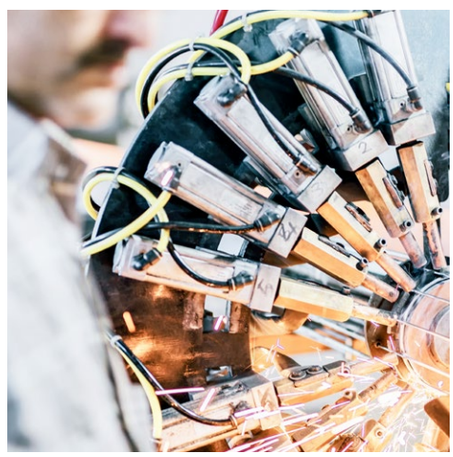
Raiffeisen-Landesbank Steiermark

2019 ANNUAL FINANCIAL REPORT


Do!day
Do!morrow
Do!gether

CONTENT

IMPORTANT FIGURES AT A GLANCE

Monetary values in TEUR Statement of profit or loss	2019	2018	Change
Net interest income*)	101,228	103,067	-1.8 %
Profit/loss from investments in associates valued at equity	-12,397	80,943	>100 %
Net fee and commission income	39,599	38,719	2.3 %
Net trading income	-6,561	5,139	>100 %
Net income from financial instruments at fair value P&L (FVPL)*)	91,642	-18,930	>100 %
Administrative expenses	-165,893	-163,704	1.3 %
Impairment of financial assets	-2,784	7,627	>100 %
Consolidated profit/loss for the year before taxes	116,855	128,629	-9.2 %
Consolidated profit/loss for the year	103,646	132,557	-21.8 %
Consolidated comprehensive income	140,836	94,092	49.7 %
Statement of financial position	**2019**	**2018**	
Financial assets – amortised cost (AC)	10,054,119	9,458,153	6.3 %
Financial assets – held for trading (HFT)	824,003	1,226,484	-32.8 %
Financial assets – fair value OCI (FVOCI)	960,972	1,182,312	-18.7 %
Financial assets – mandatorily at fair value P&L (FVPL-M)	450,434	450,624	0.0 %
Investments in associates valued at equity	1,008,213	1,014,107	-0.6 %
Financial liabilities – amortised cost (AC)	11,682,928	11,320,124	3.2 %
Financial liabilities – held for trading (HFT)	368,119	354,775	3.8 %
Financial liabilities – designated at fair value P&L (FVO)	1,379,582	1,745,498	-21.0 %
Equity (including non-controlling interests)	1,612,579	1,529,503	5.4 %
Total assets	15,305,234	15,117,627	1.2 %

*) In the comparison period, an amount of TEUR 4,504 was reclassified from “Net income from financial instruments at fair value P&L (FVPL)” to “Other interest and similar income”.

Monetary values in TEUR

Regulatory information	2019	2018	Change
Common equity tier 1 (CET 1) capital	1,495,636	1,449,102	3.2 %
Total capital (TC)	1,567,300	1,526,734	2.7 %
Total risk (assessment base)	7,637,235	7,273,481	5.0 %
CET 1 ratio (based on all risks)	19.6 %	19.9 %	-0.3 PP
Total capital ratio (based on all risks)	20.5 %	21.0 %	-0.5 PP
Leverage ratio	9.5 %	9.4 %	0.1 PP
Liquidity coverage ratio (LCR)	163.4 %	167.0 %	-3.6 PP
Net stable funding ratio (NSFR)	108.5 %	112.0 %	-3.5 PP
Other financial ratios	**2019**	**2018**	
Return on equity	7.4 %	8.5 %	-1.1 PP
Cost/income - ratio*)	40.1 %	50.5 %	-10.4 PP
	2019	2018	
Non-performing loan ratio	2.5 %	2.9 %	-0.4 PP
Non-performing exposure ratio	1.8 %	2.0 %	-0.2 PP
Coverage ratio (excluding collateral)	59.9 %	61.6 %	-1.7 PP
Average number of employees	921	922	-1
Banking outlets	20	20	0

*) Calculation of the cost/income ratio without taking into account the non-recurring effect resulting from the impairment of the equity-accounted investment in RBI in the amount of TEUR -128,342 (2018: TEUR -39,412).

Rating	Short-term	Long-term	Outlook	Issuer rating	Change/ Confirmation
Moody´s	Baa1	P-2	stable	Baa1	26/06/2019

CONSOLIDATED MANAGEMENT REPORT 2019

I. REPORT ON BUSINESS PERFORMANCE AND ECONOMIC SITUATION

I.1. Economic environment and business performance

Global economy

In 2019, indications that the cyclical downturn had taken hold increased. Continued weak economic growth slowed down further this year in almost all economies. Stagnating global trade as well as trade tensions, which increased from May onwards, weighed on confidence and curbed the investment activity. In addition, political uncertainty continued to increase. Towards the end of the year, however, initial progress was made in the trade conflict between the United States and China. Thanks to favourable labour market conditions, household incomes and consumer spending remained high, at least for the time being. According to OECD estimates, which were revised downward several times, the global economy grew by 2.9 % over the past year.

Due to increased uncertainty and weak demand on foreign markets, investment and trade slowed down in the United States. New trade restrictions weighed on confidence, corporate investments and industrial production. After the first quarter of 2019 exceeded the expectations with a growth rate of 0.8 %, the second and third quarters saw a slowdown to 0.5 %. According to the OECD, growth in 2019 should amount to a moderate 2.3 %. The US labour market, however, remained robust: thanks to strong employment growth, unemployment dropped to 3.5 % in November, reaching its lowest level since the 1960s. Inflation for the whole of 2019 (November: 1.7 %) remained well below the previous year's level. As a result, the US Federal Reserve adjusted its course for monetary policy normalisation and announced that it would not raise interest rates in 2019. In July, it lowered its key interest rate for the first time in more than a decade, followed by two additional rate cuts in the further course of the year. And as of September 2019, the ongoing balance sheet reduction was halted.

Chinese economic growth continued to weaken in the face of escalating trade tensions and global uncertainties, and according to the OECD will only amount to 6.2 % in 2019. Although anticipatory effects due to expected tariff increases supported the development of exports and consequently also industrial production, the investment activities in the manufacturing industry did not benefit from this trend. In order to counteract the weak economic development, monetary and fiscal policy measures were introduced.

Europe

Over the course of 2019, economic growth in the euro area continued to decelerate. The sustained deterioration in external demand, global trade tensions and the persistent uncertainty surrounding Brexit had a significant negative impact on both export and investment volumes. The manufacturing sector suffered most from the impact of these developments. Germany and Italy were hit particularly hard due to their dependence on industry. France and Spain, on the other hand, were in a better position to fend off the downturn. According to estimates, economic growth in the euro area came in at 1.2 % over the past year. Despite the economic slowdown, the labour market in the euro area continued to improve, with the unemployment rate standing at 7.5 % in November. After a steady decline, the inflation rate reached a low of 0.7 % in October, but was able to recover to a modest 1.3 % at the end of the year thanks to rising energy prices.

In view of the expected economic slowdown and the low inflation rate, the European Central Bank initially announced new long-term refinancing operations for banks (TLTROs). In September, the key interest rate was finally lowered to -0.5 % and a decision was taken to resume the asset purchase programme.

Equity and bond markets

After a significant decline at the end of 2018, the stock markets recovered rapidly in 2019. The interest rate cuts in the United States, the expansionary monetary policy in Europe and positive signals in the trade war between the USA and China boosted the markets.

The American markets in particular benefited from this positive mood, lifting the S&P 500 to new all-time highs during the year. Overall, the S&P 500 gained 28.9 %. The European markets also experienced very strong growth: the DAX and EURO STOXX 50 rose by 25.5 % and 24.8 % respectively.

In the bond market, the downward trend in yields that had begun in October 2018 continued until August. After reaching new lows, the market finally managed to regain a certain degree of stability. Yields on 10-year German Bunds temporarily dropped to -0.714 %, marking a new all-time low. Ultimately, the year-on-year decline was -0.43 % and the absolute level was -0.19 %. At -0.77 %, yields on 10-year US treasury bonds also fell sharply, ending the year at just over 1.9 %.

Commodities and currencies

In the currency market, the euro depreciated slightly against the other major currencies. Although it only lost 2.2 % and 3.2 % respectively against the US dollar and the Japanese yen, it showed greater volatility against the British pound due to the uncertainties surrounding BREXIT. Overall, the pound sterling gained around 6.4 % against the euro.

The rapid downward trend in oil prices that had begun in the last quarter of the previous year found an end at the beginning of the year. By year end, the price of crude oil had recovered by 23 % to almost USD 66 per barrel. The gold price was still comparatively stable at the beginning of the year. From the end of May onwards, the price of the precious metal gained momentum and ended the year up 18.3 %.

Austria

In light of the global economic slowdown, the Austrian economy also weakened significantly. Exports and industry in particular suffered from the global decline in demand. However, the domestic economy continued to benefit from strong consumer demand as well as the booming construction sector. According to OECD estimates, growth in 2019 should amount to 1.5 %. The unemployment rate reached a long-term low of 4.2 % in November. Due to the low increase in energy prices, inflation was significantly lower in 2019 than in the previous year. Most recently, prices rose by 1.8 %.

According to the OeNB, the previous year's favourable economic situation continued to have a positive impact on the profitability of Austrian banks. However, due to lower reversals of impairment losses, consolidated net profits for the period declined by 2 % year-on-year to EUR 3.5 billion. Lending growth remained high, while credit quality improved.

The OeNB continues to consider the residential construction sector to be very dynamic: demand has risen continuously due to the demographic development, but there have also been strong construction activities since 2016. Moreover, the price development was not accompanied by above-average real estate lending. Compared to other countries, the level of indebtedness of Austrian households remained low and stable.

Styria

As an industrial business hub with a strong export orientation, the economy of the federal state of Styria cannot detach itself from international and national developments. In 2019, the Styrian economy definitely left the cyclical peak phase behind and embarked on a solid growth path. According to the WKO economic barometer (December 2019), Styrian companies continued to demonstrate their willingness to invest. In 2019, 43.1 % of the companies surveyed increased their investment volume, while only 9.6 % invested less. Of particular note is also the R&D ratio of 4.93 %, which puts Styria in the lead in Austria and in third place in a comparison of European regions. The stable environment offered a solid foundation for the establishment of new companies. Overall, 5,966 new companies were established in 2019, an increase of 3.9 % over 2018 (source: Styrian Economic Chamber). According to the Public Employment Service (AMS), Styria set a new record in 2019 with an annual average of 531,000 non-self-employed workers. In the previous year, the provisional unemployment rate had been 6.0 % – the final unemployment rate in 2018 was 6.3 %. Unemployment decreased by 998 persons or 2.8 % to 34,038 persons.

RLB Steiermark Group

The RLB Steiermark Group has adapted well to the declining economic momentum and was able to continue its sustainable growth course. Nevertheless, the pressure on earnings and costs remains high. In this challenging environment, the Group operates comprehensively in the current business segments of corporate clients, retail clients, the Raiffeisen Group, treasury and selected equity investments. Customer service, which ensures business success in terms of a prudent business policy, focuses wholly on "sustainable growth". In the prevailing macroeconomic and regulatory environment, earnings, costs, liquidity, risk and capital are key criteria for strengthening long-term competitiveness. RLB Steiermark has therefore decided to identify and subsequently leverage possible synergy potential, including in terms of structural aspects.

A milestone in this respect is the long-term targeted process with full ownership of HYPO Steiermark, which was successfully completed in March 2019. RLB Steiermark had already acquired a 49 % stake in 1998, which was subsequently increased to 75 % less 2 shares in 2002.
After all conditions precedent of the share purchase agreement of 5 July 2018 had ceased to apply, Raiffeisen-Landesbank Steiermark AG and the state of Styria finally signed the closing memorandum for the transfer of the remaining shares held by the state of Styria in Landes-Hypothekenbank Steiermark AG (25 % + 2 shares) to Raiff-eisen-Landesbank Steiermark AG. Raiffeisen-Landesbank Steiermark AG has therefore been the sole shareholder of HYPO Steiermark since 14 March 2019. It is expected that the simplified

ownership structure will yield benefits in areas such as liquidity and capital management as well as future investment initiatives, for example the adoption of digitalisation.

However, this is only one measure aimed at establishing a forward-looking orientation of the RLB Steiermark Group. A comprehensive strategy project was therefore launched in spring 2019 – following the completion of the acquisition of the remaining HYPO Steiermark shares. In the process, the environmental conditions such as digitalisation, evolving customer requirements, regulatory framework and cost efficiency were analysed. In December, the Supervisory Board of RLB Steiermark decided to review restructuring measures with the aim of implementing synergies promptly. RLB Steiermark can act from a position of strength and professionally implement concepts for the future on the basis of its excellent market position and the sustained increase in equity capital in recent years.

The RLB Steiermark Group currently operates two brands on the market: Raiffeisen-Landesbank Steiermark (characterised by the symbol of the gable cross that connects all activities of the Raiffeisen Group) and Landes-Hypothekenbank Steiermark AG. Banking services are provided to around 88,700 retail clients, while the number of corporate clients at RLB Steiermark Group totals around 11,118.

RLB Steiermark is also a central institution as per the Austrian Banking Act (BWG), performing services for the Styrian Raiffeisen sector which extend far beyond areas that are subject to statutory regulation. Among other things, these services include the processing of payment transactions, product development, services in the areas of building savings schemes, insurance plans and securities, as well as marketing and support and advice in matters relating to business management. In collaboration with the independent Raiffeisen banks, market strategies for the corporate and retail client segments are being developed, and potentially untapped resources for enhancing operational efficiency through streamlining structures, optimising branch-offered services and advancing interbank cooperation have been analysed. On the market side, the Raiffeisen banking group – i. e. the Styrian Raiffeisen banks together with RLB Steiermark – was able to expand its strong customer share. The group serves approximately 756,000 retail and 70,000 corporate clients, placing it in first place within the federal state.

Over the reporting year, new concepts and products originating from the nationwide “Digital Regional Bank” programme were introduced. RLB Steiermark contributes to nationwide concepts and manages their implementation in the federal state of Styria. Concrete flagship projects included the implementation of the Payment Service Directive II (PSD II Directive), which has provided for 2-factor authentication since September 2019. Raiffeisen has implemented this with the introduction of the “pushTAN” security standard – both mobile with the “My ELBA” app, also newly launched on the market, and stationary for Windows and iOS operating systems. The systems were successfully rolled out in only a few months. The “My ELBA” app is also the most frequently downloaded app in Austria – both in the Apple App Store and in the Google Play Store. The development of the previously provided online products (e.g. online savings, online loans, immediate loans, online leasing, online accident insurance, online credit card) was continued, so that Raiffeisen is now digitally present with a wide range of products, positioning itself more and more as an omnichannel bank. The bank branch retains its importance and has been upgraded through the further development of the “SMART Beratung” advisory tool and a new closing procedure for a standardised consumer loan (“Speed Kredit”). The solutions developed for Raiffeisen will also be rolled out for HYPO Styria at a later date.

I.2. Notes on the Group's financial position, the results of its operations and its cash flows

At the outset, we would like to refer to the information provided in the notes to the consolidated financial statements and to point out that in the following we will limit ourselves to explaining only the most significant changes.

In this consolidated management report, current and prior-year figures have been rounded to thousands of euros (TEUR) or millions of euros (EUR million). This may result in minor rounding differences in the report totals.

The comparison figures in the statement of financial position refer – unless otherwise indicated – to the figures from the previous year 2018.

Statement of comprehensive income

Against the backdrop of a still challenging economic environment characterised by continuing low interest rates, the RLB Steiermark Group achieved a consolidated profit after taxes of EUR 103.6 million in the 2019 financial year (2018: EUR 132.6 million).

Apart from a negative contribution from associates valued at equity totalling EUR 12.4 million (2018: EUR +80.9 million), the 2019 financial year was mainly characterised by a very positive net income from financial instruments at fair value P&L. Due in particular to remeasurement gains in the amount of EUR 91.6 million (2018: EUR -18.9 million), this contributed positively to the consolidated profit for the year.

In the 2019 financial year, **interest and similar income** decreased against the previous year by a total of EUR 9.6 million to EUR 285.5 million. Within interest income, income calculated using the effective interest method (interest from financial assets measured at AC and FVOCI) declined by EUR 5.6 million to EUR 184.1 million, while other interest and similar income decreased by EUR 3.9 million year-on-year to EUR 101.4 million.

Interest and similar expenses from financial liabilities decreased against 2018 by EUR 7.7 million to a total of EUR 184.3 million. While interest expenses from financial liabilities AC declined by EUR 12.4 million to EUR 102.7 million, the other interest and similar expenses increased by EUR 4.7 million to EUR 81.6 million.

This results in **net interest income** of EUR 101.2 million for the 2019 financial year, coming in EUR 1.9 million below the (adjusted) previous year's figure of EUR 103.1 million.

Dividend income from equity investments decreased by EUR 4.4 million in the reporting period to a total of EUR 8.4 million.

The **profit/loss from investments in associates valued at equity** relates in its entirety to the profit contribution from the investment in Raiffeisen Bank International AG (RBI). In the reporting period, this profit contribution totalled EUR -12.4 million (2018: EUR 80.9 million). It includes the income portion for the current year at an amount of EUR 115.9 million (2018: EUR 120.4 million) and impairment charges totalling EUR 128.3 million (2018: EUR 39.4 million).

Net fee and commission income increased in the year under review due to an uptick in payment transfer services, and stood at EUR 39.6 million at year-end 2019, after EUR 38.7 million in the previous year.

The net amount from the valuation of hedged items and hedging instruments shown in "**Profit/loss from hedge accounting**" totalled EUR 2.0 million for the reporting period (2018: EUR -0.1 million). By accounting for them as fair value hedges, one-sided effects on profit or loss in connection with economically hedged risks can be avoided. With regard to the recognition of micro fair value hedges, the RLB Steiermark Group applies the provisions of IFRS 9. Furthermore, portfolio fair value hedge accounting in accordance with the EU carve-out to IAS 39 has been applied to hedge the fair value of a portfolio against interest rate risks since 1 July of the financial year.

Net trading income amounted to EUR -6.6 million (2018: EUR 5.1 million). Of this, an amount of EUR 11.5 million (2018: EUR 6.7 million) is attributable to net interest income, while remeasurement gains/losses and sales proceeds account for EUR -18.1 million (2018: EUR -1.6 million). The negative remeasurement result is mainly due to the value adjustments to the interest rate derivatives included in this item.

Net income from financial instruments at fair value P&L stood at EUR 91.6 million at year-end 2019 (2018 adjusted: EUR -18.9 million) and includes remeasurement gains/losses and sales proceeds from financial instruments mandatorily allocated to the fair value portfolio at an amount of EUR 11.7 million (2018 adjusted: EUR -23.6 million) as well as remeasurement gains/losses and sales proceeds from financial assets designated as part of the fair value portfolio in the amount of EUR 79.9 million (2018: EUR 4.6 million). The increase in remeasurement gains from financial assets designated as part of the fair value portfolio is primarily due to the shortening of maturities of liabilities following the restructuring of the Group's refinancing situation. Specifically, capital market refinancing with a nominal value of EUR 209 million was terminated early and repaid, taking into account liquidity requirements. This had an impact of EUR 75 million on the result.

Net income from financial instruments not measured at fair value through profit or loss, which includes the gains/losses from the disposal of financial assets measured at AC and FVOCI and from the disposal of financial liabilities measured at AC, increased from EUR 0.4 million in the 2018 financial year to EUR 0.8 million.

Other net operating income decreased from EUR 62.6 million in 2018 to EUR 60.7 million. Other operating income in the amount of EUR 71.6 million (2018: EUR 74.1 million) mainly includes income from internal charges for IT service and cost reimbursements. The sustainability fee (banking levy) included in other operating expenses amounted to EUR 2.9 million (2018: EUR 2.8 million). Contributions to protection schemes include contributions to the Single Resolution Fund and to the deposit protection scheme (implemented in Austria through the Federal Act on the Recovery and Resolution of Banks (BaSAG) and the Austrian Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG)) totalling EUR 5.1 million (2018: EUR 5.7 million).

Administrative expenses went up by 1.3 % over the previous year's figure, to a total of EUR 165.9 million. While non-staff expenses amounting to EUR 60.1 million (2018: EUR 60.8 million) declined, personnel expenses increased by EUR 2.4 million to EUR 94.8 million. The increase in depreciation and amortisation by EUR 0.4 million to EUR 11.0 million was mainly due to the first-time recognition of depreciation on right-of-use assets as per IFRS 16.

Accordingly, the **operating result** for the 2019 financial year comes to EUR 119.6 million, as compared to EUR 121.0 million in the previous year.

Impairment of financial assets after direct write-offs and recoveries of loans and advances previously written off resulted in a net effect on profit or loss in the amount of EUR 2.8 million. In addition to the change in impairment charges for financial assets measured at AC and off-balance sheet transactions, this item also includes impairment charges for financial assets measured at FVOCI. The impairment determined in 2018 resulted in a net effect on profit or loss of EUR 7.6 million.

Summing up the combined effects of the foregoing, the RLB Steiermark Group posted a **consolidated profit for the year before taxes** of EUR 116.9 million for 2019 (2018: EUR 128,6 million).

The **income tax** item in the amount of EUR -13.2 million (2018: EUR 3.9 million) primarily includes deferred income tax expenses in the amount of EUR 13.0 million (2018: deferred income tax assets of EUR 4.1 million). In addition, income taxes include current tax expenses in the amount of EUR 0.3 million (2018: EUR 0.2 million).

Of the Group's **consolidated profit for the year** in the amount of EUR 103.6 million, EUR 104.3 million are attributable to the shareholders of RLB Steiermark and EUR -0.7 million to non-controlling interests. Due to the acquisition of the remaining shares in Landes-Hypothekenbank Steiermark AG during the year, the profit for the period generated after the acquisition of the shares is allocated on the basis of the new ownership structure. The Group's consolidated profit for the previous year totalled EUR 132.6 million, of which EUR 128.4 million were attributable to the shareholders of RLB Steiermark and EUR 4.2 million to non-controlling interests.

The Group's **comprehensive income** totals EUR 140.8 million (2018: EUR 94.1 million) and reflects, in addition to the consolidated profit for the year, the Group's share in the other comprehensive income of associates valued at equity of EUR 37.3 million (2018: EUR -18.6 million) as well as changes in the valuation of financial assets measured at fair value OCI in the amount of EUR 4.7 million (2018: EUR -13.5 million). The Group's comprehensive income also includes fair value changes due to changes in the credit risk of financial liabilities totalling EUR -0.4 million (2018: EUR -3.6 million) and actuarial gains and losses from defined benefit plans in the amount of EUR -4.4 million (2018: EUR -2.8 million). All of the components discussed above are presented net of the associated deferred tax.

Of the net result for the period, an amount of EUR 141.2 million (2018: EUR 90.5 million) is attributed to the shareholders of RLB Steiermark, and an amount of EUR -0.3 million to non-controlling interests (2018: EUR 3.6 million). Due to the acquisition of the remaining shares in Landes-Hypothekenbank Steiermark AG during the year, the consolidated comprehensive income generated after the acquisition of the shares is allocated according to the new ownership structure.

Statement of financial position

The Group's **total assets** came to EUR 15,305.2 million as at 31 December 2019. Compared to the end of 2018, this represents an increase of EUR 187.6 million or 1.2 %.

Mainly as the result of an increase in demand deposits, the item **Cash, balances at central banks and demand deposits** increased year-on-year by a total of EUR 80.2 million to EUR 1,401.3 million.

Financial assets – amortised cost (AC) (net) posted an increase of EUR 596.0 million or 6.3 % over the 2018 year-end figure and were recognised at EUR 10,054.1 million as at 31 December 2019. The item includes loans and advances to customers including lease receivables, which during the past financial year were increased by a total of EUR 599.9 million or 9.3 % to EUR 7,080.7 million. Bonds measured at amortised cost were shown in the statement of financial position at a carrying amount of EUR 1,769.2 million compared to EUR 1,593.2 million at year-end 2018. Loans and advances to banks, which are also included in this item, decreased by EUR 179.8 million since 31 December 2018 and came in at EUR 1,204.3 million. Charges for impairment allowances netted against the assets side were recognised in the amount of EUR -154.5 million (2018: EUR -171.7 million).

Financial assets – held for trading (HFT) decreased by EUR 402.5 million compared to the previous year, partly due to the change in strategy in the trading book, and amounted to EUR 824.0 million as of the balance sheet date. In addition to loans and receivables in the trading portfolio in the sum of EUR 244.5 million (2018: EUR 654.5 million) and bonds in the amount of EUR 53.2 million (2018: EUR 99.5 million) this item also includes the positive fair values (dirty price) of derivative financial instruments at a total of EUR 526.3 million (2018: EUR 472.4 million). Specifically, these consist of derivatives held for trading, as well as derivatives used under the fair value option to avoid accounting mismatches ("economic hedges").

Financial assets – fair value OCI (FVOCI) declined by EUR 221.3 million to EUR 961.0 million since year-end 2018. This item includes debt instruments (bonds) at an amount of EUR 879.9 million (2018: EUR 1,110.2 million) and equity instruments totalling EUR 81.0 million (2018: EUR 72.1 million).

Financial assets – mandatorily at fair value P&L (FVPL-M) totalled EUR 450.4 million as of 31 December 2019 (2018: EUR 450.6 million) and include the financial instruments for which fair value measurement is mandatory. Of that amount, a share of EUR 51.9 million (2018: EUR 60.9 million) is attributable to bonds, EUR 49.8 million (2018: EUR 53.9 million) to loans and receivables, EUR 0.0 million (2018: EUR 3.0 million) to equity instruments for which the OCI option has not been applied and EUR 348.7 million (2018: EUR 332.8 million) to the institutional funds included in this item.

Positive fair values from derivatives designated for hedge accounting increased by EUR 112.1 million since 31 December 2018 and amounted to EUR 244.8 million as at the balance sheet date.

Value adjustments from portfolio fair value hedges are disclosed for the first time as at the current balance sheet date at an amount of EUR -1.6 million. This item includes both positive and negative changes in the value of underlying transactions (basis adjustments) on the asset side in portfolio fair value hedges.

Investments in associates valued at equity – which is exclusively attributable to the investment in RBI – declined by EUR 5.9 million compared to the previous year and came to a carrying amount of EUR 1,008.2 million (see also the note on profit/loss from investments in associates valued at equity as well as note 20 – "Investments in associates valued at equity").

Intangible assets and property, plant and equipment came to a total of EUR 131.7 million as at 31 December 2019 (2018: EUR 138.7 million). This represents a reduction of EUR 7.1 million or 5.1 %.

Investment properties were valued at EUR 10.9 million (2018: EUR 5.6 million) in the statement of financial position and mainly comprise properties in the core area of Graz, as well as (for the first time) right-of-use assets, which according to IAS 40 must be disclosed as financial investments.

The **right-of-use assets** as per IFRS 16, which are disclosed in the statement of financial position for the first time, amounted to EUR 11.6 million as at year-end.

Current and deferred income tax assets amounted to EUR 42.0 million, meaning that they decreased by EUR 0.7 million against the previous year's amount of EUR 42.7 million.

Other assets increased by EUR 21.7 million to EUR 166.8 million as of 31 December 2019. This item primarily comprises receivables resulting from supplies of goods and services, tax assets, as well as accruals and deferred items.

On the liabilities side, **financial liabilities – amortised cost** (AC) totalled EUR 11,682.9 million on the reporting date after EUR 11,320.1 million at year-end, which corresponds to an increase by EUR 362.8 million or 3.2 %. Liabilities to banks, which are included in this item, increased by EUR 342.0 million to EUR 4,649.2 million, while liabilities to customers (demand deposits, time deposits and savings deposits) amounted to EUR 3,345.3 million after EUR 3,228.4 million on 31 December 2018. The deposits from development banks contained in liabilities to banks totalled EUR 384.1 million at year-end 2019 (2018: EUR 368.8 million). Of the total volume of liabilities evidenced by certificates (incl. subordinated liabilities) amounting to EUR 3,688.5 million (2018: EUR 3,784.5 million), EUR 414.3 million (2018: EUR 517.0 million) were subscribed by Styrian Raiffeisen banks, EUR 777.4 million (2018: EUR 810.2 million) can be attributed to the "Retail/Private banking" segment, and EUR 422.6 million (2018: EUR 457.8 million) were private placements. As at the reporting date, covered bonds totalling EUR 2,074.2 million (2018: EUR 1,999.5 million) were placed on the capital market.

Financial liabilities – held for trading (HFT) amounted to EUR 368.1 million as of the balance sheet date, constituting an increase of EUR 13.3 million against the previous year. In addition to deposits from banks in the amount of EUR 189.7 million (2018: EUR 181.8 million) this item also includes the negative fair values (dirty price) of derivative financial instruments at a total of EUR 178.4 million (2018: EUR 173.0 million). Specifically, these consist of derivatives held for trading, as well as derivatives used under the fair value option to avoid accounting mismatches ("economic hedges").

Financial liabilities – designated at fair value P&L (FVO) came in at EUR 1,379.6 million after EUR 1,745.5 million as of 31 December 2018. This corresponds to a decrease of EUR 365.9 million or 21.0 %, which, among other things, is attributable to the effect of the termination and early repayment of capital market refinancing with a nominal value of EUR 209 million, as explained in the section on **Net income from financial instruments at fair value P&L**. Of the total volume of liabilities evidenced by certificates amounting to EUR 587.4 million (2018: EUR 692.7 million), EUR 41.1 million (2018: EUR 42.9 million) were subscribed by Styrian Raiffeisen banks, EUR 92.5 million (2018: EUR 161.7 million) can be attributed to the "Retail/Private banking" segment, and EUR 249.3 million (2018: EUR 281.2 million) were private placements. As at the reporting date, covered bonds totalling EUR 204.5 million (2018: EUR 206.9 million) were placed on the capital market.

Negative fair values from derivatives designated for hedge accounting amounted to EUR 106.5 million as of 31 December 2019 (2018: EUR 27.3 million).

Provisions came to a total of EUR 92.6 million as at the reporting date, EUR 1.7 million über the previous year's figure. Long-term employee provisions increased by EUR 4.8 million to EUR 77.2 million – a development that was mainly attributable to lowered discount rates. Other provisions, on the other hand, were down, decreasing by EUR 3.1 million to EUR 15.4 million. Other provisions primarily include provisions for off-balance sheet transactions (guarantees, indemnity agreements, credit risks) amounting to EUR 10.3 million (2018: EUR 12.0 million), as well as refund claims due to negative reference rates for loans (included in miscellaneous provisions) totalling EUR 2.9 million (2018: EUR 3.1 million).

Current and **deferred income tax liabilities** decreased by EUR 4.4 million in the year under review, so that both items amounted to EUR 4.4 million as of 31 December 2019.

Other liabilities came in at EUR 58.5 million after EUR 40.7 million in the previous year. The increase is primarily due to the leasing liabilities under IFRS 16 reported for the first time in this item in the amount of EUR 13.7 million.

Compared to the prior-year value, **equity** increased by EUR 83.1 million to EUR 1,612.6 million. Of total equity, 1,611.5 million (2018: EUR 1,470.4 million) is attributable to equity holders of the parent and EUR 1.1 million (2018: EUR 59.1 million) to non-controlling interests. The significant decline in non-controlling interests was primarily due to the acquisition of the remaining shares in Landes-Hypothekenbank Steiermark AG. The subscribed capital (share capital) of Raiffeisen-Landesbank Steiermark totalled TEUR 142,721 as at 31 December 2019 (2018: TEUR 142,721) and consisted, unchanged from the previous year, of 3,113,507 registered no-par shares (ordinary shares).

Detailed information regarding this development can be found in the statement of changes in equity in the consolidated financial statements.

I.3. Report on branches and offices

As at 31 December 2019, Raiffeisen-Landesbank Steiermark AG operated ten bank branches, nine of which are located in Graz (Annenstraße, Herrgottwiesgasse, Kaiserfeldgasse, Ragnitz, St. Leonhard-LKH, Steirerhof, Styria Media Center, Theodor-Körner-Straße, Zinzendorfgasse) and one in Frohnleiten. The number of bank branches has thus remained constant in 2019. The largest office of Raiffeisen-Landesbank Steiermark AG is located in Raaba-Grambach.

In addition to its main branch in Radetzkystraße, Landes-Hypothekenbank Steiermark AG, headquartered in the state capital of Graz, maintains three more branches in the Graz urban area – at the General Hospital (LKH), in Plüddemanngasse and in Kärntner Straße – and another location dedicated to Premium Private Banking. The Kärntner Straße branch also provides services for our customers at the banking outlets in Graz General Hospital, western district and Graz General Hospital, southern district. Reflecting its role as a regional bank, five more branches are operated throughout Styria in Feldbach, Fürstenfeld, Judenburg, Leibnitz and Schladming. The Feldbach branch has a banking outlet in Feldbach's regional hospital, and the Leibnitz branch is responsible for servicing our customers in the Deutschlandsberg banking outlet. In Bruck/Mur, we are available to our customers with an advisory office. We also maintain an office in Vienna, which enables us to operate successfully in this prosperous market.

I.4. Financial performance indicators

Cost/Income Ratio (CIR)

The cost/income ratio is defined as the ratio of operating expenses (administrative expenses) to operating income.
During the 2019 financial year, operating income was adjusted to account for the non-recurring effect resulting from the impairment of the equity-accounted investment in RBI in the amount of EUR -128.3 million (2018: EUR -39.4 million).

After eliminating those non-recurring effects, the cost/income ratio breaks down as follows:

TEUR	31/12/2019	31/12/2018	Change
Operating income without non-recurring effects	413,874	324,118	27.7 %
Operating expenses	-165,893	-163,704	1.3 %
Cost/income ratio	**40.1 %**	**50.5 %**	**-10.4 PP**

Return on equity (ROE)

The return on equity (ROE), defined as consolidated net profit/loss for the year before taxes relative to average equity, breaks down as follows:

TEUR	31/12/2019	31/12/2018	Change
Consolidated profit/loss for the year before taxes	116,855	128,629	-9.2 %
Average shareholders' equity	1,571,041	1,513,341	3.8 %
ROE before taxes	**7.4 %**	**8.5 %**	**-1.1 PP**

Non-performing loan ratio (NPL ratio)

The non-performing loan ratio (NPL ratio) is a tool to measure the quality of banks' assets. In accordance with the regulatory definition (according to the EBA Risk Dashboard), it is calculated as the ratio of non-performing loans (NPL) to total receivables (loans and advances to customers and loans and advances to banks). The definition of default under Art. 178 CRR is used to classify loans as non-performing (NPL).

	31/12/2019	31/12/2018	Change
Non-performing loan ratio (NPL ratio)	2.5 %	2.9 %	-0.4 PP

Due to an improved risk situation, the NPL ratio was further decreased in the reporting year. When analysing the NPL ratio, the coverage ratio, i.e. the extent to which non-performing loan exposures are covered by collateral and risk provisions, needs to be taken into account as well. In the RLB Steiermark Group, the non-performing loan exposures were almost completely covered by collateral and risk provisions during the reporting period.

Liquidity coverage ratio (LCR)

The liquidity coverage ratio (LCR) is a measure to assess the short-term liquidity risks of banks. The LCR is the ratio of high-quality liquid assets to the projected net cash outflows over the next 30 days under the stress assumptions imposed by the CRR.

The purpose of the LCR is to ensure that banks have enough high-quality liquid assets in their liquidity buffer to cover the difference between the expected cash outflows and the expected capped cash inflows over a 30-day stressed period.

	31/12/2019	31/12/2018	Change
Liquidity coverage ratio (LCR)	163.4 %	167.0 %	-3.6 PP

As of 31 December 2019, the RLB Steiermark Group had an LCR of 163.4 % (2018: 167.0 %), thereby complying with the applicable minimum LCR of 100 %.

Net stable funding ratio (NSFR)

The net stable funding ratio (NSFR) is a measure that assesses a bank's structural liquidity position. Banks must ensure that their long-term obligations are adequately backed by a variety of stable funding instruments under both normal and stressed conditions.

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding.

	31/12/2019	31/12/2018	Change
Net stable funding ratio (NSFR)	108.5 %	112.0 %	-3.5 PP

With an NSFR of 108.5 % (2018: 112.0 %) the RLB Steiermark Group is in compliance with the mandatory minimum ratio.

Regulatory capital

Raiffeisen-Landesbank Steiermark does not constitute a separate group of credit institutions as defined by the Austrian Banking Act (BWG). Therefore, it is not subject itself as a group to the supervisory regulations for banking groups, as it is part of the CRR scope of consolidation of RLB-Stmk Verbund eGen. The consolidated capital of RLB-Stmk Verbund eGen breaks down as follows:

TEUR	31/12/2019	31/12/2018	Change
Common equity tier 1 (CET 1) capital	1,495,636	1,449,102	3.2 %
Total capital (TC)	1,567,300	1,526,734	2.7 %
Total risk (assessment base)	7,637,235	7,273,481	5.0 %
CET 1 ratio (based on all risks)	19.6 %	19.9 %	-0.3 PP
Total capital ratio (based on all risks)	20.5 %	21.0 %	-0.5 PP

For further details, see note 59 "Regulatory capital".

I.5. Non-financial statement

The RLB Steiermark Group makes use of the option to prepare a separate consolidated non-financial report pursuant to § 267a (6) of the Austrian Business Enterprise Code (UGB). Accordingly, in respect of the information required under § 267a (2) to (5) of the Austrian Business Enterprise Code (UGB), we refer to the separate non-financial report published on the RLB Steiermark website (https://www.raiffeisen.at/rlbstmk).

I.6. Events of particular significance after the reporting date

As part of the comprehensive strategy project, forward-looking solutions are developed on the basis of environmental conditions such as digitalisation, evolving customer requirements, regulatory framework and cost efficiency. Based on the resolution passed by RLB Steiermark's Supervisory Board in December 2019, restructuring measures are also being examined with the aim of implementing synergy effects promptly.

According to IAS 10, the spread of the coronavirus (COVID-19) and its considerable impact on the population and companies worldwide represent events that are value-determining and therefore not to be taken into account, which is why there are no consequences for the consolidated financial statements for 2019. With regard to the consequences of the spread of the coronavirus and the measures taken, please refer to Chapter II.1 "Expected development of the company".

II. REPORT ON THE EXPECTED DEVELOPMENT AND RISKS OF THE COMPANY (OUTLOOK)

II.1. Expected development of the company

The novel coronavirus (COVID-19) continues to spread rapidly in many countries. In this regard, the Austrian federal government has taken drastic measures, and whether and which further steps will follow will depend on further developments. On 15 March 2020, the National Council and the Federal Council in special sessions adopted the necessary legal basis for the establishment of a COVID-19 crisis management fund and a federal law on provisional measures to prevent the proliferation of COVID-19 and to contain the rapid spread of the coronavirus in Austria (1st COVID-19 Act).

This COVID-19 Measures Act created the legal basis for the measures imposed by the federal government to restrict public life, which among other things include a ban on entering public places as well as restrictions on trade and catering. In addition, the federal government has declared a lockdown for the whole of Austria – with very few exceptions (professional activity that cannot be postponed, necessary errands). The federal state of Tyrol imposed a de facto curfew. Universities, schools and kindergartens were closed, gatherings were forbidden altogether. Furthermore, immigration regulations were tightened, strict border controls were introduced and the borders to neighbouring countries were largely closed (also with exceptions such as for freight traffic). Air traffic has been suspended for the time being. In order to cope with the crisis, periods of civilian and basic military service are currently being extended and militia are being called up. Former civil service members are called upon to volunteer for extraordinary community service. In addition to the COVID-19 Measures Act, the legislative package also included the establishment of the COVID-19 Crisis Management Fund, endowed with up to EUR 4 billion, as a first immediate measure to maintain liquidity within the economy.

The second COVID-19 legislative package was adopted by the National Council on 20 March 2020. Just one day after the National Council, the Federal Council also approved the extensive collective amendment including 39 amendments and five new federal laws with the required two-thirds majority.

Special provisions for the judiciary form an essential cornerstone of the second COVID-19 Act. These include, among other things, the temporary adjournment of proceedings, the restriction of court proceedings and the suspension of prison sentences. Other aspects include easier access to advances on maintenance payments, assistance for artists and additional funding for the Austrian Health Insurance Fund and the nursing care sector.

To a certain extent, employees of suspended businesses can be forced to use up holiday entitlements and time compensation credits. In addition, temporary special regulations were created for civilian service as well as for members of the health professions. Numerous procedural deadlines have been extended, and entrance examinations at universities and technical colleges can be postponed if necessary. The Federal Government and the highest courts are also granted the possibility of passing resolutions by circular letter. In addition, further support measures for enterprises were planned, including a hardship fund of EUR 1 billion for micro-enterprises, one-person-businesses, non-profit organisations and freelancers, which was increased to EUR 2 billion in a “Phase 2”.

Overall, the federal government has now put together a financial rescue package of around EUR 40 billion to strengthen the Austrian economy. In addition to the (expanded) hardship fund, the COVID-19 Crisis Management Fund totalling EUR 38 billion provides around EUR 4 billion in emergency aid (to finance short-time work, 24-hour care, research, etc.), EUR 9 billion for guarantees and loan guarantees (implemented via ÖKB, AWS, ÖHT, etc.), EUR 15 billion in emergency aid for companies in particularly affected sectors (such as trade, tourism, catering and leisure) and EUR 10 billion for tax measures. These relate in particular to the reduction of advance payments of income tax and corporation tax, deferrals (of corporate and value added tax or social security contributions), instalment payments and the waiving of the imposition of interest for delayed payments or late payment surcharges if the taxpayer can credibly demonstrate that he or she is affected by a liquidity bottleneck that is specifically attributable to COVID-19. Further tax measures to cushion the impact of the coronavirus on Austrian taxpayers include the interruption of all essential legal protection periods and the tax exemption of subsidies from corona aid. In addition, a fee exemption was introduced for writings and official acts performed directly or indirectly as a result of the necessary measures in connection with the handling of the COVID-19 crisis situation.

The 2nd COVID-19 Act also provided that meetings of shareholders and board members (e.g. general meeting, supervisory board meeting) of a corporation, partnership or cooperative could also be conducted without the physical presence of the participants. Furthermore, the period for holding the annual general meeting of a stock corporation was extended to twelve months until the end of 2020. Both the provisions concerning the holding of meetings and the extension of the deadline for holding the general meeting of a stock corporation take precedence over the provisions of any articles of association.

On 3 April 2020, the National Council passed the 3rd, 4th and 5th COVID-19 Act. The 3rd COVID-19 Act includes, among other things, amendments to the Financial Market Supervisory Authority Act (extension of regulations regarding contribution, publication and information obligations), the Guarantee Act (adjustment of the legal basis for AWS bridging guarantees as well as an increase in the framework for guarantees), the Income Tax Act (tax exemption of allowances and bonus payments of up to EUR 3,000 per employee due to the COVID-19 crisis) and the Fee Act (exemption from fees for the registration of liens on loans secured by AWS or ÖHT guarantees).

Within the scope of the 4th COVID-19 Act or 2nd COVID-19 Justice Accompanying Act, a postponement of the due date of payments for credit agreements (statutory moratorium) was decided, following the German model. In the case of consumer credit agreements and loans to micro-enterprises (up to 10 employees and an annual turnover of up to EUR 2 million) concluded before 15 March 2020, all the lender's entitlement to repayment, interest or amortisation due between 1 April 2020 and 30 June 2020 shall be deferred for a period of three months from the due date. A precondition for recourse is that the consumer/small entrepreneur suffers a loss of income due to COVID-19 which makes it unreasonable to expect him to fulfil the obligation. However, the contracting parties may also make deviating agreements, in particular regarding possible partial payments, interest and repayment adjustments or debt rescheduling. The deferrals made on the basis of this statutory moratorium do not automatically qualify as a forbearance/NPL measure (distressed crisis-related restructuring). Moreover, it is clarified that Supervisory Board meetings which cannot be held by 30 April 2020 due to COVID-19 do not result in a violation of § 94 (3) AktG, § 30i (3) GmbHG or § 24d (3) GenG. Furthermore, the statutory periods for the preparation, submission and publication of the annual financial statements and related reports will be extended (by a maximum of four months).

In order to mitigate the impact of COVID-19 on the European banking sector, the European Supervisory Authorities (EBA, ECB) already initiated temporary regulatory relief on 12 March 2020 (full use of capital and liquidity buffers, postponement of the EBA stress test to 2021, more flexibility in supervisory measures such as on-site inspections). In addition, a comprehensive package of monetary policy measures was adopted by the ECB's Governing Council. These include an expansion of long-term refinancing transactions, the so-called "Targeted Longer-Term Refinancing Operations" (TLTRO), as well as additional asset purchases as part of quantitative easing.

In its public statement of 25 March 2020, ESMA made a number of remarks on the accounting treatment of various state aid measures and other issues relating to COVID-19. These relate in particular to clarifications on the topics of modifications in connection with deferrals and (state) moratoria, significant increases in credit risk (SICR), state guarantees as well as expected credit loss (ECL) measurement and forward-looking information (FLI). EBA supports the accounting statements made by ESMA. Moreover, in a public statement issued on 27 March 2020, ESMA advocated that, against the background of COVID-19, national supervisory authorities should temporarily tolerate an additional one or two months' delay in the publication of (semi-) annual financial reports by capital market-oriented companies. The FMA and OeNB also expressly support the views of EBA and ESMA.

With the goal of mitigating the impact of the COVID 19 pandemic as far as possible, the Basel Committee also extended the implementation period for the Basel IV rules ("Completion of the Basel III measures") by one year on 27 March 2020. The purpose is to provide banks with additional operational capacity to implement the immediate measures to safeguard financial stability. In order to maintain a stable capital base, the ECB and the FMA have asked the credit institutions they supervise to postpone dividend payments.

Raiffeisen-Landesbank Steiermark immediately reacted to the Corona crisis with concrete measures in its retail business. The objective was and still is to ensure that banking operations can be maintained under "normal" conditions as far as possible. The following specific measures were taken:

- Establishment of two Corona task forces, one for the topics of the Raiffeisen Banking Group in Styria, the other for the RLB Steiermark Group. Operational management of both task forces is carried out by the Management Board and Group Head Office, and all customer, service and product units are integrated while maintaining flat hierarchies.
- Ensuring the operation of banking outlets, including the permanent supply of cash, while maintaining the usual opening hours. This led to an easing of the demand for cash right at the beginning of the lockdown. At the same time, organisational measures (e.g. team splitting) were taken in order to be able to continue to offer open bank branches even in the event of quarantine or illness.
- Identification of particularly system-relevant functions and units in the bank (e.g. payment transactions, data processing centre) and implementation of organisational/spatial measures to ensure operations in the long term.
- Establishment and expansion of VPN lines in order to enable extensive home office operations including video/telephone conferences. This was also done for the entire Raiffeisen Banking Group in Styria.
- Implementation of a crisis communication team, including press relations, customer areas, social media team and marketing, which immediately launched proactive customer and media communication.
- Establishment of a new unbureaucratic and rapid process for deferring credit instalments via the websites. Data entry takes only a few minutes, and both retail and commercial customers have a concrete solution within hours.
- Ongoing coordination with the relevant funding bodies (AWS, ÖHT, ÖKB, SFG) in order to ensure rapid information and processing of applications for companies.

One year before the outbreak of the Corona crisis in Austria, the RLB Steiermark Group had already launched a strategy process. The goal is to effectively meet the growing challenges posed by digitization, changing customer behaviour, demographic change, regulation, and increasing revenue and cost pressure. It can be assumed that these environmental factors will become even more critical due to the Corona crisis. The business and operating model, internal processes as well as synergy effects in the course of restructuring measures are therefore being adjusted to account for this development. In the demanding environment to which all banks are subject, aspects such as stability, regional roots, as well as intact and strong customer relationships are of great importance. These have already been important contributors to success at Raiffeisen.

Based on Raiffeisen's joint "Digital Regional Bank" model for the future, new customer-friendly measures, which will be supplemented by state-wide concepts, are scheduled for nationwide roll-out in 2020. Key projects include digital asset management, a completely newly designed and programmed "Digital Corporate Banking" for corporate clients and an initiative targeting banking outlet processes. All this is aimed at aligning personal customer service even more closely with the potential and perfectly integrating the digital channels.

The overarching task is to embody principles such as security, proximity and trust in the present and take them into the future through structures and strategies that adequately address the prevailing conditions and requirements. Our objective is to strengthen the Group's leading position in the market and to remain a predictable and reliable partner for our customers, shareholders and the society as a whole.

Due to the global spread of the virus and its drastic consequences, it is currently not possible to make valid estimates regarding the economic impact. According to experts, the massive restriction of economic life through curfews, business closures and factory shutdowns as well as disrupted trade routes are likely to lead to a recession in most countries. As the economic situation had already been weaker before the crisis, it can be assumed that Europe will be comparatively more severely affected. The oil-exporting countries in particular could also suffer as a result of the historically low oil price. Both the governments and the central banks of the strongest economies have already taken enormous fiscal and monetary policy measures to counteract this situation. However, it remains unclear how long this state of crisis will last and when or how quickly a recovery will occur.

The Austrian labour market has already been hit by the Corona crisis in March 2020. According to the Public Employment Service AMS, a total of 562,522 people in Austria were out of work, an increase by more than half (52.5 %) compared to March 2019. The unemployment rate stands at 12.2 %. According to WIFO, the Austrian economy will shrink by 2.5 % in 2020 if the measures remain in force until the end of April, are gradually reversed in May and the situation returns to normal in the summer.

Against this background, the RLB Steiermark Group continuously analyses the potential consequences of COVID-19 for the main types of risk, i.e. credit, market price and liquidity risk (e.g. determination of the potentially affected credit portfolio by means of impact analyses on the supply chain and relevant sales markets, simulation of the potential impact on the credit rating of (potentially) affected customers, etc.). However, due to the dynamic development of the spread of the coronavirus, it is currently not yet possible to estimate the financial impact on the RLB Steiermark Group. We assume that (possible) negative effects will be reflected in the semi-annual or annual financial report 2020.

II.2. Risk report

The disclosures required by IFRS 7 on risks in connection with financial instruments are presented in the “Risk report” section of the consolidated financial statements. With regard to risks arising from defined benefit plans (severance payments and pensions), we refer to the explanations in Note 30 – Provisions.

III. REPORT ON RESEARCH AND DEVELOPMENT

Raiffeisen-Landesbank Steiermark AG maintains contacts with renowned experts and innovators from around the country. This is reflected in cooperation agreements with research universities and universities of applied sciences. The annual economic discussion forum between RLB and the experts from the Industriellenvereinigung (IV, Federation of Austrian Industries) regarding the country's future economic development has long been a central focal point for leading figures from the fields of economics, politics, academia and the media. The presentations and discussion points given by employees to share their expertise with public bodies, higher education establishments, partner companies and schools have also become important stimuli for the transfer and expansion of knowledge. In turn, students join Raiffeisen-Landesbank Steiermark AG as interns seeking to put their knowledge into practice in the context of concrete projects. Due to the nature of the industry in which Raiffeisen-Landesbank Steiermark AG operates, there is no further relevant information about research and development activities.

IV. NOTES ON THE KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE FINANCIAL REPORTING PROCESS

1. Legal background

Pursuant to § 267 (3b) in conjunction with § 243a (2) and § 189a (1) letter (a) of the Austrian Business Enterprise Code (UGB), the key features of the internal control and risk management system with regard to the (consolidated) financial reporting process must be described in the management report of companies whose shares or other securities issued are admitted for trading on a regulated market pursuant to § 1 no. 2 of the Austrian Stock Exchange Act (BörseG).

2. Subject of the report

The term "internal control system" (ICS) refers to all processes designed by management and executed within the bank to facilitate the monitoring and control of

- the effectiveness and efficiency of its operating activities (including protecting assets against losses resulting from damages or misconduct),
- the reliability of the financial reports, and
- its compliance with material legal regulations to which it is subject.

The internal control system comprises all the principles, processes and measures that are applied to secure effective, economical and proper accounting and compliance with the pertinent legal provisions. This also includes the internal auditing system insofar as it relates to accounting.

The risk management system covers all processes that serve to identify, analyse and measure risks and that serve to determine and implement appropriate measures that will ensure that RLB Steiermark can still reach its objectives when risks are incurred.

The risk management system with regard to the financial reporting process is part of the internal control system and specifically relates to control and monitoring procedures of accounting, in particular when it comes to items shown in the financial statements that recognise the bank's risk hedging.

3. Key features of the internal control and risk management system with regard to the (Group) financial reporting process

The key features of the RLB Steiermark Group's internal control and risk management system with regard to the (Group) financial reporting process can be described as follows:

- RLB Steiermark and the RLB Steiermark Group have a clearly defined management and corporate structure.
- The functions of the areas primarily involved in the (Group) accounting process are Finance and Accounting and Controlling,

which are clearly separated from market activities. All areas of responsibility are unambiguously assigned.

- As a company oriented toward the needs of the capital markets, RLB Steiermark is required to prepare its consolidated financial statements according to International Financial Reporting Standards (IFRS).
- The "Finance, Controlling and Bank-wide Management/Bank Accounting" department is responsible for fundamental aspects of preparing IFRS-compliant financial statements and prepares the Group's consolidated financial statements.
- The consolidated financial statements are based on the individual financial statements of the subsidiaries included in the scope of consolidation, which are prepared in compliance with Group-wide standards.
- The applications and systems in use are protected against unauthorised access by corresponding IT measures.
- Standard software is used for these systems as far as possible.
- An adequate guidance system (e.g. acquisition approval, payment order authority, etc.) has been established and is being updated constantly.
- The departments and areas involved in the (Group) accounting process are adequately equipped with regard to both quantity and quality.
- Accounting data received or referred are continuously checked for completeness and accuracy, e.g. through spot checks. The software used also performs programmed plausibility checks.
- The principle of dual control (four-eyes principle) is consistently applied for all processes of relevance to (Group) accounting.
- Processes of relevance to (Group) accounting are regularly checked by the internal audit department, which operates independently of processes.
- The departments involved in the (Group) accounting process prepare regular reports – in particular controlling reports, segment earnings statements, etc. – for the Managing Board.
- The Managing Board prepares a quarterly report for the Supervisory Board in accordance with § 81 of the Austrian Stock Corporation Act (AktG).

4. Notes on the key features of the internal control and risk management system with regard to the financial reporting process

The internal control and risk management system with regard to the (Group) financial reporting process, whose key features are described in subsection 3 above, ensures that matters pertaining to the business are fully and accurately recognised, disclosed and measured in the financial statements and are included in the (Group) accounting. Suitable personnel resources, the use of adequate software and clear legal and internal specifications form the basis for a proper, uniform and continuous (Group) accounting process. Clearly defined areas of responsibility as well as various control and review mechanisms as previously described in more detail in subsection 3 above – in particular plausibility checks and the principle of dual control (four-eyes principle) – ensure that all (Group) accounting processes are executed correctly and with due care and attention. In particular, this framework ensures that business transactions are recorded, processed and correctly and promptly documented in the accounting systems in compliance with legal requirements, the Articles of Association and internal guidelines. At the same time, this guarantees that assets and liabilities are accurately recognised, disclosed and measured in the annual financial statements and consolidated financial statements, and that reliable and relevant information is supplied completely and promptly.

Graz, 7 April 2020

The Managing Board

CEO and Chairman of the Managing Board Martin **SCHALLER** (signed)
responsible for the management of the bank and the association, finance & controlling, capital markets and real estate

Member of the Managing Board Matthias **HEINRICH** (signed)
responsible for risk management, non-performing loan management, organisation and IT

Member of the Managing Board Rainer **STELZER** (signed)
responsible for corporate customers, retail customers, marketing and sales, insurance and residential building savings schemes

2019 CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

CONTENT

STATEMENT OF COMPREHENSIVE INCOME

Statement of profit or loss

	Notes	2019	2018		Change
		TEUR	TEUR	TEUR	%
Interest income calculated using the effective interest method	1	184,094	189,727	-5,633	-3.0
Other interest and similar income*)	1	101,446	105,383	-3,937	-3.7
Interest and similar expenses from financial liabilities – amortised cost (AC)	1	-102,743	-115,155	12,412	10.8
Other interest and similar expenses	1	-81,569	-76,888	-4,681	-6.1
Net interest income	**1**	**101,228**	**103,067**	**-1,839**	**-1.8**
Dividend income	2	8,445	12,850	-4,405	-34.3
Profit/loss from investments in associates valued at equity	3	-12,397	80,943	-93,340	>100
Fee and commission income	4	61,080	60,879	201	0.3
Fee and commission expenses	4	-21,481	-22,160	679	3.1
Net fee and commission income	**4**	**39,599**	**38,719**	**880**	**2.3**
Profit/loss from hedge accounting	5, 34	2,029	-105	2,134	>100
Net trading income	6	-6,561	5,139	-11,700	>100
Net income from financial instruments at fair value P&L (FVPL)*)	7	91,642	-18,930	110,572	>100
Net income from financial instruments not measured at fair value through profit or loss	8	828	389	439	>100
Other operating income	9	71,600	74,136	-2,536	-3.4
Other operating expenses	9	-10,881	-11,502	621	5.4
Other net operating income	**9**	**60,719**	**62,634**	**-1,915**	**-3.1**
Operating income		**285,532**	**284,706**	**826**	**0.3**
Staff expenses	10	-94,809	-92,367	-2,442	-2.6
Other administrative expenses	10	-60,062	-60,756	694	1.1
Depreciation	10	-11,022	-10,581	-441	-4.2
Administrative expenses	**10**	**-165,893**	**-163,704**	**-2,189**	**-1.3**
Operating result		**119,639**	**121,002**	**-1,363**	**-1.1**
Impairment of financial assets	11	-2,784	7,627	-10,411	>100
Consolidated profit/loss for the year before taxes		**116,855**	**128,629**	**-11,774**	**-9.2**
Income taxes	12	-13,209	3,928	-17,137	>100
Consolidated profit/loss for the year		**103,646**	**132,557**	**-28,911**	**-21.8**
Consolidated profit/loss for the year attributable to the shareholders of RLB Steiermark		104,300	128,391	-24,091	-18.8
Consolidated profit/loss for the year attributable to non-controlling interests		-654	4,166	-4,820	>100

*) In the comparison period, an amount of TEUR 4,504 was reclassified from "Net income from financial instruments at fair value P&L (FVPL)" to "Other interest and similar income".

Reconciliation from consolidated profit/loss for the year to consolidated comprehensive income

	Notes	2019	2018		Change
		TEUR	TEUR	TEUR	%
Consolidated profit/loss for the year		**103,646**	**132,557**	**-28,911**	**-21.8**
Other comprehensive income					
Items not reclassified to profit or loss (OCI non-reclassified)	**33**	**11,762**	**-4,359**	**16,121**	**>100**
Gains and losses from financial assets – fair value OCI	16, 33	9,347	1,111	8,236	>100
Deferred taxes in relation to financial assets – fair value OCI	16, 33	60	-965	1,025	>100
Actuarial gains and losses from defined benefit plans	30, 33	-5,853	-3,774	-2,079	-55.1
Deferred taxes in relation to actuarial gains and losses from defined benefit plans	30, 33	1,424	947	477	50.4
Fair value changes due to changes in the credit risk of financial liabilities	28, 33	-478	-4,784	4,306	90.0
Deferred taxes in relation to fair value changes due to changes in credit risk of financial liabilities	28, 33	120	1,195	-1,075	-90.0
Share of other comprehensive income from investments valued at equity	20, 33	8,022	1,728	6,294	>100
Deferred taxes in relation to share of other comprehensive income from investments valued at equity	20, 33	-880	183	-1,063	>100
Items that can be reclassified to profit or loss (OCI reclassified)	**33**	**25,428**	**-34,106**	**59,534**	**>100**
Remeasurement gains/losses of financial assets – fair value OCI	16, 33	-6,437	-17,851	11,414	63.9
Deferred taxes in relation to remeasurement gains/losses of financial assets – fair value OCI	16, 33	1,757	4,209	-2,452	-58.3
Share of other comprehensive income from investments valued at equity	20, 33	30,462	-20,643	51,105	>100
Deferred taxes in relation to share of other comprehensive income from investments valued at equity	20, 33	-354	179	-533	>100
Total other comprehensive income	**33**	**37,190**	**-38,465**	**75,655**	**>100**
Consolidated comprehensive income		**140,836**	**94,092**	**46,744**	**49.7**
Consolidated comprehensive income attributable to the shareholders of RLB Steiermark		141,171	90,462	50,709	56.1
Consolidated comprehensive income attributable to non-controlling interests		-335	3,630	-3,965	>100

STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31/12/2019	31/12/2018		Change
		TEUR	TEUR	TEUR	%
Cash, balances at central banks and demand deposits	13	1,401,320	1,321,100	80,220	6.1
Financial assets – amortised cost (AC)	14	10,054,119	9,458,153	595,966	6.3
Financial assets – held for trading (HFT)	15	824,003	1,226,484	-402,481	-32.8
Financial assets – fair value OCI (FVOCI)	16	960,972	1,182,312	-221,340	-18.7
Financial assets – mandatorily at fair value P&L (FVPL-M)	17	450,434	450,624	-190	0.0
Derivatives - hedge accounting (positive fair values)	18, 34	244,847	132,715	112,132	84.5
Value adjustments from portfolio fair value hedges	19	-1,611	0	-1,611	-
Investments in associates valued at equity	20	1,008,213	1,014,107	-5,894	-0.6
Intangible assets	21	4,561	4,097	464	11.3
Property, plant and equipment	22	127,097	134,643	-7,546	-5.6
Investment properties	23	10,878	5,618	5,260	93.6
Right-of-use assets	24, 50	11,590	0	11,590	-
Current income tax assets	31	13,464	5,968	7,496	>100
Deferred income tax assets	31	28,532	36,714	-8,182	-22.3
Other assets	25	166,815	145,092	21,723	15.0
TOTAL ASSETS		**15,305,234**	**15,117,627**	**187,607**	**1.2**

EQUITY AND LIABILITIES	Notes	31/12/2019	31/12/2018		Change
		TEUR	TEUR	TEUR	%
Financial liabilities – amortised cost (AC)	26	11,682,928	11,320,124	362,804	3.2
Financial liabilities – held for trading (HFT)	27	368,119	354,775	13,344	3.8
Financial liabilities – designated at fair value P&L (FVO)	28	1,379,582	1,745,498	-365,916	-21.0
Derivatives - hedge accounting (negative fair values)	29, 34	106,487	27,333	79,154	>100
Provisions	30	92,588	90,866	1,722	1.9
Current income tax liabilities	31	3,906	3,205	701	21.9
Deferred income tax liabilities	31	508	5,640	-5,132	-91.0
Other liabilities	32	58,537	40,683	17,854	43.9
Equity	**33**	**1,612,579**	**1,529,503**	**83,076**	**5.4**
Equity attributable to the shareholders of RLB Steiermark	33	1,611,476	1,470,355	141,121	9.6
Equity attributable to non-controlling interests	33	1,103	59,148	-58,045	-98.1
TOTAL EQUITY AND LIABILITIES		**15,305,234**	**15,117,627**	**187,607**	**1.2**

STATEMENT OF CHANGES IN EQUITY

TEUR	Subscribed capital	Capital reserves	Retained earnings	Accumulated other comprehensive income	Equity attributable to the shareholders of RLB Steiermark	Equity attributable to non-controlling interests	Total capital
Equity as at 1/1/2019	**142,721**	**401,825**	**1,217,884**	**-292,075**	**1,470,355**	**59,148**	**1,529,503**
Consolidated profit/loss for the year			104,300		104,300	-654	103,646
OCI non-reclassified				11,450	11,450	312	11,762
OCI reclassified				25,421	25,421	7	25,428
Consolidated comprehensive income			**104,300**	**36,871**	**141,171**	**-335**	**140,836**
Dividend distribution			-10,119		-10,119	0	-10,119
Acquisition of non-controlling interests			4,822	897	5,719	-57,719	-52,000
Other changes			-1,770	6,120	4,350	9	4,359
Equity as at 31/12/2019	**142,721**	**401,825**	**1,315,117**	**-248,187**	**1,611,476**	**1,103**	**1,612,579**
Equity as at 31/12/2017	**142,721**	**401,825**	**1,128,388**	**-233,886**	**1,439,048**	**58,132**	**1,497,180**
Impacts of the retrospective application of IFRS 9			**-22,547**	**-20,842**	**-43,389**	**-2,806**	**-46,195**
Equity as at 01/01/2018	**142,721**	**401,825**	**1,105,841**	**-254,728**	**1,395,659**	**55,326**	**1,450,985**
Consolidated profit/loss for the year			128,391		128,391	4,166	132,557
OCI non-reclassified				-3,873	-3,873	-486	-4,359
OCI reclassified				-34,056	-34,056	-50	-34,106
Consolidated comprehensive income			**128,391**	**-37,929**	**90,462**	**3,630**	**94,092**
Dividend distribution			-14,945		-14,945	0	-14,945
Change in scope of consolidation			-737	582	-155	-74	-229
Other changes			-666		-666	266	-400
Equity as at 31/12/2018	**142,721**	**401,825**	**1,217,884**	**-292,075**	**1,470,355**	**59,148**	**1,529,503**

STATEMENT OF CASH FLOWS

TEUR	Notes	2019	2018
Consolidated profit/loss for the year		**103,646**	**132,557**
Non-cash items contained in the consolidated profit/loss for the year and reconciliation to the cash flow from operating activities			
Depreciation, amortisation, impairment and reversal of impairment of assets		11,022	10,582
Additions/reversal of provisions and impairment allowances		5,760	-34,036
Profit from the sale of assets		-478	-752
Loss from the sale of assets		629	5
Other adjustments		-190,335	-158,403
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions			
Financial assets – amortised cost (AC)	14	-566,875	-860,379
Financial assets – held for trading (HFT)	15	463,901	713,598
Financial assets – fair value OCI (FVOCI)	16	232,320	1,382,461
Financial assets – mandatorily at fair value P&L (FVPL-M)	17	11,530	197,652
Derivatives - hedge accounting (positive fair values)	18, 34	5,007	2,832
Other assets from operating activities	25	-19,210	-49,754
Financial liabilities – amortised cost (AC)	26	254,502	442,597
Financial liabilities – held for trading (HFT)	27	-32,806	3,917
Financial liabilities – designated at fair value P&L (FVO)	28	-297,807	-1,419,823
Derivatives - hedge accounting (negative fair values)	29, 34	23,384	-2,652
Other liabilities from operating activities	32	19,375	-11,442
Taxes on income paid	12, 31	-8,772	-6,228
Interest received	1	345,421	312,089
Dividends received	2, 20	28,531	12,850
Interest paid	1	-238,556	-210,431
Cash flow from operating activities		**150,189**	**457,240**
Cash proceeds from the sale of:			
Intangible assets, property, plant and equipment, investment properties	21, 22, 23	23	970
Equity investments (non-consolidated)	16, 17	830	302
Subsidiaries		0	693
Cash paid for the acquisition of:			
Intangible assets, property, plant and equipment, investment properties	21, 22, 23	-5,904	-8,433
Equity investments (non-consolidated) including subsidies	16, 17	-2,341	-1,539
Cash flow from investing activities		**-7,392**	**-8,007**
Dividends	33	-10,119	-14,945
Acquisition of non-controlling interests	33	-52,000	0
Principal portion of lease payments	32, 50	-1,298	0
Cash inflows from subordinated liabilities	26	840	14,941
Cash flow from financing activities		**-62,577**	**-4**

Other adjustments relate primarily to the change in associates valued at equity and deferred taxes. Furthermore, this item reconciles interest, dividends paid and payments for the acquisition of the shares in Landes-Hypothekenbank Steiermark Aktiengesellschaft, as these figures appear in other cash flow line items.

TEUR	Notes	2019	2018
Cash and cash equivalents at end of previous period		**1,321,100**	**871,871**
Cash flow from operating activities		150,189	457,240
Cash flow from investing activities		-7,392	-8,007
Cash flow from financing activities		-62,577	-4
Cash and cash equivalents at end of period	**13**	**1,401,320**	**1,321,100**

Cash and cash equivalents reported include cash and deposits held at central banks, as well as demand deposits with banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

Raiffeisen-Landesbank Steiermark AG (RLB Steiermark) is the regional central institution of the Raiffeisen Banking Group in Styria (Raiffeisen Bankengruppe Steiermark) and is registered in the Commercial Register at the Graz Regional Court for Civil Matters under Commercial Register number FN 264700s. The corporate address of RLB Steiermark is Kaiserfeldgasse 5, 8010 Graz (Austria). RLB Steiermark is a universal bank which is predominantly active in the south of Austria.

RLB-Stmk Holding eGen (RLB-Stmk Holding) holds 84.08 % (2018: 84.08 %) of the shares in RLB Steiermark. A further 13.13 % (2018: 13.13 %) are held directly by Styrian Raiffeisen banks. RLB-Stmk Verbund eGen (RLB-Stmk Verbund) owns 95.18 % (2018: 95.18 %) of RLB-Stmk Holding. The remaining shares are held by other cooperative members. RLB-Stmk Verbund is the Group's ultimate parent company.

As the superordinate financial holding company, RLB-Stmk Verbund is 100 % owned by the Raiffeisen banks in Styria. As a result of this holding structure, the Raiffeisen banks in Styria enjoy an indirect majority ownership position – including in terms of voting rights – relative to RLB Steiermark.

With the acquisition of the remaining shares in Landes-Hypothekenbank Steiermark Aktiengesellschaft (25 % + 2 shares) from the state of Styria, RLB Steiermark has been the sole owner of the company since 14 March 2019. At year-end 2018, the actual sale/acquisition was still subject to the condition precedent of a final judgement by the European Commission according to which the sale provides no grounds for initiating a state aid investigation procedure, nor does it constitute state aid in accordance with Article 107 et seq. of the Treaty on the Functioning of the European Union (TFEU). In January 2019, the European Commission announced that no concerns regarding state aid existed, and that the sale/acquisition was in compliance with the arm's length principle.

In accordance with Austrian disclosure regulations, the consolidated financial statements of RLB-Stmk Verbund are lodged with the Commercial Register at the Graz Regional Court and published in the official gazette (Amtsblatt der Wiener Zeitung). The Management Board prepared the consolidated financial statements on 7 April 2020 and approved them for publication and submission to the Supervisory Board for examination.

Unless specifically stated otherwise, the figures in these consolidated financial statements are rounded to the nearest thousand euros (TEUR). As a result, rounding differences may appear in the tables that follow.

Disclosure pursuant to Part 8 (Articles 431 to 455) of the CRR is based on the consolidated financial position of RLB-Stmk Verbund in its function as an EEA parent financial holding company. This disclosure may be viewed on the website of RLB Steiermark.

Financial reporting principles

The consolidated financial statements of Raiffeisen-Landesbank Steiermark AG (RLB Steiermark) for the 2019 financial year, together with the prior-year figures for 2018, have been prepared in accordance with EU Regulation (EC) No. 1606/2002 in conjunction with § 245a of the Austrian Business Enterprise Code (UGB) and § 59a of the Austrian Banking Act (BWG). All of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), and all of the interpretations issued by the IFRS Interpretations Committee (IFRIC) whose application in connection with the consolidated financial statements was mandatory were taken account of as adopted by the EU. The consolidated financial statements comply with the provisions of § 245a UGB and § 59a BWG governing the exemption from filing consolidated financial statements in accordance with internationally recognised accounting principles.

Application of amended/new standards and interpretation

The following standards, interpretations and their amendments, which are relevant for the business operations of the RLB Steiermark Group, became effective as at 1 January 2019:

Standard/ interpretation	Description	Effective for accounting periods beginning on or after	Adopted by the EU
IFRS 16	Leases	01/01/2019	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	01/01/2019	Yes
Amendments to IFRS 9	Clarification: Prepayment features with negative compensation	01/01/2019	Yes
IFRS 28	Clarification: Treatment of long-term interests in associates and joint ventures to which the equity method is not applied	01/01/2019	Yes
Amendments to IAS 19	Plan amendments; plan curtailments or settlements	01/01/2019	Yes
Improvements IFRS (2015-2017)	Annual improvement (cycle 2015-2017)	01/01/2019	Yes

IFRS 16 Leases
IFRS 16 introduced a single accounting model according to which leases must be recognised in the lessee's balance sheet if a lease in accordance with IFRS 16 exists. A lessee recognises a right-of-use asset that represents its right to use the underlying asset, as well as a liability from the lease which represents its obligation to make future lease payments. Optional exemptions exist for short-term and low-value leases. Under IFRS 16, the type of expenses associated with such leases also changed. According to the new rules, the straight-line expenses for operating leases were replaced by a front-end loaded expense, comprising depreciation on the right-of-use asset and interest on the lease liability. Lessor accounting remains similar to the previously applied standard IAS 17, i.e. lessors continue to classify leases as finance or operating leases.

Detailed information on leases is provided in the section "Accounting policies" and in the notes entitled "49 Leasing from the lessor's perspective" and "50 Leasing from the lessee's perspective".

IFRIC 23 Uncertainty over Income Tax Treatments
The tax treatment of specific circumstances and transactions can be dependent on approval by the taxation authority. IFRIC 23 adds to the requirements in IAS 12 by specifying how the effects of uncertainty in accounting for income taxes in connection with such circumstances and transactions should be reflected. First-time application of this standard does not have a significant impact on the financial statements.

Amendments to IFRS 9
This amendment has no material impact on the RLB Steiermark Group.

Amendments to IFRS 28
The amendments clarify that an entity should apply IFRS 9 (including its impairment requirements) to account for long-term interests in an associate or a joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. This amendment has no material impact on the RLB Steiermark Group.

Amendments to IFRS 19
The amendments clarify that upon amendment, curtailment or settlement of a defined benefit plan, an entity has to remeasure the current service cost and net interest used to revalue the plan's net debt (net assets) for the remaining financial year on the basis of updated actuarial assumptions. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. This amendment has no material impact on the RLB Steiermark Group.

Annual improvements to IFRS standards – cycle 2015-2017

The improvements contain amendments to the following standards:

- IFRS 3, Business combinations – The amendments clarified that when an entity obtains control of a business that is a joint operation, the entity remeasures its previously held interests in the joint operation.
- IFRS 11, Joint Arrangements – The amendments clarified that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure its previously held interests in the joint operation.
- IAS 12, Income Taxes – The income tax consequences of dividends are recognised when a liability to pay the dividend is recognised. They are recognised in correlation to the underlying transaction either in profit or loss, in other comprehensive income (OCI) or directly in equity.
- IAS 23 Costs – The amendments clarified that any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale becomes part of the funds that an entity borrows generally when calculating the capitalisation rate of the funds that is has borrowed generally.

These amendments have no material impact on the RLB Steiermark Group.

Standards and interpretations which have been published but are not yet mandatory:

Standard / interpretation	Description	Effective for accounting periods beginning on or after	Adopted by the EU
IFRS 14	Regulatory Deferral Accounts	01/01/2016	No*
Amendments to the Conceptual Framework	Revised definitions of an asset and a liability, as well as new guidance on measurement and derecognition, presentation and disclosure	01/01/2020	Yes
Amendments to IAS 1 and IAS 8	Definition of "material"	01/01/2020	Yes
Amendments to IFRS 9, IAS 39 and IFRS 7	Reform of reference rates	01/01/2020	Yes
Amendments to IFRS 3	Definition of a business	01/01/2020	No
Amendments to IAS 1	Classification of short-term and long-term liabilities	01/01/2022	No
IFRS 17	Insurance contracts	01/01/2023	No

*The EU will not adopt this "transitional standard" but will wait for the final standard to be released.

The RLB Steiermark Group does not intend to apply standards that are not yet mandatory early.

Amendments to the Conceptual Framework
The amendments include revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure of information in the financial statements. The RLB Steiermark Group does not expect any material impact from these amendments.

Amendments IAS 1 and IAS 8
The amendments define a uniform and precise concept of materiality of financial statement information in IFRSs and supplement it with accompanying examples. The RLB Steiermark Group does not expect any material impact from these amendments.

Amendments to IFRS 9, IAS 39 and IFRS 7
The amendments relate in particular to certain relaxations of hedge accounting requirements in reporting periods prior to the replacement of an existing reference rate with an alternative rate and are mandatory for all hedging relationships affected by the reform of the reference rate. In addition, further disclosures are required on the extent to which the hedging relationships of the entities are affected by the amendments. The RLB Steiermark Group does not expect any material impact from these amendments.

Amendments to IFRS 3
The amendments concern the clarification of definitions in Appendix A, "Definitions", and are intended to add guidance for entities to assess whether they have acquired a business or a group of assets. The RLB Steiermark Group does not expect any material impact from these amendments.

IFRS 17, Insurance Contracts
In May 2017, the IASB issued IFRS 17 "Insurance Contracts", which establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. IFRS 17 replaces IFRS 4 which gave companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations are accounted for using current values instead of historical cost. The information is updated regularly, providing more useful information to users of financial statements. Entities are required to adopt IFRS 17 for accounting periods beginning on or after 1 January 2023. No significant impact is expected for the RLB Steiermark Group's future consolidated financial statements.

Amendments to IAS 1
The amendments are intended to clarify the classification of liabilities as short-term or long-term. The RLB Steiermark Group does not expect any impact from these amendments.

Other amendments
The other newly applicable standards are not expected to have a significant impact on future financial statements.

ACCOUNTING POLICIES

Uniform accounting principles throughout the Group

The basis for the consolidated financial statements was provided by the separate financial statements of all the consolidated companies, which were prepared applying uniform, Group-wide standards and in accordance with the provisions of IFRS. With the exception of two subsidiaries which were included in the consolidated financial statements as at 30 September, the fully consolidated companies and the sole associate valued at equity prepared their annual financial statements as at 31 December. Appropriate adjustments were carried out to allow for the effects of material business transactions and other events occurring between subsidiaries' reporting dates and 31 December. The DASAA 8010 Miteigentumsspezialfonds (joint ownership special fund), as well as the sub-funds GLAN 8041 and EURAN 8051, use a different financial year (which ends on 31 October); however, they are included in the consolidated financial statements on the basis of interim reports as of 31 December.

Acquisitions

In the course of capital consolidation, all identifiable assets, liabilities and contingent liabilities of the subsidiary are measured at their fair value on the acquisition date according to the provisions of IFRS 3. The acquisition costs are offset with the proportional net assets. The resulting positive differences are capitalised as goodwill and tested annually for impairment. Additional impairment tests are carried out if events or circumstances indicate that the carrying value might be impaired. At present, the RLB Steiermark Group does not have any capitalised goodwill. If negative goodwill arises within the context of first-time consolidation, this must be recognised immediately in profit or loss once the valuations have been reassessed. Incidental acquisition costs are recognised as expenses. Transactions with non-controlling interests that do not lead to any change in the control relationship are only shown directly in equity.

Consolidation methods

The consolidation measures undertaken in the context of preparing the consolidated financial statements include capital consolidation, debt consolidation, consolidation of income and expenses, and elimination of intragroup profits.

During the elimination of intragroup balances, receivables and payables between companies belonging to the scope of full consolidation were offset. Intragroup income and expenses were eliminated during the process of consolidating income and expenses. Intragroup profits were eliminated if their effect on line items in the statement of profit or loss was material.

Subsidiaries

Subsidiaries are included in the scope of fully consolidated companies of the RLB Steiermark Group if a control relationship as defined in IFRS 10.6 exists. Accordingly, a parent entity controls an investee if, as a result of its involvement with the investee, RLB Steiermark is exposed to, or has rights to, variable economic returns from its involvement with the investee, and has the opportunity to influence those economic returns through its decision-making power over the investee. This decision-making power derives from existing rights to determine the activities of the investee in a way which significantly influences its economic success.

Interests in subsidiaries which were not included in the consolidated financial statements due to their secondary importance and investments in associates which were not valued at equity are treated as financial instruments and measured at fair value.

Investments in associates

Investments in companies over which RLB Steiermark had a significant influence are valued at equity and recorded in the statement of financial position under the line item "Investments in associates valued at equity". As at the reporting date, this exclusively applies to the equity investment in Raiffeisen Bank International AG, Vienna (RBI). As a rule, ownership interests of between 20 % and 50 % confer significant influence. In accordance with IAS 28.5, if ownership interest is less than 20 %, the investor will be presumed not to have significant influence in the financial and operating policy decisions of the investee, unless such influence can be clearly demonstrated. RLB Steiermark held a 9.95 % interest in RBI at year-end 2019. Significant influence exists because RLB Steiermark delegated CEO MMag. Schaller as the

First Vice President of RBI's Supervisory Board as at 31/12/2019 and thus has influence on significant decision-making processes regarding RBI's operating and financial policies.

Investments valued at equity must be assessed to determine whether there is any objective evidence of impairment pursuant to IAS 28.41 A-C. If such evidence exists, an impairment test as envisaged under IAS 28 in conjunction with IAS 36 is carried out to determine whether the carrying amount of the investment is overstated. Specifically the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Investments that suffered an impairment must be tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the reason for the impairment no longer exists. Because investments valued at equity are shown as separate assets, impairment losses can be reversed if the criteria of IAS 36 are met. When reversing the impairment loss via the statement of profit or loss, the carrying amount of the asset may not be increased above the at-equity carrying amount that would have existed if no impairment loss had been recognised. This is the maximum carrying amount permitted for the asset.

Impairment charges and reversals of impairment charges, as well as the proportionate net profit/loss for the year, are shown in the statement of profit or loss under "Profit/loss from investments in associates valued at equity".

The same rules are applied to the acquisition of shares in associates valued at equity (date of first-time consolidation, calculation of goodwill or negative goodwill) as to the acquisition of subsidiaries.

Development of the scope of consolidation

The number of fully consolidated companies and associates valued at equity is as follows:

	Full consolidation*		Equity method	
	2019	2018	2019	2018
At 1 January	**28**	**33**	**1**	**1**
Included for the first time in the reporting year	0	1	0	0
Change due to mergers during the reporting year	0	-2	0	0
Deconsolidated in the reporting year	0	-4	0	0
Status as at 31 December	**28**	**28**	**1**	**1**

* including Raiffeisen-Landesbank Steiermark AG (parent entity) and the consolidated structured entities (special funds) DASAA, GLAN and EURAN.

During the 2019 financial year, the remaining shares in Landes-Hypothekenbank Steiermark Aktiengesellschaft (25 % + 2 shares) were acquired from the state of Styria, so that RLB Steiermark has been the sole owner of the company since 14 March 2019 (see also the details in the "General information" section).

A detailed list of fully consolidated companies and of investments in associates valued at equity is provided in the overview of equity investments presented in the annex.

Foreign currency translation

Foreign currency translation takes place in accordance with the provisions of IAS 21. Accordingly, non-euro monetary assets and liabilities are translated into euro at the ECB reference rates prevailing at the reporting date. Non-monetary assets and liabilities measured on the basis of historical costs are translated at the market exchange rates prevailing at the time of their acquisition. Non-monetary assets measured at fair value are translated at the market exchange rates prevailing at the reporting date. Forward currency transactions are measured using the prevailing forward rates for their respective maturities.

Income and expense items are immediately translated into the functional currency at the time they arose applying the market exchange rates prevailing at the date of the transaction. Exchange differences on monetary items are always recognised in the income or expense for the period in which they arise.

If a gain or loss on a non-monetary item is recognised directly in other comprehensive income, the exchange rate differences (gain or loss) at the balance sheet date are also presented in other comprehensive income. Conversely, exchange differences are recognised in income or expense when gains and losses on non-monetary items are recognised in the statement of profit or loss.

Classification of financial assets

IAS 32.11 defines a financial instrument as a contract that gives rise to both a financial asset of one company and a financial liability or equity instrument of another company.

IFRS 9 requires that all financial assets and liabilities, including derivative financial instruments, must be recognised in the statement of financial position. The initial recognition point is the date when the group becomes a party to the contractual provisions for the financial instrument and consequently has a right to receive and/or a legal obligation to pay cash. Financial instruments are generally recorded on the transaction date.

Classification of debt instruments

Under IFRS 9, the classification of financial assets (debt instruments) is based on the characteristics of the contractual cash flows and the basic principles of the business model used to manage the financial assets concerned.

IFRS 9 requires debt instruments to be assigned to one of the following three business models:

- “Hold to collect” business model
- “Hold to collect and sell” business model
- “Other” business model

Under IFRS 9, debt instruments assigned to the “Hold to collect” or the “Hold to collect and sell” business models must be checked to determine whether or not their expected cash flows represent solely payments of principal and interest (SPPI). Principal is defined as being the fair value of the financial asset at initial recognition. Interest is defined as being compensation for the time value of money and credit risk, and can also include compensation for other lending risks (e.g. liquidity risk) and costs associated with holding the asset (e.g. administrative costs). Embedded derivatives where the underlying transaction is an asset within the scope of IFRS 9 no longer need to be separated. Instead, the entire hybrid financial instrument is assessed for classification.

Depending on their business model and contractual characteristics (SPPI criterion), and considering the possibility of exercising the option to designate a financial liability as measured at fair value through profit or loss (fair value option to avoid/reduce an accounting mismatch), assets are either recognised at “fair value through profit or loss”, at “fair value through OCI”, or at “amortised cost”.

A financial asset is measured at amortised cost if all of the following conditions are met:

- the financial instrument is assigned to a business model whose objective is to hold assets to collect contractual cash flows,
- the contractual cash flows of the financial instrument represent solely payments of principal and interest on the principal amount outstanding (= SPPI criterion), and
- the fair value option has not been exercised.

A debt instrument must be classified as fair value through OCI (FVOCI) if:

- the financial instrument is held within a business model whose objective is achieved by both holding assets to collect contractual cash flows and selling financial instruments to realise profits; and
- the contractual cash flows of the financial instrument represent solely payments of principal and interest on the principal amount outstanding (= SPPI criterion); and
- the fair value option has not been exercised.

In all other cases, debt instruments must be classified as fair value through profit or loss (FVPL-M).

Review of business models
Within the RLB Steiermark Group, business models are managed at the level of the operating segments defined for segment reporting, as information is provided to the management at this level. If necessary, further segmentation into subportfolios is possible.

The following factors are taken into account to determine the business model for particular financial assets:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to key management personnel.
- The risks that affect the performance of the business model and the way that those risks are managed.
- Features of the investment and management guidelines for the portfolio.

"Hold to collect" business model
The objective of the "hold to collect" business model is to hold financial assets until maturity to collect their contractual cash flows, rather than with a view to selling the assets to generate cash flows. However, some sales out of this business model may occur, and the RLB Steiermark Group considers such sales consistent with the "hold to collect" business model if they occur for the following reasons:

- The sales are due to an increase in the credit risk of the asset.
- The sales take place to manage risk concentration and they are infrequent (even if they are significant) or they are insignificant individually and in the aggregate (even if they are frequent).
- The sales take place shortly before the maturity of the asset and the proceeds from the sales approximate the collection of the remaining contractual cash flows.

To identify sales that are not hazardous to fulfilment of the SPPI requirement, the RLB Steiermark Group has specified a "de minimis threshold" of up to 3 %, which is considered to be non-hazardous. The factors considered are volume, number and impact on earnings. The purpose of this threshold is to identify sales that would jeopardise fulfilment of the SPPI requirement.

"Hold to collect and sell" business model
Under the "hold to collect and sell" business model, the objective is to both collect the contractual cash flows and sell the financial asset. In contrast to the "hold to collect" business model, sales are integral rather than incidental, and consequently this business model typically involves a greater frequency and volume of sales.

"Other" business model
Financial assets that

- are administered with the primary objective of realising cash flows through sale,
- are managed on a fair value basis and whose performance is measured on a fair value basis, or
- are held for trading purposes,

are assigned to this business model and measured at fair value through profit or loss.

SPPI testing
For measurement "at amortised cost" or "at fair value through OCI", financial instruments must satisfy the SPPI criterion (the contractual cash flows are solely payments of principal and interest) and must be held within the "hold to collect" or the "hold to collect and sell" business models.

An assessment as to whether these criteria are met takes place for each financial instrument at initial recognition. If there is a substantial modification of the terms of a financial instrument which causes the original features of the instrument to differ significantly then the instrument must be derecognised and recognised as a new asset, as well as subjected to the SPPI test based on the new terms.

When checking whether the contractual cash flows are solely payments of principal and interest, the RLB Steiermark Group takes into account the contractual characteristics of the financial asset. As contractual interest payments could change over time, different interest rate scenarios should be considered to determine the possible future effects of such changes and to determine whether or not the contractual cash flows that might accrue during the entire contractual term meet the SPPI criterion.

The assessment of contractual provisions that do or may change the timing or amount of the contractual cash flows includes factors such as variable interest rates, prepayment features, the possibility of early repayment and extension options.

Benchmark test
Where the time period of an interest rate does not match the interest period, the time value of money element of the interest rate is modified. In such cases, a benchmark test must be carried out: the contractual interest payments of the issued instrument must be compared with those of the benchmark instrument.

A modification of the time value of money exists if the frequency at which the interest rate of a financial asset is reset does not match the term of the interest rate, or if a financial asset's interest rate is periodically reset to an average of certain short and long-term interest rates.

Assessment on the basis of a benchmark test is not an accounting option. A benchmark test is carried out for the following contractual features that may modify the time value of money:

- Interest rate tenor mismatch
- Interest escalation clauses
- Prior fixing
- Average interest rates
- Basket rates
- Leverage clause

Fair value option for financial assets
Upon initial recognition of a debt instrument that would qualify for measurement at amortised cost or at fair value through OCI, it may be designated at fair value through profit or loss if this eliminates or significantly reduces mismatches in measurement or recognition (so-called "accounting mismatch"). This option can only be exercised upon initial recognition of a debt instrument and is irrevocable. There is currently no case of application within the RLB Steiermark Group.

Classification of equity instruments
Equity instruments must be measured at fair value. However, for equity instruments not held for trading, IFRS 9 permits the option to measure them at fair value through OCI (FVOCI), which means that all fluctuations in fair value are recognised in OCI rather than through profit or loss ("OCI option"). This option is only available at initial recognition and is irrevocable. The OCI option can be taken at the level of each individual equity instrument. Gains and losses recorded in other comprehensive income for these equity instruments cannot be recycled to profit or loss in later accounting periods (even if the equity investment is derecognised).

Classification of financial liabilities
Financial liabilities must be subsequently measured at amortised cost. Exceptions to this rule include financial liabilities held for trading (including derivatives) and financial liabilities designated at fair value upon initial recognition under the fair value option (FVO). These are subsequently measured at fair value.

For financial liabilities designated at fair value, changes in fair value resulting from changes in the Group's own credit risk are recognised in other comprehensive income (OCI), unless this leads to an accounting mismatch in the statement of income. The remaining amount of the fair value change is presented in profit or loss. Changes in the value of trading portfolios measured at fair value are recognised in full in the statement of profit and loss.

Fair value option for financial liabilities
In accordance with IFRS 9, a financial liability can be irrevocably designated as "at fair value through profit or loss" upon initial recognition if the following conditions are met:

- Mismatches in measurement or recognition ("accounting mismatch") are eliminated or significantly reduced. An accounting mismatch may arise if the valuation of assets/liabilities or the recognition of valuation results is made on different bases.
- A group of financial liabilities or financial assets and liabilities is managed in accordance with a documented risk management or investment strategy, its performance is assessed on the basis of fair value and it is reported internally to key members of the Managing Board.
- It is a contract that contains one or more embedded derivatives, whereby the host contract is not a financial asset within the scope of IFRS 9. If this is the case, the entire hybrid contract may be measured at fair value through profit or loss. This does not apply to cases in which the embedded derivative does not significantly change the contractual cash flows or if it is evident with only minimal analysis that a separation of the embedded derivative is not permissible.

Embedded derivatives
IFRS 9 governs the way in which derivatives that are embedded in an underlying financial instrument (embedded derivatives) are accounted for. If a hybrid contract contains a host that is not an asset within the scope of IFRS 9, the embedded derivative must be separated from the host and accounted for as a derivative under IFRS 9. For all other financial instruments that are within the scope of IFRS 9, there is no separation of structured products. The derivative element is accounted for in the context of classification. If the SPPI test is met, the whole instrument is recognised in accordance with the applicable business model.

Financial guarantees and irrevocable lending commitments
A financial guarantee is a contract under which the guarantor is obliged to make certain payments that indemnify the party to whom the guarantee is issued for a loss arising in the event that particular debtor does not meet its payment obligations as stipulated by the original or amended terms of a debt instrument by the due date. The obligation arising from a financial guarantee is recorded as soon as the guarantor becomes party to the contract, i.e. at the time the guarantee offer is accepted. Financial guarantees are measured initially at their fair value on the date of recognition; the fair value generally equals the payment received when the transaction is concluded. If no such payment is made, the fair value at the conclusion of the transaction is zero. This figure is reviewed for impairment indicators within the scope of subsequent measurement.

Obligations from which a credit risk may arise are recognised as irrevocable lending commitments. Both financial guarantees and irrevocable lending commitments are subject to the impairment rules of IFRS 9, and any related impairments must be recognised in provisions.

Hedge accounting
In the RLB Steiermark Group, those changes in the fair value of a measured hedged item that can be ascribed to a certain risk (e.g. interest or currency risk) are generally hedged by means of an opposing hedging transaction. By accounting for them as micro fair value hedges, one-sided effects on profit or loss in connection with economically hedged risks can be avoided. The RLB Steiermark Group has been applying the new IFRS 9 hedge accounting rules with effect from 1 January 2018.

Furthermore, the RLB Steiermark Group has been applying the rules for portfolio fair value hedge accounting in accordance with the EU carve-out to IAS 39 since 1 July 2019. This makes it possible to reflect the internal risk management approach to banking book management on a portfolio basis in the consolidated financial statements.

For detailed information on hedge accounting, see note 34.

Impairments

The impairment requirements under IFRS 9 are based on an expected credit loss model (ECL model). The general principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of the associated financial instrument. Under this model, expected credit losses are recognised from the point at which a financial instrument is originated or purchased.

These regulations apply to financial assets measured at "fair value through other comprehensive income" (FVOCI) or at "amortised cost" (AC), to lease receivables, trade receivables, contract assets as defined in IFRS 15, and to off-balance sheet transactions (indemnity agreements, guarantees and credit risks).

Under the IFRS 9 impairment model, an impairment allowance at an amount equal to 12-month expected credit losses must be recognised for financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date (stage 1 assets). In instances where a financial asset has had a significant increase in credit risk since origination or purchase but does not have objective evidence of impairment (stage 2), and for financial assets that have objective evidence of impairment (stage 3), IFRS 9 requires recognition of an impairment allowance at an amount equal to all of the losses expected during the entire term of the asset. This is called "lifetime expected loss".

Assignment to one of the three impairment stages must be reviewed at each reporting date. If a financial asset is stage 2 or 3 on the reporting date and the criteria for that assignment are no longer met, the asset transfers back to stage 1 or 2. The three-stage approach of the ECL model does not apply to financial assets that are credit impaired at initial recognition; these are subject to special impairment rules.

Expected credit losses

The amount of expected credit losses from stage 1 and 2 instruments is calculated using risk parameters ("probability of default" (PD), "loss given default" (LGD) and "exposure at default" (EAD)) which are determined by statistical methods based on historical probability of default and loss given default, taking into account macroeconomic forecast values (point-in-time parameters). Any stage transfers are based on both qualitative and quantitative criteria.

Expected credit loss calculation requires the use of accounting estimates and discretionary decisions by management. These include:

- Determination of criteria for a significant increase in credit risk,
- selection of appropriate models and assumptions for the calculation of expected credit losses,
- establishing the number and relative weighting of forward-looking scenarios and the associated expected credit losses, and establishing groups of similar financial assets for the purpose of calculating expected credit losses.

Significant increase in credit risk

Credit risk is the result of possible financial losses that arise due to the full or partial default of customers or counterparties or due to a decline in the credit rating of the respective counterparty. Impaired securities can also be a possible cause (residual risk from credit risk-reducing procedures). Within the RLB Steiermark Group, credit risks are mainly the result of commercial and retail loans, lending commitments and financial guarantees (such as guarantees or letters of credit) issued in the context of such credit transactions, and interbank loans.

The RLB Steiermark Group considers a financial asset to have experienced a significant increase in credit risk if one or more of the following quantitative or qualitative criteria apply.

Quantitative criteria

Quantitative criteria are used as the primary indicator of a significant increase in credit risk, based on analysis of the forward lifetime PD curve. For quantitative staging, the lifetime PD curve at the start of the transaction is, from the time of measurement onwards, compared to the forward lifetime PD curve over the remaining term at the time of measurement. The degree of improvement or deterioration in the PD curve depends on the level of the initial rating and therefore from the initial PD curve. To make the two curves comparable, the PD curves are shown on a quarterly basis. In general, a significant increase in credit risk is considered to have occurred in the case of a relative increase in the cumulative PD of more than 100 % and an absolute increase of more than 0.5 percentage points per year (related to the term to maturity). The threshold values that are used to determine whether a significant increase has occurred are validated at regular intervals.

Qualitative criteria
In addition to quantitative criteria, the RLB Steiermark Group uses qualitative criteria to determine whether a significant increase in credit risk has occurred, based on the data from its early warning system. All transactions placed on the credit risk "watch list" are classified as stage 2 assets. In addition, forbearance measures are considered as a qualitative criterion for an increase in credit risk, and a significant increase in the credit risk of a financial instrument is also assumed if the borrower is more than 30 days past due on a contractual payment.

Definition of the terms "default event" and "credit impaired assets"
To determine whether a financial asset is credit impaired/a certain default event has occurred, the RLB Steiermark Group uses a variety of indicators, such as significant financial difficulty of the issuer/borrower, failure to make interest and/or principal payments, payments are 90 days past due, and concessions granted to the borrower relating to the borrower's financial difficulties. As both the CRR and IFRS requirements focus on losses from defaults that result from financial difficulties of the debtor, the catalogue of criteria for trigger events specified in the Impairment Policy was harmonised across the Group.

If for a financial instrument there is objective evidence of impairment, the financial instrument is transferred to stage 3. For the purpose of determining impairment losses of instruments in stage 3, the RLB Steiermark Group makes a distinction between significant and non-significant exposures. This distinction between significant and non-significant is made on the basis of a "significance" threshold, which is derived from corporate policy requirements, risk management considerations and (lending) process guidelines. The significance threshold for the RLB Steiermark Group is EUR 1 million. The assessment is based on the group of connected customers ("GvK"). For significant stage 3 exposures, the amount of impairment is determined by estimating and discounting future expected cash flows (discounted cash flow method, "DCF method"). The expected cash flows are determined for several probability-weighted scenarios by expert estimation and comprise expected interest and principal payments, proceeds from the realisation of collateral, utilisation or drawing of credit lines and realisation costs as negative cash flows. For non-significant exposures, parameter-based impairment allowances (collective specific impairment allowance) are established.

A default event is no longer deemed to exist if a financial asset meets certain good conduct criteria specified by the RLB Steiermark Group for a continuous period of at least one year.

Explanation of inputs, assumptions and estimates
The level of the impairment allowance to be recognised depends on the extent to which credit quality has changed since initial recognition. Measurement takes place on either a 12-month (for all stage 1 transactions) or lifetime (for all stage 2 transactions) basis. Expected credit loss is the discounted product of the probability of default (PD), loss given default (LGD), loan amount/liability amount or amount of the unused credit line at the time of default (exposure at default, EAD) and discount factor (D). Forward-looking economic information must also be incorporated when determining the twelve-month and lifetime ECL.

For off-balance sheet transactions, impairment is calculated in the same way as for on-balance sheet transactions. For unused lines of credit, however, the part of the undrawn facility (off-balance sheet transaction) that the borrower will likely convert into a funded amount is taken into account in the form of a credit conversion factor. For all other off-balance sheet transactions (guarantees, indemnity agreements), the amount and date of the cash outflows resulting from utilisation are estimated.

Lifetime PDs are comprised of a through-the-cycle (TTC) component and a macroeconomic adjusted point-in-time (PiT) component. The TTC component is determined on the basis of quarterly historic rating migrations, using a time-homogeneous, constant Markov approach for each portfolio. For the PiT adjustment, the asset-based approach according to Perederiy is used. Under this approach, implicit systematic factors are forecast on the basis of macroeconomic factors (such as GDP growth), taking into account historic quarterly default rates.

For the lifetime LGD component, a distinction is made between collateralised and non-collateralised LGD. In determining the collateralised LGD, recovery rates, cure rates and forecast developments in collateral value are taken into account. The non-collateralised LGD is determined on the basis of cash flows of defaulting assets that do not originate from collateral.

To set the lifetime credit conversion factor (CCF), realised CCFs are determined per segment and applied on a segment- and product-specific basis.

EAD is the predicted amount of loss at the time a debtor defaults on a loan. The RLB Steiermark Group calculates EAD on the basis of the debt amount outstanding at the time of calculation plus any agreed changes to terms including amortisations and prepayments.

The discount factor used in the ECL calculation is the original effective interest rate.

Forward-looking information
The assessment of a significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. The RLB Steiermark Group has performed historical analyses and identified the key economic factors impacting credit risk and expected credit losses for each portfolio.

These factors (which include, among others, GDP, unemployment rate, private consumption, rate of inflation) are updated at regular intervals. Their impact on the probability of default, loss given default and exposure at default vary by portfolio type. For their determination, statistical regression was used, in order to understand the impact changes in these parameters have had historically on default rates and on the components of loss given default and exposure at default. The validated data (key factors) are provided by Moody's Analytics on an ongoing basis and are factored into the estimations.

In addition to the base economic scenario, an optimistic case and a pessimistic case scenario, along with scenario weightings, are also considered. The scenarios as well as the scenario weightings are provided by Moody's Analytics. They take account of the range of possible outcomes each chosen scenario is representative of. The probability-weighted expected credit losses are determined by multiplying the individual scenarios with the respective scenario weightings.

The individual scenarios are assigned the following weightings, unchanged from the previous year's reporting date:

- Base scenario – 40 percent
- Optimistic case scenario – 30 percent
- Pessimistic case scenario – 30 percent

As with any economic forecast, the projections and probabilities of occurrence described in this report are subject to a high degree of inherent uncertainty. For this reason, the actual outcomes may differ from those projected. However, the RLB Steiermark Group considers these forecasts to represent its best estimate of possible future outcomes.

Validation
The risk parameters used in the calculation of ECL take into account available information at the reporting date about past events, as well as current conditions and forecasts on future economic trends. All models used to estimate risk parameters are subject to regular validation and backtesting and are adjusted or further developed as necessary. This can lead, for example, to other macroeconomic factors being included in the models in order to ensure the quality of the model. In some areas, a need for adjustment was identified in the individual segments during the validation carried out in 2019, in particular due to the macroeconomic models chosen. Consequently, revised models were used for parameter estimates and applied to the ECL calculation as of 31 December 2019. The more pessimistic assumptions with regard to the key economic factors (forward-looking information) compared with the 2018 consolidated financial statements had the effect of increasing PD rates and LGD rates, particularly in the "Self-employed" and "Non-self-employed" portfolios.

The risk parameters used in the calculation of ECL scenarios may differ from the risk parameters used for calculating economic capital requirements if the characteristics of the respective portfolio necessitate this.

Simplified Approach
Under the ECL model, IFRS 9 offers an option to apply the so-called "simplified approach". In this approach, certain financial instruments are directly classified as stage 2, and the impairment allowance is always equal to lifetime expected credit loss. The simplified approach may only be used for trade receivables with a significant financing component as well as for contractual assets as defined by IFRS 15 and lease receivables. The option can be taken at the level of each individual category.

Lease receivables
The RLB Steiermark Group has opted to make use of this option and therefore classifies lease receivables directly as stage 2. This relief is applicable to all lease receivables, but may be applied separately to finance and operating lease receivables.

Trade receivables
The RLB Steiermark Group uses the simplified approach to determine the ECL for trade receivables with a significant financing component. Due to the impairment history of trade receivables, however, this does not result in any impairment.

Contractual assets as defined by IFRS 15
There are currently no assets that fall within the scope of IFRS 15.

Low credit risk exemption
As outlined above, the ECL model generally requires an assessment to be made at each reporting date as to whether the default risk of a financial instrument has increased significantly since the date of initial recognition. In order to assess a significant increase in the credit risk since initial recognition, there is a simplifying option to apply the so-called "low credit risk exemption", which can generally be applied on an individual contract basis.

This relief provision can only be applied for financial instruments whose credit risk is categorised as low on the reporting date. The credit risk is to be classified as low if:

- the risk of default is negligible,
- the borrower is able to meet its contractual payment obligations,
- negative changes in the economic and commercial conditions would not impair the borrower's ability to meet its repayment schedule.

The RLB Steiermark Group applies the "low credit risk exemption" for investment grade securities.

Modifications
The term "modification" comprises all contract modifications that lead to a change in contractual cash flows, irrespective of whether these result from a renegotiation or other modification of the contract. In particular, it also includes contract modifications that, unlike in the case of forbearance, are not based on financial difficulties. To determine whether a contract modification is substantial, it is therefore irrelevant whether the modification was credit risk-induced or market-induced.

Modified assets are assets with contractual cash flows that have changed in comparison to the original cash flows, but the change has not resulted in derecognition of those assets (non-substantial modification). Changes directly reduce or increase the gross carrying amount. In the case of credit risk-induced contract modifications, the changes are shown in the result "Impairment of financial assets", in the case of market-induced contract modifications, they are shown in net interest income.

If a contract modification causes a substantial change in the terms of the contract, the asset must be derecognised and recognised as a new asset at fair value. The difference between the carrying amount and fair value is recognised in the statement of profit or loss as a disposal gain or loss under the item "Net income from financial instruments not measured at fair value through profit or loss".

To assess whether a financial asset has been substantially modified, the assessment procedure for the derecognition of financial liabilities can be used. The RLB Steiermark Group considers a substantial modification to exist when the discounted present value of the cash flow under the new terms, using the original effective interest rate, is at least +/-10 % different from the discounted present value of the remaining cash flows of the original financial asset. A substantial modification is deemed to have taken place irrespective of the present value test in the event of a change of debtor or if the contract currency changes, unless the possibility of a currency change was already agreed in the original loan agreement. If a contract modification leads to the SPPI criterion no longer being met (e.g. SPPI test passed upon origination but no longer passed after contract modification or vice versa), this also constitutes a substantial modification of the terms of the contract.

Forbearance
Forbearance refers to circumstances in which the lender grants concessions to the borrower, for economic or legal reasons related to the borrower's financial difficulty, which the lender would not otherwise consider. In the case of debts of this kind, an adjustment may be made to the debtor's obligations within the framework of the existing loan agreement to prevent a default. Forbearance measures range from extension agreements for principal and/or interest payments to interest rate adjustments, exemption from interest charges and (partial) debt forgiveness in the context of restructurings. Not every forbearance measure automatically constitutes a modification within the meaning of IFRS 9.

Derecognition
Financial assets are derecognised if the contractual right to cash flows from the financial asset expires or the contractual right to receive cash flows from the financial asset is transferred. Financial assets are also derecognised if not all of the risks and rewards related to the

asset are transferred, but control of the asset is not retained. If substantially all the risks and rewards related to the asset are retained, the asset will not be derecognised. Financial assets must also be derecognised if the terms and conditions have changed substantially.

A liability is derecognised when it has been repaid. Liabilities are also derecognised when there are modifications to the terms of a liability and the changed cash flows arising therefrom differ substantially from those under the terms agreed originally.

The gains or losses resulting from the derecognition of assets or liabilities is recognised through profit or loss.

Depreciation

A financial asset is written off by directly reducing its gross carrying amount if there are no reasonable expectations of recovering that financial asset in its entirety or a portion thereof. Possible reasons for a write-off include debt forgiveness, the conclusion of insolvency proceedings or unsuccessful enforcement measures. A write-off constitutes a derecognition event.

As a general rule, no significant returns are expected from assets that have been written off. However, it is possible to receive payments in connection with receivables that have previously been written off because individual receivables continue to remain subject to enforcement measures.

Categories pursuant to IFRS 7.6

The RLB Steiermark Group defines the categories of financial assets and liabilities required pursuant to IFRS 7.6 as follows:

- Assets
  - Demand deposits
  - Debt instruments
    - Loans and receivables
    - Bonds
    - Other variable-yield securities
  - Equity instruments
  - Derivatives (positive fair values)
  - Derivatives (positive fair values) – hedge accounting
- Liabilities
  - Deposits/borrowed funds
  - Liabilities evidenced by certificates
  - Derivatives (negative fair values)
  - Derivatives (negative fair values) – hedge accounting
- Off-balance sheet transactions (indemnity agreements, surety arrangements, guarantees, lending commitments)

Leasing

In contrast to IAS 17, which previously required a lessee to distinguish between finance leases and operating leases, a lessee now recognises right-of-use assets in the statement of financial position, provided that the requirements of IFRS 16 are met. From the lessor's point of view, a distinction must continue to be made between finance leases and operating leases.

Changes and impacts of the first-time application of IFRS 16

The RLB Steiermark Group applies the modified retrospective approach to IFRS 16 as of 1 January 2019. Therefore, there is no restatement of comparative information. Because of the option to "grandfather" the definition of a lease for all contracts that were ongoing at the date of first-time application, leases that were previously classified as operating leases under IAS 17 will be discounted using the incremental borrowing rate and carried as a lease liability. The RLB Steiermark Group has elected to use the option to measure the right-of-use asset at an amount equal to the lease liability. Initial direct lease costs are not included in the measurement of right-of-use assets at the time of first-time application. Accordingly, there is no impact on retained earnings as a result of first-time application of IFRS 16.

To further simplify existing lease contracts, leases with a term that ended within 12 months of the time of first-time application were treated as short-term leases. The RLB Steiermark Group also made use of the recognition exemption afforded by IFRS 16 for leases of low-value items. In this context, neither rights of use nor leasing liabilities were recorded.

The first-time application of IFRS 16 had no material impact on finance leases where the RLB Steiermark Group is the lessor.

2019 financial year
In particular, the RLB Steiermark Group treats leased banking outlets and vehicle lease contracts as right-of-use assets. The contracts of the leased banking outlets are generally concluded for an indefinite period, which is why the term is based on management's reasonably certain estimate of the term, taking into account existing leasehold improvements. The vehicle lease contracts are concluded for a certain period of time.

The capitalised right-of-use assets are reported as a new, separate item in the RLB Steiermark Group's statement of financial position, while leasing liabilities are disclosed under other liabilities. Rights of use that meet the definition of investment property are reported in this – also separate – item of the statement of financial position.

When determining the lease liability, the future lease payments are discounted at the underlying interest rate, if it can be determined. Within the RLB Steiermark Group, the marginal borrowing rate, which corresponds to the Group refinancing rate (bid rate) from the respective maturity band, is used for discounting. The interest rate is composed of the reference interest rate, which corresponds to the risk-free market interest rate, and the liquidity costs. Other surcharges and discounts are not taken into account, as they are not applicable.

There are no finance leases where the Group is the lessee.

Details of leasing transactions within the RLB Steiermark Group can be found in notes 49 "Leasing from the lessor's perspective" and 50 "Leasing from the lessee's perspective".

Contractual assets
IFRS 15 establishes a comprehensive framework for determining whether, at what amount, and when revenue is recognised. Excluded from the scope of application are, among other things, leases which fall under IFRS 16, Leases, as well as financial instruments and other contractual rights or obligations which fall under IFRS 9, Financial Instruments. Accordingly, only certain fees of the RLB Steiermark Group fall within the scope of this standard. Since these fees are collected at the time of rendering the relevant services and thus match the term of the relevant contract, there are no assets pursuant to IFRS 15.

Repurchase transactions
In genuine repurchase (repo) transactions, the Group sells assets to a counterparty and concurrently agrees to repurchase the same assets on a specified date at an agreed price. The assets remain on the Group's statement of financial position and are measured by applying the rules governing the respective measurement category. At the same time, an obligation in the amount of the payments received is recognised as a liability. The securities are not derecognised as the transferring entity retains all the risks and rewards associated with the ownership of the assets. The financial assets that have been transferred but not derecognised thus carry substantially the same risks and rewards as the financial assets that have not been transferred.

Securities lending transactions
Securities lending transactions are recognised in the same way as securities in genuine repurchase transactions. Loaned securities remain in the securities portfolio and are valued according to the provisions of IFRS 9. Borrowed securities are neither recognised in the statement of financial position nor are they measured.

Latitude of judgement and estimates
The preparation of IFRS consolidated financial statements requires discretionary judgements when applying accounting policies, as well as estimates and assumptions about future developments by management, all of which may significantly affect the recognition and value of assets and liabilities, the disclosure of other liabilities on the reporting date, and the reporting of income during the reporting period.

If estimates or judgements are required for accounting and valuation according to IAS/IFRS, these are made in compliance with the relevant standards and are based on historical experience and other factors such as planning and probable expectations or forecasts of future events based on current discretion. The assumptions underlying such estimates are subject to regular examination and review. Changes to these estimates, to the extent they apply only to one period, are exclusively taken into account in this period. In the event that subsequent reporting periods are also affected, changes are taken into account in the current and subsequent periods. The most important discretionary decisions, assumptions and estimates are outlined below:

Impairment of financial assets
The new impairment requirements in IFRS 9 are based on an expected credit loss model (ECL model). Determination of the expected credit losses for financial assets measured at AC and FVOCI, lease receivables and off-balance sheet transactions (indemnity agreements, guarantees, credit risks), requires forward-looking accounting estimates to be made by the management. This applies in particular to the parameters PD, LGD and EAD, as well as forecasts of future economic performance. For significant stage 3 exposures, the risk provisions are determined by estimating expected cash flows, taking into account probability-weighted scenarios as well as expected proceeds and costs from the realisation of collateral. This process also requires assessments by management. As with any economic forecast, these projections and probabilities of occurrence are subject to a high degree of inherent uncertainty. For this reason, the actual outcomes may differ from those projected.

However, the RLB Steiermark Group considers these forecasts to represent its best estimate of possible future outcomes. For details regarding the determination of risk parameters and the methods used to determine impairment, we refer to the chapter titled “Impairments”. A presentation of the effects on cumulative impairments under certain assumptions or in different scenarios can be found in the chapter “Impairment sensitivity analysis” of the risk report.

Impairment/reversal of impairment for investments in associates valued at equity
If there are indicators that suggest a possible impairment, investments in associates valued at equity must undergo an impairment test. An evaluation to determine whether objective evidence of impairment exists requires management assessments that may change over time, depending on future events whose occurrence is uncertain. Additional information regarding impairment can be found in note 20, “Investments in associates valued at equity”.

Investments that suffered an impairment must be tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the reason for the impairment no longer exists. Because investments valued at equity are shown as separate assets, impairment losses can be reversed if the criteria of IAS 36 are met. When reversing the impairment loss via the statement of profit or loss, the carrying amount of the asset may not be increased above the at-equity carrying amount that would have existed if no impairment loss had been recognised. Impairment charges and reversals of impairment charges, together with the proportionate annual net profit/loss, are shown in the statement of profit or loss under “Profit/loss from investments in associates valued at equity”.

Fair value of financial instruments
Where the market for a financial instrument is not active, fair value is established using a valuation technique or pricing model. Generally, estimates are used for valuation methods and models, the scale of which depends on the complexity of the instrument and the availability of market-based data. Where possible, the input parameters for these models are derived from observable market data. Under certain circumstances, measurement adjustments are necessary to account for additional factors such as model risk, liquidity risk or credit risk. The valuation models are described in the section “Notes on financial instruments” (see note 38, “Fair value of financial instruments” and note 39, “Fair value hierarchy”).

Deferred tax assets
Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available against which unused tax losses, unused tax credits or deductible temporary differences can be utilised. This assessment requires significant management judgments and assumptions. In determining the amount of deferred tax assets, the management uses forecasted operating results based upon approved budgets or business plans, including a review of the ability to carry forward tax losses. Deferred taxes are not reported separately in the statement of profit or loss. Details are provided in comprehensive income and in note 12 “Income taxes” and note 31 “Current and deferred income tax assets and liabilities”.

Provisions for defined benefit plans
The costs of the defined benefit plan are determined using an actuarial valuation. The actuarial measurement is based on assumptions about discount rates, expected rates of return on assets, future salary developments, mortality rates and future pension increases. The assumptions and estimates used to calculate long-term staff benefit obligations are described in the section on provisions. In accordance with IAS 19.BC60, the assumptions and estimates used to calculate long-term staff benefit obligations were also adjusted in the 2019 financial year. Quantitative data for long-term employee provisions are disclosed in note 30 “Provisions”.

Leasing

The basis for the classification of leases as a lessor is the extent to which the risks and rewards associated with the ownership of a leased asset remain with the lessor or pass to the lessee. For this purpose, an assessment of the materiality of the transfer of risks and rewards is carried out; this can change when a contract is amended, so that an adjustment becomes necessary.

As a lessee, the RLB Steiermark Group must assess, at the inception of a lease, whether the lease conveys the right to control the use of an identified asset for a specified period in return for a fee. The terms of management leases are based on the non-cancellable basic term, taking into account the expected use of the underlying asset.

STATEMENT OF PROFIT OR LOSS

Net interest income

Besides interest income and interest expenses, net interest income also includes all similar recurring and non-recurring income and charges (credit fees and similar charges). Interest income and expenses and similar income and charges are recorded and measured on an accrual basis.

Application of the effective interest method is mandatory only for financial assets in the measurement categories AC and FVOCI. With regard to financial instruments in the FVPL category, the effective interest method may be applied voluntarily. In the RLB Steiermark Group, the effective interest method is only applied to portfolios in the measurement categories AC and FVOCI.

Interest income includes interest income from loans and advances to banks and customers, from deposits at central banks and from derivative financial instruments and fixed-income and variable-yield securities that are not allocated to the trading portfolio.

Interest expenses and similar charges primarily include interest costs for liabilities to banks and to customers, for liabilities evidenced by certificates, for supplementary and subordinated debt capital, for derivative financial instruments and interest on lease liabilities.

Interest from derivative financial instruments primarily includes net interest income from hedging instruments that qualify for hedge accounting under IFRS 9 and net interest income from hedging derivatives used as part of the fair value option (FVO) (economic hedges). For interest swaps, the two opposing cash flows from interest are aggregated for each swap contract and shown net either as interest income (positive “deal balance”) or as interest expense (negative “deal balance”). Furthermore, the distribution of past basis adjustments (“amortisation line item”) of underlying transactions as well as the amortisation of the off-market component in the case of a late designation of derivative hedging transactions as part of micro and portfolio fair value hedges is also shown here.

Interest payments of interest swaps in the trading portfolio are netted and shown under net trading income.

Negative interest for financial instruments carried as assets is shown as a separate item under interest expenses and the negative interest for financial instruments carried as liabilities as a separate item under interest income.

Net interest income also includes gains and losses from market-driven modifications of contracts for financial instruments.

Dividend income

Dividend income includes all income from shares as well as dividends and/or distributions from subsidiaries and investments not included in the scope of full consolidation. Dividend income is recorded when the shareholders’ right is established.

Profit/loss from investments in associates valued at equity

This item shows the proportionate profit or loss from investments in associates valued at equity. Furthermore, this item also includes impairment charges, reversals of impairment charges and gains and losses from the disposal of associates valued at equity.

Net fee and commission income

Net fee and commission income includes all income and expenses arising in connection with the rendering of bank services. Income and expenses that are integral to the effective interest rate are spread over the respective term and recognised under net interest income. Other income and expenses, in particular income and expenses for services that relate to the Group’s lending and securities operations and payment services are recognised when the service is provided.

Fee and commission income and expenses resulting from trading activities are recognised in net trading income.

Profit/loss from hedge accounting

This item shows expenses and income from changes in the value of underlying and hedging transactions in micro fair value hedge accounting and portfolio fair value hedge accounting.

If the hedging relationship of a portfolio fair value hedge in a maturity band is ineffective, no book value adjustment (basis adjustment) is made for the underlying transaction in the current period. In this case, the valuation results of the corresponding derivative hedging transactions are shown in net trading income.

Net trading income

Net trading income includes all net gains and losses from securities, loans and borrowings, derivatives held for trading (including standalone derivatives) and net income from foreign currency. In addition to the income realised on and the remeasurement gains and losses from the trading portfolio measured at fair value, the net interest income from items in the trading book is also presented under this item. This item also includes the results of the non-designated partial volumes of hedging derivatives in portfolio fair value hedge accounting as well as the results of hedging derivatives attributable to ineffective maturity bands.

Because the currency risk is controlled centrally within the RLB Steiermark Group, all exchange differences as defined in IAS 21.52(a) are reported as part of the net trading income.

Net income from financial instruments at fair value P&L (FVPL)

Net income from financial instruments at fair value P&L (FVPL) includes the gains and losses from the disposal and remeasurement of financial assets, financial liabilities and derivatives designated at fair value under the fair value option (FVO). The interest associated with these derivatives is shown in net interest income. The fair value option is currently not applied to financial assets.

It also comprises the gains and losses from the disposal and remeasurement of financial instruments subject to mandatory recognition at fair value through profit or loss (FVPL-M), which include gains and losses from the disposal and remeasurement of loans and securities that did not pass the SPPI test and, in particular, net income from the disposal and remeasurement of institutional funds which are subject to mandatory measurement at fair value pursuant to paragraph B4.1.6 of IFRS 9. These institutional funds consist of financial instruments held by the consolidated structured entities (special funds) DASAA, EURAN and GLAN. The interest associated with these financial instruments is shown in net interest income. Also included in this item are impairments and reversals of impairment losses as well as gains and losses from the disposal of equity instruments for which the option of measurement at fair value in other comprehensive income was not chosen.

Net income from financial instruments not measured at fair value through profit or loss

Net income from financial instruments not measured at fair value through profit or loss includes the gains and losses from the disposal of financial assets and financial liabilities measured at amortised cost, as well as the gains and losses from the derecognition of financial assets which, based on the applicable business model, are measured at fair value in other comprehensive income. This item also includes gains and losses from derecognition due to substantial modification and the distribution of past basis adjustments (line item) of portfolio fair value hedges due to default.

Other net operating income

Other net operating income includes, among other components, income and expenses from the disposal of property, plant and equipment, real estate and intangible assets, income and expenses from investment properties, differences arising from changes in the scope of consolidation, as well as income from internal charges for IT services, contributions to protection schemes and other taxes.

Administrative expenses

Administrative expenses include staff expenses, other administrative expenses and depreciation/amortisation/write-offs of intangible assets, property, plant and equipment, investment properties, and right-of-use assets.

Impairment of financial assets

The item “Impairment of financial assets” includes all expenses and income connected with the impairment of financial assets – AC and financial assets – FVOCI, as well as expected losses connected with other expected credit losses for which provisions are made. In particular, additions and reversals of impairment allowances and provisions for off-balance sheet transactions relating to lending operations (indemnity agreements, guarantees, credit risks) are shown under this item. Also included are direct write-offs of receivables as well as recoveries of receivables previously written off, impairment charges relating to securities operations and the net result of credit risk-induced modifications of assets.

Income taxes

Current and deferred income taxes are presented under this item.

Other comprehensive income (OCI)

Other comprehensive income includes the gains and losses not recognised in the statement of profit or loss from the valuation of financial assets – FVOCI, actuarial gains and losses from defined benefit plans, the share of other comprehensive income from investments valued at equity and fair value changes due to changes in the credit risk of financial liabilities. The deferred taxes associated with the individual components of the OCI are reported separately within other comprehensive income.

STATEMENT OF FINANCIAL POSITION

Cash, balances at central banks and demand deposits

This item comprises cash and demand deposits held at central banks, as well as demand deposits with banks. Measurement is performed at amortised cost. Impairment losses of demand deposits (with banks) are also recognised in this item.

Financial assets – amortised cost (AC)

Debt instruments (in particular loans and receivables and bonds) with fixed or definable payments that represent solely payments of principal and interest on the principal amount outstanding and that are managed with the aim of collecting the contractual cash flows are assigned to this category.

Initial measurement takes place at fair value plus or minus charges and transaction costs directly attributable to the acquisition that are integral to the effective interest rate. Subsequent measurement is stated at amortised cost. This is the amount at which the item is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation of premiums and discounts calculated using the effective interest method, and minus any reduction for impairment or uncollectibility. In the case of hedged underlyings, the carrying amount/the carrying amount before impairment also includes the associated basis adjustment.

As premiums and discounts are a component of the amortised cost calculation, they must be shown, same as the interest portion, in one item of the statement of financial position together with the relevant financial instruments. Premiums and discounts as well as associated charges are spread over the respective term according to the effective interest method and recognised in the statement of profit or loss under net interest income.

Receivables not attributable to core banking relationships are presented under other assets.

Impairments

Within the RLB Steiermark Group, impairments are shown in the statement of financial position as follows:

- Demand deposits – reduction in the gross carrying amount
- Financial assets at amortised cost – reduction in the gross carrying amount
- Financial assets which are recognised in other comprehensive income – no reduction of the carrying amount, because it is equivalent to the fair value. For debt instruments, however, impairment must be determined and transferred from other comprehensive income (OCI) to the statement of profit or loss
- Off-balance sheet transactions (indemnity agreements, guarantees, credit risks) – as provisions.

In the event receivables cannot be collected, they are either written off directly and charged to the statement of profit or loss or derecognised and charged to an existing impairment. If the credit risk no longer applies, the impairment is reversed.

Financial assets – held for trading (HFT)

Financial assets – held for trading include securities held for trading purposes and loans and receivables. They also include the positive fair values of derivative financial instruments (dirty price) which are held for trading and hedging purposes but do not fulfil the criteria for the application of hedge accounting (economic hedges). Positive fair values of hedging derivatives not designated to portfolio fair value hedge accounting as well as ineffective portions of hedging derivatives are also included in this item. If the fair value is negative, they are presented under “Financial liabilities – held for trading”. Positive and negative fair values are not netted against each other.

Held-for-trading assets are accounted for in the statement of financial position at their fair value at each reporting date.

Gains and losses from the disposal and remeasurement of assets and liabilities held for trading are shown under net trading income in the statement of profit or loss. This also applies to interest and dividend income from the trading portfolio as well as the associated interest costs.

Financial assets – designated at fair value P&L (FVO)

The RLB Steiermark Group revoked the fair value option upon first-time application of IFRS 9 on 1 January 2018 and currently does not apply it to financial assets.

Financial assets – fair value OCI (FVOCI)

This category includes debt instruments that are held within the "hold to collect and sell" business model and satisfy the SPPI criteria. The "hold to collect and sell" business model currently comprises securities only, and no loans or receivables.

This category also includes financial investments in equity instruments (equity investments) which are not held for trading and for which the irrevocable option of reporting all changes in fair value through other comprehensive income (OCI) in subsequent periods is used.

These assets are measured at their fair value plus directly attributable fees and transaction costs directly attributable to the acquisition of the asset. All positive and negative changes in value arising between initial and subsequent valuation, and from all other remeasurements undertaken thereafter, are recognised in a separate item of equity (reserve) until the asset is disposed of.

Impairment losses on debt instruments are recognized by transferring them from other comprehensive income (OCI) to the statement of profit and loss. The impairment does not change the recognition at fair value in the statement of financial position. Impairment charges and reversals of impairment charges on equity instruments are reported under "Gains and losses from financial assets – fair value OCI" (non-reclassified).

Upon disposal of debt instruments, the remeasurement gains and losses accumulated in the reserve are reversed and recorded in the statement of profit or loss. Premiums and discounts are spread over the respective term according to the effective interest method and recognised in the statement of profit or loss under net interest income.

Remeasurement gains and losses recorded in other comprehensive income (OCI) for these equity instruments cannot be recycled to profit or loss in later accounting periods (even if the equity investment is derecognised). Upon disposal, the reserve is therefore transferred to retained earnings within equity.

Financial assets – mandatorily at fair value P&L (FVPL-M)

The item "Financial assets - mandatorily at fair value P&L (FVPL-M)" includes financial assets – predominantly loans and receivables as well as bonds – that are held in the "hold to collect" or the "hold to collect and sell" business models but are classified as FVPL-M because they do not satisfy the SPPI criteria. In addition, it includes financial assets that fall within the "other" business model pursuant to paragraph B4.1.6 of IFRS 9, as well as equity instruments for which the option of measurement at fair value through equity was not used.

These assets are measured at fair value. All (positive and negative) changes in value arising between initial and subsequent valuation, and from all other remeasurements undertaken thereafter, are recognised through profit or loss. Fees and transaction costs directly attributable to the acquisition of the financial asset are recognised in profit or loss as incurred.

Derivatives - hedge accounting (positive fair values)

The item "Derivatives - hedge accounting (positive fair values)" includes positive fair values from interest rate contracts and currency contracts that are used for hedging purposes and fulfil the criteria for the application of hedge accounting pursuant to IFRS 9 or portfolio fair value hedge accounting pursuant to IAS 39.81A. The measurement of these derivatives is shown in "Profit/loss from hedge accounting", while the interest is shown in net interest income.

Value adjustments from portfolio fair value hedges

This item shows both cumulative positive and cumulative negative changes in the value of the underlying transactions (basis adjustments) on the asset side from portfolio fair value hedge accounting, which means that the balance sheet item may also have negative values. The changes in value are disclosed in "Profit/loss from hedge accounting". If the hedging relationship of a portfolio fair value hedge in a maturity

band is ineffective, no book value adjustment (basis adjustment) is made for the underlying transaction in the current period. In these cases, the measurement of the corresponding hedging transactions at fair value is reported in net trading income.

Amortisation of past basis adjustments (line items) over the remaining term of the respective maturity bands is recognised in net interest income or, on disposal of the underlying transactions, in "Net income from financial instruments not measured at fair value through profit or loss".

For detailed information on portfolio fair value hedge accounting, see note 34.

Investments in associates valued at equity

Shares in associates valued at equity are presented in this separate line item. The profit/loss (including impairments and reversals of impairments) from investments in associates valued at equity is shown separately in the statement of comprehensive income under "Profit/loss from investments in associates valued at equity". The proportional changes in equity attributable to investments in associates valued at equity without effect on profit or loss are shown in other comprehensive income.

Intangible assets

Purchased intangible assets with a determinable period of use are measured at cost less straight-line scheduled depreciation. Straight-line depreciation is based on expected periods of use ranging between 4 and 10 years (or rates of depreciation ranging between 10 % and 25 %).

If the carrying amount of the asset exceeds its recoverable amount, IAS 36 requires an impairment loss to be recognised in addition to scheduled depreciation. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. If, in subsequent reporting periods, there are grounds to believe that the impairment no longer exists, a writeback up to the recoverable amount is required under IAS 36. The reversal of previous impairment losses is limited to the asset's amortised cost.

Property, plant and equipment

Property, plant and equipment include land and buildings used for RLB Steiermark's own purposes, as well as office furniture and equipment, and are stated at the cost of acquisition or construction less scheduled depreciation.

Depreciation is carried out on a straight-line basis assuming the following periods of use:

Period of use	Years
Buildings	10-67
Office furniture and equipment	3-20

Investments in rented premises are depreciated on a straight-line basis over the lease term or their expected period of use, whichever period is shorter.

If the carrying amount of the asset exceeds its recoverable amount, IAS 36 requires an impairment loss to be recognised in addition to scheduled depreciation. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. If, in subsequent reporting periods, there are grounds to believe that the impairment no longer exists, a writeback up to the recoverable amount is required under IAS 36. The reversal of previous impairment losses is limited to the asset's amortised cost.

Investment properties

Investment properties as defined by IAS 40.5 consist of land or buildings or parts of buildings held for the purpose of earning rentals or for capital appreciation, but not for own use or for sale in the ordinary course of business. Investment property may include both owned property and leased rights of use. Significant portions of mixed-use properties that are used by third parties are also considered investment properties, provided that the relevant separability requirements (possibility to lease out or sell those portions separately) have been met.

Items belonging to this category are valued at amortised cost. Straight-line depreciation is based on the same periods of use as are applied for property, plant and equipment or right-of-use assets. Current rental income is reported under "Other operating income" and scheduled depreciation is reported under "Administrative expenses".

The fair values of investment property are generally determined by independent appraisers. In individual cases, the estimate is made by in-house experts.

Right-of-use assets

If a contract conveys the right to control the use of an asset in return for payment of a fee for a specified period of time, an asset for the right of use granted and a leasing liability must be recognised at the date of availability. The right-of-use asset is recognised at cost, which is the present value of the lease liability plus all lease payments made on or before making the asset available for use, less any lease incentives, and any other initial direct costs or estimated potential costs of dismantling or removing the asset. Capitalised right-of-use assets include in particular leased banking outlets and vehicle lease contracts.

The right-of-use assets are measured net of any accumulated depreciation and any accumulated impairments, and adjusted to reflect any revaluation of the lease liability. The depreciation rules correspond to those of IAS 16 Property, Plant and Equipment. The terms of the right-of-use assets are based on the non-cancellable basic lease term, taking into account the expected use of the underlying asset.

Other assets

Other assets primarily include receivables resulting from supplies of goods and services, tax assets and inventories. Inventories are measured at the lower of cost of acquisition/production or net realisable value. Corresponding writedowns are applied if the acquisition value is above the net realisable value on the reporting date or if reduced marketability or prolonged storage periods have impaired the value of the inventories. This item contains only non-financial receivables.

Financial liabilities – amortised cost (AC)

The item "Financial liabilities – amortised cost (AC)" includes liabilities to banks and to customers as well as liabilities evidenced by certificates and subordinated liabilities, unless these instruments constitute trading liabilities or have been designated as part of the fair value portfolio. The subordinated liabilities constitute in particular supplementary capital (tier 2 capital) as defined in Article 63 of Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR). The recognised total is reduced by the amount of securities issued by the bank that had been repurchased.

Subsequently, these liabilities are valued at amortised cost. As premiums and discounts are a component of the amortised cost calculation, they must be shown, same as the interest portion, in one item of the statement of financial position together with the relevant financial instruments. Premiums and discounts are spread over the respective term according to the effective interest method and recognised in the statement of profit or loss under net interest income.

Financial liabilities – held for trading (HFT)

Financial liabilities – held for trading include deposits from banks held for trading purposes. They also include the negative fair values of derivative financial instruments (dirty price) held for trading and hedging purposes which do not fulfil the criteria for the application of hedge accounting (economic hedges). Negative fair values of hedging derivatives not designated to portfolio fair value hedge accounting as well as ineffective portions of hedging derivatives are also included in this item. If the fair value (dirty price) is positive, they are presented under "Financial assets – held for trading". Positive and negative fair values are not netted against each other.

Financial liabilities held for trading are accounted for in the statement of financial position at their fair value as at the reporting date.

Gains and losses from the disposal and remeasurement of assets and liabilities held for trading are shown under net trading income in the statement of profit or loss. This also applies to interest and dividend income from the trading portfolio as well as the associated interest costs.

Financial liabilities – designated at fair value P&L (FVO)

This item includes liabilities to banks and to customers and liabilities evidenced by certificates that meet the requirements for the application of the fair value option. These are deemed fulfilled in situations where, through designation at fair value P&L, a measurement or recognition inconsistency (accounting mismatch) can be eliminated or reduced significantly, or where the separation of embedded derivatives can be avoided. The recognised total is reduced by the amount of securities issued by the bank that had been repurchased.

These liabilities are measured at their fair value. Changes to fair value are recognised in the statement of profit or loss under "Net income from financial instruments at fair value P&L", and those changes resulting from changes in own credit risk are recognized within OCI under "Fair value changes due to changes in the credit risk of financial liabilities". Interest expenses are shown under net interest income.

Derivatives - hedge accounting (negative fair values)

The item "Derivatives - hedge accounting (negative fair values)" includes negative fair values from interest rate contracts and currency contracts that are used for hedging purposes and fulfil the criteria for the application of hedge accounting pursuant to IFRS 9 or portfolio fair value hedge accounting pursuant to IAS 39.81A. The measurement of these derivatives is shown in "Profit/loss from hedge accounting", while the interest is shown in net interest income.

Provisions

Provisions were made if there was a legal or actual obligation to a third party resulting from past transactions or events and a reliable estimate of the amount of the future liability could be made.

Post-employment benefits.

Pursuant to IAS 19, pension and severance benefits constitute post-employment benefits. The benefits offered by the RLB Steiermark Group include both defined contribution and defined benefit plans.

Defined contribution plans.

A defined contribution plan is a retirement pension plan in which a defined contribution is paid to an external pension provider, and no additional payments are required if the fund does not have sufficient assets available in order to provide the benefit. In this case, the employees bear the investment risk associated with the investment. The RLB Steiermark Group makes contributions for a group of employees, either based on contractual obligations or voluntarily, to a pension fund which administers the funds and makes the pension payments. Payment of contributions to the pension fund are treated as current expenditures and recognised under the line item "Administrative expenses".

Defined benefit plans.

A defined benefit plan is a retirement pension plan that commits to pay a particular benefit to the beneficiaries. The RLB Steiermark Group has irrevocably and with legally binding effect, promised a group of employees defined benefit plans ("Pensionsstatute" post-employment benefit schemes, special agreements) that specify the amounts of subsequent pensions. The funds required to cover future pension payments are either accrued via the pension fund or remain within the entity.

Other long-term employee benefits.

Defined benefit plans also include long-service benefits – these obligations represent other long-term employee benefits. Long-service benefits (payments for long service/loyalty to the company) depend on the duration of the employment relationship. The entitlement to long-service benefits is based on the collective agreement that governs both the requirements that must be met to claim the entitlement, and the amount paid.

The obligations in connection with defined benefit plans (provisions for pension and severance obligations or long-service benefits) are calculated in accordance with IAS 19 (2011) "Employee Benefits" using the projected unit credit method. The future obligations due to employees are measured on the basis of actuarial opinions, which take account of different parameters (e.g. actuarial interest rate, retirement age, life expectancy, fluctuation, etc.).

The difference between the remeasured value of the obligation as of the reporting date and the value forecast at the beginning of the year is referred to as the actuarial gain or loss. Where severance and pension benefit obligations are concerned, IAS 19.57 stipulates that this gain/loss must be shown in other comprehensive income. Remeasured values of obligations for long-service benefits are recorded in the statement of profit or loss under the item "Administrative expenses". Contributions to the plan assets are made solely by the employer.

As in the previous year, the "AVÖ 2018 P-Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler" in the variant for salaried employees was used as the biometric basis for the computation of all provisions for social capital.

Expenditure on provisions for staff benefits is reported in the statement of profit or loss under "Administrative expenses" and under "Actuarial gains and losses from defined benefit plans" in other comprehensive income. In addition, past service costs resulting from retroactive changes to the plan benefits, as well as the net interest on the net defined benefit liability must be recorded immediately and fully in profit or loss pursuant to IAS 19.103.

Defined benefit pension plans apply exclusively to employees who have already retired. Additionally, in the past few years, pension benefit obligations for active employees have been transferred to external pension funds. Within the RLB Steiermark Group, obligations under defined benefit plans exist only for employees who were already retired by 31 December 1998 (when the Austrian pension reform took effect), for employees who retired in 1999 (but whose individual contracts still entitle them to a direct pension), and for employees with pension entitlements for surviving dependants.

For active employees, the actuarial calculation of pension obligations was based on an average effective salary increase between 3.00 % (2018: 3.30 %) and 3.70 % (2018: 3.60 %). The interest rate parameter used was 0.60 % (2018: 1.50 %), and the expected increase in pension benefits was set between 2.00 % (2018: 1.80 %) and 2.75 % (2018: 2.60 %). The different approaches result from differing salary schemes within the RLB Steiermark Group.

According to the current provisions of Austrian law, the theoretical retirement age for women and men was set at 62 years (2018: 62 years), taking into account the transitional provisions pursuant to the Austrian Budget Accompanying Act 2011 (BBG 2011, Federal Law Gazette No. 111/2010 dated 30.12.2010) and the Federal Constitutional Act on Retirement Ages (BVG Altersgrenzen, Federal Law Gazette No. 832/1992; federal act governing different retirement ages for men and women under social security).

If plan assets exist, offsetting the present value of the obligation against the fair value of the plan assets, taking into account actuarial gains or losses, results in the actual net obligation reported in the statement of financial position (IAS 19.131). If pension liabilities are covered by plan assets, net interest costs must be calculated on the basis of the net defined benefit liability or asset (defined benefit obligation less fair value of the plan assets) using a single interest rate.

In accordance with the provisions of § 23 and § 23a of the Austrian Salaried Employees Act (AngG), employees whose period of employment began prior to 01/01/2003 are entitled to severance benefits upon termination by the employer or at the time of retirement. The amount of the severance benefit depends on the employee's number of years of service and salary level at the time of separation, and ranges between two and twelve times the employee's monthly salary. Within the RLB Steiermark Group, provisions have been established for these obligations.

To calculate the severance benefit obligations and long-service bonuses (completing 25 or 35 years of service), an interest rate of 0.30 % (2018: 1.20 %), and an average salary increase between 3.00 % (2018: 3.00 %) and 3.70 % (2018: 3.60 %) were assumed. The different approaches result from differing salary schemes within the RLB Steiermark Group. Additionally, annual fluctuation rates determined individually on the basis of employees' years of service were considered in the calculation.

For women and men, the calculations were based on a retirement age of 62 years (2018: 62 years), taking into account the transitional provisions pursuant to the Austrian Budget Accompanying Act 2011 (BBG 2011, Federal Law Gazette No. 111/2010 dated 30.12.2010) and the Federal Constitutional Act on Retirement Ages (BVG Altersgrenzen, Federal Law Gazette No. 832/1992; federal act governing different retirement ages for men and women under social security).

For all employees who joined the Group up to and including 2002, the severance benefit obligations are determined according to the projected unit credit method. For employees who joined the Group after 1 January 2003, the severance benefit obligations were assumed by a staff benefit fund within the scope of a defined contribution plan. The RLB Steiermark Group pays contributions to a staff benefit fund in accordance with statutory provisions. There are no benefit obligations over and above the payment of contributions.

As a result of its defined benefit plans for pension and severance obligations or long-service benefits and other post-employment benefits, the RLB Steiermark Group is subject to insurance underwriting risks, such as longevity risk, interest rate risk and market risk (investment risk).

Other provisions

Other provisions are made if the Group has a current obligation that results from a past event, and it is both likely that the Group will be required to settle this obligation and the amount can be reliably estimated. The amount recognised as a provision is the best estimate of the expenditure that would be required to settle the obligation at the reporting date, taking into account the risks and uncertainties underlying the obligation. The estimate also considers risks and uncertainties.

Other liabilities

Other liabilities mainly consist of trade liabilities, other tax liabilities, lease liabilities and other liabilities. This item contains only non-financial liabilities.

The lease liability is measured at the provision date at the present value of the lease payments not yet made at that date. These lease payments are discounted at the interest rate applicable to the lease. If this cannot be determined easily, the RLB Steiermark Group's marginal borrowing rate is used. The lease payments correspond to the fixed payments that the RLB Steiermark Group is required to make under the lease.

During the lease term, the lease liability is amortised using the effective interest method. In the event of changes to the term of the lease, changes relating to the assessment of any purchase options, changes to any residual value guarantees or changes to the lease payments, the lease liability is revalued.

Equity

Equity is composed of paid-in capital, which is the capital made available to the entity (subscribed share capital and capital reserves) and the earned capital (retained earnings and accumulated other comprehensive income).

Accumulated other comprehensive income includes – in each case after adjustment for deferred taxes – the gains and losses not recognised in the statement of profit or loss from the valuation of financial assets – FVOCI, actuarial gains and losses from defined benefit plans, proportional changes in equity attributable to investments in associates valued at equity and fair value changes due to changes in the credit risk of financial liabilities.

Non-controlling interests in the equity of fully consolidated subsidiaries are shown as a separate item within equity.

Tax assets and tax liabilities/income taxes

Income tax is recognised and measured in conformance with IAS 12 using the liability method and adopting a statement of financial position approach.

Current taxes

Income tax assets and liabilities from current income taxes are recognised in the amount of the anticipated settlement with the relevant tax authorities, and shown under the "Current income tax assets" and/or "Current income tax liabilities" line items.

Deferred taxes

Deferred taxes on temporary differences that will balance out again in subsequent periods are calculated by comparing the accounting values of assets and liabilities with the taxable carrying amounts of the respective Group company.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that sufficient taxable profit will be available in the future against which those deductible temporary differences or unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed on each reporting date and reduced, where required, to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed on each reporting date and recognised to the extent that is has become probable that future taxable profit will allow recovery of the deferred tax asset. Provided the applicable requirements of IAS 12.74 are met, deferred tax assets and liabilities are netted against one another for those members of a group of taxable companies which have been included in the consolidated financial statements of RLB Steiermark by way of full consolidation. Deferred taxes are not discounted.

Deferred tax assets and liabilities are measured in accordance with IAS 12.47 on the basis of the tax rates expected to be in effect for the period in which the assets or liabilities are expected to be recovered or settled. The tax rates used are those that were enacted, or substantially enacted, by the end of the reporting period ("enacted tax rate").

Deferred income tax assets and liabilities are shown under the separate items “Deferred income tax assets” and “Deferred income tax liabilities” in the statement of financial position.

Current and deferred income taxes are shown in the statement of profit or loss under “Income tax”, while other taxes are presented under “Other net operating income”.

Taxable group of companies pursuant to § 9 KStG (Austrian Corporation Tax Act)
Since the 2011 assessment year, Raiffeisen-Landesbank Steiermark AG has been the group parent of a group of companies pursuant to § 9 KStG. In addition to the group parent, the group of companies consists of 19 (2018: 19) other group members. The companies concerned have entered into a tax reconciliation agreement which stipulates that there will be an annual balancing of the tax charges or credits arising from the income of each group member accrued during its membership in the group.

Furthermore, the following fully consolidated companies are group parents of a taxable group of companies:

- RLB Beteiligungs- und Treuhandgesellschaft mbH with 11 group members (2018: 13)
- Optima-Vermogensverwaltungs- und Beteiligungsgesellschaft mbH with 5 group members (2018: 5)
- Steirische Raiffeisen-Immobilien-Leasing GmbH with 5 group members (2018: 5)

The tax assessment basis for the group as a whole is the sum of the earnings of the group parent and the allocated taxable profits of the group members taking account of the group parent’s tax loss carryforwards to the extent permitted by law.

NOTES TO THE STATEMENT OF PROFIT OR LOSS

1. Net interest income

TEUR	2019	2018
Interest income calculated using the effective interest method	**184,094**	**189,727**
Financial assets AC	**169,480**	**171,987**
Loans and receivables	145,751	149,357
Bonds	23,729	22,630
Financial liabilities FVOCI	**14,614**	**17,740**
Bonds	14,614	17,740
Other interest and similar income	**101,446**	**105,383**
Financial assets FVTPL-M	**3,903**	**9,470**
Loans and receivables	957	1,256
Bonds	2,664	2,441
Other variable-yield securities*)	282	5,773
Derivative financial instruments	**93,847**	**90,964**
Derivative financial instruments (economic hedges)	52,759	57,617
Derivative financial instruments (hedge accounting)	41,088	33,347
Negative interest from financial liabilities	**3,696**	**4,949**
Total interest and similar income	**285,540**	**295,110**

*) In the previous year, an amount of TEUR 4,504 was reclassified from “Net income from financial instruments FVPL-M” to “Other interest and similar income – Financial assets FVPL-M”.

TEUR	2019	2018
Interest and similar expenses from financial liabilities – AC	**-102,743**	**-115,155**
Deposits/borrowed funds	-34,182	-44,250
Liabilities evidenced by certificates	-65,513	-68,230
Subordinated liabilities	-2,847	-2,675
Lease liabilities	-201	0
Other interest and similar expenses	**-81,569**	**-76,888**
Financial liabilities FVO	**-57,205**	**-59,761**
Deposits/borrowed funds	-36,629	-37,586
Liabilities evidenced by certificates	-20,576	-22,175
Derivative financial instruments	**-22,372**	**-15,461**
Derivative financial instruments (economic hedges)	-275	-2,171
Derivative financial instruments (hedge accounting)	-22,097	-13,290
Negative interest from financial assets	**-1,992**	**-1,666**
Total interest and similar expenses	**-184,312**	**-192,043**

TEUR	2019	2018
Total interest and similar income	285,540	295,110
Total interest and similar expenses	-184,312	-192,043
Net interest income	**101,228**	**103,067**

The item “Interest income from derivative financial instruments” includes interest income from negative interest rates in the amount of TEUR 9,465 (2018: TEUR 9,105) and the item “Interest expenses from derivative financial instruments” interest expenses from negative interest rates in the amount of TEUR 11,731 (2018: TEUR 9,276).

The interest income and expenses resulting from trading activities are part of the net trading income.

Net interest income also includes gains and losses from market-driven modifications of contracts for financial instruments in the amount of TEUR -1,415 (2018: TEUR 11).

Since IFRS 16 came into force, interest expenses from leasing liabilities must also be taken into account.

2. Dividend income

TEUR	2019	2018
From equity instruments FVPL		
Equity investments	2,887	8,400
From equity instruments FVOCI		
Equity investments	5,558	4,450
Total	**8,445**	**12,850**

In the year under review, dividends totalling TEUR 5,485 (2018: TEUR 4,437) were recognised for FVOCI-designated equity instruments held in the portfolio and TEUR 73 (2018: TEUR 13) for FVOCI-designated equity instruments that were disposed of.

3. Profit/loss from investments in associates valued at equity

TEUR	2019	2018
Profit/loss from investments in associates valued at equity	**-12,397**	**80,943**
Proportionate net profit/loss for the year	115,945	120,355
Impairment	-128,342	-39,412

Profit/loss from investments in associates valued at equity consists solely of the proportionate share in current net profit/loss as well as impairment losses attributable to the interest in Raiffeisen Bank International AG (RBI).

For further details, see note 20, “Investments in associates valued at equity”.

4. Net fee and commission income

TEUR	2019	2018
Fee and commission income	**61,080**	**60,879**
Securities operations	22,813	21,707
Lending operations	9,490	11,550
Payment services	24,799	23,364
Foreign exchange transactions	2,508	2,417
Other banking services	1,470	1,841
Fee and commission expenses	**-21,481**	**-22,160**
Securities operations	-9,959	-9,038
Lending operations	-7,950	-9,758
Payment services	-2,437	-2,192
Foreign exchange transactions	-679	-671
Other banking services	-456	-501
Total	**39,599**	**38,719**

The income and expenses from contracts with customers, broken down by reportable segments of the Group, are presented below:

2019 financial year

TEUR	Corporate	Retail	Capital market and treasury	Equity investments	Other	Reconcilia-tion	Total
Fee and commission income	15,791	16,289	14,192	11,024	5,754	-1,970	61,080
Fee and commission expenses	-2,244	-3,666	-10,019	-796	-5,533	777	-21,481
Total	**13,547**	**12,623**	**4,173**	**10,228**	**221**	**-1,193**	**39,599**

2018 financial year

TEUR	Corporate	Retail	Capital market and treasury	Equity investments	Other	Reconcilia-tion	Total
Fee and commission income	13,560	15,506	13,449	12,036	8,187	-1,859	60,879
Fee and commission expenses	-2,289	-3,022	-8,336	-1,354	-8,092	933	-22,160
Total	**11,271**	**12,484**	**5,113**	**10,682**	**95**	**-926**	**38,719**

5. Profit/loss from hedge accounting

TEUR	2019	2018
Revaluation gains/losses on hedged items in fair value hedges	-76,374	-12,439
Revaluation gains/losses on hedging instruments in fair value hedges	78,208	12,334
Revaluation gains/losses on hedged items in portfolio fair value hedges	-1,228	0
Revaluation gains/losses on hedging instruments in portfolio fair value hedges	1,423	0
Total	**2,029**	**-105**

The RLB Steiermark Group applies micro fair value hedge accounting as defined by IAS 9. The main area of application within the Group lies in hedging underlying transactions with fixed interest rate risk through financial instruments that essentially have identical parameters but are expected to move in the opposite direction. In addition, portfolio fair value hedge accounting in accordance with IAS 39 has been applied since the third quarter of 2019.

Details can be found in the note 34, “Hedge accounting”.

6. Net trading income

Net trading income comprises all interest and dividend income, interest expenses and realised and unrealised fair value changes in the trading portfolio. Net foreign exchange gains/losses are also included in this item.

TEUR	2019	2018
Net interest income	**11,514**	**6,744**
Bonds	845	1,320
Deposits and loans	-370	-823
Derivative financial instruments	11,039	6,247
Remeasurement gains and losses	**-18,746**	**-1,216**
Bonds	159	-820
Deposits and loans	-364	-164
Derivative financial instruments	-21,453	-3,897
Other contracts	2,912	3,665
Gains and losses from disposals	**671**	**-389**
Bonds	671	-389
Total	**-6,561**	**5,139**

In the 2019 financial year, net foreign exchange gains/losses included in net trading income totalled TEUR 2.113 (2018: TEUR 3,288).

7. Net income from financial instruments at fair value P&L (FVPL)

Net income from financial instruments at fair value P&L (FVPL) includes the gains and losses from the disposal and remeasurement of financial liabilities and derivatives designated at fair value under the fair value option (FVO).

It also comprises the gains and losses from the disposal and remeasurement of financial instruments subject to mandatory recognition at fair value through profit or loss (FVPL-M), which include gains and losses from the disposal and remeasurement of loans and securities that did not pass the SPPI test and, in particular, net income from institutional funds which are subject to mandatory measurement at fair value pursuant to paragraph B4.1.6 of IFRS 9. These institutional funds consist of financial instruments held by the consolidated structured entities (special funds) DASAA, EURAN and GLAN. Also included in this item are impairments and reversals of impairment losses as well as gains and losses from the disposal of equity instruments for which the option of measurement at fair value in other comprehensive income was not chosen.

TEUR	2019	2018
Net income from financial instruments – FVO	**79,939**	**4,627**
Gains and losses from disposals	**1,783**	**188**
Liabilities evidenced by certificates	1,783	188
Remeasurement gains and losses	**78,156**	**4,439**
Deposits/borrowed funds	54,633	14,061
Liabilities evidenced by certificates	7,737	12,329
Derivative financial instruments	15,786	-21,951
Net income from financial instruments – FVPL-M	**11,703**	**-23,557**
Gains and losses from disposals	**305**	**8,944**
Bonds	-328	-212
Other variable-yield securities	0	-1,954
Institutional funds*)	633	11,110
Remeasurement gains and losses	**14,363**	**-24,001**
Bonds	-1,742	-1,832
Institutional funds*)	14,995	-22,393
Loans and receivables	1,110	224
Depreciation due to impairment	**-2,965**	**-8,500**
Total	**91,642**	**-18,930**

*) In the previous year, an amount of TEUR 15,614 was reclassified from the gains and losses from remeasurement of the item “Net income from financial instruments – FVPL-M”, of which TEUR 11,110 were assigned to the gains and losses from disposals, while TEUR 4,504 were assigned to the item “Other interest and similar income – Financial assets FVPL-M”.

The increase in remeasurement gains from deposits / borrowed funds designated as part of the fair value portfolio is primarily due to the shortening of maturities of liabilities following the restructuring of the Group’s refinancing situation. Specifically, capital market refinancing with a nominal value of EUR 209 million was terminated early and repaid, taking into account liquidity requirements. This had an impact of EUR 75 million on the result.

8. Net income from financial instruments not measured at fair value through profit or loss

Net income from financial instruments not measured at fair value through profit or loss includes the gains and losses from the disposal of financial assets and financial liabilities measured at amortised cost, This also includes the gains and losses from substantial modifications as well as the realised gains and losses from hedge adjustments from the premature disposal of underlying transactions that were designated for portfolio fair value hedge accounting, as well as the gains and losses from the derecognition of financial assets which, based on the applicable business model, are measured at fair value in other comprehensive income.

TEUR	2019	2018
Gain/loss from the disposal of financial assets – AC	**141**	**466**
Bonds	**118**	**466**
Gains from derecognition	142	490
Losses from derecognition	-25	-24
Loans and receivables	**23**	**0**
Gains from derecognition	85	0
Losses from derecognition	-62	0
Gain/loss from the disposal of financial assets – AC	**595**	**361**
Bonds	595	361
Gain/loss from the disposal of financial liabilities – AC	**92**	**-438**
Liabilities evidenced by certificates	92	-438
Total	**828**	**389**

Gains and losses from the disposal of financial assets measured at AC are mainly comprised of the gains and losses from (partial) repayments of bonds, while gains and losses from the disposal of financial assets measured at FVOCI are attributable to the disposal of securities in their entirety.

Gains and losses from the disposal of financial liabilities mainly include gains and losses from the redemption of securities.

9. Other net operating income

Other net operating income includes, among other components, the income from internal charges for IT services, contributions to protection schemes and other taxes, and breaks down as follows:

TEUR	2019	2018
Other operating income	**71,600**	**74,136**
Profit from the disposal of property, plant and equipment and of intangible assets	0	746
Income from investment properties	1,073	381
Differences arising from changes in the scope of consolidation	0	416
IT services	34,083	35,225
Other operating income	36,444	37,368
Other operating expenses	**-10,881**	**-11,502**
Loss from the disposal of property, plant and equipment and of intangible assets	-151	0
Expenses from investment properties	-112	-90
Other taxes	-2,913	-2,866
Contributions to protection schemes	-5,120	-5,660
Other operating expenses	-2,585	-2,886
Total	**60,719**	**62,634**

Other taxes mainly include the stability fee in the amount of TEUR 2,876 (2018: TEUR 2,763).

Pursuant to Directive 2014/49/EU on deposit guarantee schemes and Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions (implemented in Austria through the Federal Act on the Recovery and Resolution of Banks (BaSAG) and the Austrian Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG), respectively), banks are required to make contributions to protection schemes as of 2015.

Pursuant to § 8 (1) of the Austrian Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG), Raiffeisen-Landesbank Steiermark AG and Landes-Hypothekenbank Steiermark AG (as institutions based in Austria and which accept deposits) are both part of the single protection scheme pursuant to § 1 (1) (1) ESAEG. ESAEG requires each protection scheme to establish a deposit protection fund that must be funded (via an annual contribution payable by the member institutions) with a statutory minimum of 0.8 % of the total covered deposits of the member institution. The role of the protection scheme of the Raiffeisen Banking Group Austria and Landes-Hypothekenbank Steiermark AG was performed by the deposit protection fund AUSTRIA Ges.m.b.H. Obligations arise for Raiffeisen-Landesbank Steiermark AG and Landes-Hypothekenbank Steiermark AG from the mandatory membership prescribed in §§ 8 and 45 ESAEG.

To ensure adequate funding of the statutory deposit protection scheme (by establishing an ex-ante fund as defined by § 13 ESAEG), credit institutions are required to make annual contributions pursuant to § 21 ESAEG. The contribution amount stipulated by § 23 ESAEG is determined on the basis of the institution's covered deposits and the risk profile to which it is exposed. The contributions to the deposit protection scheme totalled TEUR 1,012 during the reporting year (2018: TEUR 1,160). Payment obligations pursuant to § 7 (1) (13) ESAEG were not applied.

Additionally, the protection scheme can levy special contributions up to a maximum of 0.5 % of the total of the covered deposits held by the member institutions each calendar year. In individual cases, that threshold may be exceeded with approval from the Austrian Financial Market Authority (FMA). The special contribution amount is determined according to § 22 ESAEG relative to the most recent annual contribution of Raiffeisen-Landesbank Steiermark AG and Landes-Hypothekenbank Steiermark AG as a proportion of the total of the most recent annual contributions of all members of the protection scheme. In the 2019 financial year, no special contributions were levied.

In the event compensation is paid out for secured investment services as defined by § 49 ESAEG (investor compensation), the contribution of each individual institution per financial year amounts to a maximum of 1.5 % of the assessment base pursuant to Art. 92 (3) (a) of the EU Capital Requirements Regulation (CRR), plus 12.5 times the minimum capital requirement for the position risk pursuant to Part 3 Title IV Chapter 2 CRR. In the 2019 financial year, no investor compensation was paid.

EU Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms has been implemented in Austria via the Federal Act on the Recovery and Resolution of Banks (BaSAG).

To ensure adequate funding of the statutory resolution financing arrangement (by establishing an ex-ante fund as defined by § 123 BaSAG), credit institutions are required to make regular contributions pursuant to § 125 BaSAG. As stipulated by § 126 BaSAG, the amount of those contributions is calculated as a ratio of the institution's liabilities, less its secured deposits, to the aggregate liabilities, less the secured deposits of all institutions authorised in Austria. Furthermore, these contributions must be weighted according to the respective institution's risk profile. In 2019, the RLB Steiermark Group contributed a total of TEUR 4,108 (2018: TEUR 4,500). No irrevocable payment commitments were used.

Additionally, when required, the resolution authority can levy extraordinary ex-post contributions pursuant to § 127 BaSAG. The amount of such contributions is calculated according to the rules for ordinary contributions as defined by § 126 BaSAG and may not exceed three times the annual amount of ordinary contributions.

10. Administrative expenses

Administrative expenses break down as follows:

TEUR	2019	2018
Staff expenses	**-94,809**	**-92,367**
Wages and salaries	-69,865	-67,782
Social security costs	-17,970	-17,568
Voluntary social benefits	-2,052	-1,924
Expenses for severance payments and pensions	-4,922	-5,093
Other administrative expenses	**-60,062**	**-60,756**
Rental and leasing costs	-1,676	-2,607
IT expenses	-29,280	-30,262
Maintenance costs	-3,974	-3,539
Operating expenses associated with business premises	-3,879	-3,650
Legal and consultancy fees	-7,245	-5,575
Advertising and entertainment expenses	-4,399	-3,926
Staff training expenses	-1,000	-938
Office costs	-3,004	-3,602
Vehicle costs	-546	-490
Other administrative expenses	-5,059	-6,167
Depreciation	**-11,022**	**-10,581**
Property, plant and equipment	-7,756	-8,423
Intangible assets	-1,652	-2,076
Investment properties	-480	-82
Right-of-use assets	-1,134	0
Total	**-165,893**	**-163,704**

Since IFRS 16 came into force, depreciation on right-of-use assets must also be reported under this item.

11. Impairment of financial assets

TEUR	2019	2018
Financial liabilities – FVOCI	**316**	**-97**
Additions	-27	-349
Reversal	343	252
Financial assets – AC	**-4,799**	**3,858**
Additions	-35,417	-33,250
Reversal	30,297	33,247
Direct write-offs	-265	-764
Recoveries of financial assets previously written off	599	4,630
Other adjustments	-13	-5
Off-balance sheet transactions	**1,699**	**3,866**
Additions	-5,067	-6,411
Reversal	6,766	10,277
Total	**-2,784**	**7,627**

For detailed information on the impairment of financial assets, see note 13 “Cash, balances at central banks and demand deposits”, note 14 “Financial assets – amortised cost (AC)”, note 16 “Financial assets – fair value OCI (FVOCI)” and note 30 “Provisions”.

The item “Impairment of financial assets – AC” includes losses from credit risk-induced modifications of contracts for financial instruments in the amount of TEUR 13 (2018: TEUR 5).

12. Income taxes

Income taxes include the current taxes on income calculated in each of the Group companies on the basis of taxable results, income tax corrections and changes to deferred taxes.

TEUR	2019	2018
Current income taxes	-259	-156
Deferred taxes	-12,950	4,084
Total	**-13,209**	**3,928**

For detailed information on deferred taxes, see note 31, “Current and deferred income tax assets and liabilities”.

The following reconciliation shows the relationship between consolidated profit/loss for the year and actual tax burden:

TEUR	2019	2018
Consolidated profit/loss for the year before taxes	**116,855**	**128,629**
Theoretical income tax expense in the year under review, based on the domestic income tax rate of 25 %	-29,214	-32,157
Associates valued at equity	-3,099	18,211
Reduction in tax burden due to tax-exempt income from equity investments and other income	2,277	3,739
Increase in tax burden due to expenses not deductible for tax purposes	-1,399	-1,075
Reduction of current tax expense due to changes in realisability of loss carryforwards and impairments to equity investments	886	2,399
Reduction of deferred tax expense due to changes in realisability of loss carryforwards and impairments to equity investments	18,068	12,926
Change in deferred taxes due to a temporary difference not previously recognised	148	148
Deferred tax liability resulting from the depreciation of a deferred tax asset	-260	-106
Deconsolidation effects	0	130
Income taxes relating to other periods	60	73
Other adjustments	-676	-360
Actual tax income/burden	**-13,209**	**3,928**
Tax rate (%)	-11.30 %	3.05 %

SEGMENT REPORTING

Segment reporting is based on the Group's internal organisational and management structure as well as its internal financial reporting system. The process of segmental reporting follows the "management approach" pursuant to IFRS 8 "Operating segments", which requires segmental information to be presented externally in the same manner as it is provided regularly to the Group Managing Board for performance assessment and resource allocation purposes.

Such reporting takes the form of a multi-stage breakeven analysis. Income and expenses are allocated to the originating segments. Income positions are the net interest income, dividend income, net fee and commission income, profit/loss from investments in associates valued at equity, net trading income, net income from financial assets/liabilities and other net operating income. Net interest income is calculated on the basis of the market interest rate method.

Impairment charges include impairment allowances for financial assets and off-balance sheet transactions that were made and reversed, as well as direct write-offs and recoveries of financial assets previously written off. Administrative expenses include direct and indirect costs. Direct costs (staff expenses and other administrative expenses) are incurred by individual business segments, while indirect costs are allocated on the basis of internal accounting prices or predefined ratios.

The total risk of the individual segments calculated according to the internal risk identification and management processes forms the basis for the distribution of equity. The net notional interest credit is determined on the basis of the allocated equity and reported in net interest income.

The business segments are presented as if they were autonomous entities with their own capital resources and the responsibility for their own results.

The attribution of costs to the individual segments is based on cost accounting and defined internal institutional accounting standards.

Business segments are classified on the basis of the organisational responsibility for the RLB Steiermark Group's customers.

RLB Steiermark's segment reporting system distinguishes between the following business segments:

- Corporate
- Retail
- Capital market and treasury
- Equity investments
- Other

Corporate

In the "Corporate" banking segment, the RLB Steiermark Group concentrates its strategic focus on the industry sector, domestic and international project financing, SMEs, institutional customers and the public sector. This segment covers traditional financing services (e.g. current account loans, cash advances, direct loans) and venture capital finance for corporate customers, trade and export finance, documentary business and the provision of lease financing in all relevant sectors. In addition, customers are offered tailored solutions for payment transactions, risk hedging, financial planning and wealth creation, as well as liquidity and investment management.

Retail

The "Retail" banking segment comprises the Group's retail and private banking operations, as well as business relations with physicians and the liberal professions. Retail banking customers are serviced at 20 banking outlets in Styria, including the central consultancy centres for private banking on the one hand, and for physicians and the liberal professions on the other hand. This segment targets all private individuals, small businesses and self-employed customers. Offerings in the "Retail" segment consist mainly of standardised products in the areas of investment (securities, savings deposits, building savings schemes), financing (home loans, consumer loans), payment transactions (current and salary accounts, credit cards) and financial planning (term life/life insurance). In the private banking segment, the main areas of focus are investments (securities) and financing for physicians and the liberal professions (consultancy centres), with comprehensive advisory services being provided for both customer groups.

Capital market and treasury

The "Capital market and treasury" segment covers the Group's treasury activities, in particular its earnings from management of the banking book (profit from maturity transformation (Strukturbeitrag)) and from the trading book, and the Group's proprietary positions with interest rate and price products (money market deposits, forwards, futures and options). These include interest rate and currency contracts, liquidity management and asset liability management (maturity transformation). Treasury operations also include management of the Group's portfolios of bonds, funds and short-term and long-term alternative investments (combinations of securities products with derivatives).

Trading in financial instruments occurs centrally and is subject to limits that are strictly enforced. While all proprietary trading is reported in this segment, profit contributions made by customer treasury transactions are allocated to other segments. The portion of the contribution to profit made over and above market prices is allocated to the customer segments.

Equity investments

The "Equity investments" segment comprises the Group's portfolio of equity investments in banks and financial institutions, including associates that are valued at equity. The most important components are equity investments in the universal financial services area, particularly investments in the Austrian Raiffeisen organisation (Verbund), such as those in RBI. All primary-level activities connected with the Raiffeisen banks are also included in this segment. However, if such activities pertain to the interbank business, they are included in the "Capital market and treasury" segment.

Other

The "Other" segment includes mainly the income and expenses arising in connection with the data processing centre, which provides IT services to Raiffeisen banks and other third-party customers. In addition, this segment encompasses income and expenses that cannot, by their nature, be allocated to any other business segment.

The column "Reconciliation" is not defined as a segment; it shows the reconciliation to the consolidated profit/loss for the year and consists primarily of amounts resulting from the consolidation between the segments.

The RLB Steiermark Group uses two central key performance indicators: return on equity (ROE) and cost/income ratio (CIR). Return on equity expresses the ratio between the consolidated profit/loss for the year and average equity employed, and shows the interest on the capital employed in the respective segment.

The cost/income ratio expresses a segment's cost efficiency. It states the proportion of administrative expenses in relation to operating income and is calculated without taking into account non-recurring effects.

2019 financial year

TEUR	Corporate	Retail	Capital market and treasury	Equity investments	Other	Reconcilia-tion	Total
Net interest income	73,976	15,315	18,222	-15,345	6,299	2,761	101,228
Dividend income	0	0	0	17,154	0	-8,709	8,445
Profit/loss from investments in associates valued at equity	0	0	0	-12,397	0	0	-12,397
Net fee and commission income	13,547	12,623	4,173	10,228	221	-1,193	39,599
Net trading income	382	343	-5,218	0	0	-2,068	-6,561
Net income from financial assets/liabilities[1)]	627	0	97,536	-2,965	0	-699	94,499
Other net operating income	5,649	4,373	203	40,673	56,460	-46,639	60,719
Operating income	**94,181**	**32,654**	**114,916**	**37,348**	**62,980**	**-56,547**	**285,532**
Administrative expenses	-31,421	-37,758	-16,459	-53,015	-83,787	56,547	-165,893
Operating result	**62,760**	**-5,104**	**98,457**	**-15,667**	**-20,807**	**0**	**119,639**
Impairment of financial assets	1,025	-4,370	561	0	0	0	-2,784
Consolidated profit/loss for the year before taxes	**63,785**	**-9,474**	**99,018**	**-15,667**	**-20,807**	**0**	**116,855**
Ø allocated equity	429,571	44,929	466,197	630,344	-	-	1,571,041
Return on equity	14.85 %	-	21.24 %	-	-	-	7.44 %
Cost/income ratio[2)]	33.36 %	>100 %	14.32 %	32.00 %	>100 %	-	40.08 %

[1)] Net income from financial assets/liabilities comprises the statement of profit or loss items "Profit/loss from hedge accounting", "Net income from financial instruments at fair value P&L (FVPL)" and "Net income from financial instruments not measured at fair value through profit or loss".
[2)] Calculation of cost/income ratio as at 31 December 2019: Administrative expenses / operating income (excluding the non-recurring effect resulting from the impairment of the investment in RBI in the amount of TEUR -128,342).

The carrying amount of the investments in associates valued at equity, totalling TEUR 1,008,213 (2018: TEUR 1,014,107) is attributable to the investments segment.

2018 financial year

TEUR	Corporate	Retail	Capital market and treasury[1]	Equity investments	Other	Reconciliation	Total
Net interest income[1]	69,165	15,900	28,677	-15,932	983	4,274	103,067
Dividend income	0	0	0	13,836	0	-986	12,850
Profit/loss from investments in associates valued at equity	0	0	0	80,943	0	0	80,943
Net fee and commission income	11,271	12,484	5,113	10,682	95	-926	38,719
Net trading income	242	318	9,466	0	0	-4,887	5,139
Net income from financial assets/liabilities[2]	-493	0	-10,270	-8,500	0	617	-18,646
Other net operating income	4,871	3,289	1,216	49,489	57,764	-53,995	62,634
Operating income	**85,056**	**31,991**	**34,202**	**130,518**	**58,842**	**-55,903**	**284,706**
Administrative expenses	-31,659	-37,817	-15,282	-50,901	-84,493	56,448	-163,704
Operating result	**53,397**	**-5,826**	**18,920**	**79,617**	**-25,651**	**545**	**121,002**
Impairment of financial assets	2,511	-355	5,471	0	0	0	7,627
Consolidated profit/loss for the year before taxes	**55,908**	**-6,181**	**24,391**	**79,617**	**-25,651**	**545**	**128,629**
Ø allocated equity	331,073	54,106	382,558	745,604	-	-	1,513,341
Return on equity	16.89 %	-	6.38 %	10.68 %	-	-	8.50 %
Cost/income ratio[3]	37.22 %	>100 %	44.68 %	29.95 %	>100 %	-	50.51 %

[1] An amount of TEUR 4,504 was reclassified from “Net income from financial assets/liabilities” to “Net interest income”.
[2] Net income from financial assets/liabilities comprises the statement of profit or loss items “Profit/loss from hedge accounting”, “Net income from financial instruments at fair value P&L (FVPL)” and “Net income from financial instruments not measured at fair value through profit or loss”.
[3] Calculation of cost/income ratio as at 31/12/2018: Administrative expenses / operating income (excluding the non-recurring effect resulting from the impairment of the investment in RBI in the amount of TEUR -39,412).

NOTES TO THE STATEMENT OF FINANCIAL POSITION

13. Cash, balances at central banks and demand deposits

TEUR	2019	2018
Cash on hand	18,646	18,633
Balances at central banks	341,859	318,313
Demand deposits	1,040,815	984,154
Total	**1,401,320**	**1,321,100**

As of 31 December 2019, demand deposits (with banks) were adjusted for impairment charges in the amount of TEUR 22 (2018: TEUR 26).

A more detailed presentation of the development of this item of the statement of financial position is set out in the “Statement of cash flows”.

14. Financial assets – amortised cost (AC)

All of the receivables and securities recorded under "Financial assets – amortised cost (AC)" are part of the "hold to collect" business model and give rise, on specific dates, to cash flows that represent solely payments of principal and interest on the principal amount outstanding. The carrying amount/the carrying amount before impairment of hedged underlyings also includes the associated hedge adjustment.

	2019			2018		
TEUR	Carrying amount before impairment	Accumulated impairment	Carrying amount	Carrying amount before impairment	Accumulated impairment	Carrying amount
Bonds	**1,769,672**	**-489**	**1,769,183**	**1,593,684**	**-439**	**1,593,245**
Public sector	479,319	-38	479,281	549,583	-27	549,556
Banks	1,182,997	-411	1,182,586	929,724	-379	929,345
Other financial enterprises	43,269	-3	43,266	41,324	-5	41,319
Non-financial enterprises	64,087	-37	64,050	73,053	-28	73,025
Loans and receivables	**8,307,292**	**-152,284**	**8,155,008**	**7,900,346**	**-168,849**	**7,731,497**
Public sector	299,479	-76	299,403	267,507	-78	267,429
Banks	1,204,305	-22	1,204,283	1,384,156	-32	1,384,124
Other financial enterprises	337,986	-225	337,761	363,867	-825	363,042
Non-financial enterprises	4,799,139	-109,147	4,689,992	4,254,852	-124,337	4,130,515
Households	1,666,383	-42,814	1,623,569	1,629,964	-43,577	1,586,387
Lease receivables	**131,638**	**-1,710**	**129,928**	**135,804**	**-2,393**	**133,411**
Public sector	3,830	-9	3,821	4,209	-19	4,190
Other financial enterprises	18,869	-663	18,206	25,482	-1,095	24,387
Non-financial enterprises	107,206	-1,037	106,169	104,489	-1,279	103,210
Households	1,733	-1	1,732	1,624	0	1,624
Total	**10,208,602**	**-154,483**	**10,054,119**	**9,629,834**	**-171,681**	**9,458,153**

Of the bonds included in this category, listed instruments account for TEUR 1,564,511 (2018: TEUR 1,341,587), and non-listed instruments for TEUR 205,161 (2018: TEUR 252,097).

The tables below present the development of the gross carrying amounts (excluding any hedge adjustment, where applicable) and of the impairment of financial assets - amortised cost (AC). Each class of financial instruments is shown separately. No receivables under finance leases are included in in stage 1, since the RLB Steiermark Group has opted to use the "simplified approach" permitted by IFRS 9, under which the impairment allowance for an asset is always equal to lifetime expected credit loss.

Bonds

31/12/2019

TEUR	Stage 1	Stage 2	Stage 3	Balance
Gross carrying amount as at 31/12/2018	**1,573,165**	**15,280**	**0**	**1,588,445**
Change due to transfers	**0**	**0**	**0**	**0**
- Transfers to stage 1	0	0	0	0
- Transfers to stage 2	0	0	0	0
- Transfers to stage 3	0	0	0	0
Change due to non-substantial modification	0	0	0	0
Change due to new business activity	320,424	0	0	320,424
Change due to disposals	-190,407	0	0	-190,407
Depreciation	0	0	0	0
Change in scope of consolidation	0	0	0	0
Existing business activity/other changes	34,316	10	0	34,326
Gross carrying amount as at 31/12/2019	**1,737,498**	**15,290**	**0**	**1,752,788**

TEUR	Impairment stage 1	Impairment stage 2	Impairment stage 3	Total
At 31/12/2018	**88**	**351**	**0**	**439**
Transfers	0	0	0	0
New business activity	27	0	0	27
Disposals	-7	0	0	-7
Existing business activity/other changes	29	1	0	30
At 31/12/2019	**137**	**352**	**0**	**489**

31/12/2018

TEUR	Stage 1	Stage 2	Stage 3	Balance
Gross carrying amount as at 01/01/2018	**1,361,046**	**0**	**0**	**1,361,046**
Change due to transfers	**-15,270**	**15,270**	**0**	**0**
- Transfers to stage 1	0	0	0	0
- Transfers to stage 2	-15,270	15,270	0	0
- Transfers to stage 3	0	0	0	0
Change due to non-substantial modification	0	0	0	0
Change due to new business activity	436,627	0	0	436,627
Change due to disposals	-297,842	0	0	-297,842
Depreciation	0	0	0	0
Change in scope of consolidation	0	0	0	0
Existing business activity/other changes	88,604	10	0	88,614
Gross carrying amount as at 31/12/2018	**1,573,165**	**15,280**	**0**	**1,588,445**

TEUR	Impairment stage 1	Impairment stage 2	Impairment stage 3	Total
At 31/12/2017	**0**	**0**	**0**	**0**
Effect of IFRS 9 first-time application	960	0	0	960
At 01/01/2018	**960**	**0**	**0**	**960**
Transfers	-17	17	0	0
New business activity	11	0	0	11
Disposals	-91	0	0	-91
Existing business activity/other changes	-775	334	0	-441
At 31/12/2018	**88**	**351**	**0**	**439**

Loans and receivables

31/12/2019

TEUR	Stage 1	Stage 2	Stage 3	Balance
Gross carrying amount as at 31/12/2018	**7,512,472**	**115,744**	**267,212**	**7,895,428**
Change due to transfers	**-98,230**	**72,125**	**26,105**	**0**
- Transfers to stage 1	29,030	-19,291	-9,739	0
- Transfers to stage 2	-94,889	101,483	-6,594	0
- Transfers to stage 3	-32,371	-10,067	42,438	0
Change due to non-substantial modification	-1,288	-128	-12	-1,428
Change due to new business activity	1,479,115	57,806	5,317	1,542,238
Change due to disposals	-1,006,955	-14,036	-22,750	-1,043,741
Depreciation	0	0	-20,004	-20,004
Existing business activity/other changes	-79,328	-922	-14,036	-94,286
Gross carrying amount as at 31/12/2019	**7,805,786**	**230,589**	**241,832**	**8,278,207**

TEUR	Impairment stage 1	Impairment stage 2	Impairment stage 3	Total
At 31/12/2018	**2,898**	**1,457**	**164,494**	**168,849**
Transfers	11	-11	0	0
New business activity	1,328	637	3,469	5,434
Disposals	-483	-124	-10,948	-11,555
Existing business activity/other changes	230	1,381	7,683	9,294
Utilisation	0	0	-19,738	-19,738
At 31/12/2019	**3,984**	**3,340**	**144,960**	**152,284**

31/12/2018

TEUR	Stage 1	Stage 2	Stage 3	Balance
Gross carrying amount as at 01/01/2018	**6,694,192**	**251,510**	**293,398**	**7,239,100**
Change due to transfers	**67,869**	**-103,850**	**35,981**	**0**
- Transfers to stage 1	109,181	-109,170	-11	0
- Transfers to stage 2	-26,819	28,279	-1,460	0
- Transfers to stage 3	-14,494	-22,957	37,451	0
Change due to non-substantial modification	15	-9	0	6
Change due to new business activity	1,385,613	12,633	3,428	1,401,674
Change due to disposals	-666,144	-36,676	-37,242	-740,062
Depreciation	0	0	-26,091	-26,091
Change in scope of consolidation	0	0	-45	-45
Existing business activity/other changes	30,927	-7,864	-2,217	20,846
Gross carrying amount as at 31/12/2018	**7,512,472**	**115,744**	**267,212**	**7,895,428**

TEUR	Impairment stage 1	Impairment stage 2	Impairment stage 3	Total
At 31/12/2017	**7,640**	**0**	**191,109**	**198,749**
Effect of IFRS 9 first-time application	-1,846	4,008	-6,850	-4,688
At 01/01/2018	**5,794**	**4,008**	**184,259**	**194,061**
Transfers	877	-877	0	0
New business activity	981	315	1,274	2,570
Disposals	-869	-691	-7,625	-9,185
Existing business activity/other changes	-3,885	-1,298	12,005	6,822
Utilisation	0	0	-25,375	-25,375
Change in scope of consolidation	0	0	-44	-44
At 31/12/2018	**2,898**	**1,457**	**164,494**	**168,849**

Lease receivables

31/12/2019

TEUR	Stage 1	Stage 2	Stage 3	Balance
Gross carrying amount as at 31/12/2018	**0**	**135,804**	**0**	**135,804**
Change due to transfers	**0**	**0**	**0**	**0**
- Transfers to stage 1	0	0	0	0
- Transfers to stage 2	0	0	0	0
- Transfers to stage 3	0	0	0	0
Change due to non-substantial modification	0	0	0	0
Change due to new business activity	0	19,089	0	19,089
Change due to disposals	0	-11,778	0	-11,778
Depreciation	0	0	0	0
Existing business activity/other changes	0	-11,477	0	-11,477
Gross carrying amount as at 31/12/2019	**0**	**131,638**	**0**	**131,638**

TEUR	Impairment stage 1	Impairment stage 2	Impairment stage 3	Total
At 31/12/2018	**0**	**2,393**	**0**	**2,393**
Transfers	0	0	0	0
New business activity	0	259	0	259
Disposals	0	-309	0	-309
Existing business activity/other changes	0	-633	0	-633
Utilisation	0	0	0	0
Change in scope of consolidation	0	0	0	0
At 31/12/2019	**0**	**1,710**	**0**	**1,710**

31/12/2018

TEUR	Stage 1	Stage 2	Stage 3	Balance
Gross carrying amount as at 01/01/2018	**0**	**163,816**	**21,944**	**185,760**
Change due to transfers	**0**	**22**	**-22**	**0**
- Transfers to stage 1	0	0	0	0
- Transfers to stage 2	0	22	-22	0
- Transfers to stage 3	0	0	0	0
Change due to non-substantial modification	0	0	0	0
Change due to new business activity	0	11,877	0	11,877
Change due to disposals	0	-20,052	0	-20,052
Depreciation	0	0	-94	-94
Change in scope of consolidation	0	-9,368	-21,845	-31,213
Existing business activity/other changes	0	-10,491	17	-10,474
Gross carrying amount as at 31/12/2018	**0**	**135,804**	**0**	**135,804**

TEUR	Impairment stage 1	Impairment stage 2	Impairment stage 3	Total
At 31/12/2017	**429**	**0**	**21,837**	**22,266**
Effect of IFRS 9 first-time application	-429	3,828	0	3,399
At 01/01/2018	**0**	**3,828**	**21,837**	**25,665**
Transfers	0	0	0	0
New business activity	0	450	0	450
Disposals	0	-691	-555	-1,246
Existing business activity/other changes	0	-1,028	0	-1,028
Utilisation	0	0	-47	-47
Change in scope of consolidation	0	-166	-21,235	-21,401
At 31/12/2018	**0**	**2,393**	**0**	**2,393**

Interest income from impaired financial assets for all debt instruments totalled TEUR 2,584 for the year under review and is included in other changes (2018: TEUR 2,347).

Of the financial assets written off during the reporting period, a contractually outstanding amount of TEUR 19,405 remains subject to enforcement measures (2018: TEUR 29,288).

15. Financial assets – held for trading (HFT)

Trading assets include bonds held for trading purposes and loans and receivables. They also include the positive fair values of derivative financial instruments which are held for trading and hedging purposes but do not fulfil the criteria for the application of hedge accounting (economic hedges)

TEUR	2019	2018
Debt instruments	**297,739**	**754,059**
Bonds	**53,245**	**99,517**
Banks	47,423	75,425
Other financial enterprises	5,822	24,092
Loans and receivables	**244,494**	**654,542**
Banks	244,494	654,542
Derivatives (positive fair values)	**526,264**	**472,425**
Positive fair values from derivatives held for trading	**80,949**	**62,727**
From interest rate derivatives	80,143	62,435
From currency derivatives	806	292
Positive fair values from derivatives held for hedging purposes (economic hedges)	**445,315**	**409,698**
From interest rate derivatives	445,191	409,219
From currency derivatives	124	479
Total	**824,003**	**1,226,484**

Of the bonds included in this category, listed instruments account for TEUR 42,940 (2018: TEUR 72,133), and non-listed instruments for TEUR 10,305 (2018: TEUR 27,384).

The loans and receivables consist of fixed deposits held for trading.

16. Financial assets – fair value OCI (FVOCI)

This item includes financial assets that are part of the "hold to collect and sell" business model and whose contractually agreed cash flows constitute solely payments of principal and interest on the principal amount outstanding, as well as equity instruments for which the option of measurement at fair value through equity was used.

TEUR	2019	2018
Debt instruments	**879,935**	**1,110,220**
Bonds	**879,935**	**1,110,220**
Public sector	181,699	283,499
Banks	639,317	751,614
Other financial enterprises	58,919	70,400
Non-financial enterprises	0	4,707
Equity instruments	**81,037**	**72,092**
Public sector	302	300
Banks	896	688
Other financial enterprises	27,264	27,389
Non-financial enterprises	52,575	43,715
Total	**960,972**	**1,182,312**

Of the bonds included in this category, listed instruments account for TEUR 870,903 (2018: TEUR 1,101,507), and non-listed instruments for TEUR 9,032 (2018: TEUR 8,713).

The RLB Steiermark Group has elected to use the option to measure financial investments in equity instruments at fair value through OCI, as the Group plans to retain this equity investment long-term for strategic reasons. This option was chosen for all financial investments except for one.

The investments in equity instruments measured at FVOCI breakdown as follows:

TEUR	2019	2018
Liegenschaftsverwaltung Radmer-Frohnleiten GmbH	13,253	10,434
RVS Raiffeisen Vertrieb und Service GmbH	12,170	11,511
TSI-Terminal und Software Installationen GmbH	9,153	6,089
LKH-Eingangszentrum Errichtungs- und Betreiber GmbH	4,640	4,302
STED EDV-Dienste Betriebsgesellschaft m.b.H.	4,387	2,911
Other companies	37,434	36,845
Total	**81,037**	**72,092**

The tables below show the development of the gross carrying amounts and the impairment of bonds measured at FVOCI

31/12/2019

TEUR	Stage 1	Stage 2	Stage 3	Balance
Gross carrying amount as at 31/12/2018	**1,060,228**	**15,045**	**0**	**1,075,273**
Change due to transfers	**15,045**	**-15,045**	**0**	**0**
- Transfers to stage 1	15,045	-15,045	0	0
- Transfers to stage 2	0	0	0	0
- Transfers to stage 3	0	0	0	0
Change due to non-substantial modification	0	0	0	0
Change due to new business activity	82,432	0	0	82,432
Change due to disposals	-298,869	0	0	-298,869
Depreciation	0	0	0	0
Change in scope of consolidation	0	0	0	0
Existing business activity/other changes	-10,829	0	0	-10,829
Gross carrying amount as at 31/12/2019	**848,007**	**0**	**0**	**848,007**

TEUR	Impairment stage 1	Impairment stage 2	Impairment stage 3	Total
At 31/12/2018	**47**	**342**	**0**	**389**
Transfers	342	-342	0	0
New business activity	6	0	0	6
Disposals	-10	0	0	-10
Existing business activity/other changes	-312	0	0	-312
At 31/12/2019	**73**	**0**	**0**	**73**

31/12/2018

TEUR	Stage 1	Stage 2	Stage 3	Balance
Gross carrying amount as at 01/01/2018	**1,117,126**	**0**	**0**	**1,117,126**
Change due to transfers	**-14,963**	**14,963**	**0**	**0**
- Transfers to stage 1	0	0	0	0
- Transfers to stage 2	-14,963	14,963	0	0
- Transfers to stage 3	0	0	0	0
Change due to non-substantial modification	0	0	0	0
Change due to new business activity	140,816	0	0	140,816
Change due to disposals	-184,295	0	0	-184,295
Depreciation	0	0	0	0
Change in scope of consolidation	0	0	0	0
Existing business activity/other changes	1,544	82	0	1,626
Gross carrying amount as at 31/12/2018	**1,060,228**	**15,045**	**0**	**1,075,273**

TEUR	Impairment stage 1	Impairment stage 2	Impairment stage 3	Total
At 31/12/2017	**0**	**0**	**0**	**0**
Effect of IFRS 9 first-time application	292	0	0	292
At 01/01/2018	**292**	**0**	**0**	**292**
Transfers	-46	46	0	0
New business activity	53	0	0	53
Disposals	-40	0	0	-40
Existing business activity/other changes	-212	296	0	84
At 31/12/2018	**47**	**342**	**0**	**389**

17. Financial assets – mandatorily at fair value P&L (FVPL-M)

This item includes financial assets that are held in the "hold to collect" or the "hold to collect and sell" business models but are classified as FVPL-M because they do not satisfy the SPPI criteria. In addition, it includes financial assets that fall within the "other" business model pursuant to paragraph B4.1.6 of IFRS 9, as well as equity instruments for which the option of measurement at fair value through equity was not used.

TEUR	2019	2018
Debt instruments	**101,705**	**114,839**
Bonds	**51,873**	**60,893**
Public sector	8,003	8,644
Banks	20,818	32,966
Other financial enterprises	23,052	19,283
Loans and receivables	**49,832**	**53,946**
Public sector	719	944
Banks	2,236	2,250
Non-financial enterprises	39,730	40,590
Households	7,147	10,162
Equity instruments	**35**	**3,000**
Non-financial enterprises	35	3,000
Institutional funds	**348,694**	**332,785**
Total	**450,434**	**450,624**

The institutional funds consist in their entirety of the financial instruments held by the consolidated structured entities (special funds) DASAA, EURAN and GLAN.

Of the bonds designated at FVPL-M, listed instruments account for TEUR 20,630 (2018: TEUR 31,566), and non-listed instruments for TEUR 31,243 (2018: TEUR 29,327).

18. Derivatives - hedge accounting (positive fair values)

TEUR	2019	2018
Positive fair values (dirty price) from interest rate contracts	**244,847**	**132,715**
Micro fair value hedges	243,786	132,715
Portfolio fair value hedges	1,061	0

19. Value adjustments from portfolio fair value hedges

TEUR	2019	2018
Value adjustments to financial assets – AC	-1,611	0

20. Investments in associates valued at equity

TEUR	2019	2018
Banks	1,008,213	1,014,107

This item in the statement of financial position exclusively comprises the equity investment (9.95 %) in the listed company Raiffeisen Bank International AG, Vienna (RBI). RLB Steiermark, via CEO MMag. Schaller, holds a seat (First Vice President) on the Supervisory Board of RBI and thus has significant influence on important decision-making processes regarding RBI's operating and financial policies.

RBI considers Austria, where it is a leading commercial and investment bank, as well as Central and Eastern Europe (CEE) its home market. 13 markets in the region are covered by subsidiary banks. Additionally, the Group includes numerous other companies that provide services in sectors such as leasing, asset management and M&A. A total of nearly 47,000 RBI employees serve 16.7 million customers in more than 2,000 business outlets, most of them in the CEE region. At 1.2 %, growth in gross domestic product (GDP) in the euro area was lower in 2019 than in the previous year (1.9 %). The economic slowdown resulted in very different developments in individual sectors. The Austrian economy also lost momentum over the course of the year. Due to the good winter half-year period 2018/19, real GDP growth for 2019 as a whole amounted to 1.6 % (2018: 2.4 %), thereby remaining above the euro zone average. Economic growth in the Central Europe (CE) region weakened at a relatively moderate pace in 2019, amounting to 3.6 % for the year as a whole, compared with 4.5 % in the previous year. In South-Eastern Europe (SEE), economic growth in 2019 was 3.6 %, roughly the same level as in the previous year (3.7 %). GDP growth in Eastern Europe (EE) fell sharply to 1.4 % in 2019, after positive non-recurring effects (such as investment projects completed at the end of 2018) had boosted growth in Russia to 2.4 % in the previous year.

Against this backdrop, RBI posted a consolidated profit (after minorities) of EUR 1,227 million for the 2019 financial year, a decrease of around 3 % compared to the previous year. The CET 1 ratio was 13.9 % (fully loaded) as at 31/12/2019, and in the medium term RBI is aiming for a CET 1 ratio of 13 % and a consolidated return on equity of around 11 % despite the Corona crisis.

In the 2019 financial year, the investment in RBI was subjected to an impairment test due to the stock market price being significantly below the at-equity carrying amount. The value in use was taken as the recoverable amount, being the higher of value in use and fair value less costs to sell.

Calculation of the value of the company was based on the present value of the cash flows to be expected (discounted cash flow procedure) of the companies within the Group, taking into account the adjustments required for the purpose of calculating the value in use. A risk-adequate capitalisation interest rate was used to discount the cash flows that can be achieved with the object of the valuation. A capital cost rate after tax of 11.25 % was used for valuation of the RBI Group (2018: 10.74 %). Any change in the capital cost rate by plus or minus 100 basis points would result either in a reduction by 11.46 % (2018: 11.42 %) or an increase by 14.36 % (2018: 14.43 %) in the corporate value of the RBI Group.

The shares of RBI are traded on a regulated market (prime market of the Vienna Stock Exchange) pursuant to § 1 (2) of the Austrian Stock Exchange Act (BorseG). The fair value less costs to sell was determined on the basis of RBI's stock market price on the Vienna Stock Exchange at the amount of EUR 22.39 per share as at 31/12/2019 (2018: EUR 22.20). On this basis, the fair value of the investment in RBI is TEUR 733,157 (2018: TEUR 726,935).

Taking into account the proportionate share of total profit/loss as well as other changes in capital, the determined value in use of TEUR 1,008,213 (2018: TEUR 1,014,107) resulted in an impairment of TEUR 128,342 for the 2019 financial year (2018: TEUR 39,412).

According to IAS 10, the spread of the COVID-19 virus and its considerable impact on the population and companies worldwide represent events that are value-determining and therefore not to be taken into account, which is why there are no consequences regarding the equity carrying amount (value in use) as at the reporting date. Similarly, the significant decline of the RBI stock exchange price in the first quarter of 2020 has no impact on the statement of financial position as of 31 December 2019. However, due to the spread of the COVID-19 virus and the associated consequences, RBI adjusted its outlook to the changed circumstances in an ad hoc notification dated 18 March 2020. Due to the restrictions, RBI expects a severe recession in the euro zone (assumption for 2020: 4 % decline in GDP) with negative consequences for the markets of RBI (assumption for 2020: up to 6 % decline in GDP). As a result, expectations for credit growth in 2020 were reduced and a higher rate of additions was assumed. In the medium term, RBI continues to target a consolidated return on equity of about 11 %;

the impact of the current environment on profitability in 2020 is still being evaluated. The target of a CET1 ratio of around 13 % was confirmed. Based on this target ratio, RBI had intended to distribute dividends in the amount of 20 to 50 % of the consolidated profit. However, on 27 March 2020, the European Central Bank (ECB) and the Financial Market Authority (FMA) called on all banks under their supervision to stop paying dividends or buying back own shares. The banks are urged to postpone such decisions for at least six months, or in any case until the further economic development becomes clear. In 2019, RBI still distributed a dividend for the 2018 financial year totalling TEUR 305,614 (2018: TEUR 203,743). This corresponds to a proportionate dividend yield of TEUR 30,453 for RLB Steiermark (2018: TEUR 20,302).

Against the background of these developments, negative effects on the equity carrying amount of RBI are also to be expected for the RLB Steiermark Group, although it is not yet possible to estimate the financial impact in absolute terms.

21. Intangible assets

2019 financial year

	Historical cost of acquisition/production				Depreciation		Carrying amounts	
TEUR	At 1 January	Additions[1)]	Disposals	Transfers	Accumulated	Financial year	At 31 December	At 1 January
Software	67,289	2,227	4,269	0	60,686	1,652	4,561	4,097

1) Additions to intangible assets exclusively relate to software acquisitions

2018 financial year

	Historical cost of acquisition/production				Depreciation		Carrying amounts	
TEUR	At 1 January	Additions[1)]	Disposals	Transfers	Accumulated	Financial year	At 31 December	At 1 January
Software	65,713	1,887	311	0	63,192	2,076	4,097	4,286

1) Additions to intangible assets exclusively relate to software acquisitions

Amortisation of intangible assets is shown under “Administrative expenses” in the statement of profit or loss.

22. Property, plant and equipment

2019 financial year

	Historical cost of acquisition/production				Depreciation		Carrying amounts	
TEUR	At 1 January	Additions	Disposals	Transfers	Accumu-lated	Financial year	At 31 December	At 1 January
Land and buildings used by the Group for its own operations	150,353	645	6,585	-4,102	32,955	3,112	107,356	112,861
Other land and buildings	6,247	7	0	-1,880	1,460	65	2,914	3,820
Office furniture and equipment, other property, plant and equipment	63,673	3,655	3,247	0	47,254	4,579	16,827	17,962
Total	**220,273**	**4,307**	**9,832**	**-5,982**	**81,669**	**7,756**	**127,097**	**134,643**

2018 financial year

	Historical cost of acquisition/production				Depreciation		Carrying amounts	
TEUR	At 1 January	Additions	Disposals	Transfers	Accumu-lated	Financial year	At 31 December	At 1 January
Land and buildings used by the Group for its own operations	146,478	514	0	3,361	37,492	3,190	112,861	114,170
Other land and buildings	10,966	0	1,358	-3,361	2,427	95	3,820	5,697
Office furniture and equipment, other property, plant and equipment	71,418	6,031	13,776	0	45,711	5,138	17,962	18,487
Total	**228,862**	**6,545**	**15,134**	**0**	**85,630**	**8,423**	**134,643**	**138,354**

The land and buildings used by the Group for its own operations consist of properties in Graz and Raaba-Grambach.

Depreciation of property, plant and equipment is shown under “Administrative expenses” in the statement of profit or loss.

23. Investment properties

2019 financial year

	Historical cost of acquisition/production				Depreciation		Carrying amounts	
TEUR	At 1 January	Additions	Disposals	Transfers	Accumulated	Financial year	At 31 December	At 1 January
Land and buildings	7,975	0	7	5,982	5,056	184	8,894	5,618
Rights of use	0	2,280	0	0	296	296	1,984	0
Total	**7,975**	**2,280**	**7**	**5,982**	**5,352**	**480**	**10,878**	**5,618**

Land and buildings correspond to the land and buildings used by the Group for own operations and other land and buildings reported separately in the previous year.

Most of the land and buildings held as financial investments are mixed-use properties. As at the reporting date, the fair value of investment property amounted to TEUR 19,318 (2018: TEUR 11,423).

Rights of use that are sublet within the Group and are classified as operating leases are reported under the item “Investment properties” in the statement of financial position.

2018 financial year

	Historical cost of acquisition/production				Depreciation		Carrying amounts	
TEUR	At 1 January	Additions	Disposals	Transfers	Accumulated	Financial year	At 31 December	At 1 January
Land and buildings used by the Group for its own operations	7,635	238	0	-3,571	124	54	4,178	5,360
Other land and buildings	0	102	0	3,571	2,233	28	1,440	0
Total	**7,635**	**340**	**0**	**0**	**2,357**	**82**	**5,618**	**5,360**

24. Right-of-use assets

TEUR	2019	2018
Real estate	10,543	0
Vehicle fleet	1,047	0
Total	**11,590**	**0**

This item is shown in the statement of financial position for the first time since IFRS 16 Leases became effective. The properties recognised as right-of-use assets are the leased banking outlet network of the RLB Steiermark Group in Graz city centre as well as branches of Landes-Hypothekenbank Steiermark AG in and outside Graz. The item also includes the rented vehicles within the Group. Detailed information on this can be found in chapter 50 “Leasing from the lessee’s perspective”.

25. Other assets

TEUR	2019	2018
Other tax assets	139	379
Other assets	166,676	144,713
Accruals and deferred items	5,802	4,930
Other items	160,874	139,783
Total	**166,815**	**145,092**

26. Financial liabilities – amortised cost (AC)

The liabilities measured at amortised cost shown in this item include liabilities to banks and to customers as well as issues. Liabilities designated under the fair value option are shown in the item "Financial liabilities – designated at fair value P&L (FVO)" in the statement of financial position.

TEUR	2019	2018
Liabilities to banks	**4,649,167**	**4,307,199**
Deposits repayable on demand	2,954,282	2,528,762
Deposits with agreed maturity	1,001,848	1,059,846
Borrowed funds	693,037	718,591
Liabilities to customers	**3,345,294**	**3,228,418**
Demand deposits	1,755,296	1,676,755
Deposits with agreed maturity/notice period	889,986	841,780
Savings deposits	700,012	709,883
Liabilities evidenced by certificates	**3,617,868**	**3,715,091**
Covered bonds	2,074,151	1,999,488
Other liabilities evidenced by certificates	1,543,717	1,715,603
Subordinated liabilities	**70,599**	**69,416**
Supplementary capital	70,599	69,416
Total	**11,682,928**	**11,320,124**

The subordinated liabilities constitute supplementary capital (tier 2 capital) as defined in Article 63 of Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR).

The following table shows the development of subordinated financial liabilities (AC) included in cash flow from financing activities:

TEUR	Cash flow		Non-cash changes		
Carrying amount at 01/01/2019	Inflows	Outflows	Measurement	Other changes	Closing balance at 31/12/2019
69,416	840	0	313	30	70,599

The development in the previous year was as follows:

TEUR	Cash flow		Non-cash changes		
Carrying amount at 01/01/2018	Inflows	Outflows	Measurement	Other changes	Closing balance at 31/12/2018
54,099	14,941	0	43	333	69,416

The table below shows the financial liabilities – AC, broken down by customer groups:

TEUR	2019	2018
Deposits/borrowed funds	**7,994,461**	**7,535,617**
Public sector	538,195	526,881
Central banks	310,239	310,791
Banks	4,338,928	3,996,408
Other financial enterprises	560,823	529,966
Non-financial enterprises	755,057	721,577
Households	1,491,219	1,449,994
Liabilities evidenced by certificates	**3,617,868**	**3,715,091**
Covered bonds	2,074,151	1,999,488
Other liabilities evidenced by certificates	1,543,717	1,715,603
Subordinated liabilities	**70,599**	**69,416**
Supplementary capital	70,599	69,416
Total	**11,682,928**	**11,320,124**

27. Financial liabilities – held for trading (HFT)

Trading liabilities include, among other components, deposits from banks. They also include the negative fair values of derivative financial instruments which are held for trading and hedging purposes but do not fulfil the criteria for the application of hedge accounting (economic hedges).

TEUR	2019	2018
Liabilities to banks	**189,713**	**181,815**
Deposits with agreed maturity	189,713	181,815
Derivatives (negative fair values)	**178,406**	**172,960**
Negative fair values from derivatives held for trading	**112,380**	**87,177**
From interest rate derivatives	90,979	69,368
From currency derivatives	21,401	17,809
Negative fair values of derivatives held for hedging purposes (economic hedges)	**66,026**	**85,783**
From interest rate derivatives	65,972	77,068
From currency derivatives	54	8,715
Total	**368,119**	**354,775**

28. Financial liabilities – designated at fair value P&L (FVO)

TEUR	2019	2018
Liabilities to customers	**792,217**	**1,052,762**
Deposits with agreed maturity/notice period	792,217	1,052,762
Liabilities evidenced by certificates	**587,365**	**692,736**
Covered bonds	204,494	206,887
Other liabilities evidenced by certificates	382,871	485,849
Total	**1,379,582**	**1,745,498**

The table below shows the financial liabilities – FVO, broken down by customer groups:

TEUR	2019	2018
Deposits/borrowed funds	**792,217**	**1,052,762**
Public sector	0	11,092
Other financial enterprises	768,567	1,007,051
Non-financial enterprises	14,366	23,766
Households	9,284	10,853
Liabilities evidenced by certificates	**587,365**	**692,736**
Covered bonds	204,494	206,887
Other liabilities evidenced by certificates	382,871	485,849
Total	**1,379,582**	**1,745,498**

When determining the fair values of the liabilities evidenced by certificates and designated at fair value, the guarantor's liability of the state of Styria was taken into account as collateral security.

The cumulative amount of fair value changes attributable to changes in the bank's own credit risk resulted in a total increase in fair value of financial liabilities – designated at fair value P&L (FVO) of TEUR 16,989 (2018: TEUR 16,511). A change to the default probability assessment for RLB Steiermark's own credit risk prompted a fair value increase of TEUR 478 in the 2019 financial year (2018: TEUR 4,784). This change, however, is not recognised through profit or loss, but directly in equity. To determine changes in its own credit risk, the Group primarily uses the default method. The alternative method is used for structured financial liabilities.

The application of the fair value option to financial liabilities results in a carrying amount of TEUR 251,857 (2018: TEUR 321,528) above the future repayment amount of these liabilities.

The decrease in deposits / borrowed funds designated as part of the fair value portfolio is primarily due to the restructuring of the Group's refinancing situation. Specifically, capital market refinancing with a nominal value of EUR 209 million was terminated early and repaid, taking into account liquidity requirements (see also the explanations in note 7, "Net income from financial instruments at fair value P&L (FVPL)).

29. Derivatives - hedge accounting (negative fair values)

TEUR	2019	2018
Negative fair values (dirty price) from interest rate contracts	**106,487**	**27,333**
Micro fair value hedges	62,714	27,333
Portfolio fair value hedges	43,773	0

30. Provisions

TEUR	2019	2018
Long-term employee provisions	**77,196**	**72,395**
Severance benefits and similar obligations	37,028	35,257
Post-employment benefits and similar obligations	33,930	31,224
Other long-term employee benefits (anniversary bonuses)	6,238	5,914
Other provisions	**15,392**	**18,471**
Litigation	1,586	1,890
Off-balance sheet transactions	10,295	11,994
Miscellaneous provisions	3,511	4,587
Total	**92,588**	**90,866**

Long-term employee provisions
Provisions for severance and pension benefit obligations as well as other long-term employee benefits are shown under "Long-term employee provisions". Obligations that arise from long-service payment entitlements fall under other long-term employee benefits.

Severance benefit obligations changed as follows:

TEUR	2019	2018
Present value of defined benefit obligations (DBO) at 1 January	35,257	34,836
Obligations transferred without being recognised in the statement of profit or loss	0	294
Service costs	1,272	1,293
Interest costs	413	339
Severance benefit payments	-1,610	-1,304
Actuarial gain/loss arising from experience adjustments	-308	123
Actuarial gain/loss arising from changes in demographic parameters	-152	97
Actuarial gain/loss arising from changes in financial parameters	2,156	-421
Present value of defined benefit obligations (DBO) at 31 December	**37,028**	**35,257**

Post-employment benefit obligations changed as follows:

TEUR	2019	2018
Present value of defined benefit obligations (DBO) at 1 January	36,614	34,757
Service costs	3	15
Interest costs	532	437
Payments to beneficiaries	-2,255	-2,221
Actuarial gain/loss arising from experience adjustments	565	365
Actuarial gain/loss arising from changes in demographic parameters	0	3,020
Actuarial gain/loss arising from changes in financial parameters	4,290	241
Present value of defined benefit obligations (DBO) at 31 December	**39,749**	**36,614**

Plan assets changed as follows:

TEUR	2019	2018
Fair value of the plan assets at 1 January	5,390	5,982
Interest income from plan assets	79	75
Contributions to plan assets	142	161
Taxes and costs for employer's contributions	-9	-10
Retirement benefits paid from plan assets	-483	-468
Actuarial gain/loss for the financial year	700	-350
Fair value of the plan assets at 31 December	**5,819**	**5,390**

Reconciliation of the present value of **post-employment benefit obligations** and the fair value of plan assets to recognised provisions:

TEUR	2019	2018
Present value of defined benefit obligations (DBO) at 31 December	39,749	36,614
Fair value of the plan assets at 31 December	-5,819	-5,390
Net obligations at 31 December	**33,930**	**31,224**

Breakdown of **pension obligations:**

TEUR	2019	2018
Present value of defined post-employment benefit obligations (DBO) at 31 December	39,749	36,614
Active workforce	0	730
Retirees	39,749	35,884

The **plan assets** were **structured** as follows:

%	2019	2018
Bonds and other fixed-income securities	55.87	41.35
Shares and other variable-yield securities	24.67	17.19
Real estate	4.23	4.63
Other	15.23	36.83
Total	**100.00**	**100.00**

During the reporting year, most of the plan asset instruments were traded on an active market. Around 16 % (2018: around 12 %) were quoted on an inactive market.

The range of pension plans is varied and comprises several different plans: not fund-financed, partly fund-financed and fully fund-financed. The assets of the partly and fully fund-managed pension plans are managed by Valida Pension AG. Valida Pension AG is a pension fund and therefore specifically regulated by the provisions of the Austrian Pension Fund Act (PKG) and the Austrian Company Pension Act (BPG).

Valida Pension AG utilises an asset/risk management process (ARM process). Under this process, the risk-bearing capacity of each pension and staff benefit plan (Veranlagungs- und Risikogemeinschaft, VRG) managed by Valida is evaluated once a year taking as a basis its structure on the liabilities side of the statement of financial position. The investment structure of the plan is derived from this risk-bearing capacity. The investment structure also takes account of requirements specified and documented by the customer.

The defined investment structure is implemented in the fund named “VRG 7”, in which the amounts accrued for RLB Steiermark are invested using a concept-based investment tool. This means that the weighting of predefined asset classes moves between bandwidths according to objective criteria derived from market trends. In addition, the equity components are hedged during periods of stress in the financial markets.

Return on plan assets:

TEUR	2019	2018
Actual return on plan assets	779	-275

Obligations for **other long-term employee benefits (anniversary bonuses)** changed as follows:

TEUR	2019	2018
Present value of defined benefit obligations (DBO) at 1 January	5,914	5,512
Obligations transferred without being recognised in the statement of profit or loss	0	76
Service costs	318	303
Interest costs	68	54
Payments	-525	-318
Actuarial gain/loss for the financial year	463	287
Present value of defined benefit obligations (DBO) at 31 December	**6,238**	**5,914**

The tables below show the present values of the defined benefit obligations and experience adjustments:

Severance benefit obligations:

TEUR	2019	2018
Present value of obligations	37,028	35,257
Experience adjustments on obligations	308	-123

Post-employment benefit obligations:

TEUR	2019	2018
Present value of obligations	39,749	36,614
Fair value of plan assets	5,819	5,390
Net obligations	**33,930**	**31,224**
Experience adjustments on obligations	-565	-365
Experience adjustments on plan assets	700	-350

No regular payments to the defined benefit plan will be made for future years because the RLB Steiermark Group has not had any active employees since 2013 who qualified for defined benefits. Additional contributions may be payable for obligations arising from the defined benefit plans that were contracted out to Valida Pension AG.

Long-service bonus obligations:

TEUR	2019	2018
Present value of obligations	6,238	5,914
Experience adjustments on obligations	-79	-72

Breakdown of expenditure on defined contribution plans:

TEUR	2019	2018
Expenditure on defined contribution plans	2,794	2,767
Of which on defined contribution plans (pension fund)	2,324	2,338
Of which on the staff benefit fund (Mitarbeitervorsorgekasse)	470	429

The expenditure on defined contribution plans for members of the Managing Board amounted to TEUR 354 during the reporting year (2018: TEUR 277).

The following actuarial assumptions regarding the calculation of defined benefit obligations are considered significant and subjected to a sensitivity analysis. The resultant band of increases and reductions, expressed as percentage changes, in comparison with the values reported for defined benefit obligations is as follows:

2019 financial year

	Actuarial interest rate		Projected trend in salaries		Discount for employee turnover	
	+ 0.50 %	- 0.50 %	+ 0.50 %	- 0.50 %	+ 0.50 %	- 0.50 %
Severance payments	-3.83 %	4.09 %	3.91 %	-3.70 %	-1.97 %	0.77 %
Pensions	-5.35 %	5.87 %	5.72 %	-5.27 %	-	-

2018 financial year

	Actuarial interest rate		Projected trend in salaries		Discount for employee turnover	
	+ 0.50 %	- 0.50 %	+ 0.50 %	- 0.50 %	+ 0.50 %	- 0.50 %
Severance payments	-3.93 %	4.20 %	4.09 %	-3.86 %	-1.95 %	0.29 %
Pensions	-5.10 %	5.57 %	5.49 %	-5.08 %	-	-

The sensitivity analysis presented above may not be representative of the actual change in defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Average maturities (duration) of defined benefit plans:

	Average maturities (duration)	
	2019	2018
Severance payments	6 to 10 years	7 to 10 years
Pensions	8 to 12 years	9 to 13 years

Other provisions

2019 financial year

TEUR	At 1 January	Transfers	Addition	Reversal	Utilisation	Interest rate effects	At 31 December
Litigation	1,890	0	1,586	-1,216	-674	0	1,586
Off-balance sheet transactions	11,994	0	5,067	-6,766	0	0	10,295
Miscellaneous provisions	4,587	0	111	-321	-874	8	3,511
Total	**18,471**	**0**	**6,764**	**-8,303**	**-1,548**	**8**	**15,392**

2018 financial year

TEUR	At 31/12/2017	Effect of IFRS 9 first-time application	At 01/01/2018	Transfers	Addition
Litigation	2,828	0	2,828	0	270
Off-balance sheet transactions	17,548	814	18,362	-2,366	6,411
Miscellaneous provisions	12,678	0	12,678	2,367	1,229
Total	**33,054**	**814**	**33,868**	**1**	**7,910**

TEUR	Reversal	Utilisation	Interest rate effects	Changes in scope of consolidation	At 31/12/2018
Litigation	-405	-237	0	-566	1,890
Off-balance sheet transactions	-10,277	-136	0	0	11,994
Miscellaneous provisions	-3,441	-8,243	-3	0	4,587
Total	**-14,123**	**-8,616**	**-3**	**-566**	**18,471**

The provisions for interest rate refunds due to negative indicators or reference interest rates (e.g. LIBOR, EURIBOR) included in other provisions declined from TEUR 3,076 to TEUR 2,873 during the financial year.

Provisions for off-balance sheet transactions comprise provisions for expected credit losses from indemnity agreements, guarantees and other credit risks.

The tables below show the development of provisions for off-balance sheet transactions and the reconciliation of nominal amounts.

2019 financial year

TEUR	Stage 1	Stage 2	Stage 3	Balance
Gross carrying amount as at 31/12/2018	**2,018,661**	**48,883**	**30,826**	**2,098,370**
Change due to transfers	**-18,934**	**16,249**	**2,685**	**0**
- Transfers to stage 1	3,676	-3,578	-98	0
- Transfers to stage 2	-18,939	19,864	-925	0
- Transfers to stage 3	-3,671	-37	3,708	0
Change due to new business activity	885,588	27,292	1,655	914,535
Change due to disposals	-537,852	-16,770	-3,050	-557,672
Depreciation	0	0	0	0
Change in scope of consolidation	0	0	0	0
Existing business activity/other changes	-255,152	-6,209	-1,377	-262,738
Gross carrying amount as at 31/12/2019	**2,092,311**	**69,445**	**30,739**	**2,192,495**

TEUR	Impairment stage 1	Impairment stage 2	Impairment stage 3	Total
At 31/12/2018	**1,176**	**429**	**10,389**	**11,994**
Transfers	22	-22	0	0
New business activity	1,120	664	246	2,030
Disposals	-374	-100	-2,458	-2,932
Existing business activity/other changes	-85	41	-753	-797
Utilisation	0	0	0	0
At 31/12/2019	**1,859**	**1,012**	**7,424**	**10,295**

2018 financial year

TEUR	Stage 1	Stage 2	Stage 3	Balance
Nominal amounts as at 1/1/2018	**1,979,513**	**73,756**	**32,690**	**2,085,959**
Change due to transfers	**4,384**	**-9,819**	**5,435**	**0**
- Transfers to stage 1	18,137	-18,137	0	0
- Transfers to stage 2	-13,617	13,617	0	0
- Transfers to stage 3	-136	-5,299	5,435	0
Change due to new business activity	925,980	15,258	4,615	945,853
Change due to disposals	-763,336	-19,877	-19,053	-802,266
Depreciation	0	0	-46	-46
Change in scope of consolidation	0	-12,837	0	-12,837
Existing business activity/other changes	-127,880	2,402	7,185	-118,293
Nominal amounts as at 31/12/2018	**2,018,661**	**48,883**	**30,826**	**2,098,370**

TEUR	Impairment stage 1	Impairment stage 2	Impairment stage 3	Total
At 31/12/2017	**2,503**	**0**	**15,045**	**17,548**
Effect of IFRS 9 first-time application	-953	1,767	0	814
At 01/01/2018	**1,550**	**1,767**	**15,045**	**18,362**
Transfers	269	-269	-2,366	-2,366
New business activity	756	226	487	1,469
Disposals	-614	-1,158	-4,745	-6,517
Existing business activity/other changes	-785	-137	2,104	1,182
Utilisation	0	0	-136	-136
At 31/12/2018	**1,176**	**429**	**10,389**	**11,994**

31. Current and deferred income tax assets and liabilities

TEUR	2019	2018
Current income tax assets	13,464	5,968
Deferred income tax assets	28,532	36,714
Total	**41,996**	**42,682**

TEUR	2019	2018
Current income tax liabilities	3,906	3,205
Deferred income tax liabilities	508	5,640
Total	**4,414**	**8,845**

Net deferred tax assets break down as follows:

TEUR	2019	2018
Deferred tax assets	196,155	159,282
Deferred tax liabilities	168,131	128,208
Net deferred tax assets	**28,024**	**31,074**

Net deferred tax assets resulted from the following items:

TEUR	2019	2018
Financial assets – AC	0	9
Impairments	2,677	2,415
Financial assets – FVTPL-M	0	56
Derivatives – hedge accounting (fair values)	24,423	6,433
Value adjustment from portfolio fair value hedges	403	0
Intangible assets	0	101
Property, plant and equipment	2,120	2,029
Rights of use	25	0
Other assets	18	0
Financial liabilities – AC	56,030	28,478
Financial liabilities – HFT	6,548	4,128
Financial liabilities – FVO	56,746	72,560
Provisions	15,165	14,053
Tax loss carryforwards and as yet unused sevenths of partial writedowns	32,000	29,020
Deferred tax assets	**196,155**	**159,282**
Financial assets – AC	9,107	1,446
Impairments	0	31
Financial assets – HFT	84,902	76,151
Financial liabilities – FVOCI	9,910	17,382
Financial assets – FVTPL-M	3,855	332
Derivatives – hedge accounting (fair values)	55,760	28,069
Property, plant and equipment	74	64
Financial liabilities – HFT	3,478	3,719
Other liabilities	1,045	1,014
Deferred tax liabilities	**168,131**	**128,208**
Net deferred tax assets	**28,024**	**31,074**

Deferred taxes on tax loss carryforwards and impairments to equity investments were determined on the basis of a five year forecast period. Assets in the amount of TEUR 15,517 (2018: TEUR 36,332) arising from currently unused tax loss carryforwards and impairments to equity investments were not capitalised in the consolidated financial statements because, from the present perspective, it seems unlikely that it will be possible to realise them within the forecast period and it does not appear reasonably probable that sufficient taxable results will be available against which they can be utilised.

In connection with associates valued at equity, as of 31/12/2019, taxable temporary differences amount to TEUR 146,810 (2018: TEUR 148,284). In accordance with IAS 12.39, no deferred tax liabilities need to be entered in the statement of financial position for these temporary differences because of management's stated and documented intention to hold these for the long term. Furthermore, in accordance with IAS 12.39, no deferred tax liabilities for subsidiaries in the amount of TEUR 9,270 (2018: TEUR 6,232) were recognised because these only arise in the event of liquidation of the company or if the investments are intended for sale.

For a presentation of income taxes attributable to the individual components of other comprehensive income, we refer to the statement of comprehensive income.

32. Other liabilities

TEUR	2019	2018
Other deferred tax liabilities	4,543	4,640
Lease liabilities	13,676	0
Other liabilities	40,318	36,043
Accruals and deferred items	244	256
Clearing items	1,548	1,604
Other items	38,526	34,183
Total	**58,537**	**40,683**

Since IFRS 16 “Leases” came into force, leasing liabilities are also reported in this item for the first time.

33. Equity

TEUR	2019	2018
Attributable to equity holders of the parent	**1,611,476**	**1,470,355**
Subscribed capital	142,721	142,721
Capital reserves	401,825	401,825
Retained earnings	1,315,117	1,217,884
Of which: consolidated net profit for the year	104,300	128,391
Accumulated other comprehensive income	-248,187	-292,075
Equity attributable to non-controlling interests	**1,103**	**59,148**
Total	**1,612,579**	**1,529,503**

The change in non-controlling interests was primarily due to the acquisition of the remaining shares (25 % + 2 shares) in Landes-Hypothekenbank Steiermark Aktiengesellschaft.

The share capital (subscribed capital) of RLB Steiermark totalled TEUR 142,721 as at 31 December 2019 (2018: TEUR 142,721) and consisted of 3,113,507 (2018: 3,113,507) registered no-par shares (ordinary shares). All issued shares are also fully paid-up.

According to the proposed appropriation of profit, the 2019 net profit of Raiffeisen-Landesbank Steiermark AG in the amount of EUR 16,501,587.10 is to be carried forward to new account. In the previous year, an amount of EUR 3.25 per share was paid out on the share capital, which is divided into 3,113,507 registered no-par shares. This corresponds to an amount of EUR 10,118,897.75.

Under the institutional protection scheme agreement, RLB is required to pay contributions to the institutional protection schemes at the state and federal levels. After-tax profits were used to establish a special IPS provision in the amount of the contributions to be paid. This provision is included in retained earnings.

The figures for the individual components of accumulated other comprehensive income are stated after deduction of deferred taxes and including the shares of non-controlling interests.

TEUR	2019	2018
Actuarial gains and losses from defined benefit plans	-18,324	-13,895
Fair value changes due to changes in the credit risk of financial liabilities	-12,741	-12,383
Gains and losses from financial assets – fair value OCI	43,662	32,816
Share of other comprehensive income from investments valued at equity	-260,805	-298,055

The change in accumulated other comprehensive income is primarily attributable to the changes in equity of the equity-accounted investment in RBI (see note 20, "Investments in associates valued at equity").

The following tables show the reclassifications of accumulated gains (+) and losses (-) within equity, separated into fair value changes due to changes in the credit risk of financial liabilities and equity instruments measured at fair value in other comprehensive income.

TEUR	2019	2018
Fair value changes due to changes in the credit risk – reclassification	-116	1,120
Fair value changes due to changes in the credit risk – reclassification deferred taxes	29	-280
Total	**-87**	**840**

The reclassifications of accumulated losses recorded in OCI (2018: gains) to fair value changes due to changes in the credit risk of financial liabilities are related to disposals due to early (partial) repayments or the redemption of securities. The reclassification amounts are the amounts realised upon derecognition and recognised in other comprehensive income.

TEUR	2019	2018
Equity instruments FVOCI – reclassification	-2,099	-1,223
Equity instruments FVOCI – reclassification deferred taxes	0	0
Total	**-2,099**	**-1,223**

The reclassifications of accumulated losses on changes in fair value of equity instruments FVOCI relate to disposals from the sale of investments. The previous year's reclassification amount also included effects due to changes within the Group (mergers, changes in the scope of consolidation). The fair value of the equity instruments at the time of their derecognition was TEUR 721 (2018: TEUR 151). The accumulated gains from the derecognition of disposed equity instrument FVOCI amounted to TEUR 1,923 (2018: TEUR 1,043).

The following table shows the reclassifications of accumulated gains (+) or losses (-) to the statement of profit or loss:

TEUR	2019	2018
Debt instruments FVOCI – reclassification	3,616	1,567
Debt instruments FVOCI – reclassification deferred taxes	-904	-392
Total	**2,712**	**1,175**

A comprehensive presentation of the changes in equity is provided in the table "Statement of changes in equity".

NOTES TO FINANCIAL INSTRUMENTS

34. Hedge accounting

The RLB Steiermark Group uses fair value hedge accounting to hedge against the interest rate risks of fixed-income financial instruments. To reduce the exposure to variability in interest-related risks arising from the underlying positions, the Group currently only uses interest rate swaps. Other instruments that can be used for hedging purposes include interest rate options (caps, floors) and other derivatives (such as forward rate agreements). Hedge underlyings mainly comprise loans and securities held in the Group's own portfolio, as well as issues, borrower's notes and other deposits.

Micro fair value hedge accounting
The RLB Steiermark Group hedges the exposure to changes in the fair value of underlying transactions on the assets and liabilities sides with fixed income risks, that are attributable to a particular risk, through (derivative) hedging instruments (fair value hedges). At the outset of the hedging relationship, the association between the hedged item and the hedging instrument (including the underlying risk management objectives) is documented. Furthermore, the effectiveness of the hedging relationship is demonstrated upon entering into the hedging relationship and as it progresses. The assessment of effectiveness is used to identify or exclude hedging relationships that qualify for hedge accounting.

A hedging relationship is effective if the following criteria are met:

- there is an economic relationship between hedged item and the hedging instrument, and
- the hedge ratio of the hedging relationship is equal to the ratio of the volumes of the hedging instrument and the hedged item, and
- the credit risk does not dominate the hedging relationship.

An economic relationship exists if the changes in value of the hedged item and the hedging instrument are fundamentally opposite with regard to the hedged risk. The compensation must not be random. In exceptional cases, the two may not move in opposite directions; this must, however, be the general case. An economic connection can be assumed if the hedged item and the hedging instrument are based on the same (opposite) underlying or on different underlyings that correlate with each other. The RLB Steiermark Group uses a prospective effectiveness test to demonstrate the economic relationship between the hedged item and the hedging instrument. The two methods used to measure the prospective effectiveness of hedges are the critical terms match (CTM) method and the sensitivity analysis approach (basis point value). In the first instance, an assessment is made as to whether a critical term match (CTM) exists. If, in a micro-hedge, all parameters of the underlying transaction and the hedging instrument which determine the extent of the hedged change in value are identical but mutually offsetting, this is an indicator of a fully effective hedging relationship. According to the criteria applied by the Group, the following parameters must match to fulfil the CTM criterion: nominal value, currency and maturity/fixed interest rate period. If it is not possible to determine hedge effectiveness using the CTM method, the sensitivity analysis approach is used. This method consists of measuring the net present value change of both the hedging instrument and the hedged item on the basis of a 100 basis point parallel shift in the swap curve. The net present value is calculated on the basis of the zero-coupon curve, which is calibrated using swap rates. If the absolute amounts of these changes are mostly the same, the hedging relationship is prospectively considered effective. If the prospective measurement shows that the hedge is no longer effective, or if the risk management objective and the risk management strategy are no longer pursued, the hedging relationship is terminated. If the hedged item or hedging instrument is sold or closed out, the hedging relationship is also terminated.

The hedge ratio is determined according to the ratio of the volume of the hedging transaction and the hedged item and is generally 1 within the RLB Steiermark Group. If the hedged item or the hedging instrument have changed, the next step is to determine whether rebalancing, i.e. aligning the accounting with what has happened in the actual hedge relationship, is required. Since changes in the volume of the hedged item also result in a corresponding adjustment of the volume of the hedging transactions (e.g. by closing out derivatives), there is generally no need for rebalancing.

The default risk in hedging transactions is insignificant due to either bilateral collateral agreements or central counterparty clearing and does not dominate the hedging relationship, although it is taken into account in the fair value calculation in the form of a CVA and may therefore lead to immaterial ineffectiveness. The hedged risk for the underlying transactions is only the fixed-interest component. Financial assets in stage 3 have a default risk that dominates the hedging relationship. The rules of hedge accounting can no longer be applied to hedged items that migrate to this stage. In contrast, the default risk for hedged items in stage 1 does not dominate the hedging relationship. This generally also applies to stage 2, although the RLB Steiermark Group does monitor this in order to assess whether credit risk dominates. If the default risk is dominant, the rules of hedge accounting can no longer be applied.

If the economic context continues to exist, rebalancing is not necessary and the credit risk does not dominate the hedging relationship, the hedging relationship is continued without change and recognised in accordance with the rules of IFRS 9 Hedge Accounting.

The assessment of the effectiveness of a hedging relationship must be distinguished from the determination of ineffectiveness. IFRS 9 does not require a retrospective effectiveness test and therefore does not require compliance with the 80 %/125 % limit specified in IAS 39. However, according to IFRS 9, the default risk must not dominate the hedging relationship. The RLB Steiermark Group continues to determine ineffectiveness using a (voluntary) retrospective effectiveness test.

Portfolio fair value hedge accounting

As part of the application of fair value hedges of interest rate risks on a portfolio basis, fixed-income banking transactions in defined maturity bands are combined into an overall risk position and hedged with corresponding derivative hedging transactions. The hedged risk is the fair value risk resulting from changes in the swap rate for fixed income transactions.

Risk management identifies the fixed-income transactions that are to be allocated to a portfolio. Currently, loans and nostro securities are allocated to the single asset portfolio “Financial assets – AC”. For the portfolio, the cash flows of the transactions are allocated to maturity bands on the basis of the expected interest rate adjustment dates, with the respective nominal amount of a transaction being allocated exclusively to the maturity band on the respective interest rate adjustment date. In the case of predetermined partial repayments, the total nominal amount is divided and allocated to different maturity bands. The RLB Steiermark Group has defined maturity bands according to the calendar year.

A certain amount is hedged for each maturity band and portfolio, with the amount hedged being derived from the derivative hedging instruments. This base amount is called the bottom layer. Changes in cash flows within the hedging period do not result in a change in the hedged amount as long as the cash flows do not fall below the bottom layer. The definition of such a bottom layer has been made possible by the EU carve-out to IAS 39. The RLB Steiermark Group uses hedging periods of one month. Accordingly, the hedging relationship is terminated at the end of each hedging period and redesignated at the beginning of the next hedging period. Plain vanilla swaps which can involve either bullet repayment or redemptions are used as derivative hedging transactions.

The RLB Steiermark Group uses an interest rate sensitivity calculation to determine the hedge ratio. This involves calculating the basis point value (BPV) per maturity band for the total cash flows of the portfolio transactions as well as for the cash flows of the fixed side of the derivative financial instruments. This calculation is based on the quarterly allocation of the cash flows of the portfolio transactions. Prospective effectiveness is measured using a regression analysis with historical market data on a monthly basis per maturity band and portfolio. The regression is based on 30 data points, with the first 29 data points being based on historical data and the 30th data point representing an interest rate scenario. In addition to the slope of the regression line, the dispersion of the values must also be considered. The RLB Steiermark Group uses R^2 with a lower limit of 80 % as the coefficient of determination. The applied confidence interval is 95 %. Retrospective effectiveness is also measured using regression analysis per maturity band and portfolio, with all data points being calculated historically.

The table below shows the derivative **hedging instruments** used to hedge financial assets (“hedge assets”) and financial liabilities (“hedge liabilities”). The hedging instruments are reported at their fair value in the items “Derivatives – hedge accounting (positive fair values)” and “Derivatives – hedge accounting (negative fair values)”.

2019 financial year	Nominal amounts – term to maturity				Carrying amount (fair value) at 31/12/2019		Change in fair value used to determine the extent of ineffectiveness (1/1 – 31/12/2019)
TEUR	Up to 1 year	> 1 year to 5 years	5 years and over	Total	Positive	Negative	
Micro fair value hedges - assets							
Interest rate swaps (payer swaps)	110,000	1,283,490	625,243	2,018,733	2,162	62,714	-38,420
Portfolio fair value hedges - assets							
Interest rate swaps (payer swaps)	59,500	325,500	266,975	651,975	1,061	43,773	1,423
Micro fair value hedges - liabilities							
Interest rate swaps (receiver swaps)	40,000	757,625	1,454,416	2,252,041	241,624	0	116,628
Total	**209,500**	**2,366,615**	**2,346,634**	**4,922,749**	**244,847**	**106,487**	**79,631**

2018 financial year	Nominal amounts – term to maturity				Carrying amount (fair value) at 31/12/2018		Change in fair value used to determine the extent of ineffectiveness (1/1 – 31/12/2018)
TEUR	Up to 1 year	> 1 year to 5 years	5 years and over	Total	Positive	Negative	
Micro fair value hedges - assets							
Interest rate swaps (payer swaps)	110,000	862,390	458,736	1,431,126	1,371	25,413	-14,537
Micro fair value hedges - liabilities							
Interest rate swaps (receiver swaps)	30,000	770,600	1,491,236	2,291,836	131,344	1,920	26,871
Total	**140,000**	**1,632,990**	**1,949,972**	**3,722,962**	**132,715**	**27,333**	**12,334**

The tables below show the **underlying transactions** in micro and portfolio fair value hedge accounting, broken down by items in the statement of financial position as at the reporting date 31/12/2019 and the previous year's reporting date 31/12/2018.

TEUR	Carrying amount of underlying transactions at 31/12/2019	Accumulated expenses/income included in the carrying amount of the underlying transaction (hedge adjustment) at 31/12/2019	Change in fair value used to determine the extent of ineffectiveness (1/1 – 31/12/2019)
Micro fair value hedges – assets			
Financial assets – AC			
Bonds	895,210	16,883	11,646
Loans and receivables	770,410	29,085	24,168
Financial liabilities – FVOCI			
Bonds	455,749	4,548	3,145
Portfolio fair value hedges – assets			
Financial liabilities – AC*)	n/a	-1,611	-1,228
Total	**2,121,369**	**48,905**	**37,731**
Micro fair value hedges – liabilities			
Financial liabilities – AC			
Liabilities evidenced by certificates	1,920,241	175,096	-96,223
Subordinated liabilities	5,935	820	-312
Deposits with agreed maturity	656,085	47,283	-18,797
Total	**2,582,261**	**223,199**	**-115,332**

*) As both bonds and loans and receivables are allocated to the portfolio and a specific amount (cash flow) is hedged for each maturity band and portfolio within the framework of portfolio fair value hedge accounting, the carrying amount of the underlying transactions and the breakdown by class is not disclosed.

TEUR	Carrying amount of underlying transactions at 31/12/2018	Accumulated expenses/income included in the carrying amount of the underlying transaction (hedge adjustment) at 31/12/2018	Change in fair value used to determine the extent of ineffectiveness (1/1 – 31/12/2018)
Micro fair value hedges – assets			
Financial assets – AC			
Bonds	659,245	5,238	5,998
Loans and receivables	590,740	4,917	6,404
Financial liabilities – FVOCI			
Bonds	210,629	1,444	1,801
Total	**1,460,614**	**11,599**	**14,203**
Micro fair value hedges – liabilities			
Financial liabilities – AC			
Liabilities evidenced by certificates	1,848,964	82,972	-22,083
Subordinated liabilities	5,639	350	-43
Deposits with agreed maturity	656,464	29,483	-4,516
Total	**2,511,067**	**112,805**	**-26,642**

Even if the parameters of the hedged item and the hedging instrument are almost identical and move in tandem, hedge ineffectiveness can occur because a basis risk (basis risk, in the context of hedge accounting, refers to any difference in the underlyings of the hedging instrument and the hedged item) in the form of unfavourable interest rate movements exists. Specifically, this is the risk that the hedging derivatives and the corresponding hedged items will be discounted with different yield curves (OIS curve vs. 3- or 6 month-EURIBOR).

Other possible sources of hedge ineffectiveness are:

- late designation of hedging instruments,
- upfront payments for hedging instruments,
- the influence of variable cash flows on the value of hedging instruments as they approach maturity,
- valuation differences regarding termination rights.

Other reasons for ineffectiveness in the context of portfolio fair value hedge accounting may include:

- deviations in the variable discount rates (tenor) of underlying and hedging transactions
- falling below the “bottom layer”

The table below shows the ineffectiveness of hedges for interest rate risks, broken down by classes for fair value hedging: Ineffectiveness is reported for both micro fair value hedge accounting and portfolio fair value hedge accounting in the item "Profit/loss from hedge accounting".

TEUR	Hedge ineffectiveness 2019	Hedge ineffectiveness 2018
Micro fair value hedges – assets		
Financial assets – AC		
Bonds	57	-33
Loans and receivables	38	-233
Financial liabilities – FVOCI		
Bonds	52	-66
Portfolio fair value hedges – assets		
Financial liabilities – AC*)	195	0
Total	**342**	**-332**
Micro fair value hedges – liabilities		
Financial liabilities – AC		
Liabilities evidenced by certificates	1,052	281
Subordinated liabilities	5	1
Deposits with agreed maturity	630	-55
Total	**1,687**	**227**

*) Since both bonds and loans and receivables are allocated to the "Financial assets – AC" portfolio, a breakdown by class is not disclosed.

35. Breakdown of terms to maturity

The term to maturity is defined as the period between the reporting date and the contractually agreed maturity of the liability.

Breakdown of terms to maturity at 31/12/2019:

Financial liabilities (TEUR)	Contractual cash flows	On demand / no specific term	Up to 3 months	> 3 months to 1 year	> 1 year to 5 years	5 years and over
Financial liabilities – amortised cost (AC)	11,854,102	4,709,579	362,540	755,223	3,084,287	2,942,473
Financial liabilities – held for trading (HFT)	369,863	0	100,749	111,559	68,393	89,162
Financial liabilities – designated at fair value P&L (FVO)	1,937,881	0	13,333	53,333	367,395	1,503,820
Derivatives - hedge accounting (negative fair values)	106,937	0	7,750	17,856	58,146	23,185
Off-balance sheet transactions	2,192,495	2,192,495	0	0	0	0

Breakdown of terms to maturity at 31/12/2018:

Financial liabilities (TEUR)	Contractual cash flows	On demand / no specific term	Up to 3 months	> 3 months to 1 year	> 1 year to 5 years	5 years and over
Financial liabilities – amortised cost (AC)	11,761,550	4,205,517	378,494	634,702	3,275,137	3,267,700
Financial liabilities – held for trading (HFT)	318,049	0	129,587	83,427	77,145	27,890
Financial liabilities – designated at fair value P&L (FVO)	2,487,769	0	46,538	89,117	463,091	1,889,023
Derivatives - hedge accounting (negative fair values)	23,735	0	2,711	6,574	18,037	-3,587
Off-balance sheet transactions	2,098,370	2,098,370	0	0	0	0

For the cash flows relating to derivatives – hedge accounting (negative fair values) in the maturity band “greater than 5 years”, the variable payments to be received exceed the fixed payments to be made.

36. Netting of financial assets and liabilities

The provisions of IFRS 7 require entities to disclose information on netting rights and/or master netting arrangements for financial assets and liabilities.

The RLB Steiermark Group concludes loan and interbank deposit transactions on the basis of deposit netting agreements and/or master netting arrangements with major customers. Generally, the amounts owed by each counterparty on all outstanding transactions under such agreements can be combined into a single net amount, provided that the requirements of IAS 32.42 have been met as follows:

- A current and legally enforceable right exists to net financial assets and liabilities against one another.
- The entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Some of those agreements are not netted in the statement of financial position because the respective counterparties are granted the right to offset recognised amounts. This right is enforceable only upon the occurrence of an event of default, insolvency or bankruptcy of the Group or counterparty, or other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The Group receives and provides collateral in the form of liquid assets and marketable securities.

The tables below present financial assets and liabilities that are netted in the consolidated statement of financial position (netted financial assets or liabilities) or are subject to a master netting agreement or similar arrangement, irrespective of whether their carrying values are netted in the statement of financial position (potential effect of master netting agreements).

2019 financial year

TEUR

Financial assets	Financial assets – gross	Financial liabilities netted against financial assets	Financial assets reported in the statement of financial position – net	Potential effect of master netting agreements	Collateral in the form of financial instruments	Net total
					Not netted	
Demand deposits	**5,987**	**0**	**5,987**	**-5,987**	**0**	**0**
Financial assets – amortised cost (AC)	**394,188**	**-13**	**394,175**	**-383,592**	**0**	**10,583**
Loans and receivables	394,188	-13	394,175	-383,592	0	10,583
Financial assets – held for trading (HFT)	**128,149**	**0**	**128,149**	**-127,056**	**0**	**1,093**
Loans and receivables	122,603	0	122,603	-121,510	0	1,093
Derivatives (positive fair values)	5,546	0	5,546	-5,546	0	0
Financial assets – mandatorily at fair value P&L (FVPL-M)	**2,236**	**0**	**2,236**	**-2,236**	**0**	**0**
Loans and receivables	2,236	0	2,236	-2,236	0	0
Total	**530,560**	**-13**	**530,547**	**-518,871**	**0**	**11,676**

TEUR

Financial liabilities	Financial liabilities – gross	Financial assets netted against financial liabilities	Financial liabilities reported in the statement of financial position – net	Potential effect of master netting agreements	Collateral in the form of financial instruments	Net total
					Not netted	
Financial liabilities – amortised cost (AC)	**3,496,418**	**-13**	**3,496,405**	**-503,839**	**-180,484**	**2,812,082**
Deposits/borrowed funds	3,496,418	-13	3,496,405	-503,839	-180,484	2,812,082
Financial liabilities – held for trading (HFT)	**86,008**	**0**	**86,008**	**-15,032**	**0**	**70,976**
Derivatives (negative fair values)	728	0	728	-347	0	381
Deposits/borrowed funds	85,280	0	85,280	-14,685	0	70,595
Total	**3,582,426**	**-13**	**3,582,413**	**-518,871**	**-180,484**	**2,883,058**

Deposits/borrowed funds include repurchase transactions (repos) totalling TEUR 340,138, for which collateral in the form of financial instruments with an amount of TEUR 180,484 has been provided.

2018 financial year

TEUR

Financial assets	Financial assets – gross	Financial liabilities netted against financial assets	Financial assets reported in the statement of financial position – net	Potential effect of master netting agreements	Collateral in the form of financial instruments	Net total
					Not netted	
Demand deposits	**5,586**	**0**	**5,586**	**-5,584**	**0**	**2**
Financial assets – amortised cost (AC)	**335,158**	**0**	**335,158**	**-283,863**	**0**	**51,295**
Loans and receivables	335,158	0	335,158	-283,863	0	51,295
Financial assets – held for trading (HFT)	**426,450**	**0**	**426,450**	**-246,350**	**0**	**180,100**
Loans and receivables	424,986	0	424,986	-244,886	0	180,100
Derivatives (positive fair values)	1,464	0	1,464	-1,464	0	0
Financial assets – mandatorily at fair value P&L (FVPL-M)	**2,250**	**0**	**2,250**	**-2,250**	**0**	**0**
Loans and receivables	2,250	0	2,250	-2,250	0	0
Total	**769,444**	**0**	**769,444**	**-538,047**	**0**	**231,397**

TEUR

Financial liabilities	Financial liabilities – gross	Financial assets netted against financial liabilities	Financial liabilities reported in the statement of financial position – net	Potential effect of master netting agreements	Collateral in the form of financial instruments	Net total
					Not netted	
Financial liabilities – amortised cost (AC)	**2,989,650**	**0**	**2,989,650**	**-497,738**	**-262,580**	**2,229,332**
Deposits/borrowed funds	2,989,650	0	2,989,650	-497,738	-262,580	2,229,332
Financial liabilities – held for trading (HFT)	**131,436**	**0**	**131,436**	**-40,309**	**0**	**91,127**
Derivatives (negative fair values)	537	0	537	-1	0	536
Deposits/borrowed funds	130,899	0	130,899	-40,308	0	90,591
Total	**3,121,086**	**0**	**3,121,086**	**-538,047**	**-262,580**	**2,320,459**

Deposits/borrowed funds include repurchase transactions (repos) totalling TEUR 310,711, for which collateral in the form of financial instruments with an amount of TEUR 262,580 has been provided.

37. Derivative financial instruments

The following tables present the entire volume of derivative financial transactions outstanding at the reporting date (including the hedge accounting derivatives shown in note 34), broken down by term to maturity. The fair values incorporate the effects of counterparty risk (CVA/DVA).

Derivative financial products not held for trading (banking book) at 31/12/2019:

	Nominal amounts – term to maturity				Market value	
TEUR	Up to 1 year	> 1 year to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	555,782	3,531,644	5,102,329	9,189,755	688,960	172,351
Interest rate options – calls	48,000	7,036	12,196	67,232	1,078	0
Interest rate options – puts	7,386	5,207	19,417	32,010	0	108
Total	**611,168**	**3,543,887**	**5,133,942**	**9,288,997**	**690,038**	**172,459**
Exchange-traded products						
Futures	64,194	0	0	64,194	0	0
Total	**675,362**	**3,543,887**	**5,133,942**	**9,353,191**	**690,038**	**172,459**
Foreign exchange forwards						
OTC products						
Currency spots/forwards	134,895	0	0	134,895	1,746	208
Cross currency interest rate swaps/cross currency swaps	9,364	0	4,877	14,241	124	54
Total	**144,259**	**0**	**4,877**	**149,136**	**1,870**	**262**
Aggregate total	**819,621**	**3,543,887**	**5,138,819**	**9,502,327**	**691,908**	**172,721**

Derivative financial products not held for trading (banking book) at 31/12/2018:

	Nominal amounts – term to maturity				Market value	
TEUR	Up to 1 year	> 1 year to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	586,131	3,132,905	4,584,585	8,303,621	539,058	104,110
Interest rate options – calls	45,000	55,109	14,226	114,335	2,876	0
Interest rate options – puts	19,049	13,463	21,896	54,408	0	291
Total	**650,180**	**3,201,477**	**4,620,707**	**8,472,364**	**541,934**	**104,401**
Exchange-traded products						
Futures	60,553	0	0	60,553	0	0
Total	**710,733**	**3,201,477**	**4,620,707**	**8,532,917**	**541,934**	**104,401**
Foreign exchange forwards						
OTC products						
Currency spots/forwards	181,935	0	0	181,935	1,248	460
Cross currency interest rate swaps/cross currency swaps	149,915	0	0	149,915	131	8,397
Total	**331,850**	**0**	**0**	**331,850**	**1,379**	**8,857**
Aggregate total	**1,042,583**	**3,201,477**	**4,620,707**	**8,864,767**	**543,313**	**113,258**

Derivative financial products held for trading (trading book) at 31/12/2019:

	Nominal amounts – term to maturity				Market value	
TEUR	Up to 1 year	> 1 year to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	259,645	829,160	1,653,758	2,742,563	76,498	89,901
Interest rate options – calls	103,630	128,479	126,125	358,234	3,643	0
Interest rate options – puts	93,014	61,012	107,210	261,236	3	1,078
Total	**456,289**	**1,018,651**	**1,887,093**	**3,362,033**	**80,144**	**90,979**
Exchange-traded products						
Futures	0	0	0	0	0	0
Total	**456,289**	**1,018,651**	**1,887,093**	**3,362,033**	**80,144**	**90,979**
Foreign exchange forwards						
OTC products						
Currency spots/forwards	22,821	0	0	22,821	147	171
Cross currency interest rate swaps/cross currency swaps	427,652	0	12,983	440,635	616	21,230
Currency options – calls	5,000	0	0	5,000	12	0
Currency options – puts	5,000	0	0	5,000	30	0
Total	**460,473**	**0**	**12,983**	**473,456**	**805**	**21,401**
Aggregate total	**916,762**	**1,018,651**	**1,900,076**	**3,835,489**	**80,949**	**112,380**

Derivative financial products held for trading (trading book) at 31/12/2018:

	Nominal amounts – term to maturity				Market value	
TEUR	Up to 1 year	> 1 year to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	356,205	844,414	1,314,908	2,515,527	59,057	67,590
Interest rate options – calls	59,267	232,289	103,300	394,856	3,368	0
Interest rate options – puts	93,141	156,193	112,790	362,124	9	1,778
Total	**508,613**	**1,232,896**	**1,530,998**	**3,272,507**	**62,434**	**69,368**
Exchange-traded products						
Futures	120,000	0	0	120,000	0	0
Total	**628,613**	**1,232,896**	**1,530,998**	**3,392,507**	**62,434**	**69,368**
Foreign exchange forwards						
OTC products						
Currency spots/forwards	12,357	0	0	12,357	205	56
Cross currency interest rate swaps/cross currency swaps	367,438	2,050	12,982	382,470	71	17,740
Currency options – calls	778	0	0	778	17	0
Currency options – puts	778	0	0	778	0	13
Total	**381,351**	**2,050**	**12,982**	**396,383**	**293**	**17,809**
Aggregate total	**1,009,964**	**1,234,946**	**1,543,980**	**3,788,890**	**62,727**	**87,177**

38. Fair value of financial instruments

The fair value of all financial instruments reported at fair value is measured on a recurring basis.

A financial instrument's fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date. The measurement of fair value at the RLB Steiermark Group is based primarily on external sources of data (stock market prices or broker quotes). If no observable market price is available, the fair value is determined using generally accepted valuation methods. Depending on their market proximity and degree of objectivity, the valuation parameters used are assigned to one of the three levels (levels 1, 2 or 3) of the fair value hierarchy.

Description of valuation models and parameters

The RLB Steiermark Group uses only valuation models which have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently.

Where current, generally observable prices exist for securities and derivatives, these products will be recognised at the quoted market prices. For the remaining securities and derivatives, the fair value is determined on the basis of the present value of future cash flows.

For plain vanilla (fixed and floating) debt securities, the fair value is calculated by discounting the future cash flows using a discounting curve. This discounting curve is determined by the interest rate for the respective currency of issue and a spread adjustment derived from the credit spread curve of the issuer. If no issuer curve is available, the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the respective instrument. If no close proxy is available, the spread adjustment is estimated on the basis of internal ratings and default probabilities. For more complex debt securities, the fair value is determined using combinations of discounted cash flow models and more sophisticated modelling techniques including methods used for the valuation of OTC derivatives. The fair value of financial liabilities designated at fair value through profit or loss is determined using analogous methods.

The fair value of cross currency and cross currency interest rate swaps as well as forward rate agreements is determined on the basis of discounted cash flows. Here, the market interest rates applicable for the term to maturity are used.

The fair value of currency forwards is determined on the basis of the prevailing forward rates for their respective maturities. Options are measured at market prices or using recognised models for determining option prices. For simple European options and interest rate instruments, the established Black & Scholes models are used as valuation models (due to current market interest rate levels, the Black Sholes normal approach is also applied in some cases).

In the context of measuring derivatives, credit value adjustments (CVA) for counterparty risk and debt value adjustments (DVA) for the bank's own credit risk are applied. To determine the credit/debt value adjustments for OTC derivatives, the level of the portfolio value expected in the future (potential future exposure, PFE) is calculated by Monte Carlo simulation. That calculation is assessed using default rates observable on the market for the customer and Raiffeisen-Landesbank Steiermark AG. Generally, a counterparty's entire portfolio of derivatives is considered. CVA and DVA are calculated for the uncollateralised exposure. If the exposure is collateralised, the collateral lag (margin period of risk) is also factored into the calculation of CVA/DVA.

Optionalities in financial liabilities are measured, inter alia, on the basis of the Hull-White model. If third parties provide collateral, this is taken into account in the measurement of liabilities.

The fair value of certain financial instruments corresponds very closely to the carrying amount. This applies to cash and balances at central banks and demand deposits as well as receivables and liabilities that have no defined maturity or fixed interest rate and/or liabilities callable on demand or at short-term.

In the case of the remaining receivables and liabilities, the anticipated cash flows are discounted at current interest rates taking into account the respective spreads and costs of equity. For determining the fair value of loans, spreads based on internal credit rating models are applied. Residual spreads, which may include fees and other components, are also used.

Investments in associates are measured at equity as a general principle. The remaining investments are measured at fair value. In cases where a market or transaction price is available, this is used for measurement purposes. Otherwise, the fair value is calculated on the basis of discounted net cash flows or by means of simplified approximation methods. The fair value of real estate is determined on the basis of appraisals prepared close to the measurement date. The forecast of financial surpluses includes specific estimates for at least three years. The expected net cash flows are discounted at a risk-free interest rate, factoring in an appropriate risk haircut.

Where financial guarantees and irrevocable lending commitments are concerned, the carrying amount corresponds to the fair value.

The table below presents the carrying amounts of components of the statement of financial position that cannot be measured at fair value. These also include loans and receivables payable on demand as well as deposits whose carrying amount corresponds very closely to the fair value.

	2019		2018	
TEUR	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Assets				
Financial assets – AC	10,548,578	10,054,119	9,837,510	9,458,153
Bonds	1,828,981	1,769,183	1,644,185	1,593,245
Loans and receivables	8,587,959	8,155,008	8,057,520	7,731,497
Lease receivables	131,638	129,928	135,805	133,411
Equity and liabilities				
Financial liabilities – AC	11,827,861	11,682,928	11,449,023	11,320,124
Deposits/borrowed funds	8,053,194	7,994,461	7,589,059	7,535,617
Liabilities evidenced by certificates	3,697,338	3,617,868	3,786,839	3,715,091
Subordinated liabilities	77,329	70,599	73,125	69,416

39. Fair value hierarchy

The fair value hierarchy presents the financial assets and financial liabilities according to the level of the measurement hierarchy in which the measurements of fair value are classified in their entirety. This hierarchy divides the input factors used to determine fair value into three categories (levels), depending on the extent to which the input factors used are observable.

Quoted prices in active markets (level 1): The fair value of financial instruments classified in level 1 of the fair value hierarchy is calculated on the basis of the prices quoted on the active markets (stock exchange price or prices quoted by market participants). An active market for a financial instrument exists if quoted prices are regularly provided, for instance by stock exchanges, brokers or pricing services such as Reuters or Bloomberg, and transactions at these prices actually take place on a regular basis. This category contains equity instruments and debt instruments listed on stock exchanges, while financial instruments not measured at fair value essentially comprise liabilities evidenced by certificates.

Inputs based on market observables (level 2): If fair value determination is based on a price for which the market cannot be considered to be active because liquidity is limited, the underlying financial instrument is classified in level 2 of the fair value hierarchy. Where no market prices are available, the fair value is calculated by marking to model, for which market data are used as parameters. Provided that all key parameters of the valuation model are observable on the market, the financial instrument will be categorised in level 2 of the fair value hierarchy. Level 2 valuations typically employ interest curves, credit spreads and implicit volatilities as observable and verifiable market parameters.

In the category of financial instruments recognised at fair value, this includes in particular the majority of OTC derivatives and interbank funds in the trading portfolio and liabilities evidenced by certificates. Debt instruments for which there is no active market are also included in level 2. Financial instruments not measured at fair value essentially comprise interbank funds and deposits.

Inputs based on relevant, non-observable parameters (level 3): The financial instruments in this category feature input parameters that are not observable and have a more than immaterial effect on the fair value of an instrument. In these cases, individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. Besides observable parameters, level 3 valuations typically employ credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures as non-observable parameters. Level 3 financial instruments measured at fair value essentially include loans, structured liabilities evidenced by certificates, complex OTC derivatives, asset- backed securities and investments. Financial instruments not measured at fair value mainly comprise loans and deposits.

The table below shows the fair value hierarchy of financial assets and liabilities measured at fair value:

TEUR	2019			2018		
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets – HFT	**53,245**	**762,701**	**8,057**	**99,517**	**1,087,978**	**38,989**
Bonds	53,245	0	0	99,517	0	0
Loans and receivables	0	244,494	0	0	654,542	0
Derivatives (positive fair values)	0	518,207	8,057	0	433,436	38,989
Financial liabilities – FVOCI	**873,261**	**6,674**	**81,037**	**1,093,645**	**16,575**	**72,092**
Bonds	873,261	6,674	0	1,093,645	16,575	0
Equity instruments	0	0	81,037	0	0	72,092
Financial assets – FVTPL-M	**0**	**402,615**	**47,819**	**0**	**394,528**	**56,096**
Bonds	0	51,685	188	0	59,493	1,400
Loans and receivables	0	2,236	47,596	0	2,250	51,696
Equity instruments	0	0	35	0	0	3,000
Institutional funds	0	348,694	0	0	332,785	0
Derivatives - hedge accounting (positive fair values)	**0**	**244,847**	**0**	**0**	**132,715**	**0**
Total	**926,506**	**1,416,837**	**136,913**	**1,193,162**	**1,631,796**	**167,177**
Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities – HFT	**0**	**368,119**	**0**	**0**	**326,249**	**28,526**
Deposits with agreed maturity	0	189,713	0	0	181,815	0
Derivatives (negative fair values)	0	178,406	0	0	144,434	28,526
Financial liabilities – FVO	**0**	**1,351,531**	**28,051**	**0**	**1,667,172**	**78,326**
Deposits/borrowed funds	0	792,217	0	0	1,039,342	13,420
Liabilities evidenced by certificates	0	559,314	28,051	0	627,830	64,906
Derivatives - hedge accounting (negative fair values)	**0**	**106,487**	**0**	**0**	**27,333**	**0**
Total	**0**	**1,826,137**	**28,051**	**0**	**2,020,754**	**106,852**

Reclassifications from and to level 1

Neither in the reporting period nor in the previous year were there any reclassifications from or to level 1.

Level 3 financial instruments

Description of valuation methods and processes for level 3 financial instruments

A level 3 position involves at least one (or more) significant inputs that are not directly observable on the market. Therefore, additional price verification procedures – which, among other methods, may include analysis of historical data or benchmarking against similar financial instruments – are required to substantiate the valuation price. These procedures involve parameter estimates and obtaining expert opinions.

Financial instruments measured at fair value – with the exception of investments – are measured and categorised by the market risk control department, which is responsible for market evaluations and the calculation models used, including the determination of level 3 fair values. The market risk control department monitors important non-observable input factors and valuation adjustments at regular intervals. If third-party prices, for example partner evaluations or external models, are used to determine fair values, the market risk control department records and documents these values and verifies their credibility. Important measurement issues and the effects of measurement changes are reported to the overall bank risk committee and/or the Managing Board. The fair values of investments are determined and categorised by the investments department, which is responsible for the entire investment portfolio.

Information about level 3 fair value measurements:

	Type	Valuation method	Significant non-observable inputs	Extent of non-observable inputs
Bonds	Bonds	Broker estimates	Probability of default, interest rate	5 - 10 %
Liabilities evidenced by certificates	Issues	Broker estimates, DCF method	Expected interest payments	5 - 10 %
Derivatives	Interest rate derivatives	Broker estimates	Expected interest payments	10 - 20 %
Loans and receivables	Loans	DFC	Probability of default, loss given default	10 - 30 %

Equity investments

Valuation method	Description	Input factors	from	to
Discounted cash flow method (DCF – flow-to-equity)	Free cash flows are discounted at an internal interest rate (discount rate, beta factor and market risk factor)	Internal interest rate	6.35 %	9.51 %
		Beta factor	0.76	1.12
		Market risk factor	7.30 %	8.16 %
		Risk-free interest rate	0.34 %	0.95 %
		Planning horizon	3 years	5 years
Net asset value method (real estate)	The property's current market value is obtained via expert appraisal on the measurement date. The unrealised gains/losses thus determined are included in equity.	Lease per m^2	0.20 EUR	3.00 EUR
		Markup/markdown	+500 BP	-500 BP
Income capitalisation method (option price)	A projected statement of profit or loss is used to calculate future profit surpluses which are then discounted to determine the value of equity at the measurement date.	Discount rate	4.12 %	6.12 %

For some of the level 3 financial instruments, identical and similar compensatory positions exist with regard to the non-observable inputs. The IFRS provisions require that assets and liabilities must be reported on a gross basis. Some financial instruments in the level 3 category are hedged with level 2 category instruments.

If a change in the calculation of fair value has occurred, for example if observable parameters are available for the determination of fair value instead of non-observable parameters, the respective financial instrument is reclassified.

The Group records reclassifications between different levels of the fair value hierarchy at the end of the reporting period in which the change took place, on the basis of the opening balance.

The tables on the following pages present the fair value development of financial instruments whose fair value cannot be determined using observable market data.

Reconciliation to level 3 financial instruments:

2019 financial year TEUR	Balance at 1/1	Recorded in the statement of profit or loss[1)]	Recorded in other comprehensive income[1)]	Additions	Disposals	Settlements	Reclassi-fications to level 3	Reclassi-fications from level 3	Balance at 31/12
Financial assets – HFT	**38,989**	**-2,507**	**0**	**0**	**0**	**0**	**0**	**-28,425**	**8,057**
Derivatives (positive fair values)	38,989	-2,507	0	0	0	0	0	-28,425	8,057
Financial liabilities – FVOCI	**72,092**	**0**	**7,248**	**2,418**	**-721**	**0**	**0**	**0**	**81,037**
Equity instruments	72,092	0	7,248	2,418	-721	0	0	0	81,037
Financial assets – FVTPL-M	**56,096**	**-3,915**	**0**	**8,708**	**-13,070**	**0**	**0**	**0**	**47,819**
Bonds	1,400	-1,212	0	0	0	0	0	0	188
Loans and receivables	51,696	262	0	8,708	-13,070	0	0	0	47,596
Equity instruments	3,000	-2,965	0	0	0	0	0	0	35
Total	**167,177**	**-6,422**	**7,248**	**11,126**	**-13,791**	**0**	**0**	**-28,425**	**136,913**
Financial liabilities – HFT	**28,526**	**0**	**0**	**0**	**0**	**0**	**0**	**-28,526**	**0**
Derivatives (negative fair values)	28,526	0	0	0	0	0	0	-28,526	0
Financial liabilities – FVO	**78,326**	**-5,137**	**179**	**0**	**-337**	**-40,000**	**0**	**-4,980**	**28,051**
Deposits / borrowed funds	13,420	-3,402	-18	0	0	-10,000	0	0	0
Liabilities evidenced by certificates	64,906	-1,735	197	0	-337	-30,000	0	-4,980	28,051
Total	**106,852**	**-5,137**	**179**	**0**	**-337**	**-40,000**	**0**	**-33,506**	**28,051**

[1)] In the case of assets, positive amounts represent gains and negative amounts represent losses. Where liabilities are concerned, positive amounts represent losses and negative amounts represent gains.

The reclassifications from level 3 to level 2 in the areas of financial assets – HFT and financial liabilities – HFT as well as financial liabilities – FVO took place because observable input factors are now available for all these transactions and the fair value is determined by standard valuation models. Beyond that, no further reclassifications to or from level 3 occurred. The reclassifications took place on the basis of the opening balance.

The gains and losses from the revaluation of financial liabilities – designated at fair value P&L (FVO) recognised in the statement of profit or loss, and the profit/loss from the corresponding underlyings (economic hedges) and from financial assets – mandatorily at fair value P&L (FVPL-M) are contained in the line item “Net income from financial instruments at fair value P&L (FVPL)”. The interest associated with these instruments is shown in net interest income. In the other comprehensive income (OCI non-reclassified), the impact of changes in own credit risk relating to financial liabilities – designated at fair value P&L (FVO) is contained in the line item “Fair value changes due to changes in the credit risk of financial liabilities”.

The gains and losses from financial assets and liabilities held for trading (HFT) are shown in the item “Net trading income” in the statement of profit or loss. Other comprehensive income includes the gains and losses from the remeasurement of financial assets – fair value OCI (FVOCI) in the line item “Gains and losses from financial assets – fair value OCI”.

The prior-year development of the fair values of level 3 financial instruments is shown in the tables below. Due to the introduction of IFRS 9, there were significant additions to some categories, which are reported in the column "IFRS 9 reclassification". The column "Effect of IFRS 9 first-time application" shows changes arising from the remeasurement of items due to adoption of IFRS 9.

2018 financial year TEUR	Balance at 31/12/2017	IFRS 9 reclassification	Effect of IFRS 9 first-time application	Balance at 01/01/2018	Recorded in the statement of profit or loss[1)]	Recorded in other comprehensive income[1)]
Financial assets – HFT	**41,776**	**0**	**0**	**41,776**	**-2,787**	**0**
Derivatives (positive fair values)	41,776	0	0	41,776	-2,787	0
Financial liabilities – FVOCI	**82,727**	**-11,500**	**0**	**71,227**	**0**	**-1,111**
Equity instruments	82,727	-11,500	0	71,227	0	-1,111
Financial assets – FVO	**2,274**	**-2,274**	**0**	**0**	**0**	**0**
Bonds	2,274	-2,274	0	0	0	0
Financial assets – FVTPL-M	**0**	**73,545**	**1,017**	**74,562**	**-9,176**	**0**
Bonds	0	2,274	0	2,274	-874	0
Loans and receivables	0	59,771	1,017	60,788	198	0
Equity instruments	0	11,500	0	11,500	-8,500	0
Total	**126,777**	**59,771**	**1,017**	**187,565**	**-11,963**	**-1,111**

TEUR	Additions	Disposals	Settlements	Reclassifications to level 3	Reclassifications from level 3	Balance at 31/12
Financial assets – HFT	**0**	**0**	**0**	**0**	**0**	**38,989**
Derivatives (positive fair values)	0	0	0	0	0	38,989
Financial liabilities – FVOCI	**6,057**	**-4,081**	**0**	**0**	**0**	**72,092**
Equity instruments	6,057	-4,081	0	0	0	72,092
Financial assets – FVO	**0**	**0**	**0**	**0**	**0**	**0**
Bonds	0	0	0	0	0	0
Financial assets – FVTPL-M	**6,043**	**-15,333**	**0**	**0**	**0**	**56,096**
Bonds	0	0	0	0	0	1,400
Loans and receivables	6,043	-15,333	0	0	0	51,696
Equity instruments	0	0	0	0	0	3,000
Total	**12,100**	**-19,414**	**0**	**0**	**0**	**167,177**

1) In the case of assets, positive amounts represent gains and negative amounts represent losses.

2018 financial year TEUR	Balance at 31/12/2017	IFRS 9 reclassification	Effect of IFRS 9 first-time application	Balance at 01/01/2018	Recorded in the statement of profit or loss[1]	Recorded in other comprehensive income[1]
Financial liabilities – HFT	**28,420**	**0**	**0**	**28,420**	**106**	**0**
Derivatives (negative fair values)	28,420	0	0	28,420	106	0
Financial liabilities – FVO	**80,828**	**0**	**0**	**80,828**	**-2,116**	**-109**
Deposits/borrowed funds	14,233	0	0	14,233	-733	-80
Liabilities evidenced by certificates	66,595	0	0	66,595	-1,383	-29
Total	**109,248**	**0**	**0**	**109,248**	**-2,010**	**-109**

TEUR	Additions	Disposals	Settlements	Reclassifications to level 3	Reclassifications from level 3	Balance at 31/12
Financial liabilities – HFT	**0**	**0**	**0**	**0**	**0**	**28,526**
Derivatives (negative fair values)	0	0	0	0	0	28,526
Financial liabilities – FVO	**0**	**-277**	**0**	**0**	**0**	**78,326**
Deposits/borrowed funds	0	0	0	0	0	13,420
Liabilities evidenced by certificates	0	-277	0	0	0	64,906
Total	**0**	**-277**	**0**	**0**	**0**	**106,852**

1) Where liabilities are concerned, positive amounts represent losses and negative amounts represent gains.

No reclassifications to or from level 3 occurred during the comparison period.

Gains and losses from level 3 financial instruments held at the reporting date

In accordance with the provisions of IFRS 7, the table below only presents gains and losses related to level 3 instruments held at the reporting date.

TEUR	2019	2018
Financial assets measured at fair value		
Financial assets – HFT	**407**	**2,386**
Derivatives (positive fair values)	407	2,386
Financial assets – FVTPL-M	**-1,849**	**-7,196**
Bonds	-10	-219
Loans and receivables	1,126	1,523
Equity instruments	-2,965	-8,500
Total	**-1,442**	**-4,810**
Financial liabilities measured at fair value		
Financial liabilities – HFT	**0**	**-2,549**
Derivatives (negative fair values)	0	-2,549
Financial liabilities – FVO	**-237**	**-434**
Deposits/borrowed funds	0	-67
Liabilities evidenced by certificates	-237	-367
Total	**-237**	**-2,983**
Aggregate total	**-1,679**	**-7,793**

The compensatory gains and losses recorded relative to the corresponding hedging transactions are not included in the above table. Pursuant to IFRS 13, these only include gains and losses that result from the primary level 3 instruments.

Sensitivity analysis of level 3 financial instruments measured at fair value

Securities and loans

The level 3 financial instruments measured at fair value in the securities sector consist predominantly of yield curve positions collateralised at a ratio of one to one. The essential non-observable input parameters for these complex products (OTC) are historic volatilities and historic correlations between CMS indices.

In the lending sector, level 3 financial instruments comprise all positions stated at fair value that fail the qualitative or quantitative SPPI test (benchmark test). The significant non-observable input factors employed are credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures as non-observable parameters.

Possible effects that result from the relative uncertainty regarding the fair values of financial instruments whose measurement is based on non-observable input parameters are presented within the context of the sensitivity analysis for level 3 instruments.

For the sensitivity analysis, the non-observable level 3 input factors (as described above) were converted into observable factors and then subjected to sensitivity shifts based on interest rate sensitivity and credit spread sensitivity.

To quantify interest rate sensitivity, all products subject to interest risk were accounted for as zero bonds for the defined term to maturity. For this purpose, these products were first approximated to corresponding forwards and allocated to the respective maturity bands. As a next step, a so-called interest rate shock was assumed, i.e. the impact on the fair value in the event of a parallel upward or downward shift of the interest rate curve by 200 basis points (BP) was examined. Furthermore, the measurement effects in the event of a curve rotation (money market -100 BP, annual base 0, capital market +100 BP) were examined.

To quantify the credit spread risk, the term to maturity and internal rating of the portfolio of level 3 securities (assets and liabilities) were taken into account. For loans, the non-collateralised portion was taken into account. In this context, it was assumed that the spreads of the level 3 securities had shifted by 200 basis points upward or downward.

The foreign currency transactions included in the calculation were subjected to a currency shift to account for the currency risk. As the foreign currency positions are offset by corresponding refinancing positions in foreign currency (same amount, same interest rate adjustment dates), no foreign currency risk results from this currency shift for level 3 products.

The resulting profit/loss effects on the fair value are shown in the table below:

2019 financial year

		Change in fair value		
TEUR	**Change in input factors**	**Asset items**	**Liability items**	**Total**
Interest rate sensitivity:				
Interest rate change	+200	-3,062	0	-3,062
Interest rate change	-200	3,062	0	3,062
Curve rotation:				
Money market	-100	-1,064	0	-1,064
Capital market	+100			
Credit spread sensitivity:				
Credit spread change	+200	-705	2,108	1,403
Credit spread change	-200	705	-2,380	-1,675

2018 financial year

		Change in fair value		
TEUR	**Change in input factors**	**Asset items**	**Liability items**	**Total**
Interest rate sensitivity:				
Interest rate change	+200	-3,410	0	-3,410
Interest rate change	-200	3,411	0	3,411
Curve rotation:				
Money market	-100	-1,241	0	-1,241
Capital market	+100			
Credit spread sensitivity:				
Credit spread change	+200	-1,113	4,276	3,163
Credit spread change	-200	1,115	-4,811	-3,696

Equity investments

Level 3 investments measured at fair value are composed exclusively of equity investments that are not publicly traded. Almost none of the parameters on which the valuation of these investments is based can be observed in the market. The valuation method depends on the characteristic features of the entity being valued (type of business, contracts, etc.). Annual forecasts are drawn up for companies valued using the discounted cash flow method. As changes in the assumed free cash flows can have a significant impact on fair value, the analysis was based on the assumption of a change in the respective free cash flows by +/-100 BP per planning period. The discount rate is influenced by several parameters, each of which has a varying impact. To factor in interest rate sensitivity, the discount rate was varied in each case by +/- 100 BP. For the investments measured at net asset value, the prices per m² determined by an expert appraisal represent the key input parameter, which was varied by +/- 500 BP. For the investment measured at capitalised value, only interest rate sensitivity was analysed. This was done by applying a parallel shift in the discount rate of +/-100 BP since a selling option exists for this investment. For that reason, a change in the forecast would not have a significant impact on the fair value of the investment.

The five (2018: five) largest investments were taken as the basis for the sensitivity analysis. The resulting fair value effects are shown in the table below.

2019 financial year

TEUR				Change in fair value	
Valuation method	**Input factors**	**Change in input factors**	**Fair value**	**Best case**	**Worst case**
Discounted cash flow method	Discount rate	+/- 100 BP	25,711	29,599	22,727
	Free cash flow	+/- 100 BP			
Net asset value method (real estate)	Markup/ markdown	+/- 500 BP	13,253	13,871	12,629
Income capitalisation method (option price)	Discount rate	+/- 100 BP	4,640	4,775	4,510

2018 financial year

TEUR				Change in fair value	
Valuation method	**Input factors**	**Change in input factors**	**Fair value**	**Best case**	**Worst case**
Discounted cash flow method	Discount rate	+/- 100 BP	21,182	24,639	18,873
	Free cash flow	+/- 100 BP			
Net asset value method (real estate)	Markup/ markdown	+/- 500 BP	10,434	10,917	9,952
Income capitalisation method (option price)	Discount rate	+/- 100 BP	4,302	4,468	4,143

Fair value hierarchy of financial assets and liabilities not measured at fair value

Pursuant to IFRS 13.97, the allocation to the individual levels of the fair value hierarchy must also be shown for instruments measured at amortised cost.

The fair values of certain financial instruments, accounted for at nominal values, correspond very closely to their carrying amounts. This applies, for instance, to cash, balances at central banks and demand deposits as well as receivables and liabilities due on demand and/or receivables and liabilities that have no defined maturity or fixed interest rate. These instruments are regularly transferred at their repayment amounts, e.g. the nominal amount repayable in the case of demand deposits. Pursuant to IFRS 7.29 (a), disclosure of fair values is not required for these instruments, as the carrying amount represents a reasonable approximation of the fair value.

The table below shows the fair values of financial assets and liabilities not measured at fair value, including their levels in the fair value hierarchy.

TEUR	2019			2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets – AC						
Bonds	1,168,264	660,717	0	986,527	657,658	0
Loans and receivables	0	1,230,730	6,298,906	0	1,394,467	5,772,244
Lease receivables	0	0	131,638	0	0	135,805
Financial liabilities – AC						
Deposits/borrowed funds	0	2,669,752	1,220,830	0	2,337,221	1,378,917
Liabilities evidenced by certificates	1,679,693	2,017,644	0	1,594,138	2,192,701	0
Subordinated liabilities	0	77,329	0	0	73,125	0

RISK REPORT

Structure of the risk management system

Among the key factors in successful banking is a bank's ability to recognise the opportunities and risks that result from its business operations and to assess those opportunities and risks properly. The overarching goal is to maintain a sustained positive profit position based on a differentiated risk measurement strategy that considers its capital resources through suitable control, management and monitoring procedures.

The importance of bank-wide risk management, especially a bank's ability to identify and measure all significant risks and to control and monitor them in a timely manner, has increased substantially in recent years. The RLB Steiermark Group therefore sees risk management as a proactive corporate function and an integral component of overall bank-wide management.

Professional risk management is one of the core tasks of the RLB Steiermark Group. The structure of its risk management system ensures that key risks faced by the Group are identified, measured and monitored continuously, and that appropriate risk mitigation measures are planned and executed.

The Managing Board bears overall responsibility for the entire area of risk control. The Managing Board and the Supervisory Board jointly define the risk strategy and risk policy based on the RLB Group's mission statement and overall corporate strategy. The risk strategy defines the strategic approach to risk management for all types of risks. Accordingly, the risk strategy represents the primary source of guidance for risk-centred management and is a cornerstone of the systems and tools used to control, monitor and mitigate risks. By extension, the risk strategy is a key factor in ensuring internal capital adequacy. Based on its risk strategy and the risk policy and operational parameters derived therefrom, the RLB Steiermark Group aims to identify all relevant risks associated with the banking business and bank operations early on, and to manage and mitigate them proactively through implementation of an effective risk management process. Risk Management reports to both the Managing Board and the Supervisory Board on a near real-time basis.

Extract from the organisational structure of the RLB Steiermark Group's risk management system

Risk Controlling	Credit Risk Management	Legal, Compliance/AML and Risk Protection Schemes	Non-Performing Loan Management
Overall Bank Risk and Credit Risk Controlling	Individual Risk Management	Banking Law	Collateral Management
Market Risk Controlling	Business Risk Analysis	Compliance/AML	Rehabilitation
	Back Office – Active	Regulatory Law and Reporting Requirements	Liquidation
Data Protection & Data Management		BWG Compliance	

The RLB Steiermark Group's risk management activities are based on clear responsibilities. Risk management subsumes all of the organisational activities for identifying and dealing with the risks of business operations, with the exception of NPL management. All organisational units concerned with the identification, recording, assessment and analysis of risk are combined under the direct leadership of the Chief Risk Officer (CRO). The management of non-performing loans is assigned to a Managing Board member responsible for a non-front office

function. Risks are identified, measured and controlled by the Risk Controlling division in cooperation with the corresponding organisational units. In addition, Risk Controlling is responsible for developing and supplying the processes used for risk measurement and the necessary IT systems. Furthermore, it is the responsibility of Risk Controlling to ensure a proactive risk control system that meets the requirements of the Group.

The structure of the risk management system is designed to support the competent specialists and the independent functionality of their processes and systems. The current organisational structure ensures that employees entrusted with the management of risk are able to act independently within their area of responsibility.

The risk controlling structures have been designed to ensure that key risks faced at all levels within the Group (i.e. credit risk, investment risk, market price risk, liquidity risk, operational and other risks) can be identified, measured and controlled. Special committees support the Managing Board in the performance of its risk-related tasks, for which it bears ultimate responsibility.

The objective of risk management is risk limitation, i.e. the targeted allocation of risk capital with a view to achieving sustainable, profitable growth in all business segments and at the same time maintaining and enhancing the Group's equity position.

The focus of the risk portfolio is geared toward the following strategic framework:

- Clear and transparent decisions.
- Thorough, timely and realistic assessment of credit quality for all lending transactions.
- In the event of a non-transparent, unmanageable risk situation, the principle of prudence is applied.
- Systematic, thorough risk management through timely identification and assessment of risks and purposeful implementation of the necessary measures.
- Risk minimisation is also achieved through appropriate diversification of all banking operations.
- Efficient management turns risks into opportunities to generate revenue.
- Risks incurred by the bank are always sufficiently diversified, not only within individual business areas, but also across segment boundaries.
- Development and implementation of effective processes in daily business operations.
- Product launches and new market entries are subject to a specific risk analysis that is based on a forward-looking assessment of risks.
- Products and services are offered to our customers only if we possess the necessary authorisation, specialist know-how and infrastructure.
- "Know Your Customer": We know our customers and provide loans only after a thorough review of their payment history and credit rating.

The risk limitation measures in place within the RLB Steiermark Group are structured along the lines of its risk-bearing capacity and are reviewed at appropriate intervals. The Managing Board controls and limits the risk-bearing capacity on an extreme case basis (VaR 99.9 %), while the utilisation of economic capital is constantly monitored. Concurrently, the going concern perspective (VaR 95 %) is observed in the calculation of the capital requirement.

The risk-bearing capacity analysis is a fundamental tool used in management decision-making, and it is a key part of ongoing risk reporting to the Managing Board as well as quarterly risk reporting to the Supervisory Board. Regular monitoring of risk limits is the responsibility of the RLB Steiermark Group's Risk Controlling division.

Risk Controlling reports the overall risk situation to the Managing Board at regular intervals. The current status of limit utilisation for individual risk types and business areas is monitored in the context of the risk-bearing capacity analysis. In addition, Risk Controlling is responsible for the further development and implementation of the risk quantification and measurement methods, for refining the risk management instruments employed, and for maintaining and updating the rules and regulations governing risk management. The Group's Risk Steering Committee analyses the risk reports and defines the appropriate risk management measures.

Periodic stress tests are performed within RLB Steiermark Group and discussed by the Aggregate Bank Risk Committee. Stress tests yield information that supplements the value-at-risk analyses and helps identify potential loss events. Using macroeconomic scenarios, these stress tests assess banks' sensitivity to changes in a variety of risk factors, assuming the existence of an extraordinary but plausible nega-

tive development in the national economy. In the process, a distinction is made between “system crises”, “idiosyncratic crises”, and “combined crises”. These scenarios are subject to annual review. In addition, reverse stress tests are conducted, which target the risk sensitive areas within the RLB Steiermark Group and thus provide its management with important information for managing and controlling organisational risk.

RLB-Stmk Verbund eGen in its function as ultimate financial holding company was charged with compiling a Group-wide recovery plan pursuant to §§ 15 et seq. BaSAG. Additionally, a separate plan was prepared at the level of the state institutional protection scheme (L-IPS), and a further plan at the level of the federal institutional protection scheme (B-BPS). As a member of RLB Stmk Verbund eGen’s recovery plan and of the recovery plans prepared by the state institutional protection scheme (L-IPS) and the federal institutional protection scheme (B-BPS), RLB Steiermark AG is not required to prepare its own recovery plan. These recovery plans are drawn up based on the applicable statutory provisions, particularly the Federal Act on the Recovery and Resolution of Banks (Federal Law Gazette I 98/2014) and the EBA and FMA guidelines. All assumptions, calculations and forecasts are based on figures ascertained as at 31/12/2018 and were submitted to the FMA in 2019.

RLB Steiermark and HYPO Steiermark are members of the Einlagensicherung Austria (ESA) deposit protection scheme. In addition, RLB Steiermark is a member of the customer deposit guarantee association (Kundengarantiegemeinschaft) and the solidarity association (Solidaritätsverein) of Raiffeisen-Geldorganisation Steiermark, and of the institutional protection schemes at the federal (B-IPS) and state (l-IPS) levels.

Pursuant to the provisions of the Austrian Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG), Einlagensicherung Austria requires RLB Steiermark and HYPO Steiermark to pay an annual contribution to the deposit protection fund. The fund must be fully endowed by mid-2024. RLB Steiermark and HYPO Steiermark are furthermore obliged by statute to make an annual contribution to the Single Resolution Fund (SRF) at the European level.

Aggregate bank risk

The risk-bearing capacity analysis, based on the Internal Capital Adequacy Assessment Process (ICAAP), is a key component of the Group’s aggregate risk management framework. In accordance with international best practice, the ICAAP is designed as a revolving management process, which starts with the definition of a risk strategy, followed by risk identification, quantification, and aggregation. The process finishes with determination of the risk-bearing capacity, capital allocation and limit setting, as well as ongoing risk monitoring. The individual elements of the cycle are performed with varying regularity (daily for measurement of trading book market risk, and annually for risk inventory, risk strategy and risk policy). All activities that are part of the process are reviewed at least once annually for timeliness and appropriateness, and are adapted as needed to reflect changes in the operating environment.

A risk inventory is performed to identify the risks present in ongoing banking operations and to assess their significance and the potential danger they pose for the RLB Steiermark Group. The process includes a quantitative assessment of the individual types of risks and a qualitative analysis of the methods and systems used for risk monitoring and management. The results of the risk inventory are analysed, collated, and incorporated into the risk strategy and risk policy.

Internal capital adequacy is assessed at regular intervals, based on the risks measured within an internal models-based framework. The internal models used for risk measurement purposes must consider the materiality of specific risks.

The objective is to ensure that the Group has sufficient covering assets at its disposal at all times to provide sufficient cover for risks that have been entered into, even in unexpected situations. For this purpose, all identified and quantified risks are aggregated into an assessment of overall banking risk.

The aggregated total potential loss is compared against the amount of cover funds available to compensate for these potential losses in order to determine whether the Group is in a position to absorb such losses without suffering serious detriment to its business activities. With the capital adequacy target set on a going concern basis (VaR 95 %), potential risk and risk-bearing capacity must be balanced in such a way that the Group would be in a position to absorb negative stress events and continue business operations in an orderly manner. The capital adequacy target based on the worst-case scenario (VaR 99.9 %) is a regulatory requirement and serves to protect the creditors.

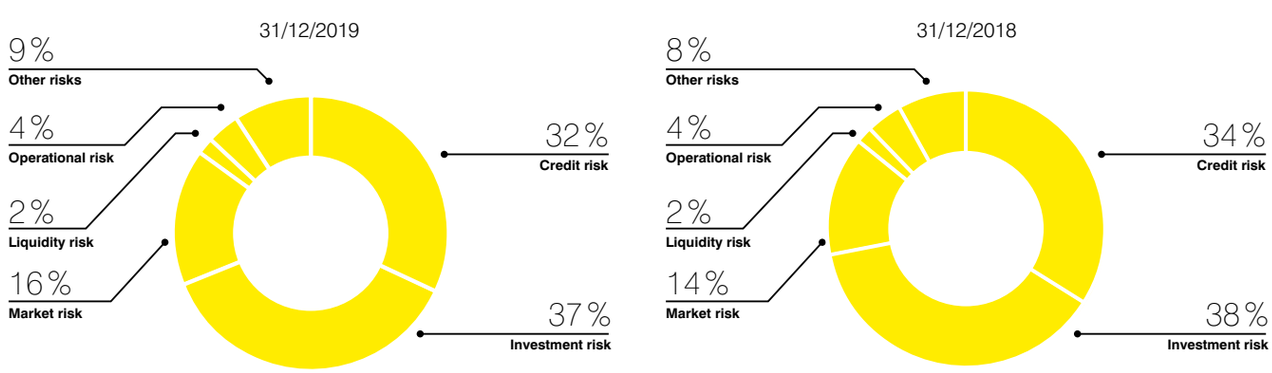
The aggregate risk situation is assessed on the basis of the risk-bearing capacity analysis, which compares the aggregate risk position with the available risk cover fund. The risk-bearing capacity analysis provides information about how much additional risk can be tolerated and/or whether activities carrying a higher degree of risk should be reduced The values for the risk-bearing capacity analysis are presented in two scenarios: first, on the basis of a 95 % confidence interval from a going concern perspective and second, on the basis of a 99.9 % confidence interval from a liquidation perspective. While the going concern approach aims at ensuring that the regulatory minimum capital requirements are fulfilled even in the event of total consumption of the covering assets, the extreme case scenario aims to ensure that in the event of a "notional liquidation" the creditors will be completely satisfied. Unless otherwise stated in the risk report, all data are based on the extreme case scenario.

In an effort to limit risks, an overall limit system has been established, which comprises the individual risk types and strategic business segments and has been approved by the Managing and Supervisory Boards. Risk Controlling analyses the risks identified and, by conducting regular target-actual comparisons, monitors compliance with the defined limits. When identifying concentration risks, due consideration is given to the individual circumstances of the Group. A concentration of the risk of default arises, for example, from a high volume of business activities focusing on certain industries, currencies, geographical regions or on a limited number of individual customers.

The risk-bearing capacity analysis, performed at regular intervals, is the central instrument that brings together and captures all risk-related aspects. Using this analysis, appropriate activities are implemented to control the aggregate bank risk. Individual types of risk are managed on a daily basis and, where required, by intraday processes. As a general principle, the RLB Steiermark Group only targets business segments in which it has gained appropriate experience in assessing the specific risks. The development of new business segments or products is based on an adequate analysis of the business-specific risks. That analysis is undertaken using a standardised product introduction process.

The framework for managing and controlling risks on a daily basis is provided by the operational parameters of the risk strategy that have been approved by the Supervisory and Managing Boards and which are defined in the risk manual. All risk-related information is summarised in a central database which is accessible to every employee. The information contained in that database must be duly taken into account by all staff members. Internal Auditing and Group Auditing check the effectiveness of the workflows, processes and controls in the context of the Group's Internal Control System (ICS). Credit risk, investment risk, market price risk, operational risk, liquidity risk and other risks have been identified as significant types of risk. Other risks include macroeconomic risk and a buffer for non-quantifiable risks. Individual risks are aggregated to form an aggregate bank risk position, which is comprised of the following components:

Share of individual risks in the aggregate risk position



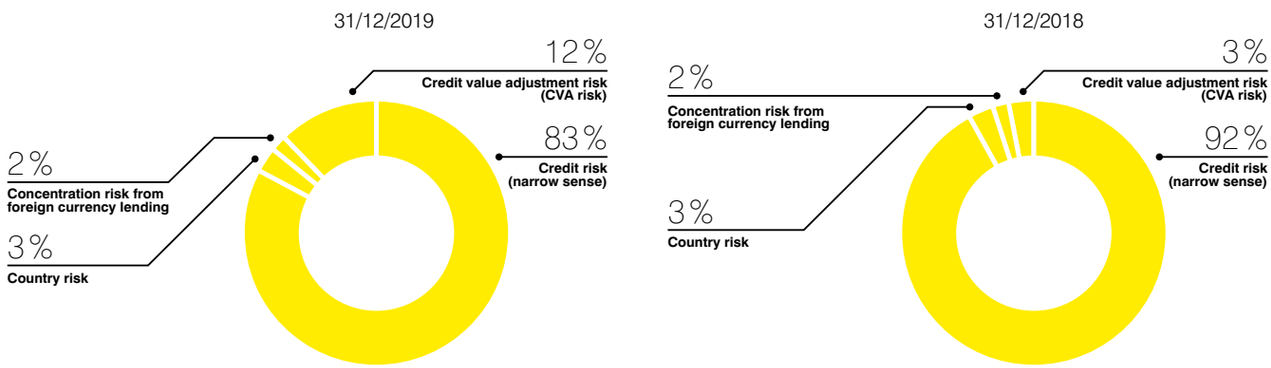
Based on the extreme case scenario, the economic capital requirement as at 31/12/2019 came to EUR 879.5 million (31/12/2018: EUR 850.8 million). The corresponding covering assets within the Group totalled EUR 1,714.8 million at year-end 2019 (year-end 2018: EUR 1,645.3 million).

The sections below provide a description of the individual components attributable to aggregate risk.

Credit risk

In addition to the credit (default) risk in the narrow sense of the term, credit risk also includes the concentration risk from foreign currency lending, the counterparty risk from securities, the country risk, and the credit value adjustment risk (CVA risk).

Share of individual risks in credit risk



In the previous year, the counterparty risk from securities was shown as a separate risk type under credit risk. As a result of the internal management and limiting system, it is now reported under credit risk in the narrower sense. Counterparty risk from securities as a proportion of the overall credit risk was 8 % as at 31/12/2019 (2018: 8 %).

Credit risk is the result of possible losses that arise due to the full or partial default of customers or counterparties or due to a decline in the credit rating of the respective counterparty. Impaired securities can also be a possible cause (residual risk from credit risk-reducing procedures). It also includes the risk of a declining credit rating or default on the part of the counterparty in the case of securities.

Credit risk is monitored and analysed loan-by-loan for individual customers and on a portfolio basis. This analysis enables an assessment of the extent of the risk and development of the necessary measures (if any) for risk reduction. To control credit risks, a number of parameters, such as limits at portfolio level, borrower level and product level, have been defined.

Credit risk is measured at overall portfolio level using the indicators “expected loss” and “unexpected loss”. The maximum loss that can be incurred within one year which, with a certain level of probability (95 % or 99.9 %), will not be exceeded, is calculated. The expected loss is compensated by an adequate premium (standard risk cost), while the unexpected loss should be covered by economic capital. In the context of the risk-bearing capacity analysis, the expected loss is reflected in the excess/shortfall in provisions (expected loss compared to the impairment losses recognised), which is used to calculate the capital required for risk coverage purposes. The unexpected loss is taken into account when calculating the amount of credit risk.

The credit risk inherent in individual exposures is assessed by Credit Risk Management. The tasks of Credit Risk Management include preparing second opinions, checking and releasing rating classifications, regular monitoring of credit exposures and updating of ratings, as well as early identification of potential default events.

Unsecured loan volumes (exposure less collateral securities) and open positions (exposure less collateral securities less impairment charges), as well as customer and counterparty credit ratings are important input parameters for controlling and measuring credit risk. They are updated at regular intervals, based on the rating models used in the Group’s rating system. The principles for assessing customers’ creditworthiness are contained in the credit risk manual. The rating systems are validated and enhanced on an ongoing basis.

The RLB Steiermark Group currently uses the following rating classes for its internal rating processes:

	Standard & Poor's	Moody's	Raiffeisen Rating Scale	Description
Investment Grade	AAA, AA+, AA, AA-	Aaa, Aa1, Aa2	0.5	No risk
	A+, A, A-	Aa3, A1, A2, A3	1.0	Excellent credit standing
	BBB+, BBB	Baa1, Baa2	1.5	Very good credit standing
	BBB-	Baa3	2.0	Good credit standing
Non-Investment Grade	BB+, BB	Ba1, Ba2	2.5	Average credit standing
	BB	Ba3, B1	3.0	Acceptable credit standing
	B+, B	B2	3.5	Weak credit standing
	B-, CCC+	B3, Caa1	4.0	Very weak credit standing
	CCC, CC-, CC, C	Caa2, Caa3, Ca	4.5	At risk of default
Default	D	C	5.0 5.1 5.2	Default

For the purposes of assessing credit risk, both the economic situation (rating classification) and the collateral furnished are taken into account. This categorisation makes it possible to determine and limit risk concentrations.

Maximum default risk pursuant to IFRS 7.35K and IFRS 7.36a

The maximum default risk pursuant to IFRS 7.35K for demand deposits and financial assets (AC) corresponds to the carrying amount before deducting any impairment losses. In the case of financial guarantees and lending commitments, it corresponds to the nominal amount of the guarantee or the amount of the as yet unused lending commitment. For debt instruments (FVOCI), it corresponds to the fair value. Pursuant to IFRS 7.36a, the value of assets that are subject to credit risk and are classified as HFT, FVOCI (equity instruments) and FVPL-M, and of derivatives – hedge accounting (positive fair values) is equal to the fair value. The tables below show the maximum default risk broken down by measurement categories and stages, both for assets reported in the statement of financial position and for off-balance sheet transactions. They also show the collateral employed and the impairment charges per measurement category and stage. The maximum default risk is reconciled to the unsecured loan volume and compared with the carrying amounts.

Maximum default risk by IFRS 7 classes (pursuant to 7.35K):

31/12/2019 TEUR	Maximum default risk	Collateral	Unsecured loan volume	Impairment stage 1	Impairment stage 2	Impairment stage 3	Impairment total	Carrying amount
Demand deposits	**1,040,837**	**0**	**1,040,837**	**22**	**0**	**0**	**22**	**1,040,815**
Stage 1	1,040,837	0	1,040,837	22	0	0	22	1,040,815
Financial assets – AC	**10,208,602**	**4,789,322**	**5,419,280**	**4,121**	**5,402**	**144,960**	**154,483**	**10,054,119**
Stage 1	9,589,130	4,437,990	5,151,140	4,121	0	0	4,121	9,585,009
- Bonds	1,754,259	217,115	1,537,144	137	0	0	137	1,754,122
- Loans and receivables	7,834,871	4,220,875	3,613,996	3,984	0	0	3,984	7,830,887
Stage 2	377,640	266,316	111,324	0	5,402	0	5,402	372,238
- Bonds	15,413	0	15,413	0	352	0	352	15,061
- Loans and receivables	230,589	154,594	75,995	0	3,340	0	3,340	227,249
- Lease receivables	131,638	111,722	19,916	0	1,710	0	1,710	129,928
Stage 3	241,832	85,016	156,816	0	0	144,960	144,960	96,872
- Loans and receivables	241,832	85,016	156,816	0	0	144,960	144,960	96,872
Financial liabilities – FVOCI	**879,935**	**69,736**	**810,199**	**73**	**0**	**0**	**73**	**879,935**
Stage 1	879,935	69,736	810,199	73	0	0	73	879,935
- Bonds	879,935	69,736	810,199	73	0	0	73	879,935
TOTAL	**12,129,374**	**4,859,058**	**7,270,316**	**4,216**	**5,402**	**144,960**	**154,578**	**11,974,869**

31/12/2018 TEUR	Maximum default risk	Collateral	Unsecu-red loan volume	Impair-ment stage 1	Impair-ment stage 2	Impair-ment stage 3	Impair-ment total	Carrying amount
Demand deposits	**984,180**	**0**	**984,180**	**26**	**0**	**0**	**26**	**984,154**
Stage 1	984,180	0	984,180	26	0	0	26	984,154
Financial assets – AC	**9,629,834**	**4,482,527**	**5,147,307**	**2,986**	**4,201**	**164,494**	**171,681**	**9,458,153**
Stage 1	9,095,741	4,217,583	4,878,158	2,986	0	0	2,986	9,092,755
- Bonds	1,578,351	233,306	1,345,045	88	0	0	88	1,578,263
- Loans and receivables	7,517,390	3,984,277	3,533,113	2,898	0	0	2,898	7,514,492
Stage 2	266,881	179,053	87,828	0	4,201	0	4,201	262,680
- Bonds	15,333	0	15,333	0	351	0	351	14,982
- Loans and receivables	115,744	70,028	45,716	0	1,457	0	1,457	114,287
- Lease receivables	135,804	109,025	26,779	0	2,393	0	2,393	133,411
Stage 3	267,212	85,891	181,321	0	0	164,494	164,494	102,718
- Loans and receivables	267,212	85,891	181,321	0	0	164,494	164,494	102,718
Financial liabilities – FVOCI	**1,110,220**	**143,249**	**966,971**	**47**	**342**	**0**	**389**	**1,110,220**
Stage 1	1,095,322	143,249	952,073	47	0	0	47	1,095,322
- Bonds	1,095,322	143,249	952,073	47	0	0	47	1,095,322
Stage 2	14,898	0	14,898	0	342	0	342	14,898
- Bonds	14,898	0	14,898	0	342	0	342	14,898
TOTAL	**11,724,234**	**4,625,776**	**7,098,458**	**3,059**	**4,543**	**164,494**	**172,096**	**11,552,527**

The table below shows the maximum credit risk exposure in relation to off-balance sheet transactions:

31/12/2019 TEUR	Maximum default risk	Collateral	Unsecured loan volume	Impairment stage 1	Impairment stage 2	Impairment stage 3	Impairment total	Carrying amount
Financial guarantees/surety arrangements/indemnity agreements	**423,368**	**109,161**	**314,207**	**227**	**232**	**5,824**	**6,283**	**417,085**
Stage 1	386,847	103,663	283,184	227	0	0	227	386,620
Stage 2	19,124	3,908	15,216	0	232	0	232	18,892
Stage 3	17,397	1,590	15,807	0	0	5,824	5,824	11,573
Lending commitments	**1,769,127**	**204,356**	**1,564,771**	**1,632**	**780**	**1,600**	**4,012**	**1,765,115**
Stage 1	1,705,464	187,603	1,517,861	1,632	0	0	1,632	1,703,832
Stage 2	50,321	8,850	41,471	0	780	0	780	49,541
Stage 3	13,342	7,903	5,439	0	0	1,600	1,600	11,742
TOTAL	**2,192,495**	**313,517**	**1,878,978**	**1,859**	**1,012**	**7,424**	**10,295**	**2,182,200**

31/12/2018 TEUR	Maximum default risk	Collateral	Unsecured loan volume	Impairment stage 1	Impairment stage 2	Impairment stage 3	Impairment total	Carrying amount
Financial guarantees/surety arrangements/indemnity agreements	**382,483**	**91,214**	**291,269**	**155**	**277**	**5,376**	**5,808**	**376,675**
Stage 1	352,377	88,449	263,928	155	0	0	155	352,222
Stage 2	14,367	1,953	12,414	0	277	0	277	14,090
Stage 3	15,739	812	14,927	0	0	5,376	5,376	10,363
Lending commitments	**1,715,887**	**241,130**	**1,474,757**	**1,021**	**152**	**5,013**	**6,186**	**1,709,701**
Stage 1	1,666,284	230,851	1,435,433	1,021	0	0	1,021	1,665,263
Stage 2	34,516	3,695	30,821	0	152	0	152	34,364
Stage 3	15,087	6,584	8,503	0	0	5,013	5,013	10,074
TOTAL	**2,098,370**	**332,344**	**1,766,026**	**1,176**	**429**	**10,389**	**11,994**	**2,086,376**

Maximum default risk by IFRS 7 classes (pursuant to 7.36a):

For the following financial instruments, the maximum default risk corresponds to the carrying amount (fair value):

	2019			2018		
TEUR	Maximum default risk/carrying amount	Collateral	Unsecured loan volume	Maximum default risk/carrying amount	Collateral	Unsecured loan volume
Financial assets – HFT	**824,003**	**383,548**	**440,455**	**1,226,484**	**373,835**	**852,649**
- Bonds	53,245	0	53,245	99,517	0	99,517
- Loans and receivables	244,494	0	244,494	654,542	0	654,542
- Derivatives (positive fair values)	526,264	383,548	142,716	472,425	373,835	98,590
Financial liabilities – FVOCI	**81,037**	**0**	**81,037**	**72,092**	**0**	**72,092**
- Equity instruments	81,037	0	81,037	72,092	0	72,092
Financial assets – FVPL-M	**450,434**	**47,916**	**402,518**	**450,624**	**39,666**	**410,958**
- Bonds/institutional funds	400,568	6,556	394,012	393,678	0	393,678
- Loans and receivables	49,831	41,360	8,471	53,946	39,666	14,280
- Equity instruments	35	0	35	3,000	0	3,000
Derivatives – hedge accounting (positive fair values)	**244,847**	**0**	**244,847**	**132,715**	**0**	**132,715**
TOTAL	**1,600,321**	**431,464**	**1,168,857**	**1,881,915**	**413,501**	**1,468,414**

Collateral is rated and managed according to the existing statutory specifications and internal regulations. A standard policy framework is in place that addresses the rating and management of collateral provided by customers and other credit enhancements. This framework applies for the entire credit sector. The collateral manual lists every type of collateral accepted by the RLB Steiermark Group. Conservative discount factors are defined for each type of collateral.

Collateral is divided into the following four categories:

- Immovable assets
- Movable assets
- Financial collateral, claims and rights
- Personal collateral, unfunded collateral (such as guarantees or indemnities)

In addition to guarantees within the context of public funding bodies, private guarantors (whose creditworthiness is checked with due diligence and care) are also used to minimise credit risk. Economic risks are mitigated by the collection of data regarding banking collateral and its evaluation. If the value of the valued collateral exceeds the outstanding commitment, this is taken into account in the calculation of impairments and no value adjustment is made. Subject to the credit rating of the counterparty and the amount of the exposure, minimum requirements must be met for the acceptance of collateral. The responsibilities for valuation of collateral are clearly defined in the RLB Steiermark Group's collateral valuation process. The collateralisation parameters employed by the RLB Steiermark Group are estimated and validated at regular intervals.

The tables below show the gross carrying amounts before impairment for demand deposits and financial assets – AC, as well as the default risk for off-balance sheet transactions (lending commitments and financial guarantees), broken down by stages and default risk rating class pursuant to IFRS 7.35M. For off-balance sheet transactions, the gross carrying amount is equal to the nominal amount before impairment charges. For financial assets – FVOCI, the gross carrying amount corresponds to the amortised cost before impairment charges. Unlike the presentation of maximum credit risk exposure, this table does not include any hedge adjustment.

31/12/2019 TEUR	Stage 1	Stage 2	Stage 3	Gross carrying amount	Impairment
Demand deposits	**1,040,837**	**0**	**0**	**1,040,837**	**22**
Investment Grade	1,035,694	0	0	1,035,694	17
Non-Investment Grade	5,143	0	0	5,143	5
Financial assets – AC	**9,543,284**	**377,517**	**241,832**	**10,162,633**	**154,483**
Investment Grade	8,094,197	164,274	0	8,258,471	4,225
- Bonds	1,687,702	0	0	1,687,702	121
- Loans and receivables	6,406,495	65,623	0	6,472,118	2,794
- Lease receivables	0	98,651	0	98,651	1,310
Non-Investment Grade	1,449,087	213,243	0	1,662,330	5,298
- Bonds	49,796	15,290	0	65,086	368
- Loans and receivables	1,399,291	164,966	0	1,564,257	4,530
- Lease receivables	0	32,987	0	32,987	400
Default	0	0	241,832	241,832	144,960
- Loans and receivables	0	0	241,832	241,832	144,960
Financial liabilities – FVOCI	**848,007**	**0**	**0**	**848,007**	**73**
Investment Grade	825,269	0	0	825,269	55
- Bonds	825,269	0	0	825,269	55
Non-Investment Grade	22,738	0	0	22,738	18
- Bonds	22,738	0	0	22,738	18
Total – financial assets	**11,432,128**	**377,517**	**241,832**	**12,051,477**	**154,578**
Financial guarantees/surety arrangements/indemnity agreements	**386,847**	**19,124**	**17,397**	**423,368**	**6,283**
Investment Grade	264,016	15,657	0	279,673	296
Non-Investment Grade	122,831	3,467	0	126,298	163
Default	0	0	17,397	17,397	5,824
Lending commitments	**1,705,464**	**50,321**	**13,342**	**1,769,127**	**4,012**
Investment Grade	1,268,752	31,293	0	1,300,045	1,175
Non-Investment Grade	436,712	19,028	0	455,740	1,237
Default	0	0	13,342	13,342	1,600
Total – off-balance sheet transactions	**2,092,311**	**69,445**	**30,739**	**2,192,495**	**10,295**

31/12/2018 TEUR	Stage 1	Stage 2	Stage 3	Gross carrying amount	Impairment
Demand deposits	**983,185**	**995**	**0**	**984,180**	**26**
Investment Grade	983,185	0	0	983,185	25
Non-Investment Grade	0	995	0	995	1
Financial assets – AC	**9,085,637**	**266,828**	**267,212**	**9,619,677**	**171,681**
Investment Grade	7,497,541	103,821	0	7,601,362	3,306
- Bonds	1,521,759	0	0	1,521,759	77
- Loans and receivables	5,975,782	16,017	0	5,991,799	1,419
- Lease receivables	0	87,804	0	87,804	1,810
Non-Investment Grade	1,588,096	163,007	0	1,751,103	3,881
- Bonds	51,406	15,280	0	66,686	362
- Loans and receivables	1,536,690	99,727	0	1,636,417	2,936
- Lease receivables	0	48,000	0	48,000	583
Default	0	0	267,212	267,212	164,494
- Loans and receivables	0	0	267,212	267,212	164,494
Financial liabilities – FVOCI	**1,060,228**	**15,045**	**0**	**1,075,273**	**389**
Investment Grade	1,047,056	0	0	1,047,056	44
- Bonds	1,047,056	0	0	1,047,056	44
Non-Investment Grade	13,172	15,045	0	28,217	345
- Bonds	13,172	15,045	0	28,217	345
Total – financial assets	**11,129,050**	**282,868**	**267,212**	**11,679,130**	**172,096**
Financial guarantees/surety arrangements/indemnity agreements	**352,376**	**14,368**	**15,739**	**382,483**	**5,808**
Investment Grade	241,465	7,910	0	249,375	57
Non-Investment Grade	110,911	6,458	0	117,369	375
Default	0	0	15,739	15,739	5,376
Lending commitments	**1,666,285**	**34,515**	**15,087**	**1,715,887**	**6,186**
Investment Grade	1,302,330	12,537	0	1,314,867	627
Non-Investment Grade	363,955	21,978	0	385,933	546
Default	0	0	15,087	15,087	5,013
Total – off-balance sheet transactions	**2,018,661**	**48,883**	**30,826**	**2,098,370**	**11,994**

Impairment sensitivity analysis

Pursuant to IAS 1.125, companies are required to disclose in the notes the most important forward-looking assumptions as well as information about other significant sources of estimation uncertainty as of the reporting date that may give rise to a significant risk of causing a material adjustment to the carrying amounts of recognised assets and liabilities within the next financial year. The most significant assumptions affecting the sensitivity of the expected accumulated impairment are shown below:

The following table shows the upward movement between the expected credit losses for financial assets – AC, for financial assets – FVOCI and for off-balance sheet transactions in stage 1 and stage 2 as at 31 December 2019 and the credit losses that would result if the entire portfolio were to suffer a credit deterioration by 2 half-grades.

Assumption TEUR	Credit deterioration by 2 half-grades
Accumulated impairment (stage 1 & 2)	+ 65,652

The table below shows the upward and downward movement between the expected credit losses as at 31 December 2019 for financial assets – AC, for financial assets – FVOCI, and for off-balance sheet transactions in stage 1 and stage 2 (weighted at 30 % optimistic, 40 % baseline and 30 % pessimistic scenarios) and the respective pessimistic and optimistic scenarios weighted at 100 %. The upward movement based on the assumption that the entire project financing portfolio is transferred to stage 2 is also shown.

Assumptions TEUR	100 % pessimistic	100 % optimistic	Stage 2 project financing
Accumulated impairment (stage 1 & 2)	+ 2,913	- 1,510	+ 4,366

The following table shows the effects of the stage transfer and the associated upward or downward movement between the expected credit losses as at 31 December 2019 and the assumption that all assets are valued in stage 1 or stage 2.

Assumptions TEUR	100 % Stage 1	100 % Stage 2
Accumulated impairment (stage 1 & 2)	- 2,891	+ 32,938

As at the comparison date, the sensitivity was as follows:

Assumptions TEUR	100 % pessimistic	100 % optimistic	Stage 2 project financing
Accumulated impairment (stage 1 & 2)	+ 3,880	-1,821	+ 6,159

Modifications

In the case of contract modifications that cause a change in the present value of the asset but do not result in derecognition, the gross carrying amount of the asset must be adjusted (non-substantial modification). The following tables show the financial assets not substantially modified:

2019 financial year:

TEUR	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount before modification	194,239	11,826	7,028	213,093
Net modification effect	-1,288	-128	-12	-1,428

2018 financial year:

TEUR	Stage 1	Stage 2	Total
Gross carrying amount before modification	45,350	5,057	50,407
Net modification effect	15	-9	6

The table below shows the gross carrying amount of not substantially modified assets which were transferred from stage 2 to stage 1 in the respective reporting period.

TEUR	2019	2018
Transfer from stage 2 to stage 1	5,130	2,795

Forbearance

The carrying amounts of assets subject to forbearance measures due to financial hardship on the part of the borrower developed as follows:

2019 financial year

TEUR	At 1 January	Additions	Increase	Disposals	Status as at 31/12
Loans and receivables	146,085	6,516	908	-33,467	120,042

2018 financial year

TEUR	At 1 January	Additions	Increase	Disposals	Status as at 31/12
Loans and receivables	191,331	24,380	1,593	-71,219	146,085

The column “Additions” shows assets that were not previously subject to forbearance measures. The increase in assets for which forbearance measures were already in existence at the prior-year’s reporting date is presented in the column “Increases”. The column “Disposals” shows the net decrease in assets subject to forbearance measures due to recovery and due to repayments and write-offs.

The table below presents the assets subject to forbearance measures broken down by type of agreement and indicating the amount of impairment:

2019 financial year

TEUR	Corporate	Retail	Total
Loans and receivables			
Change of instalment amount (principal or general)	69,005	11,600	80,605
Restructuring/debt reorganisation	15,540	23,897	39,437
Total of loans and receivables in forbearance	**84,545**	**35,497**	**120,042**
Impairment stage 3 (accumulated)	**-47,222**	**-15,173**	**-62,395**
Impairment stage 1/2 (accumulated)	**-51**	**-200**	**-251**

2018 financial year

TEUR	Corporate	Retail	Total
Loans and receivables			
Change of instalment amount (principal or general)	72,993	17,622	90,615
Restructuring/debt reorganisation	27,269	28,201	55,470
Total of loans and receivables in forbearance	**100,262**	**45,823**	**146,085**
Impairment stage 3 (accumulated)	**-55,056**	**-18,491**	**-73,547**
Impairment stage 1/2 (accumulated)	**-89**	**-174**	**-263**

Non-performing loans

The ratio of non-performing loans in the loan portfolio to the total amount of outstanding loans held (NPL ratio) is calculated according to the regulatory definition (EBA Risk Dashboard). Under that definition, loans and advances to banks are included in the assessment base in addition to loans and advances to customers. The definition of default under Art. 178 CRR is used to classify loans as non-performing (NPL). All loans and advances with a credit rating of 5.0 to 5.2 are defined as non-performing loans. Once a customer is more than 90 days late in making a payment or when a customer-related default criterion applies, the customer is classified as being in default and is assigned to default categories 5.0 to 5.2. As at 31/12/2019, the NPL ratio within the Group was 2.5 % (2018: 2.9 %).

Taking into account off-balance sheet transactions (total exposure), the Group had a non-performing exposure ratio (NPE ratio) of 1.8 % as at 31/12/2019 (2018: 2.0 %).

Country risk

Country risk represents the risk of losses in value due to transfer/conversion restrictions and/or prohibitions or other sovereign measures implemented by the country of the borrower (transfer risk). The RLB Steiermark Group has a country limit system in place to control this risk. To this end, a strategy for country risks is established annually and compared with actual developments throughout the year. The limit is based on the credit rating of the individual countries and the assignment of the countries to the Group's specified market segments, taking into account changes occurring in the course of the year: the poorer a country's credit rating, the lower the limit. Appropriate measures to reduce risk are then promptly defined and implemented. The country risk accounted for 2.8 % of the total credit risk as at 31/12/2019 (2018: 2.7 %). Due to its scale, it is only of minor importance.

Concentration risk – foreign currency loans

Possible additional default risks that arise through increased exposure due to currency fluctuations are recorded under concentration risk. Through the appreciation of a currency's value in relation to the euro, the credit exposure (converted into euros) of a foreign currency loan increases, as does – assuming the customer's probability of default remains the same – the Group's potential for loss.

In the case of foreign currency loans, concentration risk as a proportion of the overall credit risk was 1.9 % as at 31/12/2019 (2018: 2.3 %). When calculating the risk inherent in foreign currency loans, a foreign currency premium is added to account for the additional risk assumed.

Based on the FMA's recommendation, foreign currency loans are no longer extended to consumers.

Reporting on foreign currency loans and repayment vehicle loans repayable at term is part of the reporting duties of Risk Controlling. The bank actively reduces the volume of these portfolios on an ongoing basis, and advice provided to customers regarding these products is directed toward risk reduction and asset preservation measures.

Derivative financial instruments

The derivatives utilised within the RLB Steiermark Group are employed in part to manage market price risks (especially interest rate change and currency risks) resulting from trading activities. Beyond this, they are also used to hedge positions in the context of the asset/liability management process, and to manage credit risks arising in the context of credit derivatives.

Detailed information (nominal volumes and fair values) on derivative financial instruments can be found in note 37, "Derivative financial instruments".

Credit value adjustment risk (CVA risk)

The CVA risk describes the risk of losses that can arise from a deterioration in the credit quality of counterparties to derivative transactions. Calculated on the basis of regulatory capital requirement, this type of risk accounted for 11.9 % of the total credit risk as at 31/12/2019 (2018: 2.7 %). The increase is due to the expansion of the base population used to determine the CVA risk.

Investment risk

The investment risk is comprised of the risk of potential losses in connection with participating interests which may materialise in the event of disposals and lost dividends, and in the case of impairments due to declining credit ratings. Most of the investment risk results from sector investments. For a sensitivity analysis of investments, we refer to the information contained in the section "Notes to financial instruments".

Market price risk

Market price risk describes the risk that losses will be incurred due to changes in prices on financial markets for the bank's positions in the trading and banking book.

Market price risks may arise in the form of interest rate change risk, currency risk, option risk, exchange risk, spread risk, equity risk, gold risk, commodity risk and real estate risk. The risks are calculated using value at risk (VaR) methods and supplementary statistical methods. They are monitored regularly and are reported in the risk management committees in accordance with ICAAP requirements.

The VaR figures represent forecast maximum losses on the basis of historic simulations. The VaR values are calculated on the basis of a 99.9 % confidence level and a holding period for banking book positions of 250 days and 90 days for trading book positions. The effects of potentially arising extreme situations are taken into account by means of stress tests.

A strict separation of duties between the front, back and risk control offices ensures a comprehensive, transparent and objective depiction of risks to the Managing Board and regulatory authorities.

Portfolio – extreme case scenario	VaR 2019	VaR 2018
Interest rate change risk, banking book	68.93 million	49.60 million
Banking book (interest rate risk, price risk, credit spread risk, equity risk) – securities only	63.84 million	59.92 million
Trading book (interest rate risk, price risk, credit spread risk, equity risk)	0.29 million	0.79 million

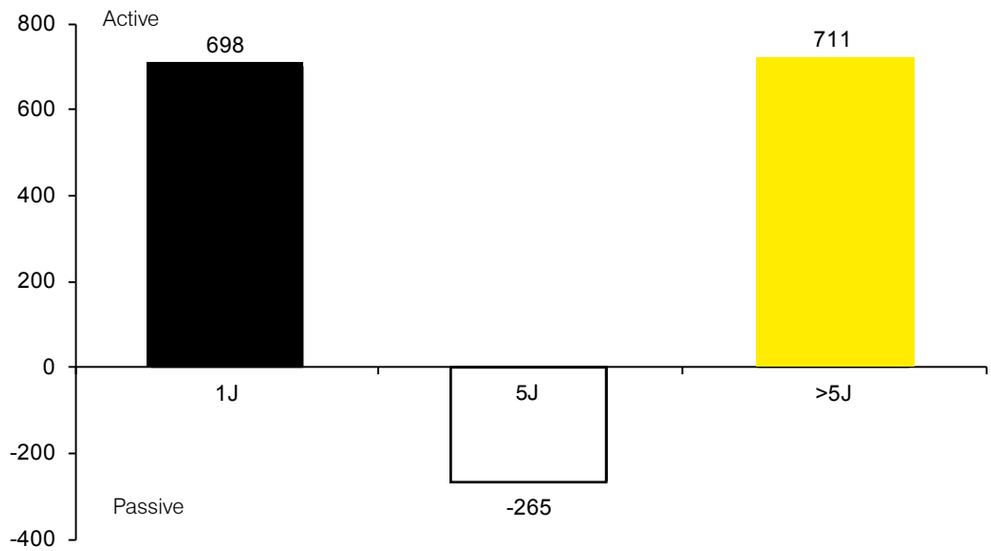
	Risk 2019	Risk 2018
Option risk, currency risk	7.26 million	5.68 million

The increase in the risk types is mainly due to a change in positioning in interest rate and spread risk. Furthermore, the risk calculation for the interest rate/option risk was adjusted during the reporting period. Pursuant to the look-through obligation for funds, the risks of these positions are reported directly in the respective risk type.

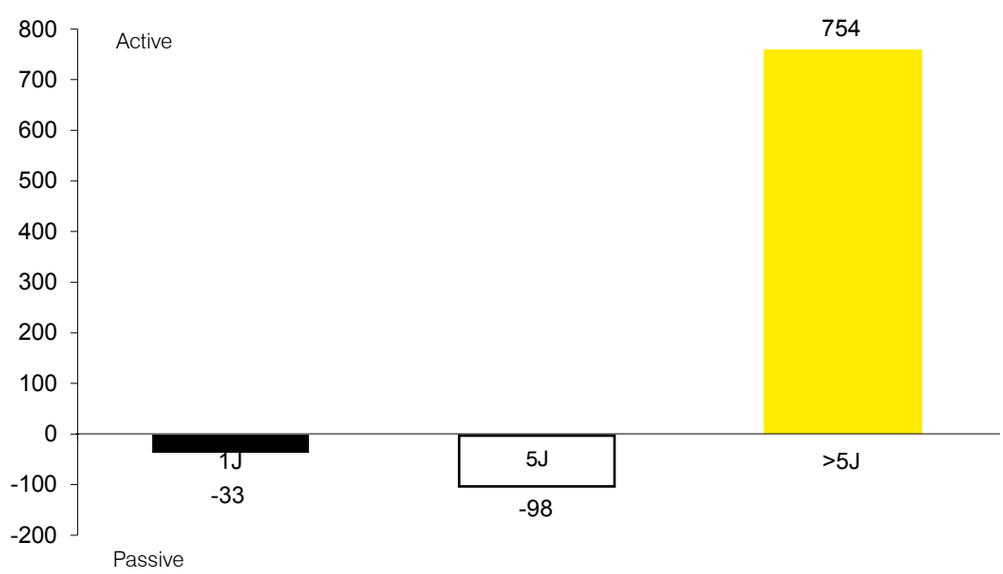
The interest rate change risk is determined in compliance with the regulatory requirements related to interest rate risk statistics by simulating a parallel shift in the interest rate curve by 200 basis points. Further models and simulations, in which stress tests play a key role, are being used to manage interest rate risk. As part of the ongoing management of interest rate positions, interest rate sensitivities calculated using basis point values (with an interest rate curve shift either up or down by 1 BP) are taken into account. The interest rate simulations required by the EBA are carried out monthly for the individual institutions from the reporting date 30/06/2019 and reported to the overall bank risk committee.

All trading book positions are measured daily at market prices and subjected to a limit monitoring process. Furthermore, option risks are measured, controlled and limited accordingly.

Fixed interest rate gap structure at 31/12/2019 (EUR million)



Fixed interest rate gap structure at 31/12/2018 (EUR million)



Operational risk

Operational risk reflects the risk of direct or indirect losses resulting from inadequate or failed internal processes, individuals and systems, or from external events. It also includes legal risk. Such systems and processes also encompass all arrangements for the prevention of money laundering and terrorist financing. Furthermore, the definition of operational risk includes risks related to information, communication and technology (ICT risks).

The basis indicator approach is used to measure operational risk. A risk-adequate internal control system and scheduled and unscheduled inspections by Internal Auditing and/or Group Auditing in the individual Group companies ensures a high degree of safety. Operational losses are systematically recorded and analysed in a loss event database. The Managing Board is kept informed of any loss events. To identify operational risks and develop an awareness of potential risk sources, self-assessments are conducted. Furthermore, automated op-risk control routines are run within the process-oriented information network (Point) and the internal control system (ICS).

Liquidity risk

Liquidity risk describes the risk that the Group will be unable to adequately fulfil its current and future payment liabilities in a timely manner, or that it will be unable to procure an adequate level of liquidity at the expected terms in the event of a liquidity shortage. Liquidity management is the responsibility of the Treasury division, while the Market Risk Control division is responsible for risk measurement.

Liquidity risk is measured both on a going concern and a worst case basis. For the liquidity risk, a VaR figure is calculated in the front office system based on historic simulations. Structural liquidity is controlled and monitored via capital commitment reports. Undetermined capital commitments are taken into account using theoretical maturity scenarios in accordance with the reference rate protocol. In addition, scenario analyses are conducted at regular intervals.

For the purpose of securing liquidity, securities eligible for ECB and SNB tenders and tenderable loans are provided as collateral. At present, further proactive steps are being taken to generate additional securities in order to launch additional issues that are eligible as cover-pool assets. The corresponding risk-accompanying measures and systems were successfully optimised and extended, and the applicable legal and regulatory provisions were adhered to continuously during the reporting period.

One of the core functions of RLB Steiermark is that of providing clearing services between the Styrian Raiffeisen banks. In the hierarchical structure of the Raiffeisen Banking Group in Styria, the local Raiffeisen banks are primarily responsible for deposit and lending transactions with end customers. The RLB Steiermark Group acts analogously in its own local area of operations while concurrently executing liquidity transfers within the Raiffeisen Banking Group in Styria.

The Group Treasury also fulfils important functions for the Raiffeisen sector. It is responsible for the liquidity management in connection with bonds issued by RLB Steiermark for Styrian securities customers, and also offers Raiffeisen banks the possibility of providing RLB Steiermark, in its role as central clearing facility, with customer loans for central bank transactions with the OeNB/ECB and for the jointly managed Aaa-rated cover pools. Beyond its management of cover assets, the Group Treasury also performs other key funding and liquidity functions.

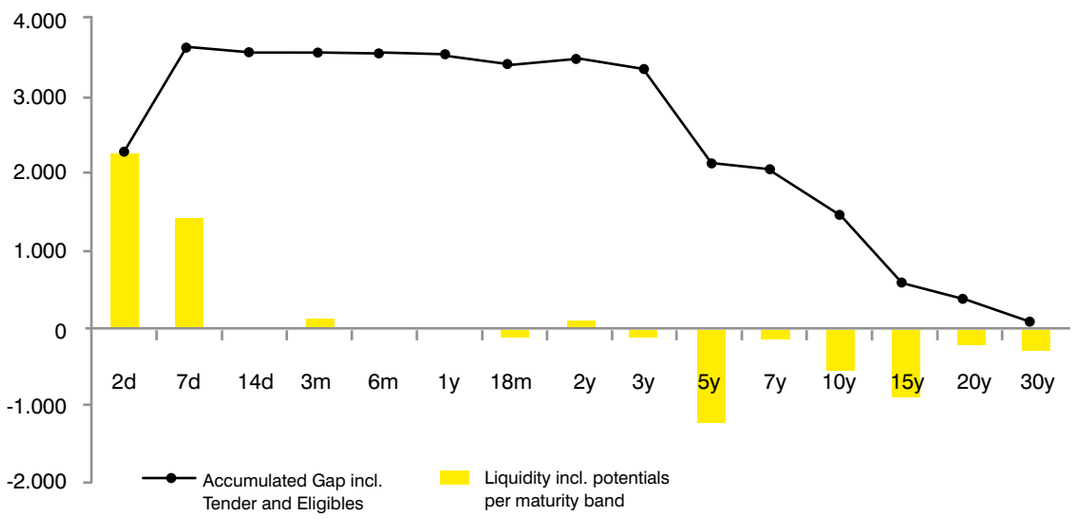
The RLB Steiermark Group has instituted a highly developed liquidity management system and controls the daily and intraday cash flows generated by customers and/or the bank. All provisions arising from regulatory standards (BWG, CRR), supervisory requirements (FMA / OeNB) and sector risk eGen as well as internal limits are continuously monitored and taken into account in management. Parameters such as stress scenarios, the liquidity coverage ratio (LCR), key operational and structural liquidity indicators, and the liquidity value-at-risk (LVaR) are particularly important elements in the risk management process.

The liquidity coverage ratio (LCR) is managed by a liquidity subgroup, consisting of RLB Steiermark AG and the Styrian Raiffeisen banks. Pursuant to Article 8 of Regulation (EU) No. 575/2013, the members of this liquidity subgroup are exempt from complying with the ratio prescribed at individual institution level. However, 100 % compliance is required at the level of the liquidity subgroup. The corresponding organisational and administrative tasks of managing and reporting the LCR are the responsibility of RLB Steiermark AG, which submits regular reports on the status and development of the ratio within the liquidity subgroup to the risk council of the state institutional protection scheme and other addressees.

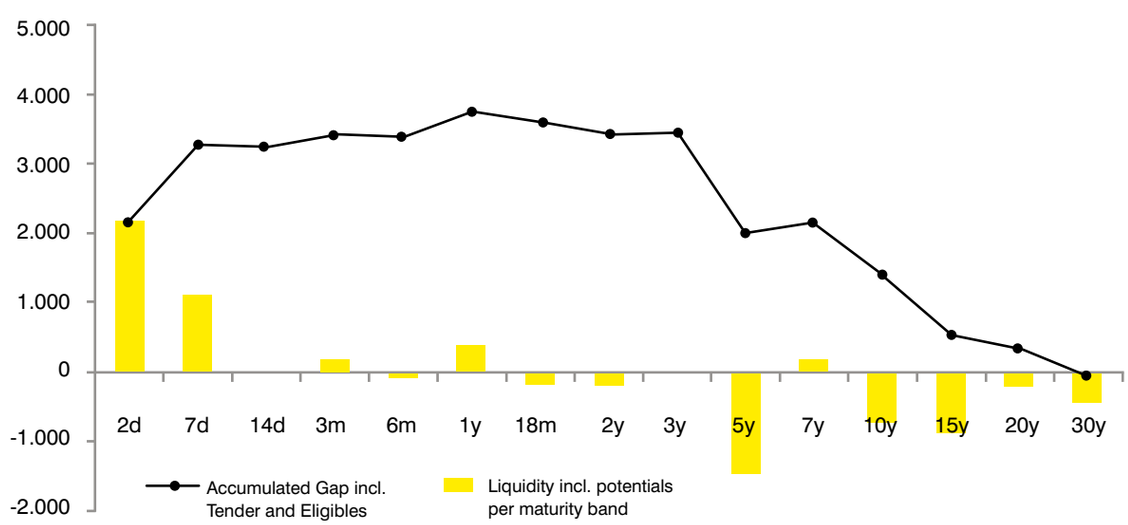
RLB Steiermark also monitors potential liquidity outflows that arise from impending new business activity. Moreover, the retention times for deposits of all kinds and the utilisation periods and amounts of loans with an indefinite term or an extension option for the borrower are subjected to empirical analyses at periodic intervals.

To respond effectively to unforeseen developments or emergency situations, appropriate strategies and action plans have been developed and approved by the relevant management committees.

Capital commitment structure including liquidity potential at 31/12/2019 (EUR million)



Capital commitment structure including liquidity potential at 31/12/2018 (EUR million)



Other risks

Other risks include macroeconomic risk and the risk buffer.

Macroeconomic risk

Macroeconomic risk results from an overall decline in economic conditions within the context of the classical economic cycle and any resultant increases in relevant risk parameters. To ensure that the bank will have sufficient covering assets even after such periods of decline without having to instigate massive interventions and measures, macroeconomic risk factors are taken into account. The quantification assumes a downturn in GDP and a deterioration of default and recovery rates. Based on these default and recovery rates, the credit risk is recalculated and the difference to the original credit risk constitutes the macroeconomic risk.

Risk buffer

A risk buffer is factored in for other, non-quantifiable risks (such as capital-related risks, etc.). As a risk buffer, an across-the-board risk premium of 5 % is added for all identified risk exposures for which sufficient coverage must be provided within the overall limit.

OTHER DISCLOSURES

40. Related party transactions

An overview of loans and advances to parent companies, associates valued at equity and related parties as at 31/12/2019 is provided in the table Statement of financial position.

Statement of financial position

TEUR	Parent companies	Associates valued at equity	Related entities	Related persons
Cash, balances at central banks and demand deposits	0	910,545	0	0
Financial assets – AC	0	1,121,937	141,822	1,736
Financial assets – HFT	0	62,827	0	17
Financial liabilities – FVOCI	0	42,877	0	0
Financial assets – FVTPL-M	0	23,052	12	0
Derivatives - hedge accounting (positive fair values)	0	4,880	0	0
Financial liabilities – AC	8,879	329,560	59,316	1,342
Financial liabilities – HFT	0	8,177	0	0
Financial liabilities – designated at fair value P&L	0	15,464	0	0
Derivatives - hedge accounting (negative fair values)	0	5,067	0	0
Provisions	0	0	210	0
Other liabilities	0	9	0	0

For financial assets – AC in connection with related parties and associates valued at equity, specific impairment allowances totalling TEUR 901 were established (2018: TEUR 1,102). Furthermore, provisions for off-balance sheet transactions with related parties were recognised in the amount of TEUR 210 (2018: TEUR 210).

Loans and advances to associates valued at equity mainly relate to RBI.

Statement of profit or loss

TEUR	Parent companies	Associates valued at equity	Related entities	Related persons
Interest income	0	22,468	2,704	96
Interest expenses	0	-10,423	-1	-1
Dividend income	0	0	6,680	0
Net fee and commission income	0	15	7	35
Net income from financial instruments not measured at fair value through profit or loss	0	0	0	0
Impairment of financial assets	0	1	200	0

The figures as at 31/12/2018 are as follows:

Statement of financial position

TEUR	Parent companies	Associates valued at equity	Related entities	Related persons
Cash, balances at central banks and demand deposits	0	867,799	0	0
Financial assets – AC	0	1,336,376	96,025	2,177
Financial assets – HFT	0	13,197	0	8
Financial liabilities – FVOCI	0	51,613	9,153	0
Financial assets – FVTPL-M	0	0	11	1
Derivatives - hedge accounting (positive fair values)	0	3,893	0	0
Financial liabilities – AC*)	12,955	42,700	62,376	1,326
Financial liabilities – HFT	0	7,404	0	0
Financial liabilities – designated at fair value P&L	0	0	0	0
Derivatives - hedge accounting (negative fair values)	0	624	0	0
Provisions	0	0	210	0
Other liabilities	0	0	0	0

*) Due to a time deposit not taken into account as at 31 December 2018, the amount was adjusted from TEUR 121 to TEUR 12,955.

Statement of profit or loss

TEUR	Parent companies	Associates valued at equity	Related entities	Related persons
Interest income	0	21,287	2,267	24
Interest expenses	0	-4,400	-40	-1
Dividend income	0	0	12,850	0
Net fee and commission income	0	99	20	3
Net income from financial instruments not measured at fair value through profit or loss	0	0	7	0
Impairment of financial assets	0	604	-456	0

By definition, the parent companies are the non-operationally active financial holding companies RLB-Stmk Verbund and RLB-Stmk Holding. As at 31/12/2019, RLB-Stmk Verbund, which is a 100 % subsidiary of the Styrian Raiffeisen banks, is the largest shareholder in RLB-Stmk Holding, with an investment of 95.18 % (2018: 95.18 %). RLB-Stmk Holding in turn holds an investment of 84.08 % (2018: 84.08 %) in RLB Steiermark.

Related parties are deemed to be subsidiaries and equity investments that are not included in the consolidated financial statements due to their secondary importance.

In accordance with IAS 24.12, the definition “related party” also includes the subsidiaries of an associate. The business relations with these companies are presented jointly with the associates valued at equity.

Natural persons who according to IAS 24 are considered to be related, are first and foremost the members of the Managing Board and the Supervisory Board of Raiffeisen-Landesbank Steiermark AG, the members of the Managing Board of Landes-Hypothekenbank Steiermark Aktiengesellschaft, and the close family members of all these individuals.

The business relations with the named entities and persons are conducted in the context of usual banking business. Above all, such business pertains to investments and refinancing. Banking transactions with related parties in the normal course of business activities are entered into on arm’s length terms and conditions. The receivables and liabilities with respect to these parties pertain to loans, demand and time deposits.

41. Managing Board and Supervisory Board remunerations

The active members of the Managing Board and the Supervisory Board of RLB Steiermark, and the active members of the Managing Board of Landes-Hypothekenbank Steiermark Aktiengesellschaft, are deemed to be members of the key management personnel in accordance with IAS 24.9.

Remuneration for the active members of the Managing Board breaks down as follows:

TEUR	2019	2018
Short-term benefits	1,777	1,898
Post-employment benefits	352	392
Other long-term benefits	23	18
Total	**2,152**	**2,308**

The salaries of the former members of the Managing Board amounted to TEUR 204 during the reporting year (2018: TEUR 543).

During the 2019 financial year, the members of the Managing Board received supervisory board remuneration payments from fully consolidated subsidiaries amounting to TEUR 31 (2018: TEUR 25).

In 2019, emoluments amounting to TEUR 229 (2018: TEUR 236) were paid to the members of the Supervisory Board.

42. Foreign currency volumes

The consolidated financial statements comprise the following volumes of assets and liabilities denominated in foreign currencies:

TEUR	2019	2018
Assets	425,445	618,192
Equity and liabilities	114,595	156,666

43. Foreign assets and liabilities

Foreign assets and liabilities Assets and liabilities arising from transactions with counterparties outside Austria break down as follows:

TEUR	2019	2018
Assets	2,966,747	2,886,591
Equity and liabilities	2,189,973	2,536,178

44. Subordinated assets

TEUR	2019	2018
Financial assets – amortised cost (AC)	17,871	3,976
Financial assets – fair value OCI (FVOCI)	10,277	9,910
Financial assets – mandatorily at fair value P&L (FVPL-M)	2,447	2,435

45. Subordinated liabilities and supplementary capital

The following subordinated bonds were issued:

Description/characteristics	Currency	Nominal amount in TEUR	Interest rate	Maturing on	Year of issue
Subordinated bond "Raiffeisen Anleihe 2013-2024/1" of Raiffeisen Landesbank Steiermark AG (ISIN AT000B091921) – tap issue	EUR	3,545	4.80	27/05/2024	2013
Subordinated bond "Raiffeisen Stufenzins-Anleihe 2014-2024/1" (ISIN AT000B092101) – tap issue	EUR	8,491	3.75 – 6.0	14/02/2024	2014
Supplementary capital bond "Ergänzungskapital Fixzins-Anleihe 2014-2029/2" (ISIN AT000B092200) – single issue	EUR	5,000	4.60	18/06/2029	2014
Supplementary capital bond "Cap&Floor-FRN 2015-2027/1" (ISIN AT000B092291) – tap issue	EUR	2,170	4.4 – 6.0	27/04/2027	2015
Subordinated bond "RLB Stmk Fixzins-Anleihe 2015-2025/3" (ISIN AT000B092390) – tap issue	EUR	4,289	5.00	11/08/2025	2015
Subordinated bond "RLB Stmk Fixzins-Anleihe 2015-2022" (ISIN AT000B092440) – tap issue	EUR	1,680	3.40	11/08/2022	2015
Subordinated bond "RLB Stmk Fixzins-Anleihe 2016-2026" (ISIN AT000B092614) – tap issue	EUR	2,989	4.85	21/01/2026	2016
Subordinated bond "RLB Stmk Fixzins-Anleihe 2016-2026" (ISIN AT000B092747) – tap issue	EUR	6,841	4.50	29/04/2026	2016
Subordinated bond "RLB Stmk Fixzins-Anleihe 2016-2026" (ISIN AT000B092895) – tap issue	EUR	9,142	4.15	27/07/2026	2016
Subordinated 5.75 % bond "Hypo Fixzins-Anleihe 2017-2027" (ISIN AT000B088315) – tap issue	EUR	2,000	5.75	22/02/2027	2017
Subordinated 4.1 % – 5 % bond "Stufenzins-Anleihe 2017-2027" (ISIN AT000B088349) – tap issue	EUR	3,000	4.10 – 5.0	29/09/2027	2017
Subordinated 6 % bond "Hypo Fixzins-Anleihe 2017-2027" (ISIN AAT000B088273) – tap issue	EUR	3,000	6.00	11/01/2027	2017
Subordinated 4 % bond "Hypo Fixzins-Anleihe 2018-2028" (ISIN AT000B088398)	EUR	5,000	4.00	16/03/2028	2018
Subordinated bond "RLB Stmk Stufenzins-Anleihe 2018-2028/1" (ISIN AT000B093281) – tap issue	EUR	9,941	2.0 – 3.8	22/05/2028	2018
Subordinated bond "RLB Stmk Stufenzins-Anleihe 2019-2029/4" (ISIN AT000B093422) – tap issue	EUR	819	1.75 – 2.65	06/06/2029	2019

The subordinated loans constitute subordinated liabilities as defined in Article 63 of Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR).

Both Raiffeisen-Landesbank Steiermark AG and Landes-Hypothekenbank Steiermark AG are entitled to call the subordinated bonds at 100 % of the nominal value with the approval of the Austrian Financial Market Authority (FMA) after a period of five years from the date of first issue, and also before the end of this 5-year term for regulatory (e.g. legislative changes) or fiscal reasons.

The interest expenses for subordinated liabilities came to TEUR 2,847 in the reporting year (2018: TEUR 2,675).

46. Contingent liabilities and other off-balance sheet liabilities and commitments

Contingent liabilities:

TEUR	2019	2018
Contingent liabilities from guarantees and other indemnity commitments provided to non-banks	409,658	369,470
Contingent liabilities from guarantees and other indemnity commitments provided to banks	12,946	12,249
Contingent liabilities from the supplement required from members of cooperatives in respect of amounts guaranteed	764	764
Total contingent liabilities	**423,368**	**382,483**
Provision for off-balance sheet transactions	-6,283	-5,808
Total	**417,085**	**376,675**

Commitments:

TEUR	2019	2018
Unused credit lines – up to 1 year	873,794	740,919
Unused credit lines – more than 1 year	895,333	974,968
Total commitments	**1,769,127**	**1,715,887**
Provision for off-balance sheet transactions	-4,012	-6,186
Total	**1,765,115**	**1,709,701**

Customer deposit guarantee association

Raiffeisen-Landesbank Steiermark AG is a member of the Raiffeisen-Geldorganisation Steiermark customer deposit guarantee association. The members of the association assume a contractual guarantee obligation to the effect that according to the statutes of the association, they jointly and severally guarantee the timely fulfilment of an insolvent association member's obligations arising from customer deposits and financial instruments issued by that member. Pursuant to the charter, the capacity of any one member of the association will depend on its freely available reserves subject to the pertinent provisions of BWG and CRR.

As it is impossible to determine the amount of the potential liability of Raiffeisen-Landesbank Steiermark AG arising from the guarantee association, the guarantee obligation was accounted for by recognition of a nominal amount of one euro in the statement of financial position. By means of an amendment to the articles of association, the customer deposit guarantee association of Raiffeisen-Geldorganisation Steiermark terminated its liability as of 30 September 2019. Balances existing on the reporting date continue to be subject to liability, while payouts and all other debit entries after the reporting date reduce liability.

Institutional protection scheme

The regulatory changes introduced under Basel III also mandated additional prudential adjustments for decentralised banking groups, particularly the establishment of institutional protection schemes (IPS). An IPS is a liability or indemnity agreement created via contractual agreement or through articles of association, statutes or charters, the intent of which is to provide protection for member banks in a decentralised banking group. For the purpose of determine capital adequacy, Article 49 CRR stipulates that banks must generally deduct the equity instruments of other banks they hold unless the exemption under Article 49 (3) CRR (institutions that fall within the same IPS) applies.

Raiffeisen-Landesbank Steiermark is a member of the regional state IPS, to which all Raiffeisen banks in Styria belong. In addition, it holds membership in the federal IPS, the members of which also include Raiffeisen Bank International AG (RBI), Austria's regional Raiffeisen banks (Raiffeisenlandesbanken), Raiffeisen Wohnbaubank, Raiffeisen Bausparkasse, Raiffeisen-Holding Niederosterreich-Wien and Posojilnica Bank eGen.

Pursuant to Article 113 (7) of the CRR, a bank may, subject to consent from the relevant regulatory authorities, assign a risk weighting of 0 % to risk exposures in respect of counterparties with whom the bank has signed an IPS. However, this does not apply to risk exposures that represent items of CET 1 capital, additional tier 1 capital or tier 2 capital as specified by the CRR.

The Austrian Financial Market Authority (FMA) has issued preliminary approval for both of the institutional protection schemes in which Raiffeisen-Landesbank Steiermark AG holds membership.

47. Assets pledged as collateral

The following liabilities were collateralised by assets recognised in the statement of financial position:

TEUR	2019	2018
Financial liabilities – amortised cost (AC)	2,052,204	1,974,634
Financial liabilities – designated at fair value P&L (FVO)	204,494	206,887
Total	**2,256,698**	**2,181,521**

The following assets recognised in the statement of financial position were pledged as collateral:

TEUR	2019	2018
Cover pool for fiduciary funds	13,542	13,644
Cover pool for covered bonds	2,194,944	1,673,380
Other cover pool assets	34,785	53,585
Total	**2,243,271**	**1,740,609**

The contractual terms that are associated with the use of these securities are standard banking terms.

Breakdown of non-Group assets pledged as collateral:

TEUR	2019	2018
Cover pool for covered bonds	2,959,381	2,527,398

The non-Group securities for covered bonds relate solely to credit claims.

48. Repurchase transactions

In the context of genuine repurchase agreements, the following repurchase and redelivery commitments existed at 31 December:

TEUR	2019	2018
Genuine repurchase agreements as seller		
Financial liabilities – held for trading (HFT)		
Deposits with agreed maturity	29,962	0
Financial liabilities – amortised cost (AC)		
Borrowed funds	310,176	310,711
Total	**340,138**	**310,711**

Genuine reverse repurchase agreements existed neither on the reporting date nor on 31/12/2018.

The assets provided as collateral for the liabilities specified above under genuine repurchase agreements break down as follows:

TEUR	2019	2018
Assets transferred under repurchase agreements		
Bonds – amortised cost (AC)	38,358	0
Loans and receivables – amortised cost (AC)	141,311	262,580
Bonds – fair value OCI (FVOCI)	815	0
Total	**180,484**	**262,580**

In addition, non-Group securities totalling TEUR 24,545 were used in the context of refinancing operations through tender transactions (2018: TEUR 47,420).

The following assets are available as potential cover for risks arising from repurchase (repo) transactions (EZB, EUREX):

TEUR	2019	2018
Group's own assets		
Bonds	1,750,928	1,856,115
Credit claims	23,960	6,636

TEUR	2019	2018
External assets		
Bonds	92,979	111,034

49. Leasing from the lessor's perspective

The RLB Steiermark Group lets investment property consisting of its own land and buildings and rented land and classifies it as operating leases. In addition, there are leasing agreements for real estate, moveable property and motor vehicles, which have been classified as finance leases within the Group.

Interest income from finance leases in the amount of TEUR 3,018 was realised (2018: TEUR 3,382).

Finance leasing

The following table presents a maturity analysis of finance lease receivables and shows the undiscounted annual lease payments to be received after the reporting date.

TEUR	2019
Gross investment value	**119,762**
Minimum lease payments	**76,664**
Up to 1 year	15,738
1 year to 2 years	14,183
2 years to 3 years	11,538
3 years to 4 years	9,079
4 years to 5 years	6,528
5 years and over	19,598
Non-guaranteed residual values	43,098
Unrealised financial income	**10,040**
Net investment value	**109,722**

The maturity analysis for the comparison period was as follows:

TEUR	2018
Gross investment value	**127,654**
Minimum lease payments	**82,488**
Up to 1 year	14,038
1 year to 5 years	42,257
5 years and over	26,193
Non-guaranteed residual values	45,166
Unrealised financial income	**12,276**
Net investment value	**115,378**

TEUR	2019	2018
Vehicle leasing	21,868	17,745
Real estate leasing	72,638	78,696
Equipment leasing	15,216	18,937
Total	**109,722**	**115,378**

Operating leasing – lessor

The RLB Steiermark Group lets investment property and has classified these leases as operating leases because not all risks and rewards associated with ownership are transferred. Investment properties comprise both commercial properties owned by the Group and rented land that is leased to parties outside the Group. The rental period of the properties is negotiated individually and can range from one year to more than ten years.

In the 2019 financial year, leasing income in the amount of TEUR 1,296 (2018: TEUR 1,282) was recorded.

The following table presents a maturity analysis of lease receivables and shows the undiscounted lease payments to be received after the reporting date.

TEUR	2019	2018
Up to 1 year	1,266	1,322
1 year to 2 years	1,152	1,250
2 years to 3 years	1,082	1,152
3 years to 4 years	929	1,082
4 years to 5 years	750	929
5 years and over	1,906	2,656
Total	**7,085**	**8,391**

50. Leasing from the lessee's perspective

At the time of the first-time application of IFRS 16 as of 1 January 2019, right-of-use-assets and corresponding leasing liabilities amounting to EUR 12.3 million were recognised in the statement of financial position.

The below table reconciles the future obligations from non-cancellable operating leases reported under IAS 17 as at 31 December 2018 to the leasing liability to be recognised under IFRS 16:

TEUR	01/01/2019
Obligations from non-cancellable operating leases as at 31/12/2018	**2,441**
less discounting (application of marginal borrowing rates as of 01/01/2019)	-104
less exercised options/relief provisions:	
Short-term leases	-23
Low-value leases	-17
Obligations under non-cancellable operating leases discounted at the marginal borrowing rate	**2,297**
Obligations under non-cancellable operating leases	10,037
Total lease liability as at 01/01/2019	**12,334**

The average marginal borrowing rate used to determine the leasing liability as of 01/01/2019 is around 1.6 % for real estate and around 0.4 % for vehicle leasing contracts (vehicle fleet).

The impact of the first-time application of IFRS 16 on regulatory (consolidated) equity is immaterial.

The development of the rights of use in the 2019 financial year is shown below:

Right-of-use assets

TEUR	At 1 January	Additions	Disposals	Transfers	Impair-ment	At 31 December
Real estate	11,562	0	-159	0	-860	10,543
Vehicle fleet	772	558	-9	0	-274	1,047
Total	**12,334**	**558**	**-168**	**0**	**-1,134**	**11,590**

Amounts recognised in the statement of profit or loss

The amounts recognised in the statement of income from leases in which the RLB Steiermark Group is a lessee are as follows:

TEUR	2019
Impairment of right-of-use assets	1,134
Interest expenses for lease liabilities	201
Expenses for short-term leases	304
Expenses for leases of low-value assets	37
Variable leasing payments not included in the valuation of lease liabilities	0
Income from the subleasing of right-of-use asstes	0
Total	**1,676**

Amounts recognised in the cash flow statement

The total cash outflows for leases amount to TEUR 1,840, of which TEUR 1,298 is attributable to the repayment portion, TEUR 201 to the interest portion, TEUR 304 to short-term leases and TEUR 37 to low-value leases. Payments for the interest portion of the lease liability are reported under cash flow from operating activities, analogous to other interest payments within the Group.

The following table shows the development of the lease liability shown in the item “Other liabilities” in the statement of financial position and in the cash flow from financing activities:

TEUR	Cash flow		Non-cash changes		
Carrying amount at 01/01/2019	Inflows	Outflows	Other changes	Interest expenses	Closing balance at 31/12/2019
12,334	0	-1,499	2,640	201	13,676

Lease liabilities

The maturity analysis of the lease liabilities in the current financial year is as follows:

	Term to maturity of lease liability			
TEUR	Total	Up to 1 year	> 1 year to 5 years	5 years and over
Real estate	14,635	1,161	4,816	8,658
Vehicle fleet	1,031	276	739	16
Total	**15,666**	**1,437**	**5,555**	**8,674**

2018 financial year

Under IAS 17, future obligations under non-terminable operating leases were as follows:

TEUR	2018
Up to 1 year	431
1 year to 5 years	1,272
5 years and over	738
Total	**2,441**

51. Financial investments pursuant to § 64 BWG

The breakdown of securities listed and/or admitted to stock exchange trading by fixed and current assets is as follows:

Securities held as fixed assets (financial investments):

TEUR	2019	2018
Bonds	1,291,976	1,092,551

Securities held as current assets:

TEUR	2019	2018
Bonds	766,245	960,651

Classification as a financial investment or current financial asset was decided on a case-by-case basis by the responsible committees. Securities intended for use on a continuing basis in the normal course of the bank's activities are reported as fixed assets. Securities not classified as financial investments are reported as current assets.

52. Bonds, other fixed-income securities and bonds issued by the Group pursuant to § 64 (1) (7) BWG

Bonds and other fixed-income securities maturing in the year following the reporting date:

TEUR	2019	2018
Bonds	209,312	272,045
Bonds issued by the Group	121,685	154,107

53. Trading book volume pursuant to Art. 103 et seq. of Regulation (EU) No. 575/2013

TEUR	2019	2018
Derivative financial instruments		
Positive fair values	80,949	62,727
Negative fair values	112,380	87,177
Bonds	53,245	99,517
Loans and receivables	244,494	654,542
Deposits with agreed maturity	189,713	181,815

54. Loans and advances to Managing Board and Supervisory Board members

TEUR	2019	2018
Managing Board members	1,322	1,562
Supervisory Board members	310	577

Repayments were made as agreed; terms to maturity and interest rates were those generally available from banks.

55. Expenses for severance payments and pensions

Severance payments:

TEUR	2019	2018
Managing Board and senior employees	382	167
Other employees	3,474	1,698

Pensions:

TEUR	2019	2018
Managing Board and senior employees	3,033	3,641
Other employees	3,940	3,412

56. Expenses for remuneration of the auditors

The remuneration recognised in the financial year under review for auditing the consolidated and individual financial statements, as well as other services provided by the auditors, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, the Austrian Raiffeisen Association (Österreichischer Raiffeisenverband, ÖRV) and other audit firms, breaks down as follows:

	2019			2018		
TEUR	**ÖRV**	**KPMG**	**Other**	**ÖRV**	**KPMG**	**Other**
Audit fees	650	543	35	722	602	46
Other services	0	0	0	0	0	0
Total	**650**	**543**	**35**	**722**	**602**	**46**

Pursuant to § 237 (14) UGB, the auditor's remuneration for the individual financial statements of the subsidiaries is published as part of the notes to the consolidated financial statements. Thus, the auditor's remuneration (gross figures) is presented cumulatively for the Group and the subsidiaries.

The expenses for the Austrian Raiffeisen Association (Österreichischer Raiffeisenverband ÖRV) incurred during the reporting year relate to the auditor appointed by ÖRV.

57. Return on total assets pursuant to § 64 (1) (19) BWG

The return on total assets (ratio of consolidated profit/loss for the year to total assets as at the reporting date) of the RLB Steiermark Group was 0.68 % (2018: 0.88 %).

58. Average number of employees

Data in FTE	2019	2018
Waged employees	0	0
Salaried employees	921	922
Total	**921**	**922**

59. Regulatory capital

Raiffeisen-Landesbank Steiermark does not constitute a separate group of credit institutions as defined by the Austrian Banking Act (BWG). Therefore, it is not subject itself as a group to the supervisory regulations for banking groups, as it is part of the CRR scope of consolidation of RLB-Stmk Verbund.

With effect from 01/01/2014, determination of Raiffeisen-Landesbank Steiermark's consolidated regulatory capital and consolidated regulatory capital requirements is based on the CRR scope of consolidation of RLB-Stmk Verbund eGen under Basel III. Within the European Union (EU), the Basel III regulations were implemented under the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR). RLB-Stmk Verbund applies these regulations and determines the capital ratios mandated by Basel III standards on the basis of national transitional provisions defined in the Austrian regulation transposing the CRR published by the Austrian banking supervisory authority (FMA).

According to the CRR, eligible capital consists of common equity core capital (common equity tier 1 – CET 1), additional core capital (additional tier 1 – AT 1) and supplementary capital (tier 2 – T 2). The capital ratios are determined by comparing the relevant capital components with the total risk, after consideration of all regulatory deductions and/or adjustment items.

The minimum capital ratios are 4.5 % for common equity tier 1 capital (CET 1), 6 % for tier 1 capital (CET 1 plus additional tier 1 capital (AT 1)), and 8 % for total capital (TC).

In addition to minimum capital ratios, banks must also meet capital requirements as defined in the Supervisory Review and Evaluation Process (SREP) and capital buffer requirements.

In a decision made on 05/03/2019, the Austrian Financial Market Authority (FMA) instructed RLB Steiermark to maintain a SREP total capital ratio (as defined in Art. 92 (2) (c) of the CRR) of 11.9 % based on the individual institution and the consolidated situation of RLB-Stmk Verbund eGen.

By official notice dated 18 June 2019, RLB-Stmk Verbund eGen was ordered to maintain at all times a minimum amount of equity and eligible liabilities (MREL) at the consolidated level of Raiffeisen-Landesbank Steiermark AG (RLB Steiermark) in the amount of 13.47 % of total liabilities and own funds.

RLB Steiermark and RLB-Stmk Verbund eGen complied with the prescribed SREP and MREL ratios at all times.

Beyond that, RLB-Stmk Verbund eGen must comply with additional buffer requirements. These relate mainly to the capital conservation buffer (to be gradually raised to 2.5 % by 2019) and the countercyclical capital buffer. The countercyclical buffer was set at 0 % for the time being due to restrained lending growth and the stable macroeconomic environment in Austria. The institution-specific countercyclical capital buffer for Raiffeisen-Landesbank Steiermark is calculated in accordance with Section 23a (1) BWG based on the weighted average of the ratios of the countercyclical capital buffers of the countries in which the material credit risk positions are tied. In 2019, the countercyclical capital buffer is once again an insignificant factor for Raiffeisen-Landesbank Steiermark.

The RLB Steiermark Group anticipates a stable equity and capital situation for the coming years. The regulatory ratios will be exceeded significantly and the SREP ratio prescribed by the FMA will be complied with.

The regulatory option afforded under Article 473a CRR to distribute the effect of first-time application of IFRS 9 over a period of five years was not used.

Regulatory capital of the RLB Steiermark Verbund Group:

TEUR	2019	2018
Capital instruments eligible as CET 1 capital	252,321	252,321
Reserves and accumulated other comprehensive income	1,017,548	922,188
Minority interests given recognition in CET 1 capital	241,020	284,686
CET 1 capital before deduction and adjustment items	**1,510,889**	**1,459,195**
Gains and losses on liabilities measured at fair value resulting from changes in the institution's own credit risk	10,197	11,150
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-553	-520
Value adjustments due to the requirements for prudent valuation	-4,336	-5,120
Other intangible assets	-4,561	-3,996
Deferred tax assets that rely on future profitability excluding those arising from temporary differences, net of associated tax liabilities	-32,000	-29,020
Other transitional adjustments to core capital	16,000	17,413
Adjustments to CET 1 capital due to deduction and adjustment items	**-15,253**	**-10,093**
Common equity tier 1 (CET 1) capital	**1,495,636**	**1,449,102**
Additional tier 1 capital (AT 1)	**0**	**0**
Tier 1 capital (T1)	**1,495,636**	**1,449,102**
Instruments issued by subsidiaries that are given recognition in T2 capital	71,664	77,632
Tier 2 capital (T2)	**71,664**	**77,632**
Total capital (TC)	**1,567,300**	**1,526,734**

The total risk exposure (assessment base) breaks down as follows:

TEUR	2019	2018
Minimum capital requirement for credit risk	6,970,545	6,561,168
Minimum capital requirement for the position risk of debt instruments	104,809	178,099
Minimum capital requirement for the risk of foreign currency positions	33,122	0
Minimum capital requirement for operational risk	483,431	460,036
Minimum capital requirement for CVA risk	45,328	74,178
Total risk (assessment base)	**7,637,235**	**7,273,481**
CET 1 ratio (based on all risks)	19.58 %	19.92 %
Tier 1 capital ratio (based on all risks)	**19.58 %**	**19.92 %**
Total capital ratio (based on all risks)	**20.52 %**	**20.99 %**

The minimum capital requirements were complied with during the reporting period.

60. Capital management

The capital management of the RLB Steiermark Group is based on the regulatory framework of the CRR and corresponding national regulations, as well as the economic capital management approach (Basel III, Pillar 2) of the Internal Capital Adequacy Assessment Process (ICAAP). Ensuring an appropriate level of capital resources and compliance with the regulatory capital requirements takes precedence over all other considerations.

Regulatory values are defined for the RLB Steiermark Group by the Austrian Banking Act (BWG) based on the relevant EU directives and the applicable regulations of the European Parliament. The RLB Steiermark Group uses target values for internal management and control processes that cover all types of risk (credit risk, trading book risk, currency risk and operational risk) and are reflective of future requirements regarding the quality and quantity of capital. The current planning activities also take account of the advancement and harmonisation of capital requirements by the regulatory authorities.

Regulatory and economic perspectives are fundamental components of the RLB Steiermark Group's management and controlling framework. For the current year as well as subsequent periods, the impacts of planned business activities are compared against the expected movement in eligible capital.

In the context of the planning process, risk capital is allocated to business areas and segments, in order to determine the performance indicators on which the Group's integrated risk and return management is based. The levels of such risk capital depend on the business strategy and planned business development of the individual business areas and segments.

In the context of the Group's ongoing capital management activities, regulatory management focuses on monitoring business development with a view to the change in risk-weighted assets and on monitoring other risks in relation to eligible capital. In economic terms, the key focus is on analysing the risk-bearing capacity at overall bank level and utilisation of the allocated risk capital within the individual business areas and segments. The ICAAP takes into account the bank's business and risk profiles, and constitutes an integral part of its implemented planning and control process.

To ensure adequate levels of liquidity and capitalisation, capital planning processes are updated periodically to reflect current developments. In addition, scenario calculations are performed and analysed, the outcomes of which are incorporated into management considerations.

Leverage ratio

As a supplementary measure to its capital requirements, the CRR framework introduced the leverage ratio as a new instrument for limiting the accumulation of excessive leverage. According to Art. 429 of the CRR, the leverage ratio is calculated as an institution's capital measure, divided by that institution's total exposure measure (leverage exposure). In other words, it is the tier 1 capital in proportion to the unweighted exposure on and off the statement of financial position.

TEUR	2019	2018
Total exposure	15,705,121	15,501,904
Core capital	1,495,636	1,449,102
Leverage ratio	**9.52 %**	**9.35 %**

61. Events after the reporting date

The novel corona virus (COVID-19) continues to spread rapidly in many countries. The Austrian Federal Government has taken drastic measures in this context, and whether and which further measures will follow will depend on further developments. On 15 March 2020, the National Council and the Federal Council in special sessions adopted the necessary legal basis for the establishment of a COVID-19 crisis management fund and a federal law on provisional measures to prevent the spread of COVID-19 and to contain the rapid spread of the corona virus in Austria (1. COVID-19 Act).

This COVID-19 Measures Act created the legal basis for the measures imposed by the federal government to restrict public life, which among other things include a ban on entering public places as well as restrictions on trade and catering. In addition, the federal government has declared a lockdown for the whole of Austria – with very few exceptions (professional activity that cannot be postponed, necessary errands). The federal state of Tyrol imposed a de facto curfew. Universities, schools and kindergartens were closed, gatherings were forbidden altogether. Furthermore, immigration regulations were tightened, strict border controls were introduced and the borders to neighbouring countries were largely closed (also with exceptions such as for freight traffic). Air traffic has been suspended for the time being. In order to cope with the crisis, periods of civilian and basic military service are currently being extended and militia are being called up. Former civil service members are called upon to volunteer for extraordinary community service. In addition to the COVID-19 Measures Act, the legislative package also included the establishment of the COVID-19 Crisis Management Fund, endowed with up to EUR 4 billion, as a first immediate measure to maintain liquidity within the economy.

The second COVID-19 legislative package was adopted by the National Council on 20/03/2020. Just one day after the National Council, the Federal Council also approved the extensive collective amendment including 39 amendments and five new federal laws with the required two-thirds majority.

Special provisions for the judiciary form an essential cornerstone of the second COVID-19 Act. These include, among other things, the temporary adjournment of proceedings, the restriction of court proceedings and the suspension of prison sentences. Other aspects include easier access to advances on maintenance payments, assistance for artists and additional funding for the Austrian Health Insurance Fund and the nursing care sector.

To a certain extent, employees of suspended businesses can be forced to use up holiday entitlements and time compensation credits. In addition, temporary special regulations were created for civilian service as well as for members of the health professions. Numerous procedural deadlines have been extended, and entrance examinations at universities and technical colleges can be postponed if necessary. The Federal Government and the highest courts are also granted the possibility of passing resolutions by circular letter. In addition, further support measures for enterprises were planned, including a hardship fund of EUR 1 billion for micro-enterprises, one-person-businesses, non-profit organisations and freelancers, which was increased to EUR 2 billion in a "Phase 2".

Overall, the federal government has now put together a financial rescue package of around EUR 40 billion to strengthen the Austrian economy. In addition to the (expanded) hardship fund, the COVID-19 Crisis Management Fund totalling EUR 38 billion provides around EUR 4

billion in emergency aid (to finance short-time work, 24-hour care, research, etc.), EUR 9 billion for guarantees and loan guarantees (implemented via ÖKB, AWS, ÖHT, etc.), EUR 15 billion in emergency aid for companies in particularly affected sectors (such as trade, tourism, catering and leisure) and EUR 10 billion for tax measures. These relate in particular to the reduction of advance payments of income tax and corporation tax, deferrals (of corporate and value added tax or social security contributions), instalment payments and the waiving of the imposition of interest for delayed payments or late payment surcharges if the taxpayer can credibly demonstrate that he or she is affected by a liquidity bottleneck that is specifically attributable to COVID-19. Further tax measures to cushion the impact of the coronavirus on Austrian taxpayers include the interruption of all essential legal protection periods and the tax exemption of subsidies from corona aid. In addition, a fee exemption was introduced for writings and official acts performed directly or indirectly as a result of the necessary measures in connection with the handling of the COVID-19 crisis situation.

The 2nd COVID-19 Act also provided that meetings of shareholders and board members (e.g. general meeting, supervisory board meeting) of a corporation, partnership or cooperative could also be conducted without the physical presence of the participants. Furthermore, the period for holding the annual general meeting of a stock corporation was extended to twelve months until the end of 2020. Both the provisions concerning the holding of meetings and the extension of the deadline for holding the general meeting of a stock corporation take precedence over the provisions of any articles of association.

On 03/04/2020, the National Council passed the 3rd, 4th and 5th COVID-19 Act.

The 3rd COVID-19 Act includes, among other things, amendments to the Financial Market Supervisory Authority Act (extension of regulations regarding contribution, publication and information obligations), the Guarantee Act (adjustment of the legal basis for AWS bridging guarantees as well as an increase in the framework for guarantees), the Income Tax Act (tax exemption of allowances and bonus payments of up to EUR 3,000 per employee due to the COVID-19 crisis) and the Fee Act (exemption from fees for the registration of liens on loans secured by AWS or ÖHT guarantees).

Within the scope of the 4th COVID-19 Act or 2nd COVID-19 Justice Accompanying Act, a postponement of the due date of payments for credit agreements (statutory moratorium) was decided, following the German model. In the case of consumer credit agreements and loans to micro-enterprises (up to 10 employees and an annual turnover of up to EUR 2 million) concluded before 15/03/2020, all the lender's entitlement to repayment, interest or amortisation due between 01/04/2020 and 30/06/2020 shall be deferred for a period of three months from the due date. A precondition for recourse is that the consumer/small entrepreneur suffers a loss of income due to COVID-19 which makes it unreasonable to expect him to fulfil the obligation. However, the contracting parties may also make deviating agreements, in particular regarding possible partial payments, interest and repayment adjustments or debt rescheduling. The deferrals made on the basis of this statutory moratorium do not automatically qualify as a forbearance/NPL measure (distressed crisis-related restructuring).

Moreover, it is clarified that Supervisory Board meetings which cannot be held by 30/04/2020 due to COVID-19 do not result in a violation of § 94 (3) AktG, § 30i (3) GmbHG or § 24d (3) GenG. Furthermore, the statutory periods for the preparation, submission and publication of the annual financial statements and related reports will be extended (by a maximum of four months).

In order to mitigate the impact of COVID-19 on the European banking sector, the European Supervisory Authorities (EBA, ECB) already initiated temporary regulatory relief on 12/03/2020 (full use of capital and liquidity buffers, postponement of the EBA stress test to 2021, more flexibility in supervisory measures such as on-site inspections). In addition, a comprehensive package of monetary policy measures was adopted by the ECB's Governing Council. These include an expansion of long-term refinancing transactions, the so-called "Targeted Longer-Term Refinancing Operations" (TLTRO), as well as additional asset purchases as part of quantitative easing.

In its public statement of 25/03/2020, ESMA made a number of remarks on the accounting treatment of various state aid measures and other issues relating to COVID-19. These relate in particular to clarifications on the topics of modifications in connection with deferrals and (state) moratoria, significant increases in credit risk (SICR), state guarantees as well as expected credit loss (ECL) measurement and forward-looking information (FLI). EBA supports the accounting statements made by ESMA. Moreover, in a public statement issued on 27/03/2020, ESMA advocated that, against the background of COVID-19, national supervisory authorities should temporarily tolerate an additional one or two months' delay in the publication of (semi-) annual financial reports by capital market-oriented companies. The FMA and OeNB also expressly support the views of EBA and ESMA.

With the goal of mitigating the impact of the COVID 19 pandemic as far as possible, the Basel Committee also extended the implementation period for the Basel IV rules ("Completion of the Basel III measures") by one year on 27/03/2020. The purpose is to provide banks with

additional operational capacity to implement the immediate measures to safeguard financial stability. In order to maintain a stable capital base, the ECB and the FMA have asked the credit institutions they supervise to postpone dividend payments.

Raiffeisen-Landesbank Steiermark immediately reacted to the Corona crisis with concrete measures in its retail business. The objective was and still is to ensure that banking operations can be maintained under "normal" conditions as far as possible. The following specific measures were taken:

- Establishment of two Corona task forces, one for the topics of the Raiffeisen Banking Group in Styria, the other for the RLB Steiermark Group. Operational management of both task forces is carried out by the Management Board and Group Head Office, and all customer, service and product units are integrated while maintaining flat hierarchies.
- Ensuring the operation of banking outlets, including the permanent supply of cash, while maintaining the usual opening hours. This led to an easing of the demand for cash right at the beginning of the lockdown. At the same time, organisational measures (e.g. team splitting) were taken in order to be able to continue to offer open bank branches even in the event of quarantine or illness.
- Identification of particularly system-relevant functions and units in the bank (e.g. payment transactions, data processing centre) and implementation of organisational/spatial measures to ensure operations in the long term.
- Establishment and expansion of VPN lines in order to enable extensive home office operations including video/telephone conferences. This was also done for the entire Raiffeisen Banking Group in Styria.
- Implementation of a crisis communication team, including press relations, customer areas, social media team and marketing, which immediately launched proactive customer and media communication.
- Establishment of a new unbureaucratic and rapid process for deferring credit instalments via the websites. Data entry takes only a few minutes, and both retail and commercial customers have a concrete solution within hours.
- Ongoing coordination with the relevant funding bodies (AWS, ÖHT, ÖKB, SFG) in order to ensure rapid information and processing of applications for companies.

One year before the outbreak of the Corona crisis in Austria, the RLB Steiermark Group had already launched a strategy process. The goal is to effectively meet the growing challenges posed by digitization, changing customer behaviour, demographic change, regulation, and increasing revenue and cost pressure. It can be assumed that these environmental factors will become even more critical due to the Corona crisis. The business and operating model, internal processes as well as synergy effects in the course of restructuring measures are therefore being adjusted to account for this development. In the demanding environment to which all banks are subject, aspects such as stability, regional roots, as well as intact and strong customer relationships are of great importance. These have already been important contributors to success at Raiffeisen. Based on Raiffeisen's joint "Digital Regional Bank" model for the future, new customer-friendly measures, which will be supplemented by state-wide concepts, are scheduled for nationwide roll-out in 2020. Key projects include digital asset management, a completely newly designed and programmed "Digital Corporate Banking" for corporate clients and an initiative targeting banking outlet processes. All this is aimed at aligning personal customer service even more closely with the potential and perfectly integrating the digital channels.

The overarching task is to embody principles such as security, proximity and trust in the present and take them into the future through structures and strategies that adequately address the prevailing conditions and requirements. Our objective is to strengthen the Group's leading position in the market and to remain a predictable and reliable partner for our customers, shareholders and the society as a whole.

Due to the global spread of the virus and its drastic consequences, it is currently not possible to make valid estimates regarding the economic impact. According to experts, the massive restriction of economic life through curfews, plant closures and factory shutdowns as well as disrupted trade routes are likely to lead to a recession in most countries. As the economic situation had already been weaker before the crisis, it can be assumed that Europe will be comparatively more severely affected. The oil-exporting countries in particular could also suffer as a result of the historically low oil price. Both the governments and the central banks of the strongest economies have already taken enormous fiscal and monetary policy measures to counteract this situation. However, it remains unclear how long this state of crisis will last and when or how quickly a recovery will occur.

The Austrian labour market has already been hit by the Corona crisis in March 2020. According to the Public Employment Service AMS, a total of 562,522 people in Austria were out of work, an increase by more than half (52.5 %) compared to March 2019. The unemployment rate stands at 12.2 %. According to WIFO, the Austrian economy will shrink by 2.5 % in 2020 if the measures remain in force until the end of April, are gradually reversed in May and the situation returns to normal in the summer.

Against this background, the RLB Steiermark Group continuously analyses the potential consequences of COVID-19 for the main types of risk, i.e. credit, market price and liquidity risk (e.g. determination of the potentially affected credit portfolio by means of impact analyses on the supply chain and relevant sales markets, simulation of the potential impact on the credit rating of (potentially) affected customers, etc.). However, due to the dynamic development of the spread of the coronavirus, it is currently not yet possible to estimate the financial impact on the RLB Steiermark Group. We assume that (possible) negative effects will be reflected in the semi-annual or annual financial report 2020.

SCOPE OF CONSOLIDATION AND INFORMATION ON INVESTMENTS IN ASSOCIATES VALUED AT EQUITY

The table below shows the fully consolidated members of the RLB Steiermark Group. A list showing the full details of equity interests is presented in the annex to the consolidated financial statements.

	Percentage held	Equity (TEUR)	Profit/loss[1] (TEUR)	Date of annual financial statements
Ciconia Immobilienleasing GmbH, Graz	100.00 %	-315	16	31/12/2019
“DÖHAU” Liegenschaftsges.m.b.H., Graz	100.00 %	-583	17	31/12/2019
Grundstücksverwaltung Salzburg-Mitte GmbH, Graz	100.00 %	-91	76	31/12/2019
HYPO Steiermark Beteiligungen GmbH, Graz	100.00 %	3,716	90	31/12/2019
HYPO Steiermark Immobilienleasing GmbH, Graz	100.00 %	2,598	246	31/12/2019
HYPO Steiermark Kommunal- und Gebäudeleasing GmbH, Graz	100.00 %	764	-8	31/12/2019
HYPO Steiermark Leasing - Holding GmbH, Graz	100.00 %	2,149	-8	31/12/2019
HYPO Steiermark PUNTI Grundstücksverwaltung GmbH, Graz	100.00 %	412	437	31/12/2019
Immobilienerwerbs- und Vermietungs Gesellschaft m.b.H., Graz	100.00 %	74,585	1,837	31/12/2019
Landes-Hypothekenbank Steiermark Aktiengesellschaft, Graz	100.00 %	211,551	25,104	31/12/2019
NOVA HYPO Leasing GmbH, Graz	100.00 %	160	10	31/12/2019
NWB Beteiligungs GmbH, Graz	100.00 %	527	26	31/12/2019
Optima-Vermögensverwaltungs- und Beteiligungsgesellschaft m.b.H., Graz	100.00 %	9,241	1,857	31/12/2019
Raiffeisen Informatik Center Steiermark GmbH, Graz	94.80 %	21,664	722	31/12/2019
Raiffeisen Rechenzentrum GmbH, Graz	100.00 %	933	699	31/12/2019
Raiffeisen Rechenzentrum Holding GmbH, Graz	100.00 %	21,839	646	31/12/2019
RATIO Beteiligungsverwaltungs GmbH, Graz	100.00 %	1,931	205	31/12/2019
RLB - Beteiligungs- und Treuhandgesellschaft m.b.H., Graz	100.00 %	108,381	12,132	30/09/2019
RLB-Hypo Group Leasing Steiermark GmbH, Graz	100.00 %	84	154	31/12/2019
RLB-Stmk Immobilienbeteiligungs- und Verwaltungs GmbH, Graz	100.00 %	66,303	8,708	30/09/2019
RLO Beteiligungs GmbH, Graz	100.00 %	3,695	209	31/12/2019
RSAL Raiffeisen Steiermark Anlagenleasing GmbH, Graz	81.00 %	62	12	31/12/2019
RSIL Immobilienleasing Raiffeisen Steiermark GmbH, Graz	81.00 %	-934	30	31/12/2019
Steirische Raiffeisen - Immobilien - Leasing Gesellschaft m.b.H., Graz	100.00 %	6,682	225	31/12/2019

1) Profit/loss before P&L transfer.

The RLB Steiermark Group's scope of consolidation includes three structured entities.

These entities are special funds in which the RLB Steiermark Group holds a 100 % interest.
These special funds are DASAA and its sub-funds EURAN and GLAN. After consideration of the factors specified in IFRS 10.B60, it appears that the structured entities are acting as agents.

	Percentage held	Fund assets (TEUR)	Fund profit/loss (TEUR)	Date of annual statement of accounts
DASAA8010, Graz	100.00 %	348,273	14,582	31/10/2019
EURAN 8051, Graz	100.00 %	140,715	1,704	31/10/2019
GLAN 8041, Graz	100.00 %	140,667	8,560	31/10/2019

Summary of financial information about subsidiaries with significant minority interests:

Due to the acquisition of the remaining shares in Landes-Hypothekenbank Steiermark Aktiengesellschaft in the 2019 financial year, the RLB Steiermark Group had no subsidiaries with significant non-controlling interests as at 31 December 2019.

As at 31 December 2018, both Landes-Hypothekenbank Steiermark Aktiengesellschaft and HYPO Steiermark Leasing - Holding GmbH each had significant non-controlling interests in the amount of 25 %. The summarised financial information for the two companies as of 31 December 2018 was as follows:

TEUR	Landes-Hypothekenbank Steiermark Aktiengesellschaft	HYPO Steiermark - Leasing Holding GmbH
Net interest income	38,263	0
Profit/loss for the year after taxes	13,583	-195
Profit/loss for the year attributable to non-controlling interests	3,396	-49
Other comprehensive income	-2,055	0
Consolidated comprehensive income	**11,528**	**-195**
Consolidated comprehensive income attributable to non-controlling interests	2,882	-49

TEUR	Landes-Hypothekenbank Steiermark Aktiengesellschaft	HYPO Steiermark - Leasing Holding GmbH
Financial assets	3,674,228	3,670
Liabilities	3,446,077	495
Equity	**228,151**	**3,175**
Equity attributable to non-controlling interests	57,038	794

The following associate is of significant importance for the RLB Steiermark Group and is valued at equity:

Name	Relation-ship	Registered office	Percentage held	Date of annual financial statements
Raiffeisen Bank International AG	Central banking institution	Vienna	9.95 %	31/12/2019

Summary of financial information relating to associates valued at equity:

TEUR	2019	2018
Net interest income	3,412,067	3,361,746
Profit/loss after taxes	1,364,600	1,397,954
Other comprehensive income	406,093	-180,563
Consolidated comprehensive income	**1,770,693**	**1,217,319**

TEUR	2019	2018
Financial assets	152,199,504	140,115,155
Liabilities	138,434,521	127,701,797
Equity	**13,764,983**	**12,413,358**

Reconciliation to carrying amounts of associates valued at equity:

TEUR	2019	2018
Consolidated equity Raiffeisen Zentralbank Österreich AG as at 31 December	13,764,983	12,413,358
Equity attributable to non-controlling interests*)	1,950,532	1,828,955
Consolidated equity attributable to the shareholders of Raiffeisen Bank International AG	**11,814,451**	**10,584,403**
Equity attributable to the RLB Steiermark Group as at 31 December	1,176,093	1,053,645
Goodwill	7,415	7,415
Impairment of goodwill as at 1 January	-7,415	-1,860
Impairment without amortised goodwill as at 1 January	-33,857	0
Impairment / reversal of impairment – current period	-128,342	-39,412
Elimination of intragroup gains/losses pursuant to IAS 28.28	-5,681	-5,681
Investments in associates valued at equity as at 31 December	**1,008,213**	**1,014,107**

*) Includes the additional core capital (additional tier 1 capital, AT 1) pursuant to the statement of changes in equity of RBI as well as the accrued proportionate interest

The carrying value of the associates valued at equity shown in the statement of financial position on the reporting date corresponds to a share of 9.95 % in the consolidated equity of Raiffeisen Bank International AG (RBI).

MANAGING BOARD AND SUPERVISORY BOARD

Managing Board

Chairman
CEO and Chairman of the Managing Board Martin **SCHALLER**

Members of the Managing Board
Member of the Managing Board Matthias **HEINRICH**
Member of the Managing Board Rainer **STELZER**

Supervisory Board
Executive committee:
Wilfried **THOMA**, President
Chairman of RLB-Stmk Verbund eGen and Chairman of Raiffeisenbank Leoben-Bruck eGen

Josef **GALLER**, First Vice President
Managing Director of Raiffeisenbank Mureck eGen

Josef **HAINZL**, Second Vice President
Chairman of the Supervisory Board of Raiffeisenbank Aichfeld eGen

Members of the Supervisory Board:
Kristina **EDLINGER-PLODER** (from 29/05/2019)

Romana **GSCHIEL-HÖTZL**
Managing Director of Raiffeisenbank Bad Radkersburg-Klöch eGen

Alois **HAUSLEITNER**
Chairman of Agrarunion Südost eGen

Thomas **KRAUTZER** (from 29/05/2019)

Gernot **REITER**
Management Board Chairman of HYPO-VERSICHERUNG AG

Rudolf **SCHNABL**
Managing Director of Raiffeisenbank Neumarkt-Oberwölz eGen

Franz **STRAUSSBERGER**
Managing Director of Raiffeisenbank Pöllau-Birkfeld eGen

Peter **SÜKAR**
Chairman of Raiffeisenbank Lipizzanerheimat eGen and the Voitsberg Economic Chamber

Franz **TITSCHENBACHER**
Chairman of Raiffeisenverband Steiermark

Gerhard **ZAUNSCHIRM**
Managing Director of Raiffeisenbank Hausmannstätten eGen

Josef **ZÜGNER**
Chairman of Raiffeisenbank Großwilfersdorf eGen

Delegated by the employees' council:

Alois **BAUMANN** (until 28/03/2019)
Sabine **FUCHS**
Walter **HATZ** (from 13/06/2019)
Brigitte **MANDL** (from 28/03/2019)
Eva **PILGER-BUCHEGGER**
Bernd **VERONIG**
Bernhard **WAGNER**
Bernhard **WESENER**

State commissioners:

Gabriele **HERBECK**
Gabriele **HERMANN**

CONCLUDING REMARKS BY THE MANAGING BOARD

Statement of all legal representatives

We confirm that, to the best of our knowledge, the consolidated financial statements, which have been prepared according to the applicable financial reporting standards, provide a true and fair view of the Group's financial position, the results of its operations and its cash flows, that the consolidated management report presents the business development, performance and position of the Group in a manner that provides a true and fair view of the Group's financial position, the results of its operations and its cash flows, and that the consolidated management report describes the material risks and uncertainties to which the Group is exposed.

Graz, 7 April 2020

The Managing Board

CEO and Chairman of the Managing Board Martin **SCHALLER** (signed)
responsible for the management of the bank and the association, finance & controlling, capital markets and real estate

Member of the Managing Board Matthias **HEINRICH** (signed)
responsible for risk management, non-performing loan management, organisation and IT

Member of the Managing Board Rainer **Stelzer** (signed)
responsible for corporate customers, retail customers,
marketing and sales, insurance and residential building savings schemes

INDEPENDENT AUDITOR'S AUDIT CERTIFICATE

Report on the consolidated financial statements

Audit opinion

I have audited the consolidated financial statements of

Raiffeisen-Landesbank Steiermark AG,
Graz,

and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and the notes to the consolidated financial statements.

In my opinion, the attached consolidated financial statements comply with the legal requirements and present fairly, in all material respects, a true and fair view of the financial position and performance of the Group as at 31 December 2019, and the results of its operations and cash flows for the financial year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, the additional requirements pursuant to § 245a of the Austrian Business Enterprise Code (UGB), and regulations under banking law.

Basis for the audit opinion

I conducted my audit in accordance with the provisions stipulated in Regulation (EU) No. 537/2014 (hereinafter: EU Regulation) and the Austrian Standards on Auditing. Those standards require application of the International Standards on Auditing (ISA). My responsibilities under these regulations and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of my report. Pursuant to Austrian laws on commercial undertakings and statutory professional requirements, I operate independently from the Group and have fulfilled my other professional responsibilities according to those requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Key audit matters

Key audit matters are those which, in my professional opinion, had the greatest significance to my audit of the financial statements for the period being audited. As these matters were taken into consideration in the context of my audit of the consolidated financial statements as a whole and when forming my audit opinion, I do not provide a separate opinion on these matters.

In the context of my audit, three such matters were identified as described below.

Valuation of the equity-accounted interest in Raiffeisen Bank International AG

KEY MATTER AND RISK FOR THE FINANCIAL STATEMENTS

The interest held in Raiffeisen Bank International AG (RBI), which is also the central institution of RLB Stmk AG, is shown at a total amount of TEUR 1,008,213 under the item "Investments in associates valued at equity" in the consolidated financial statements of RLB Stmk AG as at 31 December 2019.

The company describes the procedures for the valuation of investments in associates valued at equity in the notes to the consolidated financial statements as at 31 December 2019 in the chapters titled "Accounting policies" and "Statement of financial position", in notes 3 and 20, and in the chapter titled "Scope of consolidation and information on associates valued at equity".

The recoverability of the carrying amount of the interest held in RBI, which is valued at equity, must be reviewed to assess whether there is any objective evidence of impairment. Impairment losses or reversals of impairment losses must be recognised at the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

As at 31 December 2019, objective evidence of impairment was identified at RBI.

The recoverable amount was compared with the carrying amount to test the value of the interest in RBI for impairment. The value in use was determined using a discounted cash flow model and exceeded the fair value. Because the carrying amount exceeded the recoverable amount as at 31 December 2019, an impairment loss was recognised.

The risk for the consolidated financial statements arises from the fact that determining the value in use is largely based on the legal representatives' estimate of the future inflows of cash and cash equivalents and that the remeasurement gain/loss is largely dependent on the discount rate used and is therefore associated with a high degree of prediction uncertainty.

AUDIT APPROACH

I analysed the processes used to identify objective evidence of impairment or reversals of previously recognised impairments and the associated controls to determine whether they were appropriate for identifying impairment losses or reversals thereof sufficiently in advance.

I assessed the legal representatives' estimates with regard to the presence of objective evidence of impairment.

I examined the correct determination of the recoverable amount by comparing the fair value (market price) and the value in use as stated by an external expert opinion.

I examined the bases of this external opinion, particularly the valuation model, for their appropriateness. I also examined the parameters used in the model, such as the discount rate, by comparing them with capital market data as well as information relevant to the company and market expectations.

I analysed and assessed the appropriateness of the future cash inflows and cash equivalents used in the calculation and the ability to adhere to projected figures, based in particular on corporate documentation and external reports.

I also compared the fair value used to determine the recoverable amount with the share price published by the Vienna Stock Exchange on the last trading day of 2019.

The arithmetic accuracy of the impairment calculation was verified.

I also assessed whether the disclosures on the impairment of the interest held in RBI in the consolidated financial statements (notes) were appropriate.

Valuation of loans and receivables – amortised cost (AC)

KEY MATTER AND RISK FOR THE FINANCIAL STATEMENTS

In the consolidated financial statements of RLB Stmk AG as at 31 December 2019, loans and receivables are shown under the item "Financial assets – amortised cost (AC)" at an amount of TEUR 8,307,292. The provisions for the risks arising from these receivables come to a total of TEUR 152,284 as at the reporting date.

The company describes the procedures for determining the risk provisions for impairment losses in the notes to the consolidated financial statements in the chapters titled "Accounting policies", "Statement of profit or loss" and "Statement of financial position" and in notes 11 and 14.

As part of its credit monitoring activities, the bank ascertains whether there are objective indications of impairment and whether specific impairment allowances are required as a result. This also includes estimates as to whether customers are able to meet the contractually agreed repayment obligations in their entirety.

The calculation of loan loss allowances for individually significant customers in default is based on an analysis of the expected future repayments. That analysis is influenced by assessments of the financial position and performance of the relevant customer, valuation of the collateral provided, as well as the estimated amount and time of the expected repayments.

Risk provisions for defaulted, individually non-significant customers are calculated on the basis of a statistical valuation model.

For all loans for which there are no objective indications of impairment, the bank recognises an impairment allowance based on statistical valuation models.

The allowance is measured at the amount of the expected 12-month credit loss for receivables whose default risk has not increased significantly since initial recognition. In the case of receivables whose default risk has increased significantly since initial recognition, the impairment allowance is calculated on the basis of the lifetime expected credit loss.

Customer liabilities, collateral and macroeconomic factors are included in the valuation models. Parameters based on statistical assumptions comprise, in particular, the probability of default based on the relevant customer's credit ratings and the loss given default before and after adjusting for collateral.

For details regarding estimation uncertainties involved in determining the impairment allowance on the basis on statistical valuation models, reference is made to the chapter titled "Statement of financial position" in the notes.

The risk for the consolidated financial statements arises from the fact that the identification of objective indications of impairment and the determination of a significant increase in default risk since initial recognition are based on assumptions and discretionary estimates. When calculating provisions for impairment losses, which are based to varying degrees on the assumptions and estimates described above, there is scope for discretionary latitude and estimation uncertainty as to the amounts required for loan loss provisioning.

AUDIT APPROACH

I analysed and assessed the existing documentation and the processes governing the allocation, classification and monitoring of customer loans and the establishment of loan loss provisions to determine whether these processes were appropriate for the purposes of identifying objective indications of impairment and determining a significant increase in default risk since initial recognition in order to ensure the proper valuation of loans and advances to customers. I ascertained the design and implementation of the process flows and key controls and tested their effectiveness on the basis of randomly selected samples.

Using a sample-based approach, I assessed the correct classification of loans and advances to customers against the business model criterion and the characteristics of contractual cash flows on the basis of the internal processes and corporate documentation presented.

The correct stage assignment according to the relevant guidelines was reviewed.

For individually significant customers, I used samples to examine whether there were any objective indications of impairment for loans and whether a sufficiently large stock of loan loss allowances had been established. The samples were selected using a risk-based approach with particular consideration given to individual customer ratings that indicated a higher probability of default. If objective indications of impairment were determined, the assumptions made and scenarios assumed by the bank were examined with respect to the time and amount of expected future repayments. With respect to the internal valuation of collateral, I used samples to examine whether the assumptions used were appropriate.

With the help of experts, I verified the models used and the parameters and forward-looking information on which they are based, taking into account the validations carried out by the bank, to determine the provisions for individually non-significant borrowers in default and the provisions for borrowers for whom there are no objective indications of impairment, and analysed these for their suitability to determine provisions in adequate amounts.

I reviewed the calculations used to determine the risk provisions.

I also assessed whether the disclosures on the valuation in the consolidated financial statements (notes) were appropriate.

For details regarding estimation uncertainties involved in determining the impairment allowance on the basis on statistical valuation models, reference is made to the chapter titled “Statement of financial position” in the notes.

Valuation of securities, borrower’s notes and derivative financial instruments

KEY MATTER AND RISK FOR THE FINANCIAL STATEMENTS

The fair values used to measure securities, borrower’s notes and derivative financial instruments in RLB Stmk AG’s consolidated financial statements are based on observable market prices or are determined using valuation models. Derivative financial instruments are used to a significant extent to establish hedging relationships or for trading purposes.

The company describes the procedures for the classification of securities, borrower’s notes and derivative financial instruments and the establishment of hedging relationships in the notes (chapters “Accounting policies”, “Statement of profit and loss”, “Statement of financial position” and “Notes to the statement of profit or loss” (notes 5 to 7), “Notes to the statement of financial position” (notes 14 to 19 as well as 27 and 29 and “Notes on financial instruments” (note 34)).

When determining the fair values of securities, borrower’s notes and derivative financial instruments for which there are no market prices available and no observable market data exists that can be used for valuation purposes, the valuation is influenced by discretionary judgement because it depends on internal valuation models and the assumptions and parameters on which they are based.

The fair values determined are also of central importance to the calculation of the gains and losses on disposals before maturity and thus in particular in relation to the termination of borrower’s notes during the year under review.

In addition, hedge accounting arrangements must fulfil certain requirements regarding documentation of the hedging relationship, and the effectiveness of the hedge must be able to be reliably measured.

When hedging the fair value against a portfolio’s interest rate risks, the differentiation and homogeneity of the underlying transaction portfolios and the determination of the separate item in the statement of financial position must also be taken into account.

The risk for the consolidated financial statements arises from the fact that when valuation models are used to determine fair values, the assumptions and parameters underlying the valuation are also strongly influenced by discretionary judgement and that the formal and material requirements for hedging relationships must be met.

AUDIT APPROACH

I examined the policies established by the bank and the bank’s documentation of the processes implemented for the measurement of securities, borrower’s notes and derivative financial instruments, and used sample checks to examine the internal controls put into place for effectiveness.

I also examined the valuation models used for determining fair value, along with the underlying valuation parameters, for their appropriateness and consistent application. Using sample analyses, I compared key parameters used with values available externally and reviewed the calculations used to determine fair values.

With regard to the borrower's notes terminated during the financial year, I have reviewed the fair values existing at the time of termination. Furthermore, I requested the external legal opinion commissioned by the Group on this matter and, with the support of an expert, assessed it with regard to its comprehensibility and the existence of the legal requirements. Based on this, the gains and losses on disposal recorded in the consolidated financial statements were also reconstructed.

I examined hedge accounting arrangements by reviewing the relevant associated documentation. In particular, I examined whether the documentation of the hedge relationship and the effectiveness of the hedge were adequate and consistent with internal policies. I also critically reviewed the appropriateness of the effectiveness tests conducted by the bank

With regard to the hedging of fair value against a portfolio's interest rate risks, I also verified the differentiation and homogeneity of the underlying transaction portfolios and the determination of the separate item in the statement of financial position.

Finally, I assessed the disclosures on valuation methods and the establishment of hedging relationships contained in the consolidated financial statements (notes) to determine their completeness and appropriateness.

Responsibilities of the legal representatives and the audit committee for the consolidated financial statements

The legal representatives are responsible for preparing consolidated financial statements that present a true and fair view of the financial position of the Group, the results of its operations and its cash flows in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, as well as the additional requirements of § 245a of the Austrian Business Enterprise Code (UGB) and regulations under banking laws. The legal representatives are also responsible for such internal controls as they determine are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue its activities as a going concern, stating any circumstances associated with continuing its activities as a going concern as applicable, and for applying the accounting principle of continuing its activities as a going concern, unless the legal representatives intend either to liquidate the Group, discontinue its corporate activities, or have no realistic alternative to either outcome.

The audit committee is responsible for monitoring the Group's accounting process.

Auditor's responsibilities for the audit of the consolidated financial statements

My objective is to achieve a reasonable degree of certainty as to whether the consolidated financial statements are generally free from material misstatement, whether due to fraud or error, and to issue an audit certificate that includes my audit opinion. Reasonable certainty is a high degree of certainty, but not a guarantee that any audit conducted in accordance with the EU Regulation and the Austrian Standards on Auditing, which require application of the International Standards on Auditing (ISA), will always reveal a material misstatement if such exists. Misstatements may be the result of fraudulent activity or error, and are regarded as material if, individually or collectively, they could reasonably be expected to influence the financial decisions of readers based on these consolidated financial statements.

As part of any audit conducted in accordance with the EU Regulation and the Austrian Standards on Auditing, which require application of the International Standards on Auditing (ISA), I exercise due diligence and maintain a critical approach throughout the entire audit process.

The following also applies:

- I identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, plan audit actions in response to these risks, implement these and obtain audit evidence which is adequate and appropriate to be used as a basis for my audit opinion. The risk that material misstatements resulting from fraudulent activity are not uncovered is higher than instances that result from error, since fraudulent activity may involve collusion, forgery, deliberate omission, misleading representations, or bypassing internal controls.

- I obtain an understanding of the internal control system to the extent that it is of relevance for the audit of the financial statements, in order to plan audit activities that are appropriate under the given circumstances, but not with the objective of providing an opinion on the effectiveness of the Group's internal control system itself.

- I assess the appropriateness of the accounting methods applied and of the feasibility of the estimates made by the legal representatives in the accounts and related disclosures.

- I draw conclusions about the appropriateness of the application of the going concern principle by the legal representatives and, based on the audit evidence obtained, about whether any material uncertainty exists with regard to events or facts which may give rise to significant doubt as to the Group's ability to continue as a going concern. If I arrive at conclusions that indicate material uncertainty, I am obligated to draw attention in my audit certificate to the relevant disclosures in the consolidated financial statements, or to modify my audit opinion if such disclosures are insufficient. My conclusions are based on the audit evidence obtained up to the date of my audit certificate. However, future events or facts may result in the Group discontinuing its activities as a going concern.

- I assess the overall presentation, structure and content of the consolidated financial statements, including the notes, and assess whether the consolidated financial statements represent the underlying transactions and events in a manner that produces a true and fair view.

- I obtain adequate and appropriate audit evidence on the financial information of the entities or business activities within the Group in order to provide an audit opinion on the consolidated financial statements. I am responsible for guiding, monitoring and implementing the audit of the consolidated financial statements. I bear sole responsibility for my audit opinion.

I discuss, among other subjects, the planned scope and temporal arrangement of the audit with the audit committee, along with significant audit findings, including any significant defects in the internal control system I identify during my audit.

I also make a declaration to the audit committee that I have complied with the relevant professional requirements on independence, and discuss all relations and other circumstances with it which it is reasonable to assume may affect my independence and any associated safeguards as applicable.

Based on the circumstances I have discussed with the audit committee, I identify those most significant to the audit of the consolidated financial statements for the financial year under review, which therefore represent the audit circumstances of particular importance. I describe these circumstances in my audit certificate unless statutes or other legal regulations prohibit public disclosure of the relevant facts, or when in extremely rare cases I determine that a circumstance should not be communicated in my audit certificate because it can be reasonably expected that the negative consequences of any such communication would exceed the benefits to the public interest.

Other statutory and legal requirements

Report on the consolidated management report

Pursuant to the Austrian laws on commercial undertakings, the consolidated management report must be audited to determine whether it is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

The legal representatives are responsible for preparing the consolidated management report in compliance with Austrian business and banking laws.

I conducted my audit in compliance with the professional principles and standards associated with auditing a consolidated management report.

OPINION
In my opinion, the consolidated management report has been prepared in compliance with the applicable legal requirements, contains the appropriate disclosures according to § 243a (2) of the Austrian Business Enterprise Code (UGB), and is consistent with the consolidated financial statements.

DESCRIPTION
No material misstatements were noted in the consolidated management report given the findings obtained in the audit of the consolidated financial statements and the understanding gained regarding the Group and its environment.

Other information

The legal representatives are responsible for the disclosure of other information. Other information includes all information in the annual report, with the exception of the consolidated financial statements, the consolidated management report and the audit certificate. The annual report is expected to be provided to me after the date of the audit certificate.

My audit opinion of the consolidated financial statements does not cover such other information, and I will not be providing any type of warranty in that regard.

In association with my audit of the consolidated financial statements, it is my responsibility to read that other information once it becomes available and to determine, based on the understanding obtained in the audit, whether it materially contradicts the consolidated financial statements or otherwise appears to include material misstatements.

Additional disclosures pursuant to Article 10 of the EU Regulation

I was appointed by the Austrian Raiffeisen Association, the auditing association responsible for the company, as the bank's auditor for the 2019 financial year with responsibility for the statutory audit of the consolidated financial statements pursuant to the Austrian Banking Act (BWG). I have been the bank's auditor without interruption since auditing the 2016 consolidated financial statements.

I declare that the audit opinion in the section entitled "Report on the consolidated financial statements" is consistent with the additional report to the audit committee pursuant to Article 11 of the EU Regulation.

I declare that I did not perform any prohibited non-auditing services (Article 5 (1) of the EU Regulation) and that I maintained my independence from the audited company during the course of my audit.

Chartered accountant and auditor

The chartered accountant and auditor responsible for the audit of the financial statements is Dr. Matthias Trost.

Vienna, 7 April 2020

Auditor appointed by the Austrian Raiffeisen Association:
Dr. Matthias **TROST** – Chartered Accountant

This report is a translation of the original report in German, which is solely valid.
Publication or dissemination of these consolidated financial statements bearing my audit certificate shall only be permitted if the financial statements are identical with the audited version attached to this report. This audit certificate only refers to the complete German version of the consolidated financial statements, including the consolidated management report. For any other versions, the stipulations of § 281 (2) UGB shall apply.

REPORT BY THE INDEPENDENT AUDITOR

Audit Opinion

We have audited the consolidated financial statements of

Raiffeisen-Landesbank Steiermark AG,
Graz,

and its subsidiaries ("the Group") which comprise the Consolidated Statement of Financial Position as at 31 December 2019, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) as well as Section 59a BWG (Austrian Banking Act).

Basis for our Opinion

We were engaged by the Company's legal representatives as further (voluntary) auditor and conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group within the meaning of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) as well as Austrian professional regulations as defined in the Austrian Professional Accountants and Tax Advisors' Act of 2017 ("Wirtschaftstreuhandberufsgesetz 2017, "WTBG 2017") and related directives ("Richtlinien für die Ausübung der Wirtschaftstreuhandberufe") and guidelines, and we have fulfilled our other responsibilities under these requirements and the IESBA Code. Our responsibility and liability as an auditor to the Company and to third parties are defined by the legal liability regulations under Section 62a BWG (Austrian Banking Act) in connection with Section 275 Paragraph 2 UGB (Austrian Commercial Code). The rules defined by Directive (EU) No. 537/2014 on specific requirements regarding statutory audit of public-interest entities have not been agreed upon. Not applying this may mean that provisions have not been complied with, such as compliance of external rotation, compliance regarding prohibited non-audit services ("fee cap") and the obligation to prepare a separate report to the audit committee. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

Impairment of loans and receivables to non-banks measured at amortised cost and valuation of the provisions for lending operations

THE RISK OF THE FINANCIAL STATEMENTS

The loans and receivables (excluding loans and receivables to banks) included in the item "Financial assets – amortised cost (AC)" in the statement of financial position amount to TEUR 7,102,987; the corresponding loan loss allowances amount to TEUR 152,262, and provisions for lending operations amount to TEUR 10,295.

The management of Raiffeisen-Landesbank Steiermark AG describes the procedures for determining impairments in the notes under "Accounting policies" (section "Impairments") and in the chapter titled "Statement of financial position" (section "Impairments").

For loans that have objective evidence of impairment, a risk provision in the amount of their lifetime expected loss is recognised (stage 3). The identification of impairment triggers and the determination of the amount of the risk provisions for individually significant borrowers in default are subject to significant uncertainties in terms of the estimates made and to discretionary latitude. These arise from the financial position and performance of the respective borrower as well as from the valuation of the collaterals provided and thus have an impact on the amounts and the timing of expected future cash flows. Risk provisions for non-significant borrowers in default are based on models and statistical parameters and are therefore subject to discretionary latitude and estimation uncertainties as well.

For loans that have a low credit risk or that have not had a significant increase in credit risk since initial recognition (stage 1), a risk provision in the amount of their12-month expected loss is recognised. In case of a significant increase in credit risk (stage 2) a risk provision in the amount of the lifetime expected loss is recognised. The stage assignment and the determination of expected credit losses of stages 1 and 2 are based on comprehensive estimations and assumptions.

The risk for the financial statements arises from the fact that the determination of risk provision is based on significant estimations and assumptions.

OUR AUDIT APPROACH

With respect to the impairment of loans and receivables to non-banks measured at amortised cost and valuation of the provisions for lending operations, we performed the following audit procedures:

- We ascertained the process of credit monitoring and evaluated its adequacy regarding the timely identification of impairment triggers. For this purpose, we conducted interviews with responsible staff members and evaluated the Group's internal policies. Moreover, we tested the design and implementation of the key controls in this area and furthermore tested their operating effectiveness based on selected samples.
- Based on test case, we assessed whether rating assignments followed the internal guidelines and whether impairment triggers were identified in a timely manner. In order to assess the amount of risk provisions for individually significant borrowers in default, we especially verified the appropriateness of Management's assessment with respect to the expected future cash flows and the assumptions made – considering evidences regarding the borrower's financial position and performance and the valuation of the collaterals provided.
- With respect to risk provisions for non-significant borrowers in default, we assessed the models and parameters applied regarding their suitability to determine risk provisions at an adequate level. We analysed the mathematical accuracy of the risk provisions in samples.
- For risk provisions for non-defaulted borrowers (stage 1 and 2) we assessed the model and the parameters applied regarding their suitability to determine risk provisions amounts in an adequate manner. We analysed the mathematical accuracy of the risk provisions involving our internal specialists.
- Finally, we assessed whether the disclosures in the notes to the consolidated financial statements with respect to the risk provisions are appropriate.

Classification and measurement of associates

THE RISK OF THE FINANCIAL STATEMENTS
The Raiffeisen-Landesbank Steiermark Group accounts for its investments in associates using the equity method. The value of the investments amount to a total of TEUR 1,008,213. With respect to classification of an investment as an associate, discretionary latitude may arise. This particularly relates to whether significant influence is exercised over the relevant company.

The management of Raiffeisen-Landesbank Steiermark AG describes the procedures for the classification and valuation of associates valued at equity in the notes under "Accounting policies" (section "Investments in associates").

The equity method is an accounting method in which the investment is initially recognised at cost and subsequently adjusted for changes in the investor's share of the investee's net assets. If there are objective impairment indicators, the recoverable amount is determined.

The risk for the financial statements arises from the fact that these assessments are highly dependent on expected future cash flows and the valuation parameters – especially discounting factors, growth assumptions and corporate planning – and are therefore exposed to uncertainties in terms of the estimates made and discretionary latitude.

OUR AUDIT APPROACH
With respect to the classification and measurement of associates, we performed the following audit procedures:

- We assessed the classification of the investment valuated at equity as an associate based on the internal documentation and according to available contractual documents.
- When performing our audit procedures on investments in associates we involved our own valuation specialists as part of the audit team. We assessed the valuation reports and the parameters applied regarding their market conformity. Planning adherence was assessed by comparison of planning figures with the actual results. The appropriateness of the assumptions made for the determination of the applied discount rates were assessed by comparison with capital marked data. Furthermore, we analysed the mathematical accuracy of the calculation of the enterprise values.
- Finally, we assessed whether the disclosures in the notes to the consolidated financial statements with respect to the classification and measurement of investments valued at the equity method are appropriate.

Financial instruments – fair value measurement (level 3)

THE RISK OF THE FINANCIAL STATEMENTS
The financial instruments accounted at fair value by the Raiffeisen-Landesbank Steiermark Group amount to TEUR 2,480,256 (asset side) and TEUR 1,854,188 (liability side). Thereof the valuation of assets and liabilities based on valuation parameters not observable on the market (level 3 instruments) amount to TEUR 136,913 and TEUR 28,051 respectively.

The management of Raiffeisen-Landesbank Steiermark AG describes the accounting and valuation methods for financial instruments in the notes under "Accounting policies" (section "Financial instruments") and provides information on the fair value of financial instruments in note 38 and on the fair value hierarchy in note 39.

The risk for the financial statements arises from the fact that the fair value measurement based on valuation parameters not observable on the market is to a large extent subject to discretionary judgement due to its strong dependency on valuation models and parameter estimates.

OUR AUDIT APPROACH
With respect to the fair value measurement (level 3) of financial instruments, we performed the following audit procedures:

- We ascertained the functional concept and the internal procedures of the Group regarding the classification of financial instruments to determine their suitability to appropriately address the classification of financial instruments.
- We assessed the categorisation (level assignment in the fair value hierarchy) of financial instruments in test cases and examined whether the subsequent valuation corresponds to the respective category assignments.
- When performing our audit procedures on level 3 instruments, we involved our own specialists, who assessed the valuation models applied and the assumptions made. The valuation models were assessed whether they are recognised market models and whether the parameters applied are comparable to market data and their derivation is appropriate. We analysed the Group's calculation of fair values in test cases.
- Finally, we assessed whether the disclosures in the notes to the consolidated financial statements with respect to the classification and measurement of level 3 instruments are appropriate.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) as well as Section 59a BWG (Austrian Banking Act) and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with International Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the individual and consolidated financial statements and the auditor's reports.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information as soon as it becomes available, to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Engagement Partner

The engagement partner is Mr. Mag. Christian Grinschgl.

Linz, 7 April 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Christian **GRINSCHGL** – Wirtschaftsprüfer

signed by:
Mag. Christian Grinschgl
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.
The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

ANNEX – LIST OF EQUITY INVESTMENTS OF THE RLB STEIERMARK GROUP

TEUR	Registered office	Percentage held	Equity (TEUR)	Profit/loss[1)] (TEUR)	Date of annual financial statements
Fully consolidated entities					
Ciconia Immobilienleasing GmbH	Graz	100.00 %	-315	16	31/12/2019
DASAA 8010[2)]	Graz	100.00 %	348,273	14,582	31/10/2019
EURAN 8051	Graz	100.00 %	140,715	1,704	31/10/2019
GLAN 8041	Graz	100.00 %	140,667	8,560	31/10/2019
"DÖHAU" Liegenschaftsges.m.b.H.	Graz	100.00 %	-583	17	31/12/2019
Grundstücksverwaltung Salzburg-Mitte GmbH	Graz	100.00 %	-91	76	31/12/2019
HYPO Steiermark Beteiligungen GmbH	Graz	100.00 %	3,716	90	31/12/2019
HYPO Steiermark Immobilienleasing GmbH	Graz	100.00 %	2,598	246	31/12/2019
HYPO Steiermark Kommunal- und Gebäudeleasing GmbH	Graz	100.00 %	764	8	31/12/2019
HYPO Steiermark Leasing - Holding GmbH	Graz	100.00 %	2,149	-8	31/12/2019
HYPO Steiermark PUNTI Grundstücksverwaltung GmbH	Graz	100.00 %	412	437	31/12/2019
Immobilienerwerbs- und Vermietungs Gesellschaft m.b.H.	Graz	100.00 %	74,584	1,837	31/12/2019
Landes-Hypothekenbank Steiermark Aktiengesellschaft	Graz	100.00 %	211,551	25,104	31/12/2019
NOVA HYPO Leasing GmbH	Graz	100.00 %	160	10	31/12/2019
NWB Beteiligungs GmbH	Graz	100.00 %	527	26	31/12/2019
Optima-Vermögensverwaltungs- und Beteiligungsgesellschaft m.b.H.	Graz	100.00 %	9,241	1,857	31/12/2019
Raiffeisen Informatik Center Steiermark GmbH	Graz	94.80 %	21,664	722	31/12/2019
Raiffeisen Rechenzentrum GmbH	Graz	100.00 %	933	699	31/12/2019
Raiffeisen Rechenzentrum Holding GmbH	Graz	100.00 %	21,839	646	31/12/2019
RATIO Beteiligungsverwaltungs GmbH	Graz	100.00 %	1,931	205	31/12/2019
RLB - Beteiligungs- und Treuhandgesellschaft m.b.H.	Graz	100.00 %	108,381	12,132	30/09/2019
RLB-Hypo Group Leasing Steiermark GmbH	Graz	100.00 %	84	154	31/12/2019
RLB-Stmk Immobilienbeteiligungs- und Verwaltungs GmbH	Graz	100.00 %	66,303	8,708	30/09/2019
RLO Beteiligungs GmbH	Graz	100.00 %	3,695	209	31/12/2019
RSAL Raiffeisen Steiermark Anlagenleasing GmbH	Graz	81.00 %	62	12	31/12/2019
RSIL Immobilienleasing Raiffeisen Steiermark GmbH	Graz	81.00 %	-934	30	31/12/2019
Steirische Raiffeisen - Immobilien - Leasing Gesellschaft m.b.H.	Graz	100.00 %	6,682	225	31/12/2019

TEUR	Registered office	Percentage held	Equity (TEUR)	Profit/loss[1)] (TEUR)	Date of annual financial statements
Other equity holdings					
ALPHA-BAU Planungs-, Projektentwicklungs- und Baubetreuungs GmbH.	Graz	100.00 %	803	137	31/12/2018
Bergbau Radmer GmbH in Liqui.	Graz	100.00 %	3	-1	31/12/2018
BONITA HYPO Leasing GmbH	Graz	100.00 %	37	-2	31/12/2019
CADO Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00 %	3,602	33	31/12/2018
CALDO Grundstücksverwertungsgesellschaft m.b.H. in Liqu.	Vienna	50.00 %	257	235	31/12/2018
Comm-Unity EDV GmbH	Lannach	51.00 %	2,309	27	31/12/2018
Dynamit Nobel Graz Gesellschaft m.b.H. in Liqu.	Graz	100.00 %	114	1	31/12/2018
G + R Leasing Gesellschaft m.b.H. & Co. KG.	Graz	50.00 %	289	216	30/09/2019
INPRIMIS Beteiligungs GmbH	Graz	100.00 %	1,554	-1	31/12/2018
KONSTRUKTA Unternehmensberatungs GmbH	Graz	100.00 %	175	-2	31/12/2018
Liegenschaftsverwaltung Radmer-Frohnleiten GmbH	Graz	100.00 %	7,148	15	31/12/2018
LKH-Eingangszentrum Errichtungs- und Betreiber GmbH	Graz	100.00 %	2,621	385	31/12/2018
Minos Liegenschaftsverwaltungs GmbH	Graz	100.00 %	1,033	127	31/12/2018
OCTANOS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00 %	223	45	31/12/2018
Raiffeisen - Einlagensicherung Steiermark eGen	Graz	53.92 %	10	5	31/12/2018
Raiffeisen Bauträger & Projektentwicklungs GmbH	Graz	100.00 %	1,783	323	31/12/2018
Raiffeisen-Immobilien Steiermark Gesellschaft m.b.H.	Graz	100.00 %	2,175	461	31/12/2018
RIL VI Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00 %	-39	1	31/12/2019
RVS Raiffeisen Vertrieb und Service GmbH	Graz	100.00 %	2,110	1,662	31/12/2018
smart city living GmbH in Liqu.	Graz	100.00 %	2,922	554	31/08/2019
SPICA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00 %	137	3	31/12/2019
SOLUTIO Beteiligungsverwaltungs GmbH	Graz	100.00 %	1,581	246	31/12/2019
STED EDV-Dienste Betriebsgesellschaft m.b.H.	Graz	100.00 %	3,276	202	31/12/2019
Steirerfrucht Betriebsgesellschaft m.b.H. & Co.KG	Unterfladnitz	100.00 %	330	-8	31/07/2019
Steirerfrucht Betriebsgesellschaft mbH	Graz	100.00 %	18	-1	31/07/2019
Steirerfrucht Verwaltung eGen	Unterfladnitz	100.00 %	344	-92	31/07/2018
Tinea Beteiligungs GmbH in Liqu.	Graz	100.00 %	26	-1	31/12/2018
TSI-Terminal und Software Installationen GmbH	Graz	100.00 %	136	1,197	31/12/2019
Associates valued at equity					
Raiffeisen Bank International AG[3)]	Vienna	9.95 %	13,764,983	1,364,600	31/12/2019

TEUR	Registered office	Percentage held	Equity (TEUR)	Profit/loss[1)] (TEUR)	Date of annual financial statements
Associates					
Apfel-Land Fruchtlogistik GmbH	Unterfladnitz	24.00 %	-216	188	31/07/2019
G + R Leasing Gesellschaft m.b.H.	Graz	37.50 %	17	-1	30/09/2019
ISK Süd Institut für Standort-, Regional- und Kommunalentwicklung Dr. Mathis & Partner GmbH	Raaba-Grambach	35.00 %	-30	-226	31/12/2018
IMMORENT - ANDROMEDA Grundverwertungsgesellschaft m.b.H.	Vienna	33.20 %	674	67	31/12/2018
ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H.	Graz	30.00 %	326,273	14,729	31/12/2018
Steirische Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	25.00 %	240	204	31/12/2018
VN-Wohn Immobilien GmbH	Vienna	26.00 %	333	-10	31/12/2018

1) Profit/loss before P&L transfer.
2) These entities are special funds in which the RLB Steiermark Group holds a 100 % interest. The figures in this table represent the fund assets and profit/loss.
3) Figures taken from the consolidated financial statements of RBI as at 31 December.

RAIFFEISEN-LANDESBANK STEIERMARK AG

Established in 1927

Regional headquarters, credit and financing institution as well as service provider and information centre of the Raiffeisen Banking Group in Styria

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For reasons of simplicity, no gender-specific distinctions have been made in this annual report. All terms used herein shall be deemed to refer to all genders.

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