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INTERIM FINANCIAL REPORT 2018

Raiffeisen Landesbank Oberösterreich

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INTERIM FINANCIAL REPORT 2018

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WELL EQUIPPED FOR THE FUTURE

Many important questions have been answered in the past ten years. In particular those about how valuable the reliability, seriousness, stability and customer focus of a bank are. A decade ago, the bankruptcy of Lehman Brothers bank in the US became synonymous with the start of the global financial crisis. Raiffeisenlandesbank Oberösterreich offered its corporate and private customers special support before, after and above all during this challenging phase. Raiffeisenlandesbank Oberösterreich is also well equipped for the future.

A stable basis for success

Raiffeisenlandesbank Oberösterreich has always lived up to its central tenet of being a trustworthy, safe and innovative partner. Customers are closely supported with sustainable financing and modern services. In the years that followed 2007/2008, Raiffeisenlandesbank Oberösterreich expanded the volume of key investment financing by over 9% a year on average. The goal was and still is long-term success with corporates and private customers on the basis of stable and forward-looking bank management.

Strength in investment financing

The good economic situation is continuing in 2018. Raiffeisenlandesbank Oberösterreich lent intensive support to its customers' investment financing, achieving growth of 11.9% or EUR 1.4 billion in this area in 2017. In the first six months of 2018, a further increase of 5.0% was recorded.

Excellent basis

Raiffeisenlandesbank Oberösterreich is in a position to support its customers' impulses, ideas and projects with banking services that go well beyond the norm. The good results achieved in the first half of 2018 provide an excellent basis for this.

Pre-tax profit for the period at EUR 196.8 million

The Raiffeisenlandesbank Oberösterreich Group achieved a very good result in the first half of 2018 with profit before tax of EUR 196.8 million (EUR –38.1 million compared to the same period in the previous year) and an operating result of EUR 208.5 million (EUR –14.3 million).

Strong and stable Tier 1 capital ratio

With a CET 1 ratio in the Group (group of credit institutions) of 14.9% at the end of the first half of 2018, Raiffeisenlandesbank Oberösterreich enjoys particular stability, especially with regard to financing, which has increased by EUR 1.1 billion (+5.5%). In addition, initial application effects from IFRS 9 at mid-year are also having an impact on the calculation of the capital ratio. Profits that were generated in the first half of the year are also not eligible, but will only come into effect in the annual balance sheet for 2018.

Evaluations taken into consideration

The half-yearly balance sheet also takes into consideration the evaluations to be performed for companies accounted for under the equity method in accordance with the international IFRS accounting regulations: Evaluations in the amount of EUR –43.4 million were determined for the RBI Group. This write-off was necessary despite the 29% increase in RBI's result compared to the first half of 2017 because RBI's stock market price fell sharply at the end of 2017. In the mid-2018 balance sheet of Raiffeisenlandesbank Oberösterreich, however, the RBI Group contributed positive result in the amount of EUR 25.7 million when viewed as a whole, thanks to its good business development. Positive contributions to the result from companies accounted for under the equity method were also delivered in particular by voestalpine AG, Raiffeisenbank Prague, WAG and AMAG AG, which together made a contribution of EUR 68.7 million.

Loan loss allowances remain at a low level

The active risk policy of Raiffeisenlandesbank Oberösterreich also had an effect on the interim result for 2018. Loan loss allowances were held at a low level of EUR –15.3 million.

Consolidating and expanding the position

On the basis of a stable starting position with a healthy Tier 1 capital ratio, growing customer numbers and good-quality growth, Raiffeisenlandesbank Oberösterreich has set itself the goal of consolidating and further expanding its position in the Austrian banking sector. With its services, efficient and purposeful liquidity controlling and extensive risk management in combination with modern controlling instruments, Raiffeisenlandesbank Oberösterreich is doing everything in its power to continue justifying customers' trust and to provide companies, institutions and private customers with comprehensive support for their projects.

Heinrich Schaller
Chief Executive Officer of Raiffeisenlandesbank Oberösterreich Aktiengesellschaft

INTERIM MANAGEMENT REPORT 2018 OF THE RAIFFEISENLANDESBANK OBERÖSTERREICH AKTIENGESELLSCHAFT GROUP

1. REPORT ON BUSINESS DEVELOPMENT AND THE ECONOMIC SITUATION

1.1. Economic background

The world economy finds itself in a period of strong, broad-based growth that is supported by both industrialised and emerging countries. According to a raft of leading indicators, however, global economic activity is expected to have peaked in mid-2018. Growing uncertainty is also evident on the financial markets, which have displayed increased volatility since the beginning of 2018. The rate of growth has so far been a surprise, mainly thanks to fiscal stimuli in the US, still overwhelmingly expansive monetary policy and dynamic world trade. However, risks have increased recently and a slight weakening in the rate of global expansion is anticipated for 2019. Both the OECD and IMF are forecasting world growth of about 4% for 2018/19, which is close to the long-term average.

The US economy had a decent start to 2018, mainly supported by demand components. The annualised quarterly growth rate of 2.2% per quarter was higher than the average of recent years for a first quarter. In the second quarter, economic momentum picked up significantly again, although the growth rate of 4.1% is likely to be distorted by temporary effects (e.g. anticipatory effects in view of the new punitive tariffs). The first half of the year was marked by the trade dispute unleashed by the US, although this has not yet made itself felt in the economic data. Momentum remained strong in the second half of 2018, thanks to the Tax Cuts and Jobs Act passed at the end of 2017 as well as higher state expenditure. The Federal Reserve continues to raise interest rates: After two increases in the first half of 2018, two further interest rate increases have been announced for 2018 and three for 2019.

The strong demand for raw materials associated with the global economic boom led to price rises, with commodity-exporting countries profiting from these. Some emerging countries are confronted with increasing tensions on the financial markets, specifically countries with large or increasing internal and external imbalances or a high level of debt denominated in USD. The first quarter of 2018 went better than expected in China. However, the second quarter is already showing the effects of the government's measures aimed at slowing growth (regulations, reducing lending) and uncertainty caused by the smouldering trade conflict with the USA. The quarterly growth rate was weaker at 6.7%, but still above the government's target of "about 6.5%". Russia is also battling with US sanctions, but conversely profiting from the higher price of oil.

The expansion in the Eurozone continues but is losing momentum due to increased uncertainty (e.g. in connection with sanctions against Russia, the new government in Italy and the trade dispute with the US). Rising employment and low inflation are boosting incomes and delivering robust growth in consumption. Although inflation has been slowly creeping towards the 2% mark since the spring of 2018, it continues to be driven by the price of oil; the core rate is well below this. The ECB continues to take a very expansionary approach, even though it will allow its bond-buying programme to finally expire at the end of 2018. Prime rates are expected to be left at the current low level through summer 2019 and beyond.

The Austrian economy is booming but is thought to have passed its peak in the first half of 2018. Economic growth is supported by all components on the demand side, while momentum on the production side is mainly characterised by the production of material goods. The continuing strong growth in employment with only moderate inflation is causing real incomes to rise noticeably, which is why consumer spending is expected to remain robust. Investment in equipment, which has now increasingly shifted to expansion in the face of increasing capacity bottlenecks, should continue to make a significant contribution to GDP growth. A continued positive contribution to GDP growth is also forecast for net exports, although foreign trade is now generally slowing somewhat. Of particular importance for Austria in this regard is the slowing of growth in Germany. Overall, the economic conditions remain favourable and the outlook very positive. Nevertheless, economic momentum is likely to weaken somewhat in view of the declining leading indicators since the beginning of 2018 and shift more towards domestic demand. Austria will return to the growth rate of the Eurozone average again in 2019. Over the course of 2018 to date, foreign trade risks in particular have increased considerably. These include the trade conflict with the US, the difficult economic situation in Italy, as yet unresolved details over Brexit and tensions in the Middle East that could affect the price of crude oil at any moment. There are also effects domestically, although these may be felt in positive terms: For example, the family bonus for 2019 could trigger more powerful consumption effects than assumed by forecast calculators.

According to the economic survey of the Federation of Upper Austrian Industries, Upper Austrian industrial companies have record order books and foreign orders. In view of these results, further increases look very difficult, which is also reflected in the survey figures. Due to the lack of sufficiently qualified employees, companies are often not in a position to accept further orders.

1.2. Business development

Raiffeisenlandesbank Oberösterreich was able to continue its successful business development in the first six months of 2018 on the basis of its stable share price and sustainable direction. The half-year results presented here show that Raiffeisenlandesbank Oberösterreich continues to closely support customers in their various projects as a trustworthy and stable partner and has understood how to use the good economic developments to the benefit of its customers.

Thus Raiffeisenlandesbank Oberösterreich can report growth in the operating business in the first half of 2018 with a total increase in the financing volume of EUR 1.1 billion (working capital finance +10.1%; investment financing +5.0%) and in the deposits of EUR 114 million (savings deposits and online saving +5.5%; Giro deposits +3.1%). At 14.9%, the CET 1 ratio of the Group (group of credit institutions) remains at a high level. Group total assets were also increased and are stated as being EUR 40.7 billion as at 30 June 2018. With a pre-tax profit of EUR 196.8 million (EUR –38.1 million compared to the same period in the previous year) and an operating profit of EUR 208.5 million (EUR –14.3 million), a very good result was achieved. The developments at those companies in which Raiffeisenlandesbank Oberösterreich has participating interests are also very pleasing in this regard.

The number of customers was also increased again. This is reflected in particular in the high degree of customer focus, which is characterised by speed, efficiency, reliability, flexibility and innovative services. To consistently apply these things to daily customer service and, as an important regional economic factor, to contribute to the successful development of the federal province, Raiffeisenlandesbank Oberösterreich has devoted particular attention to the customer groups in Corporate Banking (business and institutional customers), Retail Banking (individual and business customers), Private Banking (affluent private customers) and Investor Relations (Raiffeisen banks). Raiffeisenlandesbank Oberösterreich was awarded the Recommender Award of the Austrian Financial Marketing Association in the first quarter of 2018 for its sustainable customer focus based on a study of customers' willingness to recommend Raiffeisenlandesbank Oberösterreich to others and was announced winner in the Major Banks category.

Raiffeisenlandesbank Oberösterreich also provides strong stimuli in the Southern Germany region for customers from industry, medium-sized enterprises and affluent private customers. In order to further expand the Bank's position in this strong economic region, a new branch was opened in Stuttgart. The new location is intended to generate additional growth as well as intensify existing business connections. Raiffeisenlandesbank Oberösterreich has been active in Southern Germany since 1991 and, with the new branch in Stuttgart, now has a total of nine locations in the region.

The consistently applied strategy for increasing efficiency primarily contributed to the good half-year result in 2018. A broad orientation across numerous business sectors also ensures stability in the Bank's development. It ensures that Raiffeisenlandesbank Oberösterreich is able to offset any external influences effectively.

Raiffeisenlandesbank Oberösterreich has been categorised as a "significant" bank by the European Central Bank. This comes with a range of standards with which Raiffeisenlandesbank Oberösterreich is obligated to comply. Particular attention is paid here to compliance with all statutory regulations, and in laying the foundations for compliance with the statutory requirements that will be imposed on banks in Austria and the rest of the European Union in future, such as in relation to equity/own funds and risk management. Particular importance is placed on anticipatory and active risk management and the associated strengthening of the Tier 1 capital. The goal in all this is also not least to preserve autonomy and secure a long-term position of strength from which to act.

The fact that Raiffeisenlandesbank Oberösterreich is also recognised on the international financial markets can be seen in the success of the most recent issue of a benchmark bond. The collateralised bond issued by Raiffeisenlandesbank Oberösterreich in the amount of EUR 500 million was heavily oversubscribed in a very short space of time by interested parties from Central and Northern Europe as well as from America and Asia. This was the third successful issue of a benchmark bond by Raiffeisenlandesbank Oberösterreich since 2016.

In the first half of 2018, Raiffeisenlandesbank Oberösterreich set the course for personnel changes. At its session on 22 June 2018, the Supervisory Board of Raiffeisenlandesbank Oberösterreich appointed Dr. Michael Glaser as a new member of the Managing Board. On 1 October 2018, Dr. Glaser will take over the Managing Board agendas of overall bank risk management and financing management from Mr. Markus Vockenhuber, who is stepping down from the Managing Board at his own request. Furthermore, the Supervisory Board has extended the Managing Board mandates of Deputy Chief Executive Officer Michaela Keplinger-Mitterlehner and Stefan Sandberger by a further five years.

A challenge - and at the same time an opportunity - for the whole banking industry is the rapidly advancing digitisation, which is causing equally rapid changes in customer requirements and behaviour. Raiffeisenlandesbank Oberösterreich has long since adapted to this and is considered a pioneer when it comes to the development and deployment of innovative banking technologies. By positioning itself as a modern advisory bank that places a great emphasis not only on intense personal service but also on the ongoing development of comprehensive lines of innovative bank technologies, Raiffeisenlandesbank Oberösterreich aims at optimally fulfilling the different wishes of the individual customer groups. The digital services on offer are constantly being expanded to include modern products; Raiffeisenlandesbank Oberösterreich does not develop all of these itself and instead relies on partnerships with innovative companies along with creative and flexible start-ups. For example, Raiffeisenlandesbank Oberösterreich works in cooperation with the Business Angel network "startup300", is a partner in the "capital300" Venture Capital Fund, and a partner in "think300", which works with start-ups on developing banking solutions of the future. Furthermore, Raiffeisenlandesbank Oberösterreich is a financing partner of "PIER4", a multi-corporate venturing project of tech2b and the federal province of Upper Austria. This arrangement links leading companies with start-ups in order to design new solutions and prototypes together for the industry of tomorrow.

The strong positioning as a modern advisory bank as well as the openness to and flexibility for further development of the strategy form the best basis for further expanding the strong market position of Raiffeisenlandesbank Oberösterreich alongside the present interim results for 2018.

Group structure

For the IFRS interim report as at 30 June 2018, the basis of consolidation of Raiffeisenlandesbank Oberösterreich includes 158 group companies, incl. Raiffeisenlandesbank Oberösterreich as Group parent (31 December 2017: 161), that are fully consolidated in the Group and nine (31 Dec. 2017: nine) companies reported under the equity method. Please refer to the "Basis of consolidation" section in the Disclosures for details.

Business development in the segments

In the Raiffeisenlandesbank Oberösterreich Group, segment reporting distinguishes between the following five segments:

- Corporates
- Retail & Private Banking
- Financial Markets
- Equity Investments
- Corporate Center

For further details, please refer to the segment reporting in the Disclosures.

Corporates segment

This segment made a contribution to profit before tax of EUR 51.9 million in the first half of 2018 (H1 2017: EUR 49.2 million).

Retail & Private Banking segment

This segment made a contribution to profit before tax of EUR –0.5 million in the first half of 2018 (H1 2017: EUR –2.7 million).

Financial Markets segment

The Financial Markets segment made a positive contribution to the profit before tax amounting to EUR 50.3 million in the first half of 2018 (H1 2017: EUR 57.0 million).

Equity Investments segment

Overall, the Participating Interests segment achieved a profit before tax of EUR 119.2 million in the first half of 2018 (H1 2017: EUR 149.6 million). For a quantitative representation, reference is made on the one hand to the table on sub-groups contained in the segment reporting table and on the other to the relevant facts and figures in the Disclosures for information on those companies reported under the equity method.

Corporate Center segment

In the first half of 2018, this segment showed a negative profit before tax of EUR –24.1 million (H1 2017: EUR –18.2 million).

Income statement

	1 Jan. – 30 June 2018	1 Jan. – 30 June 2017	Change	
	IN EUR M	IN EUR M	IN EUR M	IN %
Interest and interest-related income/expenses	195.1	161.4	33.7	20.9
Share of profit or loss of equity-accounted investments	100.7	149.8	–49.1	–32.8
Net interest income	**295.8**	**311.2**	**–15.4**	**–4.9**
loan loss allowances	–15.3	–3.6	–11.7	325.0
Net interest income after allowances for losses on loans and advances	**280.5**	**307.6**	**–27.1**	**–8.8**
Net fee and commission income	**76.2**	**75.6**	**0.6**	**0.8**
Net income from trading operations	4.0	3.0	1.0	33.3
Net income from fair value accounting	1.2	14.4	–13.2	–91.7
Net income from financial investments	2.4	1.3	1.1	84.6
Other net finance costs	**7.6**	**18.7**	**–11.1**	**–59.4**
General administrative expenses	–240.6	–226.8	–13.8	6.1
General administrative expenses OÖ Wohnbau	–17.4	–16.7	–0.7	4.2
General administrative expenses VIVATIS/efko	–136.1	–128.1	–8.0	6.2
Other net operating income	57.2	50.1	7.1	14.2
Other net operating income OÖ Wohnbau	24.2	21.2	3.0	14.2
Other net operating income VIVATIS/efko	145.2	133.3	11.9	8.9
Profit before tax	**196.8**	**234.9**	**–38.1**	**–16.2**
Taxes on income	–19.1	–19.6	0.5	–2.6
After-tax profit for the period	**177.7**	**215.3**	**–37.6**	**–17.5**
Operating profit	**208.5**	**222.8**	**–14.3**	**–6.4**

The contribution of interest and interest-related income/expenditures to the net interest income in the first half of 2018 amounted to EUR 195.1 million (H1 2017: EUR 161.4 million), which was 20.9% or EUR 33.7 million above the value for the first half of the previous year, in which the initial allocation of a provision for claims for repayment on the part of customers in conjunction with negative interest rates reduced the result by EUR –18.2 million. For detailed itemisation, please refer to the section "Net interest income" in the Notes.

The net income from companies accounted for under the equity method is recorded at EUR 100.7 million (H1 2017: EUR 149.8 million). The decline is mainly due to the write-off of EUR –43.4 million in the RBI Group, while a write-up of EUR +16.9 million had an impact on this investment in the first half of 2017. The net provisioning to loan loss allowances continued to be kept low due to the active risk policy of recent years and amounted to EUR –15.3 million in the first half of 2018 (H1 2017: EUR –3.6 million). Please refer to the "Loan loss allowances" section for details, as well as to the breakdown of provisions for impairment losses in the Disclosures.

Net fee and commission income and expenses increased by EUR 0.6 million or 0.8% to EUR 76.2 million (H1 2017: EUR 75.6 million). Please refer to the "Net fee and commission income" section in the Disclosures for details.

The other financial results – consisting of net income for trading operations, from fair value accounting and from financial instruments – amounted to EUR 7.6 million in the first half of 2018 (H1 2017: EUR 18.7 million). Net income from trading operations amounted to EUR 4.0 million in the first half of 2018 (H1 2017: EUR 3.0 million). While positive valuation effects resulted in a net income from fair value accounting (formerly "Net income/loss from designated financial instruments and derivatives") in the amount of EUR 14.4 million, particularly due to the slight increase in long-term interest rates in the first half of 2017, this position recorded a result of EUR 1.2 million in the first half of 2018, due to the almost unchanged interest rate landscape. Net income from investments was EUR 2.4 million in the first half of 2018 (H1 2017: EUR 1.3 million).

Personnel expenses, general administrative expenses, depreciation and amortisation are recognised in the income statement under "General administrative expenses". General administrative expenses from the "OÖ Wohnbau" companies rose by 4.2% and amounted to EUR –17.4 million in the first half of 2018 (H1 2017: EUR –16.7 million). General administrative expenses of the companies in the foodstuffs sector – consisting of the "VIVATIS Holding AG" Group and the "efko Frischfrucht und Delikatessen GmbH" Group – rose to EUR –136.1 million (H1 2017: EUR –128.1 million). General administrative expenses at the other fully consolidated group companies amounted to EUR –240.6 million (H1 2017: EUR –226.8 million), which corresponds to an increase of almost 6%.

Other net operating income largely consists of the gross profit (sales revenue less cost of sales) earned by non-bank group companies. The "OÖ Wohnbau" companies generated other net operating income of EUR 24.2 million (H1 2017: EUR 21.2 million). The companies of the food sector (VIVATIS / efko) saw a slight rise in other net operating income to EUR 145.2 million (H1 2017: EUR 133.3 million), which contributes the biggest share to the increase in these items with a rise of EUR 11.9 million or 8.9%. At the other group companies, other net operating income stood at EUR 57.2 million (H1 2017: EUR 50.1 million). Expenses of the IFRS consolidated banks for the stability levy in the amount of EUR –16.3 million are shown in the other operating income (H1 2017: EUR –16.2 million) as well as expenses for the planned annual contributions to the resolution fund pursuant to BaSAG of EUR –16.2 million (H1 2017: EUR –14.0 million) and for the deposit guarantee system pursuant to ESAEG in the amount of EUR –2.8 million (H1 2017: EUR –2.4 million).

In total, pre-tax profit for the period amounted to EUR 196.8 million in the first half of 2018 (H1 2017: EUR 234.9 million). Taxes on income and earnings stood at EUR –19.1 million in the first half of 2018 (H1 2017: EUR –19.6 million). After-tax profit for period came to EUR 177.7 million (H1 2017: EUR 215.3 million).

Operating income – calculated from net interest income, net fee and commission income, net income from trading operations and other operating profits – improved by 1.4% and amounted to EUR 602.6 million in the first half of 2018 (H1 2017: EUR 594.4 million). Operating expenses, which correspond to general administrative expenses, rose by 6.1% to stand at EUR –394.1 million (H1 2017: EUR –371.6 million). This allowed an operating profit to be achieved within the Group in the first half of 2018 of EUR 208.5 million (H1 2017: EUR 222.8 million).

Statement of comprehensive income

IN EUR M	1 Jan. – 30 June 2018	1 Jan. – 30 June 2017
After-tax profit for the period	**177.7**	**215.3**
Evaluation change for OCI debt capital instruments (FVOCI)	–34.6	n/a
Evaluation change of own credit risk for financial liabilities accounted for at fair value	–25.3	n/a
Change in value of AfS reserves	n/a	–35.6
Other share of profit or loss of equity-accounted investments	–23.9	20.9
Actuarial gains and losses	–0.5	3.9
Additional other net profit/loss	–1.6	–1.2
Taxes recognised in respect of this amount	14.9	8.3
Total other comprehensive income	**–71.0**	**–3.7**
Total comprehensive income for the period	**106.7**	**211.6**

The other results (“Other Comprehensive Income”, OCI) in the first half of 2018 amounted to EUR –71.0 million (H1 2017: EUR –3.7 million).

The valuation losses of EUR –59.9 million on OCI debt capital instruments and own credit risks on financial liabilities carried at fair value in the first half of 2018 mainly result from the widening of credit spreads on the assets side and the narrowing of liquidity spreads on the liabilities side.

The valuation losses on the AfS reserve amounting to EUR –35.6 million in the first half of 2017 can be traced mainly to the rise in long-term interest rates, reduced by valuation gains due to the narrowing of the credit spread for securities in the category “Available for Sale” (AfS).

The other result for companies accounted for under the equity method was positive in the first half of 2017, mainly due to the contributions of voestalpine AG and Raiffeisenbank a.s., while proportionately negative OCI effects were incurred in the first half of 2018, in particular from the RBI Group and Hypo OÖ.

The remaining other results – consisting of valuation changes from a hedge on a net investment in a foreign operation and foreign exchange differences – amounted to EUR –1.6 million in the first half of 2018 (H1 2017: EUR –1.2 million).

The deferred taxes included in other results changed to EUR 14.9 million mainly due to valuation changes in OCI debt capital instruments and own credit risks for financial liabilities accounted for at fair value (H1 2017: EUR 8.3 million).

Overall, this produced a total result for the period of EUR 106.7 million in the first half of 2018 (H1 2017: EUR 211.6 million).

Changes in the balance sheet

The consolidated total assets of Raiffeisenlandesbank Oberösterreich changed as at the middle of 2018 by EUR 371 million or 0.9% to a value of EUR 40,690 million (31 Dec. 2017: EUR 40,319 million).

	30 June 2018		31 Dec. 2017		Change	
Assets	IN EUR M	IN %	IN EUR M	IN %	IN EUR M	IN %
Loans and advances to banks	7,693	18.9	8,352	20.7	–659	–7.9
(of which to Raiffeisen banks)	(732)	(1.8)	(733)	(1.8)	(–1)	(–0.1)
Loans and advances to customers	21,479	52.8	20,352	50.5	1,127	5.5
Trading assets	1,874	4.6	1,886	4.7	–12	–0.6
Financial assets	5,741	14.1	5,758	14.3	–17	–0.3
Companies accounted for using the equity method	2,178	5.4	2,158	5.3	20	0.9
Other Assets	1,725	4.2	1,812	4.5	–87	–4.8
Total	**40,690**	**100.0**	**40,319**	**100.0**	**371**	**0.9**

Loans and advances to banks fell in the first half of 2018 by EUR –659 million or –7.9% to EUR 7,693 million (31 Dec. 2017: EUR 8,352 million). This is due mainly to the scheduled reduction in excess liquidity invested at the OeNB, in particular to the benefit of loans and advances to customers (financing). With respect to loans and advances to banks, EUR 732 million

(31 Dec. 2017: EUR 733 million) relates to refinancing to Upper Austrian Raiffeisen banks.

Loans and advances to customers (financing) rose by EUR 1,127 million or 5.5% to EUR 21,479 million (31 Dec. 2017: EUR 20,352 million). This increase can be traced to the very good economic situation and greater demand for credit as well as to the continuation of an acquisition offensive in the Corporates segment.

Trading assets – consisting of bonds and other fixed-income securities and positive fair values of derivative transactions – showed a carrying amount of EUR 1,874 million as at 30 June 2018 (31 Dec. 2017: EUR 1,886 million).

Financial assets decreased slightly by EUR –17 million or –0.3% to EUR 5,741 million compared to 31 December 2017 (31 Dec. 2017: EUR 5,758 million).

The carrying amount of companies reported under the equity method in the first half of 2018 was EUR 2,178 million (31 Dec. 2017: EUR 2,158 million). Please refer to the section "Companies accounted for using the equity method" in the Disclosures for details.

Other items – consisting of cash and cash equivalents, intangible assets, property and equipment, investment property, current and deferred tax assets, other assets and assets available for sale – fell slightly by EUR –87 million or 4.8% to EUR 1,725 million (31 Dec. 2017: EUR 1,812 million).

Equity and liabilities	**30 June 2018**		**31 Dec. 2017**		**Change**	
	IN EUR M	IN %	IN EUR M	IN %	IN EUR M	IN %
Amounts owed to banks	12,407	30.5	12,333	30.6	74	0.6
(of which to Raiffeisen banks)	(5,886)	(14.5)	(5,499)	(13.6)	(387)	(7.0)
Amounts owed to customers	12,168	29.9	12,054	29.9	114	0.9
Trading liabilities	1,483	3.6	1,514	3.8	–31	–2.0
Liabilities evidenced by certificates	8,304	20.4	7,922	19.6	382	4.8
Subordinated capital	1,018	2.5	1,152	2.9	–134	–11.6
Other Assets	928	2.3	941	2.3	–13	–1.4
Equity capital	4,382	10.8	4,404	10.9	–22	–0.5
Total	**40,690**	**100.0**	**40,319**	**100.0**	**371**	**0.9**

Amounts owed to banks rose by EUR 74 million or 0.6% to EUR 12,407 million compared to 31 December 2017 (31 Dec. 2017: EUR 12,333 million). Of the amounts owed to banks, EUR 5,886 million (31 Dec. 2017: EUR 5,499 million) is owed to Upper Austrian Raiffeisen banks. This corresponds to an increase of EUR 387 million or 7.0%. In contrast, amounts owed to banks outside the Upper Austrian Raiffeisen sector reduced accordingly.

Amounts owed to customers rose by EUR 114 million or 0.9% to EUR 12,168 million as at 30 June 2018 (31 Dec. 2017: EUR 12,054 million). The defensive strategy applied in the acquisition of customer monies will be continued and lead to an almost unchanged situation for customer deposits.

Trading liabilities – consisting of interest rate, foreign exchange, equity, index-related and other business – showed a carrying amount of EUR 1,483 million as at 30 June 2018 (31 Dec. 2017: EUR 1,541 million). This corresponds to a reduction of EUR –31 million or –2.0%.

In the first half of 2018, securitised liabilities increased by EUR 382 million to EUR 8,304 million (31 Dec. 2017: EUR 7,922 million) and were comprised as follows:

- bonds issued amounting to EUR 3,471 million (31 Dec. 2017: EUR 3,082 million),
- listed and unlisted deposit / municipal bonds of EUR 446 million (31 Dec. 2017: EUR 444 million) and
- other securitised liabilities of EUR 4,387 million (31 Dec. 2017: EUR 4,396 million).

Of the securitised liabilities, EUR 1,913 million (31 Dec. 2017: EUR 1,810 million) is attributable to covered bonds. Subordinated capital is reported with a value of EUR 1,018 million at 30 June 2018 (31 Dec. 2017: EUR 1,152 million). Unsecured issues divided into shares under EUR 2,000 (the equivalent in foreign currency for issues in foreign currency) issued for retail investors amount to EUR 3,486 million (31 Dec. 2017: EUR 3,757 million) of the entire uncalled volume.

Other items – consisting of provisions, ongoing and deferred tax liabilities, as well as other liabilities – reduced by EUR –13 million or –1.4% to EUR 928 million (31 Dec. 2017: EUR 941 million).

Equity capital is comprised as follows:

IN EUR M	30 June 2018	31 Dec. 2017
Share capital	277.6	277.6
Capital reserves	972.0	972.0
Retained earnings	2,924.2	2,952.9
Non-controlling interests	208.3	201.0
Total	**4,382.1**	**4,403.5**

For details, please refer to the statement of changes in equity and the “Equity” section in the Disclosures.

Regulatory own funds and solvency indicators

Consolidated capital and reserves at the level of a chief financial holding (CRR Circle Raiffeisen Banking Group Upper Austria Verbund eGen) as per capital requirements regulations (CRR) are as follows:

At the close of H1 2018, the Common Equity Tier 1 capital (CET 1) amounted to EUR 3,795.7 million (31 Dec. 2017: EUR 3,911.0 million). The Tier 1 capital (T 1) is reported at EUR 3,796.4 (31 Dec. 2017: EUR 3,911.0 million). The decline as at 30 June 2018 is mainly due to the negative initial application effect of IFRS, expiring transitional provisions in CET 1 as well as deductions during the year, while the results of the current financial year cannot yet be attributed.

As at 30 June 2018, Tier 2 capital (Tier 2, T 2) was stated at EUR 479.4 million (31 Dec. 2017: EUR 501.5 million). Transitional provisions from qualified equity instruments (non-controlling instruments) belonging to the supplemental capital had an effect on Tier 2, which resulted in a decline.

Total Capital (TC) comprises Tier 1 capital and Tier 2 capital and amounted to EUR 4,275.8 million as at 30 June 2018 (31 Dec. 2017: EUR 4,412.5 million).

The overall risk value (risk-weighted assets, RWA) amounted to EUR 25,448.7 million as at 30 June 2018 (31 Dec. 2017: EUR 24,796.8 million). The increase is mainly due to the positive business development in the area of corporate financing.

At the close of the first half of 2018, in accordance with CRR, a CET 1 ratio and a T 1 ratio of 14.9% (31 Dec. 2017: 15.8%) and a TC ratio of 16.8% (31 Dec. 2017: 17.8%) was stated. The ratios are calculated on the total risk-weighted assets in accordance with Art. 92 CRR.

Please refer to the “Equity” section in the Disclosures for details.

2. SIGNIFICANT RISKS AND UNCERTAINTIES

The long-term success of Raiffeisenlandesbank Oberösterreich is largely dependent upon active risk management. In order to achieve this target, Raiffeisenlandesbank Oberösterreich has a risk management and internal control system that facilitates the identification and measurement of all risks (credit risks, market risks, equity risks, liquidity risks, macroeconomic risks, and operational risks) as well as active controlling of these risks by management.

The overall risk strategy approved by the Managing Board ensures that the risks assumed by the Bank are consistent with the corporate strategy. The Managing Board and the Supervisory Board are kept regularly informed.

For further information on the overall financial risks in the Raiffeisenlandesbank Oberösterreich Group in the first half of 2018 and the goals and methods of risk management, please refer to the risk report in the Disclosures.

We do not anticipate any major changes between the first and the second halves of 2018 in terms of future risks or uncertainties. Neither are any materially negative effects expected in connection with the current economic turbulence in Turkey in consideration of the manageable risk exposure.

There are no known risks that could jeopardise the continued existence of Raiffeisenlandesbank Oberösterreich.

3. OUTLOOK

On the basis of a stable starting position with a healthy Tier 1 capital ratio, growing customer numbers and good-quality growth, Raiffeisenlandesbank Oberösterreich has set itself the goal of consolidating and further expanding the strong position in the Austrian banking sector. To this end, particular attention is being paid to further intensifying the focus in support of the individual customer groups. The innovative digital services, whose development is being driven forward, serve as tools, as does personal customer service, which will continue to play an important role in the bank's positioning itself as a modern consulting bank in the future. Based on its strengths – such as efficient, targeted liquidity control and comprehensive risk management combined with modern and precise controlling instruments – Raiffeisenlandesbank Oberösterreich is doing everything it can to enable it to continue to justify the confidence of customers in the future and to provide comprehensive support for companies, institutions and private customers in their various projects.

The continuation of the "Raiffeisen Banking Group Upper Austria 2020" project also focuses on the close cooperation with the Upper Austrian Raiffeisen banks. The shared objective is not only to increase efficiency within the entire Raiffeisen Banking Group Upper Austria but also the development and implementation of future models such as the "Digital Regional Bank". This is based on an "aggregated business model" with integration between branch-based and digital channels. This concept benefits customers in that they receive active support with differing services and support and care concepts. Raiffeisenlandesbank Oberösterreich is benefiting from increases in productivity and efficiency based on process harmonisation and simplification.

Raiffeisenlandesbank Oberösterreich takes on the challenges of digitalisation in its role as innovation driver in the development of digital services. Openness and vision are also in focus at Raiffeisenlandesbank Oberösterreich in this extremely important future area. The Bank therefore dedicates a great deal of time and effort to cooperating with start-ups and makes the most of the flexibility and creativity these businesses provide. New developments, products and technologies are continuously being reviewed to establish how services can be further improved for customers.

Building on the good results of the first half of the year, the outlook for 2018 as a whole continues to point toward a very good earnings position, although, as expected, the extraordinarily high Group result for 2017 will not be matched due to one-off items.

IFRS CONSOLIDATED INTERIM FINANCIAL STATEMENTS 2018 OF RAIFFEISEN-LANDESBANK OBERÖSTERREICH AKTIENGESELLSCHAFT (CONDENSED)

INCOME STATEMENT

IN EUR '000	Note	1 Jan. – 30 June 2018	1 Jan. – 30 June 2017
Interest and interest-related income	(1)	371,356	348,376
Interest and interest-related expenses	(1)	–176,267	–186,931
Share of profit or loss of equity-accounted investments	(1)	100,698	149,813
Net interest income*	**(1)**	**295,787**	**311,258**
loan loss allowances	(2)	–15,291	–3,648
Net interest income after allowances for losses on loans and advances*		**280,496**	**307,610**
Fee and commission income	(3)	105,986	101,013
Fee and commission expenses	(3)	–29,833	–25,385
Net fee and commission income	**(3)**	**76,153**	**75,628**
Net income from trading operations**	(4)	3,960	2,987
Net income from fair value accounting***	(5)	1,153	14,366
Net income from financial investments****	(6)	2,451	1,297
Other net finance costs		**7,564**	**18,650**
General administrative expenses	(7)	–394,065	–371,609
Other operating income	(8)	542,088	575,742
Other operating expenses	(8)	–315,468	–371,114
Other net operating income	**(8)**	**226,620**	**204,628**
Pre-tax profit for the period		**196,768**	**234,907**
Taxes on income	(9)	–19,059	–19,629
After-tax profit for the period		**177,709**	**215,278**
of which attributable to equity holders of the parent company		165,950	210,127
of which attributable to non-controlling interests		11,759	5,151

* includes net income of companies reported under the equity method
** H1 2017: Net trading income
*** H1 2017: Net income from designated financial instruments and derivatives
**** H1 2017: Net income from investments

STATEMENT OF COMPREHENSIVE INCOME

IN EUR '000	Note	1 Jan. – 30 June 2018	1 Jan. – 30 June 2017
After-tax profit for the period		**177,709**	**215,278**
Items that cannot be reclassified to profit or loss		**–23,133**	**10,851**
Actuarial gains and losses on defined benefit plans	(29)	–306	2,975
Amounts recognised in equity		–502	3,970
Taxes recognised in respect of this amount		196	–995
Other share of profit or loss of equity-accounted investments	(17), (29)	–3,769	7,876
Amounts recognised in equity		–3,739	7,860
Taxes recognised in respect of this amount		–30	16
Evaluations due to change in own credit risk for financial liabilities accounted for at fair value	(29)	–19,058	n/a
Amounts recognised in equity		–25,354	n/a
Taxes recognised in respect of this amount		6,296	n/a
Items that can be reclassified to profit or loss		**–47,914**	**–14,534**
Changes in valuation from OCI debt instruments (FVOCI)	(29)	–25,946	n/a
Amounts recognised in equity		–32,723	n/a
Amounts reclassified to profit or loss		–1,872	n/a
Taxes recognised in respect of this amount		8,649	n/a
Gain or loss on remeasurement of AfS securities	(29)	n/a	–26,676
Amounts recognised in equity		n/a	–25,054
Amounts reclassified to profit or loss		n/a	–10,515
Taxes recognised in respect of this amount		n/a	8,893
Gain or loss from the hedging of net investments	(29)	501	–930
Amounts recognised in equity		669	–1,066
Amounts reclassified to profit or loss		0	–174
Taxes recognised in respect of this amount		–168	310
Currency differences	(29)	–2,296	6
Amounts recognised in equity		–2,296	6
Amounts reclassified to profit or loss		0	0
Taxes recognised in respect of this amount		0	0
Other share of profit or loss of equity-accounted investments	(17), (29)	–20,173	13,066
Amounts recognised in equity		–20,126	12,998
Amounts reclassified to profit or loss		0	0
Taxes recognised in respect of this amount		–47	68
Total other comprehensive income		**–71,047**	**–3,683**
Total comprehensive income for the period		**106,662**	**211,595**
of which attributable to equity holders of the parent company		96,962	206,273
of which attributable to non-controlling interests		9,700	5,322

BALANCE SHEET

ASSETS

IN EUR '000	Note	30 June 2018	31 Dec. 2017
Cash and cash equivalents	(10), (11)	61,606	70,402
Loans and advances to banks	(10), (12), (14)	7,692,883	8,352,262
Loans and advances to customers	(10), (13), (14)	21,479,087	20,352,182
Trading assets	(10), (15)	1,873,798	1,885,912
Financial assets	(10), (16)	5,741,373	5,758,495
Companies accounted for using the equity method	(17)	2,178,086	2,158,102
Intangible assets	(18)	48,328	50,102
Property, plant and equipment	(19)	426,881	425,146
Investment property	(19)	710,464	740,692
Current tax assets		6,686	7,861
Deferred tax assets		36,707	36,160
Other assets	(20)	420,451	439,928
Assets held for sale	(10), (21)	13,802	42,205
Total		**40,690,152**	**40,319,449**

EQUITY AND LIABILITIES

IN EUR '000	Note	30 June 2018	31 Dec. 2017
Amounts owed to banks	(10), (22)	12,406,887	12,333,368
Amounts owed to customers	(10), (23)	12,168,223	12,054,121
Trading liabilities	(10), (24)	1,482,987	1,513,826
Liabilities evidenced by certificates	(10), (25)	8,303,912	7,921,626
Provisions	(14), (26)	242,590	252,982
Current tax liabilities		61,352	43,992
Deferred tax liabilities		34,682	81,923
Other liabilities	(27)	589,083	545,044
Liabilities connected with assets held "available for sale"	(21)	0	17,352
Subordinated capital	(10), (28)	1,018,375	1,151,698
Equity capital	(29)	4,382,061	4,403,517
of which attributable to equity holders of the parent company		4,173,750	4,202,514
of which attributable to non-controlling interests		208,311	201,003
Total		**40,690,152**	**40,319,449**

STATEMENT OF CHANGES IN EQUITY

IN EUR '000	Share capital	Capital reserves	Retained earnings	Sub-total	Non-controlling interests	Total
Equity 31 Dec. 2017	**277,630**	**971,973**	**2,952,911**	**4,202,514**	**201,003**	**4,403,517**
Initial application effects of IFRS 9 & IFRS 15	0	0	–72,112	–72,112	–1,002	–73,114
Equity 1 Jan. 2018	**277,630**	**971,973**	**2,880,799**	**4,130,402**	**200,001**	**4,330,403**
Total comprehensive income for the period	0	0	96,962	96,962	9,700	106,662
After-tax profit for the period	0	0	165,950	165,950	11,759	177,709
Total other comprehensive income	0	0	–68,988	–68,988	–2,059	–71,047
Dividends	0	0	–41,446	–41,446	–1,877	–43,323
Change in basis of consolidation	0	0	42	42	0	42
Shareholding changes,restructuring	0	0	0	0	0	0
Capital increases	0	0	0	0	0	0
Other changes in capital	0	0	–12,210	–12,210	487	–11,723
Equity 30 June 2018	**277,630**	**971,973**	**2,924,147**	**4,173,750**	**208,311**	**4,382,061**

IN EUR '000	Share capital	Capital reserves	Retained earnings	Sub-total	Non-controlling interests	Total
Equity 1 Jan. 2017	**277,630**	**971,973**	**2,487,239**	**3,736,842**	**191,629**	**3,928,471**
Total net income for the period	0	0	206,273	206,273	5,322	211,595
After-tax profit for the period	**0**	**0**	**210,127**	**210,127**	**5,151**	**215,278**
Total other net profit/loss	0	0	–3,854	–3,854	171	–3,683
Dividends	0	0	–36,699	–36,699	–1,803	–38,502
Other changes in capital	0	0	–2,602	–2,602	1	–2,601
Equity 30 June 2017	**277,630**	**971,973**	**2,654,211**	**3,903,814**	**195,149**	**4,098,963**

Further details on equity components can be found in the notes concerning “equity”.

CASH FLOW STATEMENT

IN EUR '000	Disclosure	1 Jan. – 30 June 2018	1 Jan. – 30 June 2017
After-tax profit for the period		**177,709**	**215,278**
Non-cash items included in the profit and reconciliation to cash flow from operating activities:		–229,489	–166,335*
Change in assets and liabilities from operating activities after adjusting for non-cash items		23,820	–30,726
Dividends received		45,452	42,626
Interest received		375,565	361,169*
Interest paid		–170,199	–174,213*
Taxes paid on income		–6,982	–3,002
Cash flow from operating activities		**215,876**	**244,797**
Cash proceeds from sale of:			
Financial assets and shares in companies		252,056	739,310
Property, plant and equipment, investment property and intangible assets		50,914	26,538
Payments to acquire:			
Financial assets and shares in companies		–289,125	–834,670
Property, plant and equipment, investment property and intangible assets		–61,529	–56,544
Disposal of subsidiaries (net of sold cash and cash equivalents)		5,115	380
Cash flow from investing activities		**–42,569**	**–124,986**
Capital increase			
Issue of subordinated capital	(28)	53,416	108,439
Repayment/repurchase of subordinated capital	(28)	–192,196	–200,020
Purchase of non-controlling interests		0	0
Dividends		–43,323	–38,502
Cash flow from financing activities		**–182,103**	**–130,083**
Cash at the end of the previous period		**70,402**	**73,090**
Cash flow from operating activities		215,876	244,797
Cash flow from investing activities		–42,569	–124,986
Cash flow from financing activities		–182,103	–130,083
Cash and cash equivalents at the end of the period		**61,606**	**62,818**

* The comparative period of the previous year was adjusted as follows: In the interest paid and received, write-ups and write-offs in connection with amortisations were neutralised. This led to changes to the "Non-cash items contained in the after-tax profit for the period" and to the "Interest received and paid".

Cash and cash equivalents comprise cash in hand and balances at central banks repayable at any time.

SEGMENT REPORTING

H1 2018

IN EUR '000	Corporates	Retail & Private Banking	Financial Markets	Equity Investments	Corporate Center	Total
Interest and interest-related income/expenses	108,331	17,090	44,058	25,198	412	195,089
Share of profit or loss of equity-accounted investments	0	0	0	100,698	0	100,698
loan loss allowances	–3,968	–2,373	–482	–8,461	–7	–15,291
Net interest income after allowances for losses on loans and advances	**104,363**	**14,717**	**43,576**	**117,435**	**405**	**280,496**
Net fee and commission income	17,046	15,551	13,602	27,702	2,252	76,153
Net income from trading operations	714	619	1,539	1,088	0	3,960
Net income from fair value accounting	–9,657	12	9,586	1,212	0	1,153
Net income from financial investments	0	0	903	1,548	0	2,451
General administrative expenses	–42,499	–29,790	–18,753	–266,656	–36,367	–394,065
Other net operating income	–18,108	–1,590	–189	236,901	9,606	226,620
Pre-tax profit for the period	**51,859**	**–481**	**50,264**	**119,230**	**–24,104**	**196,768**
Operating profit	65,484	1,880	40,257	124,931	–24,097	208,455
Average equity	1,578,505	139,538	940,690	1,541,804	155,696	4,356,232

H1 2017

IN EUR '000	Corporates	Retail & Private Banking	Financial Markets	Equity Investments	Corporate Center	Total
Interest and interest-related income/expenses	82,415	16,623	42,671	19,736	0	161,445
Net income of companies reported under the equity method	0	0	0	149,813	0	149,813
Loan loss allowances	769	–3,154	0	–1,263	0	–3,648
Net interest income after loan loss allowances	**83,184**	**13,469**	**42,671**	**168,286**	**0**	**307,610**
Net fee and commission income	22,537	15,252	12,062	24,667	1,110	75,628
Net income from trading operations	407	578	1,547	455	0	2,987
Net income from fair value accounting	0	0	19,880	–5,514	0	14,366
Net income from financial investments	0	0	–142	1,439	0	1,297
General administrative expenses	–39,684	–30,131	–18,074	–252,815	–30,905	–371,609
Other net operating income	–17,293	–1,872	–964	213,118	11,639	204,628
Pre-tax profit for the period	**49,151**	**–2,704**	**56,980**	**149,636**	**–18,156**	**234,907**
Operating result	48,382	450	37,242	154,974	–18,156	222,892
Average equity	1,394,776	132,979	923,463	1,439,217	123,282	4,013,717

With regard to the geographical information pertaining to IFRS 8, reference is made to the breakdown in the Disclosures under the country-by-country reporting. The details are provided based on the registered head office of the consolidated company concluding the contract. For further details regarding the distribution of risk capital and Risk-Weighted Assets (RWA) over the segments, reference is made to the section dealing with "Risk-bearing capacity analysis" in the Risk report.

Further details on the “Participating interests” segment in H1 2018

IN EUR ’000	Sub-group HYPO SALZBURG	IMPULS-LEASING Group	VIVATIS/efko	OÖ Wohnbau
Interest and interest-related income/expenses	23,225	23,075	57	–1,698
Share of profit or loss of equity-accounted investments	0	0	2,269	0
loan loss allowances	–2,631	–3,841	0	0
Net interest income after allowances for losses on loans and advances	**20,594**	**19,234**	**2,326**	**–1,698**
Net fee and commission income	8,038	259	–256	–18
Net income from trading operations	77	1,054	0	0
Net income from fair value accounting	1,039	3	1,791	–5
Net income from financial investments	5	556	563	0
General administrative expenses	–21,912	–34,879	–136,076	–17,381
Other net operating income	–2,527	30,058	145,196	24,189
Pre-tax profit for the period	**5,314**	**16,285**	**13,544**	**5,088**

The results of the VIVATIS/efko Group are presented excluding expenses relating to the servicing or valuation of profit-sharing rights amounting to EUR 0.0 million (H1 2017: EUR –2.3 million).

Further details on the “Investments” segment in H1 2017

IN EUR ’000	Sub-group HYPO SALZBURG	IMPULS-LEASING Group	VIVATIS/efko	OÖ Wohnbau
Interest and interest-related income/expenses	16,010	20,008	1,871	–2,020
Net income of companies reported under the equity method	0	0	0	0
Loan loss allowances	5,566	–1,218	0	0
Net interest income after loan loss allowances	**21,576**	**18,790**	**1,871**	**–2,020**
Net fee and commission income	8,334	65	–172	–18
Net income from trading operations	73	357	0	0
Net income from fair value accounting	–6,390	0	255	0
Net income from financial investments	–22	492	24	0
General administrative expenses	–21,395	–32,737	–128,134	–16,691
Other net operating income	–1,845	25,127	133,341	21,228
Pre-tax profit for the period	**331**	**12,094**	**7,185**	**2,499**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASICS OF THE CONSOLIDATED ACCOUNTS ACCORDING TO IFRS

Principles

The consolidated financial statements of Raiffeisenlandesbank Oberösterreich Aktiengesellschaft (hereinafter Raiffeisenlandesbank OÖ) are prepared in compliance with the applicable International Financial Reporting Standards (IFRSs) as published by the International Accounting Standards Board (IASB) and international accounting and financial reporting standards based on the IAS Regulation (EC) 1606/2002 as adopted by the EU (Art. 245s (1) Austrian Commercial Code). This condensed interim financial report as at 30 June 2018 is in accordance with IAS 34.

The provisions of the new accounting standards for financial instruments (IFRS 9) and for the realisation of turnover from contracts with customers (IFRS 15) came into effect on 1 January 2018. Further details on the initial application and subsequent initial application effects of IFRS 9 or IFRS 15 can be found in this chapter and in the table relating to the IFRS 9 or the IFRS 15 transition. Further details on the specific accounting principles of IFRS 9 or IFRS 15 applied in the current period as well as earlier accounting principles used in the comparative period are described in the section on accounting policies. As permitted in the transitional provisions of IFRS 9 and IFRS 15, Raiffeisenlandesbank Oberösterreich has decided not to adjust the comparative figures from financial year 2017. In addition, the information for the comparative period contained in the Disclosures is based on the original accounting provisions of IAS 39 and IFRS 7 or IAS 11 and IAS 18.

The interim financial report as at 30 June 2018 has not been subjected to a complete audit, nor has it been inspected by a statutory auditor.

Changes in the basis of consolidation and their effects

The number of fully consolidated companies reported under the equity method developed during the financial year as follows:

	Fully consolidated		Equity method	
	2018	2017	2018	2017
As at 1 Jan.	161	153	9	7
Included for the first time during the reporting period	–	–	–	–
Merged during the reporting period	1	3	–	–
Deconsolidated during the reporting period	2	1	–	–
As at 30 June	158	149	9	7

For the IFRS interim report as at 30 June 2018, the basis of consolidation of Raiffeisenlandesbank Oberösterreich covers 158 group companies, incl. Raiffeisenlandesbank Oberösterreich as Group parent (31 Dec. 2017: 161), that are fully consolidated in the Group and nine (31 Dec. 2017: nine) companies reported under the equity method.

In the first half of 2018, Am Ölberg Liegenschaftsverwertungs GmbH was merged with Raiffeisen-IMPULS-Immobilien GmbH. Further changes compared to 31 December 2017 arise from the sale of H. Loidl Wurstproduktions- und vertriebsgesellschaft m. b. H. & Co KG as well as Projekt Eberstalzell Immobilien GmbH and the resulting deconsolidations. There were no material effects on the result in conjunction with the specified restructurings and transactions.

Foreign currency translation

The consolidated financial statements are presented in euros, reflecting the national currency. Financial statements of fully consolidated companies whose functional currency differs from the group currency are translated into euros employing the modified current rate method in accordance with IAS 21. Generally, the national currency is the same as the functional currency.

When the modified closing rate method is applied, equity is translated at historical rates while all other assets and liabilities are translated using the relevant closing rates (middle rates of the European Central Bank (ECB) as at the Group balance sheet date). The items on the income statement are translated using the average currency exchange rates of the ECB. Exchange differences resulting from the translation of the equity components using historical rates and the translation of the income statement using average rates compared to a translation using closing rates are recognised in the statement of total comprehensive income.

The following exchange rates were used to calculate the currencies:

Rates in currency per euro	30 June 2018	
	Closing rate	Average rate
Croatian kuna (HRK)	7.3860	7.4198
Polish zloty (PLN)	4.3732	4.2316
Romanian leu (RON)	4.6631	4.6583
Czech koruna (CZK)	26.0200	25.5727

First-time adoption of new and revised standards and interpretations

The following new or amended standards and interpretations must be taken into account for the first time in preparing IFRS financial statements relating to an annual reporting period starting on or after 1 Jan. 2018. The accounting policies applied are, with the exception of the amendments and changes listed here, the same as those of the previous financial year.

Standard/Interpretation	To be applied in financial years from	Already adopted by the EU
Annual improvements (2014 – 2016)	1 Jan. 2017/ 1 Jan. 2018	Yes
IFRS 9 – Financial instruments	1 Jan. 2018	Yes
IFRS 15 – Revenue from contracts with customers	1 Jan. 2018	Yes
Amendments to IFRS 15 – Earnings from customer contracts (clarifications)	1 Jan. 2018	Yes
Amendments to IFRS 2 – Share-based payment	1 Jan. 2018	Yes
Amendments to IFRS 4 – Application of IFRS 9 with IFRS 4 Insurance contracts	1 Jan. 2018	Yes
Amendments to IAS 40 – Classification of property under construction	1 Jan. 2018	Yes
IFRIC 22 – Foreign currency transactions and advance consideration	1 Jan. 2018	Yes

IFRS 9 “Financial instruments”

Overview of key amendments

IFRS 9 was issued in July 2014, is subject to mandatory application with effect from financial year 2018 and replaces the existing guidelines in IAS 39 “Financial Instruments” (recognition and measurement). IFRS 9 introduces new regulations for classifying and valuating financial assets, requires changes in accounting for effects arising from the change in own capital risk with financial liabilities designated at Fair Value, replaces the current regulations regarding the impairment loss of financial assets and changes the accounting provisions relating to hedge accounting. Raiffeisenlandesbank OÖ applies the accounting provisions of hedge accounting in IFRS9. For the most part, IFRS 9 adopts the regulations for recognising and de-recognising financial instruments from IAS 39 and leads to adjustments of the amounts previously recognised in the financial statements.

Raiffeisenlandesbank Oberösterreich has not taken up the option to adjust the previous year comparative data at first-time adoption of the new standards. Instead, the effect of first-time adoption of IFRS 9 on 1 Jan. 2018 was recorded in the equity capital opening balance.

As a result, the consequential amendments to IFRS 7 disclosures were also applied to the notes only for the current period. The figures for the comparative period usually repeat the previous year’s figures. IFRS 9 also considerably changes other standards for financial instruments such as IFRS 7 “Financial instruments: Disclosures”.

Similarly, the regulatory option under Article 473a CRR to distribute the first-time adoption effect by introducing IFRS 9 over five years is not being taken up by Raiffeisenlandesbank Oberösterreich.

Further details on the specific accounting principles of IFRS 9 applied in the current period are described in the section on accounting policies.

Overall effect

Overall, despite the major substantial changes associated with IFRS 9, the accounting impact of the initial application within the Raiffeisenlandesbank Oberösterreich Group is moderate. The negative net effect from the conversion as at 1 January 2018 with regard to the Group equity capital accounted for under IFRS amounts to around –1.7%. Further details on the effects of IFRS 9 can be found in the transition tables in the Disclosures.

The transfer of the IFRS 9 "Governance" from the project organisation to the regular organisation continues to represent a significant focus. The aim is to address the profound and permanent effects of IFRS 9 on many different procedures and processes in the Group and to anchor them firmly in the individual departments.

IFRS 15 – "Revenue from contracts with customers" and amendments to IFRS 15 – "Revenue from contracts with customers" (clarifications)

Overview of key amendments

In May 2014, the IASB published the new standard for revenue recognition, which must be applied with effect from financial year 2018. The goal is to harmonise the regulations of IFRS and US-GAAP and to increase transparency and comparability. Almost all contracts with customers fall within the scope of this standard. The most notable exceptions are leases, financial instruments and insurance contracts. Under IFRS 15, the transfer of substantially all the risks and rewards is no longer the critical factor for revenue recognition. The new rules specify that revenue is recognised when the customer acquires control over the agreed goods and services and can obtain benefits from them. The revenue is measured in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the disclosure requirements have been expanded to include a range of quantitative and qualitative information intended to help the readers of the consolidated financial statements understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. IFRS 15 supersedes IAS 11, IAS 18 and a series of interpretations.

The changes to IFRS 15, which was issued by the IASB in April 2016, assist with the clarification of three specific topics. They have a particular bearing on the identification of contractual obligations and principal-agent relationships, the treatment of licences and transitional provisions making first-time adoption of the standards simpler in practical ways. The clarifications of IFRS 15 must, like the relevant standard, also be applied as of financial year 2018.

Raiffeisenlandesbank Oberösterreich has not taken up the option to adjust the previous year comparative data at first-time adoption of the new standards. Instead, the effect of first-time adoption of IFRS 15 on 1 Jan. 2018 was recorded in the equity capital opening balance.

Further details on the specific accounting principles of IFRS 15 applied in the current period as well as earlier accounting principles used in the comparative period in accordance with IAS 11 and IAS 18 are described in the section on accounting policies. In addition, new and amended information was presented in the income statement disclosures in connection with the breakdown of revenues from contracts with customers into net fee and commission income and in the other operating result.

Overall effect

The initial application of IFRS 15 has resulted in only minimal effects on the group equity on the balance sheet of Raiffeisenlandesbank Oberösterreich. These result mainly from time-frame-related realisations of revenue from group companies in the property sector and concern contracts that were not yet concluded at the time of initial application. On top of this, due to the evaluation of principal-agent relationships there will be a change in how turnover/cost of sales is presented in the income statement, in particular for a company from the food industry. Further details on the effects of IFRS 15 can be found in the transition tables in the Disclosures.

Not yet mandatory standards and interpretations

The following new or amended standards and interpretations had already been published as at 30 June 2018. However, they had not yet come into force for the financial year beginning 1 Jan. 2018 and have therefore not been applied in these consolidated financial statements:

Standard/Interpretation	To be applied in financial years from	Already adopted by the EU
IFRS 16 – Leases	1 Jan. 2019	Yes
Annual improvements (2015 – 2017)	1 Jan. 2019	No
Amendments to IFRS 9 – Negative compensation for early termination	1 Jan. 2019	Yes
Amendments IAS 19 – Employee benefits	1 Jan. 2019	No
Amendments to IAS 28 – Long-term interests in associates and joint ventures	1 Jan. 2019	No
IFRIC 23 – Uncertainty over Income Tax treatment	1 Jan. 2019	No
Revised framework concept for financial reporting	1 Jan. 2020	No
IFRS 17 – Insurance contracts	1 Jan. 2021	No

IFRS 16 – Leasing

The IASB passed the new standard for entering leasing relationships into the balance sheet in January 2016. The objective of this standard is to treat all leasing relationships in a unified way in terms of their effects on the balance sheet. The new leasing standard will in future replace IAS 17 and the interpretations linked to this.

IFRS 16 means that having to decide between the effects on the balance sheet of Lease Financing and Operating Leasing is dispensed with. This means that, as soon as a contract is classified as a leasing relationship, the facts of the matter are to be shown in the balance sheet. Contracts are to be classified as leasing relationships if the lessor contractually grants the lessee the right to control over an asset for a certain period of time and receives a consideration in exchange. Control over the leasing object is present if the lessee has the right to dispose of the asset and the total benefit is afforded to him over the period of validity of the contract. If these criteria are not met in any case, then a service contract entailing costs is involved. The standard envisages facilities for leasing objects with low values or for leasing contracts with short periods of validity being included in drawing up the balance sheet. Only minor alterations will result in the balance sheet compilation of the lessor. Lessees will, however, have to provide evidence in future for most leasing relationships, assets and liabilities.

The new standard is initially to be applied as mandatory to financial years beginning on or after 1 Jan. 2019. Prior application is only permitted if the regulations of IFRS 15 are applied at the same time. Due to the limited volume of rental and leasing agreements in place as lessee, it is anticipated from the current perspective that the coming into force of the new standard will have minimal impact on the group equity on the balance sheet of Raiffeisenlandesbank Oberösterreich.

INFORMATION ON THE INITIAL APPLICATION OF IFRS 9 AND IFRS 15

(I) Changes to accounting policies on the basis of IFRS 9

The table shows the transition from the valuation categories and carrying amounts of the financial assets and liabilities pursuant to IAS 39 to IFRS 9 as at 1 Jan. 2018. In order to illustrate the transitional effects, these are shown on the basis of the original balance sheet items pursuant to IAS 39.

(I.1) Original valuation categories pursuant to IAS 39 and new valuation categories pursuant to IFRS 9

Assets IN EUR '000	Valuation category		Carrying amount	
	IAS 39	IFRS 9	IAS 39 31 Dec. 2017	IFRS 9 1 Jan. 2018
Cash and cash equivalents			**70,402**	**70,402**
	Loans and receivables	Financial assets measured at amortised cost (AC)	70,402	70,402
Loans and advances to banks			**8,352,262**	**8,353,163**
	Loans and receivables	Financial assets measured at amortised cost (AC)	7,891,004	7,890,781
	Loans and receivables	Designated at fair value through profit or loss (FVO)	0	0
	Loans and receivables	Measured at fair value through profit or loss (FVTPL)	461,258	462,382
	Designated financial instruments - FV option	Financial assets measured at amortised cost (AC) (voluntary de-designation)	0	0
	Designated financial instruments - FV option	Financial assets measured at amortised cost (AC) (mandatory de-designation)	0	0
	Designated financial instruments - FV option	Designated at fair value through profit or loss (FVO)	0	0
	Designated financial instruments - FV option	Measured at fair value through profit or loss (FVTPL)	0	0
Loans and advances to customers			**20,352,182**	**20,233,346**
	Loans and receivables	Financial assets measured at amortised cost (AC)	16,650,127	16,615,304
	Loans and receivables	Designated at fair value through profit or loss (FVO)	0	0
	Loans and receivables	Measured at fair value through profit or loss (FVTPL)	395,790	408,201
	Designated financial instruments - FV option	Financial assets measured at amortised cost (AC) (voluntary de-designation)	383,142	324,001
	Designated financial instruments - FV option	Financial assets measured at amortised cost (AC) (mandatory de-designation)	805,504	771,439
	Designated financial instruments - FV option	Designated at fair value through profit or loss (FVO)	66,343	66,343
	Designated financial instruments - FV option	Measured at fair value through profit or loss (FVTPL)	200	200
	Lease financing	Lease financing	2,051,076	2,047,858

Assets IN EUR '000	Valuation category IAS 39	 IFRS 9	Carrying amount IAS 39 31 Dec. 2017	 IFRS 9 1 Jan. 2018
Trading assets			**1,885,912**	**1,885,912**
	Held for trading	Measured at fair value through profit or loss (FVTPL)	1,885,912	1,885,912
Financial assets (debt instruments)			**5,214,479**	**5,222,099**
	Designated financial instruments - FV option	Financial assets measured at amortised cost (AC) (voluntary de-designation)	0	0
	Designated financial instruments - FV option	Financial assets measured at amortised cost (AC) (mandatory de-designation)	115,246	111,732
	Designated financial instruments - FV option	Designated at fair value through profit or loss (FVO)	198,551	198,551
	Designated financial instruments - FV option	Measured at fair value through profit or loss (FVTPL)	28,890	28,890
	Designated financial instruments - FV option	Measured at fair value not affecting net income (FVOCI)	153,600	153,600
	Financial assets available for sale (AfS)	Financial assets measured at amortised cost (AC)	133,176	128,353
	Financial assets available for sale (AfS)	Designated at fair value through profit or loss (FVO)	0	0
	Financial assets available for sale (AfS)	Measured at fair value through profit or loss (FVTPL)	173,756	173,756
	Financial assets available for sale (AfS)	Measured at fair value not affecting net income (FVOCI)	3,587,936	3,587,936
	Instruments held to maturity	Financial assets measured at amortised cost (AC)	13,151	13,150
	Instruments held to maturity	Designated at fair value through profit or loss (FVO)	0	0
	Instruments held to maturity	Measured at fair value through profit or loss (FVTPL)	0	0
	Instruments held to maturity	Measured at fair value not affecting net income (FVOCI)	271,297	279,322
	Loans and receivables	Financial assets measured at amortised cost (AC)	119,867	119,861
	Loans and receivables	Designated at fair value through profit or loss (FVO)	0	0
	Loans and receivables	Measured at fair value through profit or loss (FVTPL)	0	0
	Loans and receivables	Measured at fair value not affecting net income (FVOCI)	419,009	426,948
Financial assets (equity instruments)			**544,016**	**544,016**
	Financial assets available for sale (AfS)	Designated at fair value not affecting net income (FVOCI option)	0	0
	Financial assets available for sale (AfS)	Measured at fair value through profit or loss (FVTPL)	544,016	544,016
	Designated financial instruments	Designated at fair value not affecting net income (FVOCI option)	0	0
	Designated financial instruments	Measured at fair value through profit or loss (FVTPL)	0	0
Total Financial Assets			**36,419,253**	**36,308,938**

Equity and liabilities IN EUR '000	Valuation category IAS 39	IFRS 9	Carrying amount IAS 39 31 Dec. 2017	IFRS 9 1 Jan. 2018
Amounts owed to banks			**12,333,368**	**12,331,721**
	Designated financial instruments - FV option	Financial liabilities measured at amortised cost (AC) (voluntary de-designation)	0	0
	Designated financial instruments - FV option	Financial liabilities measured at amortised cost (AC) (mandatory de-designation)	118,749	117,112
	Designated financial instruments - FV option	Designated at fair value through profit or loss (FVO)	586,104	586,104
	Financial liabilities stated at amortised cost	Financial liabilities measured at amortised cost (AC)	11,628,515	11,628,505
	Financial liabilities stated at amortised cost	Designated at fair value through profit or loss (FVO)	0	0
Amounts owed to customers			**12,054,121**	**12,054,121**
	Designated financial instruments - FV option	Financial liabilities measured at amortised cost (AC) (voluntary de-designation)	0	0
	Designated financial instruments - FV option	Financial liabilities measured at amortised cost (AC) (mandatory de-designation)	0	0
	Designated financial instruments - FV option	Designated at fair value through profit or loss (FVO)	678,947	678,947
	Financial liabilities stated at amortised cost	Financial liabilities measured at amortised cost (AC)	11,375,174	11,375,174
	Financial liabilities stated at amortised cost	Designated at fair value through profit or loss (FVO)	0	0
Trading liabilities			**1,513,826**	**1,513,826**
	Held for trading	Measured at fair value through profit or loss (FVTPL)	1,513,826	1,513,826
Liabilities evidenced by certificates			**7,921,626**	**7,917,526**
	Designated financial instruments - FV option	Financial liabilities measured at amortised cost (AC) (voluntary de-designation)	88,764	84,958
	Designated financial instruments - FV option	Financial liabilities measured at amortised cost (AC) (mandatory de-designation)	183,134	181,792
	Designated financial instruments - FV option	Designated at fair value through profit or loss (FVO)	2,310,791	2,310,791
	Financial liabilities stated at amortised cost	Financial liabilities measured at amortised cost (AC)	5,319,463	5,319,487
	Financial liabilities stated at amortised cost	Designated at fair value through profit or loss (FVO)	19,474	20,498
Subordinated capital			**1,151,698**	**1,152,261**
	Designated financial instruments - FV option	Financial liabilities measured at amortised cost (AC) (voluntary de-designation)	0	0
	Designated financial instruments - FV option	Financial liabilities measured at amortised cost (AC) (mandatory de-designation)	26,438	27,001
	Designated financial instruments - FV option	Designated at fair value through profit or loss (FVO)	494,140	494,140
	Financial liabilities stated at amortised cost	Financial liabilities measured at amortised cost (AC)	631,120	631,120
	Financial liabilities stated at amortised cost	Designated at fair value through profit or loss (FVO)	0	0
Total Financial Liabilities			**34,974,639**	**34,969,455**

(I.2) Reconciliation of carrying amounts from IAS 39 to IFRS 9

The following tables shows the changes in the categorisations of financial assets and financial liabilities at the time of the initial application of IFRS 9 on 1 Jan. 2018:

Financial assets IN EUR '000	31 Dec. 2017 IAS 39 carrying amount	Reclassification	Revaluation	1 Jan. 2018 IFRS 9 carrying amount
Cash and cash equivalents				
Measured at amortised cost (AC)	0			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		70,402	0	
Total	0	70,402	0	70,402
Loans and Receivables (L&R)	70,402			
Subtractions:				
to IFRS 9 Measured at amortised cost (AC)		–70,402	n/a	
Total	70,402	–70,402	0	0
Total cash and cash equivalents	70,402	0	0	70,402
Loans and advances to banks				
Measured at amortised cost (AC)	0			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		7,891,004	–223	
from IAS 39 Designated financial instruments - FV option (FVO)		0	0	
Total	0	7,891,004	–223	7,890,781
Loans and Receivables (L&R)	8,352,262			
Subtractions:				
to IFRS 9 Designated at fair value through profit or loss (FVO)		0	n/a	
to IFRS 9 Measured at fair value through profit or loss (FVTPL)		–461,258	n/a	
to IFRS 9 Measured at amortised cost (AC)		–7,891,004	n/a	
Total	8,352,262	–8,352,262	0	0
Measured at fair value through profit or loss (FVTPL)	0			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		461,258	1,124	
from IAS 39 Designated financial instruments - FV option (FVO)		0	0	
Total	0	461,258	1,124	462,382
Designated at fair value through profit or loss (FVO)	0			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		0	0	
Subtractions:				
to IFRS 9 Measured at fair value through profit or loss (FVTPL)		0	n/a	
to IFRS 9 Measured at amortised cost (AC)		0	n/a	
Total	0	0	0	0
Total loans and advances to banks	8,352,262	0	901	8,353,163

Financial assets IN EUR '000	31 Dec. 2017 IAS 39 carrying amount	Reclassification	Revaluation	1 Jan. 2018 IFRS 9 carrying amount
Loans and advances to customers				
Measured at amortised cost (AC)	**0**			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		18,701,203	–38,041	
from IAS 39 Designated financial instruments - FV option (FVO)		1,188,646	–93,206	
Total	**0**	**19,889,849**	**–131,247**	**19,758,602**
Loans and Receivables (L&R)	**19,096,993**			
Subtractions:				
to IFRS 9 Designated at fair value through profit or loss (FVO)		0	n/a	
to IFRS 9 Measured at fair value through profit or loss (FVTPL)		–395,790	n/a	
to IFRS 9 Measured at amortised cost (AC)		–18,701,203	n/a	
Total	**19,096,993**	**–19,096,993**	**0**	**0**
Measured at fair value through profit or loss (FVTPL)	**0**			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		395,790	12,411	
from IAS 39 Designated financial instruments - FV option (FVO)		200	0	
Total	**0**	**395,990**	**12,411**	**408,401**
Designated at fair value through profit or loss (FVO)	**1,255,189**			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		0	0	
Subtractions:				
to IFRS 9 Measured at fair value through profit or loss (FVTPL)		–200	n/a	
to IFRS 9 Measured at amortised cost (AC)		–1,188,646	n/a	
Total	**1,255,189**	**–1,188,846**	**0**	**66,343**
Total loans and advances to customers	**20,352,182**	**0**	**–118,836**	**20,233,346**
Trading assets (IFRS 9)				
Measured at fair value through profit or loss (FVTPL)	**0**			
Allocations:				
from IAS 39 Held for Trading (HfT)		34,367	0	
from IAS 39 Positive market values from derivatives (Hedge Accounting)		203,387	0	
from IAS 39 Positive market values from derivatives (excl. Hedge Accounting)		1,648,158	0	
Total	**0**	**1,885,912**	**0**	**1,885,912**
Trading assets (IAS 39)				
Measured at fair value through profit or loss (FVTPL)	**1,885,912**			
Subtractions:				
to IFRS 9 Trading assets - Measured at fair value through profit or loss (FVTPL)		–34,367	n/a	
to IFRS 9 Positive market values from derivatives (Hedge Accounting)		–203,387	n/a	
to IFRS 9 Positive market values from derivatives (excl. Hedge Accounting)		–1,648,158	n/a	
Total	**1,885,912**	**–1,885,912**	**0**	**0**
Total trading assets	**1,885,912**	**0**	**0**	**1,885,912**

Financial assets IN EUR '000	31 Dec. 2017 IAS 39 carrying amount	Reclassification	Revaluation	1 Jan. 2018 IFRS 9 carrying amount
Financial assets				
Measured at amortised cost (AC)	0			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		119,867	–6	
from IAS 39 Designated financial instruments - FV option (FVO)		115,246	–3,514	
from IAS 39 Instruments held to maturity (HtM)		13,151	–1	
from IAS 39 Available for sale (AfS - debt instruments)		133,176	–4,823	
from IAS 39 Available for sale (AfS - equity instruments)		0	0	
Total	**0**	**381,440**	**–8,344**	**373,096**
Instruments held to maturity (HtM)	284,448			
Subtractions:				
to IFRS 9 Designated at fair value through profit or loss (FVO)		0	n/a	
to IFRS 9 Measured at fair value through profit or loss (FVTPL)		0	n/a	
to IFRS 9 Measured at fair value with no effect on income (FVOCI)		–271,297	n/a	
to IFRS 9 Measured at amortised cost (AC)		–13,151	n/a	
Total	**284,448**	**–284,448**	**0**	**0**
Loans and Receivables (L&R)	538,876			
Subtractions:				
to IFRS 9 Designated at fair value through profit or loss (FVO)		0	n/a	
to IFRS 9 Measured at fair value through profit or loss (FVTPL)		0	n/a	
to IFRS 9 Measured at fair value with no effect on income (FVOCI)		–419,009	n/a	
to IFRS 9 Measured at amortised cost (AC)		–119,867	n/a	
Total	**538,876**	**–538,876**	**0**	**0**
Measured at fair value through profit or loss (FVTPL)	0			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		0	0	
from IAS 39 Designated financial instruments - FV option (FVO)		28,890	0	
from IAS 39 Instruments held to maturity (HtM)		0	0	
from IAS 39 Available for sale (AfS - debt instruments)		173,756	0	
from IAS 39 Available for sale (AfS - equity instruments)		544,016	0	
Total	**0**	**746,662**	**0**	**746,662**
Designated at fair value through profit or loss (FVO)	496,287			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		0	0	
from IAS 39 Instruments held to maturity (HtM)		0	0	
from IAS 39 Available for sale (AfS - debt instruments)		0	0	
Subtractions:				
to IFRS 9 Measured at fair value through profit or loss (FVTPL)		–28,890	n/a	
to IFRS 9 Measured at fair value with no effect on income (FVOCI)		–153,600	n/a	
to IFRS 9 Measured at amortised cost (AC)		–115,246	n/a	
Total	**496,287**	**–297,736**	**0**	**198,551**

Financial assets IN EUR '000	31 Dec. 2017 IAS 39 carrying amount	Reclassification	Revaluation	1 Jan. 2018 IFRS 9 carrying amount
Measured at fair value through with no effect on income (FVOCI)	**0**			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		419,009	7,939	
from IAS 39 Designated financial instruments - FV option (FVO)		153,600	0	
from IAS 39 Instruments held to maturity (HtM)		271,297	8,025	
from IAS 39 Available for sale (AfS - debt instruments)		3,587,936	0	
Total	**0**	**4,431,842**	**15,964**	**4,447,806**
Designated at fair value with no effect on income (FVOCI option)	**0**			
Allocations:				
from IAS 39 Designated financial instruments - FV option (FVO)		0	0	
from IAS 39 Available for sale (AfS - equity instruments)		0	0	
Total	**0**	**0**	**0**	**0**
Available for sale (AfS - debt instruments)	**3,894,868**			
Subtractions:				
to IFRS 9 Designated at fair value through profit or loss (FVO)		0	n/a	
to IFRS 9 Measured at fair value through profit or loss (FVTPL)		–173,756	n/a	
to IFRS 9 Measured at fair value with no effect on income (FVOCI)		–3,587,936	n/a	
to IFRS 9 Measured at amortised cost (AC)		–133,176	n/a	
Total	**3,894,868**	**–3,894,868**	**0**	**0**
Available for sale (AfS - equity instruments)	**544,016**			
Subtractions:				
to IFRS 9 Measured at fair value through profit or loss (FVTPL)		–544,016	n/a	
to IFRS 9 Designated at fair value with no effect on income (FVOCI option)		0	n/a	
Total	**544,016**	**–544,016**	**0**	**0**
Total financial assets	**5,758,495**	**0**	**7,620**	**5,766,115**
Total Financial Assets	**36,419,253**	**0**	**–110,315**	**36,308,938**

Raiffeisenlandesbank Oberösterreich has performed a detailed analysis of its business models and cash flow features. Please refer to the accounting policies section in the Disclosures for the business model and cash flow features.

The following explains how the first-time application of IFRS 9 as at 1 Jan. 2018 will affect financial assets:

The main effects of the classification are, on the one hand, the fair value accounting of SPPI-injurious credits with a volume of around EUR 0.9 billion or SPPI-injurious securities with a volume of around EUR 0.2 billion but with a minor overall conversion effect on Group equity. On the other hand, credits with a volume of around EUR 1.2 billion and securities with a volume of around EUR 0.1 billion that had previously been voluntarily granted at fair value were stated at amortised cost in the course of reclassification under IFRS 9 in order to avoid future fluctuations in earnings due to credit spreads. This caused the largest conversion effect from the initial application of IFRS 9 with a negative impact on consolidated equity of around EUR –0.1 billion.

Financial liabilities IN EUR '000	31 Dec. 2017 IAS 39 carrying amount	Reclassification	Revaluation	1 Jan. 2018 IFRS 9 carrying amount
Amounts owed to banks				
Measured at amortised cost (AC)	11,628,515			
Allocations:				
from IAS 39 Designated financial instruments - FV option (FVO)		118,749	–1,647	
Subtractions:				
to IFRS 9 Designated at fair value through profit or loss (FVO)		0	n/a	
Total	11,628,515	118,749	–1,647	11,745,617
Designated at fair value through profit or loss (FVO)	704,853			
Allocations:				
from IAS 39 Measured at amortised cost (AC)		0	0	
Subtractions:				
to IFRS 9 Measured at amortised cost (AC)		–118,749	n/a	
Total	704,853	–118,749	0	586,104
Total amounts owed to banks	12,333,368	0	–1,647	12,331,721
Amounts owed to customers				
Measured at amortised cost (AC)	11,375,174			
Allocations:				
from IAS 39 Designated financial instruments - FV option (FVO)		0	0	
Subtractions:				
to IFRS 9 Designated at fair value through profit or loss (FVO)		0	n/a	
Total	11,375,174	0	0	11,375,174
Designated at fair value through profit or loss (FVO)	678,947			
Allocations:				
from IAS 39 Measured at amortised cost (AC)		0	0	
Subtractions:				
to IFRS 9 Measured at amortised cost (AC)		0	n/a	
Total	678,947	0	0	678,947
Total amounts owed to customers	12,054,121	0	0	12,054,121

Financial liabilities IN EUR '000	31 Dec. 2017 IAS 39 carrying amount	Reclassification	Revaluation	1 Jan. 2018 IFRS 9 carrying amount
Trading liabilities (IFRS 9)				
Measured at fair value through profit or loss (FVTPL)	**0**			
Allocations:				
from IAS 39 Held for Trading (HfT)		0	0	
from IAS 39 Negative market values from derivatives (Hedge Accounting)		109,603	0	
from IAS 39 Negative market values from derivatives (excl. Hedge Accounting)		1,404,223	0	
Total	**0**	**1,513,826**	**0**	**1,513,826**
Trading liabilities (IAS 39)				
Measured at fair value through profit or loss (FVTPL)	**1,513,826**			
Subtractions:				
to IFRS 9 Trading liabilities - Measured at fair value through profit or loss (FVTPL)		0	n/a	
to IFRS 9 Negative market values from derivatives (Hedge Accounting)		–109,603	n/a	
to IFRS 9 Negative market values from derivatives (excl. Hedge Accounting)		–1,404,223	n/a	
Total	**1,513,826**	**–1,513,826**	**0**	**0**
Total trading liabilities	**1,513,826**	**0**	**0**	**1,513,826**
Liabilities evidenced by certificates				
Measured at amortised cost (AC)	**5,338,937**			
Allocations:				
from IAS 39 Designated financial instruments - FV option (FVO)		271,898	–5,124	
Subtractions:				
to IFRS 9 Designated at fair value through profit or loss (FVO)		–19,474	n/a	
Total	**5,338,937**	**252,424**	**–5,124**	**5,586,237**
Designated at fair value through profit or loss (FVO)	**2,582,689**			
Allocations:				
from IAS 39 Measured at amortised cost (AC)		19,474	1,024	
Subtractions:				
to IFRS 9 Measured at amortised cost (AC)		–271,898	n/a	
Total	**2,582,689**	**–252,424**	**1,024**	**2,331,289**
Total liabilities evidenced by certificates	**7,921,626**	**0**	**–4,100**	**7,917,526**

Financial liabilities IN EUR '000	**31 Dec. 2017 IAS 39 carrying amount**	**Reclassification**	**Revaluation**	**1 Jan. 2018 IFRS 9 carrying amount**
Subordinated capital				
Measured at amortised cost (AC)	**631,120**			
Allocations:				
from IAS 39 Designated financial instruments - FV option (FVO)		26,438	563	
Subtractions:				
to IFRS 9 Designated at fair value through profit or loss (FVO)		0	n/a	
Total	**631,120**	**26,438**	**563**	**658,121**
Designated at fair value through profit or loss (FVO)	**520,578**			
Allocations:				
from IAS 39 Measured at amortised cost (AC)		0	0	
Subtractions:				
to IFRS 9 Measured at amortised cost (AC)		–26,438	n/a	
Total	**520,578**	**–26,438**	**0**	**494,140**
Total subordinated capital	**1,151,698**	**0**	**563**	**1,152,261**
Total financial liabilities	**34,974,639**	**0**	**–5,184**	**34,969,455**

Off-balance transactions IN EUR '000	**31 Dec. 2017 IAS 39 carrying amount**	**Reclassification**	**Revaluation**	**1 Jan. 2018 IFRS 9 carrying amount**
Loan approvals	5,976,614	n/a	–685	5,975,929
Financial guarantees	2,452,344	n/a	3,312	2,455,656
Total off-balance transactions	**8,428,958**	**0**	**2,627**	**8,431,585**

It is explained below how the initial application of IFRS 9 as at 1 Jan. 2018 has an impact on financial liabilities:

There were no material changes in the rules for classifying and measuring financial liabilities, with the exception of changes in the fair value of financial liabilities designated at fair value through profit or loss that are attributable to a change in the Bank's own credit risk (see also the section entitled "Accounting policies" in the Disclosures). In the course of the reallocations for the initial application of IFRS 9, around EUR 0.4 billion of volumes previously accounted for using the fair value option were stated at amortised cost, with a capital effect of only minor significance.

(I.3) Reconciliation of the loan loss allowance from IAS 39 to IFRS 9

The following table shows the changes in the area of risk provisioning due to the initial application of IFRS 9 as at 1 Jan. 2018. For information on risk provisioning, please refer to the section "Accounting policies" or to the "Loan loss allowance" section in the Disclosures.

Financial assets IN EUR '000	31 Dec. 2017 IAS 39/IAS 37 Loan loss allowance	Reclassification	Revaluation	1 Jan. 2018 IFRS 9 Loan loss allowance
Loans and advances to banks				
Measured at amortised cost (AC)	**0**			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		2,553	228	
from IAS 39 Designated financial instruments - FV option (FVO)		0	0	
Total	**0**	**2,553**	**228**	**2,781**
Measured at fair value through profit or loss (FVTPL)	**0**			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		158	–158	
Total	**0**	**158**	**–158**	**0**
Loans and Receivables (L&R)	**2,711**			
Subtractions:				
to IFRS 9 Designated at fair value through profit or loss (FVO)		0	n/a	
to IFRS 9 Measured at fair value through profit or loss (FVTPL)		–158	n/a	
to IFRS 9 Measured at amortised cost (AC)		–2,553	n/a	
Total	**2,711**	**–2,711**	**0**	**0**
Total loans and advances to banks	**2,711**	**0**	**70**	**2,781**
Loans and advances to customers - excl. lease financing				
Measured at amortised cost (AC)	**0**			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		384,882	–88,971	
from IAS 39 Designated financial instruments - FV option (FVO)		0	12,400	
Total	**0**	**384,882**	**–76,571**	**308,311**
Measured at fair value through profit or loss (FVTPL)	**0**			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		15,310	–15,310	
Total	**0**	**15,310**	**–15,310**	**0**
Loans and Receivables (L&R)	**400,192**			
Subtractions:				
to IFRS 9 Designated at fair value through profit or loss (FVO)		0	n/a	
to IFRS 9 Measured at fair value through profit or loss (FVTPL)		–15,310	n/a	
to IFRS 9 Measured at amortised cost (AC)		–384,882	n/a	
Total	**400,192**	**–400,192**	**0**	**0**
Loans and advances to customers - Lease financing				
Lease financing	61,960	n/a	3,628	
Total	**61,960**	**0**	**3,628**	**65,588**
Total loans and advances to customers	**462,152**	**0**	**–88,253**	**373,899**

Financial assets IN EUR '000	**31 Dec. 2017 IAS 39/IAS 37 Loan loss allowance**	**Reclassification**	**Revaluation**	**1 Jan. 2018 IFRS 9 Loan loss allowance**
Financial assets				
Measured at amortised cost (AC)	**0**			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		0	6	
from IAS 39 Designated financial instruments - FV option (FVO)		0	13	
from IAS 39 Instruments held to maturity (HtM)		0	1	
from IAS 39 Available for sale (AfS - debt instruments)		0	28	
from IAS 39 Available for sale (AfS - equity instruments)		0	0	
Total	**0**	**0**	**48**	**48**
Measured at fair value through with no effect on income (FVOCI)	**0**			
Allocations:				
from IAS 39 Loans and Receivables (L&R)		0	198	
from IAS 39 Designated financial instruments - FV option (FVO)		0	19	
from IAS 39 Instruments held to maturity (HtM)		0	111	
from IAS 39 Available for sale (AfS - debt instruments)		0	2,719	
from IAS 39 Available for sale (AfS - equity instruments)		0	0	
Total	**0**	**0**	**3,047**	**3,047**
Total financial assets	**0**	**0**	**3,095**	**3,095**
Total Financial Assets	**464,863**	**0**	**–85,088**	**379,775**

Off-balance transactions IN EUR '000	**31 Dec. 2017 IAS 39/IAS 37 Loan loss allowance**	**Reclassification**	**Revaluation**	**1 Jan. 2018 IFRS 9 Loan loss allowance**
Provisions for loan approvals	19,542	n/a	282	19,824
Provisions for financial guarantees	16,372	n/a	–3,312	13,060
Total off-balance transactions	**35,914**	**0**	**–3,030**	**32,884**

It is explained below how the initial application of IFRS 9 as at 1 Jan. 2018 has an impact on risk provisioning:

In the course of the initial application of IFRS 9, the Raiffeisenlandesbank Oberösterreich Group determined a total volume of approximately EUR 195.8 million as so-called POCI financial instruments, for which credit rating-induced contractual changes were made before 1 January 2018, which were in default at the time of the contract change and for which a full return was no longer expected. Due to the conversion to net carrying amount reporting, there was a decline in the loan loss allowance indirectly booked under IAS 39 in the mentioned cases of around EUR 123.1 million.

Further changes in the reconciliation of risk provisioning between 31 December 2017 and 1 January 2018 are mainly due to changes in classification and differences between portfolio valuation allowances under IAS 39 and the introduction of Stage 1 and 2 under IFRS 9.

(I.4) Effects based on the assumption that fair value accounting will be maintained under IFRS 9

For financial assets or financial liabilities reclassified as at 1 January 2018 due to the initial application of IFRS 9, the following table shows the fair values and the gain or loss from the change in fair value that would have been stated in the income statement or in other comprehensive income without reclassification of the financial assets during the reporting period.

Financial assets reclassified from Available for sale (AfS) to Measured at amortised cost (AC) IN EUR '000	
Fair value as at 30 June 2018	120,209
Income from the change in fair value that would have been recorded under other income during the reporting period without reclassification	–843

Financial assets reclassified from Designated financial instruments - FV option (FVO) to Measured at amortised cost (AC) IN EUR '000	
Fair value as at 30 June 2018	1,305,762
Income from the change in fair value that would have been recorded with an effect on the income statement during the reporting period without reclassification	–4,573
Recognised interest income	18,049

Financial assets reclassified from Designated financial instruments - FV option (FVO) to Measured at fair value with no effect on income (FVOCI) IN EUR '000	
Fair value as at 30 June 2018	146,773
Income from the change in fair value that would have been recorded with an effect on the income statement during the reporting period without reclassification	–6,827
Recognised interest income	3,194

Financial liabilities reclassified from Designated financial instruments - FV option (FVO) to Measured at amortised cost (AC) IN EUR '000	
Fair value as at 30 June 2018	385,416
Income from the change in fair value that would have been recorded with an effect on the income statement during the reporting period without reclassification	3,279
Recognised interest expenses	–4,606

(II) Changes to accounting policies on the basis of IFRS 15

The following table shows the effects of the initial application of IFRS 15 – Revenue from contracts with customers on the opening balance as at 1 Jan. 2018:

IN EUR '000	31 Dec. 2017	Adjustment due to IFRS 15	1 Jan. 2018
Other assets	**439,928**	**–18,083**	**421,845**
Receivables from non-bank activities	186,571	0	186,571
Deferred income	23,165	0	23,165
Inventories	144,574	–25,671	118,903
Other assets	85,618	7,588	93,206

IN EUR '000	31 Dec. 2017	Adjustment due to IFRS 15	1 Jan. 2018
Other liabilities	**545,044**	**–19,046**	**525,998**
Liabilities from non-bank activities	174,445	0	174,445
Deferred income	16,826	0	16,826
Other liabilities	353,773	–19,046	334,727

The following tables show the effects of these changes on the interim report as at 30 June 2018. The relevant items of the financial statement are prepared both according to IFRS 15 and according to previously applicable accounting provisions (in particular IAS 18 and IAS 11).

IN EUR '000	with application of IFRS 15 1 Jan.–30 June 2018	Adjustment due to IFRS 15	without application of IFRS 15 1 Jan.–30 June 2018
Other operating income	**542,088**	**–113,018**	**655,106**
Income from non-banking activities	484,131	–113,018	597,149
Income from real estate held as financial investments	21,501	0	21,501
Miscellaneous operating income	36,456	0	36,456
Other operating expenses	**–315,468**	**114,618**	**–430,086**
Expenses from non-banking activities	–238,069	114,618	–352,687
Other tax and fees	–17,444	0	–17,444
Miscellaneous operating expenses	–59,955	0	–59,955
Other net operating income	**226,620**	**1,600**	**225,020**
Deferred taxes	**3,546**	**–266**	**3,812**

IN EUR '000	with application of IFRS 15 1 Jan.–30 June 2018	Adjustment due to IFRS 15	without application of IFRS 15 1 Jan.–30 June 2018
Deferred tax assets	**36,707**	**–424**	**37,131**
Other assets	**420,451**	**–19,482**	**439,933**
Receivables from non-bank activities	174,004	0	174,004
Deferred income	27,114	0	27,114
Inventories	112,532	–28,943	141,475
Other assets	106,801	9,461	97,340

IN EUR '000	with application of IFRS 15 1 Jan.–30 June 2018	Adjustment due to IFRS 15	without application of IFRS 15 1 Jan.–30 June 2018
Deferred tax liabilities	**34,682**	**0**	**34,682**
Other liabilities	**589,083**	**–22,045**	**611,128**
Liabilities from non-bank activities	107,170	0	107,170
Deferred income	24,018	0	24,018
Other liabilities	457,895	–22,045	479,940
Equity capital	**4,382,061**	**2,138**	**4,379,923**

The application of IFRS 15 produces a netting out of contractual assets and received downpayments, which results in a so-called "Contract Asset" or "Contract Liability". The "Contract Assets" will be reclassified under IFRS 15 from "Inventories" to "Other assets". The "Contract Liabilities" are stated under "Other liabilities".

ACCOUNTING POLICIES

Financial instruments

The scope of application of IFRS 9 has not changed compared to the regulations of IAS 39. The regulations on the recognition and derecognition of financial instruments were also adopted.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial assets and liabilities, including all derivative financial instruments, must be recorded on the balance sheet in accordance with both IAS 39 and IFRS 9.

A differentiation is made between the following categories according to IFRS 9:

- Financial assets and financial liabilities that are measured at amortised cost (Amortised Cost)
- Financial assets or liabilities for which an option exists are to be designated at fair value through profit or loss (Fair Value Option)
- Financial assets or liabilities that are measured at Fair Value through Profit or Loss
- Financial assets that are measured at fair value with no effect on income (Fair Value through Other Comprehensive Income – FVOCI); in turn, this category is subdivided into:
  - Financial assets that are measured at fair value with no effect on income, recyclable; and
  - Financial assets that are designated at fair value with no effect on income, non-recyclable

Financial instruments are generally first stated on the balance sheet when Raiffeisenlandesbank Oberösterreich acquires contractual claims and/or incurs obligations in connection with the financial instrument concerned. Purchases and sales of financial instruments are generally accounted for on the trade date. The trade date is the date on which the entity enters into the obligation to buy or sell a financial instrument. Financial instruments are stated with their fair value. Additional transaction costs are stated for financial assets or liabilities that are not measured at fair value through profit or loss.

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognised when the contractually agreed rights to cash flows from the financial asset have expired or have been transferred, and the Group has transferred substantially all the risks and rewards associated with the ownership of the asset.

A financial liability is derecognised when the obligation associated with the liability has been settled, revoked or has expired.

Classification and valuation according to IFRS 9

IFRS 9 contains a new classification model for financial assets that reflects the business model within whose scope the financial assets are held as well as the properties of their cash flows (cash flow condition).

Unlike on the assets side, the changes with regard to the accounting treatment of financial instruments on the liabilities side are relatively small compared to IAS 39 and relate to the disclosure of the change in own credit risk for financial liabilities in the Fair Value Option. There has been no material change to the classification of financial liabilities at Raiffeisenlandesbank Oberösterreich.

Business model

The business model reflects how the Group administers assets to generate cash flows. In accordance with IFRS 9, there are three business models: “Hold to collect”, “Hold to collect and sell” and “Other”:

- The business model “Hold to collect” exists when the financial instrument is part of a business model whose goal is to hold financial instruments in order to generate cash flows from them.
- The “Hold to collect and sell” business model exists if the financial instrument is part of a business model whose objective is to hold financial instruments in order to collect contractual cash flows from them and to sell financial instruments.
- The “Do not hold” business model applies if the financial instrument can neither be allocated to the “Hold to collect” business model nor the “Hold to collect and sell” business model (i.e. always for the trading portfolio and other sales if the conditions for the other business models are not met, e.g. if sales are made frequently). This business model concerns a residual amount.

The business model is defined at portfolio level. The allocation of portfolios is based on the management of business activities and must be objectively verifiable (what is referred to as the management approach).

The business model in the loan business of Raiffeisenlandesbank Oberösterreich generally corresponds to a "Hold to collect" model. A "Hold to collect" business model is only applicable if the disposals from the portfolio range within certain limits in frequency, volume and distance on the due date of the positions included. Sales that are not compatible with the "Hold to collect" business model are generally insignificant and rare. Raiffeisenlandesbank Oberösterreich has defined a threshold value of 5% of the portfolio per financial year. All three business models are employed in the securities business:

Payment flow condition

Financial assets are only valued at amortised cost if the SPPI criterion ("Solely Payments of Principal and Interest") is met. This is the case if the contractual conditions of the financial asset lead to payments at certain times which solely represent repayments and interest on the outstanding capital amount. These contractual payment flows must correspond to those of a basic lending arrangement.

IFRS 9 defines the loan amount as the fair value of the financial asset at the time of initial recognition which may change over the term (e.g. as a result of pro-rata repayments). This amount usually equates to the transaction price that was paid upon receipt.

The following components fall under the definition of interest:

- The fee for the time value of money, i.e. the compensation for the transfer of money taking into account the currency of the financial instrument and the period for which the interest rate is fixed
- The compensation for the default risk ("credit risk") that is associated with the outstanding capital amount over a certain period
- The compensation for liquidity costs
- The fee for further risks and costs (e.g. administrative costs) that occur or are incurred as part of a basic loan allocation
- Potential profit margins that are consistent with a basic lending arrangement

If, on the other hand, the SPPI criterion is not met because the contractual payment flows contain a leverage factor due to an embedded derivative, the financial instrument must be measured at fair value entirely through profit and loss. The SPPI test is always carried out at the level of the financial asset. The test of the SPPI criterion must be applied to the entire agreement for financial assets with embedded derivatives. Compliance with the payment flow condition is verified for the purposes of categorisation.

Benchmark test

The time value of money may be modified in certain cases. This is the case, for example, if the frequency for redefining the interest rate is every quarter and the term (tenor) of the interest rate amounts to 6 months. It is necessary in these cases according to IFRS 9 to analyse the effect of this modified time value and to perform qualitative and quantitative benchmark tests.

The aim of the benchmark test is to prove that the effect resulting from the modified time value of money is not material. The benchmark test is carried out for each individual reporting period and for the accumulated cash flows. The benchmark test is regarded as passed if the significance limits are not violated.

A qualitative benchmark test is considered if it is clear that the effect resulting from the modified time value of money is material or not material. A quantitative benchmark test must then no longer be performed. This immateriality is assumed in advance primarily for fixings at Raiffeisenlandesbank Oberösterreich if the time lag of the fixing only amounts to a few days at the beginning of a interest period.

The quantitative benchmark test involves defining different scenarios and associated shifts on interest rate curves for new transactions. Undiscounted cash flows of the original and benchmark transaction are compared with each other on an annual and cumulative basis for each of these scenarios.

In particular, the following interest rate clauses are evaluated in terms of their harmfulness:

- Maturity mismatch incl. UDRB
- Interest rate escalation clauses (CMS)
- Basket rates (blended interest rates)
- Early fixing
- Average interest rates

Designated financial instruments

Raiffeisenlandesbank Oberösterreich may irrevocably designate financial assets and liabilities which are not held for trading purposes as being measured at fair value through profit and loss on initial recognition if one of the following criteria is met:

- The classification significantly eliminates or reduces mismatches in the valuation or designation of financial assets or financial liabilities which would otherwise occur.
- A portfolio of financial liabilities and its performance are managed and measured on a fair value basis in accordance with a documented risk management or investment strategy.
- The liability contains an embedded derivative that requires bifurcation.

The right to choose can be exercised separately for each individual financial instrument pursuant to IFRS 9.

Reclassification

A reclassification of financial assets is not carried out with the exception of very rare instances in which Raiffeisenlandesbank Oberösterreich changes the business model of a business field. A reclassification of financial liabilities is not carried out.

Valuation categories

At fair value through profit or loss through profit or loss (FVTPL)

This category includes derivatives, equity instruments and debt capital instruments that are neither measured at amortised cost nor at fair value with no effect on income or at fair value through profit and loss using the fair value option. These valuation methods do not differ from the method already known under IAS 39. Each fluctuation in value of the financial instrument is recorded in net income from fair value accounting through profit and loss. Interest income or expenses from financial instruments measured at fair value through profit and loss are recognised under net interest income. The regulations for forming the loan loss allowance are not to be applied to this valuation class.

The following balance sheet items mainly include financial instruments at fair value:

- Loans and advances to banks
- Loans and advances to customers
- Financial assets
- Trading assets
- Trading liabilities

Financial instruments designated at fair value through profit and loss (fair value option – FVO)

The following balance sheet items mainly include financial instruments designated at fair value:

- Loans and advances to banks
- Loans and advances to customers
- Financial assets
- Amounts owed to banks
- Amounts owed to customers
- Liabilities evidenced by certificates
- Subordinated capital

These financial instruments are assessed at fair value. Unrealised and realised profits and losses are recorded with effect on the income statement as net income/loss from fair value accounting. Interest income or expenses from designated financial instruments are recognised under net interest income.

The effects of changes to the inherent default risk of a liability that was designated at fair value are recorded in other comprehensive income (OCI).

Financial assets and financial liabilities that are measured at amortised cost (Amortised Cost – AC)

This category does not include derivative financial assets that are held within the framework of a business model whose objective is to generate contractual cash flows from the assets held and which have passed the SPPI test. The category does not include financial assets that, on initial recognition, are designated as at fair value through profit and loss.

Financial assets in this category are measured at amortised cost using the effective interest method. Interest income or expenses from financial instruments which are measured at amortised cost are recognised under net interest income. Impairment losses as defined by IFRS 9 (Impairment) are recognised in profit or loss. The effects from the modifications of financial assets measured at amortised cost are disclosed in net income from financial investments.

If financial instruments on the liabilities side are neither classified as “At fair value through profit and loss” nor are they attributed to the category “Designated at fair value through profit and loss”, a valuation is performed at amortised cost.

The following balance sheet items include financial instruments measured at amortised cost:

- Loans and advances to banks
- Loans and advances to customers
- Financial assets
- Amounts owed to banks
- Amounts owed to customers
- Liabilities evidenced by certificates
- Subordinated capital

Financial assets that are measured at fair value with no effect on income – recyclable (Fair Value through Other Comprehensive Income – FVOCI)

This category does not include derivative debt capital instruments that have passed the SPPI test and are held within the framework of a business model whose objective is to generate contractual cash flows and sell financial assets. The first step of this valuation method involves calculating the amortised cost using the effective interest method. The difference between this “preliminary carrying amount” and the fair value is recorded directly against other comprehensive income (OCI). Impairment losses as defined by IFRS 9 (Impairment) are recorded through profit and loss and impact the other comprehensive income. Interest income or expenses from recyclable financial instruments which are measured at fair value with no effect on income are recognised under net interest income. The effects from modifications are disclosed in net income from financial investments.

The disposal of the instrument will result in the balance from the amount previously recorded in other comprehensive income (OCI) in the income statement being booked out (what is referred to as recycling).

The balance sheet item “Financial assets” includes recyclable financial assets that are measured at fair value with no effect on income.

Financial assets that are measured at fair value with no effect on income – non-recyclable (Fair Value through Other Comprehensive Income – FVOCI option)

A irrevocable decision can be made for equity instruments; this equity instrument must be measured at fair value with no effect on income (Fair Value through Other Comprehensive Income).

Fluctuations in the value of equity instruments in the FVOCI option category are recorded directly in other comprehensive income (OCI). The disposal of the instrument results in the accumulated fluctuations that were taken into account in other comprehensive income (OCI) not being recorded through profit and loss (no recycling). The balance will be transferred within equity from other comprehensive income (OCI) to the revenue reserve. Dividends from non-recyclable financial assets that are measured at fair value with no effect on income are recorded through profit and loss.

The right to choose can be exercised separately for each individual financial instrument. However, this right to choose does not apply to instruments that are acquired for trading. These instruments must be allocated to the FVTPL category. This right to choose is currently not applied by Raiffeisenlandesbank Oberösterreich.

Presentation of the balance sheet items by measurement basis (IFRS 9) and category

Assets	Main measurement basis		Category pursuant to IFRS 9
	Fair value	Amortised cost	
Cash and cash equivalents		x	At amortised cost
Loans and advances to banks		x	At amortised cost
Loans and advances to banks	x		Fair value through profit and loss
Loans and advances to customers		x	At amortised cost
Loans and advances to customers	x		Fair value through profit and loss
Loans and advances to customers	x		Fair value option
Trading assets	x		Fair value through profit and loss
Financial assets		x	At amortised cost
Financial assets	x		Fair value through profit and loss
Financial assets	x		Fair value option
Financial assets	x		Fair value OCI

Equity and liabilities	Main measurement basis		Category pursuant to IFRS 9
	Fair value	Amortised cost	
Amounts owed to banks		x	At amortised cost
Amounts owed to banks	x		Fair value option
Amounts owed to customers		x	At amortised cost
Amounts owed to customers	x		Fair value option
Trading liabilities	x		Fair value through profit and loss
Liabilities evidenced by certificates		x	At amortised cost
Liabilities evidenced by certificates	x		Fair value option
Subordinated capital		x	At amortised cost
Subordinated capital	x		Fair value option

Modifications

The modifications within the meaning of IFRS 9 are subsequent changes to the contractual relationship between borrowers and lenders. Modifications may usually result from different reasons (e.g. restructuring or changed market conditions). If there is a significant modification, a substantial change to the financial instrument is to be expected. Aside from changes to the contractually agreed payment flows, contract changes may also cause a significant modification without having a direct impact on the agreed payment flows. The following qualitative criteria represent a significant modification for financial assets:

- Change in currency
- Change in debtor
- Contract changes which cause a change in the assessment of the SPPI criterion
- Changes to the priority of servicing the financial instrument
- Change to the collateral value for “asset based lendings”
- Amendments of covenants which result in the agreed cash flows being renounced
- Changes to equity conversion features

The quantitative assessment of the contract change when a significant modification is to be assumed is carried out based on the difference between the present value of the originally agreed payment flows and the newly agreed payment flows. The present value is calculated based on the current effective interest rate before the modification. Raiffeisenlandesbank Oberösterreich defined a disposal threshold of 10% as of which there is a significant modification.

A change to the contractual payment flows as of a difference between the present value of the original and the newly agreed payment flows of more than 10% is to be classified as significant for financial liabilities.

If an existing contract is substantially changed, this corresponds economically to a disposal of the existing contract. The payment flows from the old contract are considered to be void and are replaced with the new, modified contract. This results in the derecognition of the (old) contract. The disposal income will be calculated from the difference between the net carrying amount of the disposed financial instrument and the fair value of the received financial instrument.

For insignificant modifications, the carrying amount is adjusted and the modification result is recorded in the amount of the adjustment. The amount of the carrying amount adjustment and the modification result is calculated from the comparison of the contractual cash flows of the asset or liability discounted with the previous effective interest rate before and after the modification. The focus is on the expected cash flows, taking into account all contract components but without taking into account expected losses. Fees incurred as a result of the modification are amortised over the term to maturity of the financial instrument.

Impairment according to IFRS 9

The introduction of IFRS 9 resulted in a change being made from a loan loss allowance model for incurred loss (incurred loss model) to a model for expected loss (expected loss model).

The following fall under the area of application of IFRS 9 Impairment provisions:

- Financial assets that are measured at amortised cost according to IFRS 9 including trade receivables and active contract items according to IFRS 15,
- financial assets that are to be allocated to the category at fair value with no effect on income (with recycling),
- credit commitments provided that there is currently a contractual obligation for lending; credit commitments that are measured at fair value through profit and loss are excluded from this,
- financial guarantees that fall under the area of application of IFRS 9 and are not measured at fair value through profit and loss,
- lease receivables that fall under the area of application of IAS 17 (in its current version or in the area of application of the future standard of accounting for leases, IFRS 16).

A loan loss allowance must now be formed in the amount of the expected future loss according to the IFRS 9 model. The amount of the loan loss allowance is measured against the amount of the expected future loss and in terms of the period to be taken into account is dependent on the stage at which the financial instrument finds itself on the reporting date.

With the exception of financial assets that already exhibit an impairment upon receipt, expected loss must be recorded at the following amount:

- The “expected 12-month loss” (present value of the expected payment defaults which result from possible default events within the next 12 months after the balance sheet date) (Stage 1) or
- the complete expected loss over the term to maturity of the instrument (present value of the expected payment defaults as a result of possible default events over the term to maturity of the financial instrument) (Stage 2 and 3).

With the exception of financial assets that have already exhibited an impairment upon receipt, the loss for Stage 2 financial instruments amounting to the present value of the expected loss over the term to maturity will be recorded if the default risk of the instrument increases significantly since the receipt of said instrument. The assessment of whether the default risk has increased significantly is based on a relative and absolute increase in the probability of default since receipt. The current probability of default for the term to maturity will be compared with the probability of default forecast for the current term to maturity at the time of receipt. Historic information and information on current basic conditions (e.g. the economic situation) and relevant and reliable forecasts of future events and economic conditions will be taken into account in this assessment. In addition to the quantitative element, qualitative factors such as early warning signals or the verification of the payment default are also included in the examination of the credit quality.

If there is a default, the financial instrument must be allocated to Stage 3. In Stage 3, interest income is recorded as unwinding based on the net carrying amount.

The transfer criteria (transfer of financial instruments between stages) are assessed in a symmetrical manner. If the transfer criteria described in the previous sections no longer apply, the loans and advances affected will be transferred back.

A right of choice applies to instruments whose default risk on the reporting date is “low”: in this case, it may be assumed that the default risk has not increased significantly since receipt. Standard practice is to describe the default as “low” if there is only a minimal risk of defaults, the debtor is largely capable of making his contractually agreed payments and detrimental changes to the economic and business environment may but will not necessarily have a negative impact on the debtor’s ability to make his contractually agreed payments in the long-term. An “Investment Grade” quality rating is described as a possible indicator of a minimal default risk as standard practice. A “minimal” credit risk is defined at Raiffeisenlandesbank Oberösterreich as none of the aforementioned stage transfer criteria being met.

The 3-stage model is not applied for financial assets that were already classified as impaired upon receipt (POCI - Purchased or Originated Credit Impaired). The accumulated changes of the lifetime expected loss since the initial recognition will be recorded in the balance sheet for these financial instruments in later reporting periods. The positive and negative changes will be recorded in the income statement as indirect appreciation and depreciation of the loan and advance.

The amount of the expected credit losses is measured as a probability-weighted estimation of credit losses (i.e. the present value of all payment defaults) over the expected term of the financial instrument. A payment default is the difference between the payments that are owed to a company contractually and the payments that the company is expected to receive.

Raiffeisenlandesbank Oberösterreich draws on different forward-looking information as economic input factors in the expected credit loss models for determining the expected loss in Stage 1 and 2. Macroeconomic factors from different sources are used, especially from the OeNB, OECD and the IMF. Care is taken with the macroeconomic models to ensure that the explanatory factors come from the same data source as the target variables. In order to model the macroeconomic factors, autoregressive models with exogenous variables (ARX models) are estimated for each macrofactor.

Simplified approach

IFRS 9 includes a simplification for trade receivables, active contract items and lease receivables. The loan loss allowance can be recorded for these financial instruments based on the lifetime expected loss. The accounting method for trade receivables, active contract items and lease receivables can be applied independently of each other. Raiffeisenlandesbank Oberösterreich uses the simplified approach for trade receivables and for loans and advances in relation to real factoring.

Hedge accounting

Raiffeisenlandesbank Oberösterreich has been using fair value hedge accounting pursuant to the provisions of IFRS 9 since 1 January 2018. In such hedging arrangements, the change in the fair value of a recognised hedged item (underlying transaction) that can be attributed to a particular risk is offset by a countervailing hedging instrument (generally a derivative). The recognition of a fair value hedge means that one-sided effects on profit or loss from economically hedged risks can be avoided. A key requirement is that the hedges must be effective and this effectiveness must be demonstrable and documented prospectively.

As is the case with the regulations of IAS 39, a hedge must consist of one or more suitable hedging instrument(s) and one or more underlying transaction(s) in order to meet the requirements for hedge accounting. A formal designation must still also be made at the beginning of the hedge and corresponding documentation must be created. However, the risk management strategy and objective in IFRS 9 is of greater significance than the regulations of IAS 39.

The main area of application in the Group is the hedging of underlying transactions with fixed interest rate risks by the use of countervailing derivative financial instruments in which the key parameters are otherwise largely identical (e.g. issues with fixed coupons and receiver swaps). The objective is to reduce the volatility of results that could occur without hedge accounting with a one-sided mark-to-market measurement of the derivative recognised in profit or loss.

The hedging transactions in the context of Fair value hedge accounting is recorded – as are the other derivative financial instruments – under the balance sheet items “Trading assets” and “Trading liabilities”.

Underlying transactions in the context of fair value hedge accounting are recorded above all in the following balance sheet items:

- Loans and advances to customers
- Financial assets
- Amounts owed to banks
- Amounts owed to customers
- Liabilities evidenced by certificates
- Subordinated capital

The gains and losses arising from fair value hedge accounting are reported in the income statement under the item “Net income from investments”.

In addition, Raiffeisenlandesbank Oberösterreich hedges the foreign currency risk arising from net investments in foreign operations, applying the relevant provisions on such hedges of net investments in accordance with IFRS 9 in conjunction with IFRIC 16. The hedged underlying transaction in this case is the net investment in a foreign operation; the Group uses financial liabilities as the hedging instrument. The effective portion of the hedge is recognised in other comprehensive income.

Net interest income

Interest and similar income includes, in particular, interest income from loans and advances to customers and banks as well as bonds and interest-dependent derivatives. It also includes current income from shares, profit participation rights, fund units/shares as well as from affiliated companies and other equity investments that are neither fully consolidated nor accounted for using the equity method. The share of profit or loss from companies accounted for using the equity method are also reported in a separate item within net interest income.

Interest expenses arise mainly in relation to amounts owed to customers and banks, liabilities evidenced by certificates, subordinated capital and interest-dependent derivatives.

Interest income and expenses are subject to accrual accounting; dividends are recognised as soon as legal entitlement arises.

Negative interest in connection with financial liabilities is reported as a separate item in interest income. Negative interest in connection with financial assets is reported as a separate item in interest expenses.

Loan loss allowances

This item on the income statement is used to report the recognition and reversal of loan loss allowances. This relates to all allowances and provisions from the loan business as well as those for Stage 1 and 2 from the securities business. Direct impairment losses and subsequent receipts in respect of loans and advances that have already been written off are also included in this item.

Net fee and commission income

Net fee and commission income is the balance of income and expenses in connection with the service business, recognised in the periods to which the income and expenses apply. Fee and commission income and expenses arise mainly from payment transactions, foreign exchange, notes/coins business, precious metal transactions, securities business, loan processing and guarantee business.

Net income from trading operations

Interest and dividend income, refinancing costs, commissions and changes in value of dealing securities are recorded under "Net income from trading operations".

Net income from fair value accounting

The "Net income from fair value accounting" item includes realised and unrealised gains and losses in relation to the fair value valuation of financial instruments in the categories "At fair value through profit and loss" and "Designated at fair value through profit and loss".

Net income from financial investments

"Net income from financial investments" shows the valuation and disposal income recorded at profit or loss which occur for securities of the IFRS 9 categories "At fair value with no effect on income" and "At amortised cost". Gains and losses from FVOCI inventories that are transferred into the income statement as part of recycling can be found in the statement of comprehensive income and the equity information in the Disclosures.

Stage 3 impairments are also disclosed in this item of the income statement for securities of the aforementioned categories. The addition or reversal of the loan loss allowance for securities in Stages 1 and 2 is disclosed under the "Loan loss allowance" item.

The modification result from financial assets of the categories "At amortised cost" or "At fair value without no effect on income" is disclosed in this item of the income statement. The amount of this carrying amount adjustment is calculated from the comparison of the contractual cash flows of the asset discounted with the effective interest rate before and after the modification.

The gains and losses arising from hedge accounting according to IFRS 9, gains and losses from the first-time and deconsolidation as well as – if applicable – disposal gains and losses from loans and advances to customers and banks measured at amortised cost and gains and losses from reclassifications are also disclosed under this item of the income statement.

General administrative expenses

The general administrative expenses include personnel and other administrative expenses as well as depreciation and amortisation of intangible assets, property, plant and equipment and investment property.

Other net operating income

In addition to regulatory fees, the business activities of companies outside of the banking and leasing industry are reflected in particular in other operating income. This includes, for example, revenue from the real estate, IT and food industry.

IFRS 15 specifies that revenue is recognised when the customer acquires control over the agreed goods and services and can obtain benefits from them. Revenue is recorded based on a five stage model.

Proceeds are realised for a specific time period if the fulfilment of the service obligation by Raiffeisenlandesbank Oberösterreich goes hand in hand with the use and consumption by the customer, if an asset is generated or improved and the customer obtains the power of disposal during this process or if there is no alternative possibility for use and Raiffeisenlandesbank Oberösterreich is entitled to a payment for the service provided to date. If, on the other hand, none of these listed criteria apply, the sales proceeds are realised at a specific date.

Management judgement and estimates in conjunction with changes from IFRS 9

Valuation of the expected credit loss

The valuation of the expected credit loss for financial assets measured at amortised cost and for financial assets measured at fair value with no effect on income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

The impairment method is described in more detail in the "Impairment according to IFRS 9" section in which the key characteristics of the expected credit loss calculation are also listed. Several important assessments are required for measuring expected credit loss, such as:

- Defining criteria for a significant increase in the credit risk
- Selecting suitable models and assumptions
- Defining the number and relative weighting of future-oriented scenarios
- Defining groups of similar financial assets.

INCOME STATEMENT DISCLOSURES

1. Net interest income*

IN EUR '000	1 Jan. – 30 June 2018	1 Jan. – 30 June 2017
Interest income	**357,077**	**331,965**
from financial assets in the “Measured at amortised cost” (AC) category	200,652	n/a
from financial assets in the “Measured at fair value with no effect on income” (FVOCI) category	36,809	n/a
from financial liabilities in the “Measured at amortised cost” (AC) category	11,243	n/a
from financial assets in the “Loans and receivables” category	n/a	158,528
from financial assets in the “Available for sale” category	n/a	34,022
from financial assets in the “Held-to-maturity” category	n/a	3,063
from financial liabilities that are measured at amortised cost (AC)	n/a	2,416
from financial assets in the “Measured at fair value through profit and loss” (FVTPL) category	68,748	n/a
from financial assets in the “Designated at fair value through profit and loss” (FVO) category	3,131	n/a
from financial liabilities in the “Measured at fair value through profit and loss” (FVTPL) category	0	n/a
from financial liabilities in the “Designated at fair value through profit and loss” (FVO) category	0	n/a
from designated and derivative financial instruments	n/a	98,686
from designated financial liabilities	n/a	0
from lease financing	36,494	35,250
Current income	**13,836**	**16,383**
from financial assets in the “Measured at fair value through profit and loss” (FVTPL) category	13,836	n/a
from shares and other variable-yield securities	n/a	2,542
from investments in affiliated companies	n/a	11,247
from other investments	n/a	2,594
Other interest-related income	**443**	**28**
Interest and interest-related income	**371,356**	**348,376**
Interest expenses	**–175,477**	**–186,478**
for financial liabilities in the “Measured at amortised cost” (AC) category	–102,723	n/a
for financial liabilities in the “Measured at fair value through profit and loss” (FVTPL) category	–2,982	n/a
for financial liabilities in the “Designated at fair value through profit and loss” (FVO) category	–60,315	n/a
for financial assets in the “Measured at amortised cost” (AC) category	–9,457	n/a
from financial assets in the “Measured at fair value with no effect on income” (FVOCI) category	0	n/a
from financial assets in the “Measured at fair value through profit and loss” (FVTPL) category	0	n/a
from financial assets in the “Designated at fair value through profit and loss” (FVO) category	0	n/a
for financial liabilities that are measured at amortised cost (AC)	n/a	–95,699
for financial assets that are measured at amortised cost (AC)	n/a	–6,258
for designated and derivative financial instruments	n/a	–84,521
for designated financial assets	n/a	0
Other interest-related expenses	**–790**	**–453**
Interest and interest-related expenses	**–176,267**	**–186,931**
Share of profit or loss of equity-accounted investments	**100,698**	**149,813**
from proportionate results	144,112	132,929
from impairment / reversal of impairment of companies accounted for using the equity method	–43,414	16,884
Net interest income*	**295,787**	**311,258**

* includes net income of companies reported under the equity method

The interest income includes interest income from value-adjusted loans and advances to customers and banks of EUR 1,731 thousand (previous year: EUR 4,200 thousand). Interest income from significant value-adjusted loans and advances to customers and banks are recognised using the interest rate which was used in determining the impairment loss for discounting the future cash flow.

Reference is made to the effects resulting from the law in relation to maintaining margins in the case of negative interest rates in the “Provisions” section in the Disclosures.

For further details regarding the results from companies accounted for using the equity method as well as the valuations in this regard (impairment or reversal of impairment), reference is made to the “Companies accounted for using the equity method” section in the Disclosures. The above amounts are assigned to the “Investments” segment.

2. Loan loss allowances

IN EUR '000	1 Jan. – 30 June 2018	1 Jan. – 30 June 2017
Changes to the loan loss allowance through profit and loss under IFRS 9	–21,496	n/a
Additions to allowances for losses on loans and advances	n/a	–116,904
Reversal of loan loss allowances	n/a	110,540
Direct impairment losses	–1,722	–531
Amounts received against loans and advances written off	7,927	3,247
Total	**–15,291**	**–3,648**

For further details on the loan loss allowance, please refer to the notes referring to this in the Disclosures.

3. Net fee and commission income

H1 2018

IN EUR '000	Corporates	Retail & Private Banking	Financial Markets	Equity Investments	Corporate Center	Total
Fee and commission income	**19,214**	**17,193**	**28,366**	**36,461**	**4,751**	**105,986**
from payment transactions	5,398	5,284	51	3,704	1,616	16,053
from funding transactions	13,007	442	1,202	909	2,600	18,161
from securities business	117	7,594	26,670	16,464	293	51,138
from foreign exchange, currency and precious metals transactions	652	453	443	462	144	2,153
from other service business	41	3,420	0	14,922	98	18,481
Fee and commission expenses	**–2,168**	**–1,642**	**–14,764**	**–8,760**	**–2,499**	**–29,833**
from payment transactions	–194	–496	–123	–416	–514	–1,744
from funding transactions	–1,896	–319	0	–132	–1,929	–4,275
from securities business	–1	–760	–14,251	–6,613	–40	–21,664
from foreign exchange, currency and precious metals transactions	0	0	0	–3	0	–3
from other service business	–78	–68	–389	–1,596	–17	–2,147
Net fee and commission income	**17,046**	**15,551**	**13,602**	**27,702**	**2,252**	**76,153**

H1 2017

IN EUR '000	Corporates	Retail & Private Banking	Financial Markets	Equity Investments	Corporate Center	Total
Fee and commission income	**23,813**	**16,805**	**23,548**	**33,066**	**3,781**	**101,013**
from payment transactions	5,061	5,141	37	3,933	1,477	15,648
from funding transactions	17,909	452	1,184	542	1,932	22,019
from securities business	77	7,349	22,028	15,897	200	45,551
from foreign exchange, currency and precious metals transactions	724	484	300	422	102	2,032
from other service business	42	3,379	0	12,272	70	15,763
Fee and commission expenses	**–1,275**	**–1,553**	**–11,486**	**–8,399**	**–2,671**	**–25,385**
from payment transactions	–169	–513	–134	–345	–425	–1,586
from funding transactions	–1,106	–180	0	–207	–2,232	–3,726
from securities business	0	–782	–11,278	–6,035	0	–18,096
from foreign exchange, currency and precious metals transactions	0	0	0	–4	0	–4
from other service business	0	–78	–73	–1,808	–14	–1,973
Net fee and commission income	**22,537**	**15,252**	**12,062**	**24,667**	**1,110**	**75,628**

4. Net income from trading operations

IN EUR '000	1 Jan. – 30 June 2018	1 Jan. – 30 June 2017
Interest rate-related business	592	620
Currency related business	3,083	2,004
Stock- and index-related business	0	0
Other transactions	285	363
Total	**3,960**	**2,987**

5. Net income from fair value accounting

IN EUR '000	1 Jan. – 30 June 2018	1 Jan. – 30 June 2017
Net income from fair value accounting	**1,153**	**n/a**
from financial assets in the "Measured at fair value through profit and loss" (FVTPL) category	–23,813	n/a
from financial liabilities in the "Measured at fair value through profit and loss" (FVTPL) category	0	n/a
from financial assets in the "Designated at fair value through profit and loss" (FVO) category	–515	n/a
from financial liabilities in the "Designated at fair value through profit and loss" (FVO) category	25,481	n/a

IN EUR '000	1 Jan. – 30 June 2018	1 Jan. – 30 June 2017
Net gain or loss on designated financial instruments and derivatives	**n/a**	**14,366**
of which on designated hedged items	n/a	64,434
of which on derivatives	n/a	–50,068

6. Net income from financial investments

IN EUR '000	1 Jan. – 30 June 2018	1 Jan. – 30 June 2017
Securities in the "Measured at amortised cost" (AC) category	**4**	**n/a**
Gain or loss on remeasurement	0	n/a
Gains from the reversal of impairment of securities in the "Measured at amortised cost" (AC) category	0	n/a
Losses from the impairment of securities in the "Measured at amortised cost" (AC) category	0	n/a
Gain or loss on disposal	4	n/a
Securities in the "Measured at fair value with no effect on income" (FVOCI) category	**1,465**	**n/a**
Gain or loss on remeasurement	0	n/a
Gains from the reversal of impairment of securities in the "Measured at fair value with no effect on income" (FVOCI) category	0	n/a
Losses from the impairment of securities in the "Measured at fair value with no effect on income" (FVOCI) category	0	n/a
Gain or loss on disposal	1,465	n/a
Securities classified as held to maturity	**n/a**	**0**
Gain or loss on remeasurement	n/a	0
Gain or loss on disposal	n/a	0
Securities classified as loans and receivables	**n/a**	**–1**
Gain or loss on remeasurement	n/a	0
Gain or loss on disposal	n/a	–1
Securities in the category "available for sale"	**n/a**	**6,210**
Gain or loss on remeasurement	n/a	5
Gain or loss on disposal	n/a	6,205
Shares in companies classified as available for sale	**n/a**	**1,013**
Gain or loss on remeasurement	n/a	–1,546
Gain or loss on disposal	n/a	2,559
Gain or loss arising from hedge accounting	**–561**	**–6,373**
Gains and losses arising on hedging transactions	10,231	–48,147
Valuation from underlying transactions	–10,792	41,774
Modification result	**423**	**n/a**
Modification income	**1,709**	**n/a**
from financial assets in the "Measured at amortised cost" (AC) category	1,709	n/a
from financial assets in the "Measured at fair value with no effect on income" (FVOCI) category	0	n/a
Modification expenditure	**–1,286**	**n/a**
from financial assets in the "Measured at amortised cost" (AC) category	–1,286	n/a
from financial assets in the "Measured at fair value with no effect on income" (FVOCI) category	0	n/a
Gain or loss from initial consolidation and deconsolidation	**1,120**	**448**
Total	**2,451**	**1,297**

The income-neutral measurement of debt capital instruments which are measured at fair value with no effect on income amounted to EUR –32,723 thousand in the first half of 2018. An amount of EUR –1,872 thousand was also reclassified in the income statement in the first half of 2018. EUR –1,860 thousand of this is attributable to valuation effects which were reclassified in the net result from disposal in the "Measured at fair value with no effect on income" category and EUR –12 thousand to loan loss allowances which were reclassified in the "Loan loss allowance" item in the income statement.

The profit from first-time consolidation and deconsolidation amounted to EUR 1,120 thousand in the first half of 2018 (H1 2017: EUR 448 thousand) and resulted primarily from the deconsolidation of the Eberstalzell Immobilien GmbH und der H. Loidl Wurstproduktions- und vertriebsgesellschaft m.b.H. & Co KG project.

The carrying amount of equity instruments measured at cost of acquisition which were sold during the first half of 2017 amounted to EUR 4,303 thousand. The resulting net result from disposal amounted to EUR 1,510 thousand in the first half of 2017.

7. General administrative expenses

IN EUR '000	1 Jan. – 30 June 2018	1 Jan. – 30 June 2017
Personnel expenses	–203,358	–196,022
Administrative expenses	–147.933	–132,858
Depreciation and impairment losses on property and equipment and on investment property, amortisation and impairment losses on intangible assets	–42,774	–42,729
Total	**–394,065**	**–371,609**

In the first half of 2018, the general administrative expenses include approximately EUR 136.1 million (H1 2017: EUR 128.1 million) from companies in the foodstuff sector ("VIVATIS Holding AG" Group and "efko Frischfrucht und Delikatessen GmbH" Group). The companies are in the food and beverage sector and, as their business is unrelated to banking, they are mainly reported in the income statement under "Other operating income" and "General administrative expenses".

The general administrative expenses from the OÖ Wohnbau companies were approx. EUR 17.4 million in the first half of 2018 (H1 2017: EUR 16.7 million).

Expenses from real estate held as financial investments amounted to EUR 7.3 million in the first half of 2018 (H1 2017: EUR 6.4 million).

8. Other net operating income

IN EUR '000	1 Jan. – 30 June 2018	1 Jan. – 30 June 2017
Other operating income	**542,088**	**575,742**
Income from non-banking activities	484,131	524,877
Income from real estate held as financial investments	21,501	21,267
Miscellaneous operating income	36,456	29,598
Other operating expenses	**–315,468**	**–371,114**
Expenses from non-banking activities	–238,069	–302,210
Other tax and fees	–17,444	–17,917
Miscellaneous operating expenses	–59,955	–50,987
Total	**226,620**	**204,628**

In the first half of 2018, a total expenditure of EUR 16.3 million H1 2017: EUR 16.2 million) was booked for the stability levy in Raiffeisenlandesbank Oberösterreich AG and in SALZBURGER LANDES-HYPOTHEKENBANK AKTIENGESELLSCHAFT. The posting of all expenses in connection with the stability levy has been undertaken in the item of "Other tax and fees". The expenses in the first half of 2018 for the expected annual fees for the resolution fund and the deposit guarantees of both banks in the amount of EUR 19.0 million H1 2017: EUR 16.4 million) are posted under "Other operating expenses".

The sales revenue from non-banking activities are broken down by key product groups in the following table. All sales revenue from non-banking activities are disclosed in the “Equity investments” segment.

IN EUR ’000	1 Jan. – 30 June 2018	1 Jan. – 30 June 2017
Sales revenue from non-banking activities	**484,131**	**524,877**
Revenue from the food industry	325,935	402,370
Revenue from the real estate industry	69,584	40,773
Revenue from the IT group	50,862	47,639
Others	37,750	34,095

The amount of the (deployed) inventories of companies in the food industry (“VIVATIS Holding AG” Group and “efko Frischfrucht und Delikatessen GmbH” Group) which was recorded as expenditure in the reporting period is EUR 180.7 million H1 2017: EUR 269.0 million) and is reported under “Expenses arising from non-banking activities”.

In total, the “Other operating income” of the companies in the “VIVATIS Holding AG” Group and the “efko Frischfrucht und Delikatessen GmbH” Group amounts to about EUR 145.2 million (H1 2017: EUR 133.3 million). The companies are in the food and beverage sector and, as their business is unrelated to banking, they are mainly reported in the income statement under “Other operating income” and “General administrative expenses”.

The Upper Austrian residential building companies (OÖ Wohnbau) contributed about EUR 24.2 million to the “Other operating income” in the first half of 2018 (H1 2017: EUR 21.2 million).

9. Taxes on income

IN EUR ’000	1 Jan. – 30 June 2018	1 Jan. – 30 June 2017
Taxes on income	–19,059	–19,629

BALANCE SHEET DISCLOSURES

10. Financial instruments disclosures

Categories of financial assets and financial liabilities as at 30 June 2018:

Assets IN EUR '000	**Measured at amortised cost (AC)**	**Measured at fair value with no effect on income (FVOCI)**	**Measured at fair value through profit and loss (FVTPL)**	**Designated at fair value through profit and loss (FVTPL)**	**Carrying amount total 30 June 2018**	**Fair value total 30 June 2018**
Cash and cash equivalents	61,606	0	0	0	61,606	61,606
Loans and advances to banks	7,263,301	0	429,582	0	7,692,883	7,679,542
Loans and advances to customers	21,183,613	0	218,416	77,058	21,479,087	22,050,934
Trading assets	0	0	1,873,798	0	1,873,798	1,873,798
Financial assets	325,505	4,483,603	740,443	191,822	5,741,373	5,759,120
Assets held for sale*	0	0	13,802	0	13,802	13,802
Carrying amount total 30 June 2018	**28,834,025**	**4,483,603**	**3,276,041**	**268,880**	**36,862,549**	**37,438,802**

* only carrying amounts for financial instruments affected

The amount of the change in fair value of assets designated at fair value through profit and loss that was due to changes in ratings came to a valuation profit of EUR 1,016 thousand for the first half of 2018 (aggregate EUR 4,828 thousand). This figure was obtained by applying the changes in credit spread. The credit risk exposure for these assets designated at fair value through profit and loss as at 30 June 2018 was EUR 268,880 thousand.

Equity and liabilities IN EUR '000	**Measured at amortised cost (AC)**	**Measured at fair value through profit or loss (FVTPL)**	**Designated at fair value through profit or loss (FVO)**	**Carrying amount total 30 June 2018**	**Fair value total 30 June 2018**
Amounts owed to banks	11,908,238	0	498,649	12,406,887	12,416,897
Amounts owed to customers	11,578,797	0	589,426	12,168,223	12,178,962
Trading liabilities	0	1,482,987	0	1,482,987	1,482,987
Liabilities evidenced by certificates	6,173,274	0	2,130,638	8,303,912	8,361,574
Subordinated capital	527,434	0	490,941	1,018,375	1,045,770
Carrying amount total 30 June 2018	**30,187,743**	**1,482,987**	**3,709,654**	**35,380,384**	**35,486,190**

As of 30 June 2018, Raiffeisenlandesbank Oberösterreich was given a Baa1 rating (31 December 2017: Baa1) by Moody's. From the fair value changes in designated liabilities in the first half of 2018, a cumulative share amounting to EUR 248 thousand is due to losses in value stemming from changes caused by creditworthiness. Effects of changes in default risk are recorded in other comprehensive income. The remaining part of the change in fair value of the financial liabilities is recorded through profit and loss. In order to calculate the fair value change caused by creditworthiness, the fair value at the balance sheet date is compared with a fair value which is determined using historic premiums on the yield curves caused by credit risk at the start of the transaction and at the balance sheet date from the previous year. The business data and yield curves from the balance sheet date are used. The carrying amount of the designated liabilities amounts to EUR 3,709,654 thousand as of 30 June 2018. EUR 966 thousand of accumulated profit or loss within equity was reclassified as a result of redemptions in the first half of 2018.

The carrying amount of designated financial liabilities as at 30 June 2018 was EUR 135,610 thousand higher than the repayment sum contractually agreed on.

Categories of financial assets and financial liabilities as at 31 Dec. 2017:

Assets IN EUR '000	Financial instruments held for trading	Designated financial instruments	Financial assets available for sale (AfS)	Financial assets held-to-maturity	Loans and receivables	Carrying amount total 31 Dec. 2017	Fair value total 31 Dec. 2017
Cash and cash equivalents	0	0	0	0	70,402	70,402	70,402
Loans and advances to banks	0	0	0	0	8,352,262	8,352,262	8,335,618
Loans and advances to customers	0	1,255,189	0	0	19,096,993	20,352,182	20,761,661
Trading assets	1,885,912	0	0	0	0	1,885,912	1,885,912
Financial assets	0	496,286	4,438,884	284,448	538,877	5,758,495	5,786,827
Assets held for sale*	0	0	14,008	0	31	14,039	14,039
Carrying amount total 31 Dec. 2017	**1,885,912**	**1,751,475**	**4,452,892**	**284,448**	**28,058,565**	**36,433,292**	**36,854,459**

* only carrying amounts for financial instruments affected

The fair value carrying amounts in the category "Financial assets available for sale (AfS)" contain equity instruments to the amount of EUR 132,724 thousand that are valued at the cost of purchase because their fair value cannot be reliably determined or the procurement costs approximately accord with their fair value.

The amount of the change in fair value of designated loans and receivables that was due to changes in ratings in the 2017 financial year was EUR 2,082 thousand (aggregate EUR 715 thousand). This figure was obtained by applying the changes in credit spread. The credit risk exposure for these designated loans and receivables as at 31 Dec. 2017 was EUR 1,255,189 thousand.

Equity and liabilities IN EUR '000	Financial instruments held for trading	Designated financial instruments	Financial liabilities stated at amortised cost	Carrying amount total 31 Dec. 2017	Fair value total 31 Dec. 2017
Amounts owed to banks	0	710,494	11,622,874	12,333,368	12,326,007
Amounts owed to customers	0	678,947	11,375,174	12,054,121	12,074,622
Trading liabilities	1,513,826	0	0	1,513,826	1,513,826
Liabilities evidenced by certificates	0	2,582,689	5,338,937	7,921,626	7,953,375
Subordinated capital	0	520,578	631,120	1,151,698	1,166,933
Carrying amount total 31 Dec. 2017	**1,513,826**	**4,492,708**	**28,968,105**	**34,974,639**	**35,034,763**

In the 2017 financial year, Raiffeisenlandesbank Oberösterreich was given a Baa1 rating (previous year: Baa2) by Moody's. From the fair value changes in designated liabilities in the 2017 financial year, a portion amounting to EUR –36,449 thousand is due to losses in value stemming from changes caused by creditworthiness. Cumulatively, the portion encompasses a valuation gain of EUR 17,891 thousand. In order to calculate the fair value change caused by creditworthiness, the fair value at the balance sheet date is compared with a fair value that is determined using historic premiums on the yield curves caused on the one hand by credit risk at the start of the transaction, and at the balance sheet date from the previous year on the other. The business data and yield curves from the balance sheet date are used. The carrying amount of these designated loans and receivables as at 31 Dec. 2017 was EUR 4,492,708 thousand.

The carrying amount of designated financial liabilities as at 31 Dec. 2017 was EUR 138,159 thousand higher than the repayment sum contractually agreed on.

Breakdown of the fair value of financial instruments as at 30 June 2018:

IN EUR '000	Financial instruments measured at fair value 30 June 2018	Thereof market prices listed in active markets (Level I)	Thereof measurement methods based on market data (Level II)	Thereof measurement methods not based on market data (Level III)
Measured at fair value through profit or loss (FVTPL)	3,276,041	126,550	2,287,667	861,824
Designated at fair value through profit or loss (FVO)	268,880	185,440	6,382	77,058
Measured at fair value with no effect on income (FVOCI)	4,483,603	3,966,401	517,202	0
Total financial assets measured at fair value	**8,028,524**	**4,278,391**	**2,811,251**	**938,882**
Measured at fair value through profit or loss (FVTPL)	1,482,987	0	1,482,987	0
Designated at fair value through profit or loss (FVO)	3,709,654	0	3,709,654	0
Total financial liabilities measured at fair value	**5,192,641**	**0**	**5,192,641**	**0**

Reclassifications between Level I and Level II in the first half of 2018:

There were neither reclassifications from Level I to Level II nor from Level II to Level I for financial instruments accounted for at fair value in the first half of 2018.

Reconciliation in the first half of 2018 of financial instruments measured at fair value in Level III:

IN EUR '000	Measured at fair value through profit or loss (FVTPL)	Designated at fair value through profit or loss (FVO)
As at 1 Jan.	**1,056,451**	**66,343**
Purchases	13,053	13,091
Divestments	–198,825	–4,279
Change in the consolidated companies	0	0
Effective results	–8,855	1,903
Effect-neutral results	0	0
Revalued at fair value	0	0
Reclassification to Level III	0	0
Reclassification from Level III	0	0
As at 30 June	**861,824**	**77,058**

The amount of gains and losses effectively recognised from recurring measurements of the fair value in Level III of the assets and liabilities found in the portfolio on the reporting date amounts to EUR –216 thousand in the first half of 2018.

Sensitivity analysis as at 30 June 2018

	Carrying amount corresponds with fair value (Level III)	Fair value gain –100 basis points
	IN EUR '000	IN %
Loans and advances	291,966	1.34
Securities	323,016	13.87
Equity investments	310,068	35.72

	Carrying amount corresponds with fair value (Level III)	Fair value loss +100 basis points
	IN EUR '000	IN %
Loans and advances	291,966	–4.82
Securities	323,016	–9.82
Equity investments	310,068	–25.65

Credit spreads of by 100 basis points in each case are varied for all fixed-interest securities and loans and advances at fair value for the sensitivity analysis. New fair values were established based on this shift in credit spreads, either as an addition or a deduction in the discount curve in the valuation. The difference to the fair value originally established is shown in the table above in percentage values.

The sensitivity analysis for non-fixed interest securities and holdings was likewise conducted based upon a shift in interest rates of +100 basis points or –100 basis points respectively. In the case of real estate values, the capitalisation interest rate was varied in accordance with the Net Asset Value Method. In the case of the remaining investments, the risk-free base interest rate or, in the case of the investments valued according to the DCF Method, the WACC was changed. The remaining valuation parameters remained constant in this process (e.g. no consideration was taken of the countervailing or dampening financing advantage generated from fixed interest rate agreements).

No interest rate shift was conducted for non-significant investments and non-fixed interest securities. The carrying amount and fair value of these financial assets (amounting to EUR 13,832 thousand as of 30 June 2018) is consequently not included in the above table.

Breakdown of the fair value of financial instruments as at 31 Dec. 2017:

IN EUR '000	Financial instruments measured at fair value 31 Dec. 2017	Thereof market prices listed in active markets (Level I)	Thereof measurement methods based onmarket data (Level II)	Thereof measurement methods not based on market data (Level III)
Financial instruments held for trading	1,885,912	28,756	1,857,156	0
Designated financial instruments	1,751,475	365,046	10,308	1,376,121
Financial assets available for sale (AfS)	4,320,168	3,607,059	205,827	507,282
Total financial assets measured at fair value	**7,957,555**	**4,000,861**	**2,073,291**	**1,883,403**
Financial instruments held for trading	1,513,826	0	1,513,826	0
Designated financial instruments	4,492,708	0	4,492,708	0
Total financial liabilities measured at fair value	**6,006,534**	**0**	**6,006,534**	**0**

Reclassification between Level I and Level II in the first half of 2017:

There were neither reclassifications from Level I to Level II nor from Level II to Level I for financial instruments accounted for at fair value in the first half of 2017.

Reconciliation in the first half of 2017 of financial instruments measured at fair value in Level III:

IN EUR '000	Financial assets available for sale (AfS)	Designated financial assets
As at 1 Jan.	**475,429**	**1,109,367**
Purchases	6,300	586,840
Divestments	–6.920	–298,741
Effective results	–38	8,530
Effect-neutral results	163	0
Reclassification to Level III	0	0
Reclassification from Level III	0	0
As at 30 June	**474,934**	**1,405,996**

Sensitivity analysis as at 31 December 2017

	Carrying amount corresponds with fair value (Level III)	Fair value gain –100 basis points
	IN EUR '000	IN %
Loans and advances	1,255,189	1.03
Securities	359,105	9.67
Equity Investments	259,214	35.72

	Carrying amount corresponds with fair value (Level III)	Fair value loss +100 basis points
	IN EUR '000	IN %
Loans and advances	1,255,189	–4.25
Securities	359,105	–7.71
Equity Investments	259,214	–25.65

10.1 Hedge Accounting

Hedging transactions

IN EUR '000	Term of hedging transactions: up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Fair value hedges – Assets				
Nominal amount	20,060	35,000	741,460	1,957,456
Fair value hedges – Liabilities				
Nominal amount	0	162,500	1,367,429	1,825,193

Hedging instruments

IN EUR '000	Carrying amount of hedging instruments 30 June 2018	Nominal amount 30 June 2018	Change in the fair value which is used as the basis for recording ineffectiveness 1 January – 30 June 2018
Fair value hedge derivatives – Assets			
Fixed interest rate risk			
Interest rate swaps	214,199	2,746,976	6,016
Swaptions	11	7,000	19
Fair value hedge derivatives - Liabilities			
Fixed interest rate risk			
Interest rate swaps	204,269	3,343,122	4,296
Swaptions	13	12,000	18

Underlying transactions

IN EUR '000	Carrying amount of the underlying transactions 30 June 2018	Accumulated amount of the hedge adjustment in the carrying amount of the underlying transaction 30 June 2018	Change in the value of the underlying transaction which is used as the basis for recording ineffectiveness in the period 1 January – 30 June 2018
Fair value hedges – Assets			
Fixed interest rate risk			
Loans and advances to banks	5,053	48	48
Loans and advances to customers	375,822	4,680	625
Financial assets	2,144,993	73,233	3,169
Fair value hedges – Liabilities			
Fixed interest rate risk			
Amounts owed to banks	579,737	8,954	–3,621
Amounts owed to customers	535,764	37,453	–1,550
Liabilities evidenced by certificates	2,831,043	134,423	–9,452
Subordinated capital	105,967	–2,170	–150

Ineffectiveness

IN EUR '000	Ineffectiveness of the hedging 1 January – 30 June 2018
Fair value hedges – Assets	
Fixed interest rate risk	
Loans and advances to banks	2
Loans and advances to customers	–173
Financial assets	100
Fair value hedges – Liabilities	
Fixed interest rate risk	
Amounts owed to banks	–171
Amounts owed to customers	–172
Liabilities evidenced by certificates	–289
Subordinated capital	121

Reference is made to the statements on a hedging of a net investment in a foreign operation in the "Accounting policies" section and the presentation of information on reserves in relation to this in the "Equity" notes.

Fixed interest rate risk positions as part of the ordinary business activities of Raiffeisenlandesbank Oberösterreich result from the conclusion of loans and term deposits with customers as well as from the purchase of securities and from issues. Positions on the liabilities side, in particular, are hedged in terms of their fixed interest rate risk in order to reduce negative maturity transformation effects. Customer transactions in assets usually remain unsecured in the context of the established interest rate expectation. Only high-volume transactions with stable cash flows are hedged to a lesser degree. There is also increased hedging on the asset side in the securities sector.

The main area of application for IFRS hedge accounting is the hedging of underlying transactions with fixed interest rate risks by the use of countervailing derivative financial instruments in which the key parameters are otherwise largely identical (e.g. issues with fixed coupons and receiver swaps). The positions usually contain 1:1 hedged underlying transactions for which a stable cash flow is to be expected (e.g. institutional issues, bond positions in assets or large loans with stable cash flows). They are therefore micro-hedge relationships in the form of fair value hedges. Interest rate swaps and a few swaptions are predominantly used as hedging instruments for hedging interest change risks. The aim of using hedge accounting is to prevent fluctuations in the income statement as a result of interest change risks.

Despite what are usually almost congruent conditions between underlying and hedging transactions, certain inefficiencies may occur with an effect on the income statement for the following reasons:

- differences in discounting for underlying and hedging transactions,
- interest valuation results on the variable side of derivative hedging transactions and
- discrepancies within the tolerance limits of the specific transaction characteristics verified in the critical term match, such as the term discrepancy, nominal discrepancy and interest payment dates

Possible effects of netting agreements

The following tables contain information on the offsetting effects on the consolidated balance sheet and the financial implications of a set-off in the case of instruments which are subject to a framework netting agreement or similar agreement as well as to cash collateral.

Assets

IN EUR '000	Financial assets (gross) = recognised financial assets (net)	Unrecognised amounts: Effect of offsetting framework agreements	Unrecognised amounts: Cash collateral	Net amount
Loans and advances to banks	7,692,883	–81,804	–548,078	7,063,001
Positive fair values generated from derivative financial instruments	1,841,800	–915,450	–440,137	486,213
Total 30 June 2018	**9,534,683**	**–997,254**	**–988,215**	**7,549,214**

IN EUR '000	Financial assets (gross) = recognised financial assets (net)	Unrecognised amounts: Effect of offsetting framework agreements	Unrecognised amounts: Cash collateral	Net amount
Loans and advances to banks	8,352,262	–86,464	–506,588	7,759,210
Positive fair values generated from derivative financial instruments	1,851,546	–985,455	–435,210	430,881
Total 31 Dec. 2017	**10,203,808**	**–1,071,919**	**–941,798**	**8,190,091**

Liabilities

IN EUR '000	Financial liabilities (gross) = recognised financial liabilities (net)	Unrecognised amounts: Effect of offsetting framework agreements	Unrecognised amounts: Cash collateral	Net amount
Amounts owed to banks	12,406,887	–81,804	–444,163	11,880,920
Negative fair values from derivative financial instruments	1,482,987	–915,450	–544,052	23,485
Total 30 June 2018	**13,889,874**	**–997,254**	**–988,215**	**11,904,405**

IN EUR '000	Financial liabilities (gross) = recognised financial liabilities (net)	Unrecognised amounts: Effect of offsetting framework agreements	Unrecognised amounts: Cash collateral	Net amount
Amounts owed to banks	12,333,368	–86,464	–439,525	11,807,379
Negative fair values from derivative financial instruments	1,513,826	–985,455	–502,273	26,098
Total 31 Dec. 2017	**13,847,194**	**–1,071,919**	**–941,798**	**11,833,477**

The column “Effect of offsetting framework agreements” shows the amounts that are the subject of a valid netting framework agreement, but are not billed because of the non-fulfilment of the prerequisites. Offsetting framework agreements are of particular relevance for counter-parties with several returns from derivatives. In the event of a counter-party defaulting, these agreements lead to a net settlement being made for all contracts.

The “Cash collateral” column contains the amounts of cash collateral received or given – with reference to the total for assets and liabilities. These collateral instruments are allotted according to how the market values of derivatives develop (positively or negatively). The offsetting possibilities within the remaining cash collateral will also be taken into account in the disclosure of “cash collateral” along with the offsetting of fair value surpluses with cash collateral.

11. Cash and cash equivalents

IN EUR '000	30 June 2018	31 Dec. 2017
Cash in hand	33,369	38,653
Balances at central banks	28,237	31,749
Total	**61,606**	**70,402**

12. Loans and advances to banks

IN EUR '000	30 June 2018	31 Dec. 2017
Loans and advances to central banks	2,116,090	2,742,093
Payment on demand loans and advances to banks	3,274,786	3,207,764
Money market transactions	1,303,226	1,332,567
Loans to banks	673,219	680,718
Purchased receivables	325,562	389,120
Total	**7,692,883**	**8,352,262**
In Austria	6,663,164	7,344,452
Abroad	1,029,719	1,007,810
Total	**7,692,883**	**8,352,262**

13. Loans and advances to customers

IN EUR '000	30 June 2018	31 Dec. 2017
Money-market transactions	1,313,696	1,001,685
Loan transactions	16,620,997	15,964,569
Mortgage loans	151,178	160,714
Covering loans	702,919	668,690
Purchased receivables	537,883	474,836
Lease financing	2,111,985	2,051,076
Others	40,429	30,612
Total	**21,479,087**	**20,352,182**
In Austria	13,606,180	12,963,764
Abroad	7,872,907	7,388,418
Total	**21,479,087**	**20,352,182**

14. Loan loss allowances

Loan loss allowances 1 January 2018 – 30 June 2018

IN EUR '000	As at 1 January 2018	Allocations as a result of additions	Reversals as a result of disposals	Changes due to amended default risk without stage transfer or with stage transfer between Stage 2 and Stage 3	
				Allocations	Reversals
Loans and advances to banks	**2,781**	**210**	**–296**	**11**	**–1,515**
thereof Stage 1 - Non POCI	2,487	210	–296	11	–1,514
thereof Stage 2 - Non POCI	2	0	0	0	–1
thereof Stage 3 - Non POCI	292	0	0	0	0
thereof POCI	0	0	0	0	0
Loans and advances to customers - excl. lease financing	**308,311**	**17,378**	**–3,470**	**11,697**	**–14,489**
thereof Stage 1 - Non POCI	24,778	8,737	–1,293	3,459	–95
thereof Stage 2 - Non POCI	37,917	987	–1,426	122	–791
thereof Stage 3 - Non POCI	245,616	7,026	–751	5,753	–12.481
thereof POCI	0	628	0	2,363	–1,122
Loans and advances to customers - Lease financing	**65,588**	**2,538**	**–1,562**	**2,281**	**–1,986**
thereof Stage 1 - Non POCI	2,838	1,187	–76	1,057	–4
thereof Stage 2 - Non POCI	2,674	129	–55	395	–134
thereof Stage 3 - Non POCI	60,076	1,222	–1,431	829	–1,848
thereof POCI	0	0	0	0	0
Financial assets	**3,095**	**82**	**–24**	**1,104**	**–91**
thereof Stage 1 - Non POCI	1,585	82	–24	7	–91
thereof Stage 2 - Non POCI	1,510	0	0	1,097	0
thereof Stage 3 - Non POCI	0	0	0	0	0
thereof POCI	0	0	0	0	0
Subtotal	**379,775**	**20,208**	**–5,352**	**15,093**	**–18,081**
Provision for credit risks	**32,884**	**5,426**	**–816**	**497**	**–7,804**
thereof Stage 1 - Non POCI	3,814	2,807	–729	401	–209
thereof Stage 2 - Non POCI	1,788	273	–59	1	–298
thereof Stage 3 - Non POCI	27,282	2,180	–28	95	–7,297
thereof POCI	0	166	0	0	0
Total	**412,659**	**25,634**	**–6,168**	**15,590**	**–25,885**

In addition to changes recognised in profit or loss, the “Other adjustments” column also includes positive revaluations that have no effect on income in conjunction with currency conversions of foreign subsidiaries amounting to EUR 572 thousand.

The value adjustment for financial assets that are measured at fair value with no effect on income pursuant to IFRS 9 amounted to EUR 3,696 thousand as of 30 June 2018.

Changes due to amended default risk with stage transfer between Stage 1 and Stage 2 or Stage 3		Reclassifications due to stage transfer	Changes due to modification	Other adjustments	Utilised	Change in basis of consolidation	As at 30 June 2018
Allocations	Reversals						
0	**0**	**0**	**0**	**–15**	**0**	**0**	**1,176**
0	0	0	0	–16	0	0	882
0	0	0	0	1	0	0	2
0	0	0	0	0	0	0	292
0	0	0	0	0	0	0	0
9,982	**–1,456**	**0**	**146**	**–890**	**–39,714**	**0**	**287,495**
0	–1,373	1,295	42	–715	–2	0	34,833
2,497	0	–1,257	84	–124	–2	0	38,007
7,485	0	–38	20	–50	–39,710	0	212,870
0	–83	0	0	–1	0	0	1,785
3,075	**–1,043**	**0**	**0**	**–527**	**–10,789**	**0**	**57,575**
2	–1,043	1,349	0	–30	0	0	5,280
1,656	0	–1,101	0	–23	0	0	3,541
1,417	0	–248	0	–474	–10,789	0	48,754
0	0	0	0	0	0	0	0
935	**0**	**0**	**0**	**–15**	**0**	**0**	**5,086**
0	0	–146	0	–16	0	0	1,397
935	0	146	0	1	0	0	3,689
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
13,992	**–2,499**	**0**	**146**	**–1,447**	**–50,503**	**0**	**351,332**
1,798	**–40**	**0**	**0**	**–194**	**0**	**0**	**31,751**
0	–40	21	0	–137	0	0	5,928
118	0	–5	0	–59	0	0	1,759
1,680	0	–16	0	2	0	0	23,898
0	0	0	0	0	0	0	166
15,790	**–2,539**	**0**	**146**	**–1,641**	**–50,503**	**0**	**383,083**

Significant changes in the gross carrying amount for 2018

Major changes to the carrying amount of financial assets that have contributed to changes in the loan loss allowances:

- loans of EUR 1,493.5 million were granted in the reporting period which led to a corresponding increase in the 12-month expected credit loss (EUR +4.3 million)
- loans of EUR 514.9 million were paid back in the reporting period which led to a corresponding decrease in the 12-month expected credit loss (EUR –0.6 million)
- loans of EUR 253.1 million were transferred from the 12-month expected credit loss to the lifetime expected credit loss
- loans of EUR 191.0 million were transferred from the lifetime expected credit loss to the 12-month expected credit loss

Loan loss allowances 1 Jan. 2017 – 30 June 2017

IN EUR '000	As at 1 Jan. 2017	Change in basis of consolida-tion	Currency differences	Allo-cations	Re-versals	Utilised	Reclassifi-cations	As at 30 June 2017
Loans and advances to banks	291	0	0	1	0	0	0	292
of which in Austria	0	0	0	0	0	0	0	0
of which foreign	291	0	0	1	0	0	0	292
Loans and advances to customers	620,858	0	828	96,871	–89,878	–46,833	0	581,846
of which in Austria	437,315	0	0	76,168	–80,912	–30,091	3	402,483
of which foreign	183,543	0	828	20,703	–8,966	–16,742	–3	179,363
Revaluations in the portfolio	19,997	0	11	13,757	–8,029	0	0	25,736
Subtotal	**641,146**	**0**	**839**	**110,629**	**–97,907**	**–46,833**	**0**	**607,874**
Provisions for credit risks	23,195	0	0	3,582	–11,168	0	0	15,609
Revaluations in the portfolio for off-balance-sheet transactions	4,246	0	0	2,693	–1,465	0	0	5,474
Total	**668,587**	**0**	**839**	**116,904**	**–110,540**	**–46,833**	**0**	**628,957**

15. Trading assets

IN EUR '000	30 June 2018	31 Dec. 2017
Bonds and other fixed-income securities	**31,998**	**34,366**
Municipal bonds that can be refinanced	19,433	6,765
Other public-sector debt instruments	998	1,035
Bonds and debt securities from other issuers	11,567	26,566
Shares and other variable-yield securities	**0**	**0**
Shares	0	0
Investment fund units/shares	0	0
Other variable yield securities	0	0
Positive fair values from derivative transactions	**1,841,800**	**1,851,546**
Interest rate transactions	1,750,957	1,822,238
Currency exchange transactions	89,554	27,985
Stock and index related business	0	0
Other transactions	1,289	1,323
Total	**1,873,798**	**1,885,912**

The (positive) fair value of derivative financial instruments that were employed under fair value hedge accounting as hedging transactions amounted to EUR 214,210 thousand as at 30 June 2018 (31 Dec. 2017: EUR 203,387 thousand).

16. Financial assets

Financial assets in the category “Measured at fair value through profit or loss” (FVTPL)

IN EUR '000	30 June 2018	31 Dec. 2017
Bonds and other fixed-income securities	**10,001**	**n/a**
Municipal bonds that can be refinanced	0	n/a
Other public-sector debt instruments	0	n/a
Bonds and debt securities from other issuers	0	n/a
Tier 2 capital	10,001	n/a
Shares and other variable-yield securities	**427,077**	**n/a**
Shares	14,067	n/a
Investment fund units/shares	2,373	n/a
Other variable-yield securities	410,637	n/a
Shares in companies	**303,365**	**n/a**
Investments in affiliated companies	96,621	n/a
Other investments	206,744	n/a
Total	**740,443**	**n/a**

Financial assets in the category “Designated at fair value through profit or loss” (FVO)

IN EUR '000	30 June 2018	31 Dec. 2017
Bonds and other fixed-income securities	**191,822**	**n/a**
Municipal bonds that can be refinanced	44,632	n/a
Other public-sector debt instruments	0	n/a
Bonds and debt securities from other issuers	147,190	n/a
Total	**191,822**	**n/a**

Financial assets in the category “Measured at fair value with no effect on income” (FVOCI)

IN EUR '000	30 June 2018	31 Dec. 2017
Bonds and other fixed-income securities	**4,483,603**	**n/a**
Municipal bonds that can be refinanced	2,204,336	n/a
Other public-sector debt instruments	0	n/a
Bonds and debt securities from other issuers	2,279,267	n/a
Total	**4,483,603**	**n/a**

Financial assets in the category “Measured at amortised cost” (AC)

IN EUR '000	30 June 2018	31 Dec. 2017
Bonds and other fixed-income securities	**325,505**	**n/a**
Municipal bonds that can be refinanced	0	n/a
Other public-sector debt instruments	0	n/a
Bonds and debt securities from other issuers	325,505	n/a
Total	**325,505**	**n/a**

Financial assets in the category “Designated at fair value through profit or loss” (FVO)

IN EUR ’000	30 June 2018	31 Dec. 2017
Bonds and other fixed-income securities	**n/a**	**468,336**
Municipal bonds that can be refinanced	n/a	158,821
Other public-sector debt instruments	n/a	0
Bonds and debt securities from other issuers	n/a	309,515
Shares and other variable-yield securities	**n/a**	**27,950**
Shares	n/a	0
Investment fund units/shares	n/a	0
Other variable-yield securities	n/a	27,950
Total	**n/a**	**496,286**

Financial assets in the category “Available for sale” (AfS)

IN EUR ’000	30 June 2018	31 Dec. 2017
Bonds and other fixed-income securities	**n/a**	**3,721,113**
Municipal bonds that can be refinanced	n/a	1,805,844
Other public-sector debt instruments	n/a	0
Bonds and debt securities from other issuers	n/a	1,915,269
Shares and other variable-yield securities	**n/a**	**416,678**
Shares	n/a	14,361
Investment fund units/shares	n/a	2,375
Other variable-yield securities	n/a	399,942
Shares in companies	**n/a**	**301,093**
Investments in affiliated companies	n/a	131,171
Other investments	n/a	169,922
Total	**n/a**	**4,438,884**

Financial assets in the category “Held-to-maturity” (HtM)

IN EUR ’000	30 June 2018	31 Dec. 2017
Bonds and other fixed-income securities	**n/a**	**284,448**
Municipal bonds that can be refinanced	n/a	190,136
Other public-sector debt instruments	n/a	0
Bonds and debt securities from other issuers	n/a	94,312
Total	**n/a**	**284,448**

Financial assets in the category “Loans and Receivables” (L&R)

IN EUR ’000	30 June 2018	31 Dec. 2017
Bonds and other fixed-income securities	**n/a**	**538,877**
Municipal bonds that can be refinanced	n/a	0
Other public-sector debt instruments	n/a	0
Bonds and debt securities from other issuers	n/a	538,877
Total	**n/a**	**538,877**

17. Companies accounted for using the equity method

IN EUR '000	30 June 2018	31 Dec. 2017
Banks	1,299,980	1,327,847
Non-banks	878,106	830,255
Total	**2,178,086**	**2,158,102**

The share of RLB OÖ in RBI Group of about 9.5% is disclosed under banks reported under the equity method.

RBI sees Austria and Central and Eastern Europe (CEE) as its home market. The Austrian economy proved to be relatively robust in the first half of 2018 and GDP growth of 3.0% appears to be realistic for 2018. The region of Central Europe (CE) exhibited dynamic economic development in the first quarter of 2018. Real GDP growth of 4.2% is expected for the year as a whole. Following growth of 5.1% in Southeast Europe in 2017, the region recorded a slightly lower value of 3.8% in 2018. The economic situation also improved significantly in other countries of Eastern Europe in the first half of 2018. Russia benefited from the oil price development and solid demand in private households. The tightening of sanctions in April 2018 did not have any lasting negative effects in the first half of the year. Belarus and Ukraine also caused a surprise with significant GDP growth. RBI generated a Group result of EUR 756 million in this environment in the first half of 2018 that was 29% above the same period of the previous year. The expected loss from the sale of the Polish core banking business is also taken into account. Operating income increased by 5% in a half-year comparison and the extraordinarily high reversals of loan loss allowances led to a positive result for impairments to financial assets. The CET 1 ratio stood at 12.8% on 30 June 2018 (fully loaded). RBI aims to achieve a CET 1 ratio of 13% and a Group return on equity of approx. 11% in the medium term.

The stock market price of RBI was the basis for the valuation in the 2017 financial year, during which a recovery was observed. As the share price of RBI has dropped considerably since the end of 2017, the investment in RBI Group was subjected to an impairment test on 30 June 2018. The fair value less sales costs was determined on the basis of the stock exchange rate of RBI on the Vienna Stock Exchange at the amount of EUR 26.29 per share (31 December 2017: EUR 30.20 per share). The company valuation was calculated based on the present value of the cash flow to be expected (discounted cash flow procedure) of the companies in the Group taking into account the adjustments required for the purpose of calculating the value in use. The discounting of the cash flow that can be achieved with the valuation object was undertaken with the aid of a risk-adequate capitalisation interest rate. A capital cost rate after tax of 10.71% was used for the valuation of the RBI Group. Any change in the discount interest rate of RBI by plus or minus 100 basis points would result in a fall or rise of the established company value of the RBI Group by –11.8% or +14.9% respectively.

As the higher value between the value in use and the fair value less sales costs, the value in use was taken as the value to be attained as of 30 June 2018. After taking into account the pro-rata income and capital changes, the impairment amounted to approx. EUR –43,414 thousand in the first half of 2018 H1 2017: EUR +16,884 thousand reversal), which results in an IFRS carrying amount of EUR 926,322 thousand as of 30 June 2018 (31 December 2017: EUR 945,099 thousand).

18. Intangible assets

IN EUR '000	30 June 2018	31 Dec. 2017
Customer base	5,255	7,132
Brand	15,916	16,862
Goodwill	11,186	11,191
Other intangible assets	15,971	14,917
Total	**48,328**	**50,102**

19. Property and equipment and investment property

IN EUR '000	30 June 2018	31 Dec. 2017
Property, plant and equipment	**426,881**	**425,146**
Land and buildings used for bank operations	215,743	220,876
Other property, plant and equipment	207,338	195,078
Property under construction	3,800	9,192
Investment property	**710,464**	**740,692**
Investment property	666,280	700,948
Property under construction	44,184	39,744
Total	**1,137,345**	**1,165,838**

With regard to the investment property, by far the largest portion – EUR 468.8 million 31 December 2017: EUR 498.2 million) – stems from the "OÖ Wohnbau" companies. Access to this investment property is subject to legal restrictions as a result of the Austrian Public House Building Act (WGG).

20. Other assets

IN EUR '000	30 June 2018	31 Dec. 2017
Receivables from non-bank activities	174,004	186,571
Prepaid expenses	27,114	23,165
Inventories	112,532	144,574
Other assets	106,801	85,618
Total	**420,451**	**439,928**

Inventories essentially consist of real estate projects which have not yet been concluded as well as inventories from the companies in the foodstuff sector ("VIVATIS Holding AG" Group and "efko Frischfrucht und Delikatessen GmbH" Group). The amount of the (deployed) inventories which was recorded as expenditure in the reporting period is EUR 229.5 million (H1 2017: EUR 293.3 million).

The proportion of "Other assets" attributable to the "OÖ Wohnbau" companies amounted to EUR 77.4 million (31 Dec. 2017: EUR 82.8 million).

21. Assets held for sale and sales groups

IN EUR '000	30 June 2018	31 Dec. 2017
Sales group which is classified as being held for sale	0	28,393
Individual assets which are classifed as being held for sale	13,802	13,812
Total	**13,802**	**42,205**

Sales group which is classified as being held for sale

The sale of the H. Loidl Wurstproduktions- und -vertriebsgesellschaft m. b. H. & Co KG business operations, the assets of LANDHOF GesmbH & Co KG and the associated brands was already completed in January 2018. The assets and liabilities concerned were disclosed on 31 December 2017 pursuant to IFRS 5. The company remaining within the Group, LANDHOF GesmbH & Co KG, has been renamed VIVATIS Vermögensverwaltungs GmbH & Co KG. Income of EUR 563 thousand was generated as part of the transaction. There were also no significant effects on earnings in the first half of 2018.

Assets of the for sale group which are classified as being held for sale:

IN EUR '000	30 June 2018	31 Dec. 2017
Cash and cash equivalents	0	9
Loans and advances to banks	0	22
Financial assets	0	195
Intangible assets	0	513
Property, plant and equipment	0	11,465
Tax assets	0	2,241
Other assets	0	13,948
Total	**0**	**28,393**

Debts from the for sale group which are classified as being held for sale:

IN EUR '000	30 June 2018	31 Dec. 2017
Provisions	0	9,800
Tax liabilities	0	123
Other liabilities	0	7,429
Total	**0**	**17,352**

Individual assets which are classifed as being held for sale

in the balance sheet item of "Assets held for sale" also contain the following individual assets in addition to the sales group described:

- Holding in the Leopoldauerstraße 70-72 Immobilienentwicklung GmbH with a carrying amount of EUR 408 thousand
- Holding in a property in Mariahilferstraße (MH 114 GmbH & Co OG) with a carrying amount of EUR 13,394 thousand

The holding in the Raiffeisen-Leasing Liegenschaftsverwaltung Kraußstraße Gesellschaft m.b.H. with a carrying amount of EUR 10 thousand was sold in January 2018. This sale only led to an insignificant gain on disposal.

The individual asset values that were classified as belonging to the sale are allocated to the "Holdings" segment.

22. Amounts owed to banks

IN EUR '000	30 June 2018	31 Dec. 2017
Liabilities payable on demand	4,376,067	4,162,059
Money market transactions	4,798,129	4,938,857
Long-term financing	2,975,474	2,969,343
Others	257,217	263,109
Total	**12,406,887**	**12,333,368**
In Austria	10,275,567	10,023,634
Abroad	2,131,320	2,309,734
Total	**12,406,887**	**12,333,368**

23. Amounts owed to customers

IN EUR '000	30 June 2018	31 Dec. 2017
Demand deposits	5,749,122	5,813,803
Term deposits	4,921,692	4,755,325
Savings deposits	1,378,972	1,368,634
Others	118,437	116,359
Total	**12,168,223**	**12,054,121**
In Austria	9,203,393	8,972,198
Abroad	2,964,830	3,081,923
Total	**12,168,223**	**12,054,121**

24. Trading liabilities

IN EUR '000	30 June 2018	31 Dec. 2017
Interest rate transactions	1,416,602	1,474,761
Currency exchange transactions	66,385	39,065
Stock- and index-related business	0	0
Other transactions	0	0
Total	**1,482,987**	**1,513,826**

The (negative) fair value of derivative financial instruments that were employed under fair value hedge accounting as hedging transactions amounted to EUR 204,282 thousand as at 30 June 2018 (31 Dec. 2017: EUR 109,603 thousand).

25. Liabilities evidenced by certificates

IN EUR '000	30 June 2018	31 Dec. 2017
Bonds issued	3,471,371	3,081,896
Listed mortgage bonds/municipal bonds	112,180	111,985
Non-listed mortgage bonds/municipal bonds	333,738	331,650
Other liabilities evidenced by certificates	4,386,623	4,396,095
Total	**8,303,912**	**7,921,626**

26. Provisions

IN EUR '000	30 June 2018	31 Dec. 2017
Provisions for personnel expenses	**164,046**	**163,581**
of which severance provisions	95,471	94,410
of which pension provisions	51,038	52,200
of which bonus fund provisions	17,537	16,971
Other provisions	**78,544**	**89,401**
Total	**242,590**	**252,982**

Due to the current level of interest rates, the valuation interest rate for calculating the provision for personnel expenses as at 30 June 2018 will be maintained at 1.25% (31 Dec. 2017: 1.25%).

Interest rate movements in recent years have led to negative indicator values, which are used to calculate interest. In several association cases, the Supreme Court has now declared that the receipt of a mark-up that was not explicitly agreed to is not allowed. With regard to consumer contracts, in which the receipt of a mark-up was agreed in the form of an interest floor, the Supreme Court has further declared that this contradicts the Austrian Consumer Protection Act (KSchG) without the simultaneous imposition of an interest cap. A provision in the amount of EUR 18.2 million was therefore already created to cover possible claims for repayment on the part of customers in the first half of 2017 for the period from 2015 onwards. This provision amounted to EUR 27.7 million on 31 December 2017 with an amount of approx. EUR 7.9 million being refunded to consumer customers in the first quarter of 2018. An additional provision of approx. EUR 3.2 million was created for the other customers in the first half of 2018 and the provision therefore amounts to EUR 23.0 million as of 30 June 2018. The amount will be disclosed in “Other provisions” and the allocation made in net interest income.

27. Other liabilities

IN EUR '000	30 June 2018	31 Dec. 2017
Liabilities from non-bank activities	107,170	174,445
Prepaid expenses	24,018	16,826
Other liabilities	457,895	353,773
Total	**589,083**	**545,044**

28. Subordinated capital

IN EUR '000	30 June 2018	31 Dec. 2017
Tier 2 capital and subordinated liabilities	1,001,623	1,134,946
Participation capital	16,752	16,752
Silent investments	0	0
Hybrid capital instruments	0	0
Total	**1,018,375**	**1,151,698**

Change in liabilities stemming from financial activities

IN EUR '000	1 Jan. – 30 June 2018
As at 1 Jan.	1,152,261
Changes affecting payments	–138,780
of which deposit from issues	53,416
of which buy-back / repayment	–192,196
Changes not affecting payments	4,894
thereof net income from fair value accounting	–2,943
thereof evaluation due to change in own credit risk	12,835
of which other changes	–4,998
As at 30 June	**1,018,375**

29. Equity

IN EUR '000	30 June 2018	31 Dec. 2017
Share capital	277,630	277,630
Capital reserves	971,973	971,973
Retained earnings	2,924,147	2,952,911
Non-controlling interests	208,311	201,003
Total	**4,382,061**	**4,403,517**

In the first half of 2018, dividends of EUR 41,446 thousand were paid on the ordinary shares, in accordance with the decision made at the annual general meeting on 8 May 2018 concerning the use of the profit from 2017. This means that the planned dividend for each ordinary share will be EUR 21.34.

Changes in the reserves of actuarial gains/losses on defined benefit plans

IN EUR '000	2018	2017
As at 1 Jan.	–20,607	–18,444
Change in basis of consolidation	42	0
Changes in the valuation of reserves of actuarial gains/losses on defined benefit plans	–502	3,970
Taxes recognised in respect of these amounts	196	–995
As at 30 June	**–20,871**	**–15,469**

Change in the reserve for own credit risks

IN EUR '000	2018	2017
As of 1 January 2018 or 31 December 2017 pursuant to IAS 39	0	n/a
Reclassifications/reallocations based on the IFRS 9 initial application	0	n/a
Revaluation based on the IFRS 9 initial application	14,517	n/a
Taxes recorded in the revaluation	–3,469	n/a
As of 1 January 2018 pursuant to IFRS 9	**11,048**	**n/a**
Valuations due to change in own credit risk for financial liabilities accounted for at fair value	–25,354	n/a
Amounts reclassified to the profit reserve	966	n/a
Taxes recognised in respect of these amounts	6,043	n/a
As at 30 June	**–7,297**	**n/a**

Development of reserve for financial instruments in the "Measured at fair value with no effect on income" (FVOCI) category

IN EUR '000	2018	2017
As of 1 January 2018 or 31 December 2017 pursuant to IAS 39	0	n/a
Reclassifications/reallocations based on the IFRS 9 initial application	132,729	n/a
Revaluation based on the IFRS 9 initial application	59,415	n/a
Taxes recorded in the revaluation	–14,823	n/a
As of 1 January 2018 pursuant to IFRS 9	**177,321**	**n/a**
Change in valuation of reserve for financial instruments in the "Measured at fair value with no effect on income" (FVOCI) category	–32,723	n/a
Amounts reclassified to profit or loss	–1,872	n/a
Taxes recognised in respect of these amounts	8,649	n/a
As at 30 June	**151,375**	**n/a**

The reserve for financial instruments in the "Measured at fair value with no effect on income" (FVOCI) category reflects the changes in valuation to be recorded in equity with no effect on income and the loan loss allowances of financial instruments in the "Measured at fair value with no effect on income" (FVOCI) category pursuant to IFRS 9.

Changes in AfS reserves

IN EUR '000	2018	2017
As at 1 Jan.	n/a	247,747
Change in basis of consolidation	n/a	0
Changes in the valuation of AfS securities	n/a	–25,054
Amounts transferred into the income statement	n/a	–10,515
of which through impairment loss of AfS assets	n/a	0
of which through sale of AfS assets	n/a	–10.540
of which from reclassified AfS assets	n/a	25
Taxes recognised in respect of these amounts	n/a	8,893
As at 30 June	**n/a**	**221,071**

The following table shows the transfer of AfS reserves in conjunction with the initial application of IFRS 9:

IN EUR '000	2018
As of 1 January 2018 or 31 December 2017 pursuant to IAS 39	249,051
Reallocations from AfS to financial instruments in the "Measured at amortised cost" (AC) category	–3,596
Reallocations from AfS to financial instruments in the "Measured at fair value through profit and loss" (FVTPL) category	–112,726
Reallocations from AfS to financial instruments in the "Measured at fair value with no effect on income" (FVOCI) category	–132,729
Reallocations from AfS to financial instruments in the "Designated at fair value with no effect on income" (FVOCI option) category	0
As of 1 January 2018 pursuant to IFRS 9	**0**

Development of the valuation result from the hedging of a net investment in a foreign business

IN EUR '000	2018	2017
As at 1 Jan.	–1,105	505
Gain or loss from the hedging of net investments	669	–1,066
Amounts reclassified to profit or loss	0	–174
Taxes recognised in respect of these amounts	–168	310
As at 30 June	**–604**	**–425**

There is hedging for currency risks resulting from a net investment in a foreign business. The volume of the hedged underlying transaction amounts to an equivalent of EUR 35.2 million as of 30 June 2018 (31 Dec. 2017: EUR 35.9 million). Hedging transactions are refinancing in this foreign currency of the same amount. The effective portion of the valuation gains and losses of hedging transactions is recognised in the aforementioned reserves with no effect on income.

Changes in foreign currency translation reserves

IN EUR '000	2018	2017
As at 1 Jan.	–292	–1,469
Gain or loss from foreign currency translation	–2,296	6
As at 30 June	**–2,588**	**–1,463**

Development of "other comprehensive income" of companies reported under the equity method"

IN EUR '000	2018	2017
As at 1 Jan.	–250,963	–275,591
Change due to proportional "other comprehensive income"	–23,865	20,858
Taxes recognised in respect of these amounts	–77	84
As at 30 June	**–274,905**	**–254,649**

Development of retained earnings in conjunction with the initial application of IFRS 9

IN EUR '000	2018
As of 1 January 2018 or 31 December 2017 pursuant to IAS 39	3,200,374
Reclassifications/reallocations based on the IFRS 9 initial application	116,322
Revaluation based on the IFRS 9 initial application	–165,895
Revaluation based on the IFRS 15 initial application	962
Taxes recorded in the revaluation	36,179
As of 1 January 2018 pursuant to IFRS 9	**3,187,942**

RISK REPORT

Summary

Raiffeisenlandesbank Oberösterreich Group's long-term success has largely been due to active risk management. In order to achieve this target, Raiffeisenlandesbank Oberösterreich, as the dominant group company, has implemented risk management with structures that facilitate the identification and measurement of all risks in the group in accordance with sections 39, 39a, Austrian Banking Act and the Bank Risk Management Regulation (KI-RMV) (credit risks, market risks, equity risks, liquidity risks, macroeconomic risks, operational risks and other risks) and their active managerial counteraction.

The Raiffeisenlandesbank Oberösterreich in general only aims its work at areas of business in which it has the requisite expertise in the assessment of the specific risks. Before it moves into new areas of business or products, the Group always carries out an adequate analysis of the risks posed by that specific business.

Risk Controlling analyses all risks and examines adherence to the defined risk limits by means of ongoing variance analyses. Internal/Group Auditing assesses the effectiveness of working procedures, processes and internal controls.

Market risks

Market risks take the form of changes in interest rates, spreads, currency and exchange rates relating to securities, interest rates and foreign exchange items.

The basis for all business is a balanced risk/reward ratio.

The strict division of labour between front, middle and back office and risk controlling ensures that risks can be described comprehensively, transparently and objectively to the full Managing Board, the Supervisory Board and supervisory authorities.

New products and markets are evaluated in an approval process and then authorised by the Managing Board.

The trades and the market price risk are limited by an extensive limit system. All trading positions are valued every day at market prices.

For risk management purposes, the securities in the trading book are handled separately; they are included in the report on market risk.
The market risks are measured every day with the value-at-risk index for the trading and banking books. This indicates a possible loss which, with 99% probability, will not be exceeded during a one-month holding period.

In addition to value at risk, stop-loss and scenario analyses are used to limit risk.

The market risk is calculated in Front Arena/Risk Cube. The weighted historical simulation is used as the value-at-risk model.

The quality of the Front Arena/Risk Cube programme used or of the methods for historical simulation used there is reviewed daily using back testing. Both the mark-to-market results actually obtained (financial profit/loss) as well as the hypothetical results (portfolio is kept constant one day; no impact by exogenous factors) are compared with the risks calculated and tested for significance.

Market risks are managed using a value-at-risk based limit system. All market risk activities are assigned a risk limit which is included in full in the risk-bearing capacity analysis.

The other fully consolidated group companies minimise their market risks through maturity-matched funding via Raiffeisenlandesbank Oberösterreich.

The following table shows the value-at-risk figures for the Raiffeisenlandesbank Oberösterreich Group as of 30 June 2018 or 31 December 2017 (confidence level 99.0%, holding period one month).

	30 June 2018 IN EUR '000	31 Dec. 2017 IN EUR '000
Total	83,642	69,727
Interest	46,898	56,382
Spread	53,456	26,275
Currency	67	19
Shares	1,104	897
Volatility	3,618	2,335

As at 30 June 2018, the total value at risk increased by EUR 13.9 million to EUR 83.6 million compared to 31 December 2017.

In addition, stress tests are conducted to take account of risks in the event of extreme market movements. The crisis scenarios include the simulation of large fluctuations in the risk factors and are designed to highlight potential losses which are not covered by the value at risk model. The stress scenarios comprise both the extreme market fluctuations which have actually occurred in the past and also a series of standardised shock scenarios involving interest rates, credit spreads, share prices, currency exchange rates and volatility.

A stress test with a +/– 200 basis point interest rate shift was performed for the trading and banking book.

The following table shows the results of the stress test as at 30 June 2018 or 31 Dec. 2017:

	30 June 2018		31 Dec. 2017	
IN EUR '000	+200 BP	–200 BP	+200 BP	–200 BP
EUR	–313,160	187,689	–309,755	226,329
USD	333	–2,056	–3,088	1,939
GBP	–398	416	–577	603
CHF	–871	937	–158	186
JPY	689	–670	48	72
CZK	–11,240	12,961	–11,266	12,986
Other currencies	–95	124	478	–499

The stress test shows the change in present value when the yield curve is shifted in parallel by one and two percentage points respectively.

Credit risk

The credit risk constitutes the risk to the bank that a loss will occur as a result of the non-fulfilment of the contractual obligations of customers or contractual partners. Credit risk is mainly generated by the loans and advances to customers and banks and from securities from the investment book.

A credit value adjustment (CVA) and debt value adjustment (DVA) were determined as part of the inclusion of credit risk in the mark-to-model measurement of derivatives. The main factors used in determining the CVA and DVA were the term to maturity, counter-party default risk and collateralisation.

A report on the credit risk is given to the Managing Board once each quarter, or as needed.

The principles of the customers' credit ratings are incorporated in the "Rating Standards" and "Collateral Standards" manuals. These regulations provide a compact representation of the standards valid for Raiffeisenlandesbank Oberösterreich. They are based on international standards (Basel), regulations from the European Union (CRR), the EBA Guidelines, national statutes and laws (Austrian Banking Act, Credit Institutions and Risk Management Regulation) or on supervisory recommendations (FMA minimum standards for lending, FMA series of guidelines on credit risk).

In order to measure the credit risk, the bank carries out its own internal ratings and classifies financing transactions into credit rating and risk classes. The risk class of a borrower accordingly comprises two dimensions – recording and assessing their financial situation and measuring the collateral provided.

The following rating classes are used for internal rating in the Raiffeisenlandesbank Oberösterreich Group:

10-point scale	Subclasses	Text
0.5	0.5	risk-free
1.0	1.0	outstanding creditworthiness
1.5	1.5	very good creditworthiness
2.0	2 +	good creditworthiness
	2.0	
2.5	2 –	average creditworthiness
	2.5	
3.0	3 +	satisfactory creditworthiness
	3.0	
3.5	3 –	mediocre creditworthiness
	3.5	poor creditworthiness
4.0	4 +	very poor creditworthiness
	4.0	
4.5	4.5	in danger of default
5.0	5.0	default criteria reached
	5.1	
	5.2	

Individual rating classes are defined and delineated by means of calculations which assess statistical default probabilities. The descriptions in words are simply for illustrative purposes.

Credit value at risk

The overall risk of all assets exhibiting counter-party default risk is assessed on a monthly basis. Risk may arise due to credit default, deterioration in creditworthiness or a reduction in the intrinsic value of collateral, and it is communicated through the key figures expected loss and unexpected loss.

The expected loss represents the most probable value decrease of a given portfolio. This specified decrease in value should be expected each year. This loss is covered by the calculated risk costs.

The unexpected loss represents a portfolio's possible loss beyond the expected loss. Thus, it communicates possible negative deviation from the expected loss. The unexpected loss is covered by the equity capital and is the maximum loss that can possibly arise within a single year, and which – with a certain amount of probability – will not be exceeded. Raiffeisenlandesbank Oberösterreich calculates unexpected loss at probabilities of 95% and 99.9%.

The calculation is carried out by the Credit Manager software from RiskMetrics, or, for customers with a rating class of 5.2, by the Austrian Raiffeisen deposit guarantee (ÖRE) model. The risks/opportunities from loan defaults or changes in creditworthiness for customers with a rating class above 5.2 are determined by the Credit Manager software using a market valuation model. The market data required for the portfolio value distribution (interest rates, credit spreads and sector indices) are updated every month.

Overall structure by balance sheet item

Maximum credit risk exposure

IN EUR '000	30 June 2018	31 Dec. 2017
Cash and cash equivalents (credit balance at central banks)	28,237	31,749
Loans and advances to banks	7,692,883	8,352,262
Loans and advances to customers	21,479,087	20,352,182
Trading assets	1,873,798	1,885,912
Financial assets	5,013,304	5,015,148
Total	**36,087,309**	**35,637,253**
Financial guarantees	2,301,799	2,350,647
Credit risks	6,221,499	5,898,288
Total	**8,523,298**	**8,248,935**
Total maximum credit risk exposure	**44,610,607**	**43,886,188**

Collateral for overall structure

The stated collateral values correspond to the values determined within internal risk management. They reflect a conservative estimate of receipts in the event of any necessary non-performing loan workout.

Collateral values

IN EUR '000	30 June 2018	31 Dec. 2017
Loans and advances to banks	63,540	67,747
Loans and advances to customers	11,118,353	10,859,068
Trading assets	365,940	353,701
Financial assets	837,961	855,744
Total	**12,385,794**	**12,136,260**
Financial guarantees	317,807	342,292
Credit risks	731,834	1,159,809
Total	**1,049,641**	**1,502,101**
Total collateral values	**13,435,435**	**13,638,361**

As at 30 June 2018, the total collateral values consisted of 58.1% (31 December 2017: 52.8%) collateral on immovable goods (i.e. mortgages, rankings).

Industry structure/Concentration risk

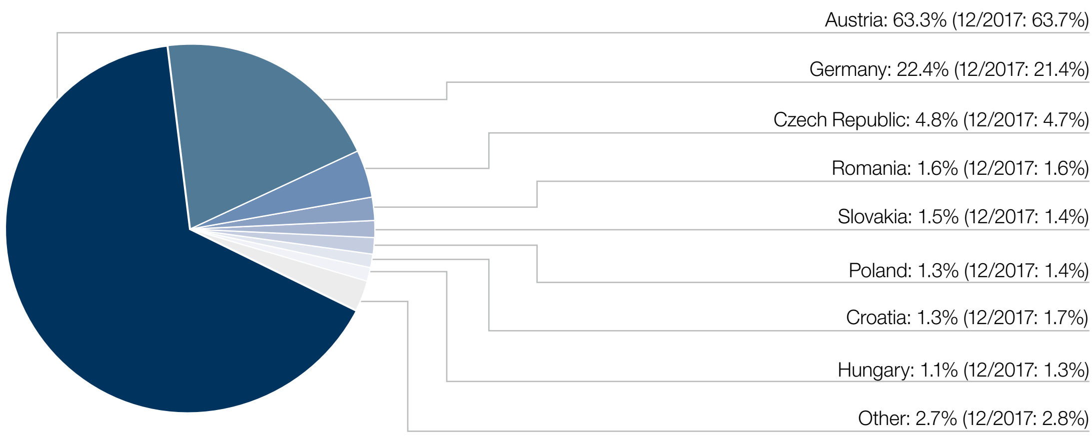
Maximum credit risk exposure by industry groups

IN EUR '000	30 June 2018	31 Dec. 2017
Credit institutions in Austria	8,542,596	9,198,311
Public sector and non-profit organisations	4,211,314	3,961,507
Commercial and other real estate projects	3,170,710	2,869,247
Real estate project operators	3,108,171	2,899,912
Construction and ancillary building trade	2,622,792	2,555,761
Credit institutions in the EU, except Austria	2,230,731	2,227,785
Private households	1,994,691	2,025,831
Mechanical engineering and plant construction	1,795,586	1,760,308
Residential building management	1,370,505	1,383,497
Motor vehicles	1,313,792	1,199,887
Metal production and processing	1,235,415	1,175,231
Transport and warehousing	1,208,144	1,181,796
Credit institutions other	1,170,265	1,203,132
Consumer goods	1,038,879	1,076,473
Electronic/electrical	857,281	827,092
Tourism, accommodation, gastronomy	851,587	773,854
Other economic services	702,842	609,973
Foodstuffs	673,079	653,676
Plastics, chemical products	665,499	643,735
Agriculture and forestry	624,388	576,116
Energy supply	613,027	606,359
Freelance/technical services	519,470	413,793
Financial and insurance services	517,271	545,849
Information and communication	503,226	398,337
Subtotal	**41,541,261**	**40,767,462**
Other sectors	3,069,346	3,118,726
Total	**44,610,607**	**43,886,188**

In the CRR scope of finance holding (Raiffeisenbankengruppe OÖ Verbund eGen) there were 22 major loans* (without loans to Group members) as at 30 June 2018 (31 Dec. 2017: 22). Of these, 11 (31 December 2017: 11) major loans were in the commercial sector, 2 (31 December 2017: 2) major loans to the banking sector, and 9 (31 December 2017: 9) major loans to the public sector.

* Value (before application of exemptions and deduction of collateral) greater than 10% of equity eligible for inclusion for major loans according to CRR

Geographic distribution of the loans and advances to customers



Disclosures on government bonds from selected European countries

Carrying amounts as at 30 June 2018 IN EUR'000	Measured at fair value with no effect on income (FVOCI)	Measured at fair value through profit or loss (FVTPL)	Total
Spain	145.2	0	145.2
Ireland	125.6	0	125.6
Italy	119.7	0	119.7
Portugal	49.7	2.2	51.9
Total	**440.2**	**2.2**	**442.4**

The government bonds listed in the category "Measured at fair value with no effect on income" (FVOCI) as at 30 June 2018 contained a total positive reserve of about EUR 23.9 million. There are also no credit default swaps (CDS) in conjunction with the aforementioned countries.

Carrying amounts as at 31 December 2017 IN EUR'000	Designated financial instruments	Financial assets available for sale (AfS)	Financial assets "held-to-maturity"	Total
Spain	0	95.9	0	95.9
Ireland	0	105.4	0	105.4
Italy	84.4	0	0	84.4
Portugal	0	0	21.2	21.2
Total	**84.4**	**201.3**	**21.2**	**306.9**

There is a positive AfS reserve of about EUR 4.3 million as of 31 December 2017 for the government bonds listed in the "Financial assets available for sale" category. The fair values of the government bonds listed in the category "Financial assets held to maturity" was about EUR 0.8 million above the carrying amounts as at 31 Dec. 2017.

Rating structure for credit risk exposure which is neither overdue nor impaired

The quality of the financial assets which are neither overdue nor impaired are depicted as follows on the basis of the internal rating classification:

Very low / low risk:	Rating classes 0.5 to 1.5
Normal risk:	Rating classes 2 + to 3 +
Increased risk:	Rating classes 3 and poorer

	Very low orlow risk		Normal risk		Increased risk		No rating	
IN EUR '000	06/2018	12/2017	06/2018	12/2017	06/2018	12/2017	06/2018	12/2017
Cash and cash equivalents	28,237	31,749	0	0	0	0	0	0
Loans and advances to banks	7,539,647	8,176,380	151,793	174,065	251	0	1,192	1,817
Loans and advances to customers	4,978,765	4,609,851	12,895,556	12,478,142	2,390,887	2,237,976	81,317	5,855
Trading assets	1,552,474	1,659,610	317,792	222,338	3,532	3,964	0	0
Financial assets	4,703,440	4,658,080	302,016	345,472	7,014	10,761	834	835
Financial guarantees	1,025,188	1,091,534	1,065,285	1,052,218	164,771	163,328	4,039	6,546
Credit risks	2,228,940	2,241,535	3,369,599	3,175,879	571,366	425,660	24,973	3,867
Total	**22,056,691**	**22,468,739**	**18,102,041**	**17,448,114**	**3,137,821**	**2,841,689**	**112,355**	**18,920**

Structure of the unimpaired overdue credit risk exposures and collateral for the unimpaired overdue credit risk exposures

The carrying amount for the unimpaired overdue assets relate exclusively to the loans and advances to customers found in the balance sheet. They are shown including the associated collateral value in the following table:

	30 June 2018		31 Dec. 2017	
IN EUR '000	overdue assets	Collateral for overdue assets	overdue assets	Collateral for overdue assets
up to 30 days	427,085	297,206	460,716	314,649
31 to 60 days	175,645	162,917	106,505	85,978
61 to 90 days	67,712	56,227	14,301	12,738
over 90 days	103,026	78,437	63,450	59,157
Total	**773,468**	**594,787**	**644,972**	**472,522**

Collateral values include deductions, are reviewed promptly and correspond to a conservative estimate of the proceeds that could be expected over the long term from recovery of the collateral.

As at 30 June 2018, 26.0% (31 Dec. 2017: 22.6%) of the total collateral values relating to unimpaired overdue credit risk exposures consisted of collateral on immovable goods (e.g. mortgages, rankings).

The age structure is accounted for on the basis of individual accounts without consideration of the materiality thresholds, as in accordance with Article 178 CRR.

Structure of impaired credit risk exposure

Carrying amounts of financial assets that are to be classified as impaired pursuant to IFRS 9 in Stage 3:

	not impaired or up to 30 days		31 to 60 days		61 to 90 days		over 90 days	
IN EUR '000	30 June 2018	31 Dec. 2017	30 June 2018	31 Dec. 2017	30 June 2018	31 Dec. 2017	30 June 2018	31 Dec. 2017
Loans and advances to banks	0	0	0	0	0	0	0	0
Loans and advances to customers	165,307	193,985	14,389	6,720	12,503	6,029	166,895	168,652
Financial assets	0	0	0	0	0	0	0	0
Financial guarantees	42,516	37,021	0	0	0	0	0	0
Credit risks	26,409	50,949	0	0	0	0	212	398
Total	**234,232**	**281,955**	**14,389**	**6,720**	**12,503**	**6,029**	**167,107**	**169,050**

Collateral for impaired credit risk exposure

The following value-based collateral applies to the impaired financial assets:

	not impaired or up to 30 days		31 to 60 days		61 to 90 days		over 90 days	
IN EUR '000	30 June 2018	31 Dec. 2017	30 June 2018	31 Dec. 2017	30 June 2018	31 Dec. 2017	30 June 2018	31 Dec. 2017
Loans and advances to banks	0	0	0	0	0	0	0	0
Loans and advances to customers	86,783	89,402	9,874	6,100	7,692	4,302	133,341	121,908
Financial assets	0	0	0	0	0	0	0	0
Financial guarantees	14,754	8,723	0	0	0	0	0	0
Credit risks	6,435	4,099	0	0	0	0	0	0
Total	**107,972**	**102,224**	**9,874**	**6,100**	**7,692**	**4,302**	**133,341**	**121,908**

Collateral values include deductions, are reviewed promptly and correspond to a conservative estimate of the proceeds that could be expected over the long term from recovery of the collateral.

As at 30 June 2018, 51.9% (31 Dec. 2017: 52.3%) of the total collateral values relating to impaired credit risk exposures consisted of collateral on immovable goods (e.g. mortgages, rankings).

The age structure is accounted for on the basis of individual accounts without consideration of the materiality thresholds, as in accordance with Article 178 CRR.

Appropriated collateral

Collateral taken into possession by Raiffeisenlandesbank Oberösterreich Group is sold in an orderly and proper manner, and the proceeds from the sale are applied to the repayment of the loan or advance concerned. Appropriated collateral is not generally used in the bank's own operations. The principal objective is to dispose of these properties within an appropriate time-frame. In cases where the disposal of a property proves difficult, alternative uses will be considered, especially letting the property. The carrying amount of these assets at 30 June 2018 amounted to EUR 461 thousand (31 Dec. 2017: EUR 910 thousand) and was broken down as follows:

	30 June 2018		31 Dec. 2017	
	Carrying amount in EUR '000	Number	Carrying amount in EUR '000	Number
Undeveloped land	76	1	74	1
Mixed use buildings*	385	1	836	1
Total of collateral taken into possession	**461**	**2**	**910**	**2**

* Partial sale of the property concerned in the first half of 2018

In the first half of 2018, no collateral was taken into possession by the Raiffeisenlandesbank Oberösterreich Group.

Loan loss allowances for impaired credit risk exposure

The financial assets that were determined to be impaired on the reporting date exhibit the following structure:**

	Loans and advances to banks		Loans and advances to customers		Financial guarantees		Credit risks	
IN EUR '000	06/2018	12/2017	06/2018	12/2017	06/2018	12/2017	06/2018	12/2017
Gross value	292	292	622,503	809,549	54,402	49,101	38,799	66,935
loan loss allowances	–292	–292	–263,409	–434,162	–11,886	–12,080	–12,178	–15,588
of which: loan loss allowances FX financing	0	0	–20,443	–29,847	0	0	–12	0
Carrying amount	**0**	**0**	**359,094**	**375,387**	**42,516**	**37,021**	**26,621**	**51,347**

** Amounts relate to Stage 3 credit risk exposures incl. POCI

Loan loss allowances in Stage 3 are recognised primarily if a debtor is experiencing economic or financial difficulties or fails to make interest payments or repayments of principal or if other circumstances arise that indicate a probability of default based on regulatory standards.

Raiffeisenlandesbank Oberösterreich's definition of default includes payments overdue by more than 90 days in addition to insolvency, pending insolvency, legal cases, deferments, restructuring, significant loan risk modifications, debt waivers, direct impairment losses, creditworthiness-related interest exemptions, repayments with an expected financial loss, and moratoria/payment stoppage/withdrawal of licence for banks (default in accordance with Article 178 CRR). Customers with a default on their record are assigned a credit rating of 5.0, 5.1 or 5.2. The definition of default is also the basis for calculating the non-performing loans ratio (NPL ratio).

The NPL ratio among the loans and advances to customers amounted to 2.97% as at 30 June 2018 (31 December 2017: 4.42%). Coverage Ratio I amounted as at 30 June 2018 to 40.67% (31 Dec. 2017: 47.26%), Coverage Ratio II was at 76.90% (31 Dec. 2017: 80.94%). Due to the conversion to a net carrying amount disclosed under IFRS 9, there was a decline in the loan loss allowance indirectly booked under IAS 39 for the POCI financial instruments of around EUR 119 million. This leads to lower values for the NPL ratio and coverage ratios compared to the previous year.

Value adjustment stages pursuant to IFRS 9 by rating classes

The gross carrying amounts of cash and cash equivalents (credit balance at central banks), loans and advances to banks, loans and advances to customers, financial investments, financial guarantees and credit risks are broken down for each stage according to the 10-point rating scale as follows:

	30 June 2018				
IN EUR '000	12-month EL (Stage 1)	LEL not impaired (Stage 2)	LEL impaired (Stage 3)	POCI	Total
0.5	3,480,699	0	0	0	3,480,699
1.0	9,146,246	26,004	0	0	9,172,250
1.5	6,685,443	226,690	0	0	6,912,133
2.0	10,111,014	374,565	0	0	10,485,579
2.5	3,545,528	109,913	0	0	3,655,441
3.0	4,647,339	215,277	0	4,666	4,867,282
3.5	1,647,552	319,429	0	0	1,966,981
4.0	138,463	222,686	0	0	361,149
4.5	20,303	75,826	0	0	96,129
5.0	0	0	630,264	81,066	711,330
No rating	105,466	2,214	0	0	107,680
Gross carrying amount	**39,528,053**	**1,572,604**	**630,264**	**85,732**	**41,816,653**
loan loss allowances	–48,320	–46,998	–285,814	–1,951	–383,083
Carrying amount	**39,479,733**	**1,525,606**	**344,450**	**83,781**	**41,433,570**

Forbearance

Financial assets (carrying amounts) that were subjected to forbearance-relevant measures as at the reporting date were structured as follows:

Performing IN EUR '000	31 Dec. 2017	Absorption H1 2018	Disposal H1 2018	30 June 2018
Loans and advances to customers	355,305	58,109	–201,707	211,707
Credit risks	38,092	1,797	–15,361	24,528
Total	**393,397**	**59,906**	**–217,068**	**236,235**
loan loss allowances	0	0	0	0

Non Performing incl. POCI IN EUR '000	31 Dec. 2017	Absorption H1 2018	Disposal H1 2018	30 June 2018
Loans and advances to customers	277,642	23,623	–80,588	220,677
Credit risks	10,887	10,229	–3,879	17,237
Total	**288,529**	**33,852**	**–84,467**	**237,914**
loan loss allowances	295,936	16,665	–171,211	141,390

Performing IN EUR '000	31 Dec. 2016	Absorption H1 2017	Disposal H1 2017	30 June 2017
Loans and advances to customers	380,989	69,424	–69,611	380,802
Credit risks	27,869	14,499	–12,056	30,312
Total	**408,858**	**83,923**	**–81,667**	**411,114**
Loan loss allowances	0	0	0	0

Non Performing IN EUR '000	31 Dec. 2016	Absorption H1 2017	Disposal H1 2017	30 June 2017
Loans and advances to customers	325,365	104,375	–98,040	331,700
Credit risks	21,042	6,324	–7,086	20,280
Total	**346,407**	**110,699**	**–105,126**	**351,980**
Loan loss allowances	442,175	95,041	–141,104	396,112

“Forbearance” refers to measures that are characterised by an alteration of conditions included in the credit agreement to the borrower’s advantage (e.g., deferments) or the refinancing of the loan because the borrower can no longer fulfil the existing conditions due to financial hardship. A borrower’s financial hardship and alterations to the credit agreement do not necessarily result in losses for the lending institution in every case. Should the lending institution experience losses as a result of forbearance measures, appropriate value adjustment measures in accordance with IFRS 9 will be undertaken for Stage 3.

Other changes to credit agreements that are not related to the borrower’s experience of financial hardship are to be qualified as market-induced measures.

Liquidity risk

The liquidity risk encompasses the risk of not being able to fulfil one's payment obligations by the due date or, in the case of a liquidity shortage, of not being able to acquire enough liquidity at the terms expected (structural liquidity risk).

Ensuring that there is sufficient liquidity takes top priority at Raiffeisenlandesbank Oberösterreich as the central institution for the Raiffeisen Banking Group Upper Austria. Liquidity has to be safeguarded at all times.

Liquidity management and liquidity risk are managed under a standardised model which, besides normal circumstances, also encompasses stress scenarios arising from reputational risk, systemic risk, a non-performing loan or a crisis involving several risks.

LCR (Liquidity Coverage Ratio) at 30 June 2018 at the Group level was 123% and therefore significantly exceeded the 100% level required as at 30 June 2018. This demonstrates the good liquidity situation of the Raiffeisenlandesbank Oberösterreich Group.

In terms of its Long Term Issue Ratings, Raiffeisenlandesbank Oberösterreich has been rated by Moody's at Baa1 from 03 Nov. 2017.

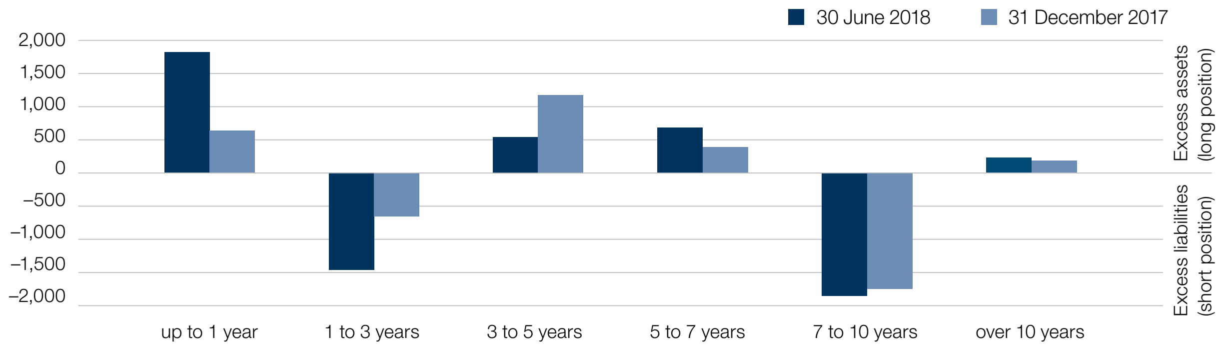
The following table summarises the maturities of the non-discounted liabilities including the respective interest payments and depicts the earliest possible utilisation of guarantees and credit approvals:

30 June 2018 IN EUR '000	payment on demand/ without a term	up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Amounts owed to banks	4,831,250	820,071	801,013	3,991,085	2,198,043	12,641,462
Amounts owed to customers	6,568,359	767,041	1,372,572	2,111,494	1,524,640	12,344,106
Liabilities evidenced by certificates	0	436,490	755,469	3,827,493	4,215,547	9,234,999
Trading liabilities	1	72,011	222,243	1,107,450	2,312,551	3,714,256
Subordinated capital	0	0	158,636	391,647	565,063	1,115,346
Total	**11,399,610**	**2,095,613**	**3,309,933**	**11,429,169**	**10,815,844**	**39,050,169**
Contingent area	2,301,799	0	0	0	0	2,301,799
Credit risks	6,221,499	0	0	0	0	6,221,499

31 Dec. 2017 IN EUR '000	payment on demand/ without a term	up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Amounts owed to banks	4,477,936	1,151,527	898,447	3,845,051	2,060,397	12,433,358
Amounts owed to customers	6,490,263	848,411	1,632,116	1,509,035	1,759,135	12,238,960
Liabilities evidenced by certificates	44,500	290,332	1,032,190	3,206,430	3,993,332	8,566,784
Trading liabilities	1	123,836	188,038	1,142,054	2,427,490	3,881,419
Subordinated capital	0	184,029	178,011	348,897	553,876	1,264,813
Total	**11,012,700**	**2,598,135**	**3,928,802**	**10,051,467**	**10,794,230**	**38,385,334**
Contingent area	2,350,647	0	0	0	0	2,350,647
Credit risks	5,898,288	0	0	0	0	5,898,288

From the gap analysis below it can be seen that there is only a low liquidity risk in the individual maturity periods. There is a large amount of potential collateral available for tender transactions with the ECB and the Swiss National Bank for ongoing liquidity equalisation as well as for other repurchase transactions. The expiration structure of the liquidity buffer does not feature any essential concentration of expiring securities within the next three years. The vast majority of securities held as a liquidity buffer have a residual term of more than five years.

Raiffeisenlandesbank Oberösterreich liquidity gaps in EUR millions*



* Items without fixed capital commitment are analysed in light of more realistically described historical developments and are modelled as at 30 June 2018; values as at 31 December 2017 are also described using this new method.

Equity investment risk

Equity risk covers potential losses caused by dividends not paid, adjustments, disposal losses, regulatory funding obligations, strategic financial restructuring responsibilities, and the reduction of hidden reserves.

The Raiffeisenlandesbank Oberösterreich Group has a broadly diversified investment portfolio.

Based on the existing external valuations (market capitalisations or appraiser ratings as at the relevant reporting date), the risk potential from investments is quantified using a simulation model. In this case, the historical fluctuations found in the markets are applied to the input parameters of the appraiser ratings (i.e. the earning power method) and thus statistically significant iterations are calculated. The procedure is applied analogously to the listed investments. The outcome is a distribution of probabilities for the individual equity investment values. This can then be used to determine the potential risk for the equity investments and thus for the entire equity investment portfolio.

The following table presents the carrying amounts of equity investments held by the Raiffeisenlandesbank Oberösterreich as at 30 June 2018 and 31 December 2017, organised by risk classes:

	Very low or low risk		Normal risk		Increased risk		No rating	
IN EUR '000	06/2018	12/2017	06/2018	12/2017	06/2018	12/2017	06/2018	12/2017
Banks	1,322,338	1,354,479	0	0	2,839	2,838	403	808
Non-banks	1,179,657	1,147,424	375,580	360,995	35,242	35,212	79	77
Total	**2,501,995**	**2,501,903**	**375,580**	**360,995**	**38,081**	**38,050**	**482**	**885**

On a quarterly basis, the risk potentials determined by expert evaluations (in problematic and extreme cases) and risk coverage from investment companies are used in the risk-bearing capacity analyses conducted periodically at the overall bank level. The Risk Controlling organisational unit produces a quarterly report on equity risk.

Macroeconomic risk

Macroeconomic risk measures the effects of a slight or severe recession on the risk situation at Raiffeisenlandesbank Oberösterreich. To this end, a statistics-based macroeconomic model analyses the correlation between macroeconomic factors (GDP, real wages index) and the probability of default. The simulated economic downturn in the model is used to determine the additional risk based on the CVaR figures.

Operational risk

Raiffeisenlandesbank Oberösterreich defines operational risk as being the risk derived from losses caused by the inappropriateness or failure of internal processes, people and systems, or external occurrences. Raiffeisenlandesbank Oberösterreich uses the basic indicator approach to quantify operational risk.

Raiffeisenlandesbank Oberösterreich uses both organisational measures and IT systems to limit this type of risk as far as possible. A high degree of security is attained by means of limit systems, competence regulations, a risk-adequate internal control system, a comprehensive security manual as a behaviour code and directive, as well as scheduled and unscheduled audits by Internal Auditing. The operative management of this type of risk involves risk discussions and analyses with managers (early warning system) and the systematic recording of errors in a database for analysis (ex-post analysis).

Other risk

Raiffeisenlandesbank Oberösterreich takes into account other, non-quantifiable risks in terms of risk-bearing capacity by means of a risk buffer. These include: strategic risk, reputation risk, equity risk, systemic risk, income and business risk, risk of excessive indebtedness, remaining risk from techniques used to reduce credit risks, risks from money laundering and the financing of terrorism.

Risk-bearing capacity analysis

The risk-bearing capacity analysis compares the aggregated overall bank risk of the group, organised by credit risks, market risks, equity risks, refinancing risks (as a measurement parameter for liquidity risk), macroeconomic risks, operational risks and other risks (= strategic risks, reputation risks, equity capital risks and profit risks) to risk coverage. This comparison of the group risks with the available coverage depicts the risk-bearing capacity.

With this comparison, the Raiffeisenlandesbank Oberösterreich Group is able to guarantee that it can cover extremely unexpected losses from its own funds without major negative effects. Economic capital is the measurement of risk used to calculate extremely unexpected losses. It is defined as the minimum amount of capital necessary to cover unexpected losses with a probability of 99.9% within one year.

The following table shows the economic capital for the Raiffeisenlandesbank Oberösterreich Group as at 30 June 2018 depending on the risk type compared to the previous year-end (confidence level 99.9%):

Details regarding risk capital

Segment / Type of risk	Corporates		Retail & Private Banking		Financial Markets		Equity Investments		Corporate Center		Total	
IN EUR MILLIONS	06/2018	12/2017	06/2018	12/2017	06/2018	12/2017	06/2018	12/2017	06/2018	12/2017	06/2018	12/2017
Market risk [1]	24.5	28.4			460.7	461.9	38.0	38.1			523.2	528.4
Credit risk [2]	982.1	923.3	88.9	79.8	269.9	277.6	140.3	152.7	112.2	96.7	1,593.4	1,530.1
Equity investment risk	29.5	29.6					985.6	1,101.6			1,015.1	1,131.2
Refinancing risk					0.0	0.0					0.0	0.0
Operational risk [3]	26.5	22.6	8.2	6.5	15.1	14.1	40.9	47.9	3.1	2.7	93.8	93.8
Macroeconomic risks	192.2	198.3	12.7	11.9	2.2	6.3	17.9	21.2	8.3	9.0	233.3	246.7
Others risks/buffers [3]	5.4	4.6	1.6	1.3	3.1	2.9	8.2	9.7	0.7	0.5	19.0	19.0
Total	**1,260.2**	**1,206.8**	**111.4**	**99.5**	**751.0**	**762.8**	**1,230.9**	**1,371.2**	**124.3**	**108.9**	**3,477.8**	**3,549.2**
RWA	**14,576.6**	**13,960.2**	**1,430.1**	**1,345.2**	**1,277.4**	**1,226.4**	**5,802.2**	**6,027.3**	**2,362.4**	**2,237.7**	**25,448.7**	**24,796.8**

The assignment of risk capital and the RWAs follow asset allocation as it is done in the IFRS consolidated financial statements of Raiffeisenlandesbank Oberösterreich.

1 Market risks are incurred in the Financial Markets, Investments and Corporates segments. Reason: The SALZBURGER LANDES-HYPOTHEKENBANK AKTIENGESELLSCHAFT is included in its entirety in the Investments section of the IFRS statements. The spread risk from M-Bonds is allocated entirely to market risk. This is why market risk is also incurred to some extent in the Corporates segment.

2) Credit risks are also incurred in the Corporate Center because financing is also allocated to this segment in the IFRS statements.

3) Operational risks and the risk buffer were distributed proportional to income.

Institutional protection scheme

Raiffeisen Banking Group Upper Austria

The Austrian Raiffeisen Banking Group is the largest banking group in Austria with about 401 locally operating Raiffeisen branches, eight regional Raiffeisen headquarters, and Raiffeisen Bank International AG as central institution in Vienna. Some 1.7 million Austrians are members and thus co-owners of Raiffeisen banks.

The Raiffeisen Banking Group Upper Austria is made up of a central institution, Raiffeisenlandesbank Oberösterreich AG, and 82 Raiffeisen banks with a total of 429 bank branches (as of October 2018: 80 Raiffeisen banks).

About 319,000 Upper Austrians are co-owners of the Upper Austrian Raiffeisen banks.

As credit institutions within the network of a co-operative society, the Raiffeisen banks are bound to the principles of subsidiarity, solidarity, and regionalism.

Based on Articles 49 (3) and 113 (7) CRR, all Raiffeisen banks in the Raiffeisen Banking Group Upper Austria have signed an agreement to set up an institutional guarantee scheme together with Raiffeisenlandesbank Oberösterreich AG, the Aid Association of the Raiffeisen Banking Group Upper Austria as well as Raiffeisen-Kredit-Garantiegesellschaft mbH. This institutional guarantee scheme is aimed at guaranteeing members' holdings and securing their liquidity and solvency in order to avoid bankruptcy. There is an early detection system in place to fulfil these tasks which requires the basic principle of uniform and common risk assessment in accordance with Raiffeisen deposit guarantee (ÖRE) regulations. Based on the organisational structure of the Raiffeisen Banking Group, the development of the IPS was designed in two stages (Federal- and State-wide IPS). Raiffeisenlandesbank Oberösterreich is a member of both the Federal and the State IPS.

The risk council that has been established monitors and manages the development of the entire L-IPS and of the individual members within the institutional guarantee system at state level. The institutional guarantee system is represented at state level by the Chief Executive Officer of Raiffeisenlandesbank Oberösterreich AG, Heinrich Schaller. Approval for the institutional guarantee system was obtained from the FMA by a decision dated 3 Nov. 2014.

Aid Association of the Raiffeisen Banking Group Upper Austria
Raiffeisen-Kredit-Garantiegesellschaft m.b.H.

Together, the Upper Austrian Raiffeisen banks have established a joint aid association with Raiffeisenlandesbank Oberösterreich AG (Hilfsgemeinschaft der RBG Oberösterreich und Raiffeisen-Kredit-Garantiegesellschaft m.b.H.), which ensures that in case of economic problems the distressed institutions receive help through adequate measures.

To ensure the security of the money our customers have entrusted in us, we have also created additional institutions:

Raiffeisen Customer Guarantee Association Austria (Raiffeisen-Kundengarantiegemeinschaft Österreich, RKÖ)

This association, whose members comprise participating Raiffeisen banks and Raiffeisenlandesbanks as well as Raiffeisen Bank International AG (RBI), guarantees all customer deposits and securities issues of participating banks, regardless of the individual amounts involved, up to the joint financial risk-bearing capacity of the participating banks. The structure of the Customer Guarantee Association has two tiers: first, the Raiffeisen Customer Guarantee Fund Upper Austria at state level, and then the Raiffeisen Customer Guarantee Association Austria at federal level. Thus, the Customer Guarantee Association guarantees protection for customers that goes beyond the legal deposit guarantee.

Statutory minimum coverage

The new Austrian Deposit Guarantee and Investor Compensation Act (ESAEG), which implements a European Directive, came into force in mid-August 2015. All member institutions of Raiffeisen Banking Group Upper Austria are joint members of the "Austrian Raiffeisen-Einlagensicherung eGen" via the Upper Austrian state deposit guarantee.

The act anticipates the establishment of a deposit guarantee fund that is stocked by annual contributions from banks. The target volume, which must be reached by 2024, is 0.8% of covered deposits. If these funds are not sufficient, the banks may be required to provide an additional 0.5% of the covered deposits annually.

The amount of the protection for the customer does not change as a result of the new Act: deposits continue to be guaranteed at up to EUR 100,000 per customer and bank. However, the scope of the customer protection has widened as a result of the inapplicability of a few existing exceptions. Major corporations, deposits in a foreign currency as well as deposits from managing directors, members of the supervisory authority and auditors of the bank are now also protected.

The guaranteed deposits should be reimbursed within seven working days as of 1 Jan. 2024 (gradual reduction in the periods by then).

The Austrian deposit guarantee system is currently broken down into sectors and should be retained in this form until 2018.

- Raiffeisen Oberösterreich wants to offer customers the best possible deposit guarantee in this new environment. The existing Raiffeisen deposit guarantee scheme will remain in existence until the end of 2018. From 1 Jan. 2019, the entire Raiffeisen Banking Group will join the Austria deposit guarantee scheme.

- The tried and tested intra-sector protection schemes operated by the Raiffeisen Banking Group at federal-state and federal levels (state IPS, federal IPS) will remain in force. As a result of these sectoral institutional protection schemes, deposits at Raiffeisen banks continue to be guaranteed to the greatest possible extent.

Bank Recovery and Resolution Act (BaSAG)

The Banking Recovery and Resolution Directive (BRRD) came into force effective 1 Jan. 2015 with the establishment of a Europe-wide banking union by the European Union. The Bank Recovery and Resolution Act (BaSAG) implemented the BRRD into Austrian law, effective 1 Jan. 2015. This act requires every bank domiciled in Austria, and that is not part of a group which is subject to consolidated supervision, to create a recovery plan in accordance with the requirements defined in the BaSAG and to update this on an annual basis. As the EU parent company the RBG Oberösterreich Verbund eGen created the 2017 group recovery plan based on this legal position, and this includes the specifics related to Raiffeisenlandesbank Oberösterreich.

A resolution plan will be created by the resolution authority and reviewed at least once per year and updated as necessary.

For the purposes of the stress test associated with the recovery plan under the BaSAG, the bank's recovery potential was ascertained in six different scenarios, with systemic, reputational and also combined crises considered in the characteristics rapid and slow.

So that crises can be identified at an early stage, early warning indicators are set out in a comprehensive framework concept aimed at ensuring that there is adequate time for implementing suitable countermeasures. The set of indicators selected meets the minimum requirements for qualitative and quantitative indicators in accordance with the EBA Guidelines. Additional indicators were also selected by the organisation itself, meaning monitoring of a total set of 26 indicators is undertaken and regular reports are submitted to the Managing Board.

Raiffeisenlandesbank Oberösterreich is obliged by statute to make an annual contribution to the Single Resolution Fund ("SRF") at the European level. The contribution to the resolution fund is stipulated by the supervisory authority responsible in accordance with the deposits not guaranteed in association with the bank's risk profile. If the funds available are not sufficient for the purposes of covering losses, costs and other expenses associated with utilising the fund as a resolution mechanism, extraordinary contributions are collected in order to cover the additional expenses.

The scope of application extends to all banks operating within the eurozone. Non-euro states are able to participate in the SRF on a voluntary basis.

OTHER INFORMATION

Information regarding associated companies and persons

The ultimate parent company is Raiffeisen Banking Group Upper Austria Verbund eGen which is not operationally active, apart from its function as a holding company.

The "Subsidiaries (non-consolidated)" category contains all subsidiaries which are not fully consolidated for reasons of significance. The "Associated companies" category shows details regarding companies with significant influence, incl. the companies reported under the equity method. The "Joint enterprises" category includes all companies in which Raiffeisenlandesbank Oberösterreich is a partner company as part of a joint enterprise. The category of "Members of the Management in Key Positions" covers the Managing Board and Supervisory Board members of Raiffeisenlandesbank Oberösterreich. The category of "Other associated companies and persons" shows details of close family members of the management in key positions (incl. their companies).

Information regarding associated companies and persons as at 30 June 2018

IN EUR '000	Parent company	Subsidiaries (non-consolidated)	Associates and joint enterprises
Loans and advances to banks	0	0	3,768,498
Loan loss allowance for loans and advances to banks	0	0	466
Loans and advances to customers	0	337,077	740,666
Loan loss allowance for loans and advances to customers	0	602	1,035
Trading assets	0	0	287,844
Financial assets	0	162,053	673,012
Loan loss allowance for securities	0	0	148
Companies accounted for using the equity method	0	0	2,178,086
Other assets	0	12,498	19,683
Loan loss allowance for receivables from non-bank activities	0	0	0
Assets held for sale	0	13,802	0
Amounts owed to banks	0	0	969,878
Amounts owed to customers	347	93,675	385,442
Trading liabilities	0	0	51,035
Liabilities evidenced by certificates	0	0	0
Provisions	0	0	0
Other liabilities	0	2,176	1,052
Liabilities connected with assets held "available for sale"	0	0	0
Subordinated capital	0	0	16,752
Granted credit commitments, financial guarantees and other commitments	0	7,403	367,252
Received credit commitments, financial guarantees and other commitments	0	0	12,394

Information regarding associated companies and persons 1 January – 30 June 2018

IN EUR '000	Parent company	Subsidiaries (non-consolidated)	Associates and joint enterprises
Net interest income (excl. at-equity result)	0	5,711	35,155
Share of profit or loss of equity-accounted investments	0	0	100,698
Additions to allowances for losses on loans and advances	0	–307	–294
Loan loss allowance reversal	0	223	2,007
Direct impairment losses	0	0	0
Amounts received against loans and advances written off	0	0	0

Information regarding associated companies and persons as at 31 Dec. 2017

IN EUR '000	Parent company	Subsidiaries (non-consolidated)	Associates and joint enterprises
Loans and advances to banks	0	0	3,792,818
of which loan loss allowances	0	0	1,481
Loans and advances to customers	0	426,979	675,986
of which loan loss allowances	0	7,260	648
Trading assets	0	32,481	274,443
Financial assets	0	200,532	658,068
Companies accounted for using the equity method	0	0	2,158,102
Other assets	0	14,375	11,417
Assets held for sale	0	13,802	11
Amounts owed to banks	0	0	999,875
Amounts owed to customers	351	86,694	520,261
Trading liabilities	0	1,437	69,488
Liabilities evidenced by certificates	0	0	0
Provisions	0	0	0
Other liabilities	0	3,814	1,465
Liabilities connected with assets held "available for sale"	0	0	0
Subordinated capital	0	0	16,752
Guarantees given	0	9,287	423,250
Guarantees received	0	0	8,954

Information regarding associated companies and persons 1 January – 30 June 2017

IN EUR '000	Parent company	Subsidiaries (non-consolidated)	Associates and joint enterprises
Net interest income (excl. at-equity result)	0	17,253	33,260
Share of profit or loss of equity-accounted investments	0	0	149,813
Additions to allowances for losses on loans and advances	0	–1,864	–1,654
Direct impairment losses	0	0	0

Joint enterprises – stated in the column "Associates and joint enterprises" – include an IFRS carrying amount of EUR 609,392 thousand (31 December 2017: EUR 570,298 thousand). Furthermore, loans and advances of EUR 39 thousand (31 December 2017: EUR 0 thousand), liabilities of EUR 15 thousand (31 December 2017: EUR 3 thousand) and credit commitments of EUR 1 thousand (31 December 2017: EUR 0 thousand) to joint enterprises exist as of 30 June 2018.

As at 30 June 2018, EUR 15,000 thousand (31 December 2017: EUR 15,000 thousand) were pledged to companies reported under the equity method.

Advances, credits and liabilities to members of the Managing Board exist as at 30 June 2018 amounting to EUR 217 thousand (31 December 2017: EUR 46 thousand) and to members of the Supervisory Board EUR 569 thousand (31 December 2017: EUR 711 thousand). Loans to members of the Managing Board and the Supervisory Board are granted on standard banking industry terms. Repayments are made as agreed.

Liabilities to members of the Managing Board and the Supervisory Board exist amounting to EUR 3,513 thousand (previous year: EUR 3,600 thousand).

As at 30 June 2018, advances, loans and liability amounting to EUR 4,947 thousand exist to associated persons and companies (31 December 2017: EUR 5,139 thousand) and liabilities amounting to EUR 1,254 thousand (31 December 2017: EUR 1,046 thousand).

Standard market conditions are applied in business relationships with related companies and individuals.

Contingent liabilities

As at the balance sheet date, the following off-balance-sheet obligations existed:

IN EUR '000	30 June 2018	31 Dec. 2017
Contingent liabilities	**2,301,799**	**2,350,647**
of which other indemnity agreements	2,263,438	2,350,021
of which other contingent liabilities	38,361	626
Credit risks	**6,221,499**	**5,898,288**
of which loan approvals/stand-by facilities	6,221,499	5,898,288

A joint and several liability in accordance with section 2, Mortgage Lending Institutions Law is in place in the fully consolidated SALZBURGER LANDES-HYPOTHEKENBANK AKTIENGESELLSCHAFT for the liability borne by the Pfandbriefbank (Österreich) AG.

Regulatory consolidated equity requirements pursuant to section 64 (1) (16 et seq.) of the Austrian Banking Act

As of 1 Jan. 2014, Regulation (EU) No 575/2013 (Capital Requirements Regulation, CRR) and Directive (EU) No 36/2013 (Capital Requirements Directive, CRD IV) came into force for the implementation of Basel III. In addition, the supplementary Austrian CRR Implementing Regulation specifies how the CRR's transitional provisions are to be implemented in Austria. These statutory regulations mean that banks will have to comply with significantly higher equity ratios and tighter liquidity requirements.

Consolidated equity at the level of the uppermost finance holding (Raiffeisen Banking Group Upper Austria eGen, a registered co-operative society) breaks down as follows according to CRR:

IN EUR '000	30 June 2018	31 Dec. 2017
Capital instruments and the premium linked to them	1,032,857	1,032,857
Retained earnings	3,005,800	3,037,918
Accumulated other net gains/losses	–142,226	–16,500
Eligible Common Equity Tier 1 (CET 1) minority holdings (incl. transitional regulations)	43,271	51,822
Common Equity Tier 1 (CET 1) capital prior to regulatory adjustments (corrections and deductions)	**3,939,702**	**4,106,097**
Prudential filters correction	–24,323	–24,763
Intangible assets deduction (incl. goodwill)	–59,945	–67,570
Deductions for deferred taxes	–1,755	–1,755
Deduction of common Tier 1 capital instruments from companies in the financial sector	–13,642	–6,473
Items to be deducted from the items of additional Tier 1 capital exceeding the additional Tier 1 capital	–	–16,279
Other transition adjustments to common Tier 1 capital	–	–33,772
Other deductions and components related to the common Tier 1 capital	–44,311	–44,500
Common Tier 1 capital (CET 1)	**3,795,726**	**3,910,985**
Eligible additional Tier 1 (AT 1) minority holdings (incl. transitional regulations)	9,273	7,656
Deduction of additional Tier 1 capital instruments from companies in the financial sector	–8,566	–9,774
Other transition adjustments to additional Tier 1 capital	–	–14,161
Items to be deducted from the items of additional Tier 1 capital exceeding the additional Tier 1 capital (deduction from common Tier 1 capital)	–	16,279
Additional Tier 1 capital (AT 1)	**707**	**–**
Tier 1 capital (Tier 1 = CET 1 + AT 1)	**3,796,433**	**3,910,985**
Grandfathering of capital instruments of Tier 2 capital and subordinated loans	14,990	18,738
Eligible Common Equity Tier 2 minority holdings (incl. transitional regulations)	464,432	483,478
Tier 2 capital (T 2) before regulatory adjustments	**479,422**	**502,216**
Deductions as well as other transitional adjustments of Tier 2 capital	–15	–663
Tier 2 capital (T 2)	**479,407**	**501,553**
Total capital (TC = T 1 + T 2)	**4,275,840**	**4,412,538**

The overall risk value (risk-weighted assets, RWA) is divided up as follows:

IN EUR '000	30 June 2018	31 Dec. 2017
Own funds requirements for credit, counterparty and dilution risk	24,046,493	23,384,102
Own funds requirements for processing and delivery risks	–	2
Own funds requirements for position, foreign currency and commodity risks	130,369	148,269
Own funds requirements for operational risks	1,172,556	1,172,556
Own funds requirements for adjustments to credit evaluation (CVA)	99,318	91,865
Risk-weighted assets	**25,448,736**	**24,796,794**

The capital ratios (phase in) according to CRR are as follows and are calculated in accordance with Article 92 CRR:

IN %	30 June 2018	31 Dec. 2017
Common Equity Tier 1 capital ratio (CET 1 ratio)	14.92	15.77
Tier 1 capital ratio	14.92	15.77
Total capital ratio (TC ratio)	16.80	17.79

Raiffeisenlandesbank Oberösterreich will be in a stable equity and equity capital situation for the next few years – during which the regulatory ratios under Basel III will be exceeded significantly while the SREP ratio prescribed by the ECB will be complied with – enabling the bank to continue providing close support to its customers over the long term.

The effects from IFRS 9 explained in the previous sections which are mainly reflected in consolidated regulatory companies are also reflected in the own funds consolidated for regulatory purposes and risk-weighted assets.

Banks must hold a capital conservation buffer consisting of Tier 1 capital as required by section 23 of the Austrian Banking Act. The capital conservation buffer must amount to 2.5% of the total receivable amount as required by Art. 92, Para. 3 CRR. In accordance with the transitional provision in section 103q no. 11 of the Austrian Banking Act, the capital conservation buffer for 2018 will be 1.875% and will amount to 2.50% in 2019.

As required by section 7 of the Regulation on Capital Buffering (KP-V), Raiffeisenlandesbank Oberösterreich, based on the consolidated situation of Raiffeisenbankengruppe OÖ Verbund eGen as the highest financial holding, and Raiffeisenlandesbank Oberösterreich on an individual basis had a capital buffer ratio imposed on them by the FMA for systemic vulnerability (system risk buffer) of 1%.

This anti-cyclical capital buffer is intended to function as an economic corrective measure during times in which credit growth exceeds GDP. It is equivalent to between 0% and 2.5% of the risk-weighted assets and is held in Common Equity Tier 1 capital. Regulatory bodies may also stipulate that banks that operate in their respective states maintain an anti-cyclical capital buffer of over 2.5%.

The capital buffer ratio for significant credit risk exposures in Austria was 0% as at 31 December 2017. Raiffeisenlandesbank Oberösterreich's bank-specific anti-cyclical capital buffer was, in accordance with section 23a (1) of the Austrian Banking Act, calculated as the weighted average of the ratios of anti-cyclical capital buffers of the countries in which Raiffeisenlandesbank Oberösterreich has significant credit risk exposures. It is expected that Raiffeisenlandesbank Oberösterreich's anti-cyclical capital buffer in 2018 will also be insignificant in size.

Within the framework of equity management, the main focus lies on securing adequate capital resources for the group and ensuring compliance with regulatory own funds requirements for the Group.

Equity capital is a crucial factor in managing a bank. The minimum value is prescribed by Regulation (EU) No 575/2013 (Capital Requirements Regulation, CRR) in combination with Directive (EU) No 36/2013 (Capital Requirements Directive, CRD IV). Accordingly, banks and banking groups must currently back at least 8% of their risk-weighted assets (RWA) with own funds. As a securitisation of RWA with Tier 1 capital, they are currently required to set aside at least 6%.

For its internal management, Raiffeisenlandesbank Oberösterreich applies target values that cover all risk types (including from the trading book, currency risk and operational risk). At the same time, Raiffeisenlandesbank Oberösterreich has also set target ratios that are sufficiently above the legally required Tier 1 capital so as to avoid any regulatory limitations in its managerial decision-making process.

The main focus of attention in this process is on Tier 1 capital. At the same time, the risk-bearing capacity is determined on the basis of regulatory and economic criteria. It is equal to the maximum losses that the bank or the group could incur without falling below the minimum capital requirements. Because there are constraints on capital eligibility, internal management also focuses on the composition of the equity instruments.

In accordance with section 8 of the Capital Requirements Regulations (CRR), this information is published on Raiffeisenlandesbank Oberösterreich's website (www.rlbooe.at).

Average number of employees pursuant to section 266 of the Austrian Commercial Code

	1 Jan. – 30 June 2018	1 Jan. – 30 June 2017
Salaried employees	4,246	4,081
of which VIVATIS/efko	962	844
Worker	1,703	1,716
of which VIVATIS/efko	1,694	1,704
Total	**5,949**	**5,797**
of which VIVATIS/efko	2,656	2,548

Geographic distribution according to country by country reporting

H1 2018

IN EUR '000	Net interest income	Operating income	Pre-tax profit for the period
Austria	245,686	521,812	156,895
Czech Republic	1,582	4,844	586
Germany	33,195	46,854	25,179
Croatia	2,461	8,258	2,876
Poland	4,538	7,555	3,969
Romania	6,077	10,419	6,632
Slovenia	14	23	9
Slovakia	2,234	2,755	622
Total	**295,787**	**602,520**	**196,768**

H1 2017

IN EUR '000	Net interest income	Operating income	Pre-tax profit for the period
Austria	264,460	525,684	198,944
Czech Republic	1,756	2,996	568
Germany	31,479	44,351	27,511
Croatia	2,247	7,322	2,500
Poland	4,401	5,235	2,113
Romania	4,660	6,229	2,593
Slovenia	14	21	7
Slovakia	2,241	2,663	671
Total	**311,258**	**594,501**	**234,907**

EVENTS AFTER THE BALANCE SHEET DATE

There were no events of particular significance after 30 June 2018. The condensed consolidated interim financial statements were prepared on 21 August 2018.

STATEMENT OF THE MANAGING BOARD

We confirm to the best of our knowledge that these condensed consolidated interim financial statements, prepared according to proper accounting standards, present a true and fair view of the Group's assets, financial position and earnings and that the Group's interim management report presents a true and fair view of the Group's assets, financial position and earnings in respect of the most important events in the first six months of the business year and their effects on the condensed consolidated interim financial statements and in respect of the most significant risks and uncertainties in the remaining six months of the business year.

Linz, 21 August 2018
Raiffeisenlandesbank Oberösterreich Aktiengesellschaft
Europaplatz 1a, 4020 Linz

THE MANAGING BOARD

Dr. Heinrich Schaller
Chief Executive Officer

Michaela Keplinger-Mitterlehner
Deputy Chief Executive Officer

Stefan Sandberger
Member of the Managing Board

Reinhard Schwendtbauer
Member of the Managing Board

Markus Vockenhuber
Member of the Managing Board

The responsibilities of the individual members of the Managing Board are presented on the following page.

RESPONSIBILITIES OF THE MANAGING BOARD

Reinhard Schwendtbauer
Member of the Managing Board

- Collateral
- Tax Office
- Investment management
- Factoring
- Group accounting and controlling
- Raiffeisen-IMPULS-Leasing
- REAL-TREUHAND Management GmbH

Stefan Sandberger
Member of the Managing Board

- Cash Management products
- Data Governance
- Product responsibility Treasury
- Operations
- Organisation
- GRZ IT Center GmbH
- Raiffeisen Software GmbH

Heinrich Schaller
Chief Executive Officer

- Corporate Governance & Compliance
- Public Affairs
- Public Relations and Media
- Legal Office
- Regulatory affairs, data protection & outsourcing
- Office of the Managing Board
- Management of Raiffeisen banks
- Corporate customers of Raiffeisen banks
- Group audit
- Human resources management
- Strategic planning for Raiffeisen Banking Group Upper Austria
- Treasury Financial Markets

Michaela Keplinger-Mitterlehner
Deputy Chief Executive Officer

- bankdirekt.at
- Raiffeisenlandesbank Oberösterreich branches
- Corporates Market
- PRIVAT BANK
- Product management and Corporates Sales
- Product management / Sales management for Retail and Private Banking/Group marketing
- KEPLER-FONDS KAG
- RVM Raiffeisen-Versicherungsmakler

Markus Vockenhuber
Member of the Managing Board

- Financing Management
- Overall bank risk management

Level 2 (Division) | Level 2 (Subsidiaries) | Staff unit

LEGAL NOTICE

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Print: Raiffeisenlandesbank Oberösterreich

Notes:
Gender-neutral language: In order to facilitate legibility, we have largely dispensed with gender-specific differentiation.
The content refers to both genders equally, in accordance with equal treatment of the sexes.

This Interim Financial Report of Raiffeisenlandesbank Oberösterreich 2018 is an English translation.
If there are discrepancies, the German original shall apply. No liability is assumed for typographical or printing errors.

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