

SEMI-ANNUAL REPORT

AS OF 30 JUNE 2017

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

Survey of Key Data

Raiffeisenlandesbank NÖ-Wien Consolidated Interim Financial Statements acc. to IFRS

€m	2017	+ / (-) Change	2016
<i>Consolidated income statement</i>	<i>1/1-30/6</i>		<i>1/1-30/6</i>
Net interest income after impairment charges	65.5	(35.0)%	100.7
Net fee and commission income	24.8	(17.2)%	29.9
Net trading income	8.7	>100%	(10.6)
Profit from investments in entities accounted at equity	129.7	>100%	(97.4)
General administrative expenses	(102.7)	0.2%	(102.6)
Profit/Loss for the period before tax	128.6	>100%	(82.2)
Consolidated profit/loss for the period (attributable to equity holders of the parent)	126.7	>100%	(73.4)
<i>Consolidated balance sheet</i>	<i>30/6</i>		<i>31/12</i>
Loans and advances to other banks	5,683	(9.2)%	6,261
Loans and advances to customers	11,295	(4.4)%	11,818
Deposits from other banks	8,778	15.1%	7,628
Deposits from customers	7,761	1.9%	7,618
Equity (incl. profit)	1,811	7.0%	1,693
Consolidated assets	26,214	3.2%	25,405
<i>Regulatory information*</i>	<i>30/6</i>		<i>31/12</i>
Risk-weighted assessment base	12,997	(2.1)%	13,275
Total qualifying capital	2,727	0.8%	2,706
Total capital requirement	1,040	(2.1)%	1,062
Capital surplus ratio	162.3%	7.5 PP	154.8%
Common equity Tier 1 ratio	15.4%	1.2 PP	14.2%
Total Tier 1 ratio	16.3%	1.3 PP	15.1%
Total capital ratio	21.0%	0.6 PP	20.4%
<i>Performance Indicators</i>	<i>1/1-30/6</i>		<i>1/1-30/6</i>
Return on equity before tax	14.7%	N/A	N/A
Consolidated return on equity	14.5%	N/A	N/A
Consolidated cost income ratio	45.5%	N/A	N/A
Return on assets after tax	1.0%	N/A	N/A
Risk earnings ratio	<0%	N/A	<0%
<i>Additional Information</i>	<i>1/1-30/6</i>		<i>1/1-30/6</i>
Employees (average full-time equivalents)	1,077	(4.0)%	1,122
Branches and offices	35	(5)	40
<i>Rating Moody's</i>	<i>Long-term</i>	<i>Short-term</i>	
	Baa2	P-2	

*RLB NÖ-Wien does not represent a separate credit institution group as defined by the regulatory requirements. It is therefore not subject to the supervisory regulations for banking groups because it is a member company of the Raiffeisen-Holding NÖ-Wien credit institution group. The current amounts were determined for the Raiffeisen-Holding NÖ-Wien credit institution group in accordance with the requirements of the Capital Requirements Regulation (CRR) and the Austrian Banking Act.

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Company Profile

A strong regional bank

Raiffeisenlandesbank Niederösterreich-Wien AG (RLB NÖ-Wien) is a regional bank with 1,137 employees who service private and commercial customers at 35 locations throughout Vienna. Its activities as a commercial bank are focused on the eastern region of Austria.

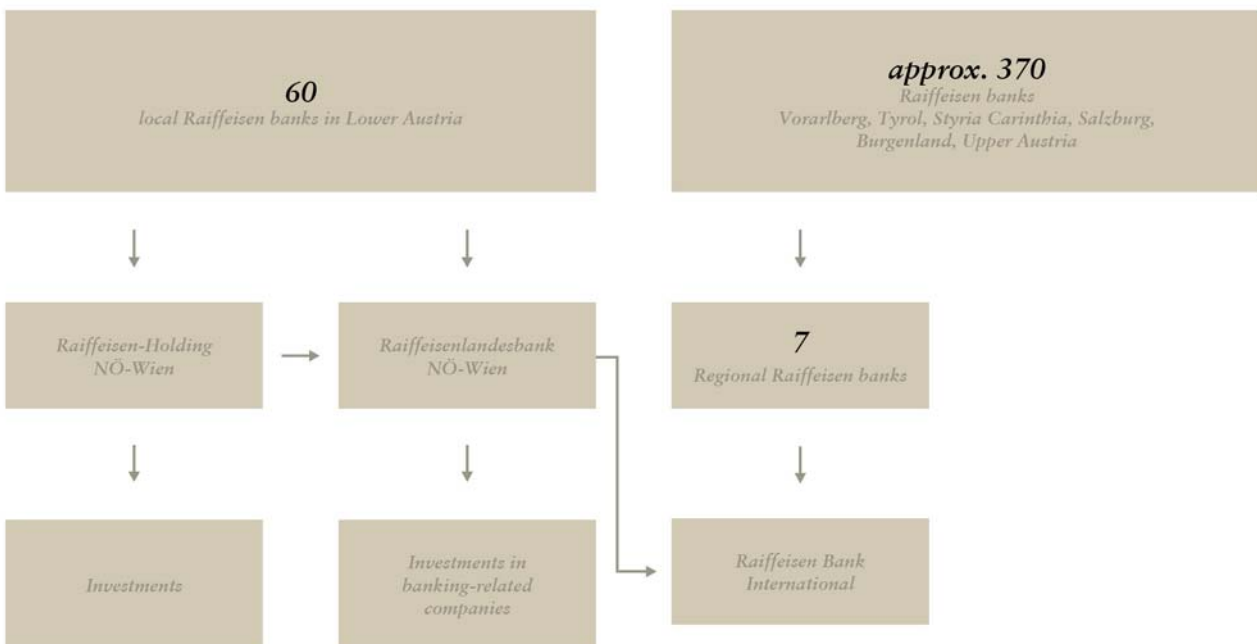
In keeping with its responsibilities as a bank for the Austrian Raiffeisen organization, RLB NÖ-Wien supports, advises and services the 60 independent Raiffeisen banks in Lower Austria. The Lower Austrian Raiffeisen banks form the leading banking group in this province with a 43% customer share, approx. 966,000 customers and 484 branches.

RLB NÖ-Wien holds 22.6% of the shares in Raiffeisen Bank International AG (RBI). RBI has one of the largest branch networks in Central and Eastern Europe with approx. 2,500 offices. RLB NÖ-Wien is owned primarily by the Lower Austrian Raiffeisen banks.

With a market share of approx. 30%, the Raiffeisen Banking Group Austria is the leading banking group in this country. The Group is organized in three tiers: the local Raiffeisen cooperative banks, the regional Raiffeisenlandesbank organizations and RBI.

Raiffeisen Banking Group Austria

As of 30/06/2017



The dense branch network underscores the commitment of the independent Raiffeisen banks to regional interests based on a foundation of security and trust. Nearly 1.7 million Austrians are members – and thereby co-owners – of the Raiffeisen banks. Raiffeisen NÖ-Wien, which is a key element of the Raiffeisen Banking Group Austria, comprises RLB NÖ-Wien and the Raiffeisen banks in Lower Austria as well as Raiffeisen-Holding NÖ-Wien, one of the largest private holding companies in Austria. This gives Raiffeisen NÖ-Wien a leading role in the Raiffeisen Banking Group in Austria.

Experienced financial service provider for business and private customers

Retail and commercial businesses are an important customer segment for RLB NÖ-Wien in Vienna, where the bank currently has a market share of roughly 40%. In the corporate clients segment RLB NÖ-Wien is an important partner for Austrian companies in the execution of payment transactions and the arrangement of working capital and investment financing, not least due to its strong market position in the eastern region of the country. RLB NÖ-Wien also serves as a sparring partner to help medium-companies benefit from foreign trade. In the retail business, RLB NÖ-Wien advises private customers on a wide range of investment and financing issues at 30 locations across Vienna.

Digital banking as an addition to branch services

Personal customer and advising contacts still form the focal point of business activities, but RLB NÖ-Wien also offers its customers optimal and comprehensive services in all digital channels. The bank's customer service representatives have an extensive range of new technologies at their disposal – e. g. online banking, Raiffeisen App, Facebook and video meetings. At the same time, RLB NÖ-Wien is continuously optimizing its sales processes and structure.

Close cooperation with the Lower Austrian Raiffeisen Banks

RLB NÖ-Wien places high priority on increasing the utilization of synergies with the Lower Austrian Raiffeisen banks. As a bank for the Austrian Raiffeisen organization, it coordinates the cooperation within Raiffeisen NÖ-Wien. The offering for the Lower Austrian Raiffeisen banks through the Group-wide “Shared Services” project – which is designed to improve the operational efficiency of customer transactions and increase the quality of services – was also expanded. RLB NÖ-Wien provides additional services in specific areas, for example in bank management, financial market advising, compliance and internal audit, and assists the Lower Austrian Raiffeisen banks in the sales area.

Raiffeisen values in today's world

Security, a regional focus, trust and sustainable operations are the traditional values that have influenced Raiffeisen Austria for 130 years. Although the economic and social framework has changed significantly over this time, Raiffeisen in Austria has always been able to successfully give these traditional values a contemporary interpretation. These central values also include a commitment to social and environmental responsibility. For RLB NÖ-Wien this means:

- accepting responsibility for society,
- remaining a responsible and attractive employer, and
- reducing the negative effects of its operations on the environment.

Climate protection

RLB NÖ-Wien is a member of the Raiffeisen Climate Protection Initiative (RKI), which was founded in 2007. The Austrian Raiffeisen organizations have joined together in the RKI to bundle and intensify their climate protection activities. One annual focal point in February is the Raiffeisen Energy Savings Day in Lower Austria, which includes free-of-charge meetings with professional energy advisors.

Resource conservation

RLB NÖ-Wien has taken numerous steps to support the goals and objectives of RKI. For example: the purchase of new company vehicles includes a check to ensure that CO₂ emissions do not exceed the legally defined limit of 130 g CO₂/km. Special measures were also implemented to increase employees' awareness for the benefits created by alternative transportation means: company bicycles and e-bikes are now available for short job-related trips.

Wide-ranging support for culture

RLB NÖ-Wien supports numerous cultural activities in Vienna and Lower Austria, including well-known events like the Classics under the Stars concert at Göttweig Monastery, the summer concerts at Grafenegg Castle and the Grafenegg Festival as well as the Theater in der Josefstadt, Vienna Volksoper, Rabenhof Theater, Stadtsaal, Kabarett Niedermair and Filmhof Weinviertel. In addition, RLB NÖ-Wien is a sponsor of the Vienna Jewish Museum and, as a sponsor of the NÖ Kulturwirtschaft cultural management organization (NÖKU), is also a partner for cultural institutions like the St. Pölten Festival House and the Kunsthalle Krems.

Active social commitment

The social commitment of RLB NÖ-Wien is also expressed in numerous initiatives like the "KURIER Lernhaus", which provides free educational support for needy children at a number of locations in Vienna and Lower Austria. RLB NÖ-Wien is also a long-standing partner of the "Licht ins Dunkel" fund raising drive, the Concordia social projects for orphans in Romania, Bulgaria and the Republic of Moldavia as well as the Caritas campaign "Cardinal König sponsorship" for the Gruft shelter.

Employees' social commitment

In connection with the "Cardinal König sponsorship" for the Gruft shelter, RLB NÖ-Wien employees volunteered to cook for the shelter's clients in their free time during the first half of 2017. An average of 120 men and women were provided with warm meals at the Raiffeisen-sponsored dinners.

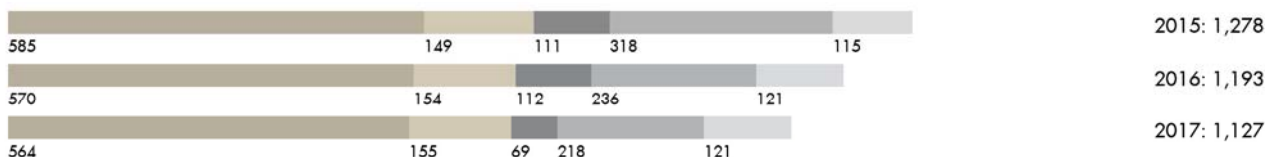
A responsible employer

RLB NÖ-Wien had an average of 1,137 employees during the first six months of 2017. Personnel development is based on sector-wide job profiles. Various training programmes are offered by RLB NÖ-Wien, among others a sales training programme for secondary school graduates and six-month internships for college students. RLB NÖ-Wien and the Low-

er Austrian Raiffeisen Banks continued their apprenticeship campaign with the start of the seventh training course during the past year. Forty-four apprentices are currently being trained in Vienna and Lower Austria, and 22 former apprentices have joined RLB NÖ-Wien as employees.

Development of staff

30/06/2017



- Private and business customers
- Corporate clients
- Financial markets/organization
- Risk management/finance
- General management

Management Report

Overview of the First Half of 2017

The development of business at Raiffeisenlandesbank Niederösterreich-Wien AG (RLB NÖ-Wien) was influenced by the following major events during the first half of 2017 within the context of an economic environment that remained challenging:

- The merger of Raiffeisen Zentralbank Österreich AG (RZB) with Raiffeisen Bank International AG (RBI) was approved in January 2017. The merged company operates under the name of Raiffeisen Bank International AG (RBI), and the RBI share has retained its listing on the Vienna Stock Exchange. The merger resulted in the exchange of the RZB shares held directly and indirectly by RLB NÖ-Wien into RBI shares based on a defined exchange ratio. RLB NÖ-Wien now holds 22.6% of RBI and is that company's largest shareholder.
- Investments accounted for at equity were responsible for the largest year-on-year change in earnings. The RBI Group reported sound earnings growth to EUR 129.3 million as of 30 June 2017 (H1 2016: EUR -97.4 million).
- The European Central Bank (ECB) continued to hold key interest rates (main refinancing rate: 0%, deposit rate: -0.4%) at a historically low level. Net interest income remained under pressure as a result of the ECB's negative interest policy. In addition, the negative money market rates led to a further decline in margins in the customer deposit business.
- The liquidity position of RLB NÖ-Wien remains sound. The resulting surplus liquidity was invested with OeNB over the short-term and had an adverse influence on net interest income due to the negative deposit rate (-0.4% per year).
- Earnings were negatively affected by the creation of a EUR -12.9 million provision, which was based on a recent Supreme Court decision concerning the treatment of negative reference interest rates.
- The positive development of credit risk continued during the first six months of 2017 with a net reduction of EUR 5.7 million.
- Raiffeisen Online-Kredit (www.raiffeisenbank.at/OK) was successfully launched during the first half of 2017. This service gives the retail customers of RLB NÖ-Wien an easy and fast option to apply for consumer loans online.
- With a Tier 1 ratio of 16.3% and a total capital ratio of 21.0%, the financial institutions group of Raiffeisen-Holding Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung (Raiffeisen-Holding NÖ-Wien) – of which RLB NÖ-Wien is a part – significantly exceeded the minimum legal requirements for capital and also met the ECB's capital benchmarks.

The Economic Environment for the Banking Sector in the First Half of 2017

A number of major risk factors that dominated global financial and economic affairs throughout the past six months appear to be slowly disappearing. The upcoming Brexit has not (yet) reduced growth to the extent expected in June 2016; the economies in the emerging countries have recovered or stabilized (Russia and Brazil will generate growth in 2017 after two years of recession); and the political future of the Eurozone has become more optimistic with the election of the pro-European centrist politician Emmanuel Macron as president of France. Optimism is on the rise, and the global economy is gaining momentum: the 3.2% growth in the worldwide gross domestic product (GDP) in 2016 is expected to accelerate to 3.5% in 2017 (July 2017 forecast by the International Monetary Fund).

In addition to the volatile development of raw material prices during the first half-year, the uncertain trade and immigration policies of US President Donald Trump represent a further risk factor. The disappointing GDP growth in the USA at the beginning of the year was followed by an increase of 2.6% in the second quarter (annualized, versus the previous quarter). Despite the lack of pressure on prices, full employment has led the US Federal Reserve (Fed) to continue the gradual increase in interest rates: The key interest rate was raised by 25 basis points each in March and June, bringing the Fed Fund Rate to a range of 1.0% to 1.25%.

Growth in the Eurozone is based on a sound footing: on the one hand, it is the result of regional diversification (for the first time in nearly a decade, the EU Commission is forecasting a GDP increase in all EU member states) and, on the other hand, the composition of growth is encouraging. Not only consumption, but exports and investments are also increasing. The current strong sentiment indicators provide further grounds for economic optimism. The ECB therefore raised its growth forecasts slightly in June and now expects a GDP increase of 1.9% in 2017.

Basis effects (substantially higher oil prices in year-on-year comparison) were responsible for a short-term, year-on-year increase in inflation to 2% in the first quarter of 2017. The inflation rate fell to only 1.3% in June (in contrast, the core

rate, excluding energy and food products, rose to 1.2%). This shift was a result of the basis effect combined with the adjustment of the Easter effect. Inflation should level off below 1.5% during the course of the year, which means the ECB's target of "below, but close to 2%" will not be reached.

The ECB left key interest rates unchanged (main refinancing rate: 0%, deposit rate: -0.4%), but adjusted its liquidity policy during the first half-year. The monthly volume of the bond purchase programme was reduced from EUR 80 billion to EUR 60 billion beginning in April 2017. Demand for the last tranche of the targeted longer-term refinancing operation (TLTRO II) reached an unexpected level: 474 banks called up a gross volume of EUR 233.5 billion. At the beginning of June, the ECB took a mini-step to signalize the end of its loose monetary policy. Monthly bond purchases will remain (as a minimum) at the same volume through the end of the year since inflation is still low in spite of the robust growth. Against this backdrop, Mario Draghi's positive remarks on the economy and inflation in Sintra/Portugal on 27 June triggered a number of interest rate fantasies.

The Austrian economy opened the year with dynamic momentum. Growth of 0.7% in the first quarter was followed by a slight increase to 0.8% in the second quarter. This improvement was based on the better-than-expected global development, strong domestic demand and special factors. A number of these factors (e.g. the effects of the tax reform and expenditures for refugees) are slowly declining, but are being replaced by higher exports and rising investments.

The pressure on prices has slowed somewhat, but remained above the Eurozone average at 2.0% in June. Food prices and rents were the main drivers for this increase. The Austrian public employment service AMS has already noted a trend reversal on the labour market: Unemployment, based on the national definition, equalled 7.6% in June – which represents a year-on-year decline of 0.5 percentage points. With a seasonally adjusted unemployment rate of 5.4%, Austria is among the better third of the EU countries (EU average: 7.8%). The top rankings are held by the Czech Republic and Germany.

Earnings, Financial and Asset Position



Consolidated operating profit in the first half of 2017 vs. the first half of 2016

The following tables can contain rounding differences.

€'000	1/1- 30/6/2017	1/1- 30/6/2016	Absolute +/(-) change	Absolute +/(-) change
Net interest income	59,783	91,889	(32,106)	(34.9)
Net fee and commission income	24,802	29,947	(5,145)	(17.2)
Net trading income	8,694	(10,592)	19,286	-
Profit from investments in entities accounted for using the equity method	129,721	(97,359)	227,080	-
Other operating profit/(loss)	732	(13,198)	13,930	-
Operating income	223,732	687	223,045	>100
Staff costs ¹	(49,135)	(47,581)	(1,554)	3.3
Other administrative expenses	(51,158)	(52,938)	1,780	(3.4)
Depreciation/amortization/write-offs	(2,451)	(2,064)	(387)	18.8
General administrative expenses	(102,744)	(102,583)	(161)	0.2
Consolidated operating profit	120,988	(101,896)	222,884	-

Net interest income totalled EUR 59.8 million in the first half of 2017 (H1 2016: EUR 91.9 million). The substantial year-on-year decline resulted, above all, from the following factors:

- The Austrian Supreme Court has issued several decisions on the treatment of interest rate agreements in loan contracts under the current negative money market rate environment. Although the effects of previous and future Supreme Court decisions have not been conclusively evaluated, a provision of EUR 12.9 million was recognized to cover expected refund claims.
- As a consequence of the ECB's policy, net interest income remained under pressure due to the negative interest rate level. The historically low interest rates led to a further decline in margins in the customer deposit business.
- Net interest income was also negatively affected by costs for the short-term investment of liquid funds with Oesterreichische Nationalbank (OeNB) at an interest rate of -0.4% per year.
- A decline in the volume of loans led to a reduction in interest income.

<i>Net interest income</i>	in EUR million	
	1-6/2015:	94.0
	1-6/2016:	91.9
	1-6/2017:	59.8

Net fee and commission income fell by EUR -5.1 million year-on-year to EUR 24.8 million (H1 2016: EUR 29.9 million).

Net trading income was positive in the first half of 2017 and totalled EUR 8.7 million as of 30 June 2017. The negative prior year value of EUR -10.6 million was caused, above all, by necessary valuation adjustments to customer derivatives.

The profit/(loss) from investments accounted for at equity was influenced by the earnings contribution from RBI and equalled EUR 129.7 million for the first half-year. The negative prior year value of EUR -97.4 million was attributable to an impairment charge recognized to the carrying amount of the RZB investment.

Other operating profit/(loss) improved by EUR 13.9 million over the previous year to EUR 0.7 million. This development resulted primarily from the first-time inclusion of EUR 6.9 million in earnings from subsidiaries which were initially consolidated as of 31 December 2016. Other major components of other operating profit/(loss) were the expenses for the stability levy (EUR -12.9 million) and the contribution to the European resolution fund (EUR -7.9 million).

<i>Operating income</i>		in EUR million	
	1-6/2015:	189.0	
	1-6/2016:	0.7	
	1-6/2017:	223.7	

General administrative expenses totalled EUR 102.7 million and reflected the previous year (EUR 102.6 million). Excluding the expenses from initially consolidated subsidiaries (EUR 4.7 million), personnel costs (EUR -1.6 million) and operating expenses (EUR -2.6 million) declined as a result of strict cost management.

€'000	1/1- 30/6/2017	1/1- 30/6/2016	Absolute +/(-) change	Absolute +/(-) change
Consolidated operating profit	120,988	(101,896)	222,884	-
Impairment charge on loans and advances	5,690	8,851	(3,161)	(35.7)
Profit/(loss) from financial investments	1,920	10,867	(8,947)	(82.3)
Profit/(loss) for the period before tax	128,598	(82,178)	210,776	-
Income tax	(1,898)	8,817	(10,715)	-
Profit/(loss) for the period after tax	126,700	(73,361)	200,061	-

Releases from the impairment allowance balance amounted to EUR 5.7 million in the first half of 2017. The close monitoring and management of loans allowed for successful restructuring on a number of larger potentially impaired commitments and/or a reduction in the actual default below the originally estimated amount.

Profit/(loss) from financial investments contributed EUR 1.9 million to earnings (H1 2016: EUR 10.9 million).

The RLB NÖ-Wien Group recorded an profit after tax of EUR 126.7 million in the first half of 2017, compared with an after tax loss of EUR -73.4 million as of 30 June 2016.

<i>Loss/(Profit) for the period after tax</i>		in EUR million	
	1-6/2015:	131.3	
	1-6/2016:	-73.4	
	1-6/2017:	126.7	

Other comprehensive income of EUR -7.5 million leads to total comprehensive income, which was influenced by the development of the available-for-sale reserve (EUR -6.6 million). Total comprehensive income equalled EUR 119.2 million as of 30 June 2017.

Segment Report

The RLB NÖ-Wien Group is organized under the following segments in accordance with the various customer service areas. Segment reporting in accordance with IFRS 8 is based on the internal management reporting system of the RLB NÖ-Wien Group.

- Private and Commercial Customers
- Corporate Clients
- Financial Markets
- Investments
- Other

The **Private and Commercial Customers Segment** covers the retail banking business in the Vienna branches, which service personal banking, trade and business and self-employed customers. The segment offers various banking products and services for these customer groups, in particular for investments and financing. The private banking teams provide professional advice to high net worth personal banking customers in Vienna, while small and medium-sized businesses are supported by the trade and business competence centre. This segment recorded a pre-tax loss of EUR -2.3 million in the first half of 2017 (H1 2016: EUR 8.0 million) due to the above-mentioned negative effects. Net interest income fell to EUR 23.9 million as a result of the ongoing low interest rate environment and strong competition between banks as well as the creation of a EUR 5.6 million provision to reflect recent Supreme Court decisions on the treatment of negative reference interest rates. Earnings were positively influenced by net fee and commission income which remained stable at EUR 20.3 million (H1 2016: EUR 22.6 million) and the impairment allowance balance which remained at a low EUR -2.7 million (H1 2016: EUR -2.3 million). The cost/income ratio changed from 81.3% in the previous year to 99.3% in the first half of 2017.

The **Corporate Clients Segment** recorded net profit before tax of EUR 40.9 million in the first half of 2017. Specially designed products and solutions as well as a clear-cut customer orientation are the decisive success factors for this business. Net interest income after the impairment allowance balance declined to EUR 59.2 million (H1 2016: EUR 74.5 million), whereby releases from the impairment allowance balance totalled EUR +10.2 million (H1 2016: EUR +10.9 million). With capital employed of EUR 700 million, this segment generated a pre-tax return on equity of 11.7% (H1 2016: 17.8%).

The **Financial Markets Segment** recorded profit before tax of EUR 9.3 million (H1 2016: EUR 5.6 million). Net interest income, after the deduction of the impairment allowance balance, equalled EUR 10.4 million (H1 2016: EUR 16.7 million) due to the stable maturity transformation. Net trading income amounted to EUR 6.3 million in the first half of 2017; this represents an improvement over the previous year (EUR -13.2 million), which was negatively affected by impairment charges to customer derivatives. The profit from financial investments equalled EUR 2.0 million (H1 2016: EUR 10.7 million), and other operating income declined from EUR 4.0 million in the first half of 2016 to EUR 3.1 million as of 30 June 2017.

Net profit before tax in the **Investments Segment** improved substantially to EUR 109.1 million (H1 2016: EUR -121.2 million) due to the earnings contributions from the investments accounted for at equity (above all RBI).

The **Other Segment** covers the activities of the RLB NÖ-Wien Group in its function as the leading institution in the Lower Austrian Raiffeisen organization. Also included here are the income and expenses from market-related activities to support the other segments and the bank levy of EUR -10.6 million. This segment recorded results of EUR -28.3 million in the first half of 2017 (H1 2016: EUR -37.1 million).

Consolidated Balance Sheet as of 30 June 2017

The **balance sheet total** of the RLB NÖ-Wien Group rose by EUR 808.8 million year-on-year to EUR 26,213.6 million as of 30 June 2017. Deposits from banks rose by EUR 1.150 billion or 15.1%, in particular due to the partici-

pation in the ECB's longer-term refinancing operation and repo transactions. The high balance of liquid funds reported as of 30 June 2017 were invested with OeNB for the short-term.

Assets

Loans and advances to other banks declined further to EUR 5,683.1 million and were EUR 578.3 million lower than on 31 December 2016.

Securities and equity investments rose by EUR 217.7 million to EUR 4,107.6 million as of 30 June 2017.

Loans and advances to customers fell by EUR -523,0 million, or -4.4%, in the first half of 2017 primarily due to reference date effects and totalled EUR 11,295.3 million on 30 June 2017.

Investments accounted for at equity totalled EUR 1,892.7 million and were EUR 121.2 million higher than at year-end 2016.

Other assets rose from EUR 1,663.6 million as of 31 December 2016 to EUR 3,234.8 million as of 30 June 2017, primarily due to the high credit balance with OeNB.

€m	30/06/2017	31/12/2016	Absolute +/(-) change	Absolute +/(-) change
Loans and advances to other banks	5,683	6,261	(578)	(9.2)
Loans and advances to customers	11,295	11,818	(523)	(4.4)
Securities and equity investments	4,108	3,890	218	5.6
Investments in entities accounted for using the equity method	1,893	1,771	121	6.8
Other assets	3,235	1,664	1,571	94.4
Consolidated assets	26,214	25,405	809	3.2

Liabilities and Equity

Deposits from other banks increased by EUR 1.150 billion, or 15.1%, to EUR 8,778.5 million as of 30 June 2017 above all due to the participation in the ECB's longer-term refinancing operation and repo transactions.

Deposits from customers, including savings deposits, increased by EUR 142.5 million, or 1.9%, to EUR 7,760.6 million in the first half of 2017.

Securitized liabilities amounted to EUR 5,482.8 million and were EUR 344.6 million lower than on 31 December 2016.

Equity rose by EUR 117.9 million over the level on 31 December 2016 to EUR 1,811.0 million as of 30 June 2017.

Other liabilities declined from EUR 2,638.0 million to EUR 2,380.8 million.

€m	30/06/2017	31/12/2016	Absolute + / (-) change	Absolute + / (-) change
Deposits from other banks	8,778	7,628	1,150	15.1
Deposits from customers	7,761	7,618	142	1.9
Liabilities evidenced by paper	5,483	5,827	(345)	(5.9)
Equity	1,811	1,693	118	7.0
Other liabilities	2,381	2,638	(257)	(9.8)
Balance sheet equity and liabilities	26,214	25,405	809	3.2

Financial Performance Indicators

Performance Ratios

The Group's cost/income ratio – i.e. the ratio of operating expenses to operating income (incl. the profit or loss from financial instruments and associates, and excl. impairment charges) equalled 45.5% as of 30 June 2017.

The Group's return on equity after tax – i.e. return on equity based on average equity – equalled 14.5% as of 30 June 2017.

Regulatory Capital

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

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

Eligible capital as defined in Art. 72 in connection with Art. 18 of the CRR totalled EUR 2,727.1 million (H1 2016: EUR 2,766.8 million). At 21.0% (H1 2016: 20.3%), the Tier 1 ratio (credit risk) substantially exceeded the 9.75% minimum requirement defined by the CRR.

Eligible capital comprises the following: The common equity Tier 1 ratio includes the superior credit institution's subscribed capital of EUR 116.4 million, appropriated capital reserves of EUR 373.7 million, retained earnings of EUR 1,232.6 million, non-controlling interests of EUR 267.2 million and various regulatory adjustments of EUR 22.4 million. After deductions of EUR -8.6 million, common equity Tier 1 capital equals EUR 2,003.6 million. The additional Tier 1 capital comprises an additional Tier 1 capital instrument of EUR 95.0 million and non-controlling interests of EUR 26.9 million, less deductions of EUR -2.1

million. Tier 1 capital, after deductions, therefore equalled EUR 2,123.5 million (H1 2016: EUR 1,926.1 million).

Tier 2 capital of EUR 603.6 million (H1 2016: EUR 840.7 million) comprises eligible Tier 2 instruments of EUR 525.3 million and an additional EUR 77.6 million for amounts guaranteed as well as participation capital of EUR 0.6 million which no longer qualifies as CET 1 capital.

Tier 1 capital as a per cent of eligible capital equals 77.9% (H1 2016: 69.6%).

The common equity Tier 1 ratio (CET 1 ratio) equalled 15.4% as of 30 June 2017 (H1 2016: 13.0%), and the Tier 1 capital ratio (T1 ratio) for the total risk of the Raiffeisen-Holding NÖ-Wien credit institution group equalled 16.3% (H1 2016: 14.2%). The total capital ratio (TC ratio) equalled 21.0% (H1 2016: 20.3%).

The increase in the equity ratios since 31 December 2016 resulted from the initial inclusion of two equity-accounted companies in the scope of consolidation of the Raiffeisen-Holding NÖ-Wien credit institution group, which had a positive effect of approximately 0.6 percentage points.

A fully loaded analysis results in a CET 1 ratio of 14.8% (H1 2016: 12.6%), a T1 ratio of 15.8% (H1 2016: 12.9%) and a total capital ratio of 19.2% (H1 2016: 17.0%).

Credit Risk Indicators

The following tables show the non-performing exposure (NPE) by category of receivables and the related NPE and coverage ratios:

Receivables categories €'000	NPE 30.06.2017	31.12.2016	NPE ratio in % 30.06.2017	31.12.2016
Banks	5,087	5,864	0.1	0.1
Corporates	250,991	296,282	2.0	2.3
Retail customers	130,378	147,207	6.2	7.1
Sovereigns	0	28,993	0.0	0.5
Total	386,456	478,346	1.3	1.6

Receivables categories €'000	NPE coverage ratio I in % 30.06.2017	31.12.2016	NPE coverage ratio II in % 30.06.2017	31.12.2016
Banks	45.9	53.5	45.9	53.5
Corporates	46.2	46.4	82.8	80.9
Retail customers	65.2	62.4	91.9	90.5
Sovereigns	0.0	0.0	0.0	0.0
Total	52.6	48.6	85.4	78.6

The non-performing exposure (NPE) ratio, which is defined as the non-performing credit exposure in relation to the total credit exposure, equalled 1.3% as of 30 June 2017 (31 December 2016: 1.6%). Coverage ratio I is defined as the impairment allowance (individual) based on the NPE in relation to the total NPE, while coverage ratio II equals the individual impairment allowance plus collateral (after haircuts) based on the NPE in relation to the total NPE. As of 30 June 2017, the coverage ratio I equalled 52.6%

(31 December 2016: 48.6%) and the coverage ratio II 85.4% (31 December 2016: 78.6%). Non-performing loans (NPL) represented EUR 357.3 million of the loans and advances to customer reported on the balance sheet as of 30 June 2017 (31 December 2016: EUR 436.2 million). The standard NPL ratio, which is defined as the NPL in relation to recognised customer receivables, equalled 3.2% as of 30 June 2017 (31 December 2016: 3.7%).

Outlook on the Second Half of 2017

The Economic Environment

According to the International Monetary Fund (IMF), the global economy is on the threshold of the most significant upturn in this decade. The July update to the “World Economic Outlook“ not only confirms the forecasts for global growth in 2017 and 2018 at 3.5%, respectively 3.6%, but also points to a decline in risks and a broader basis for the recovery.

Of special note are the significant regional shifts: Continental Europe will serve as a driver for the global economy in the coming months according to estimates by the IMF. The growth forecasts for many of the Eurozone countries were revised upward, and the Eurozone is expected to grow by 1.9% in 2017 and 1.7% in 2018 (+0.2, resp. +0.1 percentage points versus April).

Notable upward revisions outside Europe were made for China: The IMF is projecting an increase of 6.7% this year and 6.4% next year for the world’s second largest economy. Concerns over an uncontrolled downturn have declined, but the IMF recently repeated its reservations that the strong credit expansion represents a danger for financial market stability.

In contrast, the importance of the USA as a “locomotive“ for the global economy is declining and Great Britain is also falling behind. The IMF sees the reasons for the economic weakness of the Anglo-Saxon countries in the problems faced by the Trump government and the turbulence surrounding the Brexit. Growth forecasts for the USA were reduced significantly due to the uncertain fiscal policies, namely from 2.3% in 2017 and 2.5% in 2018 to only 2.1% in both years. Great Britain, which is currently negotiating its exit from the EU, is expected to generate an increase of 1.7% this year, which is 0.3 percentage points less than projected in April. For 2018, the IMF is standing by its growth forecast of 1.5%.

Forecasts by the Austrian Institute of Economic Research in Vienna (WIFO) place GDP growth in this country at 2.4% in 2017, a level last seen in 2011. In addition to net exports, the economy will be driven by steady and strong domestic demand. Private consumption will also benefit this year from the income tax reform implemented in January 2016 (but to a

somewhat lesser extent) and the ongoing sound growth in employment. Investments are also increasing and, on a positive note, replacement investments are giving way to expansion investments. GDP growth is expected to decline slightly in 2018, but still reach 2.0%.

In spite of the more optimistic outlook for the global economy, interest rates will only increase slowly. One reason is the low, or absent, pressure on prices. Analysts in the USA expect four interest rate hikes by the end of 2018. The target for key interest rates should then range from 2.00% to 2.25% (forecast by Raiffeisen Research, “USA Zins-Update“, June 2017). In contrast, interest rates in the Eurozone will remain low for a longer period: A key interest rate of 0.25% is expected by the end of 2018 (forecast by Raiffeisen Research, “Eurozone Zinsausblick“, June 2017). Capital market yields will remain under pressure due to the current bond purchase programme (which will presumably be extended at lower volumes this autumn). The upside potential for 10-year German bonds is projected at a maximum of 0.70% (forecast by Raiffeisen Research, “Eurozone Zinsausblick“, June 2017).

Risk Assessment

The business activities of a bank are connected with the acceptance of branch-specific risks. These risks are managed in accordance with the risk policy and strategy defined by RLB NÖ-Wien. The efficient identification, assessment and management of risk represents a central focus of the bank’s activities. Additional information on this subject and on the organization of risk management is provided in the section on the “Risks arising from financial instruments (Risk Report)“ in the 2016 annual report. RLB NÖ-Wien underwent an organizational realignment as of 1 April 2017 which led to the combination of departments and the optimization of duties, above all in the Risk Management Overall Bank/Group Department. Risk management is now handled by four departments: Models & Analytics, Risk/Data Service, Credit Risk Management and Credit Processing. The previous focus of the Raiffeisen-Holding credit institution group (RLB NÖ-Wien and Raiffeisen-Holding NÖ-Wien) at the corporate level remains unchanged, also under the new organization.

The **Models & Analytics Department** is responsible for the overall analysis of risk (risk capacity analysis – RTFA) as well as the selection and implementation of models, analysis, monitoring and management in all risk areas. The activities of the **Risk/Data Service Department** concentrate on the optimization of the data structure for reporting, controlling and risk issues and are accompanied by issues relating to BCBS 239, ICS (Internal Control System) and operational risk. Operating credit risk management is the responsibility of the **Credit Risk Management**

Department and includes the management and analysis of credit commitments from the initial arrangement to the end of the term. This analysis is based on facts and figures derived from company data (financial statements and company analyses) as well as the results of on-site visits and assessments. This department is supported by the newly established **Credit Processing Department**, which handles the administrative part of the lending process.

From the risk viewpoint, the first six months of 2017 were heavily influenced by the expected effects of Donald Trump's election as US President and the start of negotiations over Great Britain's exit from the European Union. The bank's strategic considerations were also influenced by the aftereffects of the euro and economic crises in Europe and the continuing low-interest environment. The euro and financial market crises appear to have had a lasting impact on the real economy. For example: Austria's development has been characterized by weak momentum in recent years which, however, leads to hopes of an improvement in the financing and credit business in line with the modest economic upturn.

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

Issues related to the capital market include slight stabilization in the assessment of senior unsecured issues by the Austrian financial sector. This has also been reflected in a steady narrowing of the spreads for Austrian banks.

RLB NÖ-Wien is unable to predict the future development of the EU or the difficult economic environment. From the present point of view, the impairment allowance balance should remain below the budgeted amount this year.

In keeping with our conservative appraisal, we expect further major challenges during the second half of 2017. These challenges will focus, above all, on financing and on the need to continue our extensive analysis and activities to support our customers.

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

These activities allow RLB NÖ-Wien to address the potential impact of the continuing economic weakness on its credit customers and the effects arising from the uncertainties on the financial markets. In total, current risk monitoring and assessment have not identified any risks in addition to those mentioned above that would presumably have an effect on the development of RLB NÖ-Wien.

Development of the Group

The continuing low level of interest rates, the challenging economic and regulatory environment and radical changes in the financial services sector will also influence the business strategy and development of the banking sector in the second half of 2017. Against this backdrop, the strategic focal points have been defined for the coming years:

- Expansion of the high-quality commercial client business within the scope of the given capital limits
- Continued development of the personal customer business towards simplification and standardization
- Further intensification of the role as a synergy partner for the Lower Austrian Raiffeisen banks

In order to reach these goals, the digital offering for customers will be significantly expanded, internal processes will be optimized and investments will be made in further IT developments. Permanent and intensive cost management and a conservative risk policy will therefore also represent a focal point of activities in 2017.

The results of the equity-accounted companies (RBI) will also represent an important, but difficult to forecast component of earnings in the second half of 2017.

RLB NÖ-Wien is subject to national and EU law through its business activities, whereby recent changes and new laws, EU

guidelines and directives have led to an increase in the number and scope of legal requirements. The expected tightening of these regulations in the future will lead to increased requirements and stricter decisions by the administrative and regulatory authorities and the courts. Consequently, it cannot be excluded that RLB NÖ-Wien will also be involved in court cases and administrative proceedings in the future and that any possible future proceedings or their potential negative conclusion may have an adverse effect on RLB NÖ-Wien. All such recognizable risks had been taken into account as of the balance sheet date on 30 June 2017.

Consolidated Interim
Financial Statements (IFRS)

A. Consolidated Statement of Comprehensive Income

Consolidated Income Statement

€'000	Notes	1/1 - 30/6/2017	1/1 - 30/6/2016
Interest income	(1)	272,466	224,573
Interest expenses	(1)	(212,683)	(132,684)
<i>Net interest income</i>	(1)	59,783	91,889
Impairment allowance balance	(2)	5,690	8,851
<i>Net interest income after impairment charges</i>		65,473	100,740
Fee and commission income	(3)	37,567	43,146
Fee and commission expenses	(3)	(12,765)	(13,199)
<i>Net fee and commission income</i>	(3)	24,802	29,947
Net trading income	(4)	8,694	(10,592)
Profit/(loss) from financial investments	(5)	1,920	10,867
Profit/(loss) from investments in entities accounted at equity	(6)	129,721	(97,359)
General administrative expenses	(7)	(102,744)	(102,583)
Other operating profit/(loss)	(8)	732	(13,198)
<i>Profit/Loss for the period before tax</i>		128,598	(82,177)
Income tax		(1,898)	8,817
<i>Profit/Loss for the period after tax</i>		126,700	(73,360)
Of which attributable to equity holders of the parent		126,655	(73,360)
Of which non-controlling interests in profit		45	0

Reconciliation to Consolidated Comprehensive Income

€'000	Attributable to equity holders of the parent	1/1 - 30/6/2017 Non- controlling interests	1/1 - 30/6/2017 Total	Attributable to equity holders of the parent	1/1 - 30/6/2016 Non- controlling interests	1/1 - 30/6/2016 Total
<i>Profit/Loss for the period after tax</i>	126,655	45	126,700	(73,360)	0	(73,360)
<i>Items that will not be reclassified to profit or loss in later periods</i>	271	0	271	(8,130)	0	(8,130)
Actuarial gains/(losses) on the revaluation of provisions for staff benefits	345	0	345	(5,808)	0	(5,808)
Deferred taxes on items not reclassified to profit and loss	(86)	0	(86)	1,020	0	1,020
Enterprise's interest in other comprehensive income of entities accounted for at equity, which will never be reclassified	12	0	12	(3,342)	0	(3,342)
<i>Items that may be reclassified to profit or loss in later periods</i>	(7,742)	0	(7,742)	27,666	0	27,666
Cash flow hedge reserve	(857)	0	(857)	(829)	0	(829)
Of which gains/(losses) reclassified to the income statement	(857)	0	(857)	(829)	0	(829)
Available-for-sale reserve	(6,626)	0	(6,626)	34,490	0	34,490
Of which unrealized gains/(losses) in the period	(6,206)	0	(6,206)	51,691	0	51,691
Of which gains/(losses) reclassified to the income statement	(420)	0	(420)	17,201	0	17,201
Deferred tax	1,874	0	1,874	(8,404)	0	(8,404)
Of which unrealized gains/(losses)	1,551	0	1,551	(4,322)	0	(4,322)
Of which gains/(losses) reclassified to the income statement	323	0	323	(4,081)	0	(4,081)
Enterprise's interest in other comprehensive income of entities accounted for at equity (after tax)	(2,133)	0	(2,133)	2,409	0	2,409
<i>Other comprehensive income</i>	(7,471)	0	(7,471)	19,535	0	19,535
Consolidated comprehensive income	119,184	45	119,229	(53,824)	0	(53,824)

B. Consolidated Balance Sheet

Assets, €'000	Notes	30/6/2017	31/12/2016
Cash and balances with the central bank		2,036,194	384,707
Loans and advances to other banks	(10)	5,683,148	6,261,466
Loans and advances to customers	(11)	11,295,346	11,818,321
Impairment allowance balance	(12)	(213,662)	(242,705)
Trading assets	(13)	471,698	525,432
Securities and equity investments	(14)	4,107,610	3,889,952
Entities accounted for using the equity method		1,892,698	1,771,475
Intangible assets	(15)	5,708	5,627
Property and equipment	(16)	19,057	22,318
Thereof investment property		4,636	6,716
Other assets	(17)	915,786	968,191
Balance sheet assets		26,213,583	25,404,784

Equity and Liabilities, €'000	Notes	30/6/2017	31/12/2016
Total borrowed capital		24,402,594	23,711,738
Deposits from other banks	(18)	8,778,462	7,628,203
Deposits from customers	(19)	7,760,567	7,618,112
Securitized liabilities	(20)	5,482,802	5,827,385
Trading liabilities	(21)	398,886	496,573
Other liabilities	(22)	993,244	1,078,909
Provisions	(23)	130,523	129,780
Tier 2 capital	(24)	858,110	932,776
Equity	(25)	1,810,989	1,693,046
Attributable to equity holders of the parent		1,810,930	1,693,022
Non-controlling interests		59	24
Balance sheet equity and liabilities		26,213,583	25,404,784

C. Consolidated Statement of Changes in Equity

€'000	Subscribe d capital	Non- voting non- ownership 'participati on' capital	Attributable to equity holders of the parent Capital reserves	Retained earnings	Net profit/ (loss) for the period	Total	Non- controlling interests	Total
Equity at 01/01/2017	219,789	0	556,849	980,302	(63,919)	1,693,022	24	1,693,046
Consolidated comprehensive income	0	0	0	(7,471)	126,655	119,184	45	119,229
Net profit for the period	0	0	0	0	126,655	126,655	45	126,700
Other comprehensive income	0	0	0	(7,471)	0	(7,471)	0	(7,471)
Use of retained earnings	0	0	0	(63,919)	63,919	0	0	0
Dividends paid / transfer of profit/(loss) incl. payments on participation capital	0	0	0	0	0	0	(9)	(9)
Enterprise's interest in other changes in the equity of entities accounted for at equity	0	0	0	(607)	0	(607)	0	(607)
Other changes	0	0	0	(669)	0	(669)	0	(669)
Equity at 30/06/2017	219,789	0	556,849	907,636	126,655	1,810,930	59	1,810,989

€'000	Subscribe d capital	Non- voting non- ownership 'participati on' capital	Attributable to equity holders of the parent Capital reserves	Retained earnings	Net profit/ (loss) for the period	Total	Non- controlling interests	Total
Equity 01/01/2016	214,520	76,500	432,688	961,414	65,394	1,750,517	0	1,750,517
Consolidated comprehensive income	0	0	0	19,535	(73,360)	(53,824)	0	(53,824)
Net profit for the period	0	0	0	0	(73,360)	(73,360)	0	(73,360)
Other comprehensive income	0	0	0	19,535	0	19,535	0	19,535
Addition to retained earnings	0	0	0	15,398	(15,398)	0	0	0
Dividends paid / transfer of profit/(loss) incl. payments on participation capital	0	0	0	0	(49,997)	(49,997)	0	(49,997)
Enterprise's interest in other changes in the equity of entities accounted for at equity	0	0	0	640	0	640	0	640
Equity 30/06/2016	214,520	76,500	432,688	996,987	(73,360)	1,647,336	0	1,647,336

D. Consolidated Cash Flow Statement

€'000	Notes	1/1 - 30/6/2017	1/1 - 30/6/2016
<i>Loss/Profit for the period after tax</i>		126,700	(73,360)
Reconciliation to cash flow from operating activities:			
Write-downs/(write-ups) of property and equipment, financial investments and equity investments		5,414	2,772
Revaluation gains/(losses) on investments in entities accounted for using the equity method		(129,721)	97,359
Release of/addition to provisions and impairment allowances	(2,12,29)	12,231	1,470
(Gains)/losses on disposals of property and equipment and financial investments		(2)	(23,474)
Other adjustments (net)		(72,161)	(127,541)
<i>Subtotal</i>		(57,538)	(122,774)
Change in assets and liabilities arising from operating activities after corrections for non-cash items:			
Loans and advances to customers and other banks		1,062,174	385,334
Trading assets		53,416	(20,940)
Securities (except financial investments)		6,282	35,214
Other assets		71,072	(321,710)
Deposits from customers and other banks		1,285,089	623,279
Securitized liabilities		(347,910)	(240,788)
Trading liabilities		(97,688)	55,034
Other liabilities		11,537	398,306
Other provisions		(10,951)	(4,428)
Interest received		273,041	225,871
Dividends received		532	4,637
Interest paid		(205,216)	(119,287)
Income taxes paid		171	1,433
<i>Cash flow from operating activities</i>		2,044,011	899,181
Cash receipts from sales of:			
Financial and equity investments		113,731	687,099
Property and equipment and intangible assets		2,043	0
Cash paid for:			
Financial and equity investments		(440,042)	(463,747)
Property and equipment and intangible assets		(1,311)	(790)
<i>Cash flow from investing activities</i>		(325,579)	222,562
Cash inflows from Tier 2 capital		2,296	8,197
Cash outflows from Tier 2 capital		(69,232)	(40,770)
Dividends paid / transfer of profit/(loss) incl. payments on participation capital		(9)	(49,997)
<i>Cash flow from financing activities</i>		(66,945)	(82,570)

€'000	1/1 - 30/6/2017	1/1 - 30/6/2016
<i>Cash and cash equivalents at end of previous period</i>	384,707	536,671
Cash flow from operating activities	2,044,011	899,181
Cash flow from investing activities	(325,579)	222,562
Cash flow from financing activities	(66,945)	(82,570)
Effect of exchange rate changes	0	(8)
Cash and cash equivalents at end of period	2,036,194	1,575,836

E. Notes

Significant Accounting Policies

The consolidated financial statements of RAIFFEISEN-LANDESBANK NIEDERÖSTERREICH-WIEN AG (RLB NÖ-Wien) are prepared in agreement with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU. The consolidated interim financial statements as of 30 June 2017 are in agreement with International Accounting Standard (IAS)

34, which defines the minimum content of an interim financial report and the accounting and measurement principles applicable to interim financial reports.

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

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

Number of entities	Consolidated		Equity method	
	1/1 - 30/6/2017	1/1 - 30/6/2016	1/1 - 30/6/2017	1/1 - 30/6/2016
<i>At beginning of period</i>	10	2	2	2
Changes during the period	0	0	0	0
At end of period	10	2	2	2

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

There were no unusual seasonal influences during the first half of 2017 that would have had a material influence on the asset, financial or earnings position.

The economic environment remained challenging during the first half of 2017, with the decisive factors including the continuing low interest rate climate with negative money market interest rates in the Eurozone. The improvement in

economic indicators has not yet been reflected in an increased demand for credits.

As of 30 June 2017 there were no outstanding legal proceedings whose outcome could endanger the continued existence of the company.

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

Change in Significant Accounting Policies

These consolidated interim financial statements were prepared on the basis of the same accounting policies applied in preparing the consolidated financial statements as of 31 December 2016, with the exception of the following new rules that were adopted by the EU.

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

For the purpose of this interim financial report, the changes in the applicable accounting rules have no effect on the presentation of the earnings, financial or assets position of the RLB NÖ-Wien Group.

New standards and interpretations that were not yet applied:

IFRS 9 Financial Instruments

The final version of IFRS 9 Financial Instruments, which replaces IAS 39 Recognition and Measurement, was issued by the International Accounting Standards Board in July 2014. The EU endorsement followed on 22 November 2016.

IFRS 9 is applicable to the first reporting period of the financial year which begins on or after 1 January 2018, whereby earlier application is permitted. At this point in time, the Group plans to initially apply IFRS 9 as of 1 January 2018.

The new standard requires the Group to adjust its accounting processes and internal controls related to the presentation of financial instruments. The Group has made a preliminary assessment of the effects arising from the application of IFRS 9 based on its positions as of 30 June 2017. This assessment was based on the information available at the present time.

Classification and measurement of financial assets

IFRS 9 defines new classification and measurement approaches for financial assets, which reflect the business model in

which the assets are held as well as the characteristics of their cash flows.

The standard differentiates between three business models:

- "Hold": The goal of this business model is to hold the debt instruments and collect the contractual cash flows. Subsequent measurement is based on amortized cost ("AC").
- "Hold and sell": The debt instruments are held within a business model whose goal is to collect the contractual cash flows or to sell the debt instruments. The debt instruments are measured at fair value, and changes in this fair value are recorded under equity (fair value through other comprehensive income - FVOCI).
- "Sell": Debt instruments which are held primarily for the purpose of realizing short-term gains are allocated to this business model and are measured at fair value through profit and loss ("FVTPL").

IFRS 9 defines the following categories for the classification of financial assets:

- Debt instruments measured at amortized cost
- Debt instruments measured at fair value through comprehensive income, whereby the accumulated gains and losses are reclassified to profit or loss when the financial asset is derecognized
- Debt instruments, derivatives and equity instruments measured at fair value through profit or loss
- Equity instruments classified at fair value through comprehensive income, whereby gains and losses remain in other comprehensive income (without reclassification)

This standard eliminates three categories previously defined by IAS 39: held to maturity, loans and receivables and available for sale.

IFRS 9 prohibits the separate recognition of derivatives which are embedded in contracts whose basis is a financial asset covered by this standard. The hybrid financial instrument is instead evaluated as a whole with respect to its classification.

The Group has completed an initial determination of the business models for the Commercial Clients, Private Customers and Treasury business areas and analysed the financial instruments with regard to their respective contractual cash flows.

Loans and advances to customers and other banks will be assigned to the "hold" business model. A final examination of all loans and advances is currently in progress to determine the characteristics of the contractual cash flows ("solely payment of principal and interest" – SPPI test). The volume of the loans and advances which would be carried at fair value through profit or loss appears to be immaterial from the present point of view.

The debt instruments currently classified as available for sale will be reclassified to the category "amortised cost" because they are allocated to the "hold" business model.

Equity instruments are generally measured at fair value. The Group has the possibility to recognize fluctuations in fair value through profit or loss or directly in equity. The final decision on the allocation will be taken during the second half of this year. The option provided by IAS 39 to carry equity instruments (among others, investments in other companies) at cost when fair value cannot be reliably determined will be discontinued.

As regards classification and measurement, the actual effects determined at the time of the transition to IFRS 9 on 1 January 2018 could deviate from the above-mentioned effects due to changes in the portfolio composition or economic conditions.

Classification and measurement of financial liabilities

IFRS 9 generally retains the requirements of IAS 39 for the classification of financial liabilities. However, measurement at

fair value (fair value option) requires the recognition under equity (in other comprehensive income) of all changes in fair value resulting from the Group's own credit risk.

The Group has classified an immaterial volume of financial liabilities at fair value through profit or loss. A preliminary assessment therefore shows no material effects from the application of IFRS 9 on the classification of financial liabilities as of 30 June 2017.

Impairment

IFRS 9 replaces the model of "incurred losses" defined by IAS 39 with a forward-looking model of "expected credit losses". The new impairment model is applicable to financial assets carried at amortized cost or measured at FVOCI – with the exception of equity instruments held as financial assets – and is also applicable to contractual assets.

Impairment is measured according to one of the following criteria under IFRS 9:

- "12 month expected losses": This represents the expected losses arising from potential default incidents during the 12 months following the balance sheet date.
- "Lifetime expected loss": This represents the expected losses arising from all potential default incidents during the expected lifetime of a financial instrument.

Measurement must be based on lifetime credit losses when there has been a significant increase in the credit risk of a financial asset between initial recognition and the balance sheet date. In all other cases, measurement should be based on the concept of 12-month credit losses.

The Group expects a probable increase and greater volatility in the impairment losses for assets that fall within the scope of application of the impairment model defined by IFRS 9. However, these conversion effects can only be decisively and reliably determined during the second half of 2017.

Hedge accounting

IFRS 9 requires the Group to ensure that the accounting treatment of hedges reflects the goals and strategy of corporate risk management and to also ensure the use of a more qualitative and forward-looking approach in evaluating the effectiveness of hedges. In addition, IFRS 9 introduces new requirements for the weighting of hedge relationships and prohibits the voluntary termination of hedge accounting.

The initial application of IFRS 9 includes an option which allows the Group to decide whether to retain the accounting rules for hedges defined in IAS 39 instead of adopting the requirements of IFRS 9. The Group has decided to apply the new requirements of IFRS 9.

Disclosures

IFRS 9 requires extensive new disclosures, in particular on hedge accounting, credit risk and expected credit default. The Group's preliminary assessment included an analysis to identify any possible data gaps compared with the current procedure. The Group plans system and monitoring changes which it believes will guarantee the necessary data collection.

Transition

The Group intends to utilize the option not to restate comparative information from prior periods on the changes in classification and measurement (including impairment). In accordance with IFRS 7, the Group's disclosures in the notes for 2018 will include tables which reconcile financial assets and the impairment allowance balance between IAS 39 and IFRS 9. Differences between the carrying amounts of financial assets and financial liabilities resulting from the application of IFRS 9 will principally be recognized in retained earnings and other reserves as of 1 January 2018.

Information on the IFRS 9 Project

The Group carried out a preliminary study in 2012 to evaluate the effects resulting from the application of IFRS 9. The implementation project was started in autumn 2015 with the necessary evaluation of and decisions on software and will be completed by the initial application of this standard in January 2018. Significant internal and external resources were bundled for this project to ensure its timely implementation.

In addition to the definition and treatment of technical issues related to impairment, categorization, measurement, hedge accounting and recording logic, work has focused on the necessary adjustment/implementation of the required systems and interfaces since the beginning of 2016.

Most of the technical subjects have already been addressed, and several issues involving methods and content are still under discussion. In the second half of 2017, a parallel calculation based on IFRS 9 will analyse the effects on the Group's balance sheet and equity in due time before the initial application and allow for the definition of necessary measures.

Calculations and impact assessments for specific subjects are already in progress and will form the basis for decisions ranging from the methods/models to be applied to necessary adjustments to existing processes and customer contracts.

Based on the portfolios as of 30 June 2017 and the progress of the project, the Group expects the initial application of IFRS 9 will result, above all, in a negative effect on equity from the increase in the impairment allowance balance and the loss of the positive available-for-sale reserve. A decline of 30 to 50 basis points is also expected in the Common Equity Tier 1 ratio.

The actual effects from the initial application of IFRS 9 can differ from estimates made at the present time because significant assumptions have not yet been finally defined and changes could result from developments in the volume of business or macroeconomic conditions.

Details on the Consolidated Income Statement

(1) Net interest income

€'000	1/1 - 30/6/2017	1/1 - 30/6/2016
<i>Interest income</i>	271,380	219,936
From loans and advances to other banks	14,625	22,073
From loans and advances to customers from trading assets and liabilities	98,044	109,706
From other fixed-interest securities	593	718
From derivative financial instruments	38,055	46,340
Interest income from non-derivative financial liabilities	117,143	40,671
<i>Current income</i>	533	4,637
from shares and variable-yield securities	138	730
From equity investments in subsidiaries	100	2,625
From other equity investments	295	1,282
Other interest-equivalent income	553	0
<i>Total interest and similar income</i>	272,466	224,573
<i>Interest expenses</i>	(212,498)	(132,684)
On deposits from other banks	(29,746)	(27,991)
On deposits from customers	(15,561)	(17,822)
On securitized liabilities	(51,024)	(56,278)
On subordinated debt capital	(21,885)	(23,107)
From derivative financial instruments	(92,720)	(5,129)
Interest expense on receivables	(1,562)	(2,338)
Other interest-equivalent expenses	(185)	(19)
<i>Total interest expenses and similar charges</i>	(212,683)	(132,684)
Net interest income	59,783	91,889

The interest on derivatives was netted out by product up to 31 December 2016, but this procedure was changed to an individual transaction basis starting on 1 January 2017. Therefore, the interest income/expenses from derivative financial instruments in the above reporting periods is not comparable.

(2) Impairment allowance balance

€'000	1/1 - 30/6/2017	1/1 - 30/6/2016
<i>Individual impairment allowances</i>	(1,175)	1,345
Addition to impairment allowances	(17,278)	(19,300)
Release of risk allowances	15,150	20,060
Direct write-offs	(292)	(175)
Recoveries of loans and advances previously written off	1,245	760
<i>Collective impairment allowances to the portfolio</i>	2,227	2,849
Addition to impairment allowances	(2,878)	(2,025)
Release of risk allowances	5,105	4,875
<i>Off-balance sheet obligations</i>	4,638	4,657
Addition to impairment allowances	(117)	(4,447)
Release of risk allowances	4,755	9,104
Total	5,690	8,851

(3) Net fee and commission income

€'000	1/1 - 30/6/2017	1/1 - 30/6/2016
Payment services	9,297	10,423
Loan processing and guarantee operations	(1,166)	(1,163)
Securities operations	7,331	11,166
Foreign exchange, notes-and-coin and precious-metals business	1,140	1,171
Other banking services	8,200	8,351
Total	24,802	29,947

(4) Net trading income

€'000	1/1 - 30/6/2017	1/1 - 30/6/2016
Interest rate contracts	6,448	(14,568)
Currency contracts	1,610	2,155
Equity and index contracts	215	325
Other contracts	421	1,496
Total	8,694	(10,592)

(5) Profit/(loss) from financial investments

€'000	1/1 - 30/6/2017	1/1 - 30/6/2016
Net gains/(losses) on financial instruments classified as held to maturity	0	6,273
Net gains/(losses) on financial instruments classified as available for sale and measured at fair value	70	17,201
Net gains/(losses) on financial instruments classified as available for sale and measured at cost	(441)	(664)
Net gains/(losses) from unlisted securities classified as loans and receivables	7	869
Net gains/(losses) on financial instruments designated at fair value through profit or loss	2,300	(3,292)
Gain/(loss) on liabilities measured at amortized cost	(16)	(9,520)
Total	1,920	10,867

(6) Profit/(loss) from investments in entities accounted for using the equity method

€'000	1/1 - 30/6/2017	1/1 - 30/6/2016
Group interest in annual profit or loss	129,721	2,641
Revaluation gains and losses	0	(100,000)
Total	129,721	(97,359)

The investment held by RLB NÖ-Wien in RBI, indirectly through RZB, equalled 21.13% as of 31 December 2016. Following the merger of RBI and RZB, RLB NÖ-Wien now holds 22.62% in the merged RBI. The 1.49% increase in the RBI investment to 22.62% was carried out in exchange for subsequently cancelled shares of RZB.

Since the investment in RBI remains unchanged from an economic standpoint, the previous at equity carrying amount of the 21.13% investment in RBI will be carried forward. The increase of 1.49% in the investment was recognised as an exchange transaction. The effects of the exchange totalled TEUR 15,936; they were recognised through profit or loss and are reported under profit/(loss) from investments in entities accounted for using the equity method.

(7) General administrative expenses

€'000	1/1 - 30/6/2017	1/1 - 30/6/2016
Staff costs	(49,136)	(47,581)
Other administrative expenses	(51,158)	(52,938)
Write-downs of property, equipment and intangible assets	(2,450)	(2,064)
Total	(102,744)	(102,583)

(8) Other operating profit/(loss)

€'000	1/1 - 30/6/2017	1/1 - 30/6/2016
Effect of hedge accounting	1,141	829
Net gains/(losses) from other derivatives	4,374	3,234
Other operating income	28,145	12,370
Other operating expenses	(32,928)	(29,631)
Total	732	(13,198)

Other operating income includes revenues of TEUR 15,773 from subsidiaries of RLB AG NÖ-Wien.

Other operating expenses include TEUR 5,639 for services provided by subsidiaries and materials. This position also includes the bank levy at TEUR 12,899 and the TEUR 7,888 contribution to the European resolution fund.

(9) Segment reporting in detail*

2016 €'000	Sales Support Raiffeisen Banks Lower Austria/Personal and Business Banking Customers Vienna	Corporate Customers	Financial Markets	Investments	Other	Total
Net interest income	23,900	48,995	12,994	(21,144)	(4,962)	59,783
Impairment allowance balance	(2,689)	10,228	(2,607)	758	0	5,690
Net interest income after impairment charges	21,211	59,223	10,387	(20,386)	(4,962)	65,473
Net fee and commission income	20,324	6,184	(4,581)	0	2,875	24,802
Net trading income	661	1,543	6,325	0	164	8,694
Profit from investments in entities accounted at equity	0	0	0	129,721	0	129,721
Profit/(loss) from financial investments	0	(108)	2,028	0	0	1,920
General administrative expenses	(45,496)	(21,112)	(8,001)	(6,077)	(22,058)	(102,744)
Of which staff costs	(22,604)	(12,428)	(2,904)	(3,621)	(7,578)	(49,135)
Of which other administrative expenses	(22,112)	(8,575)	(4,426)	(1,710)	(14,335)	(51,158)
Of which amortization	(780)	(109)	(671)	(745)	(145)	(2,450)
Other operating profit/(loss)	954	(4,839)	3,092	5,825	(4,300)	732
Profit/(loss) for the year before tax	(2,346)	40,891	9,250	109,083	(28,280)	128,599
Average allocated equity, €m	163	699	38	192	659	1,751
Return on equity before tax (%)	(2.9)%	11.7%	48.7%	113.6%	(8.6)%	14.7%
Cost:income ratio	99.3%	40.8%	40.3%	5.3%	(354.5)%	45.5%

* Detailed information is presented under "Segment reporting" in the management report on the first half of 2017.

1/1–30/6/2016 €'000	Sales Support Raiffeisen Banks Lower Austria/Pe rsonal and Business Banking Customers Vienna	Corporate Customers	Financial Markets	Invest- ments	Other operating profit/- (loss)	Total
Net interest income	31,601	63,605	16,471	(20,426)	638	91,889
Impairment allowance balance	(2,331)	10,899	237	0	46	8,851
Net interest income after impairment charges	29,270	74,504	16,708	(20,426)	684	100,740
Net fee and commission income	22,585	7,844	(4,543)	0	4,061	29,947
Net trading income	894	1,013	(13,160)	0	661	(10,592)
Profit from investments in entities accounted at equity	0	0	0	(97,359)	0	(97,359)
Profit/(loss) from financial investments	0	802	10,729	(664)	0	10,867
General administrative expenses	(45,228)	(21,880)	(8,092)	(1,492)	(25,891)	(102,583)
Of which staff costs	(23,983)	(12,694)	(3,079)	(407)	(7,417)	(47,581)
Of which other administrative expenses	(20,300)	(9,026)	(4,289)	(1,067)	(18,256)	(52,938)
Of which amortization	(945)	(160)	(724)	(18)	(218)	(2,064)
Other operating profit/(loss)	525	195	4,001	(1,305)	(16,614)	(13,198)
Profit/Loss for the period before tax	8,046	62,479	5,643	(121,246)	(37,098)	(82,177)
Average allocated equity, €m	177	703	28	70	684	1,662
Return on equity before tax (%)	9.1%	17.8%	40.3%	(346.4)%	(10.8)%	(9.9)%
Cost:income ratio	81.3%	29.8%	60,0%	(7.6)%	(230.1)%	92.0%

Details on the Consolidated Balance Sheet

(10) Loans and advances to other banks

€'000	30/6/2017	31/12/2016
Demand deposits	1,874,368	2,078,662
Time deposits	2,281,132	2,855,188
Other loans and advances	1,427,613	1,220,080
Debt instruments	100,035	107,536
Other	0	0
Total	5,683,148	6,261,466

(11) Loans and advances to customers

€'000	30/6/2017	31/12/2016
Cash advances	646,754	1,090,855
Current accounts	1,016,173	1,076,785
Loans	9,557,290	9,575,712
Debt instruments	75,129	74,969
Total	11,295,346	11,818,321

€'000	30/6/2017	31/12/2016
Public sector exposures	1,289,887	1,541,110
Retail exposures	1,897,353	1,884,137
Corporate clients	6,909,665	7,008,408
Other	1,198,441	1,384,666
Total	11,295,346	11,818,321

(12) Impairment allowance balance

2017 €'000	At 1 January	Added	Reversed	Used	At 30 June
<i>Individual impairment allowances</i>	223,779	17,278	(15,150)	(28,943)	196,964
Loans and advances to other banks	2,336	0	0	0	2,336
Loans and advances to customers	221,443	17,278	(15,150)	(28,943)	194,628
<i>Collective impairment allowances to the portfolio</i>	18,925	2,878	(5,105)	0	16,698
Loans and advances to other banks	1,432	2,585	0	0	4,017
Loans and advances to customers	17,493	293	(5,105)	0	12,681
<i>Impairment allowance balance (loans and advances)*</i>	242,704	20,156	(20,255)	(28,943)	213,662
<i>Risks arising from off-balance-sheet obligations**</i>	14,436	117	(4,755)	0	9,798
Total	257,140	20,273	(25,010)	(28,943)	223,459

2016 €'000	At 1 January	Added	Reversed	Used	At 30 June
<i>Individual impairment allowances</i>	284,261	19,300	(20,060)	(18,193)	265,309
Loans and advances to other banks	1,239	0	(100)	0	1,139
Loans and advances to customers	283,022	19,300	(19,960)	(18,193)	264,170
<i>Collective impairment allowances to the portfolio</i>	17,702	2,025	(4,875)	0	14,853
Loans and advances to other banks	1,100	0	(417)	0	683
Loans and advances to customers	16,602	2,025	(4,457)	0	14,170
<i>Impairment allowance balance (loans and advances)*</i>	301,963	21,326	(24,934)	(18,193)	280,161
<i>Risks arising from off-balance-sheet obligations**</i>	22,229	4,447	(9,104)	0	17,572
Total	324,192	25,772	(34,038)	(18,193)	297,733

* Risks arising from the credit business are reported under the impairment allowance balance.

** Risks arising from off-balance sheet obligations are reported under provisions.

(13) Trading assets

€'000	30/6/2017	31/12/2016
Bonds and other fixed-interest securities	98,212	35,044
Shares and other variable-yield securities	4	0
Positive fair values of derivative contracts	344,339	449,950
Accruals arising from derivatives	29,143	40,438
Total	471,698	525,432

(14) Securities and equity investments

€'000	30/6/2017	31/12/2016
Bonds and other fixed-interest securities	4,076,201	3,831,588
Classified as held to maturity	211,514	211,744
Classified as available for sale, measured at fair value	3,524,699	3,273,675
Designated as at fair value through profit or loss	339,988	346,169
Shares and other variable-yield securities	7,580	36,399
Classified as available for sale, measured at fair value	5,928	28,487
Classified as available for sale, measured at cost	0	0
Designated as at fair value through profit or loss	1,652	7,912
Equity investments	23,829	21,965
Classified as available for sale, measured at cost	23,829	21,965
Total	4,107,610	3,889,952

* This position includes participation capital of TEUR 277 (H1 2016: 277) in Raiffeisen-Holding NÖ-Wien.

Securities and equity investments are assigned to the following valuation categories:

€'000	30/6/2017	31/12/2016
<i>Designated as at fair value through profit or loss</i>	341,640	354,081
Bonds and other fixed-interest securities	339,988	346,169
Shares and other variable-yield securities	1,652	7,912
<i>Classified as available for sale</i>	3,554,456	3,324,127
Measured at fair value	3,530,627	3,302,162
Schuldverschreibungen und andere festverzinsliche Wertpapiere	3,524,699	3,273,675
Shares and other variable-yield securities	5,928	28,487
Measured at cost	23,829	21,965
Equity investments	23,829	21,965
<i>Classified as held to maturity</i>	211,514	211,744
Bonds and other fixed-interest securities	211,514	211,744
Total	4,107,610	3,889,952

(15) Intangible assets

€'000	30/6/2017	31/12/2016
Goodwill	0	0
Other intangible assets	5,708	5,627
Total	5,708	5,627

(16) Property and equipment

€'000	30/6/2017	31/12/2016
Land and buildings used by the Group for its own purposes	3,089	3,191
Investment property	4,636	6,715
Other property and equipment	11,332	12,412
Total	19,057	22,318

(17) Other assets

€'000	30/6/2017	31/12/2016
Tax receivables	32,114	320
Positive fair values of derivative hedging instruments in fair value hedges	364,217	447,787
Positive fair values of derivative financial instruments designated as at fair value through profit or loss	5,784	6,848
Positive fair values of other derivative financial instruments	219,933	298,060
Interest accruals arising from derivative financial instruments	127,308	114,848
Other assets	166,430	100,328
Total	915,786	968,191

(18) Deposits from other banks

€'000	30/6/2017	31/12/2016
Demand deposits	3,661,760	3,799,510
Time deposit balances	4,069,384	2,827,427
Borrowed funds	1,047,318	1,001,266
Total	8,778,462	7,628,203

(19) Deposits from customers

€'000	30/6/2017	31/12/2016
Sight deposits	5,152,791	5,267,811
Time deposit balances	1,102,419	818,506
Savings deposits	1,505,357	1,531,795
Total	7,760,567	7,618,112

€'000	30/6/2017	31/12/2016
Public sector exposures	775,348	578,027
Retail exposures	4,129,961	3,982,416
Corporate clients	1,779,858	1,851,146
Other	1,075,400	1,206,523
Total	7,760,567	7,618,112

(20) Securitized liabilities

€'000	30/6/2017	31/12/2016
Measured at amortized cost	5,482,802	5,827,385
Total	5,482,802	5,827,385

(21) Trading liabilities

€'000	30/6/2017	31/12/2016
Negative fair values of derivative contracts	369,478	457,316
Accruals arising from derivatives	29,408	39,257
Total	398,886	496,573

(22) Other liabilities

€'000	30/6/2017	31/12/2016
Tax liabilities	9,156	11,648
Trade payables (non-banking activities)	1,663	1,766
Negative fair values of derivative hedging instruments in fair value hedges	403,869	496,855
Negative fair values of derivative financial instruments designated as at fair value through profit or loss	17,453	21,836
Negative fair values of other derivative financial instruments	249,536	318,114
Interest accruals arising from derivative financial instruments	65,562	77,096
Other liabilities	246,005	151,594
Total	993,244	1,078,909

(23) Provisions

€'000	30/6/2017	31/12/2016
Termination benefits	28,452	28,118
Post-employment benefits	30,921	31,122
Jubilee benefits and part-time work by older staff	5,848	6,009
Other	65,302	64,531
Total	130,523	129,780

Other provisions include TEUR 9,798 (H1 2016: TEUR 14,436) for guarantees and credit commitments, TEUR 12,850 (H1 2016: 0) in connection with Supreme Court decisions involving negative reference interest rates and TEUR 18,939 (H1 2016: TEUR 18,653) for damages and uncertain obligations arising from potential compensation for damages resulting from customer complaints (also including pending legal proceedings).

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

(24) Tier 2 capital

€'000	30/6/2017	31/12/2016
<i>Measured at amortized cost</i>	806,458	881,868
Subordinated debt	806,458	881,868
<i>Designated as at fair value through profit or loss</i>	51,652	50,908
Subordinated debt	51,652	50,908
Total	858,110	932,776

(25) Equity

€'000	30/6/2017	31/12/2016
<i>Attributable to equity holders of the parent</i>	1,810,930	1,693,022
Subscribed capital	219,789	219,789
Capital reserves	556,849	556,849
Retained earnings	907,636	980,302
Profit/Loss for the period	126,655	(63,919)
<i>Non-controlling interests</i>	59	24
Total	1,810,989	1,693,046

(26) Fair values of financial instruments**Financial instruments recognized at fair value**

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

An active market is a market in which the asset or liability transactions take place with sufficient frequency and volumes to provide continuous pricing information. The indicators for an active market may also include the number, update fre-

quency and/or the quality of quotations (e.g. by banks or stock exchanges). In addition, narrow bid/ ask spreads and quotations by market participants within a certain corridor may also be signs of an active liquid market.

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

The counterparty risk on OTC derivatives not secured by collateral is included through a credit value adjustment (CVA)

which represents the costs of hedging this risk on the market. The CVA is calculated by multiplying the expected positive exposure of the derivative (EPE) by the loss given default (LGD) and the probability of default (PD) associated with the counterparty. The EPE is determined by simulation, while the LGD and PD are based on market data (credit default swap (CDS) spreads if this information is directly available for the respective counterparty or by mapping the counterparty's creditworthiness to reference counterparties). The debt value adjustment (DVA) represents an adjustment for the company's own default probability. The calculation method is similar to the CVA, but the expected negative fair value (ENE or expected negative exposure) is used instead of the expected positive exposure.

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

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

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

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

30/06/2017 €'000	Level I	Level II	Level III
Assets			
Trading assets	41,272	430,426	0
Securities and equity investments classified at fair value through profit and loss	227,454	102,597	11,590
Securities and investments classified as available for sale (measured at fair value)	3,310,628	216,782	3,156
Other assets (positive fair values of derivative financial instruments)	0	589,933	0
Liabilities			
Trading liabilities	0	(398,886)	0
Other liabilities (negative fair values of derivative financial instruments)	0	(736,421)	0
Subordinated debt capital designated as fair value through profit or loss	0	0	(51,651)

31/12/2016 €'000	Level I	Level II	Level III
<i>Assets</i>			
Trading assets	5,003	520,429	0
Securities and equity investments classified at fair value through profit and loss	239,741	102,946	11,395
Securities and investments classified as available for sale (measured at fair value)	3,191,178	107,381	3,267
Other assets (positive fair values of derivative financial instruments)	0	867,542	0
<i>Liabilities</i>			
Securitized liabilities designated at fair value through profit or loss	0	0	0
Trading liabilities	0	(496,573)	0
Other liabilities (negative fair values of derivative financial instruments)	0	(913,901)	0
Subordinated debt capital designated as fair value through profit or loss	0	0	50,908

Reclassifications between Level I and Level II:

30/6/2017 €'000	From Level I to Level II	From Level II to Level I
<i>Assets</i>		
Trading assets	0	0
Securities and equity investments classified at fair value through profit and loss	11,513	0
Securities and investments classified as available for sale (measured at fair value)	0	0
Other assets (positive fair values of derivative financial instruments)	0	0
<hr/>		
31/12/2016 €'000	From Level I to Level II	From Level II to Level I
<i>Assets</i>		
Trading assets	0	0
Securities and equity investments classified at fair value through profit and loss	0	0
Securities and investments classified as available for sale (measured at fair value)	0	0
Other assets (positive fair values of derivative financial instruments)	0	0

Every financial instrument is examined to determine whether there is a quoted price on an active market (Level I). The fair value of financial instruments without

quoted market prices is based on observable market data like yield curves and recent transactions (Level II). A change in this estimate leads to reclassification.

Reconciliation of the financial instruments classified under Level III:

30/06/2017 €'000	Trading assets	Securities and equity investments	Tier 2 capital
At 1 January	0	14,662	50,908
Reclassification to Level III			
Purchases		20	
Issuances			
Valuation results (trading results)		(97)	
Revaluation gains and losses (profit/(loss) from financial investments)		170	(594)
Revaluation gains and losses (without being recognized in the Income Statement)		(12)	
Realized in profit or loss through disposals		0	
Interest accruals			
Reclassified from level III			
Sales			
Performance			251
Premium/discount		0	
Interest accruals		3	1,086
At 31 December	0	14,746	51,651
Revaluation gains and losses on financial instruments recognized to the income statement at 31 December		170,239	(594)

There were no reclassifications to or from Level III since the last reporting period.

31/12/2016 €'000	Trading assets	Securities and equity investments	Tier 2 capital
At 1 January	41,521	22,179	48,727
Purchases and initial consolidations	0	60	0
Valuation results (trading results)	0	40	0
Revaluation gains and losses (profit/(loss) from financial investments)	0	2,182	91
Revaluation gains and losses (without being recognized in the Income Statement)	0	(169)	0
Realized in profit or loss through disposals	(67)	216	0
Interest accruals	0	(1)	2,088
Reclassified from level III	0	0	0
Sales	(41,454)	(9,118)	0
Performance	0	(727)	2
At 31 December	0	14,662	50,908
Revaluation gains and losses on financial instruments recognized to the income statement at 31 December	0	2,222	91

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

30/6/2017	Type	Market value in EURm	Valuation method	Major unobservable input factors	Scope of unobservable input factors
<i>Financial assets</i>					
Shares and other variable-yield securities	Shares and funds	1.86	External valuation	Discounts	5-10%
Shares and other variable-yield securities	Non-fixed-interest bonds	3.29	DCF method	Credit margin	15-50%
Bonds and other fixed-interest securities	Fixed-interest bonds	9.62	External valuation	Credit margin	15-20%
Bonds and other fixed-interest securities	Credit-linked notes	0.06	DCF method	Credit margin	0-2%
<i>Financial liabilities</i>					
Subordinated debt	Index-linked notes	(40.46)	External valuations	Credit margin	5-15%
Subordinated debt	Fixed-interest bonds	(11.2)	DCF method	Credit margin	5-15%
<hr/>					
31/12/2016	Type	Market value in EURm	Valuation method	Major unobservable input factors	Scope of unobservable input factors
<i>Financial assets</i>					
Shares and other variable-yield securities	Shares and funds	1.9	External valuation	Discounts	5-10%
Shares and other variable-yield securities	Non-fixed-interest bonds	0.056	DCF method	Credit margin	0-2%
Bonds and other fixed-interest securities	Fixed-interest bonds	3.08	DCF method	Credit margin	15-50%
Bonds and other fixed-interest securities	Credit-linked notes	9.62	External valuation	Credit margin	15-20%
<i>Financial liabilities</i>					
Subordinated debt	Index-linked notes	(40.16)	External valuation	Credit margin	5-15%
Subordinated debt	Fixed-interest bonds	(10.75)	DCF method	Credit margin	5-15%

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

the use of consistent methods. Automated controls ensure that the quality of the applied models and input parameters meet the defined standards.

The acquisition of new financial instruments is accompanied by the examination and validation of all possible pricing sources. A source is then selected in agreement with the valuation guidelines and current legal requirements.

Priority is given to generally accepted valuation parameters that can be obtained from recognized data providers.

A range of alternative parameters is available for selection and application in cases where the value of a financial instrument is dependent on non-observable data. A shift in the parameters at the ends of these ranges would lead to an increase of EUR 0.1 million or a reduction of EUR 7.6 million in the fair value of assets as of 30 June 2017. The fair value of liabilities would increase by EUR 5.7 million or decrease by EUR 4.8 million. These estimates reflect the corresponding market conditions and internal valuation guidelines.

It is extremely unlikely that all non-observable parameters would simultaneously shift to the ends of the ranges. Consequently, these results do not support any conclusions concerning actual future changes in market values.

Fair value of financial instruments not carried at fair value

Equity instruments are measured at cost if reliable market values are not available. Quoted equity instruments are also measured at cost if the volume or frequency of transactions provides reasons to doubt the validity of the market price. For unquoted equity instruments, above all equity investments, there are generally no observable market transactions with identical or similar equity instruments that could provide a reliable estimate of fair value. The estimation of a reliable fair value or its determination within a probability-weighted range based on a DCF or similar method is not helpful because the fair value of these instruments can only be calculated on the basis of internal data that has no market relevance.

The carrying amount of the available-for-sale financial instruments measured at cost totals TEUR 23,829 (H1 2016: TEUR 21,965). RLB NÖ-Wien has no plans to sell these financial instruments. No available-for-sale financial instruments measured at cost were derecognized during the reporting period.

Additional Information

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

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

€'000	30/6/2017	31/12/2016
<i>Loans and advances to other banks</i>		
Parent	1,183,470	873,500
Associates	2,672,409	3,195,843
<i>Loans and advances to customers</i>		
Entities related via the parent	286,385	312,666
Unconsolidated subsidiaries	9,399	9,477
Associates	390,384	548,614
Associates related via the parent	0	2
Joint Ventures	10,421	9,014
<i>Impairment allowance balance</i>		
Associates	(12,259)	(12,072)
<i>Trading assets</i>		
Parent	49,750	65,920
Associates	26,490	30,118
<i>Securities and equity investments</i>		
Parent	277	277
Unconsolidated subsidiaries	10,939	78,636
Associates	103,031	112,635
Associates related via the parent	2,826	2,950
Joint Ventures	1,107	669
<i>Other assets</i>		
Parent	41,685	51,116
Entities related via the parent	6	6
Unconsolidated subsidiaries	2,331	2,331
Associates	57,967	67,591

€'000	30/6/2017	31/12/2016
<i>Deposits from other banks</i>		
Parent	169,103	1,038
Associates	997,825	766,041
<i>Deposits from customers</i>		
Entities related via the parent	117,689	260,360
Unconsolidated subsidiaries	59,098	65,379
Associates	59,729	58,479
Associates related via the parent	1,019	3,179
Joint Ventures	9,207	13,600
<i>Securitized liabilities</i>		
Parent	196	197
Entities related via the parent	40	40
Unconsolidated subsidiaries	139	139
<i>Other liabilities</i>		
Associates	0	38,469
<hr/>		
€'000	30/6/2017	31/12/2016
<i>Contingent liabilities</i>		
Parent	7,202	7,080
Entities related via the parent	649	527
Unconsolidated subsidiaries	2,276	3,251
Associates	228,071	308,197
Associates related via the parent	122	0
Joint Ventures	122	0

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

1/1–30/6/2017 €'000	Purchased services and merchandise	Services provided and sale of merchandise and fixed assets
Parent	7,815	5,665
Entities related via the parent	0	4
Unconsolidated subsidiaries	1,626	193
Associates	8,756	1,121
Associates related via the parent	0	0
Joint Ventures	20	158

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

with respect to the provision, measurement and monitoring of liquidity as well as the related measures.

The business transactions and relations with related companies reflect arm's length terms and conditions.

Key management includes the members of the Managing Board and Supervisory Board of RLB NÖ-Wien as well as the members of management, the managing board and supervisory board of Raiffeisen-Holding NÖ-Wien.

The relationships between key management and RLB NÖ-Wien are as follows:

€'000	30/6/2017	31/12/2016
Sight deposits	3,871	3,105
Bonds	204	31
Savings deposits	608	595
Other receivables	91	107
Total	4,774	3,838
Current accounts	1	3
Loans	1,231	1,402
Other liabilities	84	95
Total	1,316	1,500

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

€'000	30/6/2017	31/12/2016
Sight deposits	246	267
Bonds	10	18
Savings deposits	34	58
Other receivables	0	1
Total	290	344
Current accounts	1	2
Loans	53	54
Other liabilities	0	0
Total	54	56

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

€'000	2017	2016
At 1 January	6,760,521	7,189,952
Issuances	101,581	838,106
Redemptions	(479,962)	(1,232,155)
Repurchases	15,158	11,850
Revaluation gains and losses/interest accruals	(56,387)	141,825
At 30 June	6,340,912	6,949,578

(29) Contingent liabilities and other off-balance sheet obligations

€'000	30/6/2017	31/12/2016
<i>Contingent liabilities</i>	<i>801,407</i>	<i>881,518</i>
<i>Commitments</i>	<i>5,100,121</i>	<i>4,804,566</i>
Of which arising from revocable loan commitments	2,036,114	2,012,995
Of which arising from irrevocable loan commitments	3,064,007	2,791,571

(30) Regulatory capital

RLB NÖ-Wien is part of the Raiffeisen-Holding NÖ-Wien financial institution group and is therefore not subject to the regulations governing financial institution groups or requirements on a consolidated basis. Raiffeisen-Holding NÖ-Wien,

the parent company, is responsible for compliance with these regulatory requirements at the financial institution group level. Accordingly, the regulatory capital requirements for the financial institution group are reported below.

€'000	30/6/2017	31/12/2016
Paid-in capital	489,142	489,891
Retained earnings	1,599,265	1,391,080
Accumulated other comprehensive income and other equity	(109,178)	(34,363)
Common equity Tier 1 before deductions	1,979,229	1,846,608
Intangible assets incl. goodwill	(8,372)	(6,297)
Deductions in respect of equity instruments of financial sector entities	0	0
Corrections in respect of cash flow hedge reserves	41,643	54,603
Corrections for credit standing related changes in values of own liabilities	(699)	(699)
Corrections for credit standing related changes in values of derivatives	(2,873)	(3,596)
Value adjustment due to the prudent valuation requirement	(5,324)	(4,059)
Common equity Tier 1 capital after deductions (CET1)	2,003,606	1,886,559
Additional Tier 1 capital	119,846	111,595
Tier 1 capital after deductions (T1)	2,123,451	1,998,154
Eligible Tier 2 capital	603,616	707,815
Deductions from ancillary own funds	0	0
Ancillary own funds after deductions	603,616	707,815
Tier 3 capital	0	0
Total eligible own funds	2,727,067	2,705,969
Total capital requirement	1,039,786	1,061,998
Common equity Tier 1 ratio (CET1 ratio), %	15.4	14.2
Tier 1 ratio (T1 ratio), %	16.3	15.1
Own funds ration (total capital ratio), %	21.0	20.4
Surplus capital ratio, %	162.3	154.8

Under a fully loaded analysis, the common equity Tier 1 ratio equalled 14.79% (H1 2016: 13.73%) and the Total Capital ratio 19.16% (H1 2016: 18.21%).

Total capital requirements include the following:

Own funds requirement	30/6/2017	31/12/2016
<i>€'000</i>		
Own funds requirement for credit risk	948,476	977,253
Capital requirements for position risk in debt instruments and assets	33,192	24,570
Own funds requirement for the CVA	6,403	8,461
Own funds requirement for operational risk	51,715	51,715
Total own funds requirement (total risk)	1,039,786	1,061,999
<i>Basis of assessment (credit risk)</i>	<i>11,855,950</i>	<i>12,215,663</i>
<i>Total basis of assessment (total risk)</i>	<i>12,997,319</i>	<i>13,274,978</i>

The leverage ratio of the Raiffeisen-Holding NÖ-Wien financial institution group equalled 7.6% as of 30 June 2017 (H1 2016: 6.3%).

(31) Average number of employees

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

	1/1 - 30/6/2017	1/1 - 30/6/2016
Salaried employees	1,070	1,122
Wage employees	7	0
Total	1,077	1,122

(32) Events after the balance sheet date

As of the present time, there are no business transactions or other events which would be of particular interest to the

general public or would have a material effect on the consolidated financial statements.

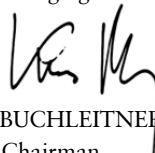
Statement by the Managing Board

The Managing Board of RLB NÖ-Wien prepared these condensed consolidated interim financial statements as of 30 June 2017 in accordance with the requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union, on 29 August 2017. A consolidated semi-annual management report was also prepared. Therefore, the requirements for interim reporting defined in § 87 of the Austrian Stock Exchange Act are also met

“We confirm to the best of our knowledge that these condensed consolidated interim financial statements provide a true and fair view of the assets, liabilities, financial position and profit or loss of the RLB NÖ-Wien Group as required by the applicable accounting standards and that the semi-annual management report provides a true and fair view of the assets, liabilities, financial position and profit or loss of the RLB NÖ-Wien Group with respect to the major events occurring during the first six months of the current financial year and their effects on these condensed consolidated interim financial statements and on the principal risks and uncertainties expected during the remaining six months of the current financial year. We note that IFRS accounting – for systemic reasons – is becoming increasingly future-oriented. Accordingly, IFRS financial statements include a growing number of planning elements and uncertainty factors.”

Vienna, 29 August 2017

The Managing Board



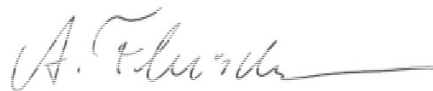
Klaus BUCHLEITNER
Chairman
responsible for the
Directorate General



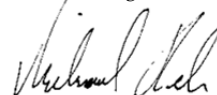
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Deputy Chairman
Responsible for Sales Support
Raiffeisen Banks Lower Austria /
Personal and Business Banking Customers Vienna



Reinhard KARL
Member
Responsible for the
Corporate Clients Segment



Andreas FLEISCHMANN
Member
Responsible for the
Financial Markets / Organization Segment



Michael RAB
Member
Responsible for the
Risk Management / Finance Segment

Information in the Internet

RLB NÖ-Wien's website provides detailed, up-to-date information about Raiffeisen at www.raiffeisenbank.at.

Electronic versions of the 2016 Annual Report and the 2017 Half-year Report are also available in the Internet under: www.raiffeisenbank.at

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Edited and coordinated by:
The Accounting Department at RLB NÖ-Wien

Stefan Puhm and his team

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28 August 2017

Enquiries should be addressed to the Public Relations Department of RLB NÖ-Wien at the above address.

Disclaimer:

A very limited number of market participants tend to derive claims from statements regarding expected future developments and assert these claims in court. The rare serious effects of such actions on the involved company and its equity holders lead many companies to restrict statements on their expectations for future developments to the minimum legal requirements. However, the RLB NÖ-Wien Group sees financial reporting not only as an obligation, but also as an opportunity for open communications. To make these communications possible now and in the future, we would like to emphasize the following: The forecasts, plans and forward-looking statements contained in this report are based on the RLB NÖ-Wien Group's knowledge and assessments at the time of its preparation. Like all forward-looking statements, they are subject to risks and uncertainties that could cause actual results to differ substantially from the predictions. There is no guarantee that these forecasts, planned values and forward-looking statements will actually be realized. We have prepared this financial report with the greatest care and checked the data, but cannot rule out rounding, transmission, typesetting or printing errors. This report was written in German. The English report is a translation of the German report, and only the German version is the authoritative version.