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2023 ANNUAL **FINANCIAL REPORT**

Raiffeisen-Landesbank Steiermark

CONTENT

IMPORTANT FIGURES AT A GLANCE

Monetary values in kEUR

Statement of profit or loss	**2023**	**2022**	**Change**
Net interest income	176,648	151,188	16.8 %
Profit/loss from investments in associates valued at equity	298,212	-27,698	>100 %
of which Current profit/loss from investments in associates valued at equity	226,771	351,758	-35.5 %
of which Revaluation gains/losses on investments in associates valued at equity	71,441	-379,456	>100 %
Net fee and commission income	42,416	42,384	0.1 %
Net income from financial instruments at fair value P&L (FVPL)	-2,821	-6,619	-57.4 %
Administrative expenses	-161,859	-138,886	16.5 %
Impairment of financial assets	-61,749	-16,997	>100 %
Consolidated profit/loss	345,079	78,393	>100 %
Consolidated comprehensive income	242,557	35,096	>100 %
Statement of financial position	**2023**	**2022**	
Financial assets – amortised cost (AC)	11,291,468	11,676,893	-3.3 %
of which Loans and advances to customers incl. lease receivables (AC)	8,330,729	8,319,083	0.1 %
of which Loans and advances to banks (AC)	1,236,483	1,535,223	-19.5 %
of which Bonds (AC)	1,724,256	1,822,587	-5.4 %
Financial assets – fair value OCI (FVOCI)	567,357	651,203	-12.9 %
Financial assets – mandatorily at fair value P&L (FVPL-M)	75,632	75,726	-0.1 %
of which Loans and advances to customers (FVPL-M)	35,171	38,181	-7.9 %
of which Securities (FVPL-M)	40,461	37,545	7.8 %
Investments in associates valued at equity	975,796	806,505	21.0 %
Financial liabilities – amortised cost (AC)	14,240,863	14,558,727	-2.2 %
of which Liabilities to customers (AC)	3,944,405	3,708,933	6.3 %
of which Liabilities to banks (AC)	5,813,974	7,367,049	-21.1 %
of which securitised and subordinated liabilities (AC)	4,482,484	3,482,745	28.7 %
Financial liabilities – designated at fair value P&L (FVO)	366,966	387,602	-5.3 %
of which Liabilities to customers (FVO)	230,036	227,481	1.1 %
of which securitised and subordinated liabilities (FVO)	136,930	160,121	-14.5 %
Equity (including non-controlling interests)	1,865,626	1,653,552	12.8 %
Total assets	**17,114,091**	**17,368,247**	**-1.5 %**

Monetary values in kEUR

Regulatory information	2023	2022	Change
Tier 1 capital (T1)	1,792,181	1,501,534	19.4%
Total capital (TC)	1,819,079	1,562,352	16.4%
Total risk (assessment base)	8,414,965	8,224,601	2.3%
Tier 1 capital ratio (based on all risks)	21.3%	18.3%	3.0 PP
Total capital ratio (based on all risks)	21.6%	19.0%	2.6 PP
Leverage ratio	12.2%	10.6%	1.6 PP
Liquidity coverage ratio (LCR)	200.8%	145.0%	55.8 PP
Net stable funding ratio (NSFR)	120.0%	110.0%	10.0 PP
MREL ratio (in % of total risk exposure amount)	53.0%	50.6%	2.4 PP
Other financial ratios	**2023**	**2022**	
Return on equity	20.2%	5.6%	14.6 PP
Cost/income ratio	31.8%	22.1%	9.7 PP
Non-performing loan ratio*)	4.5%	3.0%	1.5 PP
Non-performing exposure ratio	2.7%	1.8%	0.9 PP
Coverage ratio (excluding collateral)	36.0%	45.5%	-9.6 PP
Coverage ratio II	95.1%	90.7%	4.5 PP
Average number of employees	822	844	-22
Banking outlets	14	14	0

*) As at the reporting date of 31 December 2023, the NPL ratio was calculated in accordance with EBA/GL/2018/10 (previously in accordance with the EBA risk dashboard). Accordingly, the balances with central banks and demand deposits reported under the balance sheet item “Cash, balances at central banks and demand deposits” are no longer included in the calculation. The previous year’s figure was restated accordingly.

Rating	Short-term	Long-term	Outlook	Issuer rating	Change/ Confirmation
Moody’s	A2	P-1	stable	A2	11/07/2023

With the entry into force of the new Pfandbrief Act (PfandBG) on 8 July 2022, the cover assets and issues of the cover pools under the FBSchVG and the Pfandbrief Act were merged into cover pools under the PfandBG on the basis of Section 39 (8). As successor programmes to the cover pools under the FBSchVG, the cover pools under the PfandBG are also rated Aaa by Moody’s.

CONSOLIDATED MANAGEMENT REPORT 2023

I. REPORT ON BUSINESS PERFORMANCE AND ECONOMIC SITUATION

I.1. General economic conditions 2023

Global economy/global environment

With the IMF estimating growth of 3.1 % in 2023, the global economy remained more resilient than expected.

For the emerging markets, the IMF calculates a growth rate of 4.1 % for 2023, which is unchanged from the 2022 figure. Economic performance was better than expected in Europe and Latin America, broadly in line with expectations in Asia and somewhat disappointing in the Middle East and Central Asia and Africa. Overall, world trade in goods remained weak last year.

In many developed countries, economic growth exceeded expectations and inflation fell faster than expected. According to the IMF, gross domestic product in the developed economies grew by 1.6 % in 2023. Inflation fell from 7.3 % in 2022 to 4.6 % in 2023, due to a significant drop in energy prices and the removal of production and transport disruptions caused by the pandemic. Central banks continued to raise key interest rates in the first half of the year and then ended their hiking cycle in the second half. However, by the end of the year they were still not ready to declare the problem of higher inflation to be solved for good.

Given the extent of monetary policy measures since 2022, the resilience of growth is remarkable. This was because higher financing costs and reduced credit availability had a dampening effect on growth and posed risks to financial stability. For some companies, this meant refinancing difficulties in 2023. The commercial property sector, where structural changes in the post-Covid period have exacerbated the problem of high levels of debt, has been particularly hard hit.

The collapse of three US regional banks in mid-March, which sent shockwaves through financial markets, can be attributed in part to the tightening of US monetary policy and in part to individual factors. The rapid and targeted intervention by the Federal Reserve and the relevant supervisory authorities limited the impact on the global financial and real economy. In the same month, the Swiss bank Crédit Suisse, which had been involved in a number of scandals in previous years, ran into difficulties that threatened its very existence and had to be taken over by its direct competitor, UBS. By the end of March, however, the situation on the capital markets had stabilised.

Geopolitical tensions, already significant in 2022, continued to escalate in 2023. The most notable event was the Hamas attack on 7 October and Israel's subsequent response, which carried the risk of significant regional to global spillover. The impact on the global economy remained limited and difficult to assess until the end of the year. For example, the oil price at the end of the year was 9 % lower than before the Hamas attack. Other geopolitical issues included the ongoing war in Ukraine, strained relations between China and the US, and the expansion of the BRICS to include six new members.

USA

The US economy outperformed in 2023: with an initial estimate of 2.5 %, growth exceeded not only that of most developed countries but also most forecasts at the turn of the year. While a recession was widely expected and the turmoil in the banking sector in March could have led to a severe economic crisis, growth actually accelerated again over the summer. Remaining COVID-related savings, rising real incomes and a somewhat cooler but still robust labour market supported private consumption. Business investment increased, in contrast to private residential investment, which – despite an improvement – made a negative contribution to economic output in 2023. According to the Bureau of Labour Statistics, the improvement in labour productivity from a negative annual growth rate of -2.0 % in Q4 2022 to +2.7 % in Q4 2023 is also noteworthy.

Fiscal policy also supported the strong performance of the US economy, notably through the investment packages adopted in 2021 and 2022. The increase in spending led to high refinancing needs and difficult policy debates. As a result, rating agency Fitch downgraded the United States' long-term credit rating from AAA to AA+ in August.

Based on the PCE indicator, the Fed's preferred measure published by the Bureau of Economic Analysis, headline inflation fell from a peak of 7.1 % in June 2022 to 2.6 % in December 2023, while core inflation eased from a peak of 5.6 % in February 2022 to 2.9 %. With the disinflationary trend confirmed, the central bank paused its rate-hiking cycle in July, after four further hikes of 25 basis points since the beginning of the year. In December, FOMC members signalled in their projections that the federal funds rate had already peaked at a range of 5.25 % to 5.5 % and was likely to be cut by 75 basis points in 2024.

China

The end of the zero-COVID policy at the end of 2022 sparked optimism for the Chinese economy in 2023. After a brief upturn in the first quarter, however, growth weakened rapidly. Despite a series of policy measures, the real estate sector failed to recover and both consumer and business confidence remained low. The Chinese government and central bank provided support in the form of interest rate cuts, liquidity measures and fiscal assistance. However, the impact of these measures was rather limited and failed to boost confidence. According to official figures, growth in 2023 came in at 5.2 %, just above the government's target of 5 %, which is considered conservative. Against the background of weak domestic demand, inflation fell into negative territory in July 2023. Deflationary pressures continued towards the end of the year, with official statistics showing that consumer prices fell by 0.3 % year-on-year in December.

Structural problems such as population decline, strained relations with the US and continued regulatory intervention also contributed to a subdued outlook. International investors were more sceptical about China. As a result, foreign direct investment fell sharply and the rating agency Moody's downgraded the outlook for China's credit rating to negative in December. India in particular was seen as a beneficiary of this development, with GDP growth of 6.7 % in 2023, according to the IMF.

Eurozone

The euro area economy experienced ups and downs in 2023. After showing surprising resilience to the energy crisis over the winter, growth figures were disappointing from March onwards. According to Eurostat, GDP growth in 2023 was only +0.5 %. With a negative growth rate of -0.2 %, Germany put in a particularly weak performance. France recorded a growth rate of +0.9 % in 2023, while Italy managed to grow by +0.7 % thanks to the stimulus provided by the European Recovery Fund. Spain stood out positively with a value of +2.5 %.

Due to the nevertheless higher energy costs, lower global demand and a higher interest rate environment, the manufacturing industry experienced a recession in 2023. The services sector performed well until the middle of the year, but also showed signs of deteriorating in the third quarter. Private consumption was subdued due to high inflation and interest rates. Investment in the euro area was also very low in 2023. According to the ECB, the strong and rapid transmission of the monetary policy tightening cycle that began in 2022 to the real economy was reflected in a sharp slowdown in credit growth from an annual rate of 6.4 % to 0.4 % for enterprises and from 3.8 % to 0.3 % for households. However, the labour market developed positively in 2023: according to Eurostat, unemployment in the euro area reached an all-time low of 6.4 %.

Inflation in the eurozone declined from a peak of 10.6 % in October 2022 to 2.9 % in December 2023. Energy price inflation fell significantly from May 2023, while the decline in food price inflation did not start until the middle of the year. Core inflation was more persistent, although it also fell from the late summer onward, ending the year at 3.4 %, 1.8 percentage points below the previous year's level. Within core inflation, the focus increasingly shifted to services inflation, which still stood at 4.0 % in December.

With inflation falling, the ECB slowed the pace of its rate hike cycle from 50 to 25 basis points per meeting in May and held rates steady after a final hike in September. The final level of the deposit facility was 4.0 %. The rate hikes therefore totalled 200 basis points in 2023. With annual wage growth at 5.3 % and labour productivity falling by 1.2 % year-on-year in the third quarter, the ECB has not signalled any interest rate cuts. In addition, the ECB took further measures in 2023, such as slowly reducing its bond portfolio and lowering the minimum reserve interest rate to 0 %.

Equity markets

After a difficult previous year, equity markets in developed economies recovered in 2023. With double-digit gains (S&P +24.2 %, Eurostoxx 600 +12.7 %, Nikkei 225 +28.2 %), by the end of 2023 many indices had almost returned to their early 2022 levels. In the end, the banking crisis in March and the Middle East conflict from October did not have a visible dampening effect. The most notable factors driving markets higher from May onwards were the excitement around breakthroughs in artificial intelligence and, in the last quarter, the sharp adjustment in market participants' expectations for earlier and deeper central bank rate cuts in 2024.

This performance was strongly driven by the technology sector, particularly in the US. The Nasdaq index rose by 43.4 % in 2023 (the NYFANG index almost doubled with a gain of 96.0 %), while the Eurostoxx technology sub-index gained 33.0 %. In Europe, the banking sector was also one of the top performers, faring much better than its US counterpart: The EuroStoxx 600 Banking Index rose by +20.3 % in 2023, while the US KBW Banking Index 2023 was unable to fully recover from the banking crisis in March and recorded a decline of 4.79 %. Due to its mid-cap orientation, the Austrian ATX index underperformed slightly with a gain of 9.9 %. The UK and Swiss stock markets were also somewhat subdued, with price gains of 3.8 % each.

The Chinese stock market disappointed along with its economy in 2023, posting a negative performance for the second year in a row (-11.4 % for the CSI 300). This weighed on the MSCI Emerging Markets Index, which underperformed developed market indices, rising by 7.0 %.

Interest rate markets

Caught between expectations towards the central banks and various turbulences, bond markets were volatile in the first ten months of the year, but ultimately trended upwards. Subsequently, they began to price in significant central bank rate cuts in 2024. This led to a sharp fall in yields. Government bond yields generally ended 2023 below their level at the end of 2022, with the decline being more pronounced in the eurozone than in the US. Two-year and ten-year German government bond yields fell by 35 and 54 basis points respectively. At the same time, the yield on two-year US Treasuries fell by around 18 basis points, while the annual yield on ten-year US Treasuries was unchanged, although in October it was still more than 110 basis points higher than at the beginning of the year. One exception was Japan, where the 20 basis point rise in ten-year government bond yields was the result of a somewhat more flexible monetary policy yield curve control.

Money market rates initially rose in response to the further tightening of monetary policy, before falling slightly in the final quarter. Overall, the 3M Euribor rose by 178 basis points and its US equivalent by 83 basis points. The clear inversion of the yield curve during the year was a feature of 2023.

Given the evolution of credit spreads, the ECB's measures to reduce excess liquidity had a moderate effect. For example, the yield spread between Italian and German ten-year government bonds fell by 46 basis points. Although covered bond spreads widened by 14 basis points, this should be seen in the context of low starting levels and very high volumes of new issuance.

Currencies

In 2023, the euro remained relatively stable against the US dollar in a range of around 1.05 to 1.12, ending the year 3.1 % stronger at 1.1039. Against the Swiss franc, however, it depreciated almost continuously, ending the year at an all-time low of 0.9289, down 6.1 %. In 2023, the Japanese yen suffered from the Bank of Japan's ongoing low interest rate policy, losing 7 % against the US dollar.

Commodities

2023 was a difficult year for most commodity markets. The industrial metals market was negatively affected by the lack of recovery in China. Despite several production cuts by OPEC+ and the Israeli-Palestinian conflict in October, which temporarily pushed prices above USD 90/barrel, oil ended the year 2023 at USD 77/barrel (Brent), 10 % lower than at the beginning of the year. Record production in the US also played a role in containing prices. European gas prices fell by more than half to EUR 32/MWh, below the level seen in early 2022, before the start of Russia's war of aggression against Ukraine. In contrast, gold rose by 13.1 % (in USD terms) over the past year, closing the year above the USD 2,000 per ounce mark.

Austria

Compared to the euro area, Austria recorded both significantly lower growth and significantly higher inflation in 2023.

According to Eurostat, the recession that started in the second half of 2022 deepened in 2023, with strongly negative quarterly growth of -1.1 % in the second quarter and -0.5 % in the third quarter of 2023. The positive but moderate growth of +0.2 % in the final quarter indicated a tentative stabilisation. Austria's real gross domestic product therefore fell by 0.7 % for the year as a whole. The main reasons for this were restrained investment, especially in the construction sector, subdued private consumption and weak exports. The close links between the Austrian economy and the German economy, where the manufacturing sector was in recession, naturally had a major impact.

As in other European countries, Austria also recorded a declining inflation rate in 2023. However, according to Eurostat, the decline from 10.5 % in December 2022 to 5.7 % in December 2023 was more moderate: The inflation rate at the end of 2023 was around twice that of the euro area. The year-end core inflation rate of 5.9 % was also well above that of the euro area. Strong and delayed wage increases, especially in the service sector, also had a negative impact on the competitiveness of the Austrian economy.

Austrian banking sector

Higher interest rates and positive developments in the CESEE countries contributed to an improvement in the profitability of Austrian banks in 2023. Higher interest rates were passed on more quickly on the asset side than on the liability side and, according to ECB publications, net interest income rose 38 % year-on-year to EUR 18.9 billion in the first three quarters of the year. As a result, the profit for the period more than doubled to EUR 12.4 billion. Profitability in the third quarter was well above the European average (0.7 %), with a return on total assets (RoA) of 1.0 %.

Lending weakened considerably in 2023. This was due to higher lending rates, tighter credit standards and lower demand. The volume of new loans fell sharply, by 54.8 % for mortgage-backed loans and by 18.4 % for loans to enterprises. As a result, the loan volume in December 2023 was only 0.7 % higher than a year earlier. This marked slowdown in growth was observed throughout the entire euro area. However, Austrian banks were confronted with a more severe slump in home loans. While there was still a slight growth of 0.2 % in the euro area in 2023, the volume in Austria fell by 2.4 %. Tighter lending standards resulting from the Loan Property Measures Ordinance introduced in 2022 had a negative impact.

The structural problems in the commercial property sector were in the headlines around the world. However, Austrian banks came under greater scrutiny because the share of this sector in their loan portfolios (10.8 % in the third quarter according to the EBA risk dashboards) was significantly higher than that of EU banks (6.8 %) and because of the insolvency of the global company Signa Holding GmbH, which is based in Austria. However, according to the latest available ECB data for the third quarter, asset quality remained stable despite the weak economic backdrop. The non-performing loan ratio (NPL ratio) remained unchanged compared to the end of 2022 at 2.8 % for corporate loans and 2.2 % for loans to private households overall.

According to the ECB, other regulatory indicators remained solid. The CET1 ratio rose from 16.27 % to 16.36 % in the first three quarters, and the liquidity ratios actually increased despite further TLTRO repayments during this period. The LCR of 167.5 % and the NSFR of 133.3 % remained well above regulatory requirements at the end of the third quarter. The solid position of the Austrian banking sector was also confirmed by the rating agency Moody's in July 2023, when it upgraded the unsecured ratings of eleven Austrian banks and banking groups.

Styria

The financial situation of many private households was difficult in 2023. The cost of food, rent and electricity remained high, causing problems for the population. Despite this difficult situation, the number of debt rescheduling proceedings initiated in Styria fell by 14.5 % to 514 in the first six months. This is the equivalent of around three private bankruptcies a day, according to the credit protection association KSV1870. According to the KSV1870 analysis, 8,845 debt rescheduling proceedings (24 cases per day) were opened in Austria throughout 2023. Styria was the only federal state to record a slight decrease of 1.4 %.

Corporate insolvencies in Austria rose by 13 %. According to the KSV1870 analysis, the total number of affected companies in Austria in 2023 was 5,380. This equates to 15 business failures a day, the most in a decade. Retail, construction and hotels and restaurants were particularly hard hit.

In contrast, the balance of newly founded enterprises in Styria was positive. Despite the economic downturn and high inflation, Styria recorded the second highest number of business start-ups ever last year: 4,912 people ventured into self-employment. Compared to 2022, this figure represents an increase of 3.8 % (4,733 start-ups in 2022) and even an increase of 12.1 % compared to the time before the pandemic.

On the labour market, after the "exceptional year" of 2022, the gloomy overall economic situation in 2023 led to a moderate increase in unemployment in Styria of 5.4 % to an average of 31,742 people, according to the Public Employment Service. This represents an increase of 1,615 over the previous year. Including the 7,760 persons undergoing training (+1.7 %), the average number of unemployed persons was 39,502 (+4.6 %). Men (+7.1 % to 18,146) were significantly more affected by this negative labour market trend than women (+3.1 % to 13,596).

Raiffeisen-Landesbank Steiermark

The problem of the shortage of skilled labour has also reached the banking sector in general, leading to competition in this segment. Raiffeisen-Landesbank (RLB) Steiermark has been working for some time to make itself an attractive employer for the best specialists. In this context, modern working environments and diverse areas of responsibility, interesting development opportunities and a value-based corporate culture are being established. All of this led to a strong influx of applicants for advertised positions.

As of 31 December 2023, the entire Raiffeisen Banking Group in Styria employed 3,191 people. In May 2023, RLB Steiermark was awarded the "berufundfamilie" (work and family) seal of approval by the state for its initiative to become an attractive employer. The three most important measures for the future are the establishment of a professional parental leave management, a modern working time model and workshops on topics such as diversity and work-life balance. The broad repertoire is complemented by a modern home office policy, flexible working time models and attractive health, sports and leisure programmes.

On the market side, the aim in the first half of 2023 was to help customers overcome the challenges posed by inflation. Inflation has particularly affected those who already have fewer financial reserves. The Raiffeisen Social Fund "WIR hilft für gesellschaftlichen Zusammenhalt" supports people whose livelihoods are threatened. Following the devastating rains in Styria in August, this fund was also opened for storm relief.

In addition, Raiffeisen advisors provide support in the form of one-on-one meetings and so-called financial checks, which specifically analyse possible savings on expenses or possible financial bottlenecks. In the summer of 2023, communication proclaimed the "comeback of interest rates". Behind this is a large-scale information campaign by Raiffeisen Steiermark, which aims to provide customers with accurate advice in the current rising interest rate environment. The entire Raiffeisen Banking Group in Styria manages EUR 27 billion in assets for around 800,000 customers. A number of more attractive investment products have been launched on the market since the autumn of 2022. In spring 2023, RLB Steiermark issued its first green bond with an interest rate of 3.25 % and a term of two years.

In doing so, RLB Steiermark is following the trend: sustainability is becoming the new standard in business. At Raiffeisen, sustainability rests on three pillars: economy, environment and people. The economic aspect has been an integral part of Raiffeisen's idea of "helping people to help themselves – what one person cannot do, many can" since its foundation, long before the term "sustainability" was coined. In order to meet the regulatory requirements with regard to ESG, but also to position RLB Steiermark in the market with regard to sustainability, a major sustainable finance project was launched in the summer of 2023 with the aim of integrating sustainability into the daily banking business at all levels. RLB Steiermark also passes on its sustainability expertise to its customers. In particular, dedicated ESG workshops are offered to help companies prepare for future standards and ensure long-term competitiveness. In the retail segment, 9 out of 10 new fund savings contracts are already invested sustainably, meaning that 60 % of the total portfolio of securities funds is already sustainable. RLB Steiermark has already trained 47 ÖGUT-certified sustainability advisors.

RLB Steiermark's corporate strategy consists of the market and business segment strategies, the risk strategy derived from these and the supporting functional strategies for human resources, IT/digitalisation and sustainability. As a "true" customer bank, we prioritise end-to-end transparency of our activities, from the customer to all internal functions. Through a consistent and appreciative service culture, we ensure that all employees can make a meaningful and attractive contribution to optimising the customer experience. At the same time, by constantly measuring the overall Raiffeisen experience (customer experience + employee experience), we ensure open and trusting feedback in order to continuously improve quality and value for our customers in the future.

Through regional financial investments in sustainable, future-oriented companies, we proactively promote the future viability and attractiveness of our region. By expanding, we create attractive opportunities for Raiffeisen in Styria to differentiate itself. Our activities are focused on making meaningful additions to our existing commitments. The aim is to create a strategic investment portfolio as an established future business for us and our owners. In the area of digitalisation and IT, RLB Steiermark is continuously working on making the best possible use of new technologies such as artificial intelligence and modern business intelligence solutions. One of the core initiatives of our strategy is to look at all processes from the customer's perspective to optimise customer value and position process excellence as a differentiator in the customer experience.

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

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

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

The figures in the statement of comprehensive income for 2023 (1 January to 31 December 2023) are compared with those for the 2022 financial year (1 January to 31 December 2022).

The comparison figures in the statement of financial position refer – unless otherwise indicated – to the figures from the previous year 2022.

Statement of comprehensive income

In addition to the positive interest rate environment, 2023 was characterised by high inflationary pressures, a weak economy and low growth. In this difficult macroeconomic environment, the RLB Steiermark Group achieved a significantly improved consolidated profit of EUR 345.1 million for the reporting period (previous year: EUR 78.4 million).

In addition to the increase in net interest income to EUR 176.6 million (previous year: EUR 151.2 million) this was primarily due to a significant improvement in the revaluation gains/losses on investments in associates valued at equity, which improved from EUR -379.5 million in the previous year to EUR 71.4 million. This effect resulted from the impairment test carried out as at 31 December 2023 on the carrying amount of the investment in Raiffeisen Bank International AG (RBI), which resulted in a write-up due to the increased value in use. Conversely, the profit/loss from investments in associates valued at equity decreased by EUR 125.0 million. Dividend income also declined, falling to EUR 7.6 million (previous year: EUR 69.0 million), primarily due to a special distribution of EUR 60.7 million in the previous year. The consolidated profit was also impacted by the increased impairment of financial assets (impairment allowances) compared to the previous year, which rose to EUR 61.7 million (previous year: EUR 17.0 million).

Statement of profit or loss

Interest and similar income increased year-on-year by a total of EUR 364.9 million to EUR 629.0 million in the 2023 financial year, primarily due to the higher interest rate level. Within interest income, interest income calculated using the effective interest method (primarily interest from loans and advances to customers and banks in the AC category) in particular increased by EUR 331.4 million to EUR 569.0 million. Other interest and similar income increased year-on-year by EUR 33.6 million to EUR 60.0 million. This was primarily due to interest income from derivative financial instruments, which increased by a total of EUR 61.0 million from EUR -3.5 million to EUR 57.5 million. In the previous period, this item also included interest for the tranches drawn under the ECB's TLTRO III programme in the amount of EUR 23.4 million. For the 2023 financial year, TLTRO III resulted in interest expenses of EUR 50.3 million, which are recognised under interest and similar expenses. This change is due to the increase in the interest rate for the deposit facility and the prior-year change in the average interest rate for interest periods from 24 November 2022.

Due to the rise in interest rates, **interest and similar expenses** from financial liabilities also increased year-on-year by EUR 339.5 million to a total of EUR 452.3 million. Interest expenses from financial liabilities AC recorded an increase of EUR 277.9 million to EUR 387.6 million primarily in interest expenses for deposits and borrowed funds (interest from liabilities to banks and customers). As already explained under interest income, this includes interest expenses of EUR 50.3 million for the tranches drawn under the TLTRO III programme. The interest accrued in line with the effective interest rate is based on the average deposit facility rate and the bonus for achieving the lending targets amortised over the entire term of the refinancing transactions. Other interest and similar expenses increased year-on-year by EUR 61.6 million to EUR 64.7 million. This is due in particular to the change in interest from derivative financial instruments.

This results in **net interest income** of EUR 176.6 million for the 2023 financial year, which is EUR 25.5 million above the previous year's figure of EUR 151.2 million.

Dividend income from equity investments decreased by EUR 61.4 million in the reporting period to a total of EUR 7.6 million. The decline is primarily due to a special distribution made in the previous year as part of structural measures in the investment area.

Current profit/loss from investments in associates valued at equity relates exclusively to the pro rata result for the period from the investment in RBI. In the reporting period, this profit contribution amounted to a total of EUR 226.8 million (previous year: EUR 351.8 million). For further information on RBI, please refer to the comments on the revaluation gains/losses on investments in associates valued at equity and to note 21 – Investments in associates valued at equity.

Net fee and commission income was almost unchanged from the previous year at EUR 42.4 million. Commission business in payment services, which makes the largest contribution to net fee and commission income, increased over the previous year to EUR 23.6 million (previous year: EUR 22.6 million). Lending operations recorded a negative trend (EUR -0.3 million). At EUR 14.7 million, net fee and commission income from securities operations was also slightly lower than in the same period of the previous year (previous year: EUR 14.9 million).

The net amount from the valuation of hedged items and hedging instruments shown in "**Profit/loss from hedge accounting**" totalled EUR 3.0 million for the reporting period (previous year: EUR -6.6 million). By accounting for them as fair value hedges, one-sided effects on profit or loss in connection with economically hedged risks can be avoided. With regard to the recognition of micro fair value hedges, the RLB Steiermark Group applies the provisions of IFRS 9. Furthermore, portfolio fair value hedge accounting in accordance with the EU carve-out to IAS 39 has been applied to hedge the fair value of a portfolio against interest rate risks.

Net trading income amounted to EUR 13.6 million (previous year: EUR -3.9 million). Of this, an amount of EUR 21.4 million (previous year: EUR 25.7 million) was attributable to net interest income, while revaluation gains/loss amounted to EUR -8,1 million (previous year: EUR -26.5 million) and gains and losses from disposals came in at EUR 0.3 million (previous year: EUR -3.0 million).

Net income from financial instruments at fair value P&L in the amount of EUR -2.8 million (previous year: EUR -6.6 million) includes remeasurement gains/losses and sales proceeds from financial assets mandatorily allocated to the fair value portfolio (FVPL-M) at an amount of EUR 1.1 million (previous year: EUR -5.3 million) as well as remeasurement gains/losses and sales proceeds from financial instruments designated as part of the fair value portfolio (FVO) in the amount of EUR -3.9 million (previous year: EUR -1.4 million).

Net income from financial instruments not measured at fair value through profit or loss, which includes the gains/losses from the disposal of financial assets measured at AC and FVOCI and from the disposal of financial liabilities measured at AC, improved from EUR 2.0 million in the previous year to EUR 4.7 million. Within this item, the result from the sale of securities FVOCI in particular increased by EUR 1.7 million.

Other net operating income increased from EUR 28.7 million in the previous year to EUR 36.5 million in the reporting period.

This item includes other operating income, mainly related to cost reimbursements and service charges, amounting to EUR 61.3 million (previous year: EUR 44.1 million). The increase in this item was due partly to an increase in income from leasing subsidiaries and partly to the sale of the data centre operations (Raiffeisen Informatik Center Steiermark GmbH and Raiffeisen Rechenzentrum GmbH) in the previous year. Whereas in the previous year the other operating income attributable to the Group's own data centre (until 30 September 2022) was shown under profit/loss from discontinued operations, since the sale of Raiffeisen Informatik Center Steiermark GmbH the services now invoiced directly by RLB Steiermark are shown under this item.

Other operating expenses amounted to a total of EUR 24.8 million (previous year: EUR 15.5 million). Of this, an amount of EUR 3.2 million (previous year: EUR 3.6 million) related to the stability fee (banking levy) included in the item "Other taxes". Contributions to protection schemes include contributions to the Single Resolution Fund and to the deposit protection scheme (implemented in Austria through the Federal Act on the Recovery and Resolution of Banks (BaSAG) and the Austrian Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG)) totalling EUR 8.4 million (previous year: EUR 7.8 million).

Administrative expenses totalled EUR 161.9 million, a significant increase of 16.5 % on the previous year's figure of EUR 138.9 million.

On the one hand, the personnel expenses recognised under this item increased by EUR 9.5 million to EUR 96.6 million due to salary increases under collective agreements and a higher number of employees, while on the other hand, non-staff expenses also increased by EUR 13.4 million to EUR 57.3 million (previous year: EUR 43.8 million), primarily due to higher IT and consulting expenses. The increase in IT expenses was mainly due to the sale of the data centre operations (Raiffeisen Informatik Center Steiermark GmbH and Raiffeisen Rechenzentrum GmbH) in the previous year. Whereas in the previous year the expenses attributable to the Group's own data centre (until 30 September 2022) were reported under profit/loss from discontinued operations, since the sale of Raiffeisen Informatik Center Steiermark GmbH the IT services are purchased via a company outside the Group. Write-offs increased slightly year-on-year to EUR 8.0 million (previous year: EUR 7.9 million).

Revaluation gains/losses on investments in associates valued at equity amounted to EUR 71.4 million in the reporting period (previous year: EUR -379,5 million) and relate entirely to the write-up of the carrying amount of the investment in RBI. For further information on RBI, please refer to note 21 – Investments in associates valued at equity.

Impairment of financial assets after direct write-offs and recoveries of loans and advances previously written off resulted in a net expense in the amount of EUR -61.7 million (previous year: EUR -17.0 million). This is due on the one hand to the allocation of impairment allowances for defaulted exposures (Stage 3) of EUR 72.6 million (previous year: EUR 22.0 million) and on the other hand to the (net) reversal of portfolio-based impairments (Stage 1 and 2 impairments) of EUR 10.4 million (previous year: EUR 4.3 million). Due to the current stress factors, the portfolio-based provisions for impairment losses still include a post-model adjustment. This resulted in a reversal of EUR 6.6 million in the reporting period (previous year: allocation of EUR 7.1 million).

Summing up the combined effects of the foregoing, the RLB Steiermark Group posted a **consolidated profit before taxes** of EUR 356.3 million for the 2023 financial year (previous year: EUR 92.6 million).

The **income tax** item in the amount of EUR -11.2 million (previous year: EUR -13.1 million) includes deferred income tax expenses in the amount of EUR 3.4 million (previous year: EUR 11.7 million) as well as current tax expenses of EUR 7.8 million (previous year: EUR 1.4 million).

The previous year's profit/loss from discontinued operations in the amount of EUR -1.2 million included the expenses and income of the data centre operations (Raiffeisen Informatik Center Steiermark GmbH and Raiffeisen Rechenzentrum GmbH), which were sold in the second half of 2022.

The consolidated net profit of EUR 345.1 million (previous year: EUR 78.4 million) is almost exclusively attributable to the shareholders of RLB Steiermark, as in the previous year. The share of profit attributable to non-controlling interests is of minor significance.

Other comprehensive income / consolidated comprehensive income

The Group's consolidated comprehensive income amounted to EUR 242.6 million (previous year: EUR 35.1 million) and reflects, in addition to the consolidated profit, the Group's share in the other comprehensive income of associates valued at equity of EUR -102.4 million (previous year: EUR -33.1 million) as well as changes in the valuation of financial assets measured at fair value OCI in the amount of EUR 9.6 million (previous year: EUR -17.1 million). The Group's consolidated comprehensive income also includes actuarial gains and losses from defined benefit plans in the amount of EUR -7.7 million (previous year: EUR 4.6 million) as well as fair value changes due to changes in the credit risk of financial liabilities amounting to EUR -2.0 million (previous year: EUR 2.3 million). All of the components discussed above are presented net of the associated deferred tax.

As in the previous year, the consolidated comprehensive income for the 2023 financial year is also almost entirely attributable to the shareholders of RLB Steiermark, as well. An insignificant amount is attributable to non-controlling interests.

Statement of financial position

The Group's **total assets** amounted to EUR 17,114.1 million as of 31 December 2023. Compared to the end of 2022, this represents a decrease of EUR 254.2 million or 1.5%.

The item **Cash, balances at central banks and demand deposits** increased from EUR 3,245.9 million in the previous year by EUR 30.1 million to EUR 3,275.9 million as of 31 December 2023. This change is due to an increase in balances at central banks of EUR 453.5 million on the one hand and a decrease in demand deposits of EUR 423.2 million on the other.

Financial assets – amortised cost (AC) (net) decreased by EUR 385.4 million or 3.3% against the 2022 year-end figure and were recognised at EUR 11,291.5 million as of 31 December 2023. The loans and advances to banks reported under this item decreased by EUR 298.7 million compared to 31 December 2022, reaching a level of EUR 1,236.5 million. Loans and advances to customers including lease receivables increased by EUR 11.6 million to EUR 8,330.7 million. Bonds measured at amortised cost decreased by EUR 98.3 million to EUR 1,724.3 million. Charges for impairment allowances netted against total receivables were recognised in the amount of EUR -180.0 million (previous year: EUR -168.2 million). The change results from an increase in specific provisions for impairment losses (Stage 3) by EUR 17.1 million and a decrease in portfolio-based provisions for impairment losses (Stage 1 and 2) by EUR 5.2 million.

Financial assets – fair value OCI (FVOCI) decreased by EUR 83.8 million compared to 31 December 2022 and amounted to EUR 567.4 million as of the reporting date. This item includes debt instruments (bonds) at an amount of EUR 447.8 million (previous year: EUR 540.7 million) as well as equity instruments totalling EUR 119.6 million (previous year: EUR 110.5 million).

Financial assets – held for trading (HFT) decreased by EUR 88.4 million compared to 31 December 2022 and amounted to EUR 335.5 million as of the reporting date. This item includes bonds in the amount of EUR 16.3 million (previous year: EUR 12.9 million) as well as positive fair values (dirty price) of derivative financial instruments at a total of EUR 319.2 million (previous year: EUR 411.0 million). Specifically, these consist of derivatives held for trading, as well as derivatives used under the fair value option to avoid accounting mismatches ("economic hedges").

Financial assets – mandatorily at fair value P&L (FVPL-M) came in at EUR 75.6 million as of 31 December 2023 (previous year: EUR 75.7 million) and include the financial instruments for which fair value measurement is mandatory. Of that amount, a total of EUR 18.3 million (previous year: EUR 17.2 million) was attributable to bonds, an amount of EUR 35.2 million (previous year: EUR 38.2 million) was attributable to loans and receivables and an amount of

EUR 22.1 million (previous year: EUR 20.4 million) to other variable-yield securities.

Positive fair values from derivatives designated for hedge accounting decreased by EUR 81.1 million compared to 31 December 2022 and amounted to EUR 319.8 million as of the reporting date.

Value adjustments from portfolio fair value hedges amounted to EUR -166.0 million as of 31 December 2023 (previous year: EUR -280.6 million). This item includes both positive and negative changes in the value of underlying transactions (basis adjustments) on the asset side in portfolio fair value hedges.

Investments in associates valued at equity, which relate exclusively to the investment in RBI, increased by a total of EUR 169.3 million compared to year-end 2022 to a carrying amount of EUR 975.8 million, in particular due to the recognition of the pro-rata profit contribution and the write-up of the carrying amount of investments. For further information on RBI, please refer to the comments on the statement of profit or loss and to note 21 – Investments in associates valued at equity.

Intangible assets and property, plant and equipment decreased by EUR 0.4 million compared to the restated prior-year figure and are recognised at a total of EUR 112.4 million (previous year restated: EUR 112.8 million). The previous year's figure has been restated as the right-of-use assets, which were reported as a separate line item in the previous year, are now reported under property, plant and equipment in accordance with IFRS 16 from the 2023 financial year onwards. These totalled EUR 7.6 million at the end of the year (previous year: EUR 6.7 million) and relate primarily to leased bank premises and motor vehicles.

Investment properties in the amount of EUR 23.1 million (previous year: EUR 17.8 million) mainly comprise properties in the core area of Graz, as well as right-of-use assets, which according to IAS 40 must be disclosed as financial investments.

Current and deferred income tax assets amounted to EUR 19.7 million. Compared to the previous year's figure of EUR 20.0 million, this represents a decrease of EUR 0.3 million.

Other assets increased by EUR 66.3 million to EUR 283.4 million as of 31 December 2023. This item primarily comprises receivables resulting from supplies of goods and services, other tax assets, clearing items, as well as accruals and deferred income. The change was mainly due to the increase in payment orders in process as of the reporting date.

On the liabilities side, **financial liabilities – amortised cost (AC)** totalled EUR 14,240.9 million on the reporting date after EUR 14,558.7 million as of 31 December 2022. This corresponds to a decrease by EUR 317.9 million or 2.2%. The liabilities to banks recognised in this item decreased by EUR 1,553.1 million to EUR 5,814.0 million, mainly as a result of repayments in connection with the ECB's long-term tender operations (TLTRO III). As of the reporting date, refinancing under the TLTRO III programme was still reported with a volume of EUR 0.5 billion (previous year EUR 2.5 billion). This item also includes deposits from development banks in the amount of EUR 678.0 million (previous year: EUR 566.1 million).

Liabilities to customers (demand deposits, time deposits and savings deposits) increased by 6.3%, coming in at EUR 3,944.4 million after EUR 3,708.9 million as of 31 December 2022.

Liabilities evidenced by certificates (including subordinated liabilities) increased to EUR 4,482.5 million, partly due to the issue of two benchmark bonds (covered bonds) totalling EUR 500 million each (previous year: EUR 3,482.7 million). A benchmark bond with a volume of EUR 500 million was repaid as scheduled at the beginning of the year. Of the total volume of liabilities evidenced by certificates, EUR 329.6 million (previous year: EUR 385.7 million) were subscribed by Styrian Raiffeisen banks, while EUR 1,057.9 million (previous year: EUR 625.7 million) were attributable to the "Retail/Private banking" segment and EUR 229.3 million (previous year: EUR 309.6 million) were private placements. As of 31 December 2023, covered bonds totalling EUR 2,865.7 million (previous year: EUR 2,161.7 million) were placed on the capital market.

Financial liabilities – held for trading (HFT) amounted to EUR 173.0 million as of the balance sheet date, constituting a decline by EUR 64.8 million against the previous year. This item includes only negative fair values (dirty price) of derivative financial instruments. These include in particular derivatives held for trading, as well as derivatives used under the fair value option to avoid accounting mismatches ("economic hedges").

Financial liabilities – designated at fair value P&L (FVO) came in at EUR 367.0 million as of the balance sheet date, compared to EUR 387.6 million as of 31 December 2022. This corresponds to a decrease of EUR 20.6 million, of which EUR 23.2 million is attributable to the decrease in liabilities evidenced by certificates (including subordinated liabilities) and EUR 2.6 million to the increase in liabilities to customers. The total volume of liabilities evidenced by certificates (incl. subordinated liabilities) amounted to EUR 136.9 million (previous year: EUR 160.1 million). Of this, an amount of EUR 14.0 million (previous year: EUR 14.3 million) was attributable to the "Retail/Private banking" segment and EUR 68.7 million (previous year: EUR 73.9 million) were private placements. As at the reporting date, covered bonds totalling EUR 54.2 million (previous year: EUR 72.0 million) were placed on the capital market.

Negative fair values from derivatives designated for hedge accounting amounted to EUR 296.9 million as of 31 December 2023 (previous year: EUR 413.1 million).

Value adjustments from portfolio fair value hedges amounted to EUR -17.2 million at the end of the year (previous year: EUR -50.8 million). This item includes both positive and negative changes in the value of underlying transactions (basis adjustments) on the liabilities side in portfolio fair value hedges.

Provisions came to a total of EUR 86.6 million as of the reporting date, EUR 8.5 million above the previous year's figure. Long-term employee provisions (severance payments, pensions, long-service benefits) increased year-on-year to EUR 60.1 million (previous year: EUR 52.5 million). This is primarily due to the reduction in discount rates and the increase in salary and pension trends. Compared to 31 December 2022, other provisions increased by EUR 0.9 million to EUR 26.5 million. The other provisions primarily include provisions for off-balance sheet transactions (indemnity agreements, guarantees, credit risks) amounting to EUR 23.5 million (previous year: EUR 20.7 million). They also include the provision for moratorium interest formed on the basis of the Supreme Court ruling (of 22 December 2021) and the Administrative Court ruling (of 13 December 2022) on the deferral rules of Section 2 of the 2nd COVID-19-JuBG in the amount of EUR 1.1 million (previous year: 2.4 million), which decreased in the past financial year due to repayments (EUR 0.2 million) and reversals recognised in profit or loss (EUR 1.1 million).

Current and deferred income tax liabilities are disclosed in the balance sheet at an amount of EUR 31.9 million (previous year: EUR 24.5 million).

Other liabilities increased by EUR 3.8 million compared to the end of the year and amounted to EUR 69.5 million as of the reporting date, compared to EUR 65.8 million as of 31 December 2022.

Compared to 31 December 2022, **equity** increased by a total of EUR 212.1 million to EUR 1,865.6 million as at 31 December 2023, primarily due to the positive consolidated comprehensive income. Of total equity, EUR 1,865.7 million (previous year: EUR 1,653.6 million) is attributable to equity holders of the parent company and EUR -0.1 million (previous year: EUR -0.0 million) to non-controlling interests. The subscribed capital (share capital) of RLB Steiermark totalled EUR 142.7 million as at 31 December 2023 (previous year: EUR 142.7 million) and consisted, unchanged from the previous year, of 3,113,507 registered no-par shares (ordinary shares).

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

I.3. Report on branches and offices

In addition to the Raiffeisenhaus in Radetzkystraße, Raiffeisen-Landesbank Steiermark AG operated branches and offices at the following locations in Graz as of 31 December 2023: Annenstraße, City – Herrengasse, Steirerhof – Jakominiplatz, Styria Media Center, Zinzendorfgasse, Herrgottwiesgasse, Kärntner Straße, Ragnitz, Theodor-Körner-Straße, St. Leonhard-LKH, LKH Graz II, sites West and South. Other RLB branches outside Graz are located in Frohnleiten and Leibnitz.

There is also an office without a service area in Bruck an der Mur. Our own employees and, on a case-by-case basis, corporate clients are serviced from our head office in Raaba.

I.4. Financial performance indicators

Cost/Income Ratio (CIR)

The cost/income ratio (CIR) is defined as the ratio of administrative expenses to operating income. It developed as follows:

kEUR	31/12/2023	31/12/2022	Change
Operating income	508,429	627,968	-19.0 %
Administrative expenses	-161,859	-138,886	16.5 %
Cost/income ratio	**31.8 %**	**22.1 %**	**9.7 PP**

Return on equity (ROE)

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

kEUR	31/12/2023	31/12/2022	Change
Consolidated profit/loss before taxes	356,262	92,629	>100 %
Average shareholders' equity	1,759,590	1,652,326	6.5 %
ROE before taxes	**20.2 %**	**5.6 %**	**>100 %**

Non-performing loan ratio (NPL ratio)

The NPL ratio is a measure used to assess the quality of a bank's assets, which is calculated as the ratio of non-performing loans (NPL) to total loans and advances. As at the reporting date of 31 December 2023, the NPL ratio was calculated in accordance with EBA/GL/2018/10 (previously in accordance with the EBA risk dashboard). This definition requires the exclusion of central bank balances and other sight deposits from both the denominator and the numerator. Accordingly, the balances with central banks and demand deposits reported under the balance sheet item "Cash, balances at central banks and demand deposits" are no longer included in the calculation. The previous year's figure was restated accordingly. The definition of default under Art. 178 CRR is used to classify loans as non-performing (NPL). The ratio increased by 1.5 percentage points compared to the previous year, mainly due to an increase in non-performing loans.

	31/12/2023	31/12/2022	Change
Non-performing loan ratio (NPL ratio)	4.5 %	3.0 %	1.5 PP

When analysing the NPL ratio, the coverage ratio, i.e. the extent to which non-performing loan exposures are covered by collateral and risk provisions, needs to be taken into account as well. As of the reporting date, 95 % (31 December 2022: 91 %) of the defaulted receivables were covered by impairment allowances and collateral.

Liquidity coverage ratio (LCR)

The liquidity coverage ratio (LCR) is a measure to assess the short-term liquidity risks of banks. The LCR is the ratio of high-quality liquid assets to the projected net cash outflows over the next 30 days under the stress assumptions imposed by the CRR. The purpose of the LCR is to ensure that banks have enough high-quality liquid assets in their liquidity buffer to cover the difference between the expected cash outflows and the expected capped cash inflows over a 30-day stressed period.

	31/12/2023	31/12/2022	Change
Liquidity coverage ratio (LCR)	200.8 %	145.0 %	55.8 PP

As of 31 December 2023, the RLB Steiermark Group had an LCR of 200.8 % (previous year: 145.0 %), thereby complying with the applicable minimum ratio.

Net stable funding ratio (NSFR)

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

	31/12/2023	31/12/2022	Change
Net stable funding ratio (NSFR)	120.0 %	110.0 %	10.0 PP

With an NSFR of 120.0 % (previous year: 110.0 %) the RLB Steiermark Group is in compliance with the mandatory minimum ratio.

Regulatory capital

Raiffeisen-Landesbank Steiermark does not constitute a separate group of credit institutions as defined by the Austrian Banking Act (BWG). Therefore, it is not subject itself as a group to the supervisory regulations for banking groups, as it is part of the CRR scope of consolidation of RLB-Stmk Verbund eGen. The following table shows the regulatory capital of the RLB Steiermark Verbund Group, taking into account the transitional provision under Art. 473a CRR. The RLB Steiermark Group has elected to exercise the option to recognise only the effect of the subsequent application of IFRS 9 as an add-back amount.

kEUR	31/12/2023	31/12/2022	Change
Tier 1 capital (T1)	1,792,181	1,501,534	19.4 %
Total capital (TC)	1,819,079	1,562,352	16.4 %
Total risk (assessment base)	8,414,965	8,224,601	2.3 %
CET 1 ratio (based on all risks)	21.3 %	18.0 %	3.3 PP
Tier 1 capital ratio (based on all risks)	21.3 %	18.3 %	3.0 PP
Total capital ratio (based on all risks)	21.6 %	19.0 %	2.6 PP

If the transitional provision of Art. 473a CRR were not applied, total capital would amount to kEUR 1,811,927 (previous year: kEUR 1,547,837), with an adjusted assessment base of kEUR 8,407,772 (previous year: kEUR 8,207,783). This would result in a core capital ratio of 21.23 % (previous year: 18.12 %) and a total capital ratio of 21.55 % (previous year: 18.86 %). The improvement in eligible capital is mainly due to the inclusion of the 2023 result and the positive effect of the change in ownership structure, which resulted in particular in a strengthening of CET 1. For further details, see note 58 "Regulatory capital".

I.5. Non-financial reporting

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

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

For information on events of particular significance after the reporting date, please refer to note 62 of the annual financial report.

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

II.1. Expected development of the company

Global economy

At the end of 2023, forward-looking economic indicators pointed to a continuation of declining inflation and a relatively positive backdrop for economic growth.

The IMF expects global inflation to fall from 6.8 % in 2023 to 5.8 % in 2024, and global growth to remain unchanged from 2023 at 3.1 %, but to be more balanced regionally. Global trade should also pick up. According to the IMF, the inflation rate in developed countries is likely to fall to 2.3 % by the final quarter of 2024. Those central banks that have been fighting inflation by raising interest rates over the past two years should therefore be in a position to cut rates. While there is agreement on the direction of monetary policy moves, the timing, speed and overall size of interest rate cuts are still uncertain.

USA

The United States is expected to have a "soft landing" scenario, with inflation falling to a target level without the economy slipping into recession. The US economy will lose some momentum due to the slowdown in private consumption and investment, but the IMF forecasts growth of 2.1 % in 2024 and 1.7 % in 2025. As domestic demand weakens, headline and core inflation should continue to fall, allowing the Federal Reserve to lower interest rates.

China

China's recovery will remain fragile in 2024, and much will depend on the measures the government takes to support the economy. In addition, the structural slowdown in the Chinese economy will continue. China's GDP growth is therefore likely to be lower than in 2023, which the IMF also forecasts with a growth rate of 4.6 %. However, growth in the emerging and developing countries should remain stable overall, with Europe and the Middle East offsetting the slowdown in Asia and Latin America.

Europe

After a still weak start to the year, growth in the euro area should pick up as the year progresses. A continued slowdown in inflation and a delayed adjustment in wages will lead to higher real incomes. Together with a robust labour market, this should lead to a recovery in private consumption. However, both economic momentum and the decline in inflation will only improve gradually. In its winter forecast, the European Commission expects growth to reach 0.8 % in 2024, below estimates of potential growth, and inflation to reach 2.7 % by the end of 2024. Even if the inflation rate is still well above 2 % in 2024, the ECB is expected to start a cycle of rate cuts in 2024 if the inflation forecast for 2025 is permanently close to 2 %. The reduction of the ECB's balance sheet total will continue: the reinvestment of maturing bonds will continue to be phased out and the remaining long-term tenders will be repaid by the banks by December. Further adjustments in monetary policy parameters (such as minimum reserve requirements or adjustments in the interest rate on deposits) could also help to reduce excess liquidity.

Interest rate development

However, the expected cycles of interest rate cuts that should support the economy could be interrupted in 2024 if inflation continues to stagnate at high levels. One potential trigger for such a scenario would be a sharp rise in energy prices due to a regional expansion of the Israel-Gaza war. Continued high wage growth and still robust labour markets could also hamper the continuation of the disinflation process. A prolonged period of very tight monetary policy could tip economies into recession. The problem of high debt levels in many emerging markets could worsen if the US dollar remains strong.

Austria

The Austrian economy is also expected to recover slightly in 2024. Private consumption, supported by higher real disposable income, is expected to be the most important growth driver. Private investment will lag somewhat behind, and the current situation is not expected to improve before the second half of the year. The construction sector in particular is likely to remain a drag on growth. In its winter forecast, the European Commission expects Austria to continue to lag behind the euro area in 2024, with GDP growth of 0.6 % and inflation of 3.2 % in the last quarter of the year.

Numerous and protracted geopolitical tensions continue to pose downside risks to the global economy. Political risk is particularly imminent in 2024 due to the number and importance of elections around the world. The US presidential election in November, in particular, could be the source of a great deal of uncertainty and instability.

Styria

Cold economic headwinds and persistent cost pressures have significantly dampened business sentiment. This is shown by the latest Economic Barometer of the Austrian Chamber of Commerce, the largest survey of the business community, in which almost 3,400 companies from all over Austria took part.

The majority of companies already suffered a decline in revenue and orders in the final months of 2023, and there seems to be little improvement in sight for 2024. On the contrary: All of the barometer's forward-looking indicators are pointing downwards.

The labour market in Styria is expected to see a moderately positive development in 2024. According to the Employment and Labour Market Forecast of the Federal State of Styria, there will be a slight increase in unemployment (+3.8 %), but also an increase in employment (+0.6 %).

Employment growth in Styria will be mainly in the services sector (+0.9 % or +3,340 jobs), while the manufacturing sector will be able to keep the number of employees stable (+0.0 % or +20 jobs). The increase in the services sector is offset by an increase of +0.5 % in the manufacture of goods and in energy and water supply and a decline of -1.6 % in construction. Demand for labour is expected to be particularly strong in the areas of information and communication (+3.5 %), transport and storage (+1.6 %) and the public sector (+1.0 %). However, growth is being held back by the negative impact of demographic change, with more workers retiring than entering the labour force, and the current shortage of skilled labour.

According to the WKO economic barometer, companies' investment plans continue to be severely curtailed by the recession. The balance of investment expectations remains negative, with scepticism particularly pronounced among medium-sized enterprises. The outlook for the number of employees is also consistently cautious: One in two companies expects to be able to maintain staff levels, while more than one in three expects to have to reduce staff. Only 15 % expect the number of employees in their company to increase in 2024.

Since the summer, the positive trend has intensified: the slowdown in price dynamics will continue in 2024. 42 % of companies expect prices to remain stable, while almost one in five expect raw material or energy prices to fall.

Raiffeisen-Landesbank Steiermark

RLB Steiermark's customers were also affected by the overall geopolitical environment, rising inflation and price increases. Our aim is to act as a financial companion, minimising possible negative consequences and offering solutions. To this end, a task force was set up in 2022 to take a holistic view of customers' financial situation and develop action plans. The central issues are, on the one hand, higher interest rates and the associated increased demand for higher interest rates on savings products and, on the other hand, the higher interest burden on variable loan agreements. Corresponding measures and tailor-made solutions are designed to specifically address the economic problems faced by businesses and retail clients.

For RLB Steiermark, the year 2024 will be characterised by further strategic decisions for the future; we must continue to press ahead with the implementation of our strategic goals, both in our role as a commercial bank and service partner in the Raiffeisen organisation and as a "centre of gravity" for an eco-social Styria. Operationally, this takes the form of five focus projects that address these issues: we as a customer bank, integration of ESG into the core business, market expansion, digital transformation and investments. In addition, RLB Steiermark is an important driver of the Group's WIR'27 strategy project, which was continued in 2023 with around 40 initiatives in the areas of identity & sense of purpose, value proposition, portfolio, organisation, ecosystem and performance measurement.

The Russia-Ukraine war has also been a major geopolitical factor over the past year, with the resulting uncertainties having an impact on economic development and financial implications. As it is still unlikely that the dispute will be resolved in the near future, there may be indirect effects on the RLB Steiermark Group, particularly with regard to the valuation approach and the profit contribution of the investment in RBI valued at equity. Due to its regional focus, RLB Steiermark is not exposed to any direct effects of the war, such as bad debts or exchange rate risks. RBI will continue to pursue possible transactions that would lead to the sale or spin-off of Raiffeisenbank Russia and its deconsolidation from RBI.

With regard to lending operations, we continue to anticipate subdued demand for new financing in 2024. Corporate investment sentiment continues to be perceived to be somewhat more cautious, which means that continued competition for highly rated customers is further exacerbating lending margins and putting pressure on profitability. The regulatory changes regarding lending standards for mortgage loans to private households (Kreditinstitute-Immobilienfinanzierungsmaßnahmen-Verordnung - KIM-V) from 2022 continue to have an impact and will lead to weaker credit growth in this segment due to the interest rate situation and the general economic development. On the basis of this framework, new lending is expected to grow at a rate of 3 percent next year, with higher growth in subsequent years as a result of the business expansion mentioned above.

Funding sources remain broadly diversified, with customer deposits forming a stable basis. Additional liquidity needs are met through issuance of benchmark issues (covered bonds). RLB Steiermark's most recent placement on the international financial market was a EUR 500 million, 3-year bond in June 2023. Its success was demonstrated by the fact that it was more than twice oversubscribed and sold out in a very short time. This placement shows that RLB Steiermark's strong ties to the region are also viewed favourably by the international financial community.

Despite the expected interest rate cuts by the European Central Bank in the course of 2024, net interest income is not expected to change significantly compared to last year. However, the pressure on margins relative to competitors will continue.

In the non-interest business (commission business – especially payment services), the strategy of promoting business with existing and new customers will be continued. In addition, ESG issues are becoming more prominent and are gradually becoming an integral part of client advisory services.

Administrative expenses are still expected to increase compared to last year due to expected inflation, which is estimated to be slightly lower than in previous periods. This is reflected in a wide range of cost areas, from property expenses to IT. In addition, pressure will remain high in the coming year and beyond due to ongoing and planned major projects (WIR'27 – the strategy project of the Raiffeisen Banking Group in Styria, regulatory implementation measures and forward-looking digitalisation measures in the SAP environment). In terms of personnel expenses, collective bargaining adjustments are again expected to be above the long-term average of previous years, although the increase will not be as high as in 2023. In order to continue on the path of improving efficiency and, despite these upward factors, to be able to contribute to an improved result on the expense side, it is necessary to be particularly careful with the budget.

Significantly higher interest charges on loans, in conjunction with general price increases, have led to economic difficulties for some of our customers, which have had an impact on impairment allowances, which are higher than in previous years. This trend is expected to continue in 2024, although impairment allowances will be lower than last year. As the RLB Steiermark Group has in the past paid particular attention to risk diversification, collateral and creditworthiness when granting loans, the loan portfolio can still be described as stable.

All regulatory ratios (capital and liquidity) are expected to remain well above regulatory minimums.

Uncertainties regarding this outlook and the development of earnings relate in particular to the contribution to earnings and the valuation of the equity-accounted investment in RBI, as well as the development of impairment allowances due to the general economic environment. Other uncertainties relate to the potential negative impact of geopolitical tensions.

II.2. Risk report

The disclosures required by IFRS 7 on risks in connection with financial instruments are presented in the "Risk report" section of the consolidated financial statements. With regard to risks arising from defined benefit plans (severance payments and pensions), we refer to the explanations in note 28, "Provisions".

III. REPORT ON RESEARCH AND DEVELOPMENT

We see the future expansion of our existing business model in the proactive development of digital products for new target groups, among other things. The main focus here is on the consistent use of omnichannel solutions as the basis for further data-based offerings and services. In this area, it is particularly important to identify new customer needs in different areas of demand and to meet these customer needs in the best possible way, either by establishing our own services or by referring them to our network partners.

A project entitled “Evaluating worlds of demand” was launched in collaboration with the Graz University of Applied Sciences Campus 02. As part of their Innovation Management course, the students developed concept ideas for four defined target groups: Rural Urbanities, Self-love Seekers, Phygital Reality and Financial Aficionados. Over 1000 people were interviewed. The students identified the challenges and needs of the demand worlds and looked for potential that could be realised in a digital regional ecosystem of RLB Steiermark. The project won the FH Campus 02 R&D award in 2023.

An important goal of RLB Steiermark’s innovation initiatives is to train and develop our employees in new ways of working. To this end, two spatial measures have been implemented at the headquarters in Raaba: the “Beehive” and “WIRkungsstätte” collaboration zones, which encourage interdisciplinary cooperation. This shifts our corporate culture even more strongly in the direction of enabling new developments across hierarchical and departmental boundaries at the speed required to provide our customers with the best possible support for their challenges with our products and services.

In line with our aspiration to be a centre of gravity for the domestic economy, we help companies to further develop their own innovative capacity. We make this possible by networking with start-ups and offering to develop new business models, products and services together in co-innovation projects or in our start-up accelerator, Hummelnest. Five international teams and several local heroes were supported to further develop their business models in the latest round of the Accelerator Programme, which is conducted in partnership with Transformation Lighthouse. On the final Demo Day, RLB Steiermark, together with an international consortium, pledged a EUR 100.000 investment to Irish sports start-up Precision Sports Technology.

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

1. Legal background

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

2. Subject of the report

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

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

.

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

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

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

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

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

- Raiffeisen-Landesbank Steiermark AG and the RLB Steiermark Group have a clearly defined management and corporate structure.
- The functions of the divisions primarily involved in the financial reporting process are clearly separated from market activities. All areas of responsibility are unambiguously assigned.
- The "Finance & Bank Management/Group Accounting and Taxes" department is responsible for fundamental aspects of preparing financial statements and prepares the Group's consolidated financial statements and the annual financial report.

- The systems and applications in use are protected against unauthorised access by corresponding IT measures.
- Standard software is used for these financial systems as far as possible.
- An adequate guidance system (e.g. accounting policies, acquisition approval, payment order authority, etc.) has been established and is being updated constantly.
- The departments and areas involved in the financial reporting process are adequately equipped with regard to both quantity and quality.
- Accounting data received or referred are continuously checked for completeness and accuracy, e.g. through spot checks. The software used also performs programmed plausibility checks.
- The principle of dual control (four-eyes principle) is consistently applied for all processes of relevance to accounting.
- Processes of relevance to accounting are regularly checked by the internal audit department, which operates independently of processes.
- The departments involved in the financial reporting process prepare regular reports – in particular controlling reports, segment earnings statements, etc. – for the Managing Board.
- The Managing Board prepares a quarterly report for the Supervisory Board in accordance with Section 81 of the Austrian Stock Corporation Act (AktG).

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

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

Graz, 8 April 2024

The Managing Board:

CEO KR MMag. Martin **SCHALLER**, Chairman of the Managing Board (signed), responsible for finance and bank management, association, equity investments, capital markets, corporate communications and marketing
Member of the Managing Board KR Mag. Rainer **STELZER**, MBA (signed), responsible for corporate clients, project financing, retail, sales and real estate

Member of the Managing Board MMag. Dr. Florian **STRYECK** (signed), responsible for risk management, legal & risk protection schemes, compliance[1], money laundering[1] and internal auditing and Group auditing[1]
Member of the Managing Board Mag. Dr. Ariane **PFLEGER** (signed), responsible for human resources & organisational development, IT & digitisation, sustainability, transaction services and construction & infrastructure
[1] functionally subordinate to the Group Managing Board

2023 CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

STATEMENT OF COMPREHENSIVE INCOME

Statement of profit or loss

	Notes	2023	2022		Change
		kEUR	kEUR	kEUR	%
Continuing operations					
Interest income calculated using the effective interest method	1	568,998	237,605	331,393	>100
Other interest and similar income	1	59,987	26,436	33,551	>100
Interest and similar expenses from financial liabilities – amortised cost (AC)	1	-387,627	-109,706	-277,921	>100
Other interest and similar expenses	1	-64,710	-3,147	-61,563	>100
Net interest income	**1**	**176,648**	**151,188**	**25,460**	**16.8**
Dividend income	2	7,587	69,006	-61,419	-89.0
Current profit/loss from investments in associates valued at equity	3	226,771	351,758	-124,987	-35.5
Fee and commission income	4	55,613	64,128	-8,515	-13.3
Fee and commission expenses	4	-13,197	-21,744	8,547	-39.3
Net fee and commission income	**4**	**42,416**	**42,384**	**32**	**0.1**
Profit/loss from hedge accounting	5, 32	3,027	-6,588	9,615	>100
Net trading income	6	13,620	-3,873	17,493	>100
Net income from financial instruments at fair value P&L (FVPL)	7	-2,821	-6,619	3,798	-57.4
Net income from financial instruments not measured at fair value through profit or loss	8	4,706	2,042	2,664	>100
Other operating income	9	61,263	44,131	17,132	38.8
Other operating expenses	9	-24,788	-15,461	-9,327	60.3
Other net operating income	**9**	**36,475**	**28,670**	**7,805**	**27.2**
Operating income		**508,429**	**627,968**	**-119,539**	**-19.0**
Staff expenses	10	-96,618	-87,132	-9,486	10.9
Other administrative expenses	10	-57,271	-43,825	-13,446	30.7
Depreciation	10	-7,970	-7,929	-41	0.5
Administrative expenses	**10**	**-161,859**	**-138,886**	**-22,973**	**16.5**
Revaluation gains/losses on investments in associates valued at equity	11	71,441	-379,456	450,897	>100
Impairment of financial assets	12	-61,749	-16,997	-44,752	>100
Consolidated profit/loss before taxes		**356,262**	**92,629**	**263,633**	**>100**
Income taxes	13	-11,183	-13,059	1,876	-14.4
Consolidated profit/loss from continuing operations		**345,079**	**79,570**	**265,509**	**>100**

Statement of profit or loss

	Notes	2023	2022		Change
		kEUR	kEUR	kEUR	%
Consolidated profit/loss from continuing operations		**345,079**	**79,570**	**265,509**	**>100**
Discontinued operations					
Profit/loss after taxes from discontinued operations*)	14	0	-1,177	1,177	-100.0
Consolidated profit/loss		**345,079**	**78,393**	**266,686**	**>100**
Consolidated profit/loss attributable to the shareholders of RLB Steiermark		345,142	78,363	266,779	>100
Consolidated profit/loss attributable to non-controlling interests		-63	30	-93	>100

*) In the previous year, the profit/loss from discontinued operations included the result of the deconsolidation of Raiffeisen Informatik Center Steiermark GmbH and Raiffeisen Rechenzentrum GmbH.

Reconciliation from consolidated profit/loss to consolidated comprehensive income

	Notes	2023	2022		Change
		kEUR	kEUR	kEUR	%
Consolidated profit/loss		**345,079**	**78,393**	**266,686**	**>100**
Other comprehensive income (OCI)					
Items not reclassified to profit or loss (OCI non-reclassified)	**31**	**-6,434**	**17,011**	**-23,445**	**>100**
Gains and losses from financial assets – fair value OCI	17, 31	4,663	6,305	-1,642	-26.0
Deferred taxes in relation to financial assets – fair value OCI	17, 31	-1,344	-1,394	50	-3.6
Actuarial gains and losses from defined benefit plans	28, 31	-10,001	6,448	-16,449	>100
Deferred taxes in relation to actuarial gains and losses from defined benefit plans	28, 31	2,300	-1,898	4,198	>100
Fair value changes due to changes in the credit risk of financial liabilities	26, 31	-2,586	2,928	-5,514	>100
Deferred taxes in relation to fair value changes due to changes in credit risk of financial liabilities	26, 31	594	-638	1,232	>100
Share of other comprehensive income from investments valued at equity	21, 31	-11	6,000	-6,011	>100
Deferred taxes in relation to share of other comprehensive income from investments valued at equity	21, 31	-49	-740	691	-93.4
Items that can be reclassified to profit or loss (OCI reclassified)	**31**	**-96,088**	**-60,308**	**-35,780**	**59.3**
Remeasurement gains/losses of financial assets – fair value OCI	17, 31	8,398	-29,880	38,278	>100
Deferred taxes in relation to remeasurement gains/losses of financial assets – fair value OCI	17, 31	-2,098	7,886	-9,984	>100
Share of other comprehensive income from investments valued at equity	21, 31	-101,503	-41,349	-60,154	>100
Deferred taxes in relation to share of other comprehensive income from investments valued at equity	21, 31	-885	3,035	-3,920	>100
Total other comprehensive income	**31**	**-102,522**	**-43,297**	**-59,225**	**>100**
Consolidated comprehensive income		**242,557**	**35,096**	**207,461**	**>100**
Consolidated comprehensive income attributable to the shareholders of RLB Steiermark		242,620	35,061	207,559	>100
Consolidated comprehensive income attributable to non-controlling interests		-63	35	-98	>100

STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31/12/2023	31/12/2022	Change	
		kEUR	kEUR	kEUR	%
Cash, balances at central banks and demand deposits	15	3,275,942	3,245,889	30,053	0.9
Financial assets – amortised cost (AC)	16, 32	11,291,468	11,676,893	-385,425	-3.3
Financial assets – fair value OCI (FVOCI)	17, 32	567,357	651,203	-83,846	-12.9
Financial assets – held for trading (HFT)	18	335,520	423,958	-88,438	-20.9
Financial assets – mandatorily at fair value P&L (FVPL-M)	19	75,632	75,726	-94	-0.1
Derivatives - hedge accounting (positive fair values)	20, 32	319,842	400,935	-81,093	-20.2
Value adjustments from portfolio fair value hedges	32	-165,986	-280,634	114,648	-40.9
Investments in associates valued at equity	21	975,796	806,505	169,291	21.0
Intangible assets	22	1,684	1,991	-307	-15.4
Property, plant and equipment*)	22	110,697	110,823	-126	-0.1
Investment properties	22	23,086	17,841	5,245	29.4
Current income tax assets		18,177	18,444	-267	-1.4
Deferred income tax assets	29	1,502	1,562	-60	-3.8
Other assets	23	283,374	217,111	66,263	30.5
TOTAL ASSETS		**17,114,091**	**17,368,247**	**-254,156**	**-1.5**

*) Since the 2023 financial year, right-of-use assets have been recognised under property, plant and equipment; the previous year's figures have been restated accordingly. The reclassification was made due to the immateriality of the item. A separate breakdown can be found in note 22.

EQUITY AND LIABILITIES	Notes	31/12/2023	31/12/2022		Change
		kEUR	kEUR	kEUR	%
Financial liabilities – amortised cost (AC)	24, 32	14,240,863	14,558,727	-317,864	-2.2
Financial liabilities – held for trading (HFT)	25	172,950	237,738	-64,788	-27.3
Financial liabilities – designated at fair value P&L (FVO)	26	366,966	387,602	-20,636	-5.3
Derivatives - hedge accounting (negative fair values)	27, 32	296,858	413,142	-116,284	-28.1
Value adjustments from portfolio fair value hedges	32	-17,186	-50,801	33,615	-66.2
Provisions	28	86,587	78,059	8,528	10.9
Current income tax liabilities		11,828	8,210	3,618	44.1
Deferred income tax liabilities	29	20,074	16,252	3,822	23.5
Other liabilities	30	69,525	65,766	3,759	5.7
Equity	**31**	**1,865,626**	**1,653,552**	**212,074**	**12.8**
Equity attributable to the shareholders of RLB Steiermark	31	1,865,722	1,653,585	212,137	12.8
Equity attributable to non-controlling interests	31	-96	-33	-63	>100
TOTAL EQUITY AND LIABILITIES		**17,114,091**	**17,368,247**	**-254,156**	**-1.5**

STATEMENT OF CHANGES IN EQUITY

kEUR	Subscribed capital	Capital reserves	Retained earnings	Accumulated other comprehensive income	Equity attributable to the shareholders of RLB Steiermark	Equity attributable to non-controlling interests	Total capital
Equity as at 1/1/2023	**142,721**	**401,825**	**1,457,788**	**-348,749**	**1,653,585**	**-33**	**1,653,552**
Consolidated comprehensive income			345,142	-102,522	242,620	-63	242,557
Dividend distribution			-30,357		-30,357	0	-30,357
Other changes			-7,732	7,606	-126	0	-126
Equity as at 31/12/2023	**142,721**	**401,825**	**1,764,841**	**-443,665**	**1,865,722**	**-96**	**1,865,626**
Equity as at 1/1/2022	**142,721**	**401,825**	**1,411,312**	**-306,032**	**1,649,826**	**1,272**	**1,651,098**
Consolidated comprehensive income			78,363	-43,302	35,061	35	35,096
Dividend distribution			-28,862		-28,862	0	-28,862
Other changes			-3,025	585	-2,440	-1,340	-3,780
Equity as at 31/12/2022	**142,721**	**401,825**	**1,457,788**	**-348,749**	**1,653,585**	**-33**	**1,653,552**

CASH FLOW STATEMENT

kEUR	Notes	2023	2022
Cash and cash equivalents at the end of the previous year	**15**	**3,245,889**	**5,071,079**
Consolidated profit/loss from continuing operations		**345,079**	**79,570**
Non-cash items contained in the consolidated profit/loss and reconciliation to the cash flow from operating activities			
Depreciation, amortisation, impairment and reversal of impairment of assets		7,970	7,929
Additions/reversal of provisions and impairment allowances		68,236	5,069
Profit from the sale of assets		0	-86
Loss from the sale of assets		17	31
Other adjustments*)		-497,267	110,785
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions			
Financial assets – amortised cost (AC)	16	462,864	-1,491,245
Financial assets – fair value OCI (FVOCI)	17	93,656	233,531
Financial assets – held for trading (HFT)	18	45,162	171,836
Financial assets – mandatorily at fair value P&L (FVPL-M)	19	1,177	-8,226
Derivatives - hedge accounting (positive fair values)	20, 32	105,802	-15,090
Other assets from operating activities	23	-91,649	-41,657
Financial liabilities – amortised cost (AC)	24	-449,502	-503,878
Financial liabilities – held for trading (HFT)	25	-22,119	-172,389
Financial liabilities – designated at fair value P&L (FVO)	26	-30,775	-413,799
Derivatives - hedge accounting (negative fair values)	27, 32	-120,432	40,780
Other liabilities from operating activities	30	-1,112	5,886
Taxes on income paid	13, 29	1,486	-12,192
Interest received	1	640,159	306,332
Dividends received	2	27,085	69,177
Interest paid	1	-509,689	-160,782
Cash flow from operating activities		**76,148**	**-1,788,418**
Cash proceeds from the sale of:			
Intangible assets, property, plant and equipment, investment properties	22	8	2,577
Equity investments (non-consolidated)	17	582	50
Cash paid for the acquisition of:			
Intangible assets, property, plant and equipment, investment properties	22	-10,430	-10,095
Equity investments (non-consolidated)	17	-4,382	-4,532
Cash flow from investing activities		**-14,222**	**-12,000**
Dividends	31	-30,357	-28,862
Repayment portion of lease payments	30, 42	-1,516	-1,455
Payments for subordinated liabilities	24	0	-1,680
Cash flow from financing activities		**-31,873**	**-31,997**
Cash flow from discontinued operations	**14**	**0**	**7,225**
Cash and cash equivalents at end of period		**3,275,942**	**3,245,889**

*) Other adjustments mainly relate to valuations and corrections of interest and dividends paid, as these are disclosed in other items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

Raiffeisen-Landesbank Steiermark AG (RLB Steiermark) is the regional central institution of the Raiffeisen Banking Group in Styria (Raiffeisen Bankengruppe Steiermark) and is registered in the Commercial Register at the Graz Regional Court for Civil Matters under Commercial Register number FN 264700s. The corporate address is Radetzkystraße 15, 8010 Graz (Austria). RLB Steiermark is a universal bank which is predominantly active in the south of Austria.

As part of structural measures to optimise the capital resources of the banking group, all Styrian Raiffeisen banks that were previously direct shareholders in RLB Steiermark transferred their shares to the main shareholder, RLB-Stmk Holding eGen, with its registered office in Graz, registration number FN 58993 f, in accordance with Article III of the Austrian Reorganization Tax Act (UmgrStG), and in return received shares in RLB-Stmk Holding eGen. These shares were subsequently transferred by the Styrian Raiffeisen banks to RLB-Stmk Verbund in return for the granting of shares, again in accordance with Article III of the Reorganisation Tax Act. As a result of this reorganisation process, all shares in RLB Steiermark were consolidated in the hands of RLB-Stmk Holding eGen, which now holds 100.00 % (previous year: 86.87 %) of the shares in RLB Steiermark. As a result of the measures mentioned above, RLB-Stmk Verbund eGen (RLB-Stmk Verbund) now owns 99.43 % (previous year: 99.34 %) of RLB-Stmk Holding. The remaining shares are held by other cooperative members.

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

The Management Board prepared the consolidated financial statements on 8 April 2024 and approved them for publication and submission to the Supervisory Board for examination.

Unless specifically stated otherwise, the figures in these consolidated financial statements are rounded to the nearest thousand euros (kEUR). As a result, rounding differences may appear in the tables that follow. The comparison figures shown refer – unless otherwise indicated – to the figures from the previous year 2022.

In accordance with Austrian disclosure regulations, the consolidated financial statements of RLB-Stmk Verbund are lodged with the Commercial Register at the Graz Regional Court and published on the electronic publication and information platform (EVI). Disclosure pursuant to Part 8 (Articles 431 to 455) of the CRR is based on the consolidated financial position of RLB-Stmk Verbund in its function as an EEA parent financial holding company. This disclosure may be viewed on the website of RLB Steiermark.

Financial reporting principles

The consolidated financial statements of Raiffeisen-Landesbank Steiermark AG for the 2023 financial year, together with the prior-year figures for 2022, have been prepared in accordance with EU Regulation (EC) No. 1606/2002 in conjunction with Section 245a of the Austrian Business Enterprise Code (UGB) and Section 59a of the Austrian Banking Act (BWG). All of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), and all of the interpretations issued by the IFRS Interpretations Committee (IFRIC) whose application in connection with the consolidated financial statements was mandatory were taken account of as adopted by the EU. The consolidated financial statements comply with the provisions of Section 245a UGB and Section 59a BWG governing the exemption from filing consolidated financial statements in accordance with internationally recognised accounting principles.

Application of amended/new standards and interpretation

The following standards, interpretations and their amendments, which are relevant for the business operations of the RLB Steiermark Group, became effective as at 1 January 2023:

Standard / interpretation	Description	Effective for accounting periods beginning on or after	Adopted by the EU
IFRS 17	Insurance contracts	01/01/2023	Yes
Amendments to IAS 1 and IFRS Guidance Document 2	Disclosures regarding accounting policies	01/01/2023	Yes
Amendments to IAS 8	Definition of estimates	01/01/2023	Yes
Amendments to IAS 12	Exception to the “initial recognition exemption” for transactions in which both deductible and taxable temporary differences arise in the same amount at initial recognition	01/01/2023	Yes
Amendments to IFRS 17	First-time application of IFRS 17 and IFRS 9	01/01/2023	Yes
Amendments to IAS 12	Relief for the recognition of deferred taxes from global minimum taxation	01/01/2023	Yes

IFRS 17

IFRS 17 “Insurance Contracts” establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that reporting entities provide relevant information to achieve a credible presentation of insurance contracts. This information provides a basis for users of financial statements to assess the impact of insurance contracts on an entity’s assets, financial position, results of operations and cash flows.

RLB Steiermark has carried out an in-depth analysis and concluded that there are no matters within the Group that need to be accounted for in accordance with IFRS 17.

Amendments to IAS 1 and IFRS Guidance Document 2

The amendments are intended to assist preparers of financial statements in deciding which accounting policies to disclose in the financial statements.

Amendments to IAS 8

The amendments clarify the distinction between changes in accounting policies and changes in estimates.

Amendments to IAS 12
Due to the amendment to IAS 12, the "initial recognition exemption" no longer applies to transactions in which both deductible and taxable temporary differences arise in the same amount upon initial recognition, even if the other previously applicable conditions are met. This is therefore a retroactive exception to the "initial recognition exemption" for clearly defined cases. RLB Steiermark has been applying this amendment since 31 December 2022.

In addition, IAS 12 includes temporary, mandatory exemptions from the recognition of deferred taxes resulting from the introduction of global minimum taxation as well as specific disclosures in the notes for affected entities. The purpose of the disclosures in the notes is to enable users of the financial statements to understand the extent to which a company is affected by minimum taxation, particularly before the legislation comes into force.

The adoption of this standard has no relevant impact on the consolidated financial statements.

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

Standard / interpretation	Description	Effective for accounting periods beginning on or after	Adopted by the EU
IFRS 14	Regulatory Deferral Accounts	01/01/2016	No*
Amendments to IAS 1	Classification of short-term and long-term liabilities	01/01/2024	Yes
Amendments to IFRS 16	Treatment of a lease liability in a sale and leaseback transaction	01/01/2024	Yes
Amendments to IAS 7 and IFRS 7	Disclosure requirements in connection with supplier financing agreements	01/01/2024	No
Amendments to IAS 21	Impact of exchange rate fluctuations	01/01/2025	No

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

Amendments to IAS 1
The amendments are intended to clarify the classification of liabilities as short-term or long-term.

Amendments to IFRS 16
The amendment clarifies how a seller/lessee should subsequently measure a sale and leaseback transaction that is accounted for as a sale in accordance with IFRS 15.

Amendments to IAS 7 and IFRS 7
The amendments are intended to supplement the existing disclosure requirements of the two standards by requiring entities to provide qualitative and quantitative information about financing arrangements with suppliers.

Amendments to IAS 21
The amendment relates to requirements for assessing whether a currency is exchangeable into another currency, or how to determine an exchange rate when it is not exchangeable, as well as related disclosure requirements.

The application of the standards that are not yet mandatory is not expected to have a significant impact on future financial statements.

I. ACCOUNTING POLICIES

Uniform accounting principles throughout the Group

The basis for the consolidated financial statements was provided by the separate financial statements of all the consolidated companies, which were prepared applying uniform, Group-wide standards and in accordance with the provisions of IFRS. With the exception of two subsidiaries which were included in the consolidated financial statements as at 30 September, the fully consolidated companies and the sole associate valued at equity prepared their annual financial statements as at 31 December. Appropriate adjustments were carried out to allow for the effects of material business transactions and other events occurring between subsidiaries' reporting dates and 31 December.

Acquisitions

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

Consolidation methods

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

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

Subsidiaries

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

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

Investments in associates valued at equity

Investments in companies over which RLB Steiermark had a significant influence are generally valued at equity in accordance with the provisions of IAS 28.10 and recorded in the statement of financial position under the line item "Investments in associates valued at equity". The pro rata results for the period are reported in the "Current profit/loss from investments in associates valued at equity" line item. Changes in the other comprehensive income of the associate are recognised in other comprehensive income in the "Share of other comprehensive income from investments valued at equity" line item. As a rule, ownership interests of between 20 % and 50 % confer significant influence.

In accordance with IAS 28.5, if ownership interest is less than 20 %, the investor will be presumed not to have significant influence on the financial and operating policy decisions of the investee, unless such influence can be clearly demonstrated.

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

Impairments and impairment reversals on investments in associates valued at equity are reported under "Revaluation gains/losses on investments in associates valued at equity".

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

Development of the scope of consolidation

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

	Full consolidation*		Equity method	
	2023	2022	2023	2022
Status as at 1 January	23	25	1	1
Included for the first time in the reporting year	0	1	0	0
Change due to mergers during the reporting year	-2	-1	0	0
Deconsolidated in the reporting year	-2	-2	0	0
Status as at 31 December	19	23	1	1

* incl. Raiffeisen-Landesbank Steiermark AG (parent company)

The companies HSL PUNTI Grundstücksverwaltungs GmbH and Optima-Vermögensverwaltungs- und Beteiligungsgesellschaft m.b.H, which were still fully consolidated as at 31 December 2022, were merged within the Group in the 2023 financial year. NWB Beteiligungs GmbH was deconsolidated during the financial year due to the planned liquidation of the company. NOVA HSL Leasing GmbH was deconsolidated during the financial year due to the discontinuation of the business division.

A detailed list of fully consolidated companies and of investments in associates valued at equity is provided in the overview of equity investments presented in note 60.

Foreign currency translation

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

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

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

Classification and (measurement) categories of financial instruments

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

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

Classification of debt instruments

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

Review of business models

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

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

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

“Hold to collect” business model

The objective of the “hold to collect” business model is to hold financial assets until maturity to collect their contractual cash flows, rather than with a view to selling the assets to generate cash flows. Although the objective is to hold financial instruments to collect the contractual cash flows, not all financial instruments allocated to this category need to be held to maturity.

Some sales out of this business model may occur, and the RLB Steiermark Group considers such sales consistent with the “hold to collect” business model if they occur for the following reasons:

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

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

According to IFRS 9.B4.1.3B, an increase in the frequency or value of sales in a period does not necessarily contradict an objective of holding financial assets if an entity can explain the reasons for those sales and demonstrate why those sales do not reflect a change in the entity's business model. Such a justification exists, for example, if the sales are in connection with significant restructuring measures or company acquisitions.

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

"Other" business model
Financial assets that

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Embedded derivatives
IFRS 9 governs the way in which derivatives that are embedded in an underlying financial instrument (embedded derivatives) are accounted for. If a hybrid contract contains a host that is not an asset within the scope of IFRS 9, the embedded derivative must be separated from the host and accounted for as a derivative under IFRS 9. For all other financial instruments that are within the scope of IFRS 9, there is

no separation of structured products. The derivative element is accounted for in the context of classification. If the SPPI test is met, the whole instrument is recognised in accordance with the applicable business model.

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

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

Categories pursuant to IFRS 7.6

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

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

Impairments

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

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

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

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

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

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

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

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

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

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

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

Definition of the terms “default event” and “credit impaired assets”
To determine whether a financial asset is credit impaired/a certain default event has occurred, the RLB Steiermark Group uses a variety of indicators, such as significant financial difficulty of the issuer/borrower, failure to make interest and/or principal payments, payments are 90 days past due, and concessions granted to the borrower relating to the borrower’s financial difficulties. As both the CRR and IFRS requirements focus on losses from defaults that result from financial difficulties of the debtor, the catalogue of criteria for trigger events specified in the Impairment Policy was harmonised across the Group. On a case-by-case basis, a receivable may be classified as non-performing, even if it is less than 90 days past due.

If for a financial instrument there is objective evidence of impairment, the financial instrument is transferred to stage 3. For the purpose of determining impairment losses of instruments in stage 3, the RLB Steiermark Group makes a distinction between significant and non-significant exposures. This distinction between significant and non-significant is made on the basis of a “significance” threshold, which is derived from corporate policy requirements, risk management considerations and (lending) process guidelines. The significance threshold for the

RLB Steiermark Group is EUR 1 million. The assessment is based on the group of connected customers ("GvK"). For significant stage 3 exposures, the amount of impairment is determined by estimating and discounting future expected cash flows (discounted cash flow method, "DCF method"). The expected cash flows are determined for several probability-weighted scenarios by expert estimation and comprise expected interest and principal payments, proceeds from the realisation of collateral, utilisation or drawing of credit lines and realisation costs as negative cash flows. For non-significant exposures, parameter-based impairment allowances (collective specific impairment allowance) are established.

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

Explanation of inputs, assumptions and estimates
The amount of expected credit losses from stage 1 and 2 instruments is calculated using the risk parameters ("probability of default" (PD), "loss given default" (LGD) and "exposure at default" (EAD) which are determined by statistical methods based on historical probability of default and loss given default, taking into account macroeconomic forecast values (point-in-time parameters). Guarantees and collateral granted as part of stabilisation measures taken by the government (and third parties) are taken into account accordingly when measuring the expected credit losses.

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

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

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

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

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

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

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

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

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

- Base scenario – 40 percent

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

For PiT parameter estimation, a so-called “crisis estimate” was introduced during the COVID crisis, where macroeconomic factors from the time of the pandemic were also used in later PiT parameter estimates. In order to ensure a smooth transition from the crisis estimate to the PiT standard estimate, the RLB Steiermark Group has decided to apply a so-called phasing-out from the crisis estimate from 30 June 2022 onwards.

This is done by creating a set of parameters with the crisis estimate (using macroeconomic factors from the pandemic period) and a set of parameters with the standard estimate (using current macroeconomic factors). The two sets are merged with a defined weighting, with the influence of the crisis estimate gradually decreasing and that of the standard estimate gradually increasing, thus ensuring a complete return to the standard estimate.

Post model adjustment

Due to the current stress factors (Russia/Ukraine war, energy price crisis, inflation, interest rate developments), the further course of economic development and thus the development of borrowers remains very uncertain. In order to ensure an adequate reflection of the impairment allowances, a so-called post model adjustment (PMA) was carried out on the reporting date. As part of this process, sub-portfolios (sectors) have been identified that have been affected by the crises and the resulting developments, and therefore have an increased credit risk. Based on this derivation, transactions were transferred from stage 1 to stage 2 for all customers included in the PMA, and the lifetime ECL was used as the impairment allowance instead of the 1-year ECL.

Validation

The risk parameters used in the calculation of ECL take into account available information at the reporting date about past events, as well as current conditions and forecasts on future economic trends. All models used to estimate risk parameters are subject to regular validation and backtesting and are adjusted or further developed as necessary. This can lead, for example, to other macroeconomic factors being included in the models in order to ensure the quality of the model.

The models for the estimation of parameters as at the current reporting date did not require any changes or adjustments and are unchanged compared to the annual financial report as at 31 December 2022.

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

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

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

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

Contractual assets according to IFRS 15
There are currently no assets that fall within the scope of IFRS 15.

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

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

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

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

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

Modified assets are assets with contractual cash flows that have changed in comparison to the original cash flows, but where the change has not resulted in derecognition of those assets (non-substantial modification). Changes directly reduce or increase the gross carrying amount. Payment moratoria constitute contractual changes or a modification within the meaning of IFRS 9, which generally result in an adjustment to the gross carrying amount.

In the case of credit risk-induced contract modifications, i.e. subsequent contractual changes that also represent a forbearance measure, the changes are shown in the statement of profit or loss item “Impairment of financial assets”; in the case of market-induced contract modifications, they are shown in net interest income.

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

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

Forbearance

Forbearance refers to circumstances in which the lender grants concessions to the borrower, for economic or legal reasons related to the borrower's financial difficulty, which the lender would not otherwise consider. In the case of debts of this kind, an adjustment may be made to the debtor's obligations within the framework of the existing loan agreement to prevent a default. Forbearance measures range from extension agreements for principal and/or interest payments to interest rate adjustments, exemption from interest charges and (partial) debt forgiveness in the context of restructurings. Forbearance measures are considered as a qualitative criterion for an increase in credit risk. Receivables from borrowers that fall under a payment moratorium do not per se automatically lead to a forbearance classification and a transfer between stages. Not every forbearance measure automatically constitutes a modification within the meaning of IFRS 9.

Derecognition

Financial assets are derecognised if the contractual right to cash flows from the financial asset expires or the contractual right to receive cash flows from the financial asset is transferred. Financial assets are also derecognised if not all of the risks and rewards related to the asset are transferred, but control of the asset is not retained. If substantially all the risks and rewards related to the asset are retained, the asset will not be derecognised. Financial assets must also be derecognised if the terms and conditions have changed substantially.

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

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

Depreciation

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

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

Leasing

The RLB Steiermark Group acts as both lessor and lessee.

Leasing from the lessee's perspective
At contract inception, the RLB Steiermark Group assesses whether a contract creates or contains a lease.

If a contract conveys the right to control the use of an asset in return for payment of a fee for a specified period of time, an asset for the right of use granted and a leasing liability must be recognised at the date of availability. When determining the lease liability, the future lease payments are discounted at the underlying interest rate, if it can be determined. Within the RLB Steiermark Group, the marginal borrowing rate, which corresponds to the Group refinancing rate (bid rate) from the respective maturity band, is used for discounting. The interest rate is composed of the reference interest rate, which corresponds to the risk-free market interest rate, and the liquidity costs.

The right-of-use asset is recognised at cost, which comprises the lease liability plus any lease payments made on or before provision and any initial direct costs or estimated possible costs of dismantling or removing the asset, less any lease incentives. Capitalised rights of use include in particular leased banking outlets and vehicle lease contracts.

The contracts of the leased banking outlets are generally concluded for an indefinite period, which is why the term is based on management's reasonably certain estimate of the term, taking into account existing leasehold improvements. The vehicle lease contracts are concluded for a certain period of time. The rights of use are measured net of any accumulated depreciation and any accumulated impairments, and adjusted to reflect any revaluation of the lease liability. The depreciation rules correspond to those of IAS 16 Property, Plant and Equipment.

For short-term leases, i.e. leases the term of which does not exceed twelve months from the date of provision and which do not include a purchase option, as well as for leases classified as low-value, the RLB Steiermark Group applies the exemptions under IFRS 16.5. Accordingly, lease payments for short-term leases and leases that are based on an asset of low value are recognised as an expense on a straight-line basis over the term of the lease.

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

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

Leasing from the lessor's perspective
From the lessor's point of view, a distinction must be made between finance leases and operating leases. A finance lease is a lease that transfers substantially all the risks and rewards associated with ownership of an asset. In the case of finance leases, the lessor recognises a receivable from the lessee. The receivable corresponds to the present value of the contractually agreed payments, taking into account any residual value. Interest income from receivables is recognised in the statement of profit and loss under "Net interest income".

Operating leases, on the other hand, do not transfer all the risks and rewards associated with ownership of an underlying asset. The lessor recognises the leased assets in the corresponding balance sheet item and they are depreciated in accordance with the provisions of IAS 16, Property, Plant and Equipment. Operating lease payments are recognised in the statement of profit and loss under "Other operating income". Details of leasing transactions within the RLB Steiermark Group can be found in notes 42, "Leasing from the lessor's perspective", and 43, "Leasing from the lessee's perspective".

Contractual assets according to IFRS 15

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

Repurchase transactions

In genuine repurchase (repo) transactions, the Group sells assets to a counterparty and concurrently agrees to repurchase the same assets on a specified date at an agreed price. The assets remain on the Group's statement of financial position and are measured by applying the rules governing the respective measurement category. At the same time, an obligation in the amount of the payments received is recognised as a liability. The securities are not derecognised as the transferring entity retains all the risks and rewards associated with the ownership of the assets. The financial assets that have been transferred but not derecognised thus carry substantially the same risks and rewards as the financial assets that have not been transferred. Additional details can be found in note 49, “Securities lending transactions and repurchase transactions”.

The ECB's TLTRO III refinancing operations (Targeted Longer-Term Refinancing Operations)

The ECB's TLTRO III programme offers banks longer-term refinancing at favourable conditions. RLB Steiermark does not consider the conditions of the TLTRO III programme to be a significant advantage over normal market conditions, as the market for TLTRO refinancing is considered to be a separate and closed market within the meaning of IFRS 13. Refinancing in this market is granted at specific conditions that cannot be influenced, in order to stimulate lending on the part of banks and thereby finance the economy. The refinancing raised within the scope of TLTRO III is therefore accounted for as financial instruments pursuant to the regulations of IFRS 9 and reported within the item “Financial liabilities - AC” in the statement of financial position. In determining the effective interest rate, the expected cash flows over the entire term of the refinancing received are taken into account; changes in the estimated cash flows are presented in accordance with IFRS 9.B5.4.5. Further details are given in note 1 “Net interest income” and in the section “Liquidity risk” of the risk report.

Securities lending transactions

Securities lending transactions are recognised in the same way as securities in genuine repurchase transactions. Loaned securities remain in the securities portfolio and are valued according to the provisions of IFRS 9. Borrowed securities are neither recognised in the statement of financial position nor are they measured. Additional details can be found in note 49, “Securities lending transactions and repurchase transactions”.

Government grants

For eligible new investments in depreciable fixed assets, it was possible to claim a so-called COVID-19 investment bonus. The subsidy represents a non-repayable grant and can be recognised as deferred income in accordance with IAS 20.24 or as a deduction from investments (net recognition). In the RLB Steiermark Group, grants are shown as deferred income (in the “Other liabilities” item) in the statement of financial position.

These items are recognised as deferred income when there is reasonable assurance that the grants will be received and the conditions attaching to them will be complied with. Grants are recognised as income on a systematic basis over the period necessary to match them with the related expenses for which they are intended to provide compensation. This is reported under other operating income.

Latitude of judgement and estimates

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

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

Impairment of financial assets

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

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

As it is currently not possible to adequately reflect the impact of the current stress factors using the ECL model applied, the impairment amount determined was increased by a “post-model adjustment” (see also sections “Impairment” and “Impairment sensitivity analysis” of the risk report).

In the case of non-significant borrowers in default classes, a collective specific provision for impairment losses is established based on statistical empirical values. For significant stage 3 exposures, the risk provisions are determined by estimating expected cash flows, taking into account probability-weighted scenarios as well as expected proceeds and costs from the realisation of collateral. This process also requires assessments by management.

As with any economic forecast, the projections and probabilities of occurrence applied within the ECL model are subject to a high degree of inherent uncertainty. For this reason, the actual outcomes may differ from those projected. However, the RLB Steiermark Group considers these forecasts to represent its best estimate of possible future outcomes. A presentation of the effects on cumulative impairments under certain assumptions or in different scenarios can be found in the chapter “Impairment sensitivity analysis” of the risk report.

Impairment/reversal of impairment for investments in associates valued at equity

If there are indicators that suggest a possible impairment, investments in associates valued at equity must undergo an impairment test. An evaluation to determine whether objective evidence of impairment exists requires management assessments that may change over time, depending on future events whose occurrence is uncertain. Due to the stock market value being significantly below the amortised at-equity carrying amount, the carrying amount of the investment in Raiffeisen Bank International (RBI) was subjected to an impairment test as at 31 December 2023, which resulted in a reversal of impairment. Further information on the impairment test can be found in note 21, “Investments in associates valued at equity”.

Fair value of financial instruments

Where the market for a financial instrument is not active, fair value is established using a valuation technique or pricing model. Generally, estimates are used for valuation methods and models, the scale of which depends on the complexity of the instrument and the availability of market-based data. Where possible, the input parameters for these models are derived from observable market data. Under certain circumstances, measurement adjustments are necessary to account for additional factors such as model risk, liquidity risk or credit risk. The valuation models are described in the section “Notes on financial instruments” (note 36, “Fair value of financial instruments” and note 37, “Fair value hierarchy”).

Deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available against which unused tax losses, unused tax credits or deductible temporary differences can be utilised. This assessment requires significant management judgments and assumptions. In determining the amount of deferred tax assets, the management uses forecasted operating results based upon approved budgets or business plans, including a review of the ability to carry forward tax losses. The existing tax loss carryforwards can be used by the Group indefinitely.

Deferred taxes are not reported separately in the statement of profit or loss. Details are provided in comprehensive income and in note 13, “Income taxes” and note 29, “Current and deferred income tax assets and liabilities”.

Provisions for defined benefit plans

The costs of the defined benefit plan are determined using an actuarial valuation. The actuarial measurement is based on assumptions about discount rates, expected rates of return on assets, future salary developments, mortality rates and future pension increases. The assumptions and estimates used to calculate long-term staff benefit obligations are described in the section on provisions. Quantitative data for long-term employee provisions are disclosed in note 28, “Provisions”.

Leasing

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

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

Statement of profit or loss

Net interest income

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

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

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

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

Interest from derivative financial instruments primarily includes interest income and expenses from hedging instruments that qualify for hedge accounting under IFRS 9 and interest income and expenses from hedging derivatives that are in a hedging relationship with a designated underlying transaction as part of the fair value option (FVO) (economic hedges). Furthermore, the distribution of past basis adjustments (“amortisation line item”) of underlying transactions as well as the amortisation of the off-market component in the case of a late designation of derivative hedging transactions as part of micro and portfolio fair value hedges is also shown here.

Net interest income on derivative financial instruments in the trading portfolio is netted and shown under net trading income.

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

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

Interest income (“deal balance”) from interest rate hedging derivatives, which are designated as part of hedge accounting in accordance with IFRS 9 or IAS 39.81A, is reported in the item in which the income from the underlying transactions is also reported. If the hedged item results in interest income (expense), the corresponding amounts are recognised as interest income (expense), even if they are negative (positive).

Dividend income

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

Current profit/loss from investments in associates valued at equity

This item shows pro rata results for the period from investments in associates valued at equity.

Net fee and commission income

Net fee and commission income includes all income and expenses arising in connection with the rendering of bank services. Income and expenses that are integral to the effective interest rate are spread over the respective term and recognised under net interest income. Other income and expenses, in particular income and expenses for services that relate to the Group’s lending and securities operations and payment services are recognised when the service is provided in accordance with IFRS 15.

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

Profit/loss from hedge accounting

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

If the hedging relationship of a portfolio fair value hedge in a maturity band is ineffective, no book value adjustment (basis adjustment) is made for the underlying transaction in the current period. In this case, the valuation results of the corresponding derivative hedging transactions are shown in net trading income. For floating rate loans with caps/floors, swaps with implicit caps/floors are used as derivative hedging instruments. The running fees included in the swaps, which are reflected as a constant spread, are not designated as part of the hedging relationship. This approach, which deviates from IFRS 9.6.2.4, is required by IAS 1.19, as otherwise it would be inconsistent with the "true and fair view" principle. Separating the running fee component is therefore a more accurate representation of hedge accounting, as this corresponds exactly to the risk management approach. Accordingly, changes in the present value of running fees are also shown in the "Net trading income" item.

Further details on hedge accounting can be found in note 32.

Net trading income

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

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

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

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

It also comprises the gains and losses from the disposal and remeasurement of financial instruments subject to mandatory recognition at fair value through profit or loss (FVPL-M), This includes the gains and losses from the disposal and remeasurement of loans and securities that do not meet the SPPI criteria. The interest associated with these financial instruments is shown in net interest income.

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

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

Other net operating income

Other net operating income includes, among other components, income and expenses from the disposal of property, plant and equipment and intangible assets, income and expenses from investment properties, differences arising from changes in the scope of consolidation to the extent that they are not presented in the profit/loss from discontinued operations in accordance with IFRS 5, as well as income from internal charges for IT services, contributions to protection schemes and other taxes. Reversals of deferred income from government grants that affect profit or loss as well as expenses and income from the disposal of assets and disposal groups classified as held for sale are also reported under this item.

Administrative expenses

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

Revaluation gains/losses on investments in associates valued at equity

This item shows impairments and impairment reversals on investments in associates valued at equity.

Impairment of financial assets

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

Income taxes

Current and deferred income taxes are presented under this item.

Other comprehensive income (OCI)

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

Statement of financial position

Cash, balances at central banks and demand deposits

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

Financial assets – amortised cost (AC)

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

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

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

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

Financial assets – fair value OCI (FVOCI)

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

This category also includes financial investments in equity instruments (equity investments) which are not held for trading and for which the irrevocable option of reporting all changes in fair value through other comprehensive income (OCI) in subsequent periods is used. This option was exercised for all financial assets, as the Group's policy is to hold these assets for the long term for strategic reasons.

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

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

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

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

Financial assets – held for trading (HFT)

Financial assets – held for trading include securities held for trading purposes as well as the positive fair values of derivative financial instruments (dirty price) which are held for trading and hedging purposes but do not fulfil the criteria for the application of hedge accounting (economic hedges). Positive fair values of hedging derivatives not designated to portfolio fair value hedge accounting as well as ineffective portions of hedging derivatives are also included in this item. If the fair value is negative, they are presented under “Financial liabilities – held for trading”. Positive and negative market values are not offset (see also Note 34 “Netting of financial assets and liabilities”).

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

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

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

The item “Financial assets - mandatorily at fair value P&L (FVPL-M)” includes financial assets – predominantly loans and receivables as well as bonds – that are held in the “hold to collect” or the “hold to collect and sell” business models but are classified as FVPL-M because they do not satisfy the SPPI criteria. In addition, it includes financial assets that fall within the “other” business model pursuant to paragraph B4.1.6 of IFRS 9. This relates to shares in investment funds as well as hybrid financial instruments.

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

Derivatives - hedge accounting (positive fair values)

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

Value adjustments from portfolio fair value hedges

This item shows both cumulative positive and cumulative negative changes in the value of the underlying transactions on the asset side (basis adjustments) from portfolio fair value hedge accounting, which means that the balance sheet item may also have negative values. The changes in value are disclosed in “Profit/loss from hedge accounting”. If the hedging relationship of a portfolio fair value hedge in a maturity band is ineffective, no book value adjustment (basis adjustment) is made for the underlying transaction in the current period. In these cases, the gains and losses from the remeasurement of the corresponding hedging transactions is reported in net trading income.

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

For detailed information on portfolio fair value hedge accounting, see note 32.

Investments in associates valued at equity

Shares in associates valued at equity are presented in this line item.

Intangible assets

Purchased intangible assets with a determinable period of use are measured at cost less straight-line scheduled depreciation. Straight-line depreciation is based on expected periods of use ranging between 4 and 5 years (or rates of depreciation ranging between 20 % and 25 %).

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

Property, plant and equipment

Property, plant and equipment include land and buildings used for RLB Steiermark's own purposes, as well as office furniture and equipment, and are stated at the cost of acquisition or construction less scheduled depreciation, which is calculated using the straight-line method. This item also includes right-of-use assets in accordance with IFRS 16. For further details, please refer to the "Leasing transactions" section.

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

Period of use	Years
Buildings	10 – 67
Office furniture and equipment	3 – 20
Rights of use	2 – 38

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

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

Investment properties

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

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

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

Other assets

Other assets primarily include clearing items, receivables resulting from supplies of goods and services, and other tax assets. This item does not contain financial receivables pursuant to IFRS 9.

Financial liabilities – amortised cost (AC)

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

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

This item also includes the ECB's TLTRO III refinancing operations (see also the chapter "The ECB's TLTRO III refinancing operations (Targeted Longer-Term Refinancing Operations" in the "Accounting Policies" section)). Further details are given in note 1 "Net interest income" and in the section "Liquidity risk" of the risk report.

Financial liabilities – held for trading (HFT)

Financial liabilities – held for trading include the negative fair values of derivative financial instruments (dirty price) held for trading and hedging purposes which do not fulfil the criteria for the application of hedge accounting (economic hedges). Negative fair values of hedging derivatives not designated to portfolio fair value hedge accounting as well as ineffective portions of hedging derivatives are also included in this item. If the fair value (dirty price) is positive, they are presented under "Financial assets – held for trading". Positive and negative market values are not offset (see also Note 34 "Netting of financial assets and liabilities").

Net interest income as well as gains and losses from the disposal and remeasurement of assets and liabilities held for trading are shown under net trading income in the statement of profit or loss.

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

This item includes liabilities to banks and to customers as well as securitised and subordinated liabilities that meet the requirements for the application of the fair value option. These are deemed fulfilled in situations where, through designation at fair value P&L, a measurement or recognition inconsistency (accounting mismatch) can be eliminated or reduced significantly, or where the separation of embedded derivatives can be avoided. The subordinated liabilities constitute in particular supplementary capital (tier 2 capital) as defined in Article 63 of Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR). The recognised total is reduced by emissions from the Group's own portfolio.

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

Derivatives - hedge accounting (negative fair values)

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

Value adjustments from portfolio fair value hedges

This item shows both cumulative positive and cumulative negative changes in the value of the underlying transactions on the liabilities side (basis adjustments) from portfolio fair value hedge accounting, which means that the balance sheet item may also have negative values. The changes in value are disclosed in "Profit/loss from hedge accounting". If the hedging relationship of a portfolio fair value hedge in a maturity band is ineffective, no book value adjustment (basis adjustment) is made for the underlying transaction in the current period. In these cases, the gains and losses from the remeasurement of the corresponding hedging transactions is reported in net trading income.

Provisions

Provisions include long-term personnel and other provisions.

Long-term employee provisions

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

Severance benefit obligations

In accordance with the provisions of Section 23 and Section 23a of the Austrian Salaried Employees Act (AngG), employees whose period of employment began prior to 1 January 2003 are entitled to severance benefits upon termination by the employer or at the time of retirement. The amount of the severance benefit depends on the employee's number of years of service and salary level at the time of separation, and ranges between two and twelve times the employee's monthly salary. A provision is recognised for these obligations, which is accounted for and measured in the same way as pension provisions.

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

Post-employment benefit obligations

The benefits offered by the RLB Steiermark Group include both defined contribution and defined benefit plans.

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

A defined benefit plan is a retirement pension plan that commits to pay a particular benefit to the beneficiaries. The RLB Steiermark Group has irrevocably and with legally binding effect, promised a group of employees defined benefit plans ("Pensionsstatute" post-employment benefit schemes, special agreements) that specify the amounts of subsequent pensions. The funds required to cover future pension payments are either accrued via the pension fund or remain within the entity. Defined benefit pension plans apply exclusively to employees who have already retired. Additionally, in the past few years, pension benefit obligations for active employees have been transferred to external pension funds. Within the RLB Steiermark Group, obligations under defined benefit plans exist only for employees who were already retired by 31 December 1998 (when the Austrian pension reform took effect), for employees who retired in 1999 (but whose individual contracts still entitle them to a direct pension), and for employees with pension entitlements for surviving dependants.

The obligations in connection with defined benefit plans are calculated in accordance with IAS 19 using the projected unit credit method. The future obligations due to employees are measured on the basis of actuarial opinions, which take account of different parameters (e.g. actuarial interest rate, retirement age, life expectancy, fluctuation, etc.). As in the previous year, the "AVÖ 2018 P-Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler" in the variant for salaried employees was used as the biometric basis for the computation of all provisions for social capital.

The difference between the remeasured value of the obligation as of the reporting date and the value forecast at the beginning of the year is referred to as the actuarial gain or loss. Where severance and pension benefit obligations are concerned, this gain/loss must be shown in other comprehensive income and is reported in the item "Actuarial gains and losses from defined benefit plans". Expenditure on provisions for staff benefits is reported in the statement of profit or loss under "Administrative expenses" and under "Actuarial gains and losses from defined benefit plans" in other comprehensive income. In addition, past service costs resulting from retroactive changes to the plan benefits, as well as the net interest on the net defined benefit liability must be recorded immediately and fully in profit or loss.

If plan assets exist, offsetting the present value of the obligation against the fair value of the plan assets, taking into account actuarial gains or losses, results in the actual net obligation reported in the statement of financial position. If pension liabilities are covered by plan assets, net interest costs must be calculated on the basis of the net defined benefit liability or asset (defined benefit obligation less fair value of the plan assets) using a single interest rate. Contributions to the plan assets are made solely by the employer. Further details can be found in note 28 “Provisions”.

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

Valida Pension AG utilises an asset/risk management process (ARM process). Under this process, the risk-bearing capacity and readiness (in accordance with PK-RIMAV) of each pension and staff benefit plan (Veranlagungs- und Risikogemeinschaft, VRG) managed by Valida is evaluated regularly as part of an ALM, taking as a basis its liability structure resulting from the underlying pension fund agreement. The defined risk-bearing capacity and readiness are reflected in the VRG’s investment structure.

The investment strategy is implemented in VRG 7, in which RLB Steiermark’s pension fund commitment is managed, within the framework of a liability-driven investment concept. This means that the strategic orientation of the investment portfolios is strongly aligned with the liability-side requirements of the pension plans, especially with regard to the earnings targets as well as the liquidity demands of the VRG. In order to generate an additional positive contribution to earnings compared to the investment strategy, the tactical asset allocation as part of the management of the investment portfolios allows for deviations from the weights of the strategic asset allocation, within pre-defined ranges. During periods of stress, the downside risk is also mitigated by tail risk management of the VRG’s liquid assets.

Provisions for long-service benefits
Obligations related to long-service benefits are included in other long-term employee benefits. Long-service benefits (payments for long service/loyalty to the company) depend on the duration of the employment relationship. The entitlement to long-service benefits is based on the collective agreement that governs both the requirements that must be met to claim the entitlement, and the amount paid. Provisions for long-service benefits are calculated actuarially in the same way as provisions for severance payments and pensions using the projected unit credit method. The difference between the remeasured value of the obligation as of the reporting date and the value forecast at the beginning of the year is referred to as the actuarial gain or loss. Unlike provisions for severance payments and pensions, this is recognised in the statement of profit and loss under “Administrative expenses” in the case of long-service benefits.

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

Other liabilities
Other liabilities mainly consist of trade liabilities, other tax liabilities, lease liabilities and other liabilities. Details on lease liabilities can be found in the “Accounting policies” section. This item does not contain financial liabilities pursuant to IFRS 9.

Government grants are recognised as deferred income in the statement of financial position. This is released on a scheduled basis through the statement of profit or loss in accordance with the useful life of the assets for which the grant was made.

Equity

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

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

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

Tax assets and tax liabilities/income taxes

In accordance with IAS 12, income taxes include current and deferred taxes.

Current taxes

Income tax assets and liabilities from current income taxes are recognised in the amount of the anticipated settlement with the relevant tax authorities, and shown under the “Current income tax assets” and/or “Current income tax liabilities” line items. Current income tax is recognised in the statement of profit or loss under “Income taxes”. Other taxes that are not income taxes as defined in IAS 12, such as property transfer taxes, are included in “Other net operating income”.

Deferred taxes

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

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

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

Deferred income tax assets and liabilities are recognised in separate balance sheet items “Deferred income tax assets” and “Deferred income tax liabilities”, as well as in the income statement under the item “Income taxes” and in other comprehensive income in the correspondingly designated items.

Taxable group of companies pursuant to Section 9 KStG (Austrian Corporation Tax Act)
Since the 2011 assessment year, Raiffeisen-Landesbank Steiermark AG has been the group parent of a group of companies pursuant to Section 9 (8) KStG. In addition to the group parent, the group of companies consists of the following 21 (previous year: 18) other group members:

- „DÖHAU“ Liegenschaftsges.m.b.H.
- BONITA HSL Leasing GmbH
- Eruca Beteiligungs GmbH
- Feles Beteiligungs GmbH
- Grundstücksverwaltung Salzburg-Mitte GmbH
- HSL Beteiligungen GmbH
- HSL Leasing – Holding GmbH
- HSL Immobilienleasing GmbH
- HSL Kommunal- und Gebäudeleasing GmbH
- INPRIMIS Beteiligungs GmbH
- LKH - Eingangszentrums Errichtungs- und Betreiber GmbH
- NOVA HSL Leasing GmbH
- Pittacus Beteiligungs GmH
- Raiffeisen Bauträger & Projektentwicklungs GmbH
- Raiffeisen-Immobilien Steiermark Gesellschaft m.b.H.
- RATIO Beteiligungsverwaltungs GmbH
- RLB Stmk Taten GmbH
- RLO Beteiligungs GmbH
- Scirus Liegenschaftsverwaltungs GmbH
- Thasus Beteiligungs GmbH (previously: Raiffeisen Rechenzentrum Holding GmbH)
- TSI-Terminal und Software Installationen GmbH

The companies concerned have entered into a tax reconciliation agreement which stipulates that there will be an annual balancing of the tax charges or credits arising from the income of each group member accrued during its membership in the group.

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

- RLB Beteiligungs- und Treuhandgesellschaft mbH with 6 group members (previous year: 8)
- Steirische Raiffeisen-Immobilien-Leasing GmbH with 4 group members (previous year: 4)

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

SEGMENT REPORTING

Segmentation basics

Segment reporting is based on the RLB Steiermark Group's internal organisational and management structure as well as its internal financial reporting system. In the interests of clear reporting with the greatest possible transparency, segmentation in accordance with IFRS 8 follows those segments about which the highest decision-making bodies of RLB Steiermark (Managing Board and Supervisory Board) regularly make decisions on the allocation of resources on the basis of available information on financial strength and profitability.

The decisive criterion for defining the segments is the organisational responsibility for servicing the customers of the RLB Steiermark Group. The following segments are distinguished:

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

In addition to the segment results, the “reconciliation”, which mainly includes amounts arising from intersegment consolidation, is used to determine the Group's net profit.

Measurement of segment results

Segment reporting presents the results of internal financial reports in the form of a step-by-step breakeven analysis, supplemented by a reconciliation of segment results to the consolidated financial statements.

Within the breakeven analysis, income and expenses are allocated according to their cause.

Income positions are the net interest income, dividend income, net fee and commission income, current profit/loss from investments in associates valued at equity, net trading income, net income from financial assets/liabilities and other net operating income. Net interest income is calculated on the basis of the market interest rate method.

The revaluation gains/losses on investments in associates valued at equity includes impairments and impairment reversals on associates. The impairment of financial assets includes impairment allowances for financial assets and off-balance sheet transactions that were made and reversed, as well as direct write-offs and recoveries of financial assets previously written off. Administrative expenses comprise direct personnel and non-staff expenses, for which the segments are individually responsible, as well as depreciation of fixed assets and indirect cost components derived from cost accounting and allocated on the basis of internal transfer prices and agreed ratios (e.g. overheads).

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

The segments are presented in segment reporting as if they were independent entities with their own capital resources and responsibility for their own results. The profitability and efficiency of the segments are measured using two key performance indicators.

- Profitability
  The profitability of a segment expresses the ratio between the consolidated profit/loss before taxes and the average equity employed, and reflects the return on the capital employed in the respective segment.

- Efficiency
  A segment's efficiency is measured by the cost/income ratio. For this purpose, allocated administrative expenses are compared to operating income. This ratio is an indicator of the cost efficiency of the segments.

The segments and their contents

Corporate

In the "Corporate clients" segment, the RLB Steiermark Group's strategic focus is on large domestic companies as well as small and medium-sized enterprises, project/real estate financing in Austria and abroad, institutional clients and the public sector.

This segment covers traditional banking services (e.g. current account loans, cash advances, direct loans), investments, trade and export finance, documentary business and the provision of lease financing in all relevant sectors. In addition, customers are offered tailored solutions for payment transactions, risk hedging, financial planning and wealth creation, as well as liquidity and investment management.

Economic developments over the past year were shaped by the general trend in interest rates. The sharp increase compared to 2022 led to a significant improvement in net interest income (kEUR +23,397) and thus also in operating income, especially on the deposit side. In line with the general economic trend, there were also noticeable increases in expenses in 2023. Within administrative expenses, this is reflected in personnel expenses due to the comparatively above-average salary increase last year and in non-staff expenses due to the CPI-driven increase in expenses.

Despite the significant improvement in operating income less administrative expenses to kEUR 96,885 (kEUR +26,022 compared to the previous year), the significant increase in impairment allowances led to a decline in earnings compared to the same period of the previous year. In total, kEUR 53,165 in impairment allowances were recognised in the financial year, which led to a reduction in earnings in this segment to kEUR 43,720 (previous year: kEUR 60,212).

Retail

The "Retail client" segment comprises the retail and private banking businesses, including relationships with medical practitioners/professionals. Customers in this segment are served from 14 different central locations in Graz and Styria. In addition, three self-service locations are available to these customers.

Retail clients are offered a wide range of products and services. This includes the financing product groups (home loans, consumer loans), the deposit and current account business (current, salary, youth and pension accounts) as well as the broad service segment, ranging from securities investments, payment transactions (debit and credit cards) and building society business to pension products (endowment and life insurance).

The services provided to private banking clients focus on securities investments, offering access to the same range of products as for private individuals.

Compared to the previous year, the economic development in the 2023 financial year was driven by net interest income in the deposit business, similar to the situation in the corporate clients segment. The development of market interest rates led to a significant improvement in net interest income of kEUR 22,044 to kEUR 39,037 in the 2023 financial year (previous year kEUR 16,993).

The financing business is under pressure due to the general economic situation (higher interest rates and price increases). These factors are significantly dampening demand for housing loans, for example (the requirements of the statutory KIM regulation should also be mentioned here).

The increase in personnel and non-staff expenses due to the above-mentioned salary agreements and general cost increases is also clearly visible in the retail customer segment.

The development of impairment allowances in this segment was stable, resulting in an improvement of kEUR 18,930 over the previous year to kEUR 17,344 (previous year: kEUR -1,586).

Capital market and treasury

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

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

The result in this segment was impacted by interest rate movements and the inverted yield curve, which had a negative impact on the maturity transformation. Accordingly, expenses for refinancing and hedging instruments increased significantly compared to 2022, resulting in net interest income of only kEUR 570 (previous year: kEUR 54,785). This represents a decrease of kEUR 54,215 compared to the 2022 financial year.

On the other hand, the trading result and the result from the remeasurement of financial assets improved by a total of kEUR 27,373, resulting in a profit contribution of kEUR 1,894 (previous year: kEUR 28,217) for this segment after deducting administrative expenses and impairments.

Equity investments

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

The improvement in the result by kEUR 278,227 to kEUR 315,974 in the 2023 financial year (previous year: kEUR 37,747) is primarily due to the equity-accounted investment in Raiffeisenbank International, which contributed kEUR 298,212 to earnings (current result and valuation) in this segment. The carrying amount of the investments in associates valued at equity allocated to this segment amounted to kEUR 975,796 as at 31 December 2023 (previous year: kEUR 806,505) and relates exclusively to RBI. Additional details can be found in note 21.

Dividend income fell to kEUR 9,060 compared to the previous year's figure (kEUR 70,151), which included a non-recurring effect of kEUR 60,670 from the simplification of the ownership structure of RLB Steiermark.

Due to the wide range of activities that RLB Steiermark performs for the primary level (e.g. reporting, regulatory affairs, compliance, business consulting), extensive personnel capacities are tied up in the equity investments segment. The changes in amounts due to cost increases are therefore clearly visible. Compared to the previous year, this segment also includes non-staff expenses for sector projects and investment initiatives. As the cost increases are also reflected in the cost allocation, other net operating income is also higher than in the previous year.

Other

This segment includes income and expenses that are not allocated to any other segment, such as contributions to the EU Bank Resolution Fund, the deposit protection fund or the stability fee. This segment also includes the profit impact of the deconsolidation of subsidiaries.

2023 financial year

kEUR	Corporate	Retail	Capital market and treasury	Equity investments	Other	Reconciliation	Total
Net interest income	104,455	39,037	570	20,182	12,404	0	176,648
Dividend income	0	0	0	9,060	0	-1,473	7,587
Current profit/loss from investments in associates valued at equity	0	0	0	226,771	0	0	226,771
Net fee and commission income	18,540	12,417	2,134	11,683	-2,358	0	42,416
Net trading income	202	161	13,257	0	0	0	13,620
Net income from financial assets/liabilities[1)]	4,054	0	858	0	0	0	4,912
Other net operating income	595	318	455	48,861	-7,232	-6,522	36,475
Operating income	**127,846**	**51,933**	**17,274**	**316,557**	**2,814**	**-7,995**	**508,429**
Administrative expenses	-30,961	-27,444	-14,643	-58,641	-38,165	7,995	-161,859
Revaluation gains/losses on investments in associates valued at equity	0	0	0	71,441	0	0	71,441
Impairment of financial assets	-53,165	-7,145	-737	-702	0	0	-61,749
Consolidated profit/loss before taxes	**43,720**	**17,344**	**1,894**	**328,655**	**-35,351**	**0**	**356,262**
Ø allocated equity	441,399	53,320	587,329	677,542	-	-	1,759,590
Return on equity	9.90 %	32.53 %	0.32 %	48.51 %	-	-	20.25 %
Cost/income ratio[2)]	24.22 %	52.84 %	84.76 %	18.52 %	-	-	31.84 %

1) Net income from financial assets/liabilities comprises the statement of profit or loss items “Profit/loss from hedge accounting”, “Net income from financial instruments at fair value P&L (FVPL)” and “Net income from financial instruments not measured at fair value through profit or loss”.
2) Calculation of cost/income ratio: Administrative expenses / operating income

2022 financial year

kEUR	Corporate	Retail	Capital market and treasury	Equity investments	Other	Reconciliation	Total
Net interest income	81,058	16,993	54,785	-6,860	5,135	77	151,188
Dividend income	0	0	0	70,151	0	-1,145	69,006
Current profit/loss from investments in associates valued at equity	0	0	0	351,758	0	0	351,758
Net fee and commission income	19,346	11,914	1,173	11,342	-1,314	-77	42,384
Net trading income	1,178	234	-5,285	0	0	0	-3,873
Net income from financial assets/liabilities[1)]	-3,192	0	-7,973	0	0	0	-11,165
Other net operating income	2,129	336	-708	39,774	2,318	-15,179	28,670
Operating income	**100,519**	**29,477**	**41,992**	**466,165**	**6,139**	**-16,324**	**627,968**
Administrative expenses	-29,656	-24,428	-14,251	-48,775	-39,361	17,585	-138,886
Revaluation gains/losses on investments in associates valued at equity	0	0	0	-379,456	0	0	-379,456
Impairment of financial assets	-10,651	-6,635	476	-187	0	0	-16,997
Consolidated profit/loss before taxes	**60,212**	**-1,586**	**28,217**	**37,747**	**-33,222**	**1,261**	**92,629**
Ø allocated equity	401,592	48,511	474,426	727,797	-	-	1,652,326
Return on equity	14.99 %	-	5.95 %	5.19 %	-	-	5.61 %
Cost/income ratio[2)]	29.50 %	82.87 %	33.94 %	10.46 %	-	-	22.12 %

[1)] Net income from financial assets/liabilities comprises the statement of profit or loss items “Profit/loss from hedge accounting”, “Net income from financial instruments at fair value P&L (FVPL)” and “Net income from financial instruments not measured at fair value through profit or loss”.
[2)] Calculation of cost/income ratio: Administrative expenses / operating income

NOTES TO THE STATEMENT OF PROFIT OR LOSS

1. Net interest income

kEUR	2023	2022
Interest income calculated using the effective interest method	**568,998**	**237,605**
Financial assets – AC	**564,084**	**233,055**
Loans and receivables	531,096	211,178
Bonds	32,988	21,877
Financial assets – FVOCI	**4,914**	**4,550**
Bonds	4,914	4,550
Other interest and similar income	**59,987**	**26,436**
Financial assets – FVTPL-M	**2,262**	**1,500**
Loans and receivables	1,145	755
Bonds	490	496
Other variable-yield securities	627	249
Derivative financial instruments	**57,513**	**-3,464**
Derivative financial instruments (economic hedges)	3,513	15,662
Derivative financial instruments (hedge accounting)	54,000	-19,126
Negative interest from financial liabilities	**212**	**28,400**
Total interest and similar income	**628,985**	**264,041**

Interest income calculated using the effective interest method includes gains losses from market-driven modifications of contracts for financial instruments in the amount of kEUR 2,622 (previous year: kEUR 2,895), while interest expenses include losses from market-driven modifications of contracts in the amount of kEUR 2,762 (previous year: kEUR 756).

Interest income from derivative financial instruments includes interest income from negative interest rates in the amount of kEUR 5,095 (previous year: kEUR 11,695).

In the previous year, the item “negative interest from financial liabilities” also included interest for the tranches drawn under the ECB’s TLTRO III programme in the amount of kEUR 23,422.

kEUR	2023	2022
Interest and similar expenses from financial liabilities – AC	**-387,627**	**-109,706**
Deposits/borrowed funds	-264,469	-41,945
Liabilities evidenced by certificates	-119,758	-64,352
Subordinated liabilities	-3,251	-3,288
Lease liabilities	-149	-121
Other interest and similar expenses	**-64,710**	**-3,147**
Financial liabilities – FVO	**-14,230**	**-20,312**
Deposits/borrowed funds	-8,596	-11,996
Liabilities evidenced by certificates	-4,942	-8,013
Subordinate capital as per CRR	-692	-303
Derivative financial instruments	**-49,200**	**30,701**
Derivative financial instruments (economic hedges)	-1,389	-53
Derivative financial instruments (hedge accounting)	-47,811	30,754
Negative interest from financial assets	**-1,280**	**-13,536**
Total interest and similar expenses	**-452,337**	**-112,853**

kEUR	2023	2022
Total interest and similar income	628,985	264,041
Total interest and similar expenses	-452,337	-112,853
Net interest income	**176,648**	**151,188**

Interest expenses from financial liabilities – AC (deposits / borrowed funds) include interest in the amount of kEUR 50,287 (previous year: kEUR 4,941) for the tranches drawn under the ECB's TLTRO III programme. The interest accrued in line with the effective interest method is based on the average deposit facility rate. The change is due to the increase in the interest rate for the deposit facility and the prior-year change in the average interest rate for interest periods from 24 November 2022. The effective interest rate calculated or applied as at 31 December 2023 to determine the interest for the outstanding tranche is 2.3 % (previous year: -0.7 % to -1.2 %).

Interest expenses from derivative financial instruments include negative interest in the amount of kEUR 1,746 (previous year: kEUR 12.194).

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

2. Dividend income

kEUR	2023	2022
From equity instruments FVOCI		
Equity investments	7,587	69,006

In both the reporting period and the comparative period, dividends were recognised in full for equity instruments FVOCI held.

3. Current profit/loss from investments in associates valued at equity

kEUR	2023	2022
Pro rata current profit/loss from investments in associates valued at equity	226,771	351,758

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

Additional details can be found in note 21, “Investments in associates valued at equity”.

4. Net fee and commission income

kEUR	2023	2022
Fee and commission income	**55,613**	**64,128**
Securities operations	17,003	25,280
Lending operations	8,702	9,561
Payment services	26,007	24,985
Foreign exchange transactions	2,706	3,035
Other banking services	1,195	1,267
Fee and commission expenses	**-13,197**	**-21,744**
Securities operations	-2,298	-10,418
Lending operations	-7,003	-7,553
Payment services	-2,392	-2,417
Foreign exchange transactions	-882	-954
Other banking services	-622	-402
Total	**42,416**	**42,384**

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

2023 financial year

kEUR	Corporate	Retail	Capital market and treasury	Equity investments	Other	Reconciliation	Total
Fee and commission income	21,210	14,293	4,170	12,875	3,376	-311	55,613
Fee and commission expenses	-2,670	-1,876	-2,036	-1,192	-5,734	311	-13,197
Total	**18,540**	**12,417**	**2,134**	**11,683**	**-2,358**	**0**	**42,416**

2022 financial year

kEUR	Corporate	Retail	Capital market and treasury	Equity investments	Other	Reconciliation	Total
Fee and commission income	21,500	13,688	11,081	12,776	5,297	-214	64,128
Fee and commission expenses	-2,154	-1,774	-9,908	-1,434	-6,611	137	-21,744
Total	**19,346**	**11,914**	**1,173**	**11,342**	**-1,314**	**-77**	**42,384**

5. Profit/loss from hedge accounting

kEUR	2023	2022
Revaluation gains/losses from micro fair value hedges	**2,645**	**-3,370**
Revaluation gains/losses on hedged items in micro fair value hedges	-73,401	328,336
Revaluation gains/losses on hedging instruments in micro fair value hedges	76,046	-331,706
Revaluation gains/losses from portfolio fair value hedges	**382**	**-3,218**
Revaluation gains/losses on hedged items in portfolio fair value hedges	58,551	-219,729
Revaluation gains/losses on hedging instruments in portfolio fair value hedges	-58,169	216,511
Total	**3,027**	**-6,588**

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

Further details on hedge accounting can be found in note 32.

6. Net trading income

kEUR	2023	2022
Net interest income	**21,402**	**25,650**
Bonds	699	865
Derivative financial instruments	20,703	24,785
Remeasurement gains and losses	**-8,061**	**-26,477**
Bonds	102	-48
Derivative financial instruments	-11,105	-31,603
Other contracts	2,942	5,174
Gains and losses from disposals	**279**	**-3,046**
Bonds	279	-3,046
Total	**13,620**	**-3,873**

In the 2023 financial year, net foreign exchange gains/losses included in net trading income totalled kEUR 2.308 (previous year: kEUR 4.432 and are disclosed in remeasurement gains and losses under “Other contracts”.

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

kEUR	2023	2022
Net income from financial instruments – FVO	**-3,871**	**-1,360**
Gains and losses from disposals	**-121**	**3,091**
Liabilities evidenced by certificates	-121	3,091
Remeasurement gains and losses	**-3,750**	**-4,451**
Deposits/borrowed funds	-6,556	32,543
Liabilities evidenced by certificates	-3,956	20,234
Derivative financial instruments	6,762	-57,228
Net income from financial instruments – FVPL-M	**1,050**	**-5,259**
Gains and losses from disposals	**-19**	**-143**
Bonds	-19	-143
Remeasurement gains and losses	**1,069**	**-5,116**
Bonds	484	-2,137
Other variable-yield securities	706	-1,519
Loans and receivables	-121	-1,460
Total	**-2,821**	**-6,619**

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

kEUR	2023	2022
Gain/loss from the disposal of financial assets – AC	**6,319**	**4,811**
Bonds	**381**	**88**
Gains from derecognition	448	117
Losses from derecognition	-67	-29
Loans and receivables	**5,938**	**4,723**
Gains from derecognition	6,157	4,887
Losses from derecognition	-219	-164
Gain/loss from the disposal of financial assets – FVOCI	**-134**	**-1,834**
Bonds	-134	-1,834
Gain/loss from the disposal of financial liabilities – AC	**-1,479**	**-935**
from liabilities to banks	-29	0
from liabilities to customers	-2,373	-1,118
Liabilities evidenced by certificates	923	183
Total	**4,706**	**2,042**

The gain/loss from the disposal of financial assets measured at AC consists mainly of gains on the reversal of basis adjustments resulting from the early disposal of underlying transactions in the asset portfolio that were designated as portfolio fair value hedges.

The gain/loss from the disposal of financial liabilities measured at AC relates to gains from the redemption of issued securities as well as expenses from the reversal of basis adjustments resulting from the early disposal of underlying transactions in the liabilities portfolio that were designated as portfolio fair value hedges.

9. Other net operating income

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

kEUR	2023	2022
Other operating income	**61,263**	**44,131**
Profit from the disposal of property, plant and equipment and of intangible assets	0	55
Income from investment properties	2,702	1,487
Other operating income	58,561	42,589
Other operating expenses	**-24,788**	**-15,461**
Loss from the disposal of property, plant and equipment and of intangible assets	-17	0
Expenses from investment properties	-275	-167
Differences arising from changes in the scope of consolidation	-153	0
Other taxes	-3,161	-3,646
Contributions to protection schemes	-8,359	-7,838
Other operating expenses	-12,823	-3,810
Total	**36,475**	**28,670**

The increase in other operating income was due partly to an increase in income from leasing subsidiaries and partly to the sale of the data centre (Raiffeisen Informatik Center Steiermark GmbH and Raiffeisen Rechenzentrum GmbH) in the previous year. Whereas in the previous year the other operating income attributable to the Group's own data centre (until 30 September 2022) was shown under profit/loss from discontinued operations, since the sale of Raiffeisen Informatik Center Steiermark GmbH the services now provided directly by RLB Steiermark are shown under this item.

Other taxes mainly include the expense for the stability fee in the amount of kEUR 3,186 (previous year: kEUR 3,624).

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

ESAEG requires each protection scheme to establish a deposit protection fund that must be funded (via an annual contribution payable by the member institutions) with a statutory minimum of 0.8 % of the total covered deposits of the member institution. The role of the protection scheme for the Raiffeisen Banking Group Austria has been assumed by Österreichische Raiffeisen-Sicherungseinrichtung eGen as of 29 November 2021.

To ensure adequate funding of the statutory deposit protection scheme (by establishing an ex-ante fund as defined by Section 13 ESAEG), credit institutions are required to make annual contributions pursuant to Section 21 ESAEG. The contribution amount stipulated by Section 23 ESAEG is determined on the basis of the institution's covered deposits and the risk profile to which it is exposed.

Additionally, the protection scheme can levy special contributions up to a maximum of 0.5 % of the total of the covered deposits held by the member institutions each calendar year. In individual cases, that threshold may be exceeded with approval from the Austrian Financial Market Authority (FMA). The special contribution amount is determined according to Section 22 ESAEG relative to the most recent annual contribution of Raiffeisen-Landesbank Steiermark AG as a proportion of the total of the most recent annual contributions of all members of the protection scheme.

For the 2023financial year, the RLB Steiermark Group made a contribution of kEUR 2,570 (previous year: kEUR 2,185). Payment obligations pursuant to Section 7 (1) (13) ESAEG were not applied.

In the event that compensation is paid out for secured investment services as defined by Section 49 ESAEG (investor compensation), the contribution of each individual institution per financial year amounts to a maximum of 1.5 % of the assessment base pursuant to Art. 92 (3) (a) of the EU Capital Requirements Regulation (CRR), plus 12.5 times the minimum capital requirement for the position risk pursuant to Part 3 Title IV Chapter 2 CRR. For Raiffeisen-Landesbank Steiermark AG, this amount is kEUR 164,129 (previous year: kEUR 166,249). In the 2023 financial year, no investor compensation was paid.

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

To ensure adequate funding of the statutory resolution financing arrangement (by establishing an ex-ante fund as defined by Section 123 BaSAG), banks are required to make regular contributions pursuant to Section 123a BaSAG. As stipulated by Article 70 of Regulation (EU) 806/2014, the amount of those contributions is calculated as a ratio of the institution’s liabilities, less its secured deposits, to the aggregate liabilities, less the secured deposits of all institutions authorised in Austria. Furthermore, these contributions must be weighted according to the respective institution’s risk profile. In the 2023financial year, the RLB Steiermark Group contributed an amount of kEUR 5,789 (previous year: kEUR 5,653). No irrevocable payment commitments were used.

Additionally, when required, the resolution authority can levy extraordinary ex-post contributions pursuant to Article 71 of Regulation (EU) 806/2014. The amount of such contributions is calculated according to the rules for ordinary contributions as defined by Articles 69 and 70 of Regulation (EU) 806/2014 and may not exceed three times the annual amount of ordinary contributions.

10. Administrative expenses

Administrative expenses break down as follows:

kEUR	2023	2022
Staff expenses	**-96,618**	**-87,132**
Wages and salaries	-71,999	-65,079
Social security costs	-17,359	-15,577
Voluntary social benefits	-2,469	-1,920
Expenses for severance payments and pensions	-4,791	-4,556
Other administrative expenses	**-57,271**	**-43,825**
IT expenses	-20,572	-13,343
Maintenance costs	-3,584	-4,448
Operating expenses associated with business premises	-4,260	-3,646
Legal and consultancy fees	-12,322	-6,503
Advertising and entertainment expenses	-5,409	-3,959
Staff training expenses	-1,172	-928
Office costs	-2,936	-3,336
Vehicle costs	-536	-397
Other administrative expenses	-6,480	-7,265
Depreciation	**-7,970**	**-7,929**
Property, plant and equipment	-6,034	-5,847
Intangible assets	-804	-991
Investment properties	-1,132	-1,091
Total	**-161,859**	**-138,886**

The increase in personnel expenses is mainly attributable to higher expenses for wages and salaries as a result of an increase in the number of employees and collective bargaining adjustments, which were significantly higher than in previous years. With regard to the change in the number of employees, see also note 56.

Personnel expenses include the following expenses from defined contribution plans:

kEUR	2023	2022
Expenditure on defined contribution plans	2,715	2,488
Of which on the pension fund	2,123	2,005
Of which on the staff benefit fund (Mitarbeitervorsorgekasse)	592	483

The increase in IT expenses was mainly due to the sale of the data centre (Raiffeisen Informatik Center Steiermark GmbH and Raiffeisen Rechenzentrum GmbH) in the previous year. Whereas in the previous year the expenses attributable to the Group's own data centre (until

30 September 2022) were reported under profit/loss from discontinued operations, since the sale of Raiffeisen Informatik Center Steiermark GmbH the IT services are purchased via a company outside the Group.

11. Revaluation gains/losses on investments in associates valued at equity

kEUR	2023	2022
Revaluation gains/losses on investments in associates valued at equity	71,441	-379,456

The revaluation gains/losses on investments in associates valued at equity includes only the impairment reversals (previous year: impairment) on the investment in Raiffeisen Bank International AG (RBI).

Additional details can be found in note 21, “Investments in associates valued at equity”.

12. Impairment of financial assets

kEUR	2023	2022
Financial assets – FVOCI	**33**	**202**
Allocation	-29	-35
Reversal	62	237
Financial assets – AC	**-58,956**	**-16,721**
Allocation	-101,546	-51,932
Reversal	42,186	34,499
Direct write-offs	-150	-63
Recoveries of financial assets previously written off	535	773
Other adjustments	19	2
Off-balance sheet transactions	**-2,826**	**-478**
Allocation	-18,047	-14,297
Reversal	15,221	13,819
Total	**-61,749**	**-16,997**

The change in the result in the area of impairments is due on the one hand to the (net) allocation of impairment allowances for defaulted exposures (stage 3) at EUR 72.6 million (previous year: (net) allocation of EUR 22.0 million) and on the other hand to the (net) reversal of portfolio-based provisions for impairment losses (stage 1 and 2 impairments) in the amount of EUR 10.4 million (previous year: (net) reversal of EUR 4.3 million). This includes changes to the post model adjustment (PMA), which was applied due to the current stress factors. In the 2023 financial year, this led to additional impairment allowances in stages 1 and 2 totalling EUR 14.5 million (previous year: EUR 21.1 million).

For more detailed information on the impairment of financial assets, see note 15, “Cash, balances at central banks and demand deposits”, note 16 “Financial assets – amortised cost (AC)”, note 17 “Financial assets – fair value OCI (FVOCI)” and note 28 “Provisions”, as well as the chapter “Risk report”.

The item “Other adjustments” includes gains and losses from credit risk-induced modifications of contracts for financial instruments in the amount of kEUR 47 (previous year: kEUR 5) and kEUR -27 (previous year: kEUR -3).

13. Income taxes

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

kEUR	2023	2022
Current income taxes	-7,757	-1,406
Deferred taxes	-3,426	-11,653
Total	**-11,183**	**-13,059**

For detailed information on deferred taxes, see note 29, “Current and deferred income tax assets and liabilities”.

The following reconciliation shows the relationship between consolidated net profit and actual tax burden:

kEUR	2023	2022
Consolidated profit/loss before taxes	**356,262**	**92,629**
Theoretical income tax expense in the financial year, based on the domestic income tax rate of 24 % (previous year: 25 %)	-85,503	-23,157
Associates valued at equity	71,571	-6,925
Reduction in tax burden due to tax-exempt income from equity investments and other income	2,557	16,773
Increase in tax burden due to expenses not deductible for tax purposes	-2,153	-1,738
Reduction of current tax expense due to changes in realisability of loss carryforwards and impairments to equity investments	2,331	893
Change in deferred taxes due to a temporary difference not previously recognised	0	31
Deferred tax liability resulting from the depreciation of a deferred tax asset / reversal of an earlier depreciation of a deferred tax asset	116	119
Impact of the change in the corporate income tax rate on current taxes	28	0
Impact of the change in the corporate income tax rate on deferred taxes	169	900
Deconsolidation effects	-37	-230
Income taxes relating to other periods	290	477
Other adjustments	-552	-202
Actual tax burden	**-11,183**	**-13,059**
Tax rate (%)	-3.14 %	-14.10 %

14. Profit/loss from discontinued operations

The line items of the statement of profit or loss of the operations discontinued in the previous year are presented below:

Statement of profit or loss

kEUR	2022
Other operating income	33,220
Other operating expenses	-8,270
Other net operating income	**24,950**
Operating income	**24,950**
Staff expenses	-5,870
Other administrative expenses	-17,496
Depreciation	-2,681
Administrative expenses	**-26,047**
Profit before taxes	**-1,097**
Income taxes	-80
Result	**-1,177**

In the previous year, the profit/loss from discontinued operations included the result of the deconsolidation of Raiffeisen Informatik Center Steiermark GmbH and Raiffeisen Rechenzentrum GmbH.

The statement of cash flows from operations discontinued in the previous year is shown below:

kEUR	2022
Cash flow from operating activities	17,674
Cash flow from investing activities	-1,038
Cash flow from financing activities	-9,411
Cash flow for the financial year	**7,225**

NOTES TO THE STATEMENT OF FINANCIAL POSITION

15. Cash, balances at central banks and demand deposits

kEUR	2023	2022
Cash on hand	12,244	12,542
Balances at central banks	1,963,067	1,509,556
Demand deposits	1,300,631	1,723,791
Total	**3,275,942**	**3,245,889**

As of 31 December 2023, balances at central banks and demand deposits (with banks) were adjusted for impairment charges in the amount of kEUR 37 (previous year: kEUR 49).

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

16. Financial assets – amortised cost (AC)

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

	2023			2022		
kEUR	Carrying amount before impairment	Accumulated impairment	Carrying amount	Carrying amount before impairment	Accumulated impairment	Carrying amount
Bonds	**1,724,727**	**-471**	**1,724,256**	**1,822,971**	**-384**	**1,822,587**
Public sector	323,921	-20	323,901	424,269	-19	424,250
Banks	1,353,809	-389	1,353,420	1,327,872	-268	1,327,604
Other financial enterprises	11,954	-2	11,952	34,481	-6	34,475
Non-financial enterprises	35,043	-60	34,983	36,349	-91	36,258
Loans and receivables	**9,609,873**	**-178,052**	**9,431,821**	**9,895,494**	**-166,676**	**9,728,818**
Public sector	204,084	-21	204,063	232,536	-17	232,519
Banks	1,236,579	-96	1,236,483	1,535,332	-109	1,535,223
Other financial enterprises	286,868	-1,394	285,474	404,415	-12,660	391,755
Non-financial enterprises	6,480,046	-133,862	6,346,184	6,268,562	-109,303	6,159,259
Households	1,402,296	-42,679	1,359,617	1,454,649	-44,587	1,410,062
Lease receivables	**136,894**	**-1,503**	**135,391**	**126,594**	**-1,106**	**125,488**
Public sector	2,322	-2	2,320	2,628	-2	2,626
Other financial enterprises	0	0	0	1,862	-118	1,744
Non-financial enterprises	134,380	-1,499	132,881	121,902	-983	120,919
Households	192	-2	190	202	-3	199
Total	**11,471,494**	**-180,026**	**11,291,468**	**11,845,059**	**-168,166**	**11,676,893**

Of the bonds included in this category, listed instruments account for kEUR 1,516,684 (prior to impairment) (previous year: kEUR 1,653,228), and non-listed instruments for kEUR 208,043 (prior to impairment) (previous year: kEUR 169,743).

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

Bonds

	Gross carrying amounts 2023				Gross carrying amounts 2022			
kEUR	Stage 1	Stage 2	Stage 3	Balance	Stage 1	Stage 2	Stage 3	Balance
Status as at 1 January	**1,815,567**	**7,404**	**0**	**1,822,971**	**1,713,677**	**2,540**	**0**	**1,716,217**
Change due to transfers	0	0	0	0	-5,366	5,366	0	0
- Transfers to stage 1	0	0	0	0	0	0	0	0
- Transfers to stage 2	0	0	0	0	-5,366	5,366	0	0
- Transfers to stage 3	0	0	0	0	0	0	0	0
Change due to new business activity	264,130	0	0	264,130	293,324	0	0	293,324
Change due to disposals	-397,287	-2,540	0	-399,827	-98,727	0	0	-98,727
Depreciation	0	0	0	0	0	0	0	0
Existing business activity/other changes	37,349	104	0	37,453	-87,341	-502	0	-87,843
Status as at 31 December	**1,719,759**	**4,968**	**0**	**1,724,727**	**1,815,567**	**7,404**	**0**	**1,822,971**

	Impairments 2023				Impairments 2022			
kEUR	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Status as at 1 January	**308**	**76**	**0**	**384**	**520**	**0**	**0**	**520**
Transfers	0	0	0	0	-9	9	0	0
New business activity	86	0	0	86	59	0	0	59
Disposals	-25	0	0	-25	-29	0	0	-29
Existing business activity/other changes	53	-27	0	26	-233	67	0	-166
Status as at 31 December	**422**	**49**	**0**	**471**	**308**	**76**	**0**	**384**

Loans and receivables

	Gross carrying amounts 2023				Gross carrying amounts 2022			
kEUR	Stage 1	Stage 2	Stage 3	Balance	Stage 1	Stage 2	Stage 3	Balance
Status as at 1 January	**2,796,607**	**6,796,192**	**302,695**	**9,895,494**	**3,433,512**	**5,243,482**	**200,146**	**8,877,140**
Change due to transfers	-411,649	228,409	183,240	0	-909,329	790,848	118,481	0
- Transfers to stage 1	239,966	-239,959	-7	0	425,799	-425,139	-660	0
- Transfers to stage 2	-635,409	638,213	-2,804	0	-1,321,639	1,322,476	-837	0
- Transfers to stage 3	-16,206	-169,845	186,051	0	-13,489	-106,489	119,978	0
Change due to non-substantial modification	-2,154	2,033	0	-121	339	1,802	0	2,141
Change due to new business activity	667,569	887,004	7,364	1,561,937	1,028,918	1,460,032	14,122	2,503,072
Change due to disposals	-991,852	-531,679	-33,867	-1,557,398	-645,322	-590,921	-10,640	-1,246,883
Depreciation	0	0	-40,936	-40,936	0	0	-3,830	-3,830
Existing business activity/other changes	-85,043	-166,505	2,445	-249,103	-111,511	-109,051	-15,584	-236,146
Status as at 31 December	**1,973,478**	**7,215,454**	**420,941**	**9,609,873**	**2,796,607**	**6,796,192**	**302,695**	**9,895,494**

	Impairments 2023				Impairments 2022			
kEUR	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Status as at 1 January	**1,701**	**27,797**	**137,178**	**166,676**	**2,639**	**26,958**	**124,766**	**154,363**
Transfers	-345	345	0	0	-620	620	0	0
New business activity	218	2,294	4,901	7,413	1,099	9,366	6,037	16,502
Disposals	-279	-4,062	-53,096	-57,437	-244	-2,832	-7,104	-10,180
Existing business activity/other changes	-712	-3,163	106,061	102,186	-1,173	-6,315	17,246	9,758
Utilisation	0	0	-40,786	-40,786	0	0	-3,767	-3,767
Status as at 31 December	**583**	**23,211**	**154,258**	**178,052**	**1,701**	**27,797**	**137,178**	**166,676**

Interest income from impaired financial assets for all debt instruments is included in other changes and came in at kEUR 6,728 for the reporting period (previous year: kEUR 1,871).

Of the financial assets written off during the reporting period, a contractually outstanding amount of kEUR 40,545 remains subject to enforcement measures as of the reporting date (previous year: kEUR 3,058).

Lease receivables

kEUR	Gross carrying amounts 2023				Gross carrying amounts 2022			
	Stage 1	Stage 2	Stage 3	Balance	Stage 1	Stage 2	Stage 3	Balance
Status as at 1 January	**0**	**126,594**	**0**	**126,594**	**0**	**118,503**	**0**	**118,503**
Change due to transfers	0	-40	40	0	0	0	0	0
- Transfers to stage 1	0	0	0	0	0	0	0	0
- Transfers to stage 2	0	0	0	0	0	0	0	0
- Transfers to stage 3	0	-40	40	0	0	0	0	0
Change due to new business activity	0	29,139	3	29,142	0	51,857	0	51,857
Change due to disposals	0	-14,462	0	-14,462	0	-32,189	0	-32,189
Depreciation	0	0	0	0	0	0	0	0
Existing business activity/other changes	0	-4,372	-8	-4,380	0	-11,577	0	-11,577
Status as at 31 December	**0**	**136,859**	**35**	**136,894**	**0**	**126,594**	**0**	**126,594**

kEUR	Impairments 2023				Impairments 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Status as at 1 January	**0**	**1,106**	**0**	**1,106**	**0**	**1,410**	**0**	**1,410**
New business activity	0	1,372	0	1,372	0	688	0	682
Disposals	0	-38	0	-38	0	-225	0	-225
Existing business activity/other changes	0	-970	33	-937	0	-764	0	-764
Status as at 31 December	**0**	**1,470**	**33**	**1,503**	**0**	**1,106**	**0**	**1,106**

17. Financial assets – fair value OCI (FVOCI)

kEUR	2023	2022
Debt instruments	**447,755**	**540,697**
Bonds	**447,755**	**540,697**
Public sector	32,983	30,990
Banks	373,508	452,004
Other financial enterprises	41,264	57,703
Equity instruments	**119,602**	**110,506**
Public sector	130	120
Banks	1,875	1,404
Other financial enterprises	48,607	27,317
Non-financial enterprises	68,990	81,665
Total	**567,357**	**651,203**

Both in the current year and in the previous year, the bonds relate entirely to listed securities.

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

	Gross carrying amounts 2023				Gross carrying amounts 2022			
kEUR	Stage 1	Stage 2	Stage 3	Balance	Stage 1	Stage 2	Stage 3	Balance
Status as at 1 January	**562,044**	**0**	**0**	**562,044**	**849,569**	**0**	**0**	**849,569**
Change due to transfers	-3,039	3,039	0	0	0	0	0	0
- Transfers to stage 1	0	0	0	0	0	0	0	0
- Transfers to stage 2	-3,039	3,039	0	0	0	0	0	0
- Transfers to stage 3	0	0	0	0	0	0	0	0
Change due to new business activity	32,858	0	0	32,858	68,802	0	0	68,802
Change due to disposals	-141,508	-3,039	0	-144,547	-335,369	0	0	-335,369
Depreciation	0	0	0	0	0	0	0	0
Existing business activity/other changes	10,317	0	0	10,317	-20,958	0	0	-20,958
Status as at 31 December	**460,672**	**0**	**0**	**460,672**	**562,044**	**0**	**0**	**562,044**

kEUR	Impairments 2023				Impairments 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Status as at 1 January	**128**	**0**	**0**	**128**	**330**	**0**	**0**	**330**
Transfers	-4	4	0	0	0	0	0	0
New business activity	8	0	0	8	19	0	0	19
Disposals	-16	-4	0	-20	-78	0	0	-78
Existing business activity/other changes	-21	0	0	-21	-143	0	0	-143
Status as at 31 December	**95**	**0**	**0**	**95**	**128**	**0**	**0**	**128**

The investments in equity instruments measured at FVOCI break down as follows:

kEUR	2023	2022
Liegenschaftsverwaltung Radmer-Frohnleiten GmbH	15,859	15,725
RAITEC GmbH	13,663	12,370
Speedinvest III EuVECA GmbH & Co KG	13,040	13,020
RVS Raiffeisen Vertrieb und Service GmbH	10,308	10,900
TSI-Terminal und Software Installationen GmbH	9,104	9,100
Other companies	57,628	49,391
Total	**119,602**	**110,506**

18. Financial assets – held for trading (HFT)

kEUR	2023	2022
Debt instruments	**16,305**	**12,947**
Bonds	**16,305**	**12,947**
Banks	14,455	4,556
Other financial enterprises	1,850	8,391
Derivatives (positive fair values)	**319,215**	**411,011**
Positive fair values from derivatives held for trading	**105,015**	**147,189**
From interest rate derivatives	102,169	135,298
From currency derivatives	2,846	11,891
Positive fair values from derivatives held for hedging purposes (economic hedges)	**214,200**	**263,822**
From interest rate derivatives	214,180	254,029
From currency derivatives	20	9,793
Total	**335,520**	**423,958**

Of the bonds included in this category, listed instruments account for kEUR 14,455 (previous year: kEUR 1,948), and non-listed instruments for kEUR 1,850 (previous year: kEUR 10,999).

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

kEUR	2023	2022
Debt instruments	**53,487**	**55,336**
Bonds	**18,316**	**17,155**
Public sector	4,365	4,918
Other financial enterprises	13,951	12,237
Loans and receivables	**35,171**	**38,181**
Public sector	87	204
Non-financial enterprises	32,866	35,228
Households	2,218	2,749
Other variable-yield securities	**22,145**	**20,390**
Total	**75,632**	**75,726**

As in the previous year, both bonds - FVPL-M and other variable-yield securities consist entirely of non-listed securities.

Other variable-yield securities include shares in investment funds and hybrid financial instruments.

20. Derivatives - hedge accounting (positive fair values)

kEUR	2023	2022
Positive fair values (dirty price) from interest rate contracts	**319,842**	**400,935**
Micro fair value hedges	132,331	142,912
Portfolio fair value hedges	187,511	258,023

Further details on hedge accounting can be found in note 32.

21. Investments in associates valued at equity

kEUR	2023	2022
Banks	975,796	806,505

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

RBI considers Austria, where it is a leading commercial and investment bank, as well as Central and Eastern Europe (CEE) its home market. 12 markets in the region are covered by subsidiary banks. Additionally, the Group includes numerous other companies that provide services in sectors such as leasing, asset management, factoring and M&A. A total of more than 45,000 RBI employees serve 18.6 million customers in more than 1,500 business outlets, most of them in the CEE region.

The difficult conditions in Ukraine, Russia and Belarus remained a particular challenge for RBI in the 2023 financial year. Nevertheless, the Group achieved a net profit of EUR 2,386 million. Excluding Russia and Belarus, profit came in at EUR 997 million. The business activities of Raiffeisenbank Russia (AO Raiffeisenbank) continued to be significantly reduced in the 2023 financial year. Since the start of the war, for example, lending operations have fallen by 43 percent. In addition, the payment transfer service business was significantly reduced, as reflected in the decline in net commission income, which fell by 43 percent year-on-year. The following amounts and key figures for RBI refer to the entire RBI Group (including Russia and Belarus), unless otherwise stated. Net interest income increased by EUR 631 million to EUR 5,683 million due to the favourable interest rate environment. RBI's core income (net interest income and net fee and commission income) fell by EUR 206 million to EUR 8,725 million; excluding Russia and Belarus, there would have been an increase of EUR 868 million. Administrative expenses rose by EUR 355 million year-on-year to EUR 3,908 million, primarily due to additional investments and inflation. The devaluation of the average exchange rates of the Russian rouble and the Ukrainian hryvnia also had a negative impact on the Group's results. Expenses for impairment allowances of EUR 393 million were significantly lower than in the previous year (EUR 949 million). Expenses for credit-related litigation and loan cancellations in Poland, which rose by EUR 368 million to EUR 873 million, had a significant negative impact on earnings. The NPE ratio increased by 0.3 percentage points to 1.9 %, while the NPE coverage ratio decreased to 51.7 % from 59.0 % last year.

Total capital increased by EUR 466 million year-on-year to EUR 20,168 million, while risk-weighted assets (total RWA) decreased by EUR 4,016 million compared to the end of 2022 to EUR 93,664 million. This resulted in a total capital ratio (transitional) of 21 %. The CET 1 ratio (transitional) was 17.3 % and the core capital ratio (transitional) was 19.1 %.

In 2023, RBI continued to work on the spin-off or sale of Raiffeisenbank in Russia. Both variants require a large number of approvals from various Russian and European authorities and the respective central banks. However, no decisions had been made in this regard at the time of preparation of this Annual Financial Report, and these scenarios have not been included in the calculation of the value in use as at 31 December 2023.

In December 2023, the acquisition of shares in STRABAG SE and the distribution of a possible dividend in kind were also announced. Furthermore, the potential withdrawal from the Belarusian market was announced in February 2024. In the opinion of RLB Steiermark, the latter two issues represent events after the balance sheet date (see note 62 “Events after the balance sheet date”) and were not taken into account in determining the value in use as at 31 December 2023.

As the stock market value was significantly below the amortised at-equity carrying amount, the investment in RBI was subjected to an impairment test as of the reporting date. The value in use was taken as the recoverable amount, being the higher of value in use and fair value less costs to sell. The value in use is determined on the basis of an external valuation of the business. This was subject to increased uncertainty due to macroeconomic developments and the war in Ukraine, the impact of which was analysed on a case-by-case basis during the valuation process. The value of the company was calculated based on the cash flows to be expected (dividend discount model) of the companies within the Group, taking into account the adjustments required for the purpose of calculating the value in use. The cash flows were determined on the basis of the five-year plan valid at the time of the impairment test and approved by the Supervisory Board of RBI.

In order to take into account the effects of the war in Russia and Ukraine, the subsidiary bank in Russia was valued separately from the rest of the RBI Group when determining the value in use in accordance with RBI’s dual management approach. Accordingly, the RBI Group’s total value consists of the enterprise value for RBI’s core business (RBI Group excl. Russia) on the one hand and the enterprise value of the subsidiary bank in Russia on the other. In accordance with IAS 36, the effects of the acquisition of the shares in STRABAG SE and the distribution of the subsequent potential dividend in kind were not included in the determination of the value in use, as not all conditions for the completion of the acquisition had been met at the balance sheet date. Possible spin-off and sale options with respect to the Russian subsidiary were also excluded from the valuation.

RLB Steiermark analysed the planning assumptions in detail and made more conservative assumptions regarding the Russian business and the development of the core business than RBI’s management and the calculated enterprise value. As part of the valuation, three scenarios (low, mid and high case) were calculated for both value components (RBI Group excl. Russia and network bank Russia), whereby the enterprise value determined on the basis of the mid-case scenario after the described adjustments was used as the expected value and hence as the value in use. The valuation of the Russian network bank also took into account possible scenarios depending on the further development of the war between Ukraine and Russia – ranging from pacification to further escalation – with corresponding probabilities of occurrence and the current restrictions on distributions.

A risk-adequate capitalisation interest rate was used to discount the cash flows that can be achieved with the object of the valuation. A capital cost rate after tax of 11.69 % was used to value the RBI Group excl. Russia (previous year: 11.95 %), and a capital cost rate after tax of 10.66 % was used to value the subsidiary bank in Russia (previous year: 19.19 %). In contrast to the previous year, due to the current capital market situation in Russia, the country-specific risk in the valuation of the Russian unit has been taken into account through cash flow scenarios, which is why the reported capital cost rate is not directly comparable with the previous year. The sustainable growth rate for both value components (RBI core business and network bank Russia) was set at 2.00 % (previous year: 2.00 %). As in the previous year, the beta factor for the core business was derived from a peer group of banks with a risk profile comparable to that of RBI with a business focus on Central and Eastern Europe, but without a significant exposure to Russia. The beta factor for the valuation of the Russian network bank was determined from a peer group of Eastern European local banks.

Due to the positive earnings expectations and market development in RBI’s core markets, the value in use improved year-on-year to EUR 29.80 per share (previous year: EUR 24.63 per share). After assumption of the pro rata share of the consolidated comprehensive income in the amount of kEUR 124,323 (previous year: kEUR 318,704) and consideration of other changes in capital, the write-up of the carrying amount of investments amounted to kEUR 71,441 (previous year: impairment of kEUR 379,456), resulting in an at-equity carrying amount of kEUR 975,796 as of 31 December 2023 (previous year: kEUR 806,505).

A change in the cost of capital of plus 100 basis points would result in a decrease in the proportionate enterprise value of approximately EUR 88 million or 9.03 % (previous year: approximately EUR 90 million or 11.18 %), while a change in the cost of capital of minus 100 basis points would result in an increase of approximately EUR 105 million or 10.81 % (previous year: approximately EUR 111 million or 13.71 %).

The shares of RBI are traded on a regulated market (prime market of the Vienna Stock Exchange) pursuant to Section 1 (2) of the Austrian Stock Exchange Act (BorseG). The fair value less costs to sell was determined on the basis of RBI’s stock market price on the Vienna Stock Exchange at the amount of EUR 18.67 per share as at 31 December 2023 (previous year: EUR 15.35). On this basis, the fair value of the investment in RBI is kEUR 611,346 (previous year: kEUR 502,633).

The summarised financial information of RBI and the reconciliation of the equity carrying amount are presented below:

kEUR	2023	2022
Net interest income	5,683,267	5,052,673
Profit/loss after taxes from continuing operations	2,578,243	3,344,191
Profit/loss from discontinued operations	0	452,906
Other comprehensive income	-1,060,066	-355,715
Consolidated comprehensive income	**1,518,177**	**3,441,382**

kEUR	2023	2022
Financial assets	198,240,709	207,057,453
Liabilities	178,391,304	188,293,124
Equity	**19,849,405**	**18,764,329**

Reconciliation to carrying amounts of associate valued at equity

kEUR	2023	2022
Consolidated equity Raiffeisen Zentralbank Österreich AG as at 31 December	19,849,405	18,764,329
Equity attributable to non-controlling interests*)	2,844,216	2,742,095
Consolidated equity attributable to the shareholders of Raiffeisen Bank International AG	**17,005,189**	**16,022,234**
Equity attributable to the RLB Steiermark Group as at 31 December	1,692,815	1,594,965
Goodwill	7,415	7,415
Impairment of goodwill as at 1 January	-7,415	-7,415
Impairment without amortised goodwill as at 1 January	-782,779	-403,323
Reversal of impairment/impairment – current period	71,441	-379,456
Elimination of intragroup gains/losses pursuant to IAS 28.28	-5,681	-5,681
Investments in associates valued at equity as at 31 December	**975,796**	**806,505**

*) Includes the additional core capital (additional tier 1 capital, AT 1) pursuant to the statement of changes in equity of RBI as well as the accrued proportionate interest

22. Intangible assets, property, plant and equipment, and investment properties

2023 financial year	Historical cost of acquisition/production									Depreciation	Carrying amounts	
kEUR	Status as a1 1 January	Additions	Disposals	Transfers	Status as at 31 December	Accumulated as at 1 January	Additions	Disposals	Transfers	Status as at 31 December	Status as at 31 December	Status as a1 1 January
Intangible assets	**13,318**	**497**	**-2**	**0**	**13,813**	**11,327**	**804**	**-2**	**0**	**12,129**	**1,684**	**1,991**
Property, plant and equipment	**178,838**	**7,333**	**-4,692**	**-5,583**	**175,896**	**68,014**	**6,034**	**-4,166**	**-4,684**	**65,199**	**110,697**	**110,823**
Land and buildings used by the Group for its own operations	132,488	1,285	-1,945	-5,704	126,124	37,546	2,596	-1,946	-4,833	33,363	92,761	94,942
Other land and buildings	2,535	202	0	121	2,858	979	38	0	149	1,166	1,692	1,556
Office furniture and equipment, other property, plant and equipment	33,739	3,261	-1,643	0	35,357	26,094	2,217	-1,618	0	26,693	8,664	7,645
Rights of use	10,076	2,585	-1,104	0	11,557	3,395	1,183	-602	0	3,977	7,580	6,680
Investment properties	**30,181**	**5,480**	**0**	**5,583**	**41,244**	**12,342**	**1,132**	**0**	**4,684**	**18,158**	**23,086**	**17,841**
Land and buildings	27,294	5,440	0	5,583	38,317	10,924	789	0	4,684	16,397	21,920	16,372
Rights of use	2,887	40	0	0	2,927	1,418	343	0	0	1,761	1,166	1,469
Total	**222,337**	**13,310**	**-4,694**	**0**	**230,953**	**91,683**	**7,970**	**-4,168**	**0**	**95,486**	**135,467**	**130,655**

2022 financial year	Historical cost of acquisition/production									Depreciation	Carrying amounts	
kEUR	Status as a1 1 January	Additions	Disposals	Transfers	Status as at 31 December	Accumulated as at 1 January	Additions	Disposals	Transfers	Status as at 31 December	Status as at 31 December	Status as a1 1 January
Intangible assets	**77,590**	**787**	**-65,059**	**0**	**13,318**	**67,505**	**991**	**-57,169**	**0**	**11,327**	**1,991**	**10,085**
Property, plant and equipment	**220,535**	**9,861**	**-37,603**	**-13,956**	**178,837**	**95,561**	**5,850**	**-28,455**	**-4,942**	**68,014**	**110,823**	**124,975**
Land and buildings used by the Group for its own operations	146,069	5,348	-5,501	-13,428	132,488	44,172	2,608	-4,482	-4,752	37,546	94,942	101,897
Other land and buildings	3,618	0	-1,076	-7	2,535	1,113	44	-178	0	979	1,556	2,505
Office furniture and equipment, other property, plant and equipment	60,432	3,986	-30,679	0	33,739	47,415	2,127	-23,448	0	26,094	7,645	13,018
Rights of use	10,416	527	-347	-521	10,075	2,861	1,071	-347	-190	3,395	6,680	7,555
Investment properties	**16,793**	**120**	**-688**	**13,956**	**30,181**	**6,486**	**1,091**	**-177**	**4,942**	**12,342**	**17,841**	**10,307**
Land and buildings	14,439	0	-580	13,435	27,294	5,574	690	-92	4,752	10,924	16,372	8,865
Rights of use	2,354	120	-108	521	2,887	912	401	-85	190	1,418	1,469	1,442
Total	**314,918**	**10,768**	**-103,350**	**0**	**222,336**	**169,552**	**7,932**	**-85,801**	**0**	**91,683**	**130,655**	**145,367**

Additions to intangible assets relate to licences and purchased software. The previous year's disposals related to assets of Raiffeisen Informatik Center Steiermark GmbH, which was deconsolidated in the 2022 financial year.

The land and buildings used by the Group for its own operations consist of properties in Graz and Raaba-Grambach. There were no indications of impairment.

The properties recognised as rights of use are the leased banking outlet network of the RLB Steiermark Group in Graz city centre as well as outside Graz. The item also includes the rented vehicles within the Group. Detailed information on this can be found in note 43, "Leasing from the lessee's perspective".

Most of the land and buildings held as financial investments are mixed-use properties. As at the reporting date, the fair value of investment property amounted to kEUR 47,865 (previous year: kEUR 38,329) and is categorised as level 3. Rights of use that are sublet within the Group and are classified as operating leases are reported under the item "Investment properties" in the statement of financial position.

All write-offs are shown under "Administrative expenses" in the statement of profit or loss.

23. Other assets

kEUR	2023	2022
Other tax assets	1,215	7,105
Other assets	282,159	210,006
Accruals and deferred items	1,871	1,848
Other items	280,288	208,158
Total	**283,374**	**217,111**

The increase in other items was mainly due to the change in payment orders in process as of the reporting date.

24. Financial liabilities – amortised cost (AC)

kEUR	2023	2022
Liabilities to banks	**5,813,974**	**7,367,049**
Deposits repayable on demand	3,317,291	3,099,251
Deposits with agreed maturity	1,301,421	1,211,289
Borrowed funds	1,195,262	3,056,509
Liabilities to customers	**3,944,405**	**3,708,933**
Demand deposits	2,318,957	2,279,132
Deposits with agreed maturity/notice period	1,096,742	898,852
Savings deposits	528,706	530,949
Liabilities evidenced by certificates	**4,409,852**	**3,410,325**
Covered bonds	2,865,739	2,161,744
Other liabilities evidenced by certificates	1,544,113	1,248,581
Subordinated liabilities	**72,632**	**72,420**
Supplementary capital	72,632	72,420
Total	**14,240,863**	**14,558,727**

The decrease in liabilities to banks is primarily due to the (partially early) repayment of the ECB's long-term tender (TLTRO III, Targeted Longer-Term Refinancing Operations), of which RLB Steiermark still recognised an amount of EUR 500 million at the end of the year (previous year: EUR 2,500 million).

Liabilities to banks include borrower's notes in the amount of kEUR 25,696 (previous year: kEUR 39,347), with the liabilities to customers these notes amounted to kEUR 195,744 (previous year: kEUR 188.888).

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

kEUR	Cash flow		Non-cash changes		
Carrying amount at 01/01/2023	**Inflows**	**Outflows**	**Measurement**	**Other changes**	**Closing balance at 31/12/2023**
72,420	0	0	255	-43	72,632

The development in the previous year was as follows:

kEUR	Cash flow		Non-cash changes		
Carrying amount at 01/01/2022	Inflows	Outflows	Measurement	Other changes	Closing balance at 31/12/2022
75,089	0	-1,680	-993	4	72,420

Further information on supplementary capital can be found in note 47 “Subordinated liabilities and supplementary capital”.

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

kEUR	2023	2022
Deposits/borrowed funds	**9,758,379**	**11,075,982**
Public sector	764,659	566,697
Central banks	517,196	2,467,423
Banks	5,296,778	4,899,626
Other financial enterprises	504,339	443,717
Non-financial enterprises	1,108,149	1,138,414
Households	1,567,258	1,560,105
Liabilities evidenced by certificates	**4,409,852**	**3,410,325**
Covered bonds	2,865,739	2,161,744
Other liabilities evidenced by certificates	1,544,113	1,248,581
Subordinated liabilities	**72,632**	**72,420**
Supplementary capital	72,632	72,420
Total	**14,240,863**	**14,558,727**

25. Financial liabilities – held for trading (HFT)

kEUR	2023	2022
Negative fair values from derivatives held for trading	**103,027**	**143,131**
From interest rate derivatives	99,726	131,380
From currency derivatives	3,301	11,751
Negative fair values of derivatives held for hedging purposes (economic hedges)	**69,923**	**94,607**
From interest rate derivatives	52,047	77,113
From currency derivatives	17,876	17,494
Total	**172,950**	**237,738**

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

kEUR	2023	2022
Liabilities to customers	**230,036**	**227,481**
Deposits with agreed maturity/notice period	230,036	227,481
Liabilities evidenced by certificates	**122,140**	**145,714**
Covered bonds	54,177	71,963
Other liabilities evidenced by certificates	67,963	73,752
Subordinated liabilities	**14,790**	**14,407**
Bonds issued by the Group	14,790	14,407
Total	**366,966**	**387,602**

Liabilities to customers include borrower's notes in the amount of kEUR 230,036 (previous year: kEUR 207.041).

The decrease in liabilities evidenced by certificates designated as part of the fair value portfolio is exclusively due to scheduled redemptions.

The following tables show the development of subordinated financial liabilities (FVO) included in cash flow from financing activities:

kEUR	Cash flow		Non-cash changes		
Carrying amount at 01/01/2023	Inflows	Outflows	Measurement	Other changes	Closing balance at 31/12/2023
14,407	0	0	-13	396	14,790

The development in the previous year was as follows:

kEUR	Cash flow		Non-cash changes		
Carrying amount at 01/01/2022	Inflows	Outflows	Measurement	Other changes	Closing balance at 31/12/2022
14,371	0	0	-364	400	14,407

Further information on supplementary capital can be found in note 47 “Subordinated liabilities and supplementary capital”.

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

kEUR	2023	2022
Deposits/borrowed funds	**230,036**	**227,481**
Public sector*)	15,098	0
Other financial enterprises	214,938	217,339
Non-financial enterprises	0	10,142
Liabilities evidenced by certificates	**122,140**	**145,714**
Covered bonds	54,177	71,962
Other liabilities evidenced by certificates	67,963	73,752
Subordinated liabilities	**14,790**	**14,407**
Bonds issued by the Group	14,790	14,407
Total	**366,966**	**387,602**

*) Recognised in the previous year with an amount of kEUR 14,460 under “Other financial enterprises”.

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

The cumulative amount of fair value changes attributable to changes in the bank’s own credit risk resulted in an overall decrease (previous year: decrease) in fair value of financial liabilities – designated at fair value P&L (FVO) of kEUR 2,082 (previous year: kEUR 4,668). In the 2023 financial year, a change to the assessment of the probability of default for RLB Steiermark’s own credit risk prompted a fair value increase (previous year: decrease) of kEUR 2,586 (previous year: kEUR 2,928). This change, however, is not recognised through profit or loss, but directly in equity. To determine changes in its own credit risk, the Group primarily uses the default method. The alternative method is used for structured financial liabilities.

The application of the fair value option to financial liabilities results in a carrying amount of kEUR 23,694 (previous year: kEUR 10,811) above the future repayment amount of these liabilities.

27. Derivatives - hedge accounting (negative fair values)

kEUR	2023	2022
Negative fair values (dirty price) from interest rate contracts	**296,858**	**413,142**
Micro fair value hedges	240,044	342,882
Portfolio fair value hedges	56,814	70,260

28. Provisions

kEUR	2023	2022
Long-term employee provisions	**60,077**	**52,493**
Severance payments	27,467	24,999
Pensions	27,635	23,035
Long-service benefits	4,975	4,459
Other provisions	**26,510**	**25,566**
Litigation	898	869
Off-balance sheet transactions	23,504	20,678
Restructuring measures	595	533
Miscellaneous provisions	1,513	3,486
Total	**86,587**	**78,059**

Long-term employee provisions
To calculate the severance benefit obligations and long-service bonuses (completing 25 or 35 years of service), an interest rate of 3.00 % (previous year: 3.60 %) and an average salary increase of 4.50 % (previous year: 4.00 %) were assumed. Additionally, annual fluctuation rates determined individually on the basis of employees' years of service were considered in the calculation.

For the actuarial calculation of pension obligations, an interest rate of 3.10 % (previous year: 3.70 %) was used, and the expected increase in pension benefits was set at 4.00 % (previous year: 3.40 %). For women and men, the calculations were based on a retirement age of 62 years (previous year: 62 years), taking into account the transitional provisions pursuant to the Austrian Budget Accompanying Act 2011 (BBG 2011, Federal Law Gazette No. 111/2010 dated 30.12.2010) and the Federal Constitutional Act on Retirement Ages (BVG Altersgrenzen, Federal Law Gazette No. 832/1992; federal act governing different retirement ages for men and women under social security).

Severance benefit obligations developed as follows:

kEUR	2023	2022
Present value of defined benefit obligations (DBO) at 1 January	24,999	30,633
Transfer amount due to disposals	0	-148
Spin-off / sale	0	-1,588
Service costs	831	980
Interest costs	883	114
Severance benefit payments	-2,425	-2,325
(Gain)/loss on past service cost	64	0
Actuarial gain/loss arising from experience adjustments	1,478	858
Actuarial gain/loss arising from changes in demographic parameters	-126	-21
Actuarial gain/loss arising from changes in financial parameters	1,763	-3,504
Present value of defined benefit obligations (DBO) at 31 December	**27,467**	**24,999**

Post-employment benefit obligations changed as follows:

kEUR	2023	2022
Present value of defined benefit obligations (DBO) at 1 January	28,076	34,359
Interest costs	993	199
Payments to beneficiaries	-2,471	-2,302
Actuarial gain/loss arising from experience adjustments	3,588	1,582
Actuarial gain/loss arising from changes in financial parameters	3,556	-5,762
Present value of defined benefit obligations (DBO) at 31 December	**33,742**	**28,076**

Plan assets changed as follows:

kEUR	2023	2022
Fair value of the plan assets at 1 January	5,041	5,922
Interest income from plan assets	187	34
Contributions to plan assets	1,264	0
Taxes and costs for employer's contributions	-84	0
Retirement benefits paid from plan assets	-558	-516
Actuarial gain/loss arising from experience adjustments	257	-399
Fair value of the plan assets at 31 December	**6,107**	**5,041**

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

kEUR	2023	2022
Present value of defined benefit obligations (DBO) at 31 December	33,742	28,076
Fair value of the plan assets at 31 December	-6,107	-5,041
Net obligations at 31 December	**27,635**	**23,035**

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

The plan assets were structured as follows:

%	2023	2022
Bonds and other fixed-income securities	32.38	25.45
Shares and other variable-yield securities	42.18	43.02
Real estate	5.98	5.70
Other	19.46	25.83
Total	**100.00**	**100.00**

During the reporting year, most of the plan asset instruments were traded on an active market. Around 27 % (previous year: around 26 %) were quoted on an inactive market.

Return on plan assets:

kEUR	2023	2022
Actual return on plan assets	445	-365

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

2023 financial year

	Actuarial interest rate		Trend in salaries/pensions		Discount for employee turnover	
	+ 1.00 %	- 1.00 %	+ 0.50 %	- 0.50 %	+ 0.50 %	- 0.50 %
Severance payments	-5.93 %	6.57 %	3.10 %	-2.97 %	-1.47 %	0.91 %
Pensions	-8.45 %	9.86 %	4.66 %	-4.36 %	-	-

2022 financial year

	Actuarial interest rate		Trend in salaries/pensions		Discount for employee turnover	
	+ 1.00 %	- 1.00 %	+ 0.50 %	- 0.50 %	+ 0.50 %	- 0.50 %
Severance payments	-5.94 %	6.60 %	3.14 %	-3.01 %	-1.39 %	0.43 %
Pensions	-8.03 %	9.32 %	4.47 %	-4.19 %	-	-

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

Average maturities (duration) of defined benefit plans:

	Average maturities (duration)	
	2023	2022
Severance payments	6 years	6 years
Pensions	9 years	9 years

Other provisions

2023 financial year

kEUR	Status as a1 1 January	Addition	Reversal	Utilisation	Interest rate effects	Status as at 31 December
Litigation	869	134	-49	-56	0	898
Off-balance sheet transactions	20,678	18,047	-15,221	0	0	23,504
Restructuring measures	533	325	0	-263	0	595
Miscellaneous provisions	3,486	403	-1,124	-1,258	6	1,513
Total	**25,566**	**18,909**	**-16,394**	**-1,577**	**6**	**26,510**

2022 financial year

kEUR	Status as a1 1 January	Addition	Reversal	Utilisation	Interest rate effects	Status as at 31 December
Litigation	924	46	-32	-69	0	869
Off-balance sheet transactions	20,204	14,298	-13,824	0	0	20,678
Restructuring measures	709	279	-132	-323	0	533
Miscellaneous provisions	4,542	743	-1,700	-65	-34	3,486
Total	**26,379**	**15,366**	**-15,688**	**-457**	**-34**	**25,566**

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

Miscellaneous provisions
In its judgement of 22 December 2021, the Supreme Court (Oberster Gerichtshof, OGH) ruled that no contractual debit interest may be charged for the period of the statutory deferral in consumer credit agreements and agreements with micro-entrepreneurs that are subject to the deferral rules of Section 2 of the 2nd COVID-19-JuBG. Based on this ruling, consumers and micro-enterprises can claim back from banks the debit interest they have already been charged for statutory deferrals. In its decision of 13 December 2022 (published on 30 December 2022), the Constitutional Court ruled that the individual application submitted by Austrian banks for a review of the constitutionality of Section 2(6) of the 2nd COVID-19 JuBG must be dismissed.

RLB Steiermark proactively informed the relevant customers about the Supreme Court decisions in 2023. Where evidence of economic impact due to COVID-19 was provided, a balance correction and interest refund was made for the period of the statutory moratorium. Against this background, the existing provision as at 31 December 2022 has been reduced by an amount of kEUR 225. In addition, a reversal of kEUR 1,065 was recognised in profit or loss, resulting in a provision for interest refunds of kEUR 1,135 as at 31 December 2023.

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

	Gross carrying amounts 2023				Gross carrying amounts 2022			
kEUR	**Stage 1**	**Stage 2**	**Stage 3**	**Balance**	**Stage 1**	**Stage 2**	**Stage 3**	**Balance**
Nominal amounts as at 1 January	**888,936**	**1,583,884**	**26,246**	**2,499,066**	**752,615**	**1,789,229**	**21,141**	**2,562,985**
Change due to transfers	-233,949	217,521	16,428	0	147,380	-159,719	12,339	0
- Transfers to stage 1	66,787	-66,787	0	0	367,803	-360,607	-7,196	0
- Transfers to stage 2	-294,920	297,869	-2,949	0	-219,744	219,744	0	0
- Transfers to stage 3	-5,815	-13,562	19,377	0	-679	-18,856	19,535	0
Change due to new business activity	78,872	460,715	2,883	542,470	277,913	577,730	784	856,427
Change due to disposals	-236,674	-544,723	-3,633	-785,030	-231,925	-401,066	-2,288	-635,279
Existing business activity/other changes	-42,300	-182,784	-878	-225,962	-57,047	-222,290	-5,730	-285,067
Nominal amounts as at 31 December	**454,885**	**1,534,613**	**41,046**	**2,030,544**	**888,936**	**1,583,884**	**26,246**	**2,499,066**

	Impairments 2023				Impairments 2022			
kEUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Status as at 1 January	**345**	**10,101**	**10,232**	**20,678**	**965**	**12,990**	**6,249**	**20,204**
Transfers	-118	118	0	0	-74	74	0	0
New business activity	67	2,235	1,964	4,266	195	6,585	524	7,304
Disposals	-131	-4,685	-1,166	-5,982	-335	-5,738	-1,792	-7,865
Existing business activity/other changes	-26	-2,602	7,170	4,542	-406	-3,810	5,251	1,035
Status as at 31 December	**137**	**5,167**	**18,200**	**23,504**	**345**	**10,101**	**10,232**	**20,678**

29. Deferred income tax assets and liabilities

Net deferred tax assets break down as follows:

kEUR	2023	2022
Deferred tax assets	154,376	235,104
Deferred tax liabilities	172,948	249,794
Net deferred tax assets	**-18,572**	**-14,690**

Net deferred tax assets resulted from the following items:

kEUR	2023	2022
Financial assets – AC	19,838	31,845
Impairments	2,491	4,549
Financial assets – FVOCI	2,533	4,923
Financial assets – FVPL-M	0	98
Derivatives – hedge accounting (fair values)	68,862	98,639
Value adjustment from portfolio fair value hedges	38,177	64,546
Property, plant and equipment	1,774	1,806
Rights of use	2,058	1,913
Other assets	0	1
Financial liabilities – HFT	4,421	13,928
Financial liabilities – FVO	3,380	233
Provisions	10,765	10,673
Other liabilities	33	56
Tax loss carryforwards and as yet unused sevenths of partial writedowns	44	1,894
Deferred tax assets	**154,376**	**235,104**
Impairments	20	0
Financial assets – FVOCI	7,462	8,414
Financial assets – HFT	47,980	59,688
Financial assets – FVPL-M	95	0
Derivatives – hedge accounting (fair values)	64,206	90,885
Value adjustment from portfolio fair value hedges	3,953	11,684
Rights of use	2,012	1,879
Financial liabilities – AC	47,220	77,244
Deferred tax liabilities	**172,948**	**249,794**
Net deferred tax assets	**-18,572**	**-14,690**

Deferred taxes on tax loss carryforwards and impairments to equity investments were determined on the basis of a five year forecast period. The consolidated financial statements do not recognise deferred tax assets for tax loss carryforwards and one-seventh amounts from partial write-downs amounting to kEUR 1,453 (previous year kEUR 1,176), as from today's perspective it seems unlikely that it will be possible to realise them within the forecast period and it does not appear reasonably probable that sufficient taxable results will be available against which they can be utilised.

In connection with associates valued at equity, as of 31 December 2023, taxable temporary differences amount to kEUR 554,696 (previous year: kEUR 385,405). In accordance with IAS 12.39, no deferred tax liabilities need to be entered in the statement of financial position for these temporary differences because of management's stated and documented intention to hold these for the long term. As at the reporting date, subsidiaries had temporary differences amounting to kEUR 18,316 (previous year: kEUR 26,950) for which no deferred tax liabilities were recognised in accordance with IAS 12.39, as these only arise in the event of liquidation of the company or if the equity investments are intended to be sold.

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

30. Other liabilities

kEUR	2023	2022
Other deferred tax liabilities	3,464	4,380
Lease liabilities	8,949	8,342
Other liabilities	57,112	53,044
Accruals and deferred items	377	593
Clearing items	2,911	2,706
Other items	53,824	49,745
Total	**69,525**	**65,766**

Other items consist mainly of cover pool management liabilities, trade payables and clearing balances related to payment services.

A COVID-19 investment bonus of kEUR 48 (previous year: kEUR 53) was recognised as a liability for eligible investments as of the balance sheet date. In the 2023 financial year, this bonus was reversed to profit or loss in the amount of kEUR 5, in line with the useful lives of the underlying investments (previous year: kEUR 6).

31. Equity

kEUR	2023	2022
Attributable to equity holders of the parent	**1,865,722**	**1,653,585**
Subscribed capital	142,721	142,721
Capital reserves	401,825	401,825
Retained earnings	1,764,841	1,457,788
Of which: consolidated net profit for the year	345,142	78,363
Accumulated other comprehensive income	-443,665	-348,749
Equity attributable to non-controlling interests	**-96**	**-33**
Total	**1,865,626**	**1,653,552**

The share capital (subscribed capital) of RLB Steiermark totalled kEUR 142,721 as at 31 December 2023 (previous year: kEUR 142,721) and consisted of 3,113,507 (previous year: 3,113,507) registered no-par shares (ordinary shares). All issued shares are also fully paid-up. As a result of the reorganisation described in the “General information” section, all shares in RLB Steiermark were consolidated in the hands of RLB-Stmk Holding eGen, which is now the company’s sole shareholder.

According to the proposed appropriation of profits, an amount of EUR 16,190,236.40 of Raiffeisen-Landesbank Steiermark AG’s distributable profit for 2023 of EUR 25,063,731.35 is to be distributed to the (sole) owner and an amount of EUR 8,873,494.95 is to be carried forward. This corresponds to a dividend of EUR 5.20 per share on the share capital divided into 3,113,507 registered no-par shares.

Under the institutional protection scheme agreement, RLB Steiermark is required to pay contributions to the protection scheme of the Raiffeisen Banking Group. After-tax profits were used to establish a special IPS provision in the amount of the contributions to be paid. This provision is included in retained earnings.

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

kEUR	2023	2022
Actuarial gains and losses from defined benefit plans	-18,704	-11,004
Fair value changes due to changes in the credit risk of financial liabilities	1,603	3,596
Gains and losses from financial assets – fair value OCI	29,378	17,109
Share of other comprehensive income from investments valued at equity	-455,942	-358,450

The change in accumulated other comprehensive income is primarily attributable to the changes in equity of the equity-accounted investment in RBI (see note 21, “Investments in associates valued at equity”).

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

kEUR	2023	2022
Fair value changes due to changes in the credit risk – reclassification	-78	-235
Fair value changes due to changes in the credit risk – reclassification deferred taxes	19	59
Total	**-59**	**-176**

The reclassification of accumulated losses (previous year: losses) to fair value changes due to changes in the credit risk of financial liabilities during the reporting period are related to disposals due to early (partial) repayments or the redemption of securities. The reclassification amounts are the amounts realised upon derecognition and recognised in other comprehensive income.

kEUR	2023	2022
Equity instruments FVOCI – reclassification	85	-265
Equity instruments FVOCI – reclassification deferred taxes	-16	0
Total	**69**	**-265**

The reclassification of accumulated gains (previous year: losses) on fair value changes of equity instruments FVOCI in the reporting period relates to disposals. The fair value at the time of their derecognition was kEUR 600 (previous year: kEUR 2,141). The accumulated gains (previous year: losses) from the derecognition of disposed equity instrument FVOCI amounted to kEUR 85 (previous year: kEUR 286).

The following table shows the reclassification of accumulated gains (+) or losses (-) for debt instruments measured at fair value through other comprehensive income to the statement of profit or loss:

kEUR	2023	2022
Debt instruments FVOCI – reclassification	-890	3,747
Debt instruments FVOCI – reclassification deferred taxes	205	-862
Total	**-685**	**2,885**

The reclassification of accumulated losses (previous year: gains) on debt instruments FVOCI relate to early disposals and repayments.

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

NOTES TO FINANCIAL INSTRUMENTS

32. Hedge accounting

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

Micro fair value hedge accounting

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

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

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

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

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

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

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

The assessment of the effectiveness of a hedging relationship must be distinguished from the determination of ineffectiveness. IFRS 9 does not require a retrospective effectiveness test, but the default risk must not dominate the hedging relationship. The RLB Steiermark Group continues to determine ineffectiveness using a (voluntary) retrospective effectiveness test.

Portfolio fair value hedge accounting

As part of the application of fair value hedge accounting for interest rate risks on a portfolio basis, fixed interest rate risks of banking transactions in defined maturity bands are combined into an overall risk position and hedged with corresponding derivative hedging transactions. These fixed interest rate risks can be caused on the one hand by classic fixed interest transactions, but also by referenced transactions that contain embedded caps/floors, as these become fixed interest rate positions at least temporarily when they exceed or fall below fixed interest rate limits. The hedged risk is the fair value risk resulting from changes in interest market rates that significantly affect the fair value of these transactions.

Risk management identifies the transactions that are to be allocated to a portfolio. Fixed income transactions are primarily divided into asset and liability portfolios. These two portfolios are further sub-divided by valuation category (“AC” or “FVOCI”) and currency. Consequently, a portfolio always contains only asset or liability banking transactions of the same currency and valuation category. Floating-rate transactions with interest rate options are allocated to separate portfolios and separate from fixed-rate positions.

Asset portfolio

The fixed-income asset portfolio “Financial assets – AC” includes loans and nostro securities. The floating-rate portfolio “Financial assets – AC” currently includes only loans with caps/floors, which are considered separately based on the term of the implicit options.

Liability portfolio

Deposits and issues are currently allocated to the fixed-interest liability portfolio “Financial liabilities – AC”, which was introduced as of 1 July 2022. It can include positions with deterministic cash flows (deposits and issues) as well as modelled positions (deposits).

For the respective portfolio, the cash flows of the transactions are allocated to maturity bands on the basis of the expected interest rate adjustment dates, with the respective nominal amount of a transaction being allocated exclusively to the maturity band on the respective interest rate adjustment date. In the case of predetermined partial repayments, the total nominal amount is divided and allocated to different maturity bands. The RLB Steiermark Group has defined maturity bands according to the calendar year.

Plain vanilla swaps, which can involve either bullet repayment or redemptions, serve as derivative hedging instruments for the fixed-interest portfolios. For floating rate loans with caps/floors, swaps with implicit caps/floors are used as derivative hedging instruments. The running fees included in the swaps, which are reflected as a constant spread, are not designated as part of the hedging relationship.

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

The RLB Steiermark Group uses an interest rate sensitivity calculation to determine the hedge ratio. For the fixed-rate portfolio, the basis point value (BPV) is calculated per maturity band for the total cash flows of the portfolio transactions as well as for the cash flows of the fixed side of the derivative financial instruments. This calculation is based on the quarterly or monthly allocation of the cash flows of the portfolio transactions. For the floating rate portfolio, the interest rate sensitivities of the underlying and hedging transactions are calculated per maturity band using two interest rate scenarios, as a downward shift in the interest rate curves has a different effect than an upward shift. Prospective effectiveness is measured using a regression analysis with historical market data on a monthly basis per maturity band and portfolio. The regression uses 30 data points in the fixed-rate portfolio and 31 data points in the floating-rate portfolio, with the first 29 data points based on historical data and the 30th and 31st data points representing an interest rate scenario. In addition to the slope of the regression line, the dispersion of the values must also be considered. The RLB Steiermark Group uses R^2 with a lower limit of 80 % as the coefficient of determination. The applied confidence interval is 95 %. Retrospective effectiveness is also measured using regression analysis per maturity band and portfolio, with all data points being calculated historically.

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

31/12/2023	Nominal amounts – term to maturity				Carrying amount (fair value) at 31/12/2023		Change in fair value used to determine the extent of ineffectiveness
kEUR	Up to 1 year	> 1 year to 5 years	5 years and over	Total	Positive	Negative	(1/1-31/12/2023)
Micro fair value hedges - assets							
Interest rate swaps (payer swaps)	216,000	709,356	404,980	1,330,336	86,811	6,365	-63,124
Portfolio fair value hedges - assets							
Interest rate swaps (payer swaps)	377,000	883,000	2,123,177	3,383,177	180,920	31,419	-71,400
Micro fair value hedges - liabilities							
Interest rate swaps (receiver swaps)	277,025	1,684,400	1,412,117	3,373,542	45,520	233,679	139,170
Portfolio fair value hedges – liabilities							
Interest rate swaps (receiver swaps)	331,600	1,018,900	153,000	1,503,500	6,591	25,395	13,231
Total	**1,201,625**	**4,295,656**	**4,093,274**	**9,590,555**	**319,842**	**296,858**	**17,877**

31/12/2022	Nominal amounts – term to maturity				Carrying amount (fair value) at 31/12/2022		Change in fair value used to determine the extent of ineffectiveness (1/1-31/12/2022)
kEUR	Up to 1 year	> 1 year to 5 years	5 years and over	Total	Positive	Negative	
Micro fair value hedges - assets							
Interest rate swaps (payer swaps)	486,505	729,983	411,211	1,627,699	141,700	172	172,990
Portfolio fair value hedges - assets							
Interest rate swaps (payer swaps)	135,500	518,000	1,855,327	2,508,827	256,222	1,493	271,117
Micro fair value hedges - liabilities							
Interest rate swaps (receiver swaps)	530,600	191,425	1,894,745	2,616,770	1,212	342,710	-504,696
Portfolio fair value hedges – liabilities							
Interest rate swaps (receiver swaps)	126,000	1,052,000	281,500	1,459,500	1,801	68,767	-54,606
Total	**1,278,605**	**2,491,408**	**4,442,783**	**8,212,796**	**400,935**	**413,142**	**-115,195**

The tables below show the **underlying transactions** in micro and portfolio fair value hedge accounting, broken down by items in the statement of financial position as well as classes as of the reporting date 31 December 2023 and the previous year's reporting date 31 December 2022.

kEUR	Carrying amount of underlying transactions at 31/12/2023	Accumulated amounts included in the carrying amount of the underlying transaction (hedge adjustment) at 31/12/2023	Change in fair value used to determine the extent of ineffectiveness (1/1-31/12/2023)
Micro fair value hedges – assets			
Financial assets – AC			
Bonds	861,445	-38,496	37,556
Loans and receivables	236,639	-28,222	14,519
Financial assets – FVOCI			
Bonds	249,218	-10,789	10,367
Portfolio fair value hedges – assets			
Financial liabilities – AC*)	2,849,026	-165,986	67,747
Total	**4,196,328**	**-243,493**	**130,189**
Micro fair value hedges – liabilities			
Financial liabilities – AC			
Liabilities evidenced by certificates	2,745,258	-199,790	-126,159
Subordinated liabilities	4,989	-129	-255
Deposits with agreed maturity	445,656	-7,665	-9,429
Portfolio fair value hedges – liabilities			
Financial liabilities – AC**)	1,519,685	-17,186	-9,197
Total	**4,715,588**	**-224,770**	**-145,040**

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

kEUR	Carrying amount of underlying transactions at 31/12/2022	Accumulated amounts included in the carrying amount of the underlying transaction (hedge adjustment) at 31/12/2022	Change in fair value used to determine the extent of ineffectiveness (1/1-31/12/2022)
Micro fair value hedges – assets			
Financial assets – AC			
Bonds	881,690	-76,385	-83,266
Loans and receivables	346,239	-42,741	-64,832
Financial assets – FVOCI			
Bonds	290,770	-21,280	-24,889
Portfolio fair value hedges – assets			
Financial assets – AC*)	2,313,554	-280,634	-275,831
Total	**3,832,253**	**-421,040**	**-448,818**
Micro fair value hedges – liabilities			
Financial liabilities – AC			
Liabilities evidenced by certificates	2,086,056	-322,994	452,787
Subordinated liabilities	4,751	-336	993
Deposits with agreed maturity	191,890	-16,582	47,542
Portfolio fair value hedges – liabilities			
Financial liabilities – AC**)	1,443,046	-50,801	56,102
Total	**3,725,743**	**-390,713**	**557,424**

*) Since both bonds and loans and receivables are allocated to the “Financial assets – AC” portfolio, a breakdown by class is not disclosed.
**) Since both liabilities evidenced by certificates and deposits are allocated to the “Financial liabilities – AC” portfolio, a breakdown by class is not disclosed.

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

Other possible sources of hedge ineffectiveness are:

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

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

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

The following table presents hedge ineffectiveness by balance sheet item and class. Ineffectiveness is reported for both micro fair value hedge accounting and portfolio fair value hedge accounting in the item “Profit/loss from hedge accounting” in the statement of profit or loss.

kEUR	Hedge ineffectiveness 31 December 2023	Hedge ineffectiveness 31 December 2022
Micro fair value hedges – assets		
Financial assets – AC		
Bonds	-349	-336
Loans and receivables	-100	353
Financial assets – FVOCI		
Bonds	-232	-14
Portfolio fair value hedges – assets		
Financial liabilities – AC*)	-3,653	-4,714
Total	**-4,334**	**-4,711**
Micro fair value hedges – liabilities		
Financial liabilities – AC		
Liabilities evidenced by certificates	3,430	-1,570
Subordinated liabilities	2	-8
Deposits with agreed maturity	-106	-1,795
Portfolio fair value hedges – liabilities		
Financial liabilities – AC**)	4,035	1,496
Total	**7,361**	**-1,877**

*) Since both bonds and loans and receivables are allocated to the “Financial assets – AC” portfolio, a breakdown by class is not disclosed.
**) Since both liabilities evidenced by certificates and deposits are allocated to the “Financial liabilities – AC” portfolio, a breakdown by class is not disclosed.

33. Breakdown of terms to maturity

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

Breakdown of terms to maturity at 31/12/2023

Financial liabilities (kEUR)	Contractual cash flows	On demand / no specific term	Up to 3 months	> 3 months to 1 year	> 1 year to 5 years	5 years and over
Financial liabilities – amortised cost (AC)	15,545,088	5,636,248	795,973	1,425,658	4,637,231	3,049,978
Financial liabilities – held for trading (HFT)	162,914	0	9,928	26,423	75,688	50,875
Financial liabilities – designated at fair value P&L (FVO)	517,378	0	1,488	42,615	107,849	365,426
Derivatives - hedge accounting (negative fair values)	288,575	0	23,013	41,641	77,658	146,263
Off-balance sheet transactions	2,030,544	2,030,544	0	0	0	0

Breakdown of terms to maturity at 31/12/2022

Financial liabilities (kEUR)	Contractual cash flows	On demand / no specific term	Up to 3 months	> 3 months to 1 year	> 1 year to 5 years	5 years and over
Financial liabilities – amortised cost (AC)	15,504,374	5,378,383	794,978	713,513	5,046,544	3,570,956
Financial liabilities – held for trading (HFT)	207,902	0	6,866	42,770	114,636	43,630
Financial liabilities – designated at fair value P&L (FVO)	563,387	0	19,387	27,804	118,549	397,647
Derivatives - hedge accounting (negative fair values)	415,692	0	13,703	45,535	170,951	185,503
Off-balance sheet transactions	2,499,066	2,499,066	0	0	0	0

34. Netting of financial assets and liabilities

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

The RLB Steiermark Group concludes master agreements with banks and major customers on the mutual netting of receivables and liabilities (deposit netting agreements). There are also derivative clearing arrangements and global master agreements in connection with repurchase agreements. Generally, the amounts owed by each counterparty on all outstanding transactions under such agreements can be combined into a single net amount, provided that the requirements of IAS 32.42 have been met as follows:

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

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

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

2023 financial year

kEUR Financial assets	Financial assets – gross	Financial liabilities netted against financial assets	Financial assets reported in the statement of financial position – net	Potential effect of master netting agreements	Collateral in the form of recognised financial instruments / cash collateral	Net total
				Not netted		
Financial assets – amortised cost (AC)	**84,556**	**0**	**84,556**	**0**	**0**	**84,556**
Loans and advances to banks	84,556	0	84,556	0	0	84,556
Positive fair values from derivative financial instruments	**619,685**	**0**	**619,685**	**-403,302**	**-212,881**	**3,502**
Total	**704,241**	**0**	**704,241**	**-403,302**	**-212,881**	**88,058**

kEUR Financial liabilities	Financial liabilities – gross	Financial assets netted against financial liabilities	Financial liabilities reported in the statement of financial position – net	Potential effect of master netting agreements	Collateral in the form of recognised financial instruments / cash collateral	Net total
				Not netted		
Financial liabilities – amortised cost (AC)	**1,092,990**	**0**	**1,092,990**	**0**	**-260,789**	**832,201**
Liabilities to customers - deposits / borrowed funds	318,711	0	318,711	0	0	318,711
Liabilities to banks - repurchase transactions (repo)	774,279	0	774,279	0	-260,789	513,490
Negative fair values from derivative financial instruments	**425,474**	**0**	**425,474**	**-403,302**	**-19,506**	**2,666**
Total	1,518,464	0	1,518,464	-403,302	-280,295	834,867

The following tables show the restated prior-year figures:

2022 financial year

kEUR Financial assets	Financial assets – gross	Financial liabilities netted against financial assets	Financial assets reported in the statement of financial position – net	Potential effect of master netting agreements	Collateral in the form of recognised financial instruments / cash collateral	Net total
				Not netted		
Financial assets – amortised cost (AC)	**81,252**	**0**	**81,252**	**0**	**0**	**81,252**
Loans and advances to banks	81,252	0	81,252	0	0	81,252
Positive fair values from derivative financial instruments	**791,771**	**0**	**791,771**	**-521,170**	**-268,784**	**1,817**
Total	873,023	0	873,023	-521,170	-268,784	83,069

kEUR Financial liabilities	Financial liabilities – gross	Financial assets netted against financial liabilities	Financial liabilities reported in the statement of financial position – net	Potential effect of master netting agreements	Collateral in the form of recognised financial instruments / cash collateral	Net total
				Not netted		
Financial liabilities – amortised cost (AC)	**2,595,075**	**0**	**2,595,075**	**0**	**0**	**2,595,075**
Liabilities to customers - deposits / borrowed funds	127,652	0	127,652	0	0	127,652
Liabilities to banks - repurchase transactions (repo)	2,467,423	0	2,467,423	0	0	2,467,423
Negative fair values from derivative financial instruments	**575,265**	**0**	**575,265**	**-521,170**	**-54,300**	**-205**
Total	3,170,340	0	3,170,340	-521,170	-54,300	2,594,870

35. Derivative financial instruments

The following tables present the entire volume of derivative financial transactions outstanding at the reporting date (including the hedge accounting derivatives shown in note 32), broken down by term to maturity. The fair values incorporate the effects of counterparty risk (CVA/DVA).

Derivative financial products not held for trading (banking book) as at 31/12/2023

	Nominal amounts – term to maturity				Market value	
kEUR	Up to 1 year	> 1 year to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	1,365,625	5,088,532	6,181,633	12,635,790	534,022	348,853
Interest rate options – calls	0	296	0	296	0	0
Interest rate options – puts	0	5,361	0	5,361	0	52
Total	**1,365,625**	**5,094,189**	**6,181,633**	**12,641,447**	**534,022**	**348,905**
Exchange-traded products						
Futures	38,000	0	0	38,000	0	623
Total	**1,403,625**	**5,094,189**	**6,181,633**	**12,679,447**	**534,022**	**349,528**
Foreign exchange forwards						
OTC products						
Currency spots/forwards	340	0	0	340	0	0
Cross currency interest rate swaps/cross currency swaps	230,126	7,610	10,250	247,986	20	17,876
Total	**230,466**	**7,610**	**10,250**	**248,326**	**20**	**17,876**
Aggregate total	**1,634,091**	**5,101,799**	**6,191,883**	**12,927,773**	**534,042**	**367,404**

Derivative financial products not held for trading (banking book) as at 31/12/2022

	Nominal amounts – term to maturity				Market value	
kEUR	Up to 1 year	> 1 year to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	1,532,715	3,230,708	6,715,960	11,479,383	654,963	490,137
Interest rate options – calls	0	396	0	396	1	0
Interest rate options – puts	195	6,232	0	6,427	0	118
Total	**1,532,910**	**3,237,336**	**6,715,960**	**11,486,206**	**654,964**	**490,255**
Exchange-traded products						
Futures	100,600	0	0	100,600	3,513	0
Total	**1,633,510**	**3,237,336**	**6,715,960**	**11,586,806**	**658,477**	**490,255**
Foreign exchange forwards						
OTC products						
Currency spots/forwards	87,879	0	0	87,879	9,378	9,340
Cross currency interest rate swaps/cross currency swaps	125,118	7,610	10,249	142,977	415	8,154
Total	**212,997**	**7,610**	**10,249**	**230,856**	**9,793**	**17,494**
Aggregate total	**1,846,507**	**3,244,946**	**6,726,209**	**11,817,662**	**668,270**	**507,749**

Derivative financial products held for trading (trading book) as at 31/12/2023

	Nominal amounts – term to maturity				Market value	
kEUR	Up to 1 year	> 1 year to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	295,067	1,254,728	1,555,057	3,104,852	99,283	97,068
Interest rate options – calls	0	104,769	61,925	166,694	2,886	0
Interest rate options – puts	33	76,683	53,100	129,816	0	2,658
Total	**295,100**	**1,436,180**	**1,670,082**	**3,401,362**	**102,169**	**99,726**
Exchange-traded products						
Futures	4,400	0	0	4,400	0	0
Total	**299,500**	**1,436,180**	**1,670,082**	**3,405,762**	**102,169**	**99,726**
Foreign exchange forwards						
OTC products						
Currency spots/forwards	31,945	448	0	32,393	2,233	71
Cross currency interest rate swaps/cross currency swaps	77,203	0	0	77,203	613	3,230
Total	**109,148**	**448**	**0**	**109,596**	**2,846**	**3,301**
Aggregate total	**408,648**	**1,436,628**	**1,670,082**	**3,515,358**	**105,015**	**103,027**

Derivative financial products held for trading (trading book) as at 31/12/2022

	Nominal amounts – term to maturity				Market value	
kEUR	Up to 1 year	> 1 year to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	129,975	1,078,780	1,486,051	2,694,806	130,174	126,406
Interest rate options – calls	42,900	93,769	73,100	209,769	5,124	0
Interest rate options – puts	3,684	77,712	54,638	136,034	0	4,975
Total	**176,559**	**1,250,261**	**1,613,789**	**3,040,609**	**135,298**	**131,381**
Exchange-traded products						
Futures	0	0	0	0	0	0
Total	**176,559**	**1,250,261**	**1,613,789**	**3,040,609**	**135,298**	**131,381**
Foreign exchange forwards						
OTC products						
Currency spots/forwards	67,969	23,102	0	91,071	7,314	324
Cross currency interest rate swaps/cross currency swaps	313,585	24,418	0	338,003	4,561	11,410
Currency options – calls	3,000	0	0	3,000	16	0
Currency options – puts	3,000	0	0	3,000	0	16
Total	**387,554**	**47,520**	**0**	**435,074**	**11,891**	**11,750**
Aggregate total	**564,113**	**1,297,781**	**1,613,789**	**3,475,683**	**147,189**	**143,131**

36. Fair value of financial instruments

All financial instruments reported at fair value are measured on a recurring basis.

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

Description of valuation models and parameters

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

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

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

The fair value of cross currency and cross currency interest rate swaps as well as forward rate agreements is determined on the basis of discounted cash flows. Here, the market interest rates applicable for the term to maturity are used. The €STR (Euro Short-Term Rate) is used as the discount rate for the calculation of the fair value of derivatives collateralised in euros, as this corresponds to the interest rate of the corresponding cash collateral.

The fair value of currency forwards is determined on the basis of the prevailing forward rates for their respective maturities. Options are measured at market prices or using recognised models for determining option prices. The standard Black-Scholes models are used as valuation models for simple European options and interest rate instruments.

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

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

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

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

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

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

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

	2023		2022	
kEUR	Fair value	Carrying amount	Fair value	Carrying amount
Assets				
Financial assets – AC	**11,275,424**	**11,291,468**	**11,411,761**	**11,676,893**
Bonds	1,705,806	1,724,256	1,771,117	1,822,587
Loans and receivables	9,432,724	9,431,821	9,514,050	9,728,818
Lease receivables	136,894	135,391	126,594	125,488
Equity and liabilities				
Financial liabilities – AC	**14,122,015**	**14,240,863**	**14,309,150**	**14,558,727**
Deposits/borrowed funds	9,707,783	9,758,379	10,923,886	11,075,982
Liabilities evidenced by certificates	4,342,514	4,409,852	3,315,628	3,410,325
Subordinated liabilities	71,718	72,632	69,636	72,420

37. Fair value hierarchy

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

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

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

The financial instruments measured at fair value mainly include deposits, liabilities evidenced by certificates and the majority of OTC derivatives. Debt instruments for which there is no active market are also included in level 2. Financial instruments not measured at fair value include bonds, interbank funds, deposits and liabilities evidenced by certificates.

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

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

kEUR	2023			2022		
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets – HFT	**16,305**	**318,613**	**602**	**12,947**	**408,738**	**2,273**
Bonds	16,305	0	0	12,947	0	0
Derivatives (positive fair values)	0	318,613	602	0	408,738	2,273
Financial assets – FVOCI	**441,796**	**5,959**	**119,602**	**534,898**	**5,799**	**110,506**
Bonds	441,796	5,959	0	534,898	5,799	0
Equity instruments	0	0	119,602	0	0	110,506
Financial assets – FVPL-M	**0**	**27,824**	**47,808**	**0**	**26,046**	**49,680**
Bonds	0	18,316	0	0	17,155	0
Other variable-yield securities	0	9,508	12,637	0	8,891	11,499
Loans and receivables	0	0	35,171	0	0	38,181
Derivatives - hedge accounting (positive fair values)	**0**	**319,842**	**0**	**0**	**400,935**	**0**
Total	**458,101**	**672,238**	**168,012**	**547,845**	**841,518**	**162,459**
Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities – HFT	**0**	**172,908**	**42**	**0**	**237,409**	**329**
Derivatives (negative fair values)	0	172,908	42	0	237,409	329
Financial liabilities – FVO	**0**	**351,580**	**15,386**	**0**	**364,567**	**23,035**
Deposits/borrowed funds	0	230,036	0	0	227,481	0
Liabilities evidenced by certificates	0	106,754	15,386	0	122,679	23,035
Subordinated liabilities	0	14,790	0	0	14,407	0
Derivatives - hedge accounting (negative fair values)	**0**	**296,858**	**0**	**0**	**413,142**	**0**
Total	**0**	**821,346**	**15,428**	**0**	**1,015,118**	**23,364**

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

Level 3 financial instruments
Description of valuation methods and processes for level 3 financial instruments

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

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

Information about level 3 fair value measurements:
Debt instruments and derivatives

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

Equity investments

Valuation method	Description	Input factors	from	to
Discounted cash flow method (DCF – flow-to-equity)	Free cash flows are discounted at an internal interest rate (discount rate, beta factor and market risk factor)	Internal interest rate	8.24 %	19.56 %
		Beta factor	0.92	2.66
		Market risk premium	5.73 %	6.53 %
		Risk-free interest rate	2.22 %	3.02 %
		Planning horizon	3 years	5 years
Net asset value method (real estate)	The property's current market value is obtained via expert appraisal on the measurement date. The unrealised gains/losses thus determined are included in equity.	Lease per m^2	0.30 EUR	3.00 EUR
		Markup/markdown	+500 BP	-500 BP
Multiplier method (multiple)	Multiplication of capital employed by TVPI (total value to paid-in capital)	Multiplier	0.65	1.63

Hybrid financial instruments similar to equity investments

Valuation method	Description	Input factors	
Discounted cash flow method (DCF – flow-to-equity)	Free cash flows are discounted at an internal interest rate (discount rate, beta factor and market risk factor)	Internal interest rate	8.75 %
		Beta factor	1
		Market risk premium	5.75 %
		Risk-free interest rate	3.00 %
		Planning horizon	5 years

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

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

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

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

Reconciliation of level 3 financial instruments measured at fair value

2023 financial year kEUR	Balance at 1/1	Recorded in the statement of profit or loss[1)]	Recorded in other comprehensive income[1)]	Additions	Disposals	Balance at 31/12
Financial assets – HFT	**2,273**	**-1,671**	**0**	**0**	**0**	**602**
Derivatives (positive fair values)	2,273	-1,671	0	0	0	602
Financial assets – FVOCI	**110,506**	**0**	**4,663**	**4,957**	**-524**	**119,602**
Equity instruments	110,506	0	4,663	4,957	-524	119,602
Financial assets – FVPL-M	**49,680**	**13**	**0**	**2,209**	**-4,094**	**47,808**
Other variable-yield securities	11,499	109	0	1,029	0	12,637
Loans and receivables	38,181	-96	0	1,180	-4,094	35,171
Total	**162,459**	**-1,658**	**4,663**	**7,166**	**-4,618**	**168,012**
Financial liabilities – HFT	**329**	**-287**	**0**	**0**	**0**	**42**
Derivatives (negative fair values)	329	-287	0	0	0	42
Financial liabilities – FVO	**23,035**	**-596**	**276**	**0**	**-7,329**	**15,386**
Liabilities evidenced by certificates	23,035	-596	276	0	-7,329	15,386
Total	**23,364**	**-883**	**276**	**0**	**-7,329**	**15,428**

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

As in the previous year, there were no reclassifications from or to Level 3 during the 2023 financial year.

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

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

The development of the fair values of level 3 financial instruments in the previous year is shown in the table below.

2022 financial year kEUR	Balance at 1/1	Recorded in the statement of profit or loss[1)]	Recorded in other comprehensive income[1)]	Additions	Disposals	Balance at 31/12
Financial assets – HFT	**5,087**	**-2,814**	**0**	**0**	**0**	**2,273**
Derivatives (positive fair values)	5,087	-2,814	0	0	0	2,273
Financial assets – FVOCI	**90,397**	**0**	**6,305**	**16,902**	**-3,098**	**110,506**
Equity instruments	90,397	0	6,305	16,902	-3,098	110,506
Financial assets – FVPL-M	**37,448**	**-1,080**	**0**	**30,573**	**-17,261**	**49,680**
Bonds	5,070	400	0	6,029	0	11,499
Loans and receivables	32,378	-1,480	0	24,544	-17,261	38,181
Total	**132,932**	**-3,894**	**6,305**	**47,475**	**-20,359**	**162,459**
Financial liabilities – HFT	**471**	**-142**	**0**	**0**	**0**	**329**
Derivatives (negative fair values)	471	-142	0	0	0	329
Financial liabilities – FVO	**25,454**	**-2,419**	**0**	**0**	**0**	**23,035**
Liabilities evidenced by certificates	25,454	-2,419	0	0	0	23,035
Total	**25,925**	**-2,561**	**0**	**0**	**0**	**23,364**

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

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

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

kEUR	2023	2022
Financial assets measured at fair value		
Financial assets – HFT	**73**	**-1,153**
Derivatives (positive fair values)	73	-1,153
Financial assets – FVPL-M	**1,696**	**-686**
Other variable-yield securities	599	575
Loans and receivables	1,097	-1,261
Total	**1,769**	**-1,839**
Financial liabilities measured at fair value		
Financial liabilities – HFT	**-10**	**50**
Derivatives (negative fair values)	-10	50
Financial liabilities – FVO	**-490**	**1,496**
Liabilities evidenced by certificates	-490	1,496
Total	**-500**	**1,546**
Aggregate total	**1,269**	**-293**

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

Sensitivity analysis of level 3 financial instruments measured at fair value

Possible effects that result from the relative uncertainty regarding fair value are presented within the context of the sensitivity analysis for level 3 instruments.

Liabilities evidenced by certificates and loans

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

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

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

To quantify the credit spread risk, the term to maturity and internal rating of the level 3 securities were taken into account. In this context, it was assumed that the spreads of the level 3 securities had shifted by 200 basis points upward or downward.

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

For Level 3 credit products, sensitivities are determined using full fair value simulations of all fair value positions for the following scenarios.

- Parallel shift of all interest rate curves upwards or downwards by 200 basis points
- Curve rotation (money market -100 BP, annual base 0, capital market +100 BP)
- Parallel shift of the credit spread curves by 200 BP upwards or downwards

A parallel shift in the credit spread curves only affects the non-collateralised portion of a position.

The sensitivity in the individual scenarios results from the difference between the scenario full fair value and the actual full fair value.

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

The impact on fair value resulting from the parameter change is shown in the table below:

2023 financial year		Change in fair value		
kEUR	Change in input factors	Asset items	Liability items	Total
Interest rate sensitivity:				
Interest rate change	+200 BP	-367	0	-367
Interest rate change	-200 BP	1,057	0	1,057
Curve rotation:				
Money market	-100 BP	-200	0	-200
Capital market	+100 BP			
Credit spread sensitivity:				
Credit spread change	+200 BP	-1,414	434	-980
Credit spread change	-200 BP	1,674	-449	1,225

2022 financial year		Change in fair value		
kEUR	Change in input factors	Asset items	Liability items	Total
Interest rate sensitivity:				
Interest rate change	+200 BP	-370	0	-370
Interest rate change	-200 BP	795	0	795
Curve rotation:				
Money market	-100 BP	-185	0	-185
Capital market	+100 BP			
Credit spread sensitivity:				
Credit spread change	+200 BP	-91	722	631
Credit spread change	-200 BP	104	-769	-665

Equity investments and hybrid financial instruments similar to equity investments

Level 3 investments measured at fair value are composed exclusively of equity investments and hybrid financial instruments similar to equity investments that are not publicly traded. Almost none of the parameters on which the valuation of these investments is based can be observed in the market. The valuation method depends on the characteristic features of the entity being valued (type of business, contracts, etc.). Annual forecasts are drawn up for companies valued using the discounted cash flow method. As changes in the assumed free cash flows can have a significant impact on fair value, the analysis was based on the assumption of a change in the respective free cash flows by +/- 100 BP per planning period. The discount rate is influenced by several parameters, each of which has a varying impact. To factor in interest rate sensitivity, the discount rate was varied in each case by +/- 100 BP. For the equity investment measured at net asset value, the prices per m² determined by an expert appraisal represent the key input parameter, which was varied by +/- 500 BP. For the investment valued with the multiplier method, the interest rate sensitivity was examined with a parallel shift of the multiplier by +/- 10 BP. This is an alternative investment fund (AIF) with a defined term (closed-end fund).

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

2023 financial year

kEUR			Change in fair value		
Valuation method	Input factors	Change in input factors	Fair value	Best case	Worst case
Discounted cash flow method	Discount rate	+/- 100 BP	33,074	37,262	29,718
	Free cash flow	+/- 100 BP			
Net asset value method (real estate)	Markup/markdown	+/- 500 BP	15,859	16,599	15,119
Multiplier method	Multiplier	+/- 10 BP	13,040	13,840	12,240

2022 financial year

kEUR			Change in fair value		
Valuation method	Input factors	Change in input factors	Fair value	Best case	Worst case
Discounted cash flow method	Discount rate	+/- 100 BP	32,370	37,074	28,683
	Free cash flow	+/- 100 BP			
Net asset value method (real estate)	Markup/markdown	+/- 500 BP	15,725	16,825	15,345
Multiplier method	Multiplier	+/- 10 BP	13,020	13,720	12,320

The sensitivity analysis and the resulting impact on the fair value of hybrid financial instruments similar to equity investments are shown in the table below.

2023 financial year

kEUR			Change in fair value		
Valuation method	**Input factors**	**Change in input factors**	**Fair value**	**Best case**	**Worst case**
Discounted cash flow method	Discount rate	+/- 100 BP	12,637	14,683	11,116
	Free cash flow	+/- 100 BP			

2022 financial year

kEUR			Change in fair value		
Valuation method	**Input factors**	**Change in input factors**	**Fair value**	**Best case**	**Worst case**
Discounted cash flow method	Discount rate	+/- 100 BP	11,499	13,382	10,097
	Free cash flow	+/- 100 BP			

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

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

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

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

kEUR	2023			2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets – AC						
Bonds	1,189,364	516,442	0	1,165,387	605,731	0
Loans and receivables	0	1,218,764	6,954,229	0	1,497,753	6,754,210
Lease receivables	0	0	136,894	0	0	126,594
Financial liabilities – AC						
Deposits/borrowed funds	0	2,940,759	1,273,410	0	4,766,952	1,125,606
Liabilities evidenced by certificates	2,300,226	2,042,288	0	1,710,178	1,605,450	0
Subordinated liabilities	0	71,718	0	0	69,636	0

RISK REPORT

Structure of the risk management system

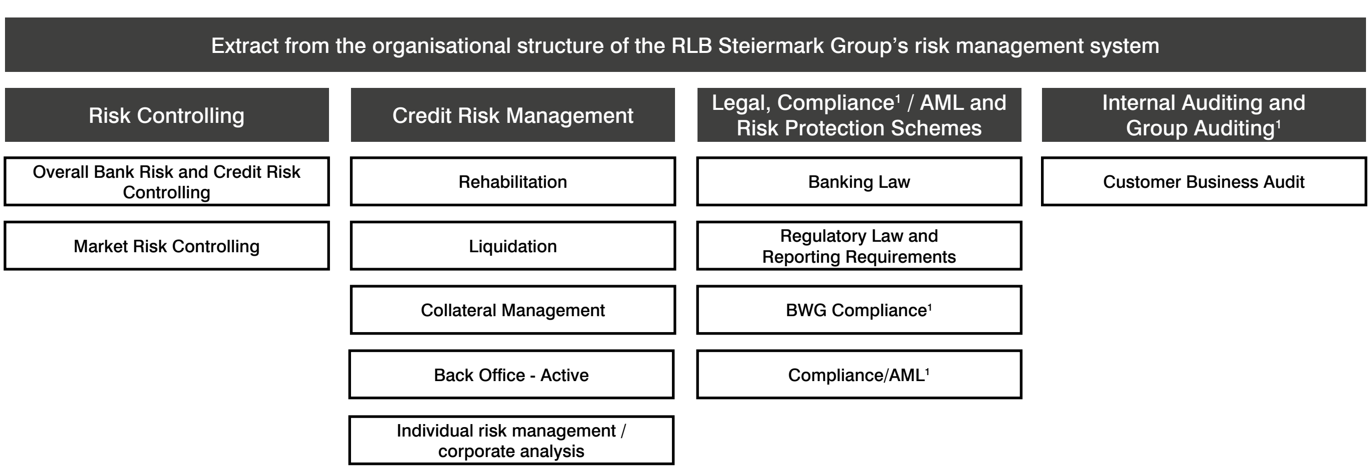
Among the key factors in successful banking is a bank's ability to recognise the opportunities and risks that result from its business operations and to assess those opportunities and risks properly. The overarching goal is to maintain a sustained positive profit position based on a differentiated risk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

In view of the volatile economic environment, the importance of bank-wide risk management, especially a bank's ability to identify and measure all significant risks and to control and monitor them in a timely manner, has increased substantially in recent years. The RLB Steiermark Group therefore sees risk management as a proactive corporate function and an integral component of overall bank-wide management. The Risk Appetite Framework defines the framework for the entire risk management process and is therefore one of the central documents for risk management in the RLB Steiermark Group, along with the risk strategy.

The Managing Board bears overall responsibility for the entire area of risk control. It defines the risk strategy and policy, which are derived from the corporate strategy and take into account the sustainability strategy. These are discussed by the Supervisory Board on a regular basis. The risk strategy defines the strategic approach to risk management for all types of risks. Accordingly, the risk strategy represents the primary source of guidance for risk-centred management and is a cornerstone of the systems and tools used to control, monitor and mitigate risks. By extension, the risk strategy is a key factor in ensuring internal capital adequacy.

Based on its risk strategy and the risk policy and operational parameters derived therefrom, the RLB Steiermark Group aims to identify all relevant risks associated with the banking business and bank operations early on, and to manage and mitigate them proactively through implementation of an effective risk management process. Risk Management reports to both the Managing Board and the Supervisory Board on a near real-time basis.

The organisational structure of the risk management units within the Managing Board's risk division is as follows:



1 Functionally subordinate to the Group Managing Board

All organisational units concerned with the identification, recording, assessment and analysis of risk are combined under the direct leadership of the Chief Risk Officer. Risk Controlling is responsible for identifying, measuring, assessing, managing and monitoring risks in collaboration with the relevant organisational units. In addition, Risk Controlling is responsible for the aggregate bank risk assessment (risk-bearing capacity analysis) as well as developing and supplying the processes used for risk measurement and the necessary IT systems (model selection and implementation). Furthermore, it is the responsibility of Risk Controlling to ensure a proactive risk control system that meets the requirements of the Group.

Credit Risk Management is responsible for analysing and managing credit exposures from the time a loan is approved until it matures.

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

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

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

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

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

The risk limitation measures in place within the RLB Steiermark Group are structured along the lines of its risk-bearing capacity and are reviewed at appropriate intervals.

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

Periodic stress tests are performed within RLB Steiermark Group and discussed by the Aggregate Bank Risk Committee. Stress tests yield information that supplements the value-at-risk analyses and helps identify potential loss events. Using macroeconomic scenarios, these stress tests assess banks’ sensitivity to changes in a variety of risk factors, assuming the existence of an extraordinary but plausible negative development in the national economy. These scenarios are subject to annual review. In addition to the scheduled stress tests, additional scenarios were calculated based on current macroeconomic developments (including interest rate increases, rising inflation, etc.). In addition, sensitivity analyses were carried out specifically with regard to credit risk. The risk-bearing capacity was given in all stress scenarios.

In addition, reverse stress tests have been conducted, which target the risk sensitive areas within the Group and thus provide its management with important information for managing and controlling organisational risk.

In addition, the normative perspective examines compliance with regulatory capital ratios in capital planning and in an adverse scenario. For the adverse scenario, a sector-specific macroeconomic scenario based on the current stress test is taken into account as part of the early identification process (see ICAAP section below).

Safety installations

As part of the institutional protection scheme for the Raiffeisen sector (Raiffeisen-IPS, “R-IPS”), consisting of RBI and its Austrian subsidiary banks, all regional Raiffeisen banks (Raiffeisenlandesbanken) as well as the Raiffeisen banks, “Österreichische Raiffeisen-Sicherungseinrichtung eGen” (ÖRS) assumes the tasks of statutory deposit protection and investor compensation within the meaning of the ESAEG for its member institutions. There are contractual or statutory liability agreements for these purposes which mutually secure the participating institutions and, in particular, ensure their liquidity and solvency if required. A joint recovery plan must be prepared for the R-IPS. This means that RLB Steiermark, RLB-Stmk Verbund eGen and Landesgruppe Steiermark of the R-IPS are no longer required to prepare their own recovery plan, as they are covered by the R-IPS recovery plan.

Internal Capital Adequacy Assessment Process (ICAAP) and stress testing

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

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

The central element of risk measurement and management is the risk-bearing capacity analysis. The risk-bearing capacity analysis quantifies and aggregates the various types of risk, such as credit risk, investment risk, market price risk, liquidity risk, operational risk, macroeconomic risk and other risks (risk buffer), and compares them with the available covering assets.

The objective is to ensure that the RLB Steiermark Group has sufficient covering assets at its disposal at all times to provide sufficient cover for risks that have been entered into, even in unexpected situations.

In accordance with the "ECB Guide to the internal capital adequacy assessment process", the RLB Steiermark Group distinguishes between the economic perspective (99.9 %) and the supplementary normative perspective. The economic perspective focuses on a net present value risk assessment and utilisation of the risk cover fund, whereas the normative perspective concentrates on balance sheet risks in the statement of profit or loss and their impact on the capital ratios. The normative perspective completely replaces the previous going concern approach to risk-bearing capacity.

The Managing Board controls and limits the risk-bearing capacity on the basis of the economic perspective (VaR 99.9 %), taking into account the normative perspective, while the utilisation of economic capital is constantly monitored.

The economic perspective, analogous to Pillar 2 of Basel III, aims to ensure risk-adequate capitalisation. In this approach, the confidence interval (99.9 %) is determined based on our own probability of default, and the relevant risks – referred to as economic capital (requirements) – are compared with the available capital resources. This approach is therefore similar to the regulatory solvency assessment, but is based on a more comprehensive and sensitive risk assessment. The economic capital consumption resulting from the economic perspective thus represents the capital requirement of the bank, a business unit or an individual transaction and can therefore be used as the basis for risk-adjusted capital allocation and for allocating the cost of capital within the Group. The economic perspective is therefore a key source of information for risk and overall bank management.

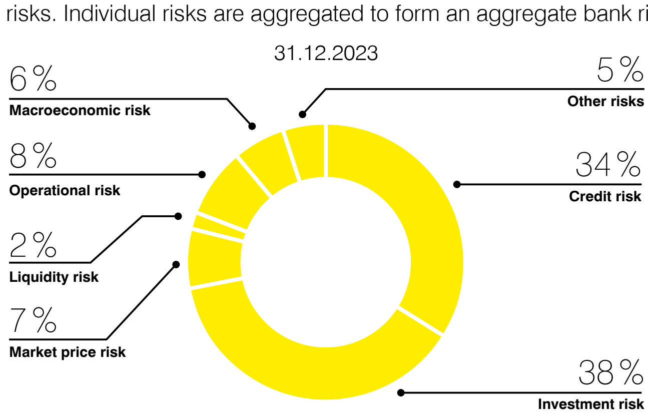
The risk appetite is determined annually in the form of an aggregate bank limit (allocated to individual business areas and individual risk types) and approved by the Managing Board. The covering assets within the economic perspective must in any case be greater than the economic capital; a utilisation of more than 90 % is not intended and requires the planning of measures to reduce risk or increase the covering assets.

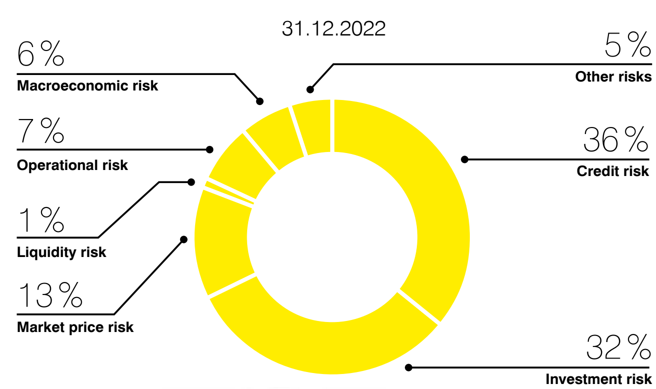
The normative perspective examines compliance with regulatory capital ratios in capital planning and in an adverse scenario. For the adverse scenario, a sector-specific macroeconomic scenario based on the current stress test is taken into account as part of the early identification process. The analysis of the stress scenario in the normative perspective of the ICAAP is designed to ensure that the Group has sufficiently strong capital ratios at the end of the multi-year planning period, even in the event of an unexpected deterioration in the macroeconomic environment. The analysis is based on a multi-year macroeconomic stress test that simulates hypothetical market developments in the event of a significant, but realistic, economic downturn. The risk parameters used include yield curves, foreign exchange rates and security prices, as well as changes in the probability of default and rating migrations in the loan portfolio. The main focus of this integrated stress test is on the resulting capital ratios at the end of the multi-year analysis. These should not fall below a sustainable level and should therefore not require substantial capital increases or far-reaching restrictions on business volumes. The result of the normative perspective is updated every six months with regard to the minimum capital ratio and, in the event of undesirable results, leads to risk mitigation measures, such as the limitation of risks or business areas. The minimum capital ratio under the normative approach was met at all times during the 2023 financial year.

In an effort to limit risks, an overall limit system has been established under the economic perspective, which comprises the individual risk types and business segments and has been approved by the Managing and Supervisory Boards. Risk Controlling analyses the risks identified and, by conducting regular target-actual comparisons, monitors compliance with the defined limits. When identifying concentration risks, due consideration is given to the individual circumstances of the Group. A concentration of the risk of default arises, for example, from a high volume of business activities focusing on certain industries, currencies, geographical regions or on a limited number of individual customers.

The risk-bearing capacity analysis, performed at regular intervals, is the central instrument that brings together and captures all risk-related aspects. Using this analysis, appropriate activities are implemented to control the aggregate bank risk. Individual types of risk are managed on a daily basis and, where required, by intraday processes. As a general principle, the Group only targets business segments in which it has gained appropriate experience in assessing the specific risks. The development of new business segments or products is based on an adequate analysis of the business-specific risks. That analysis is undertaken using a standardised product introduction process.

The framework for managing and controlling risks on a daily basis is provided by the operational parameters of the risk strategy that have been approved by the Supervisory and Managing Boards and which are defined in the risk manual. All risk-related information is summarised in a central information platform (Intranet) which is accessible to every employee. The information contained in that database must be duly taken into account by all staff members. Internal Auditing and Group Auditing check the effectiveness of the workflows, processes and controls in the context of the Group’s Internal Control System (ICS). Credit risk, investment risk, market price risk, liquidity risk, operational risk, macroeconomic risk and other risks have been identified as significant types of risk. Other risks include a buffer for non-quantifiable risks. Individual risks are aggregated to form an aggregate bank risk position, which is comprised of the following components:





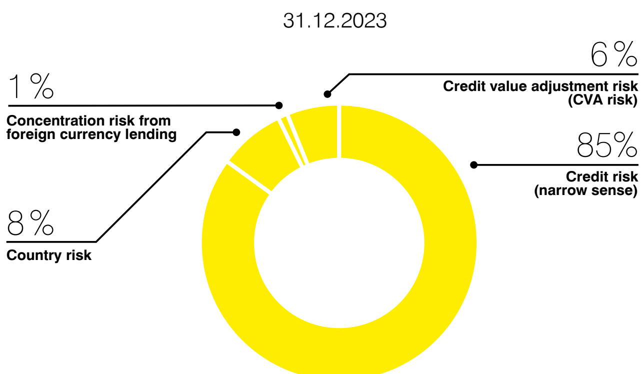
Share of individual risks in the aggregate bank risk position

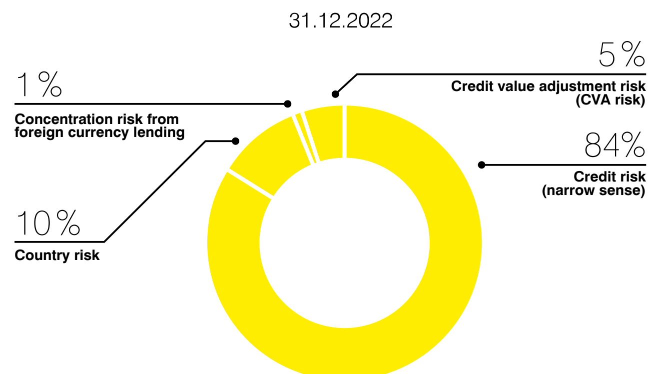
Based on the extreme case scenario, the economic capital requirement as at 31 December 2023 came to EUR 858.9 million (31 December 2022: EUR 854.8 million). The corresponding covering assets within the Group totalled EUR 1,975.1 million after EUR 1,836.9 million in the previous year.

The sections below provide a description of the individual components attributable to aggregate risk.

Credit risk

In addition to the credit (default) risk in the narrow sense of the term, credit risk also includes the concentration risk from foreign currency lending, the country risk, and the credit value adjustment risk (CVA risk).





Share of individual risks in credit risk

Credit risk represents the risk resulting from possible losses that arise due to the full or partial default of customers or counterparties or due to a decline in the credit rating of the respective counterparty. Impaired securities can also be a possible cause (residual risk from credit risk-reducing procedures). It also includes the risk of a declining credit rating or default on the part of the counterparty in the case of securities. Credit risk results mainly from loans and advances to customers and banks and represents the most significant type of risk for the RLB Steiermark Group. As part of the risk management process, the Credit Risk Management and Risk Controlling departments provide ongoing risk management at the origination and during the life of the loan.

Credit risk is monitored and analysed loan-by-loan for individual customers and on a portfolio basis. This analysis enables an assessment of the extent of the risk and development of the necessary measures (if any) for risk reduction. To control credit risks, a number of parameters, such as limits at portfolio level, borrower level and product level, have been defined.

Credit risk is measured at overall portfolio level using the indicators “expected loss” and “unexpected loss”. The maximum loss that could occur within one year and which will not be exceeded with a 99.9 % probability is calculated. The expected loss is compensated by an adequate premium (standard risk cost), while the unexpected loss should be covered by economic capital.

The credit risk inherent in individual exposures is assessed by Credit Risk Management. The tasks of Credit Risk Management include preparing second opinions, checking and releasing rating classifications, regular monitoring of credit exposures and updating of ratings, as well as early identification of potential default events.

Unsecured loan volumes (exposure less collateral securities) and open positions (exposure less collateral securities less impairment charges), as well as customer and counterparty credit ratings are important input parameters for controlling and measuring credit risk. A borrower’s risk situation therefore comprises two dimensions: the economic situation (creditworthiness) and the valuation of the collateral provided. The economic situation of the borrower is assessed using a comprehensive rating system, with different models for different customer segments. For risk measurement purposes, these rating and scoring models are used to categorise all customers into nine live rating categories. The credit ratings are updated on a regular basis using the rating and scoring models in place. The principles for assessing customers’ creditworthiness are contained in the rating guidelines in the credit manual. The rating systems are validated and enhanced on an ongoing basis.

The RLB Steiermark Group currently uses the following rating classes for its internal rating processes:

	Standard & Poor's	Moody's	Raiffeisen Rating Scale	Description
Investment Grade	AAA, AA+, AA, AA-	Aaa, Aa1, Aa2	0.5	No risk
	A+, A, A-	Aa3, A1	1.0	Excellent credit standing
	BBB+, BBB	A2, A3, Baa1, Baa2	1.5	Very good credit standing
	BBB-, BB+	Baa3, Ba1	2.0	Good credit standing
Non-Investment Grade	BB	Ba2, Ba3	2.5	Average credit standing
	BB-, B+	B1, B2	3.0	Acceptable credit standing
	B	B3, Caa1	3.5	Weak credit standing
	B-, CCC+	Caa2	4.0	Very weak credit standing
	CCC, CC-, CC, C	Caa3, Ca	4.5	At risk of default
Default	D	C	5.0 5.1 5.2	Default

For the purposes of assessing credit risk, both the economic situation (rating classification) and the collateral furnished are taken into account. This categorisation makes it possible to determine and limit risk concentrations.

Maximum default risk pursuant to IFRS 7.35K and IFRS 7.36a

The maximum default risk pursuant to IFRS 7.35K for demand deposits, balances at central banks and financial assets (AC) corresponds to the carrying amount before deducting any impairment losses. In the case of financial guarantees and lending commitments, it corresponds to the nominal amount of the guarantee or the amount of the as yet unused lending commitment. For debt instruments (FVOCI), it corresponds to the fair value. Pursuant to IFRS 7.36a, the value of assets that are subject to credit risk and are classified as HFT, FVOCI (equity instruments) and FVPL-M, and of derivatives – hedge accounting (positive fair values) is also equal to the fair value. The tables below show the maximum default risk broken down by measurement categories and stages, both for assets reported in the statement of financial position and for off-balance sheet transactions. Furthermore, the collateral employed, impairments and the unsecured loan volume calculated from this are presented and compared with the carrying amounts.

aximum default risk pursuant to IFRS 7.35K

31/12/2023 kEUR	Maximum default risk	Collateral	Unsecured loan volume	Impairment stage 1	Impairment stage 2	Impairment stage 3	Total impairment	Carrying amount
Balances at central banks	**1,963,068**	**0**	**1,963,068**	**1**	**0**	**0**	**1**	**1,963,067**
Stage 1	1,963,068	0	1,963,068	1	0	0	1	1,963,067
Demand deposits	**1,300,667**	**0**	**1,300,667**	**36**	**0**	**0**	**36**	**1,300,631**
Stage 1	1,300,667	0	1,300,667	36	0	0	36	1,300,631
Financial assets – AC	**11,471,494**	**5,972,737**	**5,498,757**	**1,005**	**24,730**	**154,291**	**180,026**	**11,291,468**
Stage 1	3,693,237	445,215	3,248,022	1,005	0	0	1,005	3,692,232
- Bonds	1,719,759	103,450	1,616,309	422	0	0	422	1,719,337
- Loans and receivables	1,973,478	341,765	1,631,713	583	0	0	583	1,972,895
Stage 2	7,357,281	5,283,456	2,073,825	0	24,730	0	24,730	7,332,551
- Bonds	4,968	0	4,968	0	49	0	49	4,919
- Loans and receivables	7,215,454	5,187,153	2,028,301	0	23,211	0	23,211	7,192,243
- Lease receivables	136,859	96,303	40,556	0	1,470	0	1,470	135,389
Stage 3	420,976	244,066	176,910	0	0	154,291	154,291	266,685
- Loans and receivables	420,941	244,066	176,875	0		154,258	154,258	266,683
- Lease receivables	35	0	35	0		33	33	2
Financial assets – FVOCI	**447,755**	**14,408**	**433,347**	**95**	**0**	**0**	**95**	**447,755**
Stage 1	447,755	14,408	433,347	95	0	0	95	447,755
- Bonds	447,755	14,408	433,347	95	0	0	95	447,755
TOTAL	**15,182,984**	**5,987,145**	**9,195,839**	**1,137**	**24,730**	**154,291**	**180,158**	**15,002,921**

31/12/2022 kEUR	Maximum default risk	Collateral	Unsecured loan volume	Impairment stage 1	Impairment stage 2	Impairment stage 3	Total impairment	Carrying amount
Balances at central banks	**1,509,556**	**0**	**1,509,556**	**0**	**0**	**0**	**0**	**1,509,556**
Stage 1	1,509,556	0	1,509,556	0	0	0	0	1,509,556
Demand deposits	**1,723,840**	**0**	**1,723,840**	**49**	**0**	**0**	**49**	**1,723,791**
Stage 1	1,723,840	0	1,723,840	49	0	0	49	1,723,791
Financial assets – AC	**11,845,059**	**5,679,207**	**6,165,852**	**2,009**	**28,979**	**137,178**	**168,166**	**11,676,893**
Stage 1	4,612,174	692,917	3,919,257	2,009	0	0	2,009	4,610,165
- Bonds	1,815,567	134,686	1,680,881	308	0	0	308	1,815,259
- Loans and receivables	2,796,607	558,231	2,238,376	1,701	0	0	1,701	2,794,906
Stage 2	6,930,190	4,849,133	2,081,057	0	28,979	0	28,979	6,901,211
- Bonds	7,404	2,500	4,904	0	76	0	76	7,328
- Loans and receivables	6,796,192	4,755,876	2,040,316	0	27,797	0	27,797	6,768,395
- Lease receivables	126,594	90,757	35,837	0	1,106	0	1,106	125,488
Stage 3	302,695	137,157	165,538	0	0	137,178	137,178	165,517
- Loans and receivables	302,695	137,157	165,538	0	0	137,178	137,178	165,517
Financial assets – FVOCI	**540,697**	**13,924**	**526,773**	**128**	**0**	**0**	**128**	**540,697**
Stage 1	540,697	13,924	526,773	128	0	0	128	540,697
- Bonds	540,697	13,924	526,773	128	0	0	128	540,697
TOTAL	**15,619,152**	**5,693,131**	**9,926,021**	**2,186**	**28,979**	**137,178**	**168,343**	**15,450,937**

The tables below show the maximum credit risk exposure in relation to off-balance sheet transactions:

31/12/2023 kEUR	Maximum default risk	Collateral	Unsecured loan volume	Impairment stage 1	Impairment stage 2	Impairment stage 3	Total impairment	Carrying amount
Financial guarantees/surety arrangements/indemnity agreements	**453,445**	**101,034**	**352,411**	**28**	**541**	**8,190**	**8,759**	**444,686**
Stage 1	90,966	13,783	77,183	28	0	0	28	90,938
Stage 2	348,187	86,337	261,850	0	541	0	541	347,646
Stage 3	14,292	914	13,378	0	0	8,190	8,190	6,102
Lending commitments	**1,577,099**	**186,451**	**1,390,648**	**109**	**4,626**	**10,010**	**14,745**	**1,562,354**
Stage 1	363,919	5,013	358,906	109	0	0	109	363,810
Stage 2	1,186,426	174,978	1,011,448	0	4,626	0	4,626	1,181,800
Stage 3	26,754	6,460	20,294	0	0	10,010	10,010	16,744
TOTAL	**2,030,544**	**287,485**	**1,743,059**	**137**	**5,167**	**18,200**	**23,504**	**2,007,040**

31/12/2022 kEUR	Maximum default risk	Collateral	Unsecured loan volume	Impairment stage 1	Impairment stage 2	Impairment stage 3	Total impairment	Carrying amount
Financial guarantees/surety arrangements/indemnity agreements	**505,921**	**95,773**	**410,148**	**47**	**712**	**4,484**	**5,243**	**500,678**
Stage 1	97,692	5,767	91,925	47	0	0	47	97,645
Stage 2	400,268	88,934	311,334	0	712	0	712	399,556
Stage 3	7,961	1,072	6,889	0	0	4,484	4,484	3,477
Lending commitments	**1,993,145**	**247,792**	**1,745,353**	**298**	**9,389**	**5,748**	**15,435**	**1,977,710**
Stage 1	791,244	127,437	663,807	298	0	0	298	790,946
Stage 2	1,183,616	117,350	1,066,266	0	9,389	0	9,389	1,174,227
Stage 3	18,285	3,005	15,280	0	0	5,748	5,748	12,537
TOTAL	**2,499,066**	**343,565**	**2,155,501**	**345**	**10,101**	**10,232**	**20,678**	**2,478,388**

Maximum default risk pursuant to IFRS 7.36a

For the following financial instruments, the maximum default risk corresponds to the carrying amount (fair value):

	31/12/2023			31/12/2022		
kEUR	Maximum default risk/carrying amount	Collateral	Unsecured loan volume	Maximum default risk/carrying amount	Collateral	Unsecured loan volume
Financial assets – HFT	**335,520**	**94,267**	**241,253**	**423,958**	**108,651**	**315,307**
- Bonds	16,305	0	16,305	12,947	0	12,947
- Derivatives (positive fair values)	319,215	94,267	224,948	411,011	108,651	302,360
Financial assets – FVOCI	**119,602**	**0**	**119,602**	**110,506**	**0**	**110,506**
- Equity instruments	119,602	0	119,602	110,506	0	110,506
Financial assets – FVPL-M	**75,632**	**26,176**	**49,456**	**75,726**	**29,039**	**46,687**
- Bonds	18,316	4,172	14,144	17,155	4,768	12,387
- Other variable-yield securities	22,145	0	22,145	20,390	0	20,390
- Loans and receivables	35,171	22,004	13,167	38,181	24,271	13,910
Derivatives - hedge accounting (positive fair values)	**319,842**	**55,864**	**263,978**	**400,935**	**74,962**	**325,973**
TOTAL	**850,596**	**176,307**	**674,289**	**1,011,125**	**212,652**	**798,473**

Collateral is rated and managed according to the existing statutory specifications and internal regulations. A standard policy framework is in place that addresses the rating and management of collateral provided by customers and other credit enhancements. This framework applies for the entire credit sector. The collateral manual lists every type of collateral accepted by the RLB Steiermark Group. Conservative discount factors are defined for each type of collateral.

Collateral is divided into the following four categories:

- Immovable assets
- Movable assets
- Financial collateral, claims and rights
- Personal collateral, unfunded collateral (such as guarantees or indemnities)

In addition to guarantees granted by public funding bodies, private guarantors (whose creditworthiness is checked with due diligence and care) are also used to minimise credit risk. Economic risks are mitigated by the collection of data regarding banking collateral and its evaluation. If the value of the valued collateral exceeds the outstanding commitment, this is taken into account in the calculation of impairments and no impairment allowance is made. Subject to the credit rating of the counterparty and the amount of the exposure, minimum requirements must be met for the acceptance of collateral. The responsibilities for valuation of collateral are clearly defined in the RLB Steiermark Group's collateral valuation process. The collateralisation parameters are estimated and validated at regular intervals.

The tables below show the gross carrying amounts before impairment for demand deposits, balances at central banks and financial assets AC and FVOCI, as well as the gross carrying amount for off-balance sheet transactions (lending commitments and financial guarantees), broken down by stages and default risk rating class pursuant to IFRS 7.35M. For off-balance sheet transactions, the gross carrying amount is equal to the nominal amount before impairment charges. For financial assets – FVOCI, the gross carrying amount corresponds to the amortised cost before impairment charges.

31/12/2023 kEUR	Stage 1	Stage 2	Stage 3	Gross carrying amount	Impairment
Balances at central banks	**1,963,068**	**0**	**0**	**1,963,068**	**1**
Investment Grade	1,963,068	0	0	1,963,068	1
Demand deposits	**1,300,667**	**0**	**0**	**1,300,667**	**36**
Investment Grade	1,300,667	0	0	1,300,667	36
Financial assets – AC	**3,693,237**	**7,357,281**	**420,976**	**11,471,494**	**180,026**
Investment Grade	3,559,609	5,322,496	0	8,882,105	10,884
- Bonds	1,708,209	0	0	1,708,209	422
- Loans and receivables	1,851,400	5,233,004	0	7,084,404	9,973
- Lease receivables	0	89,492	0	89,492	489
Non-Investment Grade	133,628	2,034,785	0	2,168,413	14,851
- Bonds	11,550	4,968	0	16,518	49
- Loans and receivables	122,078	1,982,450	0	2,104,528	13,821
- Lease receivables	0	47,367	0	47,367	981
Default	0	0	420,976	420,976	154,291
- Loans and receivables	0	0	420,941	420,941	154,258
- Lease receivables	0	0	35	35	33
Financial assets – FVOCI	**460,671**	**0**	**0**	**460,671**	**95**
Investment Grade	460,671	0	0	460,671	95
- Bonds	460,671	0	0	460,671	95
Total – financial assets	**7,417,643**	**7,357,281**	**420,976**	**15,195,900**	**180,158**
Financial guarantees/surety arrangements/indemnity agreements	**90,966**	**348,187**	**14,292**	**453,445**	**8,759**
Investment Grade	72,057	275,146	0	347,203	306
Non-Investment Grade	18,909	73,041	0	91,950	263
Default	0	0	14,292	14,292	8,190
Lending commitments	**363,919**	**1,186,427**	**26,753**	**1,577,099**	**14,745**
Investment Grade	351,728	939,207	0	1,290,935	2,707
Non-Investment Grade	12,191	247,220	0	259,411	2,028
Default	0	0	26,753	26,753	10,010
Total – off-balance sheet transactions	**454,885**	**1,534,614**	**41,045**	**2,030,544**	**23,504**

31/12/2022 kEUR	Stage 1	Stage 2	Stage 3	Gross carrying amount	Impairment
Balances at central banks	**1,509,556**	**0**	**0**	**1,509,556**	**0**
Investment Grade	1,509,556	0	0	1,509,556	0
Demand deposits	**1,723,840**	**0**	**0**	**1,723,840**	**49**
Investment Grade	1,723,840	0	0	1,723,840	49
Financial assets – AC	**4,612,174**	**6,930,190**	**302,695**	**11,845,059**	**168,166**
Investment Grade	4,445,226	5,131,727	0	9,576,953	13,790
- Bonds	1,803,636	0	0	1,803,636	308
- Loans and receivables	2,641,590	5,032,580	0	7,674,170	12,693
- Lease receivables	0	99,147	0	99,147	789
Non-Investment Grade	166,948	1,798,463	0	1,965,411	17,198
- Bonds	11,931	7,404	0	19,335	76
- Loans and receivables	155,017	1,763,612	0	1,918,629	16,804
- Lease receivables	0	27,447	0	27,447	318
Default	0	0	302,695	302,695	137,178
- Loans and receivables	0	0	302,695	302,695	137,178
Financial assets – FVOCI	**562,045**	**0**	**0**	**562,045**	**128**
Investment Grade	562,045	0	0	562,045	128
- Bonds	562,045	0	0	562,045	128
Total – financial assets	**8,407,615**	**6,930,190**	**302,695**	**15,640,500**	**168,343**
Financial guarantees/surety arrangements/indemnity agreements	**97,692**	**400,268**	**7,961**	**505,921**	**5,243**
Investment Grade	87,120	318,829	0	405,949	47
Non-Investment Grade	10,572	81,439	0	92,011	712
Default	0	0	7,961	7,961	4,484
Lending commitments	**791,244**	**1,183,616**	**18,285**	**1,993,145**	**15,435**
Investment Grade	699,884	948,321	0	1,648,205	299
Non-Investment Grade	91,360	235,295	0	326,655	9,388
Default	0	0	18,285	18,285	5,748
Total – off-balance sheet transactions	**888,936**	**1,583,884**	**26,246**	**2,499,066**	**20,678**

Impairment sensitivity analysis

Pursuant to IAS 1.125, companies are required to disclose in the notes the most important forward-looking assumptions as well as information about other significant sources of estimation uncertainty as of the reporting date that may give rise to a significant risk of causing a material adjustment to the carrying amounts of recognised assets and liabilities within the next financial year. The most significant assumptions affecting the sensitivity of the expected accumulated impairment are shown below.

As explained in the chapter “Impairments”, a post-model adjustment was carried out again as at 31 December 2023 in order to ensure an adequate representation of the risk provision. The increase in impairment allowances due to the application of the post model adjustment as of 31 December 2023 amounts to around EUR 14.5 million (previous year: EUR 21.1 million) and is included in the impairments shown.

The following table shows the impact between the impairment allowances for financial assets – AC, for financial assets – FVOCI and for off-balance sheet transactions in stage 1 and stage 2 posted as of 31 December 2023 and the respective scenarios shown.

Due to the fact that a post model adjustment was applied, a significant number of transactions has already been transferred from stage 1 to stage 2. This circumstance must be taken into account accordingly in the sensitivity analyses presented below. The effect shown from a full valuation of the transactions in Stage 2 only relates to that part of the risk provisioning that goes beyond the uplift from the application of the post model adjustment.

Accumulated change in value (stage 1 & 2) **kEUR**	**31/12/2023**	**31/12/2022**
Transfer of all transactions to stage 2	+ 4,266	+ 7,471
Transfer of all project financing to stage 2	+ 46	+ 1,076

The effect of a -10 % reduction in all collateral values and the associated increase between the credit losses expected as at 31 December 2023 and the assumption that the reduction in collateral values will result in higher unsecured volumes and higher impairments is shown below.

Accumulated change in value (stage 1 & 2) **kEUR**	**31/12/2023**
Reduction of collateral values by -10 %	+ 5,305

Modifications

In the case of contract modifications that cause a change in the present value of the asset but do not result in derecognition, the gross carrying amount of the asset must be adjusted (non-substantial modification).

The following tables show the financial assets not substantially modified:

31/12/2023

kEUR	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount before modification	301,879	236,491	78,998	617,368
Amortised cost prior to modification	301,737	235,561	53,891	591,189
Net modification effect	-2,154	2,033	0	-121

31/12/2022

kEUR	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount before modification	155,169	225,449	38,367	418,985
Amortised cost prior to modification	154,891	223,618	27,185	405,694
Net modification effect	339	1,802	0	2,141

The increase in modifications is mainly due to the development of market interest rates and the resulting demand from customers for adjustments to terms (in particular, switching to fixed rate agreements, deferrals).

The table below shows the gross carrying amount of not substantially modified assets which were transferred from stage 2 to stage 1.

kEUR	31/12/2023	31/12/2022
Transfer from stage 2 to stage 1	10,998	39,035

Forbearance

The following tables show the loans and receivables subject to forbearance measures (gross carrying amounts), broken down by type of agreement and indicating the amount of impairments, collateral and the respective share of non-performing loans as at the reporting date and the comparison date:

31/12/2023

kEUR	Non-financial enterprises	Households	Total
Loans and receivables			
Change of terms	233,707	39,871	273,578
Refinancing	835	7,936	8,771
Total of loans and receivables in forbearance	**234,542**	**47,807**	**282,349**
of which non-performing	126,035	43,257	169,292
Impairment stage 3 (accumulated)	-50,182	-13,149	-63,331
Impairment stage 1 & 2 (accumulated)	-673	-145	-818
Collateral	151,309	32,106	183,415
of which non-performing	57,621	28,375	85,996

31/12/2022

kEUR	Non-financial enterprises	Households	Total
Loans and receivables			
Change of terms	86,381	42,539	128,920
Refinancing	14,406	10,197	24,603
Total of loans and receivables in forbearance	**100,787**	**52,736**	**153,523**
of which non-performing	58,654	48,057	106,711
Impairment stage 3 (accumulated)	-34,094	-17,214	-51,308
Impairment stage 1 & 2 (accumulated)	-911	-31	-942
Collateral	45,005	32,675	77,680
of which non-performing	18,401	28,903	47,304

Non-performing loans
The calculation of the non-performing loan ratio (NPL ratio) for defaulted loans has been changed compared to 31 December 2022, and is now calculated according to the definition in EBA/GL/2018/10. This definition requires the exclusion of central bank balances and other sight deposits from both the denominator and the numerator. Since the reporting date of 31 March 2023, the Austrian banking supervisory authority has been using this NPL ratio to review any 5 % threshold in accordance with EBA EBA/GL/2018/10. Accordingly, since the 2023 financial year, the balances at central banks and demand deposits reported under the balance sheet item "Cash, balances at central banks and demand deposits" are no longer included in the calculation. The definition of default under Art. 178 CRR is used to classify loans as non-performing (NPL). All loans and advances with a credit rating of 5.0 to 5.2 are defined as non-performing loans. Once a customer is more than 90 days late in making a payment or when a customer-related default criterion applies, the customer is classified as being in default and is assigned to default categories 5.0 to 5.2. Based on the changed calculation method, the Group's NPL ratio as at the balance sheet date was 4.5 %. The restated prior-year figure as at 31 December 2022 is 3.0 %.

The non-performing exposure ratio (NPE ratio), calculated as the ratio of non-performing credit risk exposure to the maximum on-balance sheet and off-balance sheet credit risk exposure excluding equity instruments (total exposure), was 2.7 % as at 31 December 2023 (previous year: 1.8 %).

Country risk

Country risk represents the risk of losses in value due to transfer/conversion restrictions and/or prohibitions or other sovereign measures implemented by the country of the borrower (transfer risk). The RLB Steiermark Group has a country limit system in place to control this risk. To this end, a strategy for country risks is established annually and compared with actual developments throughout the year. The limit is based on the credit rating of the individual countries and the assignment of the countries according to the Group's specified market segments, taking into account changes occurring in the course of the year: the poorer a country's credit rating, the lower the limit. Appropriate measures to reduce risk are then promptly defined and implemented. The country risk accounted for 8.4 % of the total credit risk as at 31 December 2023 (previous year: 9.6 %).

Concentration risk – foreign currency loans

Possible additional default risks that arise through increased exposure due to currency fluctuations are recorded under concentration risk. Through the appreciation of a currency's value in relation to the euro, the credit exposure (converted into euros) of a foreign currency loan increases, as does – assuming the customer's probability of default remains the same – the Group's potential for loss.

In the case of foreign currency loans, concentration risk as a proportion of the overall credit risk was 0.5 % as at 31 December 2023 (previous year: 0.5 %). When calculating the risk inherent in foreign currency loans, a foreign currency premium is added to account for the additional risk assumed.

Based on the FMA's recommendation, foreign currency loans are no longer extended to consumers.

Reporting on foreign currency loans and repayment vehicle loans repayable at term is part of the ongoing reporting duties. The bank actively reduces the volume of these portfolios on an ongoing basis, and advice provided to customers regarding these products is directed toward risk reduction and asset preservation measures.

Derivative financial instruments
The derivatives utilised within the RLB Steiermark Group are employed in part to manage market price risks (especially interest rate change and currency risks) resulting from trading activities. Beyond this, they are also used to hedge positions in the context of the asset/liability management process, and to manage credit risks arising in the context of credit derivatives.

Detailed information (nominal volumes and fair values) on derivative financial instruments can be found in note 35, "Derivative financial instruments".

Credit value adjustment risk (CVA risk)

The CVA risk describes the risk of losses that can arise from a deterioration in the credit quality of counterparties to derivative transactions. Calculated on the basis of regulatory capital requirement, this type of risk accounted for 5.6 % of the total credit risk as at 31 December 2023 (previous year: 5.0 %).

Investment risk

The investment risk is comprised of the risk of potential losses in connection with participating interests which may materialise in the event of disposals, lost dividends, and impairments.

Most of the investment risk results from sector investments. For a sensitivity analysis of investments, we refer to the information contained in the section "Notes to financial instruments".

Within the framework of Pillar II, investment risk is taken into account, among other things, in the regular risk inventory and in the analysis of the risk-bearing capacity. The RLB Steiermark Group assesses the materiality of investment risk on an annual basis by means of a risk inventory. Based on standardised questionnaires, specific questions on investment risk are asked on the basis of current quantitative parameters (including market value changes, share of aggregate bank risk, risk-bearing capacity analysis). A weighting function is used to derive a classification from the individual questions. Management currently considers investment risk to be material. In the risk-bearing capacity analysis, investment risk is taken into account in the economic approach (99.9 % VaR) using a factor model in accordance with ÖRS specifications. To ensure a more risk-sensitive approach within the various investments, different risk factors will be taken into account in the risk-bearing capacity analysis, including for start-ups and scale-ups. In the normative view, the investment risk is determined in a baseline scenario and in an adverse scenario. In the baseline scenario, the individual investments are taken into account in the regular capital planning process (medium-term planning). The adverse scenario (mitigated stress test based on the capital planning process) takes into account not only the dividend default risk, but also a devaluation of the top 10 investments (including the investment in the central institution).

Investment management and risk measurement and control are key processes integrated into the business strategy.

When acquiring new investments, the investment management team uses external experts to assist in the due diligence process wherever possible. Risk assessment opinions are also sought from the relevant specialist departments.

Periodic investment controlling involves analysing and reviewing financial statements and budget figures.

The RLB Steiermark Group has a broadly diversified investment portfolio. One important investment is the stake in Raiffeisenbank International AG, which in turn has holdings in banks and leasing companies in Central and South-Eastern Europe as well as various CIS states, such as Ukraine, Russia and Belarus in particular.

The impact of the Russia-Ukraine war is significant for RBI due to its positioning in the Central and Eastern Europe region. Since the outbreak of the war in Ukraine, the RBI Group and its stakeholders have found themselves in an unprecedented situation. RBI has worked intensively to examine all options for the future of Raiffeisenbank Russia.

The RBI Group will pursue potential transactions that would lead to the sale or spin-off of Raiffeisenbank Russia and the deconsolidation of Raiffeisenbank Russia from the RBI Group in full compliance with local and international laws and regulations and in consultation with the relevant competent authorities. RLB Steiermark is in constant communication with RBI and closely monitors the investment risk.

For a sensitivity analysis of the equity investment in RBI, please refer to note 21 "Investments in associates valued at equity".

Market price risk

Market price risk describes the risk that losses will be incurred due to changes in prices on financial markets for the bank's positions in the trading and banking book.

Market price risks may arise in the form of interest rate change risk, currency risk, option risk, exchange risk, spread risk, equity risk, gold risk, and commodity risk. The risks are calculated using value at risk (VaR) methods and supplementary statistical methods. They are monitored regularly and are reported in the risk management committees in accordance with ICAAP requirements.

The VaR figures represent forecast maximum losses calculated on the basis of historical simulations or the parametric VAR approach. The VaR values are calculated on the basis of a 99.9 % confidence level and a holding period for banking book positions of 250 days and 90 days for trading book positions. The effects of potentially arising extreme situations are taken into account by means of stress tests.

A strict separation of duties between the front, back and risk control offices ensures a comprehensive, transparent and objective depiction of risks to the Managing Board and regulatory authorities.

Portfolio – extreme case scenario	**VaR 2023**	**VaR 2022**
Interest rate change risk, banking book	14.38 million	62.09 million
Banking book (interest rate risk, price risk, credit spread risk, equity risk) – securities only	42.87 million	49.15 million
Trading book (interest rate risk, price risk, credit spread risk, equity risk)	0.81 million	1.11 million

	Risk 2023	**Risk 2022**
Option risk, currency risk	1.53 million	1.43 million

The reduction in interest rate risk compared to the balance sheet date of 31 December 2022 is mainly due to the reduction in the forward positioning of assets, which has been adjusted in line with the changed market situation (particularly in the 2-5 year maturity bands). This adjustment, together with the use of historical simulation-based VaR, is the main contributor to this reduction in interest rate risk VaR within the RTFA. The VaR calculation for the extreme case is based on an internal interest rate representation, without factoring in margin cash flows. Interest rate risk is reported to the regulator on a quarterly basis. With effect from the 30 June 2023 reporting date, this interest rate risk report has been adjusted so that the yield curve shift of 200 basis points relative to eligible capital is no longer the key risk indicator, but is now based on 6 outlier scenarios (present value) and 2 net interest income risk scenarios. Further models and simulations, in which stress tests play a key role, are being used to manage interest rate risk. As part of the ongoing management of interest rate positions, interest rate sensitivities calculated using basis point values (with an upward interest rate curve shift by 1 BP) are taken into account. The interest rate risk simulations required by the EBA are carried out monthly and reported to the overall bank risk committee.

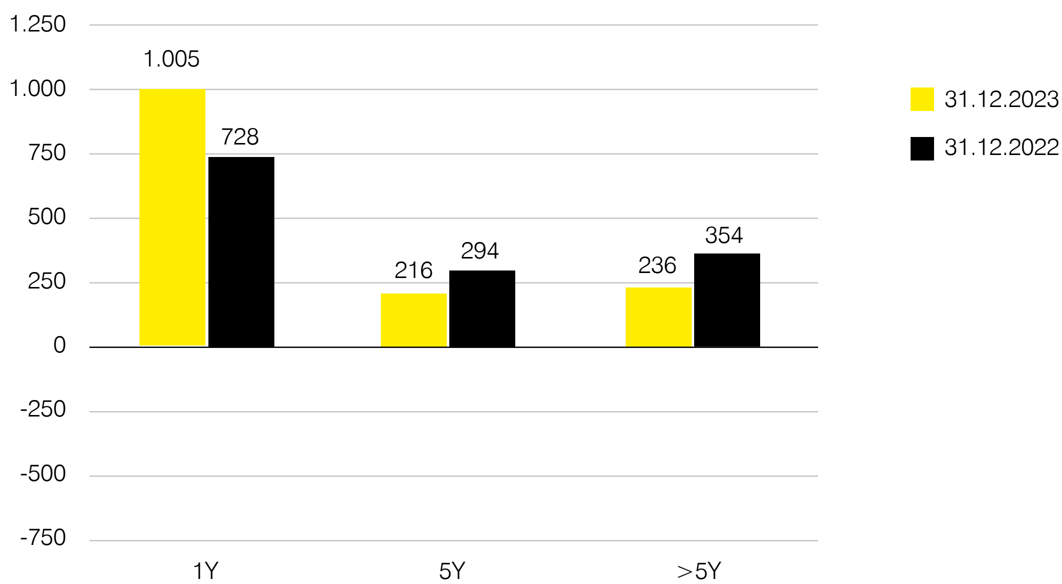
The decrease in credit spread risk is the result of a lower nostro position of approximately EUR 230 million compared to the previous year. Credit duration is virtually unchanged from last year. Credit spread sensitivity also decreased slightly by around kEUR 20.

Due to the current positioning in equity funds, which also contain corresponding foreign currency positions, the currency risk as of the reporting date shows a risk of EUR 1.53 million (previous year: EUR 1.43 million).

All trading book positions – here RLB Steiermark uses the approach of a median trading book – are valued daily at market prices and are subject to limit monitoring. In addition, option risks are measured and controlled accordingly.

Fixed interest rate gap structure as at 31/12/2023 and 31/12/2022 in EUR million

Group presentation
as at 31/12/2023 vs. 31/12/2022 in EUR million



Liquidity risk

Liquidity risk describes the risk that the Group will be unable to adequately fulfil its current and future payment liabilities in a timely manner, or that it will be unable to procure an adequate level of liquidity at the expected terms in the event of a liquidity shortage.

Until 09/2023, liquidity risk was measured both on a going concern and a worst case basis. In September 2023, the switch was made to the normative and economic perspective. For the liquidity risk, a VaR figure is calculated in the front office system based on historic simulations, which includes the refinancing and reinvestment risk. Structural liquidity is controlled and monitored via capital commitment reports. Indefinite commitments are accounted for on the basis of fictitious maturities in accordance with the reference rate protocol, validated annually and adjusted accordingly. In addition, scenario analyses are conducted at regular intervals.

ECB- or EUREX-eligible securities are provided to secure liquidity. Proactive steps are continuously being taken to generate additional collateral in order to launch additional issues that are eligible as cover-pool assets. The corresponding risk-accompanying measures and systems were successfully optimised and extended, and the applicable legal and regulatory provisions were adhered to continuously during the reporting period. Among other things, work continued on the extended requirements of the Pfandbrief Act in 2023 and further developments were made to the TXS system provided for this purpose. RLB Steiermark received the necessary approval from the supervisory authority on 7 July 2022 to continue issuing covered issues on the basis of this new legal regulation.

In order to strengthen the liquidity position of the Group and the Raiffeisen Banking Group in Styria, RLB Steiermark also participated in the ECB’s TLTRO III programme (Targeted Longer-Term Refinancing Operations). As of 23 November 2022, the interest rate on this programme has been modified and banks have been offered additional dates for voluntary early repayment. Following an early repayment of EUR 1.0 billion in December 2022, a further EUR 2.0 billion was repaid on or before schedule in 2023, leaving RLB Steiermark with a TLTRO III volume of EUR 0.5 billion. In the first half of 2023, two benchmark bonds (covered bonds) of EUR 500 million each with maturities of 3 and 4 years were very successfully placed on the capital market. In addition, the first green bond was issued in the first half. The special feature here is that the proceeds from the green bond are invested exclusively in projects that protect or reduce the burden on the climate and the environment.

One of the core functions of RLB Steiermark is that of ensuring clearing services between the Styrian Raiffeisen banks. In the hierarchical structure of the Raiffeisen Banking Group in Styria, the primary focus of the local Raiffeisen banks is on deposit and lending operations with end customers. The RLB Steiermark Group acts analogously in its own local area of operations while concurrently executing liquidity transfers within the Raiffeisen Banking Group in Styria.

Group Treasury also fulfils important functions for the Raiffeisen sector. It is responsible for the liquidity management in connection with bonds issued by RLB Steiermark for securities customers, and also offers Raiffeisen banks the possibility of providing RLB Steiermark, in its role as central clearing facility, with customer loans for central bank transactions with the OeNB/ECB and for the jointly managed Aaa-rated cover pools. Beyond its management of cover assets, Group Treasury also performs other key funding and liquidity functions.

The RLB Steiermark Group has instituted a highly developed liquidity management system and controls the daily and intraday cash flows generated by customers and/or the bank. All provisions arising from regulatory standards (BWG, CRR, ILAAP, KI-RMV), supervisory requirements (FMA / OeNB) and sector as well as internal limits are continuously monitored and taken into account in management. Parameters such as stress scenarios, the liquidity coverage ratio (LCR), the required stable refinancing (net stable funding ratio, NSFR), key operational and structural liquidity indicators, and the liquidity value-at-risk (LVaR) are particularly important elements in the risk management process.

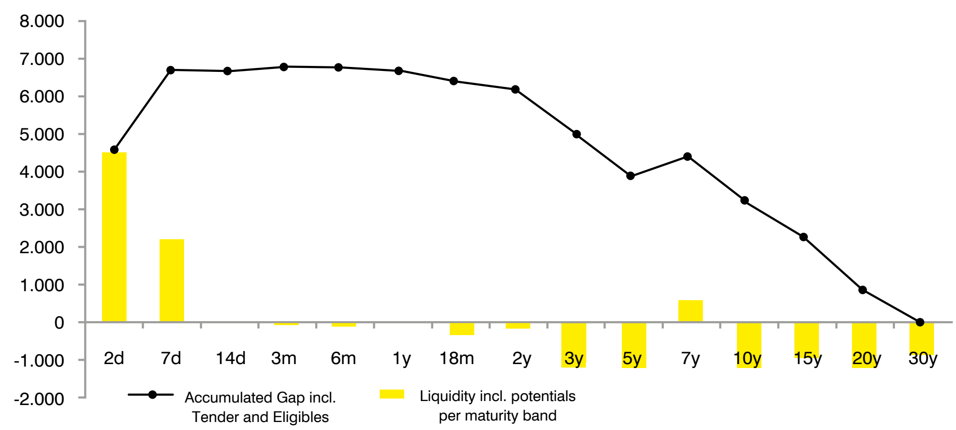
In addition to the management of the liquidity coverage ratio (LCR), the management of the NSFR has also been carried out within the framework of a liquidity subgroup consisting of RLB Steiermark and the Styrian Raiffeisen banks since June 2021. Pursuant to Article 8 of Regulation (EU) No. 575/2013, the members of this liquidity subgroup are exempt from complying with the ratio prescribed at individual institution level. However, 100 % compliance is required at the level of the liquidity subgroup. The corresponding organisational and administrative tasks of managing and reporting the LCR and NSFR are the responsibility of RLB Steiermark, which submits regular reports on the status and development of the ratio within the liquidity subgroup to the risk council of the state institutional protection scheme and other addressees.

RLB Steiermark also monitors potential liquidity outflows that arise from impending new business activities. Moreover, the retention times for deposits of all kinds and the utilisation periods and amounts of loans with an indefinite term or an extension option for borrowers are subjected to empirical analyses at periodic intervals.

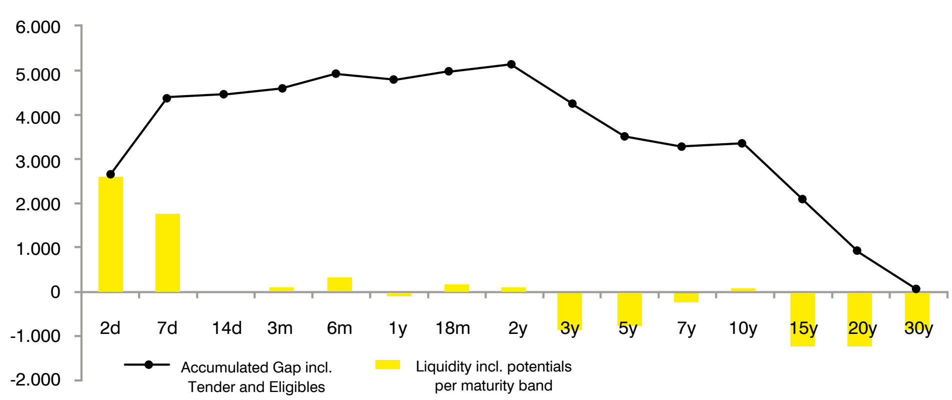
To respond effectively to unforeseen developments or emergency situations, appropriate strategies and action plans have been developed and approved by the relevant management committees.

The following capital commitment structure as of 31 December 2023 shows a very comfortable liquidity position, which is primarily based on longer-term refinancing through the use of existing capital market access.

Capital commitment structure including liquidity potential as at 31/12/2023 (EUR million)



Capital commitment structure including liquidity potential at 31/12/2022 (EUR million)



Operational risk

Operational risk reflects the risk of direct or indirect losses resulting from inadequate or failed internal processes, human and system failure, or external events. It also includes legal risk. Such systems and processes also encompass all arrangements for the prevention of money laundering and terrorist financing. Legal risk, as a component of operational risk, is considered as part of the risk assessment process.

Furthermore, the definition of operational risk includes risks related to information, communication and technology (ICT risks). These refer to existing or future risks of loss due to the inadequacy or failure of the hardware and software of technical infrastructures, which may impair the availability, integrity, accessibility and security of these infrastructures or data. This can include the risk of ICT availability and continuity, ICT security, ICT changes, ICT data integrity and ICT outsourcing.

The basis indicator approach is used to measure operational risk. A risk-adequate internal control system and scheduled and unscheduled inspections by Internal Auditing and/or Group Auditing in the individual Group companies ensures a high degree of safety. Operational losses are systematically recorded and analysed in a loss event database. The Managing Board is kept informed of any loss events. To identify operational risks and develop an awareness of potential risk sources, self-assessments are conducted. Furthermore, automated operational risk control routines are run within the process-oriented information network (Point) and the internal control system (ICS).

Macroeconomic risk

Macroeconomic risk results from an overall decline in economic conditions within the context of the classical economic cycle and any resultant increases in relevant risk parameters. To ensure that the bank will have sufficient covering assets even after such periods of decline without having to instigate massive interventions and measures, macroeconomic risk factors are taken into account.

The quantification assumes a downturn in GDP and a deterioration of default and recovery rates. Based on these default and recovery rates, the credit risk is recalculated and the difference to the original credit risk constitutes the macroeconomic risk.

Other risks

Other types of risk are summarised under other risks. In particular, the following risks, which are not separately quantified as part of the RTFA, are mentioned:

- Risk from the business model (business risk): refers to the risk of losses from unexpected fluctuations in earnings resulting from changes in external conditions with a given business strategy. It arises from an insufficiently diversified earnings structure or the Group’s inability to achieve a sufficient and sustained level of profitability.

- Reputational risk: refers to the negative consequences that may arise if the Group’s reputation deviates negatively from expected levels. Reputation is understood to be the reputation of the Group resulting from the perceptions of the interested public (investors, employees, customers, etc.) in terms of competence, integrity and trustworthiness.

- Residual risk from credit risk mitigation techniques: refers to the risk of insufficient recoverability of recognised collateral values. The Group’s collateral is valued, managed, routinely validated and back-tested in accordance with applicable legal requirements and internal policies. A standard policy framework is in place that addresses the rating and management of collateral provided by customers and other credit enhancements. This framework applies for the entire credit sector.

- Equity risk: refers to the risk of inadequate capitalisation. Ensuring an adequate level of capital resources and compliance with the regulatory capital requirements is an integral part of overall bank management. The main focus of control is on common equity tier 1 (CET1) and economic capital as part of the ICAAP. Both components are an integral part of planning and control.

- Model risk: refers to potential losses resulting from decisions that may be based on the results of internal models (errors in the design, execution or use of models). All models in use are validated and back-tested or further developed.

A risk buffer is established for the above risks. As a risk buffer, an across-the-board risk premium of 5 % is added for all identified risk exposures for which sufficient coverage must be provided within the overall limit.

Sustainability and ESG risks

Increased integration of sustainability issues is part of the business strategy. The RLB Steiermark Group has established a “Sustainable Finance” programme steering committee, which is responsible for the implementation and ongoing development of the sustainability strategy and for analysing and monitoring current developments related to sustainability. A comprehensive sustainability report is produced on an annual basis.

ESG (Environmental, Social, Governance) risks include direct and indirect risks that can have a negative impact on the Group’s assets, financial and liquidity position as well as its reputation and, as a consequence, on financial market stability. According to the ECB’s “Guide on climate-related and environmental risks”, ESG risk is not a separate risk type but a risk driver for all existing risk types (credit risk, market risk, liquidity risk, operational risk, etc.).

ESG risks describe potential negative (financial) consequences that could arise for the Group's businesses or customers, including from climate and environmental impacts. The impact of ESG factors can arise from physical risks and the consequences of climate events (or climate change). These may be reflected in increased defaults by borrowers or in the impairment of collateral. The effects of transition risks arise from political and technological developments and can have a strong negative impact on industries with a higher environmental impact as a result of steering measures.

The importance of ESG risk is growing rapidly, which is why the ongoing Sustainable Finance project was launched. Measures related to the risk management framework and the consideration of climate and environmental risks in the credit granting process (incl. monitoring) were derived from this project and analysis. Individual measures have already been implemented in the Group (including materiality analysis, ESG risk score, risk inventory, exclusion criteria) and others (determination of financed CO2 emissions, ESG reporting, ESG stress testing) are being continuously evaluated and developed in the sector across all federal states.

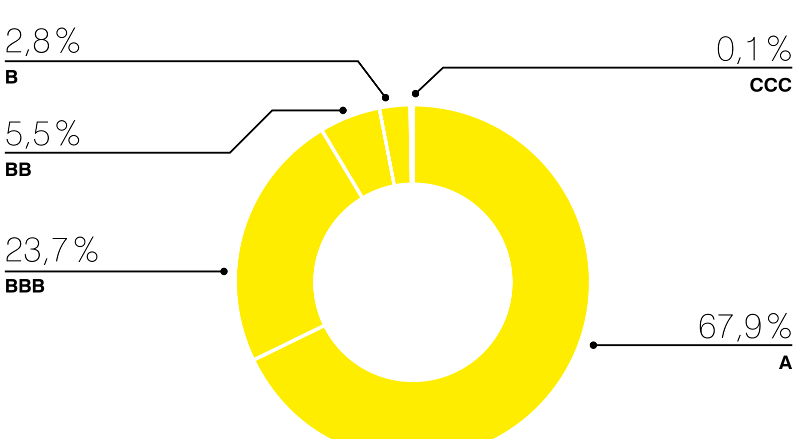
Banks are affected by ESG risks in many ways. In the risk inventory, ESG risks were already taken into account quantitatively (materiality analysis, ESG risk score) and qualitatively in the questionnaires on the individual risk types. ESG risks are already taken into account in the credit assessment (using soft facts) and in the credit approval process. We are currently working on the implementation of our own ESG risk score as part of the risk process. One focal point of the currently implemented regulations is the definition of sustainable financing (especially energy efficiency) as well as the definition of exclusion criteria that preclude financing. In the RLB Steiermark Group, both an incentive system including bonuses and criteria for exclusion have already been defined for sustainable financing.

In order to ensure the integration of ESG risks into the risk management process, the RLB Steiermark Group has introduced various analysis procedures. ESG risk exposures are identified based on a materiality analysis. Hypotheses on the materiality of ESG risks (transitory and physical climate risks) for each risk type have been derived, assessed and documented. In credit risk, the impact of ESG risks on the customer loan portfolio has been identified as relevant, and it is therefore necessary to quantify ESG risk. External software is already used in the client loan portfolio to ensure a quantitative ESG assessment and to calculate the respective ESG risk score.

The ESG risk score quantifies sustainability risks and incorporates environmental (climate and environment), social and governance factors into the assessment of a client. E, S and G risks are calculated individually for each sector and region and aggregated into an ESG risk score. This is a basic score. The ESG risk scoring module displays the risks as a score between 0 and 1 for each type of risk identified, with a value close to 0 being interpreted as low risk and a value close to 1 as high risk. In addition, these scores are reconciled to the risk classes AAA – C.

The following chart shows the customer loan portfolio for the reporting date of 31 December 2023, classified according to the basic ESG risk score.

Distribution across ESG classes



ESG risk score	ESG label	Description
x < 0.15	AAA	Very low risk
0.15 <= x < 0.25	AA, A	Low risk
0.25 <= x < 0.45	BBB, BB, B	Medium risk
0.45 <= x < 0.65	CCC, CC	High risk
0.65 <= x	C	Very high risk

Based on the analysis of ESG risks in the portfolio using the ESG risk score, the RLB Steiermark Group does not currently see any urgent need to implement risk mitigation measures. Developments in the area of ESG risks are closely monitored, models are developed and new ones are introduced. The Group is encouraged to further develop ESG risk management for the loan portfolio in line with our sustainable business strategy.

The implementation of measures to manage ESG risks is monitored and further developed on a regular basis.

Taxonomy alignment

Based on the EU Green Deal and the EU Sustainable Finance Action Plan, the relevant information, metrics and ratios on asset taxonomy alignment are published in a separate sustainability report. This is published on the RLB Steiermark homepage (https://www.raiffeisen.at/rlbstmk).

OTHER INFORMATION

38. Related party transactions

An overview of loans and advances to parent companies, associates valued at equity and related parties as at 31 December 2023is provided in the following table.

Statement of financial position

kEUR	Parent companies	Associates valued at equity	Related entities	Related persons
Cash, balances at central banks and demand deposits	0	1,198,262	0	0
Financial assets – AC	0	529,647	137,414	1,881
Financial assets – FVOCI	0	10,435	0	0
Financial assets – HFT	0	2,001	0	0
Financial assets – FVPL-M	0	13,951	0	0
Derivatives - hedge accounting (positive fair values)	0	6,614	0	0
Other assets	0	10	0	0
Financial liabilities – AC	26,916	171,884	20,531	941
Financial liabilities – HFT	0	6,287	0	4
Derivatives - hedge accounting (negative fair values)	0	1,332	0	0
Provisions	0	0	0	217
Other liabilities	0	112	21	0

For demand deposits as well as financial assets – AC in connection with related parties and associates valued at equity, specific impairment allowances totalling kEUR 267were established (previous year: kEUR 128).

Loans and advances to associates valued at equity mainly relate to RBI.

Statement of profit or loss

kEUR	Parent companies	Associates valued at equity	Related entities	Related persons
Interest income	0	72,733	5,288	28
Interest expenses	-200	-15,342	-159	-17
Dividend income	0	0	4,997	0
Net fee and commission income	0	21	108	5
Impairment of financial assets	0	-81	-44	-13

The figures as at 31 December 2022 are as follows:

Statement of financial position

kEUR	Parent companies	Associates valued at equity	Related entities	Related persons
Cash, balances at central banks and demand deposits	0	1,593,794	0	0
Financial assets – AC	0	789,683	139,576	1,867
Financial assets – FVOCI	0	38,495	0	0
Financial assets – HFT	0	7,558	0	0
Financial assets – FVPL-M	0	12,238	0	0
Derivatives - hedge accounting (positive fair values)	0	9,679	0	0
Other assets	0	0	0	0
Financial liabilities – AC	25,446	158,411	14,793	751
Financial liabilities – HFT	0	11,370	0	7
Derivatives - hedge accounting (negative fair values)	0	2,822	0	0
Provisions	0	0	0	0
Other liabilities	0	0	0	0

Statement of profit or loss

kEUR	Parent companies	Associates valued at equity	Related entities	Related persons
Interest income	0	29,961	2,521	21
Interest expenses	0	-12,254	-16	-1
Dividend income	0	0	6,516	0
Net fee and commission income	0	10	76	5
Impairment of financial assets	0	63	-35	0

By definition, the parent companies are the non-operationally active financial holding companies RLB-Stmk Verbund and RLB-Stmk Holding. As at 31 December 2023, RLB-Stmk Verbund, which is a 100 % subsidiary of the Styrian Raiffeisen banks, is the largest shareholder in RLB-Stmk Holding, with an investment of 99.43 % (previous year: 99.34 %). RLB-Stmk Holding in turn holds an investment of 100 % (previous year: 86.87 %) in RLB Steiermark.

Related parties are deemed to be subsidiaries and equity investments that are not included in the consolidated financial statements due to their secondary importance.

In accordance with IAS 24.12, the definition “related party” also includes the subsidiaries of an associate. The business relations with these companies are presented jointly with the associates valued at equity.

Natural persons who according to IAS 24 are considered to be related, are the members of the Managing Board and the Supervisory Board of Raiffeisen-Landesbank Steiermark AG, as well as their close family members.

The business relations with the named entities and persons are conducted in the context of usual banking business. Above all, such business pertains to investments and refinancing. Banking transactions with related parties in the normal course of business activities are entered into on arm’s length terms and conditions. The receivables and liabilities with respect to these parties pertain to loans, demand and time deposits.

39. Managing Board and Supervisory Board remunerations

The active members of the Managing Board and the Supervisory Board of RLB Steiermark are deemed to be members of the key management personnel in accordance with IAS 24.9.

Remuneration for the active members of the Managing Board breaks down as follows:

kEUR	2023	2022
Short-term benefits	1,912	1,917
Post-employment benefits	308	308
Other long-term benefits	29	26
Total	**2,249**	**2,251**

Short-term benefits include salaries, benefits in kind and performance-related remuneration. As in the previous year, the members of the Managing Board did not receive supervisory board remuneration payments from fully consolidated subsidiaries.

Post-employment benefits relate to pension fund contributions, while other long-term benefits relate to contributions to the employee pension fund.

The expenses for the salaries of the former members of the Managing Board amounted to kEUR 614 during the current financial year (previous year: kEUR 632).

In the 2023 financial year, the members of the Supervisory Board received remuneration in the amount of kEUR 343 (previous year: kEUR 204).

40. Loans and advances to Managing Board and Supervisory Board members

kEUR	2023	2022
Managing Board members	1,471	1,668
Supervisory Board members	422	193

Repayments were made as agreed; terms to maturity and interest rates were those generally available from banks.

41. Expenses for severance payments and pensions

Expenses for severance payments and pensions include severance and pension payments and contributions to the staff benefit and pension fund, as well as the allocation to and reversal of provisions for severance payments and pensions recognised in the statement of profit or loss and other comprehensive income.

kEUR	2023	2022
Severance payments		
Managing Board and senior employees	486	55
Other employees	5,075	598
Pensions		
Managing Board and senior employees	3,356	745
Other employees	5,262	1,256

42. Leasing from the lessor's perspective

Finance leasing

The leases classified as finance leases in the RLB Steiermark Group relate to real estate, movable property and motor vehicles. Interest income from these finance leases in the amount of kEUR 6.550 was realised (previous year: kEUR 1,690). In the 2023financial year, income from the disposal of a finance lease in the amount of kEUR 13 was recognised in other operating income (previous year: kEUR 59).

The following table presents a maturity analysis of finance lease receivables and shows the undiscounted annual lease payments outstanding after the reporting date, as well as the reconciliation to the net investment value.

kEUR	2023	2022
Gross investment value	**177,432**	**154,135**
Minimum lease payments	115,781	96,469
Up to 1 year	22,205	18,826
1 year to 2 years	19,022	15,790
2 years to 3 years	17,093	12,453
3 years to 4 years	14,810	10,869
4 years to 5 years	13,365	9,171
5 years and over	29,286	29,360
Non-guaranteed residual values	61,651	57,666
Unrealised financial income	**40,682**	**29,244**
Net investment value	**136,750**	**124,891**

kEUR	2023	2022
Vehicle leasing	26,944	19,090
Real estate leasing	81,164	86,386
Equipment leasing	28,642	19,415
Total	**136,750**	**124,891**

Operating leasing – lessor

The RLB Steiermark Group lets investment property and has classified these leases as operating leases because not all risks and rewards associated with ownership are transferred. These comprise both commercial properties owned by the Group and rented land that is leased to parties outside the Group. The rental period of the properties is negotiated individually and can range from two years to more than ten years.

In the 2023 financial year, leasing income in the amount of kEUR 3,071 (previous year: kEUR 1,699) was recorded.

The following table presents a maturity analysis of lease payments and shows the undiscounted lease payments outstanding after the reporting date.

kEUR	2023	2022
Up to 1 year	2,988	2,570
1 year to 2 years	2,484	2,311
2 years to 3 years	2,125	2,103
3 years to 4 years	2,063	1,749
4 years to 5 years	335	1,694
5 years and over	393	653
Total	**10,388**	**11,080**

43. Leasing from the lessee's perspective

Amounts recognised in the statement of profit or loss

The amounts recognised in the statement of income from leases in which the RLB Steiermark Group is a lessee are as follows:

kEUR	2023	2022
Impairment of rights of use	1,183	1,068
Interest expenses for lease liabilities	149	121
Expenses for short-term leases	3	11
Expenses for leases of low-value assets	32	25
Total	**1,367**	**1,225**

The development of right-of-use assets is shown in note 22 "Intangible assets, property, plant and equipment and investment properties".

Amounts recognised in the cash flow statement

The total cash outflows for leases amount to kEUR 1,700 (previous year: kEUR 1,613), of which an amount of kEUR 1,516 (previous year: kEUR 1,455) is attributable to the repayment portion, kEUR 149 (previous year: kEUR 121) to the interest portion, kEUR 3 (previous year: kEUR 12) to short-term leases and kEUR 32 (previous year: kEUR 25) to low-value leases. Payments for the interest portion of the lease liability are reported under cash flow from operating activities, analogous to other interest payments.

The following table shows the development of the lease liability shown in the item "Other liabilities" in the statement of financial position and in the cash flow from financing activities for the 2023 financial year:

kEUR	Cash flow		Non-cash changes		
Carrying amount at 01/01/2023	Inflows	Outflows	Other changes	Interest expenses	Closing balance at 31/12/2023
8,342	0	-1,665	2,123	149	8,949

The development in the previous year was as follows:

kEUR	Cash flow		Non-cash changes		
Carrying amount at 01/01/2022	Inflows	Outflows	Other changes	Interest expenses	Closing balance at 31/12/2022
9,162	0	-1,576	635	121	8,342

Lease liabilities

The maturity analysis of lease liabilities (undiscounted lease payments due after the balance sheet date) is shown in the following tables. The corresponding carrying amounts are recognised in other liabilities.

2023 financial year

	Term to maturity of lease liability			
kEUR	Total	Up to 1 year	> 1 year to 5 years	5 years and over
Real estate	7,593	987	2,301	4,305
Vehicle fleet	2,736	698	1,963	75
Total	**10,329**	**1,685**	**4,264**	**4,380**

2022 financial year

	Term to maturity of lease liability			
kEUR	Total	Up to 1 year	> 1 year to 5 years	5 years and over
Real estate	8,921	1,111	3,331	4,479
Vehicle fleet	949	351	598	0
Total	**9,870**	**1,462**	**3,929**	**4,479**

44. Foreign currency volumes

The consolidated financial statements comprise the following volumes of assets and liabilities denominated in foreign currencies:

kEUR	2023	2022
Assets	**300,840**	**371,983**
of which in CHF	246,897	279,480
of which in USD	29,964	52,503
of which in JPY	6,072	8,219
of which in CZK	5,413	11,745
of which in GBP	5,197	150
of which in other currencies	7,297	19,886
Equity and liabilities	**79,024**	**128,244**
of which in USD	40,196	78,128
of which in CHF	23,157	15,017
of which in GBP	5,189	5,222
of which in JPY	2,879	9,174
of which in NOK	2,214	3,812
of which in other currencies	5,389	16,891

45. Foreign assets and liabilities

Foreign assets and liabilities arising from transactions with counterparties outside Austria break down as follows:

kEUR	2023	2022
Assets	**2,612,061**	**2,897,929**
of which Germany	1,503,070	1,662,161
of which France	227,587	239,204
of which the Netherlands	125,482	144,333
of which Luxembourg	119,325	117,324
of which Sweden	90,985	96,213
of which other countries	545,612	638,694
Equity and liabilities	**1,526,754**	**1,472,670**
of which Germany	1,416,296	1,327,241
of which the United Kingdom	36,157	42,279
of which the Netherlands	21,903	30,926
of which Croatia	9,517	10,604
of which Ireland	7,325	8,622
of which other countries	35,556	52,998

46. Subordinated assets

kEUR	2023	2022
Financial assets – amortised cost (AC)	32,073	48,955
Financial assets – fair value OCI (FVOCI)	0	8,648
Financial assets – mandatorily at fair value P&L (FVPL-M)	1	3

47. Subordinated liabilities and supplementary capital

The following subordinated bonds were issued:

Description/characteristics	Currency	Nominal amount in kEUR	Interest rate	Maturing on	Year of issue
7.75 % subordinated bond of Landes-Hypothekenbank Steiermark (AT0000173026) 94-24 - single issue	EUR	4,360	7.75	03/06/2024	1994
Subordinated bond of Landes-Hypothekenbank (AT0000325303) 01-26 - single issue	EUR	15,000	0 – 7.5*)	01/10/2026	2001
Subordinated bond “Raiffeisen Stufenzins-Anleihe 2013-2024/1” of Raiffeisen Landesbank Steiermark AG (ISIN AT000B091921) – tap issue	EUR	3,545	4.80	27/05/2024	2013
Subordinated bond “Raiffeisen Stufenzins-Anleihe 2014-2024/1” (ISIN AT000B092101) – tap issue	EUR	8,491	3.75 – 6.0	14/02/2024	2014
Supplementary capital bond “Ergänzungskapital Fixzins-Anleihe 2014-2029/2” (ISIN AT000B092200) – single issue	EUR	5,000	4.60	18/06/2029	2014
Supplementary capital bond “Cap&Floor-FRN 2015-2027/1” (ISIN AT000B092291) – tap issue	EUR	2,170	4.4 – 6	27/04/2027	2015
Subordinated bond “RLB Stmk Fixzins-Anleihe 2015-2025/3” (ISIN AT000B092390) – tap issue	EUR	4,289	5.00	11/08/2025	2015
Subordinated bond “RLB Stmk Fixzins-Anleihe 2016-2026” (ISIN AT000B092614) – tap issue	EUR	2,989	4.85	21/01/2026	2016
Subordinated bond “RLB Stmk Fixzins-Anleihe 2016-2026” (ISIN AT000B092747) – tap issue	EUR	6,841	4.50	29/04/2026	2016
Subordinated bond “RLB Stmk Fixzins-Anleihe 2016-2026” (ISIN AT000B092895) – tap issue	EUR	9,142	4.15	27/07/2026	2016
Subordinated 5.75 % bond “Hypo Fixzins-Anleihe 2017-2027” (ISIN AT000B088315) – tap issue	EUR	2,000	5.75	22/02/2027	2017
Subordinated 4.1 % – 5 % bond “Stufenzins-Anleihe 2017-2027” (ISIN AT000B088349) – tap issue	EUR	3,000	4.10 – 5	29/09/2027	2017
Subordinated 6 % bond “Hypo Fixzins-Anleihe 2017-2027” (ISIN AT000B088273) – tap issue	EUR	3,000	6.00	11/01/2027	2017
Subordinated 4 % bond “Hypo Fixzins-Anleihe 2018-2028” (ISIN AT000B088398)	EUR	5,000	4.00	16/03/2028	2018
Subordinated bond “RLB Stmk Stufenzins-Anleihe 2018-2028/1” (ISIN AT000B093281) – tap issue	EUR	9,941	2.0 – 3.8	22/05/2028	2018
Subordinated bond “RLB Stmk Stufenzins-Anleihe 2019-2029/4” (ISIN AT000B093422) – tap issue	EUR	819	1.75 – 2.65	06/06/2029	2019

*) currently (01/10/2023 to 30/09/2024) 4.6028 %

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

Raiffeisen-Landesbank Steiermark AG is entitled to call the subordinated bonds at 100 % of the nominal value with the approval of the Austrian Financial Market Authority (FMA) after a period of five years from the date of first issue, and also before the end of this 5-year term for regulatory (e.g. legislative changes) or fiscal reasons.

The interest expenses for subordinated liabilities came to kEUR 3,943 in the reporting year (previous year: kEUR 3,591).

48. Contingent liabilities and other off-balance sheet liabilities and commitments

Contingent liabilities

kEUR	2023	2022
Contingent liabilities from guarantees and other indemnity commitments provided to non-banks	406,661	477,258
Contingent liabilities from guarantees and other indemnity commitments provided to banks	39,074	17,126
of which: Provision of collateral for third-party liabilities	26,000	0
Contingent liabilities from payment obligations not yet due from equity investments	6,955	10,783
Contingent liabilities from the supplement required from members of cooperatives in respect of amounts guaranteed	755	754
Total contingent liabilities	**453,445**	**505,921**
Provision for off-balance sheet transactions	-8,759	-5,243
Total	**444,686**	**500,678**

Credit risks

kEUR	2023	2022
Unused credit lines – up to 1 year	885,649	1,124,609
Unused credit lines – more than 1 year	691,450	868,536
Total credit risks	**1,577,099**	**1,993,145**
Provision for off-balance sheet transactions	-14,745	-15,435
Total	**1,562,354**	**1,977,710**

Customer deposit guarantee association
Raiffeisen-Landesbank Steiermark AG is a member of the Raiffeisen-Geldorganisation Steiermark customer deposit guarantee association. The members of the association assume a contractual guarantee obligation to the effect that according to the statutes of the association, they jointly and severally guarantee the timely fulfilment of an insolvent association member's obligations arising from customer deposits and financial instruments issued by that member. Pursuant to the charter, the capacity of any one member of the association will depend on its freely available reserves subject to the pertinent provisions of BWG and CRR.

As it is impossible to determine the amount of the potential liability of Raiffeisen-Landesbank Steiermark AG arising from the guarantee association, the guarantee obligation arising from the customer deposit guarantee association was accounted for by recognition of a nominal amount of one euro in the statement of financial position. By means of an amendment to the articles of association, the customer deposit guarantee association of Raiffeisen-Geldorganisation Steiermark terminated its liability as of 30 September 2019. Balances existing on the reporting date continue to be subject to liability, while payouts and all other debit entries after the reporting date reduce liability.

49. Securities lending transactions and repurchase transactions

As at 31 December 2023, securities with a value of kEUR 1,000,000 (previous year: kEUR 1,000,000) were lent and securities with a value of kEUR 1,000,000 (previous year: kEUR 1,000,000) were borrowed, which were provided as collateral as part of repurchase agreements.

In the context of genuine repurchase agreements, the following repurchase and redelivery commitments existed at 31 December:

kEUR	2023	2022
Genuine repurchase agreements as seller		
Financial liabilities – amortised cost (AC)		
Borrowed funds	774,279	2,467,423

Borrowed funds include refinancing with the Austrian National Bank in the amount of kEUR 517,196 (previous year: kEUR 2,467,423), which relates to the tranches drawn under the TLTRO III programme. This item also includes refinancing at EUREX in the amount of kEUR 257,083 (previous year: kEUR 0).

Genuine reverse repurchase agreements existed neither on the current nor on the previous year's reporting date.

The bonds recognised as assets provided as collateral for the liabilities specified above under genuine repurchase agreements break down as follows:

kEUR	2023	2022
Assets transferred under repurchase agreements		
Bonds – amortised cost (AC)	214,264	0
Bonds – fair value OCI (FVOCI)	46,525	0
Total	**260,789**	**0**

Non-Group securities (incl. borrowed securities) totalling kEUR 0 were used in the context of refinancing operations through tender transactions (previous year: kEUR 1,000,000), as well as retained covered bonds that do not need to be recognised pursuant to IFRS in the amount of kEUR 750,000 (previous year: kEUR 1,800,000).

The following assets are available as potential cover for risks arising from repurchase (repo) transactions (ECB, EUREX):

kEUR	2023	2022
Group's own assets		
Bonds	2,249,972	1,595,106

kEUR	2023	2022
External assets		
Bonds	1,035,206	35,002

50. Assets pledged as collateral

The following liabilities (excl. repurchase transactions) were collateralised by assets recognised in the statement of financial position

kEUR	2023	2022
Financial liabilities – amortised cost (AC)	2,857,987	2,150,409
Financial liabilities – designated at fair value P&L (FVO)	54,177	71,963
Total	**2,912,164**	**2,222,372**

The following assets recognised in the statement of financial position were pledged as collateral:

kEUR	2023	2022
Cover pool for fiduciary funds	14,894	9,664
Cover pool for covered bonds	3,465,469	3,244,578
Other cover pool assets	12,010	11,805
Total	**3,492,373**	**3,266,047**

The contractual terms that are associated with the use of these securities are standard banking terms.

Breakdown of non-Group assets pledged as collateral:

kEUR	2023	2022
Cover pool for covered bonds	6,960,572	6,233,593

The non-Group securities for covered bonds relate solely to credit claims.

51. Financial investments pursuant to Section 64 BWG

The breakdown of securities listed and/or admitted to stock exchange trading by fixed and current assets is as follows:

kEUR	2023	2022
Fixed assets		
Bonds	1,297,457	1,366,280
Current assets		
Bonds	429,228	511,655

Classification as a financial investment or current financial asset was decided on a case-by-case basis by the responsible committees. Securities intended for use on a continuing basis in the normal course of the bank's activities are reported as fixed assets. Securities not classified as financial investments are reported as current assets.

52. Bonds, other fixed-income securities and bonds issued by the Group pursuant to Section 64 (1) (7) BWG

Bonds and other fixed-income securities maturing in the year following the reporting date:

kEUR	2023	2022
Bonds	284,071	423,473
Bonds issued by the Group	19,951	555,384

53. Trading book volume pursuant to Art. 103 et seq. of Regulation (EU) No. 575/2013

kEUR	2023	2022
Derivative financial instruments		
Positive fair values	105,015	147,189
Negative fair values	103,027	143,131
Bonds	16,305	12,947

54. Expenses for remuneration of the auditors

The remuneration recognised for auditing the consolidated and individual financial statements, as well as other services provided by the auditors, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, the Austrian Raiffeisen Association (Österreichischer Raiffeisenverband, ÖRV) and other audit firms, breaks down as follows:

	2023			2022		
kEUR	**ÖRV**	**KPMG**	**Other**	**ÖRV**	**KPMG**	**Other**
Audit fees	906	511	27	844	475	23
Other confirmation services	48	17	6	43	20	6
Total	**954**	**528**	**33**	**887**	**495**	**29**

Pursuant to Section 237 (14) UGB, the auditor's remuneration for the individual financial statements of the subsidiaries is published as part of the notes to the consolidated financial statements. Thus, the auditor's remuneration (gross figures) is presented cumulatively for the Group and the subsidiaries.

The expenses for the Austrian Raiffeisen Association (Österreichischer Raiffeisenverband ÖRV) relate to the auditor appointed by ÖRV.

55. Return on total assets pursuant to Section 64 (1) (19) BWG

The return on total assets (ratio of consolidated profit/loss to total assets as at the reporting date) of the RLB Steiermark Group was 2.02 % (previous year: 0.46 %).

56. Average number of employees

Data in FTE	2023	2022
Waged employees	0	0
Salaried employees	822	844
Total	**822**	**844**

The change in the number of employees is due partly to the departure of the staff of Raiffeisen Informatik Center Steiermark GmbH, which was included in the previous year with an average of 68 FTEs, and partly to an increase of 46 FTEs at RLB Steiermark.

57. Securitisations (RLB Steiermark as originator)

In the first half of 2022, RLB Steiermark completed a synthetic securitisation of a reference portfolio of corporate loans. The synthetic securitisation takes the form of a financial guarantee by the European Investment Fund ("EIF") on the mezzanine tranche. These completed securitisations will reduce the regulatory capital requirements at Group level.

The following table shows the securitised portfolio by tranche as of the current reporting date:

Description	Conclusion	End of term	Securitised volume at closing in kEUR	Securitised volume as at 31/12/2023	Securitised volume as at 31/12/2022
Senior tranche	20/06/2022	31/12/2043	412,906	412,906	412,906
Mezzanine tranche	20/06/2022	31/12/2043	57,414	57,414	57,414
Junior tranche	20/06/2022	31/12/2043	8,134	4,810	8,134
Total reference portfolio			**478,454**	**475,130**	**478,454**

The reference portfolio was not sold, but remains on the Group's books. The risk transfer under Article 245 CRR allows for a reduction in risk-weighted assets and hence capital requirements. RLB Steiermark Group makes use of the option to deduct securitisation positions with a risk weight of 1,250 % from capital and thus to exclude them from the calculation of risk-weighted assets.

58. Regulatory capital as per CRR/CRD IV and BWG

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

According to the CRR, eligible capital consists of common equity core capital (common equity tier 1 – CET 1), additional core capital (additional tier 1 – AT 1) and supplementary capital (tier 2 – T 2). The capital ratios are determined by comparing the relevant capital components with the total risk (assessment base), after consideration of all regulatory deductions and/or adjustment items.

The minimum capital ratios to be maintained are 4.5 % for common equity tier 1 capital (CET 1), 6 % for tier 1 capital (CET 1 plus additional tier 1 capital (AT 1)), and 8 % for total capital (TC). In addition to minimum capital ratios, banks must also meet capital requirements as defined in the Supervisory Review and Evaluation Process (SREP) and capital buffer requirements.

Based on the annual SREP procedure, the Austrian Financial Market Authority (FMA) requires RLB Steiermark to hold additional capital to cover those risks that are not or not sufficiently covered by Pillar 1. This so-called Pillar 2 requirement is calculated, for example, on the basis of the business model, risk management or the capital situation. In its decision of 24 May 2023 (the most recent decision), the Austrian Financial Market Authority (FMA) ordered RLB Steiermark to maintain a total SREP capital ratio of 10.9 % at all times in accordance with Article 92 (2) c CRR on the basis of the consolidated situation of RLB-Stmk Verbund eGen and at the level of RLB Steiermark (unconsolidated).

Furthermore, additional buffer requirements must be observed. These relate mainly to the capital conservation buffer (gradually raised to 2.5 % by 2019) and the countercyclical capital buffer. The countercyclical buffer was set at 0 % for the time being due to restrained lending growth and the stable macroeconomic environment in Austria. The institution-specific countercyclical capital buffer for RLB Steiermark is calculated in accordance with Section 23a (1) BWG based on the weighted average of the ratios of the countercyclical capital buffers of the countries in which the material credit risk positions are tied. The countercyclical capital buffer is an insignificant factor for RLB Steiermark.

The capital requirements applicable during the year were met at all times, including a sufficient buffer, on both a consolidated and individual basis.

The consolidated values presented below were determined in accordance with the provisions of the Capital Requirements Regulation (CRR) and other statutory provisions, such as the Implementing Technical Standards (ITS) of the European Banking Authority (EBA). The Group has elected to exercise the option to recognise only the effect of the subsequent application of IFRS 9 as an add-back amount.

kEUR	2023	2022
Capital instruments eligible as CET 1 capital	403,436	344,966
Reserves and accumulated other comprehensive income	1,397,949	1,056,073
Minority interests given recognition in CET 1 capital	0	85,985
CET 1 capital before deduction and adjustment items	**1,801,385**	**1,487,024**
Gains and losses on liabilities measured at fair value resulting from changes in the institution's own credit risk	-1,271	-2,984
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-1,612	-2,037
Value adjustments due to the requirements for prudent valuation	-2,287	-2,892
Other intangible assets	-879	-1,021
Deferred tax assets that rely on future profitability excluding those arising from temporary differences, net of associated tax liabilities	0	-1,894
Securitisation position	-4,810	-7,459
Deduction item for insufficient coverage of non-performing risk positions	-5,495	-2,667
Other transitional adjustments to core capital	7,150	14,514
Adjustments to CET 1 capital due to deduction and adjustment items	**-9,204**	**-6,440**
Common equity tier 1 (CET 1) capital	**1,792,181**	**1,480,584**
Additional tier 1 capital (AT 1)	**0**	**20,950**
Tier 1 capital (T1)	**1,792,181**	**1,501,534**
Instruments issued by subsidiaries that are given recognition in T2 capital	26,898	60,818
Tier 2 capital (T2)	**26,898**	**60,818**
Total capital (TC)	**1,819,079**	**1,562,352**

As part of the process of optimising the ownership structure of RLB Steiermark in cooperation with its owners, minority interests were reduced. Core capital now accounts for 98.5 % of total capital (previous year: 96.1 %), underscoring the high quality of eligible capital.

The total risk exposure (assessment base) breaks down as follows:

kEUR	2023	2022
Minimum capital requirement for credit risk	7,380,866	7,343,902
Minimum capital requirement for the position risk of debt instruments	58,239	54,909
Minimum capital requirement for operational risk	877,108	725,818
Minimum capital requirement for CVA risk	98,752	99,972
Total risk (assessment base)	**8,414,965**	**8,224,601**
CET 1 ratio (based on all risks)	21.30 %	18.01 %
Tier 1 capital ratio (based on all risks)	**21.30 %**	**18.26 %**
Total capital ratio (based on all risks)	**21.62 %**	**19.00 %**

If the transitional provision of Art. 473a CRR were not applied, total capital would amount to kEUR 1,811,927 (previous year: kEUR 1,547,837), with an adjusted assessment base of kEUR 8,407,772 (previous year: kEUR 8,207,783). This would result in a core capital ratio of 21.23 % (previous year: 18.12 %) and a total capital ratio of 21.55 % (previous year: 18.86 %). The improvement in eligible capital is mainly due to the inclusion of the 2023 result and the positive effect of the change in ownership structure, which resulted in particular in a strengthening of CET 1.

The reported total capital ratio improved by 0.54 percentage points due to the synthetic securitisation described in note 57 (previous year: 0.36 percentage points).

The minimum capital requirements were complied with during the reporting period.

59. Capital management

The RLB Steiermark Group's equity management is a key component of its medium-term planning, which is regularly reviewed and updated. The aim is to meet legal and regulatory requirements at all times, based on business performance and taking into account an appropriate buffer.

Regulatory and economic perspectives are fundamental components of the RLB Steiermark Group's management and controlling framework.

The aim of ensuring adequate capitalisation is to appropriately limit all banking and operational risks and thus to ensure compliance with the statutory due diligence obligations pursuant to Section 39a BWG.

The RLB Steiermark Group uses limits for internal management and control processes that cover all types of risk (credit risk, market price risk – especially interest rate risk in the banking book, spread risk, currency risk, liquidity risk and operational risk) and are reflective of future requirements regarding the quality and quantity of capital. The current planning activities also take account of the advancement and harmonisation of capital requirements by the regulatory authorities. In medium-term planning, the impacts of planned business activities are compared with the expected development of the eligible capital as well as expected regulatory changes regarding capital requirements / capital adequacy.

Risk capital is allocated to business areas and segments, in order to determine the performance indicators on which the Group's integrated risk and return management is based. The levels of such risk capital depend on the business strategy and planned business development of the individual business areas and segments. The ICAAP takes into account the bank's business and risk profiles, and constitutes an integral part of its implemented planning, management and control process.

To ensure adequate levels of liquidity and capitalisation, capital planning processes are updated periodically. In addition, scenario calculations are performed and analysed, the outcomes of which are incorporated into management considerations (proactive determination of measures).

By decision dated 26 June 2023, RLB Steiermark was required to maintain a minimum amount of own funds and eligible liabilities (MREL) at the consolidated level of the resolution group in the amount of 22.11 % of the total risk exposure amount (TREA) and 5.90 % of the total risk exposure measure (leverage ratio exposure or LRE) at all times. RLB Steiermark must meet this MREL through own funds at the consolidated level and through eligible liabilities at the individual level. From 1 January 2024, the total risk exposure measure (leverage ratio exposure or LRE) will increase to 5.93 %.

As at 31 December 2023, the ratios are as follows:

	2023	2022
Own funds and eligible liabilities as a percentage of TREA	53.02 %	50.60 %
Own funds and eligible liabilities as a percentage of LRE	30.26 %	29.30 %

Leverage ratio

As a supplementary measure to its capital requirements, the CRR framework introduced the leverage ratio as a new instrument for limiting the accumulation of excessive leverage. The leverage ratio is defined in Part 7 of the CRR.
There is a binding quantitative target of 3 percent, which is clearly being met.

kEUR	2023	2022
Total exposure	14,741,204	14,113,464
Core capital	1,792,181	1,501,534
Leverage ratio	**12.16%**	**10.64%**

If the transitional provision of Art. 473a CRR were not applied, the leverage ratio would amount to 12.12 % (previous year: 10.55 %).

60. Composition of the Group

The table below shows the scope of consolidation of the RLB Steiermark Group:

kEUR	Registered office	Percentage held	Equity (kEUR)	Profit/loss[1] (kEUR)	Date of annual financial statements
Fully consolidated entities					
Ciconia Immobilienleasing GmbH	Graz	100.00 %	-267	-10	31/12/2023
“DÖHAU” Liegenschaftsges.m.b.H.	Graz	100.00 %	-562	-27	31/12/2023
Grundstücksverwaltung Salzburg-Mitte GmbH	Graz	100.00 %	227	21	31/12/2023
HSL Beteiligungen GmbH	Graz	100.00 %	8,508	988	31/12/2023
HSL Immobilienleasing GmbH	Graz	100.00 %	3,491	281	31/12/2023
HSL Kommunal- und Gebäudeleasing GmbH	Graz	100.00 %	1,329	54	31/12/2023
HSL Leasing - Holding GmbH	Graz	100.00 %	1,691	-165	31/12/2023
Immobilienerwerbs- und Vermietungs Gesellschaft m.b.H.	Graz	100.00 %	75,120	3,042	31/12/2023
Pittacus Beteiligungs GmbH	Graz	100.00 %	1,354	-2	31/12/2023
RATIO Beteiligungsverwaltungs GmbH	Graz	100.00 %	4,026	-768	31/12/2023
RLB - Beteiligungs- und Treuhandgesellschaft m.b.H.	Graz	100.00 %	89,390	4,447	30/09/2023
RLB-Stmk Immobilienbeteiligungs- und Verwaltungs GmbH	Graz	100.00 %	66,334	1,472	30/09/2023
RLO Beteiligungs GmbH	Graz	100.00 %	4,609	410	31/12/2023
RSAL Raiffeisen Steiermark Anlagenleasing GmbH	Graz	81.00 %	-664	-437	31/12/2023
RSIL Immobilienleasing Raiffeisen Steiermark GmbH	Graz	81.00 %	366	-15	31/12/2023
SPIREA GmbH	Graz	81.00 %	-169	121	31/12/2023
Steirische Raiffeisen - Immobilien - Leasing Gesellschaft m.b.H.	Graz	100.00 %	3,223	202	31/12/2023
Thasus Beteiligungs GmbH	Graz	100.00 %	19,738	2,074	31/12/2023
Associates valued at equity					
Raiffeisen Bank International AG[2])	Vienna	9.95 %	19,849,405	2,578,243	31/12/2023

[1] Profit/loss before P&L transfer
[2] Values as per the Annual Financial Report

61. Overview of equity investments

Companies not included in the scope of consolidation:

kEUR	Registered office	Percentage held	Equity (kEUR)	Profit/loss[1)] (kEUR)	Date of annual financial statements
Affiliated companies					
ALPHA-BAU Planungs-, Projektentwicklungs- und Baubetreuungs GmbH.	Graz	100.00 %	394	22	31/12/2022
BONITA HSL Leasing GmbH	Graz	100.00 %	37	-5	31/12/2023
Comm-Unity EDV GmbH	Lannach	51.00 %	3,035	1,032	31/12/2022
Eruca Beteiligungs GmbH	Graz	100.00 %	33	-2	31/12/2023
Feles Beteiligungs GmbH	Graz	100.00 %	295	-2	31/12/2023
INPRIMIS Beteiligungs GmbH	Graz	100.00 %	1,551	-1	31/12/2022
Liegenschaftsverwaltung Radmer-Frohnleiten GmbH	Graz	100.00 %	7,197	92	31/12/2022
LKH-Eingangszentrum Errichtungs- und Betreiber GmbH	Graz	100.00 %	3,203	406	31/12/2022
NOVA HSL Leasing GmbH	Graz	100.00 %	221	-18	31/12/2023
NWB Beteiligungs GmbH in Liqu.	Graz	100.00 %	380	-1	31/12/2023
Raiffeisen Bauträger & Projektentwicklungs GmbH	Graz	100.00 %	2,083	-97	31/12/2022
Raiffeisen-Immobilien Steiermark Gesellschaft m.b.H.	Graz	100.00 %	1,560	303	31/12/2022
RLB Stmk Taten GmbH	Graz	100.00 %	154	0	31/12/2022
RVS Raiffeisen Vertrieb und Service GmbH	Graz	100.00 %	2,417	2,004	31/12/2022
Scirus Liegenschaftsverwaltungs GmbH	Graz	100.00 %	33	-2	31/12/2023
TSI-Terminal und Software Installationen GmbH	Graz	100.00 %	136	982	31/12/2023
Associates					
CADO Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00 %	2,517	88	31/12/2023
G + R Leasing Gesellschaft m.b.H.	Graz	37.50 %	14	-1	30/09/2023
G + R Leasing Gesellschaft m.b.H. & Co. KG.	Graz	50.00 %	944	872	30/09/2023
RAITEC GmbH	Linz	15.00 %	20,439	5,686	31/12/2022
ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H.	Graz	30.00 %	404,432	19,791	31/12/2022
Solana Renewable Technologies GmbH	Graz	49.00 %	170	-102	31/12/2022
Spica Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00 %	163	-43	31/12/2022
Steirische Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	25.00 %	343	-2	31/12/2022

1) Profit/loss before P&L transfer.

62. Events after the balance sheet date

In December 2023, RBI decided to acquire 28.5 million shares in STRABAG SE (corresponding to a stake of 27.78 percent) from MKAO Rasperia Trading Limited, which operates in Russia, via its Russian subsidiary AO Raiffeisenbank for a purchase price of EUR 1.5 billion (including dividend entitlements for 2021 and 2022). Completion of the acquisition is subject to various conditions precedent, including the satisfactory completion of a sanctions compliance due diligence by RBI, regulatory approvals and antitrust clearances. Prior to signing the agreement, RBI carefully reviewed the Strabag transaction for compliance with all applicable sanctions and notified all relevant authorities, including the US Treasury Department and OFAC (Office of Foreign Assets Control), of the details of the transaction.

After closing of the transaction, AO Raiffeisenbank will transfer the STRABAG shares to RBI as a dividend in kind. The approval of the dividend in kind by the competent Russian authorities is also a condition precedent for the acquisition of the STRABAG shares by AO Raiffeisenbank. After closing, RBI will hold the shares in STRABAG SE as a long-term investment. With this transaction, RBI is further reducing its exposure in Russia.

The closing of the transaction is expected to have an impact on the Group’s CET 1 ratio of approximately minus 10 basis points (based on 16.5 percent, pro forma including profit as at 31 December 2023), while the Group’s CET 1 ratio excluding Russia would increase by approximately 125 basis points (based on 14.4 percent, assuming deconsolidation of the Russian entity at a price to book ratio of zero, pro forma including profit as at 31 December 2023). The transaction is expected to have a positive impact on the valuation of the RBI investment in the RLB Steiermark Group.

In February 2024, RBI announced its possible withdrawal from the Belarusian market. It is in advanced negotiations to sell its stake in Priorbank JSC and its subsidiaries to an investor from the United Arab Emirates. The transaction would result in a loss of approximately EUR 225 million at closing and the expected impact on the CET 1 ratio would be minimal. At closing, the reclassification of mainly historical foreign exchange losses from other comprehensive income would have an additional negative impact on the statement of profit or loss of approximately EUR 450 million. This reclassification would have no impact on the RBI Group’s regulatory capital. This transaction is not expected to have a significant impact on the valuation of the RBI investment in the RLB Steiermark Group.

Beyond this, there have been no business transactions or other events up to the present time that would be of particular public interest or would have a material impact on the annual financial report 2023.

MANAGING BOARD AND SUPERVISORY BOARD

Managing Board

Chairman
CEO KR MMag. Martin **SCHALLER**

Members of the Managing Board
Member of the Managing Board KR Mag. Rainer **STELZER**, MBA
Member of the Managing Board MMag. Dr. Florian **STRYECK**
Member of the Managing Board Mag. Dr. Ariane **PFLEGER**

Supervisory Board

Executive committee:
Josef **HAINZL**, President
Chairman of RLB-Stmk Verbund eGen and Chairman of the Supervisory Board of Raiffeisenbank Aichfeld eGen

Dir. Josef **GALLER**, First Vice President
Managing Director of Raiffeisenbank Mureck eGen

KR Peter **SÜKAR**, 2nd Vice President
Chairman of Raiffeisenbank Lipizzanerheimat eGen and the Voitsberg Economic Chamber

Members of the Supervisory Board:
Mag. Kristina **EDLINGER-PLODER**
Dean of the University of Applied Sciences CAMPUS 02 Fachhochschule der Wirtschaft GmbH

Dir. Romana **GSCHIEL-HÖTZL**, MBA (until 4 March 2024)
Managing Director of Raiffeisenbank Bad Radkersburg-Klöch eGen

Dir. MMag. Martin **KIPPERER**
Managing Director of Raiffeisenbank Leoben-Bruck

Univ. Prof. Mag. Dr. Thomas **KRAUTZER**
Director of the Institute for Economic History KF Uni Graz

Mag. Regina **MARAK-HUBER**

Ing. Mag. Franz **PICHLER**
Chairman of the Supervisory Board of Raiffeisenbank Admont eGen and Economic Director of the Benedictine Abbey of Admont

Mag. Ignaz **SPIEL**

Chairman of the Supervisory Board of Raiffeisenbank Region Fehring eGen and Managing Director of Spiel Dach & Glas GmbH

Dir. Franz **STRAUSSBERGER**
Managing Director of Raiffeisenbank Oststeiermark Nord eGen
Association chairman Ök.-Rat Franz **TITSCHENBACHER**
Chairman of the Styrian Raiffeisen Association and President of the Styrian Chamber of Agriculture

VDir. Gerhard **ZAUNSCHIRM**, MSc
Managing Director of Raiffeisenbank Hausmannstätten eGen

Delegated by the employees' council:
Sabine **FUCHS** (until 28 March 2024)
Walter **HATZ**
Sabine **KOINEGG** (since 28 March 2024)
MMag. Andrea **KUNZE** (since 28 March 2024)
Brigitte **MANDL** (until 28 March 2024)
Mag. Andreas **MICHITSCH** (since 28 March 2024)
Eva **PILGER-BUCHEGGER** (until 8 March 2023)
Bernd **VERONIG**
Mag. Bernhard **WAGNER**
Ing. Bernhard **WESENER** (until 28 March 2024)
Bernd **WINTERLEITNER** (since 8 March 2023)

State commissioners:
Hans Georg **KRAMER**, MBA, CFP
Mag. (FH) Gerd **WATZENIG**, MSc MLiTT MAIS

State commissioners:
LH Mag. Christopher **DREXLER**
Mag. Michael **SPREITZHOFER**, Deputy

For the cover pools pursuant to PfandbG:
Auditor Mag. Markus **UNGER**
Auditor Mag. Manuel **WOLF** (since 15 November 2023)

CONCLUDING REMARKS BY THE MANAGING BOARD

Statement of all legal representatives

We confirm that, to the best of our knowledge, the consolidated financial statements, which have been prepared according to the applicable financial reporting standards, provide a true and fair view of the Group's financial position, the results of its operations and its cash flows, that the consolidated management report presents the business development, performance and position of the Group in a manner that provides a true and fair view of the Group's financial position, the results of its operations and its cash flows, and that the consolidated management report describes the material risks and uncertainties to which the Group is exposed.

Graz, 8 April 2024

The Managing Board:

CEO KR MMag. Martin **SCHALLER**, Chairman of the Managing Board (signed)
responsible for finance and bank management, association, equity investments, capital markets, corporate communications and marketing

Member of the Managing Board KR Mag. Rainer **STELZER**, MBA, (signed),
responsible for corporate clients, project financing, retail, sales and real estate

Member of the Managing Board MMag. Dr. Florian **STRYECK** (signed),
responsible for risk management, legal & risk protection schemes, Compliance[1], money laundering[1] and internal auditing and Group auditing[1]

Member of the Managing Board Mag. Dr. Ariane **PFLEGER** (signed),
responsible for human resources & organisational development, IT & digitisation, sustainability, transaction services and construction & infrastructure

1 functionally subordinate to the Group Managing Board

AUDITOR’S REPORT

Report on the Consolidated Financial Statements

Audit Opinion

I have audited the consolidated financial statements of

Raiffeisen-Landesbank Steiermark AG,
Graz,

and its subsidiaries (the Group), comprising the consolidated balance sheet as of 31 December 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on my audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of 31 December 2023 and its financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements defined by Section 245a of the Austrian Commercial Code (“Unternehmensgesetzbuch”) and other regulatory requirements for banks.

Basis for Opinion

I conducted my audit in accordance with the regulation (EU) no. 537/2014 (in the following “EU-regulation”) and in accordance with Austrian Standards on Auditing. Those standards require that I comply with International Standards on Auditing (ISAs). My responsibilities under those regulations and standards are further described in the “Auditor`s Responsibilities for the Audit of the Consolidated Financial Statements” section of my report. I am independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained until the date of this auditor’s report is sufficient and appropriate to provide a basis for my opinion by this date.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of my audit of the consolidated financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

My audit identified three key audit matters, which are described below:

1. Valuation of the equity-accounted investment in Raiffeisen Bank International AG

RELEVANT FACTS AND RISK FOR THE FINANCIAL STATEMENTS

The investment in Raiffeisen Bank International AG (RBI), which also represents the central institution for Raiffeisen-Landesbank Steiermark AG (RLB Stmk AG) is reported under “Investments in associates valued at equity” at an amount of TEUR 975.769 in the consolidated financial statements of RLB Stmk AG as of 31 December 2023.

The management describes the procedure for the valuation of investments in companies valued at equity, including the assumptions made and uncertainties, in particular regarding RBI`s investment in the entity in Russia and its intended acquisition of shares in STRABAG SE and

the existing uncertainties in connection with the Russia-Ukraine war in the consolidated financial statements as of 31 December 2023 in the notes under “Accounting Policies”, in note 3., 11. and 21.
The value of the carrying amount of the equity accounted investment in RBI must be tested if there are any objective evidence of impairment or reversal of impairment. Impairments or reversal of impairment must be recognized up to the recoverable amount. The recoverable amount represents the higher of fair value less selling costs and the value in use.
Objective evidence of changes regarding the recoverable amount of the RBI investment was identified as of 31 December 2023.
In order to evaluate the value of the investment, the carrying amount of the shares was compared with the recoverable amount. The value in use was determined in accordance with a discounted cash flow method and exceeded the fair value. The recoverable amount exceeded the carrying amount as of 31 December 2023 and, after the transfer of the proportional share of earnings and changes in equity, a reversal of impairment of TEUR 71.441 was therefore recognized.
The risk for the consolidated financial statements arises from the fact that the calculation of the value in use is largely based on the estimation of future cash flows by the legal representatives, and the valuation result depends to a large extent on the discount rate used and is therefore associated with a considerable degree of estimation uncertainty.

AUDIT PROCEDURES
I evaluated the processes used to identify the objective evidence for impairment or reversal of impairment and assessed the installed controls to determine whether they are suitable to identify objective evidence of impairment or the possible need for revaluation on a timely basis.

I assessed management’s estimates regarding the presence of objective evidence of impairment or reversal of impairment.

I examined the correct determination of the recoverable amount by comparing the fair value (market price) and the value in use resulting from an external expert opinion considering adjustments made by the management regarding more conservative assumptions in the Russian business and the development of the core business.

I examined the bases of this external assessment, in particular the appropriateness of the valuation model and the adjustments and assumptions made by the management. I checked the parameters used, such as the discount rate, by comparing them with capital market data as well as company-specific information and market expectations. As part of the assessment of the external expert opinion, the underlying assumptions and scenarios regarding the entity in Russia included in RBI`s financial statements and its intended acquisition of shares in STRABAG SE were taken into account.

I compared the future cash flows used in the external expert opinion considering the adjustments made by the management with the Group's planning, analysed and assessed the quality of this planning, in particular on the basis of company documentation and the external opinion.

I compared the used fair value for determining the recoverable amount with the closing price at the Vienna Stock Exchange on the last trading day of the year 2023.

The mathematical accuracy of the reversal of impairment calculation was examined.

Furthermore, I assessed disclosures of the valuation of the investment in RBI in the consolidated financial statements (notes) are appropriate and to what extent an adequate presentation of the intended acquisition of shares in STRABAG SE by the entity in Russia and the impacts of the Russia-Ukraine war on the calculation of the value in use was given.

2. Valuation of loans and advances to customers

RELEVANT FACTS AND RISK FOR THE FINANCIAL STATEMENTS

In the consolidated financial statements of RLB Stmk AG as of 31 December 2023, the balance sheet item "financial assets - amortised cost (AC)" includes loans and advances to customers totalling TEUR 9.431.821. The risk provisions for these receivables amount to TEUR 178.052 as of the reporting date.

The management describes the procedure for determining the risk provisions considering the impacts of the macroeconomic environment on the loans and advances to customers in the notes under "Accounting Policies" and in note 12. and 16. Information on the applied macroeconomic parameters is provided in the chapter "Accounting Policies" under "Impairments".

As part of loan monitoring procedures, the Company evaluates whether there is any objective evidence of impairment which would require the recognition of individual risk provision. This evaluation also includes an assessment of whether customers can repay the full contractually agreed amount.

The calculation of the risk provision for individually significant customers who are in default is based on an analysis of the expected future cash inflows. This analysis is influenced by estimates of the respective customer's economic position and development, the valuation of collaterals, and estimates for the amount and timing of the related cash flows.

The risk provision for individual customers who are not significant but in default is calculated with a statistical valuation model.

The Bank also uses statistical valuation models to calculate the loss allowances for loans and advances that do not have any objective evidence of impairment.

The loss allowance for receivables whose credit risk has not increased significantly since initial recognition is based on the 12 month expected credit loss. For receivables whose credit risk has increased significantly since initial recognition, the loss allowance is based on the lifetime expected credit loss.

The valuation model includes the outstanding customer balances, collaterals and macroeconomic factors. Parameters which are based on statistical assumptions include, in particular, the probability of default based on the individual customer's credit rating and the loss rate before and after taking collateral into account.

Due to the macroeconomic conditions and their impact on loans and advances, the bank carried out a post model adjustment (PMA). The client base was divided into sub portfolios (by industrial sector) and, depending on their exposure to these macroeconomic events, the portfolios where transferred from stage 1 to stage 2.

For the consolidated financial statements, this involves the risk that the identification of objective evidence of impairment and the determination of a significant increase in credit risk since initial recognition are based on assumptions and estimates. The determination of the credit risk provisions is influenced to varying degrees by the above assumptions and estimates and is therefore also connected with discretionary judgment and estimation uncertainty, or based on the assessment of the customers affection due to the impacts of the macroeconomic environment on loans and advances due to the post model adjustment.

AUDIT PROCEDURES

I analysed the existing documentation and processes for granting, classification and monitoring loans and advances to customers as well as the allocation of the related risk provisions. I assessed whether these processes are appropriate to identify objective evidence of impairment and a significant increase in credit risk since initial recognition and, consequently, are suitable to ensure the correct valuation of the loans and advances to customers. I identified the related process workflows and key controls and evaluated the design and implementation of key controls and tested their effectiveness in samples.

Based on the presented company documentation and processes, I assessed the correct classification of customer loans in connection with the business model and the characteristics of the contractual cash flows in samples.

The correct stage assignment in accordance with IFRS 9 and the relevant internal guidelines was verified.

For individually significant customers, I used sampling procedures to test the loans and advances for the existence of objective evidence of impairment and to determine whether the amount of the risk provisions was appropriate. The samples were selected on the basis of risk-oriented criteria and in accordance with statistical procedures with a particular focus on rating levels with a higher risk of default and customers who are affected by the changes in the macroeconomic environment. In cases where objective evidence of impairment was identified, I reviewed the assumptions and underlying scenarios used by the Bank for the timing and amount of expected cash flows. I also tested, through sampling, the internal valuation of collateral to determine whether the assumptions underlying the models were adequate.

For individual customers who are not significant but in default and for customers with no objective evidence of impairment, I verified, together with the help of experts, the applied models, related parameters and forward-looking information and adjustments, also taking into consideration the validations carried out by the Bank. These models and parameters were evaluated with regard to their appropriateness for the determination of adequate risk provisions.

I verified the calculation of the risk provisions including the post model adjustments.

In addition, I assessed whether the disclosures in the notes to the consolidated financial statements (notes) regarding the valuation of loans and advances to customers are appropriate.

3. Valuation of securities and derivative financial instruments

RELEVANT FACTS AND RISK FOR THE FINANCIAL STATEMENTS
The fair values of the securities and derivative financial instruments in the consolidated financial statements of RLB Stmk AG are based on observable market prices or determined with valuation models. Derivative financial instruments are used to a significant extent for hedging and trading.

The management describes the procedures for the valuation and allocation of securities and derivative financial instruments as well as the hedging relationships in the notes in chapter "Accounting policies", "Statement of profit or loss", "Statement of financial position", "Notes to the statement of profit or loss" in note 5. to 8., "Notes to the statement of financial position" in note 16. to 20., 25. and 27. and "Notes to financial instruments" in note 32.

The fair value measurement of securities and derivative financial instruments for which market prices and sufficient observable market data are not available relates to discretionary judgment due to the use of internal valuation models and the included assumptions and parameters.

Additionally, the formation of hedging relationships requires compliance with documentation requirements for the hedge and its effectiveness.

Fair value hedge accounting of the interest rate exposure of a portfolio of financial assets or liabilities requires the determination and similarity of the selected hedged items as well as the calculation of the balance sheet item.

The risk for the consolidated financial statements arises from the fact that assumptions and parameters used in valuation models are highly discretionary and that the presentation and the formal material requirements for hedging relationships are met.

AUDIT PROCEDURES
I reviewed the guidelines issued by the Bank and the documentation of the installed processes for the valuation and allocation of securities and derivative financial instruments and carried out sampling procedures to test the effectiveness of the key controls.

I examined the valuation models and the underlying valuation parameters used to determine fair value for their appropriateness and consistent application. This process also included a sample-based comparison of the material applied parameters with external data and the verification of fair value calculations.

In particular, I assessed in samples whether the documentation of the hedging relationship and the effectiveness of the hedge was consistent with internal guidelines. I critically assessed the effectiveness tests carried out regarding their appropriateness.

Furthermore, I analysed if the hedged items of the fair value hedge accounting of the interest rate exposure of a portfolio of financial assets or liabilities are determined and similar. The calculated balance sheet item was examined.

In addition, I examined the appropriateness and completeness of the disclosures in the notes to the consolidated financial statements on the valuation methods and the formation of hedging relationships.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the Group's management report and the auditor’s report thereon. The annual report is estimated to be provided to me after the date of the auditor's report.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether - based on my knowledge obtained in the audit - the other information is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

Responsibilities of Management and of the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements pursuant to Section 245a of the Austrian Company Code (“Unternehmensgesetzbuch”) and other regulatory requirements for banks, for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit.

I also :

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Audit Committee with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, related safeguards..

From the matters communicated with the Audit Committee, I determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the Group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the Group's management report in accordance with Austrian Generally Accepted Accounting Principles and banking regulations.

I conducted my audit in accordance with Austrian Standards on Auditing for the audit of the Group's management report.

OPINION

In my opinion, the management report for the group was prepared in accordance with the valid legal requirements, comprising the details in accordance with section 243a UGB (Austrian Company Code) and is consistent with the consolidated financial statements.

STATEMENT

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the Group's management report came to my attention.

Additional information in accordance with article 10 of the EU regulation

I was appointed as auditor by Österreichischer Raiffeisenverband, the auditing association responsible for the statutory audit of the consolidated financial statements in the sense of the Austrian Banking Act (“Bankwesengesetz”) for the 2023 financial year. I have been the group auditor of the company without interruption since 2021.

I confirm that the audit opinion in the section “Report on the Consolidated Financial Statements” is consistent with the additional report to the Audit Committee referred to in article 11 of the EU regulation.

I declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by me and that I remained independent of the audited company in conducting the audit.

Responsible Austrian Certified Public Accountant

The responsible auditor is Mag. Andreas Fegerl

Vienna

April 8th 2024

The bank auditor appointed by Österreichischer Raiffeisenverband:
Mag. Andreas **FEGERL** – Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid.

Publication or sharing with third parties of the group financial statements together with my auditor’s opinion is only allowed if the financial statements and the management report are identical with the audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 par. 2 UGB (Austrian Commercial Code) applies to alternated versions.

INDEPENDENT AUDITOR'S REPORT

Audit opinion

We have audited the consolidated financial statements of

Raiffeisen-Landesbank Steiermark AG,
Graz,

and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the Group's affairs as at 31 December 2023, and of the Group's consolidated financial performance and consolidated cash flows for the year then ended. The Group's financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code), as well as Section 59a BWG (Austrian Banking Act).

Basis for our opinion

We were engaged by the Group's legal representatives as further (voluntary) auditors and conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Independent auditor's responsibilities for the audit of the consolidated financial statements" section of our independent auditor's report. We remain independent of the Group in accordance with and have fulfilled our other responsibilities under the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code), Austrian professional regulations as defined in the Austrian Professional Accountants and Tax Advisors' Act of 2017 (Wirtschaftstreuhandberufsgesetz 2017, "WTBG 2017") and related directives and guidelines ("Richtlinien für die Ausübung der Wirtschaftstreuhandberufe"). The rules defined by Directive (EU) No. 537/2014 on specific requirements regarding statutory audit of public-interest entities have not been agreed upon. Not applying these rules may mean that provisions have not been complied with, such as compliance regarding external rotation, permitted non-audit services ("fee cap") and the obligation to prepare a separate report to the audit committee. Our responsibility and liability as an auditor to the Group and to third parties are defined by the legal liability regulations under Section 275 Paragraph 2 UGB (Austrian Commercial Code).

We believe that the audit evidence we have obtained by the date of this audit opinion is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion theron, but we do not provide a separate opinion on these matters.

We identified the following key audit matters:

- Impairment of loans and receivables to non-banks measured at amortised cost and valuation of the provisions for lending operations

- Impairment of the investment in Raiffeisen Bank International AG valued at equity

Impairment of loans and receivables to non-banks measured at amortised cost and valuation of the provisions for off-balance sheet transactions

RISK FOR THE FINANCIAL STATEMENTS

The loans and receivables (excluding loans and receivables to banks) included in the item "Financial assets – amortised cost (AC)" in the consolidated statement of financial position amount to EUR 8,373.3 million; the corresponding impairment amounts to EUR 178.0 million, and provisions for off-balance sheet transactions amount to EUR 23.5 million.

The management of Raiffeisen-Landesbank Steiermark AG describes the procedures for determining impairments in the notes under Accounting Policies (section "Impairments").

For defaulted loans, the risk provision is recognised based on the lifetime expected loss is recognised (stage 3). The identification of defaults and the determination of the amount of the risk provisions for individually significant borrowers in default are subject to significant uncertainties in terms of the estimates made and levels of discretion. These arise from the financial position and performance of the respective borrower, as well as from the valuation of the collateral provided, impacting the amounts and timing of expected future cash flows derived from scenarios. Risk provisions for non-significant borrowers in default are based on models and statistical parameters and are therefore subject to differing levels of discretion and estimation uncertainties.

For loans with either a low credit risk or no significant increase in credit risk since initial recognition (stage 1), the 12-months expected loss is recognised as risk provision. For loans with a significant increase in credit risk (stage 2) the risk provision is recognised based on the lifetime expected loss. The stage assignment and the determination of expected credit losses of stages 1 and 2, which is based on statistical models, require comprehensive estimations and assumptions.

The ECL model is currently not capable to adequately reflect uncertainties and volatilities in the economic developments of borrowers, caused by the present volatile economic environment. Hence, in addition to the model result, an increase of credit risk provisions for non-defaulted loans ("post model adjustment") has been applied by the bank. This increase is based on sector impacts on the basis of the bank's internal analysis and external forecasts of economic developments.

The risk for the consolidated financial statements arises from the fact that the determination of risk provisions including the post model adjustment is based on significant estimations and assumptions, which may result in possible misstatements in the consolidated financial statements regarding the amount of risk provisions.

OUR AUDIT APPROACH

With respect to the impairment of loans and receivables to non-banks measured at amortised cost and valuation of the provisions for lending operations, we performed the following significant audit procedures:

- We assessed the process of credit monitoring and evaluated its adequacy regarding the timely identification of impairment triggers and appropriate risk provisioning amounts. For this purpose, we tested the design and implementation of the key controls in this area together with their operating effectiveness based on selected samples.

- Through creditor sample testing, we assessed whether rating assignments followed the internal guidelines and whether defaults were identified in a timely manner. Our sample placed particular emphasis on creditors with a higher risk of default, based on their rating. For significant borrowers in default, we assessed Management's assumptions with regards to the conclusiveness and consistency on timing and size of expected returns.

- With respect to risk provisions for non-significant borrowers in default, we assessed the models and parameters applied regarding their suitability to determine risk provisions at an adequate level and carried out sample testing to validate their mathematical accuracy.

- For risk provisions for non-defaulted borrowers (stages 1 and 2) we assessed the model and parameters applied regarding their suitability to determine risk provisions amounts in an adequate manner. We also assessed the adequacy of the rationale for the post model adjustment, as well as its derivation and any underlying assumptions. We involved our internal financial mathematicians for this assessment.

Impairment of the investment in Raiffeisen Bank International AG valued at equity

RISK FOR THE FINANCIAL STATEMENTS

The Group accounts for its investment in shares of Raiffeisen Bank International AG using the equity method. The book value of the investment amounts to a total of EUR 975.8 million.

The management of Raiffeisen-Landesbank Steiermark AG describes the procedures for the valuation of associates measured at equity in the notes under Accounting Policies (section "Investments in associates valued at equity") and in the chapter titled "Statement of financial position" (section "Investments in associates valued at equity") as well as in note 21 ("Investments in associates valued at equity").

The Group assesses whether impairment indicators exist or whether indicators of prior impairments are no longer relevant. If such indicators exist, the recoverable amount is calculated in order to determine the impairment or the reversal amount. This valuation is based on an external expert opinion applying the discounted cash flow method. The calculation of the recoverable amount is mainly dependent on estimates, including discount rates and expected future cash flows and profits, as well as shareholder returns considering legal and regulatory dividend payout limitations. The discount rates used are based on observable financial and capital markets parameters.

The risk for the consolidated financial statements arises on account of these calculations being dependant on uncertainty and estimates, exposing them to the risk of incorrect valuation in the financial statements.

OUR AUDIT APPROACH

With respect to the impairment of the at-equity investment in Raiffeisen Bank International AG, we performed the following significant audit procedures:

- We evaluated the process relating to the identification of impairment indicators or whether prior impairments are no longer relevant, as well as to the assessment of the recoverability of investments.

- With involvement of our valuation specialists, we reviewed the models, planning assumptions and other parameters applied in the valuation of the investment in Raiffeisen Bank International AG. We assessed the planning figures with regards to the appropriateness of assumptions and their reasonability. The valuation model was also assessed for its appropriateness to determine the enterprise value in an adequate manner.

- In our assessment of the valuation parameters used in the model, we evaluated the parameter components, in particular interest rates, with respect to specific market and branch factors.

- In addition, we analysed whether the impact of current geopolitical developments has been appropriately recognized in the planning figures.

- With involvement of our valuation specialists, we validated the mathematical accuracy of the calculation of the enterprise value and compared the enterprise value with market data and other publicly available information.

Other information in the annual report

Management is responsible for the other information. Other information comprises all of the information in the Annual Financial Report other than the consolidated financial statements and our independent auditors' report thereon. We received the group management report before the date of the independent auditors' report. The remaining information and parts comprising the Annual Financial Report will be available to us after this date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the consolidated financial statements or our audit knowledge.

If, based on the work we have performed regarding the other information received before the independent auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities of management and the audit committee for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements in accordance with the applicable framework, including International Financial Reporting Standards (IFRS) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) as well as Section 59a BWG (Austrian Banking Act) and for being satisfied that they give a true and fair view. Management is also responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Independent Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance but does not guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs), will always detect a material misstatement, if any. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.

- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our independent auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our independent auditor's report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Engagement Partner

The responsible engagement partner is Mr. Mag. Christian Grinschgl.

Linz

8 April 2024

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Qualified electronically signed
Mag. Christian **GRINSCHGL**
Wirtschaftsprüfer (Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.
The consolidated financial statements together with our independent auditor's opinion may only be published if the consolidated financial statements are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

RAIFFEISEN-LANDESBANK STEIERMARK

Established in 1927

Regional headquarters, credit and financing institution as well as service provider and information centre of the Raiffeisen Banking Group in Styria.

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For reasons of simplicity, no gender-specific distinctions have been made in this annual report. All terms used herein shall be deemed to refer to all genders.

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