the changes from 18 March 2017: RLB NÖ-Wien, Raiffeisen-Holding NÖ-Wien, Raiffeisen Bank International AG (RBI), all other Raiffeisen regional banks, Posojilnica Bank eGen, Raiffeisen Bausparkasse GmbH, Raiffeisen Wohnbaubank AG and Sektorrisiko eGen (SRG). This federal IPS agreement establishes an institution-based protection scheme (federal IPS) under which the contract parties assume the rights and obligations defined in the respective legal provisions of the IPS framework agreement and consent to their implementation as regulated by the federal IPS agreement. The parties to the federal IPS agreement have also concluded a trust agreement under which SRG serves as the trustee for payments made in connection with the federal IPS.

The following companies have concluded an agreement (regional IPS agreement) for the establishment of an institutional protection scheme in accordance with the version implementing the supplement/clarification from May/June 2017: RLB NÖ-Wien, Raiffeisen-Holding NÖ-Wien, the solidarity association of the Raiffeisen Banking Group NÖ-Wien, 47 (2019: 51) Lower Austrian Raiffeisen banks and Raiffeisen-Landesrisikogenossenschaft NÖ-Wien reg.Gen.m.b.H. (LRG). This regional IPS agreement establishes an institution-based protection scheme (regional IPS) under which the contract parties assume the rights and obligations defined in the respective legal provisions of the IPS framework agreement and consent to their implementation as regulated by the regional IPS agreement. The parties to the regional IPS agreement have also concluded a trust agreement under which LRG serves as the trustee for payments made in connection with the regional IPS.

An associate and one of its subsidiaries have concluded a limited settlement agreement to offset the loans and advances to and deposits from other banks.

The business transactions and relations with related companies reflect arm’s length terms and conditions. Key management includes the members of the Managing Board and Supervisory Board of RLB NÖ-Wien as well as the members of management, the managing board and supervisory board of Raiffeisen-Holding NÖ-Wien.

The relationships between key management and RLB NÖ-Wien are as follows:

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Sight deposits | 3,105 | 2,936 |
| Bonds | 120 | 72 |
| Savings deposits | 530 | 666 |
| Other receivables | 0 | 19 |
| **Total** | **3,755** | 3,692 |
| Current accounts | 12 | 15 |
| Loans | 587 | 654 |
| Other liabilities | 13 | 31 |
| **Total** | **612** | 699 |

The following table shows the business relationships between RLB NÖ-Wien and other related parties over which persons holding key management positions with RLB NÖ-Wien have control:

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Current accounts | 0 | 1 |
| Loans | 130 | 293 |
| Other liabilities (e.g. from derivative financing transactions, etc.) | 71 | 69 |
| **Total** | **201** | 363 |

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

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Sight deposits | 155 | 130 |
| Savings deposits | 10 | 16 |
| Other receivables | 0 | 0 |
| **Total** | **165** | 147 |
| Current accounts | 2 | 0 |
| Loans | 40 | 43 |
| **Total** | **42** | 43 |

## (36) Remuneration of the Managing and Supervisory Boards

The remuneration paid by the company to the members of key management totalled TEUR 3,172 in 2020 (2019: TEUR 3,162). This amount includes TEUR 2,252 (2019: TEUR 2,365) of short-term remuneration, TEUR 920 (2019: TEUR 797) of post-employment benefits (pensions and termination benefits) including additions to and reversals of provisions, and TEUR 0 (2019: TEUR 0) of other long-term remuneration. The total remuneration (including additions to/reversals of provisions) for former managing directors and their surviving dependants as well as former members of the Managing Board of RLB NÖ-Wien AG amounted to TEUR 943 (2019: TEUR 955 ).

In accordance with IAS 24.18A, the amounts recorded for key management services provided by Raiffeisen Holding to RLB AG totalled TEUR 511 (2019: TEUR 516).

Additional disclosures in accordance with § 239 (1) no. 4 a) of the Austrian Commercial Code in connection with § 266 (2) of the Austrian Commercial Code:

The following table shows the remuneration for the active members of the Managing Board and Supervisory Board, classified by corporate body:

| | Total remuneration for activities in reporting year | |
|---|---|---|
| *Managing Board* | | |
| Current year in TEUR | 2,169 | *) |
| Prior year in TEUR | 2,249 | *) |
| *Supervisory Board* | | |
| Current year in TEUR | 83 | |
| Prior year in TEUR | 116 | |

*) Information on the remuneration of related entities is not provided in accordance with the protective clause defined by § 64 (6) of the Austrian Banking Act in connection with § 242 (4) of the Austrian Commercial Code.

## (37) Disclosure of loans and advances to members of the Managing Board and Supervisory Board pursuant to § 266 no. 5 of the Austrian Commercial Code

As of the balance sheet date on 31 December 2020, loans and advances outstanding to the members of the Managing Board and Supervisory Board totalled TEUR 537 (2019: TEUR 590), respectively TEUR 63 (2019: TEUR 66). No guarantees were issued on behalf of these persons. The loans and advances to the members of the Supervisory Board consist solely of loans and advances to the employees appointed to this corporate body by the Staff Council and carry standard bank terms and interest rates. Repayments during the reporting year amounted to TEUR 49 (2019: TEUR 218) by the Managing Board members and TEUR 13 (2019: TEUR 14) by the Supervisory Board members.

## (38) Foreign currency balances

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

| €'000 | 2020 | 2019 |
|---|---|---|
| Balance sheet assets | 880,320 | 1,363,586 |
| Balance sheet equity and liabilities | 516,926 | 800,071 |

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

RLB NÖ-Wien held the following off-balance sheet obligations at year-end 2020 and 2019:

| €'000 | 2020 | 2019 |
|---|---|---|
| ***Contingent liabilities*** | ***685,030*** | ***769,553*** |
| Of which arising from other guarantees | 670,552 | 753,429 |
| Of which arising from letters of credit | 6,233 | 10,248 |
| Of which other contingent liabilities | 8,245 | 5,877 |
| ***Commitments*** | ***6,005,916*** | ***5,550,883*** |
| Of which arising from revocable loan commitments | 2,796,307 | 2,425,698 |
| Of which arising from irrevocable loan commitments | 3,209,609 | 3,125,185 |
| To 1 year | 1,022,607 | 823,174 |
| More than 1 year | 2,187,002 | 2,302,011 |

The additional guarantees for cooperatives totalled TEUR 8,245 (2019: TEUR 5,877) and include TEUR 41 (2019: TEUR 41) related to subsidiaries. Additional funding commitments amounted to TEUR 841 (2019: TEUR 841), whereby TEUR 150 (2019: TEUR 150) are attributable to subsidiaries. Outstanding contributions remained unchanged in comparison with the previous year at TEUR 21 (2019: TEUR 21) and include TEUR 18 (2019: TEUR 18) for subsidiaries.

Moreover, there are obligations arising from the mandatory membership in the protection facility to be maintained by the Raiffeisen bank organization (§§ 8 (1) and 45 (1) in connection with § 59 of the Austrian Deposit Protection and Investor Compensation Act).

RLB NÖ-Wien is required to make an annual ex ante contribution (§ 21 of the Austrian Deposit Protection and Investor Compensation Act) to finance the statutory deposit insurance through the creation of a fund. The contribution for 2020 equalled TEUR 6,118 (2019: TEUR 2,909) and is reported under other operating expenses. It includes a proportional contribution for the replenishment which was necessary due to the indemnification of depositors by the deposit protection scheme in two cases. The protection facility can also collect special contributions each calendar year up to a maximum of 0.5% of the covered deposits in member institutions (the Financial Market Authority can, in individual cases, approve a higher amount). The amount of the special contributions is based on the ratio of the last annual contribution payable by RLB NÖ-Wien to the total amount of the last annual contribution payable by all members to the protection facility (§ 22 of the Austrian Deposit Protection and Investor Compensation Act).

In the event compensation payments are made for insured securities services (investor compensation), the annual contribution for each individual institution will equal up to 1.5% of the assessment base as defined by Art. 92 (3) letter a of the CRR plus 12.5-times the capital requirements for position risk as defined in Part 3 Title IV Chapter 2 of the CRR, i.e. TEUR 158,555 (2019: TEUR 179,994) for RLB NÖ-Wien.

RLB NÖ-Wien is a member of Raiffeisen Kundengarantiegemeinschaft NÖ-Wien, the Raiffeisen customer deposit protection association for Lower Austria and Vienna. The association's statutes guarantee joint responsibility for the fulfilment of the following liabilities: customer deposits originating prior to 1 October 2019 and (ii) non-subordinated proprietary securities (see "Financial liabilities carried at amortized cost") issued prior to 1 January 2019 by every insolvent association member. This joint responsibility extends up to a limit that equals the total individual capacities of the other association members. The individual capacity of an association member is based on free cash reserves as calculated in accordance with the relevant provisions of the Austrian Banking Act and CRR. This customer protection excludes proprietary securities issued after 1 January 2019 and new customer deposits (including extensions and additions to existing transactions) received after 1 October 2019. Transition rules for the protected customer deposits are leading to a steady decline in obligations through a gradual reduction in the potential guarantee volume.

Raiffeisen-Kundengarantiegemeinschaft NÖ-Wien, in turn, is a member of the association "Raiffeisen Kundengarantiegemeinschaft Österreich", whose members are Raiffeisen Bank International AG (RBI) and other Raiffeisen regional customer guarantee collectives. The objective of the association is the same as Raiffeisen-Kundengarantiegemeinschaft NÖ-Wien based on RBI and the members of the Raiffeisen regional customer deposit protection association (also see Note (31) Risk report).

Directive 2014/59/EU ("BRRD") and Regulation (EU) No. 806/2014 ("SRM") create a joint system for the reorganization and resolution of banks and represent the so-called "second pillar" of the European Banking Union. In this way, they extend the rules of the Single Supervisory Mechanism ("SSM"), the so-called "first pillar". In Austria, the BRRD was implemented through the Austrian Act on the Reorganization and Resolution of Banks ("Bundesgesetz über die Sanierung und Abwicklung von Banken", BaSAG) which took effect on 1 January 2015. The Austrian Financial Market Authority serves as the national resolution authority.

The Single Resolution Fund (SRF) is an important element of the joint reorganization and resolution system for financial institutions. The target for the SRF equals at least 1% of the deposits insured in the European Banking Union, whereby this volume is to be compiled as evenly as possible by 2023. All depository institutions licenced in Austria are required to make contributions to the SRF in accordance with official notifications issued by the Austrian Financial Market Authority. The contribution by RLB NÖ-Wien equalled TEUR 11,126 in 2020 (2019: TEUR 9,589) and is reported under other operating profit.

the sense of Art. 49 (3) and 113 (7) of the CRR, RLB NÖ-Wien concluded a contract for the establishment of an institutional protection scheme (federal IPS) at the federal level with the following companies: RBI, the other Raiffeisen regional banks, Raiffeisen-Holding NÖ-Wien and a number of other institutions in the Raiffeisen-Banking Group. RLB NÖ-Wien also concluded a similar agreement with Raiffeisen-Holding NÖ-Wien and 47 Lower Austrian Raiffeisen banks (2019: 51).

In addition, a trust agreement was concluded between the parties to the federal and regional IPS agreements under which SRG (Sektorrisiko eGen; formerly ÖRE) or LRG (Raiffeisen-Landesrisikogenossenschaft Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung; formerly LASE), respectively, is designated to serve as the trustee for payments made within the scope of the federal or regional institutional protection scheme.

These agreements are intended to ensure sufficient liquidity and solvency in order to prevent the bankruptcy of the contract parties. The guarantee agreements make it possible for the institutions not to deduct the other contract parties' holdings in equity instruments from their own capital (Art. 49 (3) of the CRR). Moreover, the institutions are permitted to exclude risk positions against the other contract parties from the calculation of their own risk-weighted positions (Art. 113 (7) of the CRR). Both institutional protection schemes were officially approved by the FMA in 2014.

For the federal IPS, an ex-ante special fund for possible support actions must be accumulated within an appropriate period, but no later than 31 December 2022. The contribution by RLB NÖ-Wien equalled EUR 7.0 million in 2020 (2019:EUR 5.5 million) and is reported under retained earnings.

An ex-ante special fund for possible support actions must also be accumulated for the regional IPS by 31 December 2022. RLB NÖ-Wien was not required to make a contribution in 2020 or 2019.

On 21 December 2020, RBI, Raiffeisen-Holding NÖ-Wien, RLB NÖ-Wien, the other Raiffeisen regional banks and the Raiffeisen banks filed applications with the ECB and Austrian Financial Market Authority to create the basis for a separate Raiffeisen deposit protection scheme and the required, related Austrian institutional protection scheme ("RBG-IPS"). These applications requested approval for the following: (i) the zero weighting of their risk positions towards the other RBG-IPS members, (ii) the non-deductibility of their positions in equity instruments to the respective central institution and (iii) the acceptance of the Austrian RBG-IPS and "Österreichische Raiffeisen-Einlagensicherung eGen" as deposit protection and compensation scheme in accordance with the Austrian Deposit Protection and Investor Compensation Act. The exact requirements of the regulatory authorities for the approval of the submitted applications were not known at the time these financial statements were prepared. These requirements will be received together with the draft of the official notification and create a sufficiently secure basis for the decision over the continuation of the approval process. Accordingly, a reliable estimate over the implementation of a separate Raiffeisen deposit protection scheme and the related Austrian RBG-IPS is not possible at the present time.

## (40) Repurchase agreements, securities lending and offsetting agreements

### Repurchase agreements

| €'000 | 2020 | 2019 |
|---|---|---|
| ***Genuine repurchase agreements as the pension provider*** | | |
| Deposits from other banks | 0 | 170,147 |
| **Total** | **0** | 170,147 |

### Repurchase agreements

RLB NÖ-Wien held no refinancing funds, repurchase or return obligations from repurchase agreements as of 31 December 2020 (2019: carrying amount of the securities sold under repurchase agreements: TEUR 169,060; cash collateral received: TEUR 1,275). RLB NÖ-Wien had deposited collateral with clearing centres in the form of securities with a value of TEUR 3,500 as of 31 December 2020 (2019: TEUR 3,500). These amounts are reported under “Financial assets carried at amortized cost“.

### Securities lending

Securities lending transactions involved borrowed securities totalling TEUR 1,165,376 as of 31 December 2020 (2019: TEUR 1,183,138). Loaned securities amounted to TEUR 734,300 (2019: TEUR 734,000), whereby TEUR 3,000 (2019: TEUR 2,000) are related to the parent company. Bonds issued by RLB NÖ-Wien represent TEUR 731,300 (2019: TEUR 732,000). The securities received as collateral in the form of loaned bonds with a nominal value of TEUR 717,600 (2019: TEUR 715,000) have a fair value of TEUR 752,354 (2019: TEUR 744,965). These transactions are based on standard contracts (global master repurchase agreement, respectively master agreement for securities lending). Cash collateral of TEUR 2,855 (2019: TEUR 2,740) was received in this connection and is reported under demand deposits. The return obligation is based on securities of the same type and ranking.

### Offsetting agreements

The following tables show the fair value of derivatives for which collateral was received or provided in accordance with the respective agreement as well as the receivables and liabilities with existing offset agreements.

These items are only offset and presented as a net amount in agreement with IAS 32.42 when there is a legal right to offset on a net basis which is enforceable during the conduct of ordinary business activities and also in the event of insolvency or bankruptcy.

The transactions shown in the following table do not meet the offsetting criteria defined by IAS 32.42 and are therefore presented on the balance sheet as gross amounts.

| Assets<br>2020, €'000 | Gross amount | Offset on the balance sheet | Related amounts not offset on the balance sheet: Financial instruments | Related amounts not offset on the balance sheet: Cash collateral received | Net amount |
|---|---|---|---|---|---|
| Sight deposits | 1,968,012 | 1,968,012 | (64,587) | 0 | 1,903,424 |
| Derivatives | 796,645 | 796,645 | (617,765) | (177,249) | 1,631 |
| Of which from financial assets held for trading | 353,716 | 353,716 | | | |
| Of which from derivatives - hedge accounting | 442,929 | 442,929 | | | |
| **Total** | **2,764,657** | **2,764,657** | **(682,352)** | **(177,249)** | **1,905,056** |

| Liabilities<br>2020, €'000 | Gross amount | Offset on the balance sheet | Related amounts not offset on the balance sheet: Financial instruments | Related amounts not offset on the balance sheet: Cash collateral given | Net amount |
|---|---|---|---|---|---|
| Deposits from other banks | 64,587 | 64,587 | (64,587) | 0 | 0 |
| Derivatives | 987,280 | 987,280 | (617,765) | (383,424) | (13,908) |
| Of which from financial liabilities held for trading | 485,720 | 485,720 | | | |
| Of which from derivatives - hedge accounting | 501,560 | 501,560 | | | |
| **Total** | **1,051,867** | **1,051,867** | **(682,352)** | **(383,424)** | **(13,908)** |

The comparative prior year data are shown below.

| Assets<br>2019, €'000 | Gross amount | Offset on the balance sheet | Related amounts not offset on the balance sheet: Financial instruments | Related amounts not offset on the balance sheet: Cash collateral received | Net amount |
|---|---|---|---|---|---|
| Sight deposits | 1,836,034 | 1,836,034 | (60,441) | 0 | 1,775,593 |
| Derivatives | 763,363 | 763,363 | (589,571) | (169,375) | 4,418 |
| Of which from financial assets held for trading | 357,690 | 357,690 | | | |
| Of which from derivatives - hedge accounting | 405,674 | 405,674 | | | |
| **Total** | 2,599,397 | 2,599,397 | (650,011) | (169,375) | 1,780,011 |

| Liabilities<br>2019, €'000 | Gross amount | Offset on the balance sheet | Related amounts not offset on the balance sheet: Financial instruments | Cash collateral given | Net amount |
|---|---|---|---|---|---|
| Deposits from other banks | 60,441 | 60,441 | (60,441) | 0 | 0 |
| Derivatives | 914,806 | 914,806 | (589,571) | (334,650) | (9,414) |
| Of which from financial liabilities held for trading | 507,669 | 507,669 | | | |
| Of which from derivatives - hedge accounting | 407,138 | 407,138 | | | |
| **Total** | 975,247 | 975,247 | (650,011) | (334,650) | (9,414) |

In order to determine capital requirements, RLB NÖ-Wien offsets the corresponding receivables from derivatives (positive and negative fair values) resulting from individual transactions executed under a framework agreement (for financial forwards and futures) or an ISDA master agreement with the respective counterparty. RLB NÖ-Wien has concluded these types of netting agreements with numerous banks and other financial institutions. The legal enforceability of these netting agreements is evaluated on the basis of legal expert opinions. Netting agreements are not used in the customer business. In the event of default by a counterparty, these contracts allow for net settlement which covers all individual transactions. Cash collateral is generally converted into EUR.

The cash collateral received (see the above tables) includes TEUR 140,319 (2019: TEUR 131,015) which is reported on the balance sheet under deposits from other banks and TEUR 36,930 (2019: TEUR 38,360) under deposits from customers. Cash collateral given is reported on the balance sheet under demand deposits. The conclusion of OTC derivatives with a central counterparty also includes initial margin deposits in the form of securities with a nominal value of EUR 67 million (2019: EUR 62 million), which are carried at amortized cost. RLB NÖ-Wien is also required to make a collateral contribution to the settlement agency's default fund and makes this contribution in the form of securities (reported under "financial assets carried at amortized cost") with an unchanged nominal value of EUR 15 million.

The cash collateral for derivatives with a central counterparty is provided in the currency of the respective derivative. Payment claims from the fair values of derivatives and the repayment of collateral are only offset if the counterparty is in default. Consequently, there is no claim to offset at any time.

An agreement was also concluded with an associate and one of its subsidiaries to offset receivables and liabilities. These receivables and liabilities are reported under demand deposits, respectively deposits from other banks, and are carried at amortized cost. The agreements described are conditional and only permit netting in the event of payment default or insolvency.

An agreement was also concluded with the parent company over the reciprocal offset of interbank deposits and loans which meet the offsetting requirements of IAS 32.42. These items are therefore reported as a net amount on the balance sheet. The recognized amounts before netting included TEUR 413,560 (2019: TEUR 448,560), which are reported under financial liabilities carried at amortized cost (deposits from other banks) and TEUR 84,299 (2019: TEUR 205,926) which are reported under demand deposits. After the balance sheet netting of TEUR 84,299 (2019: TEUR 205,926), the remaining financial liabilities totalled TEUR 329,260 (2019: TEUR 242,633).

Details on collateral are provided in Note (41).

## (41) Assets pledged as collateral

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

| €'000 | 2020 | 2019 |
|---|---|---|
| Receivables in the mortgage cover pool | 3,374,333 | 3,017,713 |
| Receivables used as collateral for bonds issued by the bank | 2,005,943 | 1,890,561 |
| Collateral for derivative contracts (cash collaterals and securities) | 465,424 | 419,463 |
| Receivables assigned to OeKB | 713,167 | 676,751 |
| Receivables assigned to the EIB | 137,867 | 214,748 |
| Receivables assigned to OeNB (credit claims) | 644,263 | 458,018 |
| Cover pool for issued covered partial debentures | 49,993 | 49,993 |
| Bonds deposited with OeKB in connection with EIB loans | 88,765 | 100,612 |
| Receivables in the RZB cover pool (public finance) | 16,108 | 17,986 |
| Receivables assigned to KfW (Kreditanstalt für Wiederaufbau, Frankfurt/Main) | 8,901 | 8,239 |
| Cover pool for fiduciary savings deposit balances | 26,916 | 27,123 |
| Other receivables assigned | 97,312 | 90,634 |
| Securities posted with central banks | 2,782,745 | 2,301,090 |
| **Total** | **10,411,737** | 9,272,931 |

Receivables of TEUR 3,936 (2019: TEUR 3,503) from reinsurance were pledged as collateral for pension claims.

RLB NÖ-Wien also deposited the following collateral with OeNB: issued retained covered bonds with a nominal value of EUR 1,119.0 million (2019: EUR 570.0 million) and borrowed securities with a nominal value of EUR 1,165.4 million (2019: EUR 267.2 million).

In accordance with an Austrian law governing covered bonds that was enacted on 27 December 1905 ("§ 1 (6) Fundierte Bankschuldverschreibungsgesetz", Austrian Federal Gazette BGBl 1905/213 in the current version), loans and advances to other banks of EUR 292.5 million (2019: EUR 180.4 million) and mortgage-backed loans and advances to other banks of EUR 2,957.5 million (2019: EUR 2,293.8 million were also included in the mortgage coverage pool of RLB NÖ-Wien to secure obligations under the covered bonds.

The following liabilities are covered by recognized assets:

| €'000 | 2020 | 2019 |
|---|---|---|
| Deposits from other banks | 3,491,845 | 2,220,723 |
| Deposits from customers | 10,041 | 12,812 |
| Securitized liabilities | 4,077,681 | 4,727,409 |
| Derivatives | 363,006 | 419,463 |
| **Total** | **7,942,573** | 7,380,407 |

## (42) Fiduciary transactions

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

| €'000 | 2020 | 2019 |
|---|---|---|
| Loans and advances to customers | 10,725 | 11,550 |
| ***Fiduciary assets*** | ***10,725*** | *11,550* |
| Deposits from customers | 10,725 | 11,550 |
| ***Fiduciary liabilities*** | ***10,725*** | *11,550* |

## Disclosures pursuant to Austrian law

### (43) Derivative financial instruments pursuant to § 64 (1) No. 3 of the Austrian Banking Act

The following tables show the derivative financial products outstanding as of the balance sheet date, classified by the respective term to maturity. They are reported under financial assets, respective financial liabilities held for trading and derivatives - hedge accounting.

| 2020, €'000 | Term to maturity | | | Nominal amounts | Fair values | |
|---|---|---|---|---|---|---|
| | To 1 year | From 1 to 5 years | Over 5 years | Total | Positive | Negative |
| *Total* | *2,861,771* | *8,613,726* | *7,114,763* | *18,590,260* | *903,743* | *(978,635)* |
| *a) Interest rate contracts* | *1,923,985* | *8,387,641* | *7,114,763* | *17,426,389* | *895,667* | *(973,612)* |
| Interest rate swaps | 1,904,959 | 8,130,120 | 6,504,002 | 16,539,081 | 877,730 | (971,006) |
| Interest rate options – calls | 6,763 | 191,644 | 406,045 | 604,452 | 17,937 | 0 |
| Interest rate options – puts | 12,263 | 65,877 | 204,716 | 282,856 | 0 | (2,606) |
| *b) Exchange rate contracts* | *719,386* | *0* | *0* | *719,386* | *8,076* | *(5,023)* |
| Cross currency and cross currency interest rate swaps | 719,386 | 0 | 0 | 719,386 | 8,076 | (5,023) |
| *c) Securities contracts* | *218,400* | *226,085* | *0* | *444,485* | *0* | *0* |
| Equity and index options – calls | 109,200 | 112,835 | 0 | 222,035 | 0 | 0 |
| Equity and index options – puts | 109,200 | 113,250 | 0 | 222,450 | 0 | 0 |

| 2019 €'000 | Term to maturity | | | Nominal amounts | Fair values | |
|---|---|---|---|---|---|---|
| | To 1 year | From 1 to 5 years | Over 5 years | Total | Positive | Negative |
| *Total* | *4,432,530* | *5,736,884* | *4,260,535* | *14,429,949* | *527,562* | *(552,664)* |
| *a) Interest rate contracts* | *3,523,246* | *5,292,399* | *4,260,535* | *13,076,180* | *524,817* | *(546,525)* |
| Interest rate swaps | 2,433,533 | 5,289,353 | 4,260,535 | 11,983,421 | 524,342 | (546,156) |
| Interest rate options – calls | 500,698 | 3,046 | 0 | 503,744 | 475 | 0 |
| Interest rate options – puts | 589,015 | 0 | 0 | 589,015 | 0 | (369) |
| *b) Exchange rate contracts* | *909,284* | *0* | *0* | *909,284* | *2,745* | *(6,139)* |
| Cross currency and cross currency interest rate swaps | 909,284 | 0 | 0 | 909,284 | 2,745 | (6,139) |
| *c) Securities contracts* | *0* | *444,485* | *0* | *444,485* | *0* | *0* |
| Equity and index options – calls | 0 | 222,035 | 0 | 222,035 | 0 | 0 |
| Equity and index options – puts | 0 | 222,450 | 0 | 222,450 | 0 | 0 |

The following table shows the derivative financial products that are held for trading and recorded on the balance sheet under financial assets or liabilities held for trading.

| 2020, €'000 | Term to maturity | | | Nominal amounts | Fair values | |
|---|---|---|---|---|---|---|
| | To 1 year | From 1 to 5 years | Over 5 years | Total | Positive | Negative |
| ***Total*** | ***760,668*** | ***74,091*** | ***39,440*** | ***874,199*** | ***11,399*** | ***(9,506)*** |
| ***a) Interest rate contracts*** | ***665,367*** | ***28,850*** | ***39,440*** | ***733,657*** | ***10,212*** | ***(8,356)*** |
| Interest rate futures | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest rate swaps | 646,832 | 22,347 | 20,515 | 689,694 | 9,890 | (8,208) |
| Interest rate options – calls | 7,392 | 150 | 5,636 | 13,178 | 322 | 0 |
| Interest rate options – puts | 11,143 | 6,353 | 13,289 | 30,785 | 0 | (148) |
| ***b) Exchange rate contracts*** | ***95,301*** | ***45,241*** | ***0*** | ***140,542*** | ***1,187*** | ***(1,150)*** |
| Currency forwards | 88,307 | 45,241 | 0 | 133,548 | 1,184 | (1,145) |
| Currency options – calls | 3,256 | 0 | 0 | 3,256 | 3 | 0 |
| Currency options – puts | 3,738 | 0 | 0 | 3,738 | 0 | (5) |

| 2019 €'000 | Term to maturity | | | Nominal amounts | Fair values | |
|---|---|---|---|---|---|---|
| | To 1 year | From 1 to 5 years | Over 5 years | Total | Positive | Negative |
| ***Total*** | *2,513,321* | *3,696,620* | *4,374,753* | *10,584,694* | *365,905* | *(363,670)* |
| ***a) Interest rate contracts*** | *2,286,821* | *3,668,219* | *4,374,753* | *10,329,793* | *361,329* | *(359,124)* |
| Interest rate futures | 5,300 | 0 | 0 | 5,300 | 0 | (25) |
| Interest rate swaps | 1,591,702 | 3,507,606 | 3,550,610 | 8,649,918 | 347,310 | (355,699) |
| Interest rate options – calls | 446,607 | 69,224 | 576,759 | 1,092,590 | 14,019 | 0 |
| Interest rate options – puts | 243,212 | 91,389 | 247,384 | 581,985 | 0 | (3,400) |
| ***b) Exchange rate contracts*** | *226,500* | *28,401* | *0* | *254,901* | *4,576* | *(4,546)* |
| Currency forwards | 224,358 | 21,453 | 0 | 245,811 | 4,536 | (4,506) |
| Currency options – calls | 1,071 | 3,474 | 0 | 4,545 | 40 | 0 |
| Currency options – puts | 1,071 | 3,474 | 0 | 4,545 | 0 | (40) |

The nominal and fair values are derived from the separate totals of all calls and puts. The fair values here represent dirty prices (fair value incl. accrued interest) after taking the counterparty default risk into consideration.

Derivative interest rate contracts and derivative securities transactions are used primarily for proprietary trading. Derivative foreign exchange contracts are used for both proprietary and customer business, while credit derivatives are only used for proprietary trading.

## (44) Subordinated liabilities pursuant to § 64 (1) no. 5 of the Austrian Banking Act

The financial liabilities carried at amortized cost include subordinated liabilities of TEUR 624,003 as of 31 December 2020 (2019: TEUR 658,243). This amount includes 13 bonds (all of which represent Tier 2 capital as defined in Part 2 Section I Article 4 of the CRR) and seven subordinated promissory note loans which were issued in Euros. The terms of the bonds range from eight to 15 years and the terms of the promissory note loans from 10 to 20 years. This group of liabilities includes the following bonds which exceed 10.0% of the total amount of the above-mentioned Tier 2 capital:

| 2020 | Currency | Amount in TEUR | Interest rate | due on | special termination right |
|---|---|---|---|---|---|
| Subordinated bond 2013-2023 issued by RLB NÖ-Wien | EUR | 266,800 | 5.875% | 27/11/2023 | No |

| 2019 | Currency | Amount in TEUR | Interest rate | due on | special termination right |
|---|---|---|---|---|---|
| Subordinated bond 2013-2023 issued by RLB NÖ-Wien | EUR | 266,800 | 5.875% | 27/11/2023 | no |

In the event the issuer enters into liquidation or bankruptcy, these bonds may only be satisfied after all of the issuer‘s other non-subordinated creditors. No payments may be made on these bonds until the claims by the issuer’s other non-subordinated creditors have been satisfied in full.

The expenses for subordinated liabilities as defined in § 64 (1) no. 13 of the Austrian Banking Act totalled TEUR 32,164 (2019: TEUR 35,949).

## (45) Bonds, other fixed-interest securities and issued bonds pursuant to § 64 (1) no. 7 of the Austrian Banking Act

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

| €'000 | | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| a) | Receivables arising from bonds and other fixed-interest securities | 66,074 | 139,049 |
| b) | Payables arising from bonds issued by the Group | (644,112) | (898,031) |

## (46) Securities admitted for exchange trading pursuant to § 64 (1) no. 10 of the Austrian Banking Act

| €'000 | 31/12/2020 Listed | 31/12/2020 Unlisted | 31/12/2019 Listed | 31/12/2019 Unlisted |
|---|---|---|---|---|
| Bonds and other fixed-interest securities | 1,557,620 | 0 | 1,930,575 | 0 |
| Shares and other variable-yield securities | 0 | 0 | 0 | 0 |

## (47) Financial assets pursuant to § 64 (1) no. 11 of the Austrian Banking Act

| €'000 | 2020 | 2019 |
|---|---|---|
| Bonds and other fixed-interest securities | 1,378,739 | 1,575,323 |
| Shares and other variable-yield securities | 0 | 0 |
| **Total** | **1,378,739** | 1,575,323 |

The classification as non-current or current financial assets - in accordance with legal requirements - was based on the investment strategy determined by the Managing Board or a committee delegated by the Managing Board.

## (48) (Nominal) volume of the securities trading book pursuant to § 64 (1) no. 15 of the Austrian Banking Act

| €'000 | 2020 | 2019 |
|---|---|---|
| Fixed-interest securities, nominal values | 32,571 | 43,009 |
| Other financial instruments (derivatives, face values) | 874,199 | 10,584,694 |
| **Total** | **906,770** | **10,627,703** |

## (49) Regulatory capital

RLB NÖ-Wien is part of the Raiffeisen-Holding NÖ-Wien financial institution group and is therefore not subject to the regulations governing financial institution groups or requirements on a consolidated basis. Raiffeisen-Holding NÖ-Wien, the parent company, is responsible for compliance with these regulatory requirements at the financial institution group level. Accordingly, the regulatory capital requirements for the financial institution group are reported below and in the consolidated financial statements of Raiffeisen-Holding NÖ-Wien.

| €'000 | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Paid-in capital | 1,031,480 | 1,031,554 |
| Retained earnings | 2,014,558 | 2,322,260 |
| Accumulated other comprehensive income and other equity | (623,444) | (442,879) |
| ***Common equity Tier 1 before deductions*** | ***2,422,594*** | ***2,910,934*** |
| Intangible assets incl. goodwill | (20,929) | (17,458) |
| Other transition adjustments to common equity Tier 1 capital | 68,733 | 0 |
| Corrections in respect of cash flow hedge reserves | 7,953 | 13,981 |
| Corrections for credit standing related to changes in values of derivatives | (735) | (1,859) |
| Value adjustment based on the prudent valuation requirement | (2,399) | (3,454) |
| ***Common equity Tier 1 capital after deductions (CET1)*** | ***2,475,217*** | ***2,902,143*** |
| Additional core capital after deductions | 95,000 | 95,000 |
| ***Additional own funds*** | ***2,570,217*** | ***2,997,143*** |
| Eligible supplementary capital | 364,924 | 423,984 |
| ***Supplementary capital after deductions*** | ***364,924*** | ***423,984*** |
| ***Total qualifying capital*** | ***2,935,141*** | ***3,421,128*** |
| **Total capital requirement** | **1,085,375** | **1,228,698** |
| Common equity Tier 1 ratio (CET1 ratio) | 18.24% | 18.90% |
| Tier 1 ratio (T1 ratio) | 18.94% | 19.51% |
| Total capital ratio | 21.63% | 22.27% |
| Surplus capital ratio | 170.43% | 178.44% |

Under a fully loaded analysis, the Common Equity Tier 1 Ratio equalled 18.21% (2019: 18.85%) and the Total Capital Ratio 21.39% (2019: 21.95%).

The position “Other transition adjustments to common equity Tier 1 capital“ include EUR 68.7 million from the initial application of the IFRS 9 transition guidance in accordance with Art. 473a CRR.

The transfer of 459,592 shares of RLB NÖ-Wien by 53 Lower Austrian Raiffeisen banks to Raiffeisen-Holding NÖ-Wien registrierte Genossenschaft mit beschränkter Haftung became legally effective on 26 September 2019. This company now holds all shares in RLB NÖ-Wien. The transfer of these shares led to a change in the controlling and non-controlling interests reported under equity.

Total capital requirements comprise the following:

| €’000 | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Capital requirements for credit risk | 1,037,278 | 1,144,452 |
| Capital requirements for position risk in debt instruments and assets | 4,390 | 39,384 |
| Capital requirement CVA | 3,463 | 4,605 |
| Capital requirements for operational risk | 40,244 | 40,257 |
| **Total capital requirement (total risk** | **1,085,375** | 1,228,698 |
| | | |
| ***Assessment base for credit risk*** | ***12,965,974*** | *14,305,650* |
| ***Total basis of assessment (total risk)*** | ***13,567,183*** | *15,358,727* |

## (50) Total return on capital pursuant to § 64 (1) no. 19 of the Austrian Banking Act

The total return on capital as defined in § 64 (1) No. 19 of the Austrian Banking Act equalled -0.89% as of 31 December 2020 and was negative due to the loss recorded for the year (2019: 0.79%).

## (51) Average number of employees

The average workforce (full-time equivalents) employed during the 2020 and 2019 financial years is as follows:

| | **2020** | **2019** |
|---|---|---|
| Salaried employees | 1,160 | 1,119 |
| Wage employees | 18 | 22 |
| **Total** | **1,178** | 1,141 |

## (52) Events after the balance sheet date and approval of the consolidated financial statements

There are no transactions or events which would be of particular interest to the general public or which would have a material effect on the consolidated financial statements.

## (53) Non-financial statement

RLB NÖ-Wien is exempt from the requirement to prepare a consolidated non-financial statement pursuant to § 267a (7) of the Austrian Commercial Code because it and its subsidiaries are included in the consolidated management report prepared by Raiffeisen-Holding NÖ-Wien reg. Gen.m.b.H. That report was prepared and published in accordance with the applicable accounting regulations. The consolidated management report of Raiffeisen-Holding NÖ-Wien is available at the company's headquarters and from the company register in Vienna.

## Overview of Equity Investments (pursuant to § 265 (2) of the Austrian Commercial Code)

The following tables show the equity investments held by the RLB NÖ-Wien Group.

### (54) Subsidiaries included in the consolidated financial statements

| Entity, Registered office (country) | Subscribed capital | Currency | 31/12/2020 Share in %* | 31/12/2019 Share in %* | Type |
|---|---|---|---|---|---|
| "AKTUELL" Raiffeisen Versicherungs-Maklerdienst Gesellschaft m.b.H., Vienna (A) | 73,000 | EUR | 100.00 | 100.00 | OT |
| "BARIBAL" Holding GmbH, Vienna (A) | 105,000 | EUR | 100.00 | 100.00 | OT |
| "PRUBOS" Beteiligungs GmbH, Vienna (A) | 35,000 | EUR | 100.00 | 100.00 | OT |
| NAWARO ENERGIE Betrieb GmbH, Zwettl (A) | 36,000 | EUR | 100.00 | 100.00 | OT |
| RAIFFEISEN IMMOBILIEN VERMITTLUNG GES.M.B.H., Vienna (A) | 622,000 | EUR | 98.75 | 98.75 | OT |
| Raiffeisen Liegenschafts- und Projektentwicklungs GmbH, Vienna (A) | 35,000 | EUR | 100.00 | 100.00 | OT |
| Raiffeisen Versicherungs- und Bauspar-Agentur GmbH), Vienna (A) | 70,000 | EUR | 100.00 | 100.00 | OT |
| Raiffeisen Vorsorge Wohnung GmbH, Vienna (A) | 100,000 | EUR | 100.00 | 100.00 | OT |
| RBE Raiffeisen Beratungs- und Entwicklungs GmbH, Vienna (A) | 35,000 | EUR | 100.00 | 100.00 | OT |
| RLB Businessconsulting GmbH, Vienna (A) | 35,000 | EUR | 100.00 | 100.00 | OT |
| RLB NÖ-Wien Sektorbeteiligungs GmbH, Vienna (A) | 35,000 | EUR | 100.00 | 100.00 | FI |
| Veritas Treuhandgesellschaft für Versicherungsüberprüfung und -vermittlung m.b.H., Raaba (A) | 50,000 | EUR | 100.00 | 100.00 | OT |

*) The information on shares represents the direct investment held by the Group.
**) Merged as of 28 August 2019

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

## (55) Companies included in the consolidated financial statements at equity

| Entity, Registered office (country) | Subscribed capital | Currency | 31/12/2020 Share in % | 31/12/2019 Share in % | Type |
|---|---|---|---|---|---|
| Raiffeisen Bank International AG, Vienna (A) | 1,003,265,844 | EUR | 22.66 | 22.66 | CI |
| Raiffeisen Informatik GmbH & Co KG, Vienna (A)* | --- | --- | --- | --- | OT |

*) Partnership, therefore, no information on subscribed capital or investment (however, unchanged at 47.35%)

RBI is designated as a material associate by management:

RLB NÖ-Wien holds 22.66% of the shares in RBI and is therefore its primary owner. RBI is the leading institution in the Austrian Raiffeisen banking group and provides services for its members. It also holds and coordinates the individual member institution's minimum reserve and statutory liquidity reserve and provides support for liquidity management.

RBI had a quoted market price of EUR 16.68 per share as of 31 December 2020 (31 December 2019: EUR 22.39 per share).

Financial information on RBI, the material associate, is provided in the following table. The data are based on that company's IFRS consolidated financial statements.

| Associates | Raiffeisen Bank International AG | |
|---|---|---|
| €'000 | **2020** | **2019** |
| Interest income | 4,494,800 | 5,049,542 |
| Net profit | 909,606 | 1,364,600 |
| Other comprehensive income | (806,439) | 406,093 |
| ***Total comprehensive income*** | ***103,167*** | ***1,770,693*** |
| Attributable to equity holders of the parent | 53,482 | 1,601,232 |
| Attributable to non-controlling interest | 49,685 | 169,462 |
| Assets | 165,958,871 | 152,199,504 |
| Liabilities | 151,670,826 | 138,434,520 |
| ***Net assets*** | ***14,288,045*** | ***13,764,983*** |
| Attributable to equity holders of the parent | 11,834,914 | 11,817,337 |
| Attributable to non-controlling interest | 820,470 | 811,001 |
| Of which AT1 capital | 1,632,661 | 1,136,645 |
| Proportional share of net assets held by Raiffeisen-Holding NÖ-Wien | 2,681,713 | 2,677,730 |
| Goodwill/impairment | (639,891) | (281,898) |
| **Carrying amount on the consolidated balance sheet as of 31 December** | **2,041,822** | 2,395,832 |

| | | |
|---|---|---|
| Carrying amount on the consolidated balance sheet as of 1 January | 2,395,832 | 2,306,085 |
| Proportional share of other changes in equity | (8,129) | (14,831) |
| Consolidated comprehensive income | 12,119 | 362,828 |
| Impairment | (358,000) | (189,000) |
| Dividends received | 0 | (69,250) |
| **Carrying amount on the consolidated balance sheet as of 31 December** | **2,041,822** | 2,395,832 |

The following table shows the aggregated carrying amount, share of profit or loss and share of other comprehensive income for Raiffeisen Informatik GmbH & Co KG , which is considered immaterial for the consolidated financial statements of RLB NÖ-Wien:

| €'000 | 2020 | 2019 |
|---|---|---|
| Share of profit/(loss) after tax | 3,430 | 135,672 |
| Share of other comprehensive income | 483 | 4,679 |
| Share of total comprehensive income | 3,913 | 140,351 |
| Carrying amount on the consolidated balance sheet as of 31 December | 160,448 | 189,683 |

## (56) Subsidiaries not included through full consolidation

| Entity, Registered office (country) | | | 31/12/2020 | 31/12/2019 | |
|---|---|---|---|---|---|
| | Subscribed capital | Currency | Share in % | Share in % | Type |
| Immonow Services GmbH, Vienna (A) | 35,000 | EUR | 100.00 | 100.00 | OT |
| MODAL-Gesellschaft für betriebsorientierte Bildung und Management GmbH, Vienna (A) | 400,000 | EUR | 75.00 | 75.00 | OT |
| NÖ Raiffeisen Kommunalservice Holding GmbH, Vienna (A) | 35,000 | EUR | 100.00 | 100.00 | FI |
| Raiffeisen Analytik GmbH, Vienna (A) | 100,000 | EUR | 99.60 | 99.60 | NDL |
| Raiffeisen Beratung direkt GmbH, Vienna (A) | 37,000 | EUR | 100.00 | 100.00 | NDL |
| Raiffeisen-Landesrisikogenossenschaft Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, Vienna (A) | 41,256 | EUR | 98.81 | 98.81 | OT |
| RLB NÖ-Wien Leasingbeteiligungs GmbH, Vienna (A) | 35,000 | EUR | 100.00 | 100.00 | FI |
| TIONE Altbau-Entwicklung GmbH, Vienna (A) | 37,000 | EUR | 100.00 | 100.00 | OT |
| Waldviertel Immobilien-Vermittlung GmbH, Zwettl (A) | 35,000 | EUR | 100.00 | 100.00 | OT |

## (57) Other equity investments

Associates which are not accounted for at equity due to materiality reasons:

| Entity, Registered office (country) | Subscribed capital | Currency | 31/12/2020 Share in % | 31/12/2019 Share in % | Type |
|---|---|---|---|---|---|
| Central Danube Region Marketing & Development GmbH, Vienna (A) | 200,000 | EUR | 50.00 | 50.00 | OT |
| Die Niederösterreichische Leasing Gesellschaft m.b.H., Vienna (A) | 36,400 | EUR | 40.00 | 40.00 | FI |
| Die Niederösterreichische Leasing Gesellschaft m.b.H. & CO KG, Vienna (A) | --- | --- | --- | --- | FI |
| ecoplus International GmbH, Vienna (A) | 35,000 | EUR | 30.00 | 30.00 | OT |
| NÖ Bürgschaften und Beteiligungen GmbH, Vienna (A) | 5,316,414 | EUR | 20.14 | 20.14 | FI |
| NÖ Raiffeisen Kommunalprojekte Service Gesellschaft m.b.H., Vienna (A) | 50,000 | EUR | 74.00 | 74.00 | FI |
| Raiffeisen Digital GmbH, Vienna (A) | 75,000 | EUR | 25.50 | 25.50 | OT |
| Raiffeisen Informatik Geschäftsführungs GmbH, Vienna (A) | 70,000 | EUR | 47.35 | 47.35 | OT |
| Raiffeisen Software GmbH, Linz (A) | 150,000 | EUR | 25.50 | 25.50 | OT |
| Raiffeisen-Leasing Managment GmbH, Vienna (A) | 300,000 | EUR | 21.56 | 21.56 | FI |
| Raiffeisen-Leasing Österreich GmbH, Vienna (A) | 100,000 | EUR | 32.34 | 32.34 | FI |
| RSC Raiffeisen Service Center GmbH, Vienna (A) | 2,000,000 | EUR | 46.30 | 46.30 | OT |

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

## (58) Companies related through the parent, Raiffeisen-Holding NÖ-Wien

The following companies are included in the scope of consolidation of Raiffeisen-Holding NÖ-Wien through full consolidation:

"ALMARA" Holding GmbH, Vienna (A)
"GULBIS" Beteiligungs GmbH, Vienna (A)
"HELANE" Beteiligungs GmbH, Vienna (A)
"LAREDO" Beteiligungs GmbH, Vienna (A)
"LOMBA" Beteiligungs GmbH, Vienna (A)
"RASKIA" Beteiligungs GmbH, Vienna (A)
"SEPTO" Beteiligungs GmbH, Vienna (A)
"URUBU" Holding GmbH, Vienna (A)
AURORA MÜHLEN GMBH, (Sub-group LLI), Hamburg (D)
BLR-Baubeteiligungs GmbH, Vienna (A)
Botrus Beteiligungs GmbH, Vienna (A)
cafe+co Delikomat Sp. z o.o., (Sub-group LLI), Bielsko-Biala (PL)
cafe+co Deutschland GmbH, (Sub-group LLI), Wenzenbach (D)
cafe+co International Holding GmbH, (Sub-group LLI), Vienna (A)
cafe+co ltal - és Ételautomata Kft., (Sub-group LLI), Alsónémedi (H)
café+co Österreich Automaten-Catering und Betriebsverpflegung Ges.m.b.H., (Sub-group LLI), Vienna (A)
Castellmühle Krefeld GmbH, (Sub-group LLI), Hamburg (DE)
DELIKOMAT d.o.o., (Sub-group LLI), Belgrade (SRB)
DELIKOMAT d.o.o., (Sub-group LLI), Maribor (SLO)
Delikomat Slovensko spol. s r.o., (Sub-group LLI), Stupava (SK)
Delikomat s.r.o., (Sub-group LLI), Modrice (CZ)
DZR Immobilien und Beteiligungs GmbH, Vienna (A)
Frischlogistik und Handel GmbH, (Sub-group NÖM), Baden bei Wien (A)
GoodMills Bulgaria EOOD, (Sub-group LLI), Sofia (BG)
GoodMills Česko s.r.o., (Sub-group LLI), Prague (CZ)
GoodMills Deutschland GmbH, (Sub-group LLI), Hamburg (D)
GoodMills Group GmbH, (Sub-group LLI), Vienna (A)
GoodMills Innovation GmbH, (Sub-group LLI), Hamburg (D)
GoodMills Magyarország Kft., (Sub-group LLI), Komárom (H)
GoodMills Österreich GmbH, (Sub-group LLI), Schwechat (A)
GoodMills Polska Kutno Sp. z o.o., (Sub-group LLI), Kutno (PL)
GoodMills Polska Sp. z o.o., (Sub-group LLI), Stradunia (PL)
GoodMills Romania S.A., (Sub-group LLI), Pantelimon (RO)
Haas Lebensmittel GmbH, (Sub-group NÖM), Baden bei Wien (A)
KURIER Beteiligungs-Aktiengesellschaft, Vienna (A)
La Cultura del Caffe Gesellschaft m.b.H., (Sub-group LLI), Krems a. d. Donau (A)
Latteria NÖM s.r.l., (Sub-group NÖM), Milan (I)
LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna (A)"
Liegenschaftsbesitz Obere Donaustraße 91-95 GmbH, Vienna (A)
Marchfelder Zuckerfabriken Gesellschaft m.b.H., (Sub-group LLI), Vienna (A) "
Medicur - Holding Gesellschaft m.b.H., Vienna (A)
Medicur Sendeanlagen GmbH, Vienna (A)
Müller's Mühle GmbH, (Sub-group LLI), Gelsenkirchen (D)
Naber Kaffee Manufaktur GmbH, (Sub-group LLI), Vienna (A)
Niederösterreichische Milch Holding GmbH, Vienna (A)
NÖM AG, (Sub-group NÖM), Baden bei Wien (A)
Printmedien Beteiligungsgesellschaft m.b.H., Vienna (A)

Raiffeisen Agrar Holding GmbH, (Sub-group LLI), Vienna (A)
RAIFFEISEN-HOLDING NÖ-Wien Beteiligungs GmbH, Vienna (A)
RH Finanzberatung und Treuhandverwaltung Gesellschaft m.b.H., Vienna (A)
RH Finanzbeteiligungs GmbH, Vienna (A)
RHG Holding GmbH, Vienna (A)
St. Leopold Liegenschaftsverwaltungs- und Beteiligungsgesellschaft m.b.H., Vienna (A)
VK Grundbesitz GmbH, (Sub-group LLI), Hamburg (D)
VÖS167 Liegenschaft GmbH, (Sub-group NÖM), Baden bei Wien (A)
Zucker Invest GmbH, Vienna (A)
Zucker-Beteiligungsgesellschaft m.b.H., Vienna (A)

Unconsolidated companies included in the Raiffeisen-Holding NÖ-Wien Group:

"BENEFICIO" Holding GmbH, Vienna (A)
"CLEMENTIA" Holding GmbH, Vienna (A)
"SERET" Beteiligungs GmbH, Vienna (A)
"TOJON" Beteiligungs GmbH, Vienna (A)
BENIGNITAS GmbH, Vienna (A)
Beteiligungsgesellschaft Diamant Mühle Hamburg GmbH in Liqu., (Sub-group LLI), Hamburg (D)
C - Holding s.r.o., (Sub-group LLI), Modrice (CZ)
Café+Co Rus, OOO, (Sub-group LLI), Moscow (RU)
CAFE+CO Timisoara S.R.L., (Sub-group LLI), Timisoara (RO)
Farina Marketing d.o.o., (Sub-group LLI), Lubiana (SLO)
GoodMills Innovation Polska Sp.z.o.o., (Sub-group LLI), Poznan (PL)
KASERNEN Projektentwicklungs- und Beteiligungs GmbH, Vienna (A)
Müfa Mehl und Backbedarf Handelsgesellschaft mbH, (Sub-group LLI), Hamburg (D)
Neuß & Wilke GmbH, (Sub-group LLI), Gelsenkirchen (D)
PBS Immobilienprojektentwicklungs GmbH, Vienna (A)
RHU Beteiligungsverwaltung GmbH & Co OG, Vienna (A)*
ROLLEGG Liegenschaftsverwaltungs GmbH, Vienna (A)
Rosenmühle GmbH, (Sub-group LLI), Hamburg (D)
Schilling GmbH in Liquidation (vormals: Schilling GmbH), Mannheim (D)
Techno-Park Tulln GmbH, Wiener Neudorf (A)
THE AUTHENTIC ETHNIC FOOD COMPANY GmbH, (Sub-group LLI), Gelsenkirchen (D)
ZEG Immobilien- und Beteiligungs registrierte Genossenschaft mit beschränkter Haftung, Vienna (A)

*) Shareholder with unlimited liability

# Boards and Officers

## Managing Board:

### Chairman:
Klaus BUCHLEITNER

### Deputy Chairman:
Reinhard KARL

### Members:
Andreas FLEISCHMANN
Martin HAUER
Michael RAB

## Supervisory Board:

### Chairman:
Erwin HAMESEDER

### Deputy Chairman:
Alfons NEUMAYER

### Members:
Anton BODENSTEIN
Hermine DANGL
Reinhard KERBL
Veronika MICKEL-GÖTTFERT
Johann POLLAK
Gerhard PREISS
Christian RESCH
Brigitte SOMMERBAUER

### Delegated by the Staff Council:
Wolfgang EINSPIELER
Anton HECHTL
Michael HOFER
Christian JENKNER
Eva TATSCHL

### State Commissioners:
Alfred LEJSEK
Markus STEINER (since 1 March 2020)

The Managing Board of RLB NÖ-Wien issued these consolidated financial statements on 26 March 2021. They were prepared in accordance with the provisions of International Financial Reporting Standards, as adopted by the European Union, as well as the supplementary provisions of Austrian corporate law as defined in § 245a of the Austrian Commercial Code in conjunction with § 59a of the Austrian Banking Act, each in the version applicable as of the balance sheet date. The Group management report was prepared in accordance with the provisions of Austrian corporate law and is consistent with the consolidated financial statements.

The Managing Board

Klaus BUCHLEITNER m.p.
Chairman

Reinhard KARL m.p.
Deputy Chairman

Andreas FLEISCHMANN m.p.
Member

Martin HAUER m.p.
Member

Michael RAB m.p.
Member

The Managing Board released the consolidated financial statements on 26 March 2021 for distribution to the Supervisory Board.

# Statement by the Managing Board

"We confirm to the best of our knowledge that the consolidated financial statements provide a true and fair view of the assets, liabilities, financial position and profit or loss of the RLB NÖ-Wien Group in accordance with the applicable accounting standards; that the Group management report presents the development and performance of the business and the position of the Group so as to provide a true and fair view of the assets, liabilities, financial position and profit or loss; and that the Group management report describes the principal risks and uncertainties to which the Group is exposed. We note that IFRS accounting - for systemic reasons - is becoming increasingly future-oriented. Accordingly, IFRS financial statements include a growing number of planning elements and uncertainty factors."

The Managing Board

Klaus BUCHLEITNER m.p.
Chairman, responsible for
the Directorate General

Reinhard KARL m.p.
Deputy Chairman, responsible for
the Corporate Clients Segment

Andreas FLEISCHMANN m.p.
Member, responsible for
the Financial Markets/Organisation Segment

Martin HAUER m.p.
Member, responsible for
the Retail/Raiffeisen Association Services Segment

Michael RAB m.p.
Member, responsible for
the Risk Management/Accounting Segment

# Auditor's Report

## Report on the Consolidated Financial Statements

## Audit Opinion

I have audited the consolidated financial statements of

RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG, Vienna,

and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements.

In my opinion, the consolidated financial statements comply with legal requirements and provide a true and fair view of the consolidated financial position of the Group as of 31 December 2020 as well as its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU, and the additional requirements defined by Section 245a of the Austrian Commercial Code ("Unternehmensgesetzbuch") and the Austrian Banking Act.

### Basis for Opinion

I conducted my audit in accordance with EU Regulation No. 537/2014 (hereafter EU-Regulation) and Austrian Generally Accepted Auditing Standards, which require the application of International Standards on Auditing (ISA). My responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of this report. I am independent of the audited entity within the meaning of Austrian commercial law and professional regulations and have fulfilled my other responsibilities under these requirements. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Key Audit Matters

Key audit matters represent the matters which, in my professional judgment, were of the greatest significance for my audit of the consolidated financial statements for the financial year. These matters were addressed during my audit of and the formation of an opinion on the consolidated financial statements as a whole, and I did not issue a separate opinion on these matters.

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

#### 1. Valuation of the equity-accounted investment in Raiffeisen Bank International AG

***Relevant facts and risk for the financial statements***

The investment in Raiffeisen Bank International AG (RBI), which also represents the central institution for RLB NÖ-W AG, is reported under "interest in equity-accounted investments" at an amount of TEUR 2,041,822 in the consolidated financial statements of RLB NÖ-W AG as of 31 December 2020.

The Company describes the procedure for the valuation of equity-accounted investments in the consolidated financial statements as of 31 December 2020 in the notes under “Principles of Accounting under IFRS” and in note (4) “Profit from equity-accounted investments”.

The recoverability of the carrying amount of the equity-accounted investment in RBI must be tested if there is any objective evidence of impairment. Impairments or revaluations must be recognized up to the recoverable amount. The recoverable amount represents the higher of fair value less selling costs and the value in use.

Objective evidence of impairment to the RBI investment was identified as of 31 December2020.

In evaluating the recoverability of the investment, the carrying amount of the shares was compared with the recoverable amount. The value in use was determined in accordance with a discounted cash flow method and exceeded the fair value. An impairment loss of EUR 358 million was recognized to reflect the fact that the net carrying amount exceeded the recoverable amount as of 31 December 2020.

The risk for the financial statements arises from the significant dependence of the value in use calculation on management’s estimates of future cash flows and the significant dependence of the valuation results on the applied discount rate. Consequently, this valuation is connected with a high degree of estimation uncertainty.

***Audit procedures***
I evaluated the processes used to identify the objective evidence for impairment and/or revaluation and tested the installed controls to determine whether they are suitable to identify objective evidence of impairment or the possible need for revaluation on a timely basis.

Moreover, I evaluated management‘s estimates for objective evidence of impairment.

I verified the correct calculation of the recoverable amount by comparing the fair value (market price) and the value in use as determined by an external valuation opinion.

My evaluation also covered the basis for this external opinion, in particular the appropriateness of the valuation model. I verified the input parameters, such as the discount rate, through a comparison with capital market data as well as Company-specific information and market expectations.

I compared the future cash flows used in the external valuation opinion with the Group’s planning and also analysed and evaluated the quality of this planning, in particular based on the Company’s documentation.

The mathematical accuracy of the impairment calculation was verified.

I also evaluated the appropriateness of the disclosures in the consolidated financial statements (notes) on the impairment of the RBI investment.

## 2. Valuation of loans and advances to customers

***Relevant facts and risk for the financial statements***

In the consolidated financial statements of RLB NÖ-W AG as of 31 December 2020, the balance sheet position "financial assets at amortized cost" includes loans and advances to customers totalling TEUR 13,658,437. The risk provisions for these receivables amount to TEUR 215,193 as of 31 December 2020 (31 December 2019: TEUR 139,047).

The Company describes the procedure for determining the risk provisions in the notes under "Significant accounting and valuation policies", in note (16) "Risk provisions".

As part of loan monitoring procedures, the Company evaluates whether there is any objective evidence of impairment which would require the recognition of an individual risk provision. This evaluation also includes an assessment of whether the customers can repay the full contractually agreed amount.

The calculation of the risk provision for individually material customers which are in default is based on an analysis of the expected future cash inflows. This analysis is influenced by estimates of the respective customer's economic position and development, the valuation of collateral and estimates for the amount and timing of the related cash inflows.

In reaction to the COVID-19 pandemic, the Bank carried out extensive individual case analyses. The effects of significant commitments on the borrower's future position and business model were evaluated with respect to the rating classification and the expected future cash inflows.

The risk provision for individual customers who are not material but in default is calculated with a statistical valuation model.

The Bank also uses statistical valuation models to calculate the loss allowances for loans and advances that do not carry any objective evidence of impairment.

The loss allowance for receivables whose default risk has not increased significantly since initial recognition is based on the 12-month expected credit loss. For receivables whose default risk has increased significantly since initial recognition, the loss allowance is based on the lifetime expected credit loss.

The valuation model includes the outstanding customer balances, collateral and macroeconomic factors. Parameters which are based on statistical assumptions include, in particular, the default probability based on the individual customer's credit rating and the loss rate before and after collateral.

COVID-19 led to an adjustment of the input factors for the macroeconomic parameters which resulted in an increase in the loss allowances.

For the financial statements this involves the risk that the identification of objective evidence of impairment and the determination of a significant increase in default risk since initial recognition are based on assumptions and estimates. Since the determination of the credit risk provisions is influenced to varying degrees by the above assumptions and estimates, it is also connected with discretionary judgment and estimation uncertainty concerning the amount of these provisions.

***Audit procedures***
I analysed the existing documentation and processes for granting, classifying and monitoring loans and advances to customers as well as the creation of the related risk provisions. My work also included an evaluation of whether these processes are appropriate to identify objective evidence of impairment and a significant increase in default risk since initial recognition and, consequently, are suitable to ensure the correct valuation of the loans and advances to customers. I identified the related process workflows and material controls and tested the design and implementation of key controls for their effectiveness, also through sampling procedures.

I evaluated, through sampling, the correct classification of loans and advances to customers in connection with the business model and the characteristics of the contractual cash flows based on the Company's documentation and processes.

The correct level assignment in accordance with IFRS 9 (staging) and internal guidelines was verified.

For individually significant customers, I used sampling procedures to test the loans and advances for the existence of objective evidence of impairment and to determine whether the amount of the risk provisions was appropriate. The samples were selected on the basis of risk-oriented criteria with a particular focus on rating levels with a higher risk of default and branches that were particularly affected by the COVID-19 pandemic and in accordance with statistical procedures. In cases where objective evidence of impairment was identified, I reviewed the assumptions and underlying scenarios used by the Bank for the timing and amount of expected cash inflows. I also tested, through sampling, the internal valuation of collateral to determine whether the assumptions underlying the models were adequate.

For individual customers who are not material but in default and for customers with no objective evidence of impairment, I verified, together with the help of experts, the applied models, related parameters and future-oriented information, also taking into consideration the validations carried out by the Bank. These models and parameters were evaluated with regard to their appropriateness for the determination of adequate risk provisions.

I verified the calculation of the risk provisions.

In addition, I assessed whether the disclosures in the notes to the financial statements regarding the valuation of loans and advances to customers are appropriate.

Information on estimation uncertainty related to the determination of loss allowances with statistical valuation models is provided in the notes under "Significant accounting and valuation policies", in note (16) "Risk provisions".

## 3. Valuation of securities and derivative financial instruments

***Relevant facts and risk for the financial statements***
The fair values of the securities and derivative financial instruments in the consolidated financial statements of RLB NÖ-W AG are based on observable market prices or determined with valuation models. Derivative financial instruments are mostly used for the creation of hedging instruments or for trading purposes.

The Company describes the procedures for the valuation of securities and derivative financial instruments as well as the creation of hedging relationships in the notes to the consolidated financial statements under "Significant accounting and valuation policies", note (32) "Hedge accounting" and note (33) "Fair value of financial instruments".

The fair value measurement of securities and derivative financial instruments for which market prices and sufficient observable market data are not available is connected with discretionary judgment due to the use of internal valuation models and the included assumptions and parameters.

Additionally, the creation of hedging relationships requires compliance with documentation requirements for the hedge and its effectiveness.

Hedging the fair value of a portfolio against interest risk also requires attention to the separate nature and homogeneity of the underlying portfolios as well as the determination of the separate balance sheet position.

The risk for the consolidated financial statements is based on the high degree of judgment connected with the assumptions and parameters used in the models to determine fair value. A further risk involves compliance with the formal and material requirements on hedging relationships.

***Audit procedures***
I reviewed the guidelines issued by the Bank and the documentation of the installed processes for the measurement of securities and derivative financial instruments and carried out sampling procedures to test the effectiveness of the internal controls.

I reviewed the valuation models and the underlying valuation parameters used to determine fair value for their appropriateness and consistent application. This process also included a sample-based comparison of the material applied parameters with external data and the verification of fair value calculations.

Hedging relationships were evaluated, in particular, to determine whether documentation requirements and internal guidelines were met and the effectiveness of the hedge was given. I also reviewed the effectiveness tests carried out by the Bank for their appropriateness.

With reference to the fair value hedge of a portfolio against interest risk, I also verified the separate nature and homogeneity of the underlying portfolios as well as the determination of the separate balance sheet position.

I also assessed the appropriateness and completeness of the disclosures in the notes to the consolidated financial statements on the valuation methods and the creation of hedging relationships.

## Management's Responsibility and Responsibility of the Audit Committee for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU, and the additional requirements pursuant to Section 245a of the Austrian Commercial Code ("Unternehmensgesetzbuch") and the Austrian Banking Act. Furthermore, the Company's management is responsible for such internal controls considered necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## Auditors' Responsibility

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my audit opinion. Reasonable assurance represents a high level of assurance but provides no guarantee that an audit conducted in accordance with the EU-Regulation and with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will always detect a material misstatement if any. Misstatements may result from fraud or error and are considered material if they could, individually or in total, reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU-Regulation and with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, I exercise professional judgment and retain professional scepticism throughout the audit.

Moreover:

- I identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; I plan and perform procedures to address these risks; and I obtain sufficient and appropriate audit evidence to serve as a basis for my audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or the override of internal controls.
- I obtain an understanding of the internal controls relevant for the audit in order to design audit procedures that are appropriate under the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.
- I evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.
- I conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the respective note in the financial statements or, if such disclosures are not appropriate, to modify my audit

opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as going concern.
- I evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit, and I remain solely responsible for my audit opinion.

I communicate with the audit committee, among others, regarding the planned scope and timing of my audit as well as significant findings, including any significant deficiencies in the internal control system that I identify during my audit.

Furthermore, I report to the audit committee that I have complied with the relevant professional requirements regarding my independence and report any relationships and other circumstances that could reasonably affect my independence and, where appropriate, on related measures taken to ensure my independence.

Of the matters communicated with the audit committee, I determine the matters that were of most significance in the audit of the consolidated financial statements of the respective financial year and are therefore designated as key audit matters. I describe these key audit matters in my auditor's report, unless laws or other legal regulations preclude public disclosure of such matters, or in very rare cases, I determine that a matter should not be included in my auditor's report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

## Report on Other Legal Requirements

### Group Management Report

Austrian commercial law requires the group management report to be audited to determine whether it is consistent with the consolidated financial statements and whether it was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian commercial law and banking regulations.

I conducted my audit in accordance with generally accepted standards on the audit of group management reports.

***Opinion***

In my opinion, the group management report was prepared in accordance with the applicable legal requirements, includes the disclosures required by Section 243a, Para. 2 of the Austrian Commercial Code ("Unternehmensgesetzbuch") and is consistent with the consolidated financial statements.

***Statement***

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

## Additional Information pursuant to Article 10 of the EU Regulation

I was appointed as the auditor for the 2020 financial year by Österreichische Raiffeisenverband, the auditing association responsible for the statutory audit of the consolidated financial statements in the sense of the Austrian Banking Act ("Bankwesengesetz"). I have been responsible for the audit of the consolidated financial statements of the Company without interruption since 2016.

I hereby confirm that the audit opinion in the section "Report on the Consolidated Financial Statements" is in agreement with the additional report to the audit committee made in accordance with Article 11 of the EU-Regulation.

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

## Auditor in Charge

The auditor in charge is Ms. Alexandra Tychi.

Vienna, 29 March 2021

Signed by the bank auditor commissioned by Österreichische Raiffeisenverband:

Alexandra Tychi m.p.

Austrian Chartered Accountant

The publication or distribution of the consolidated financial statements together with my opinion may only take place in the approved, German version. This opinion is based solely on the complete German-language version of the consolidated financial statements, including the group management report. The provisions of § 281 Para. 2 of the Austrian Commercial Code apply to any different versions.

This report is a translation of the original report in German, which is solely valid.

# Report by the Independent Auditor

## Report on the Consolidated Financial Statements

## Audit Opinion

We have audited the consolidated financial statements of

RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG, Vienna,

and its subsidiaries ("the Group"), which comprise the Consolidated Statement of Financial Position as at 31 December 2020, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) as well as Section 59a of the Austrian Banking Act.

### Basis for Opinion

We were engaged by the Company's legal representatives as further (voluntary) auditor and conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group within the meaning of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) as well as Austrian professional regulations as defined in the Austrian Professional Accountants and Tax Advisors' Act of 2017 ("Wirtschaftstreuhand-berufsgesetz 2017, "WTBG 2017") and related directives ("Richtlinien für die Ausübung der Wirtschaftstreuhandberufe") and guidelines, and we have fulfilled our other responsibilities under these requirements and the IESBA Code. Our responsibility and liability as an auditor to the Company and to third parties are defined by the legal liability regulations under Section 62a of the Austrian Banking Act in connection with Section 275 Paragraph 2 of the Austrian Commercial Code. The rules defined by Directive (EU) No. 537/2014 on specific requirements regarding the statutory audit of public-interest entities have not been agreed upon. Not applying these rules may mean that provisions have not been complied with, such as compliance with external rotation, compliance regarding the provision of prohibited non-audit services ("fee cap") and the obligation to prepare a separate report to the audit committee.

We believe the audit evidence we have obtained by the date of this audit opinion is sufficient and appropriate to provide a basis for our audit opinion on this date.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance for our audit of the consolidated financial statements. These matters were addressed during the context of our audit of the consolidated financial statements as a whole and integrated in the development of our audit opinion, but we do not provide a separate opinion on these matters.

Our audit identified the following key audit matters, which are described below:

- Valuation of the equity-accounted investment in Raiffeisen Bank International AG
- Valuation of loans and advances to customers

## Valuation of the equity-accounted investment in Raiffeisen Bank International AG

***Risk for the financial statements***
The investment in Raiffeisen Bank International AG (RBI), which also represents the central institution for RLB NÖ-W AG, is reported under "interest in equity-accounted investments" at an amount of TEUR 2,041,822 in the consolidated financial statements of RLB NÖ-W AG as of 31 December 2020.

Management describes the procedure for the valuation of equity-accounted investments in the consolidated financial statements as of 31 December 2020 in the notes under "Principles of Accounting under IFRS" and in note 19.

The recoverability of the carrying amount of an equity-accounted investment must be tested if there is any objective evidence of impairment.

Objective evidence of impairment was identified as of 31 December 2020 due to the development of the RBI share price and the Covid-19 crisis. Management determined the value in use of the investment with a discounted cash flow method and confirmed this value with an external opinion. This value in use was compared with the carrying amount.

The risk for the financial statements arises from the significant dependence of the value in use calculation on management's estimates of future cash flows and the significant dependence of the valuation results on the applied discount rate. Consequently, this valuation is connected with a high degree of estimation uncertainty.

***Audit procedures***
Our audit procedures to evaluate the valuation of the equity-accounted investment in RBI included the following key audit activities:

- We evaluated the processes used to identify the objective evidence of impairment and tested the installed controls to determine whether they are suitable to identify objective evidence of impairment on a timely basis.
- Our valuation specialists evaluated the suitability of the valuation model, planning assumptions and valuation parameters as well as the related assumptions and discretionary decisions. We verified the derivation of the discount rate and the appropriateness of the applied input parameters through a comparison with market- and branch-specific benchmarks.
- The planning accuracy of the cash inflows in the valuation model was also evaluated. We evaluated the appropriateness of the related conclusions concerning the planning data on which the valuation is based.

## Valuation of loans and advances to customers

***Risk for the financial statements***
Loans and advances to customers are reported on the consolidated balance sheet at an amount of TEUR 13,658,437. The risk provisions to these receivables totalled TEUR 215,193 as of 31 December 2020.

Management describes the procedure used to determine the risk provisions in the notes under "Significant Accounting Policies" and under note 16.

As part of loan monitoring procedures, the company evaluates whether there are any objective indications of impairment which would require the recognition of individual risk provisions (Stage 3) for the expected credit loss (ECL). Model-based risk provisions are also calculated for the expected loss on loans and advances which are not in default (Stage 1 and Stage 2).

The risk provision for significant receivables in default (Stage 3) is calculated individually based on an analysis of the expected future cash inflows. These cash inflows are influenced substantially by the respective customer's economic position and development, the valuation of collateral and the amount and timing of the cash flows.

The risk provisions for loans and advances to non-significant customers which are in default (Stage 3) and for loans and advances not in default (Stage 1 and Stage 2) are based on valuation models that include statistical parameters, e.g. for one-year or lifetime default probabilities and loss rates, and are influenced by the value of available collateral. The expected effects of the Covid-19 crisis are incorporated through the adjustment of parameters and stage classifications.

The risk for the financial statements arises from the significant dependence of the determination of the risk provisions on estimates and assumptions which, in turn, are connected with discretionary judgment and estimation uncertainty.

***Audit procedures***
Our audit procedures to evaluate the valuation of loans and advances to customers included the following key audit activities:

- We analysed the monitoring process and the material controls for the creation of risk provisions for expected losses. Moreover, we evaluated whether the ECL model is consistent with the requirements of IFRS 9 and suitable to appropriately depict the recoverability of loans and advances to customers. We also tested, through sampling, significant key controls within these processes with regard to their design, implementation and effectiveness.
- Based on a sampling of material individual loans and advances, we evaluated whether default cases were identified on a timely basis. The samples were generally selected according to risk-oriented criteria with particular weighting for rating levels with a higher risk of default.
- In cases where default was identified by this sampling, we evaluated the appropriateness of the assumptions made by the company for the amount and timing of future cash flows from customers and the realisation of the collateral provided.
- Our evaluation of the risk provisions for loans and advances not in default and loans and advances which are not significant but in default included the involvement of financial mathematicians. Based on the bank's validation of the applied parameters – in particular, one-year and lifetime default probabilities and general loss rates as well as their adjustment to reflect the expected effects of the Covid-19 crisis – we evaluated whether these assumptions are appropriate. We also analysed the selection and measurement of estimates and scenarios and their inclusion in the stage classification and estimation of parameters.

## Other Information

Management is responsible for the preparation of other information which comprises all information in the annual report, with the exception of the individual and consolidated financial statements and the independent auditor's report. We will presumably receive the annual report after the date of this independent auditor's opinion.

We received the management reports on the individual and consolidated financial statements prior to the date of this independent auditor's opinion and will most likely receive the remaining sections of the annual report after that date.

Our audit opinion on the consolidated financial statements does not cover this other information, and we do not provide any kind of assurance in this respect.

In connection with our audit of the consolidated financial statements, we are responsible for reading the other information as soon as it becomes available and evaluating whether it materially contradicts the understanding gained during the audit of the consolidated financial statements or is otherwise misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, as well as Austrian corporate and banking regulations and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) so as to present a true and fair picture of the Group's financial position and financial performance. Moreover, management is responsible for such internal controls as deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## Auditor's Responsibilities

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error; we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal controls.
- We obtain an understanding of the internal control system relevant to the audit in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information on the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in the internal control system that we identify during our audit.
- We inform the audit committee that we have complied with the relevant professional requirements in respect of our independence and confirm that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit, i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when, in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

## Engagement Partner

The engagement partner is Bernhard Mechtler.

Vienna, 29 March 2021

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Bernhard Mechtler m.p.
Austrian Chartered Accountant

The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

This report is a translation of the original report in German, which is solely valid.

# Glossary

**Backtesting –** The ex post comparison of calculated values at risk (VaR) with actual results to evaluate the quality of a model.

**Bank book –** All risk-bearing positions on a bank's balance sheet, both on- and off-balance sheet, which are not allocated to the trading book.

**CAPM (Capital Asset Pricing Model)** – A model that explains pricing and the relationship between the expected return and risk of financial assets under extremely restrictive assumptions.

**Cash flow –** Inflows and outflows of cash and cash equivalents.

**CDS (Credit Default Swap) –** A financial instrument that hedges the credit risks related to loans or securities (also see credit derivative).

**Common Equity Tier 1 capital –** Equals the total of common equity Tier 1 capital as defined in Art. 50 of the CRR and additional Tier 1 capital as defined in Art. 61 of the CRR.

**Companies accounted for at equity –** Companies over which the investor has significant influence with respect to business and financial policies.

**Credit derivatives –** Instruments that transfer the credit risks associated with loans, bonds or other risk assets or market positions to another person (also see CDS).

**Credit exposure –** Comprises all loans, advances and debt securities recorded on the balance sheet as well as off-balance sheet guarantees and credit lines.

**CRR/CRD IV –** The Capital Requirements Regulation (CRR) and Capital Requirements Directive IV (CRD IV) were adopted by the EU on 27 June 2013. They form the new supervisory framework for the capital, debt and liquidity ratios. The new capital requirements call for mandatory application starting on 1 January 2014. The rules for the liquidity and debt ratios must be applied starting in 2015, resp. 2018. The implementation of these requirements is supplemented by further technical standards issued by the European Banking Authority (EBA).

**Currency risk –** The risk that the value of a financial instrument could change because of fluctuations in exchange rates.

**CVA (Credit Valuation Adjustment)/DVA (Debt Value Adjustment) –** Counterparty default risk, resp. inclusion of own probability of default in the valuation of derivatives.

**DBO –** (Defined Benefit Obligation) The present value of a defined benefit obligation represents the present value of expected future payments, before the deduction of plan assets, which are required to meet the entitlements earned by employees during the current period or an earlier period.

**DCF method –** The discounted cash flow (DCF) method calculates the value of an investment/liability/etc. by discounting future cash flows.

**Default risk –** The risk that a contract partner in a transaction for a financial instrument cannot meet his/her obligations and causes a financial loss for the other partner.

**Deferred tax assets –** Deferred tax assets are reported under other assets and are recognised for future tax effects arising from temporary differences between the tax base of assets and liabilities and their value for tax purposes or from unused tax loss carryforwards and tax credits.

**Derivative –** Derivatives are financial instruments whose value increases or decreases based on the change in an underlying base item, e.g. interest rate, financial instrument price, raw material price, foreign exchange rate, index of prices or rates, credit rating or credit index or another similar variable; which require no or only a minimal initial net investment; and which are settled at a future date. The most important derivatives are swaps, options and futures.

**Discount –** Negative difference between the purchase price and the nominal value.

**EBA –** European Banking Authority

**ECL (Expected Credit Loss) as defined in IFRS 9.5.5 –** The weighted average of credit losses, whereby the weighting is based on the probability of default. A risk allowance for expected credit losses must be calculated for all financial assets (with the exception of financial assets carried at fair value through profit or loss).

**EONIA** (Euro Overnight Index Average)/**EURIBOR** (Euro Interbank Offered Rate)/**€STR** (Euro Short-Term Rate) – Reference interest rates for the interbank market in the Eurozone/**SOFR** (Secured Overnight Financing Rate) – reference interest rates for the interbank market.

**Equity as defined by the CRR –** Equals the total of Tier 1 capital and Tier 2 capital.

**Fair value –** The amount for which an asset could be exchanged or a liability could be settled between knowledgeable, willing parties in an arm's length transaction.

**Futures –** Standardised, listed contracts that require the buyer to purchase or sell a specific commodity traded on the money market, capital market, precious metals market or currency market at a predetermined price and time.

**Hedge accounting –** An accounting procedure that is designed to minimise the influence on the income statement of contrary developments in the value of a hedge and the underlying transaction.

**ICAAP –** Internal Capital Adequacy Assessment Process: an internal bank procedure to ensure adequate capital coverage for all major types of risk.

**IFRIC, SIC –** International Financial Reporting Interpretation Committee (IFRIC) – the body responsible for issuing interpretations of International Financial Reporting Standards (IFRS), formerly called the Standing Interpretations Committee (SIC).

**IFRS, IAS –** International Financial Reporting Standards, resp. International Accounting Standards are accounting regulations issued by the International Accounting Standards Board (IASB). They are intended to create the basis for transparent and comparable accounting on an international basis.

**Individual valuation allowance –** In connection with the credit risks associated with loans and advances to customers and banks, provisions are recognised to account for expected default. A loan or advance is considered to be in danger of default when the expected discounted principal and interest payments – after the deduction of collateral – are lower than the carrying amount of the respective receivable.

**Interest rate risk –** The risk that the value of a financial instrument could change because of fluctuations in the market interest rate.

**Liquidity risk –** The risk that the bank would be unable to meet its current and/or future payment obligations in full and on time and that transactions could not be concluded at all or only at unfavourable conditions in the event of insufficient market liquidity.

**LGD (Loss Given Default) –** The loss rate in the event of default.

**Market risk –** The risk that the value of a financial instrument could change due to fluctuations in market prices. These fluctuations can be based on factors characteristic to an individual security or issuer as well as factors that affect all securities traded on the market.

**Monte Carlo simulation –** A numerical method used to solve mathematical problems by modelling probabilities.

**NPE (non-performing exposure) –** Problem commitments; loans and advances with delayed or defaulted payments.

**Operational risk –** The risk of losses arising from errors in systems or processes, actions by employees or external factors.

**OTC products –** Financial instruments that are not standardised or listed but traded directly between market participants (over-the-counter).

**Overall risk –** Risk-weighted exposure as defined in Art. 92 (3) of the CRR.

**PD (Probability of Default) –** The counterparty's probability of default.

**Projected United Credit Method –** Actuarial valuation method for pension obligations.

**Rating, external –** Standardised assessment of the credit standing of an issuer and its debt instruments by a specialised agency.

**Rating, internal –** Detailed risk assessment of a debtor by the bank.

**Regulatory capital –** The total of core capital (Tier 1) and **Tier 2 capital.**

**Risk-weighted positions (credit risk) –** The total asset positions and off-balance sheet positions weighted by business and partner risk, calculated in accordance with the CRR definitions.

**SREP** – Supervisory Review and Evaluation Process: Internal bank procedures and methods for the regulatory review and evaluation process defined by the EBA (European Banking Authority).

**Stress test –** An instrument used for risk management in the financial sector. A differentiation is made between micro-stress tests carried out by the financial institution itself and micro-prudential supervision (e.g. OeNB or ECB).

**TLTRO III (Targeted longer-term refinancing operations)** – A longer term refinancing programme for banks initiated by the European Central Bank (ECB).

**Trading book –** A bank supervisory term for positions held by a financial institution for sale over the short-term to utilise fluctuations in prices and/or interest rates. Items not assigned to the trading book are administered in the banking book.

**VaR (Value at Risk) –** The maximum risk of loss on a specific portfolio during an assumed retention period based on an assumed probability and confidence level (e.g. 95%, 99% or 99.9%).

# Imprint

## Information in the Internet:

The website of Raiffeisenlandesbank NÖ-Wien AG provides detailed, up-to-date information on Raiffeisen: www.raiffeisenbank.at
An electronic version of the 2020 Annual Report is also available in the internet under: www.raiffeisenbank.at

## Owner, Editor and Publisher:

Raiffeisenlandesbank Niederösterreich-Wien AG
Friedrich-Wilhelm-Raiffeisen-Platz 1, A-1020 Vienna
Tel.: +43/5/1700
www.raiffeisenbank.at, info@raiffeisenbank.at

## Separate Financial Statements (Austrian Commercial Code/Austrian Banking Act) and Consolidated Financial Statements (IFRS):

Editorial staff and coordination:
RLB NÖ-Wien Accounting Department, Florian Urban and team,
and the Risk Management Department, Oliver Schmölzer and team

Typesetting: Produced in-house with firesys, firesys GmbH, Frankfurt

## Copy Deadline:

27 April 2021

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

Disclaimer:
A very limited number of market participants tend to derive claims from statements regarding expected future developments and assert these claims in court. The rare serious effects of such actions on the involved company and its equity holders lead many companies to restrict statements on their expectations for future developments to the minimum legal requirements. However, the Raiffeisenlandesbank NÖ-Wien Group sees financial reporting not only as an obligation, but also as an opportunity for open communications. To make these communications possible now and in the future, we would like to emphasize the following: The forecasts, plans and forward-looking statements contained in this report are based on the Raiffeisenlandesbank NÖ-Wien Group's knowledge and assessments at the time of its preparation. Like all forward-looking statements, they are subject to risks and uncertainties that could cause actual results to differ substantially from the predictions. There is no guarantee that these forecasts, planned values and forward-looking statements will actually be realized. We have prepared this financial report with the greatest care and checked the data, but cannot rule out rounding, transmission, typesetting or printing errors. This report was written in German. The English report is a translation of the German report, and only the German version is the authoritative version.